



# SkyCity Entertainment Group Limited Interim Financial Statements

for the six month period ended 31 December 2022



These interim financial statements for the six month period ended 31 December 2022 were signed on 14 February 2023 on behalf of the Board of Directors of SkyCity Entertainment Group Limited by:

**Julian Cook**  
Chair of the SkyCity Board

**Chad Barton**  
Chair of the Audit Committee



## Independent auditor's review report

To the shareholders of SkyCity Entertainment Group Limited

### Report on the interim financial statements

#### Our conclusion

We have reviewed the interim financial statements of SkyCity Entertainment Group Limited (the Company) and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2022, and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the six month period ended on that date, and significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that these accompanying interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2022, and its financial performance and cash flows for the six month period then ended, in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34).

#### Basis for conclusion

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410 (Revised)). Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial statements* section of our report.

We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements. In addition to our role as auditor, our firm carries out other services for the Group in the areas of tax compliance and other assurance and agreed-upon procedures in relation to: compliance with banking and debt covenants; the allocation of Community Trust revenue; the shareholder vote count at the Annual General Meeting; the verification of share-based payment calculations; and the reconciliation of normalised results to reported results. The provision of these other services has not impaired our independence.

#### Emphasis of matter – impact of the NZICC fire

We draw attention to Note 7 in the interim financial statements, which describes the impact of the fire at the New Zealand International Convention Centre (NZICC) construction site which caused extensive damage to the NZICC and also damaged the Horizon Hotel, which is being constructed on the adjacent site. As stated in Note 7, a number of significant judgements and estimates have been made and it is possible that the actual financial impacts of the fire will differ from those included in these financial statements; those differences may be material. Our conclusion is not modified in respect of this matter.

#### Emphasis of matter – uncertainty regarding the outcome of regulatory matters

We draw attention to Note 14(a) in the interim financial statements, which describes the uncertainty relating to the outcome of the civil penalty proceedings launched by the Australian Transaction Reports and Analysis Centre (AUSTRAC) against SkyCity Adelaide Pty Ltd and the uncertainty relating to the outcome of the independent review being conducted by Consumer Business Services Australia (CBS) into SkyCity Adelaide Pty Ltd. As stated in Note 14(a), a reliable estimate of the potential liability cannot be made relating to the AUSTRAC proceedings at this stage; and until any



findings are made, or a final report is received, it is not possible to determine what regulatory action, if any, might be applied as a result of the CBS independent review. Our conclusion is not modified in respect of these matters.

**Directors' responsibility for the financial statements**

The Directors of the Group are responsible on behalf of the Company for the preparation and fair presentation of these interim financial statements in accordance with IAS 34 and NZ IAS 34 and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibilities for the review of the financial statements**

Our responsibility is to express a conclusion on the interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with IAS 34 and NZ IAS 34.

A review of interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

**Who we report to**

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state those matters which we are required to state to them in our review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.

The engagement partner on the review resulting in this independent auditor's review report is Richard Day.

For and on behalf of:

A handwritten signature in black ink, appearing to read 'Richard Day', written in a cursive style.

Chartered Accountants  
14 February 2023

Auckland



## Income Statement

For the six month period ended 31 December 2022

	NOTES	UNAUDITED 6 MONTHS 31 DECEMBER 2022	UNAUDITED 6 MONTHS 31 DECEMBER 2021
		\$'000	\$'000
Revenue	5	437,128	216,755
NZICC fire related income	7(a)	21,968	52,483
Other income	6	3,128	20,573
Share of profits from associates		349	-
NZICC fire related expenses	7(b)	(50,100)	(56,330)
Employee benefits expense		(149,480)	(123,319)
Impairment		(3,568)	(6,236)
Other expenses	13	(71,094)	(43,889)
Directors' fees		(542)	(598)
Gaming taxes and levies		(27,302)	(15,802)
Direct consumables		(29,292)	(14,870)
Marketing and communications		(11,459)	(6,578)
Community contributions, sponsorships and donations		(4,949)	(1,780)
Fair value losses on investment properties	12	(8,447)	-
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)		106,340	20,409
Depreciation and amortisation		(42,343)	(44,906)
Depreciation on right-of-use assets		(3,121)	(2,934)
Earnings before Interest and Tax (EBIT)		60,876	(27,431)
Net finance costs		(15,848)	(17,169)
<b>Profit/(Loss) Before Income Tax</b>		<b>45,028</b>	<b>(44,600)</b>
Income tax (expense)/benefit	10	(22,179)	10,882
<b>Profit/(Loss) for the Period Attributable to Shareholders of the Company</b>		<b>22,849</b>	<b>(33,718)</b>
<b>Earnings per share for Profit Attributable to the Shareholders of the Company</b>		<b>CENTS</b>	<b>CENTS</b>
Basic and diluted earnings/(loss) per share		3.0	(4.5)

The above income statement should be read in conjunction with the accompanying notes.



## Statement of Comprehensive Income

For the six month period ended 31 December 2022

	UNAUDITED 6 MONTHS 31 DECEMBER 2022	UNAUDITED 6 MONTHS 31 DECEMBER 2021
	\$'000	\$'000
<b>Profit/(Loss) for the Period</b>	<b>22,849</b>	(33,718)
<b>Other comprehensive income: Items that may be subsequently reclassified to profit or loss</b>		
<b>Foreign Currency Translation Reserve</b>		
Exchange differences on translation of overseas subsidiaries	(12,463)	(4,584)
<b>Cash flow Hedge Reserve</b>		
Cash flow hedges - revaluations	(7,425)	4,277
Cash flow hedges - transfer to finance costs	13,015	1,184
Cash flow hedges - income tax	(1,565)	(1,529)
<b>Cost of Hedging Reserve</b>		
Cost of hedging reserve - revaluations	(4,127)	(212)
Cost of hedging reserve - transfer to finance costs	462	462
Cost of hedging reserve - income tax	1,026	(70)
<b>Other Comprehensive Income for the Year, Net of Tax</b>	<b>(11,077)</b>	(472)
<b>Total Comprehensive Income for the Year</b>	<b>11,772</b>	(34,190)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.



## Balance Sheet

As at 31 December 2022

	NOTES	UNAUDITED 31 DECEMBER 2022	30 JUNE 2022
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		136,524	48,698
Receivables and prepayments		30,358	25,826
Inventories		8,283	7,528
Derivative financial instruments		186	363
Current tax receivables		–	4,431
NZICC fire recoveries	7(c)	91,597	212,475
Convertible notes		2,000	–
Assets classified as held for sale	11	15,250	26,646
<b>Total Current Assets</b>		<b>284,198</b>	<b>325,967</b>
<b>Non-current Assets</b>			
NZICC fire recoveries	7(d)	–	17,183
Deferred tax assets		20,457	19,372
Finance lease receivable		13,363	12,737
Derivative financial instruments		5,300	11,598
Investments in associates		42,485	42,136
Investment properties	12	111,420	119,720
Property, plant and equipment		1,533,891	1,442,680
Intangible assets		615,574	623,897
Right-of-use assets		122,143	126,412
Convertible notes		–	2,000
<b>Total Non-current Assets</b>		<b>2,464,633</b>	<b>2,417,735</b>
<b>Total Assets</b>		<b>2,748,831</b>	<b>2,743,702</b>

The above balance sheet should be read in conjunction with the accompanying notes.



## Balance Sheet (continued)

As at 31 December 2022

	NOTES	UNAUDITED 31 DECEMBER 2022	30 JUNE 2022
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables and provisions		204,576	187,199
Interest bearing liabilities	9	49,713	78,000
Current tax liabilities		23,245	94
Derivative financial instruments		200	12
Lease liabilities		3,647	3,576
Lease income in advance	13	39,815	–
<b>Total Current Liabilities</b>		<b>321,196</b>	268,881
<b>Non-Current Liabilities</b>			
Interest bearing liabilities	8	391,843	451,372
Non-current payables		19,846	24,557
Lease income in advance		–	29,501
Deferred tax liabilities		56,517	60,591
Lease liabilities		114,701	117,530
Deferred licence value		260,051	219,996
<b>Total Non-current Liabilities</b>		<b>842,958</b>	903,547
<b>Total Liabilities</b>		<b>1,164,154</b>	1,172,428
<b>Net Assets</b>		<b>1,584,677</b>	1,571,274
<b>EQUITY</b>			
Share capital		1,342,187	1,340,556
Reserves		(15,522)	(4,445)
Retained earnings		258,012	235,163
<b>Total Equity</b>		<b>1,584,677</b>	1,571,274

The above balance sheet should be read in conjunction with the accompanying notes.





## Statement of Changes in Equity

For the six month period ended 31 December 2022

	SHARE CAPITAL	RESERVES	RETAINED EARNINGS	TOTAL EQUITY
	\$'000	\$'000	\$'000	\$'000
<b>Balance as at 1 July 2022</b>	1,340,556	(4,445)	235,163	<b>1,571,274</b>
Total comprehensive income	-	(11,077)	22,849	<b>11,772</b>
Share rights issued for employee service	1,648	-	-	<b>1,648</b>
Net movement in treasury shares	(17)	-	-	<b>(17)</b>
<b>Balance as at 31 December 2022</b>	<b>1,342,187</b>	<b>(15,522)</b>	<b>258,012</b>	<b>1,584,677</b>
<b>Balance as at 1 July 2021</b>	<b>1,338,223</b>	<b>(22,979)</b>	<b>321,840</b>	<b>1,637,084</b>
Total comprehensive income	-	(472)	(33,718)	<b>(34,190)</b>
Dividends paid	-	-	(53,082)	<b>(53,082)</b>
Share rights issued for employee service	3,363	-	-	<b>3,363</b>
Net movement in treasury shares	(2,308)	-	-	<b>(2,308)</b>
<b>Balance as at 31 December 2021</b>	<b>1,339,278</b>	<b>(23,451)</b>	<b>235,040</b>	<b>1,550,867</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes.



## Statement of Cash Flows

For the six month period ended 31 December 2022

	UNAUDITED 6 MONTHS 31 DECEMBER 2022	UNAUDITED 6 MONTHS 31 DECEMBER 2021
	\$'000	\$'000
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	429,808	216,879
Payments to suppliers and employees	(240,260)	(215,699)
Government grants	331	17,228
Other insurance income	1,744	–
Gaming taxes and levies paid	(30,815)	(17,772)
Income taxes paid	(940)	(32,712)
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>159,868</b>	<b>(32,076)</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from disposal of assets held for sale	7,812	3,250
Capital additions	(81,686)	(46,231)
Purchased intangible assets	(2,966)	(8,449)
NZICC fire related income	160,030	131,177
NZICC fire related expenses	(58,758)	(58,584)
<b>Net Cash Inflow from Investing Activities</b>	<b>24,432</b>	<b>21,163</b>
<b>Cash Flows from Financing Activities</b>		
Cash flows associated with net derivatives	1,371	2,893
Proceeds from new borrowings	20,000	108,336
Repayment of borrowings	(98,000)	–
Buy back of shares	–	(2,308)
Movement in treasury shares	(17)	–
Interest paid	(14,819)	(15,430)
Dividends paid to company shareholders	–	(53,082)
Lease interest paid	(3,220)	(2,794)
Repayment of lease liabilities	(1,789)	(1,775)
<b>Net Cash (Outflow)/Inflow from Financing Activities</b>	<b>(96,474)</b>	<b>35,840</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>87,826</b>	<b>24,927</b>
Cash and Cash Equivalents at the Beginning of the Period	48,698	49,940
<b>Cash and Cash Equivalents at the End of the Period</b>	<b>136,524</b>	<b>74,867</b>

The above statement of cash flows should be read in conjunction with the accompanying notes.



## NOTES TO THE FINANCIAL STATEMENTS

### 1 General Information

SkyCity Entertainment Group Limited (the **Company**) and its subsidiaries (together, **SkyCity** or the **Group**) operate in the gaming, entertainment, hotel, convention, hospitality and tourism sectors. The Group has operations in New Zealand and Australia.

The Company is a limited liability company incorporated and domiciled in New Zealand. The Company is registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The address of its registered office is 99 Albert Street, Auckland. The Company is listed on the New Zealand stock exchange and has a foreign exempt listing on the Australian stock exchange (**NZX** and **ASX** respectively).

These interim financial statements of the Group for the six months ended 31 December 2022 have been reviewed but have not been audited. They were approved for issue by the Board of Directors on 14 February 2023.

For the purposes of complying with generally accepted accounting practice in New Zealand (**GAAP**), the Group is a for-profit entity.

### 2 Basis of Preparation

These interim financial statements have been prepared in accordance with GAAP. They comply with New Zealand equivalent to International Accounting Standard (NZ IAS) 34 *Interim Financial Reporting*, International Accounting Standard (IAS) 34 *Interim Financial Reporting*, and the NZX Listing Rules.

These interim financial statements do not include all the notes normally included in the annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the annual report for the year ended 30 June 2022.

#### Measurement Basis

These interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities, as identified in the 30 June 2022 annual financial statements.

#### Presentation Currency

These interim financial statements are presented in New Zealand dollars, which is the Company's functional currency. Amounts are rounded to the nearest thousand dollars, unless otherwise stated.

#### Reclassification of Expenses

Expenses for the comparative period have been reclassified to be consistent with the current year's expense classification. There has been no impact on total expenses or profit.

#### Non-GAAP Financial Information

The Group's standard profit measure prepared under GAAP is profit for the period. When discussing financial performance, the Group also uses non-GAAP financial information, which is not prepared in accordance with GAAP and therefore may not be comparable to similar financial information presented by other entities. The Directors and management believe that this non-GAAP financial information provides useful information to readers of the financial statements to assist them in understanding the Group's financial performance and is consistent with the information used internally to evaluate the performance of the business units.

Definitions of non-GAAP financial information used in these financial statements are:

- EBITDA: Earnings before interest, tax, depreciation, and amortisation; and
- EBIT: Earnings before interest and tax



## NOTES TO THE FINANCIAL STATEMENTS

### 2 Basis of Preparation (continued)

#### Critical Accounting Estimates and Judgements

The preparation of interim financial statements requires the use of certain critical accounting estimates and the exercise of judgement regarding the application of accounting policies.

These interim financial statements are prepared using the same significant judgements and estimates as were used in the preparation of the 30 June 2022 annual financial statements.

In addition, for these interim financial statements, judgement has been required to determine how to account for the termination of the concession agreement (**Car Park Concession Agreement**) dated 3 April 2019 pursuant to which MPF Parking Limited (**Macquarie**) was granted a long term concession until 2048 over the SkyCity Auckland car parks located at both the SkyCity Auckland main site and the New Zealand International Convention Centre (**NZICC**) site (note 13).

#### Going Concern

In the comparative period (the six months to 31 December 2021), the Group incurred a loss of \$33.7 million largely due to trading restrictions imposed by the New Zealand and South Australian Governments in response to the ongoing COVID-19 pandemic. In the current period, no such trading restrictions have been imposed on the Group.

SkyCity has prepared cash flow forecasts to support its going concern assessment. These forecasts consider a range of possible scenarios, including in relation to the termination of the Car Park Concession Agreement (note 13) and contingent liabilities (note 14). These scenarios have been informed by recent trading performance and assume there are no further COVID-19 trading restrictions imposed in New Zealand or South Australia. While there remain uncertainties regarding the near term financial performance of the Group, SkyCity's forecasts indicate that the Group continues to have access to a sufficient level of liquidity to sustain the business, remain compliant with its financial obligations and meet any future challenges that may arise from the termination of the Car Park Concession Agreement and contingent liabilities. The Directors have therefore concluded that there are no material uncertainties related to the Group being a going concern and, accordingly, these interim financial statements are prepared on a going concern basis.

### 3 Summary of Significant Accounting Policies

All material accounting policies applied in these interim financial statements are consistent with those applied in the audited 30 June 2022 annual financial statements and are consistently applied to all periods presented, unless otherwise stated.

### 4 Segment Information

Operating segments are reported in a manner consistent with the internal reports that the Chief Executive Officer (**CEO**), who is the chief operating decision maker, uses to assess performance and allocate resources.

The Group is organised into the following main operating segments:

#### SkyCity Auckland

This segment consists of the Group's Auckland operations and includes casino operations, hotel and convention (including the NZICC), food and beverage, Sky Tower, investment properties and a number of other related activities. This segment does not include International Business operations.

#### Other NZ Operations

This segment consists of the Group's operations at SkyCity Hamilton, SkyCity Queenstown, SkyCity Wharf and online gaming. This segment does not include International Business operations.

#### SkyCity Adelaide

This segment consists of the Group's Adelaide operations, which comprise casino operations, hotel and food and beverage. This segment does not include International Business operations.

#### International Business

This segment comprises gaming operations for international customers, most of whom are from Asia. The revenue is generated at SkyCity's Auckland, Adelaide, Queenstown and Hamilton locations. The results of the segment include commission and complimentary play.

#### Corporate/Group

This segment includes head office functions, funding entities and the Group's investment in its associate Gaming Innovation Group Inc (**GiG**). It is not considered an operating segment.



## NOTES TO THE FINANCIAL STATEMENTS

### 4 Segment Information (continued)

	SKYCITY AUCKLAND	OTHER NZ OPERATIONS	SKYCITY ADELAIDE	INTERNATIONAL BUSINESS	CORPORATE /GROUP	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>SIX MONTHS ENDED 31 DECEMBER 2022</b>						
Gaming revenue	193,505	34,809	91,649	14,312	–	<b>334,275</b>
Online gaming revenue	–	7,867	–	–	–	<b>7,867</b>
Non-gaming revenue	57,492	5,659	34,940	61	36	<b>98,188</b>
Other income	2,899	26	–	–	203	<b>3,128</b>
NZICC fire income	21,968	–	–	–	–	<b>21,968</b>
Share of net profit of associate	–	–	–	–	349	<b>349</b>
<b>Total income</b>	<b>275,864</b>	<b>48,361</b>	<b>126,589</b>	<b>14,373</b>	<b>588</b>	<b>465,775</b>
Expenses	(143,031)	(20,854)	(103,807)	(12,411)	(17,217)	<b>(297,320)</b>
NZICC fire expenses	(50,100)	–	–	–	–	<b>(50,100)</b>
Impairment/ fair value adjustment	(12,015)	–	–	–	–	<b>(12,015)</b>
Depreciation and amortisation	(19,234)	(2,727)	(16,966)	–	(6,537)	<b>(45,464)</b>
<b>Segment profit/(loss) (EBIT)</b>	<b>51,484</b>	<b>24,780</b>	<b>5,816</b>	<b>1,962</b>	<b>(23,166)</b>	<b>60,876</b>
<b>Net finance costs</b>						<b>(15,848)</b>
<b>Profit before income tax</b>						<b>45,028</b>
<b>SIX MONTHS ENDED 31 DECEMBER 2021</b>						
Gaming revenue	72,650	21,474	65,685	167	–	<b>159,976</b>
Online gaming revenue	–	9,317	–	–	–	<b>9,317</b>
Non-gaming revenue	19,315	3,109	25,101	14	431	<b>47,970</b>
Other income	15,746	3,447	50	–	1,330	<b>20,573</b>
NZICC fire income	52,483	–	–	–	–	<b>52,483</b>
<b>Total income</b>	<b>160,194</b>	<b>37,347</b>	<b>90,836</b>	<b>181</b>	<b>1,761</b>	<b>288,558</b>
Expenses	(95,843)	(17,683)	(79,526)	(4,537)	(9,755)	<b>(207,344)</b>
NZICC fire expenses	(56,330)	–	–	–	–	<b>(56,330)</b>
Impairment	–	(4,390)	–	–	(1,846)	<b>(6,236)</b>
Depreciation and amortisation	(22,022)	(3,074)	(16,255)	–	(6,489)	<b>(47,840)</b>
<b>Segment profit/(loss) (EBIT)</b>	<b>(14,001)</b>	<b>12,200</b>	<b>(4,945)</b>	<b>(4,356)</b>	<b>(16,329)</b>	<b>(27,431)</b>
<b>Net finance costs</b>						<b>(17,169)</b>
<b>Loss before income tax</b>						<b>(44,600)</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 5 Revenue

	6 MONTHS 31 DECEMBER 2022	6 MONTHS 31 DECEMBER 2021
	\$'000	\$'000
Gaming	331,073	159,468
Non-gaming	98,188	47,970
Online gaming revenue	7,867	9,317
<b>Total revenue</b>	<b>437,128</b>	<b>216,755</b>

Gaming revenues represent the net win to the casino from gaming activities, being the difference between amounts wagered and amounts won by casino patrons. Revenue is recognised at the conclusion of each game. International Business rebates are accounted for as a reduction in gaming revenue.

The revenue from the online casino is from New Zealand based players using technology developed by the Group's associate, GiG, and under a Malta gaming licence held by Silvereye Entertainment Limited (a subsidiary of GiG). SkyCity is not the principal transacting with online casino customers. Revenue is reported net of GiG costs allowable under the arrangement.

Non-gaming revenues include revenues arising from hotels and conventions, food and beverage, Sky Tower, car parking and other sources. These are recognised when the associated goods or services have been provided.

	NOTES	6 MONTHS 31 DECEMBER 2022	6 MONTHS 31 DECEMBER 2021
		\$'000	\$'000
<b>Reconciliation to the segment note</b>			
Total revenue	5	437,128	216,755
Other income	6	3,128	20,573
Share of net profit of associate		349	-
NZICC fire related income	7	21,968	52,483
<b>Total income</b>		<b>462,573</b>	<b>289,811</b>
International Business rebates		3,202	508
<b>Total income as per segment note</b>		<b>465,775</b>	<b>290,319</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 6 Other Income

	6 MONTHS 31 DECEMBER 2022	6 MONTHS 31 DECEMBER 2021
	\$'000	\$'000
Net gain on disposal of property, plant and equipment	14	555
Net gain on sale of Lets Play Live Media	-	1,779
Other insurance income	1,744	-
Government grants	331	17,228
Dividend income	5	2
Rental income from investment properties	1,034	1,009
<b>Total other income</b>	<b>3,128</b>	<b>20,573</b>

#### Government Grants

As part of its COVID-19 response, the New Zealand Government introduced a wage subsidy scheme to enable businesses to retain employees. The New Zealand Government also provides wage subsidies to assist people into employment. SkyCity received \$0.3 million of subsidies for the current financial period under those schemes (31 December 2021: \$17.2 million).

#### Other Insurance Income

As outlined in note 7, in October 2019 there was a fire at the NZICC construction site. As a result of the NZICC fire the Group is required to make payments to compensate Macquarie for car parks that are not available under the Car Park Concession Agreement. Other insurance income arises as a result of the insurer's partial payment of the Group's claim in relation to this payment to Macquarie and is recognised when it is received.

### 7 NZICC Fire

On 22 October 2019, there was a significant fire at the NZICC construction site which caused extensive damage to the NZICC and also damaged Horizon Hotel, which is being constructed on the adjacent site.

Both NZICC and Horizon Hotel are insured, and the insurers have acknowledged the fire event and confirmed that SkyCity's contract works policy will respond in relation to damage caused by the fire. Any costs not covered by insurance are expected to be incurred by or sought from Fletcher Construction Company Limited (**FCC** or **Contractor**) who is the contractor constructing both buildings.

The NZICC is being built under an agreement between the Group and the Crown. Under that agreement, the NZICC must be completed by a specified date, referred to as the completion long stop date, which was extended to 15 December 2027. SkyCity expects to complete the NZICC before this date.

In accounting for the impact of the fire, a number of significant judgements and estimates have been made. The most significant assumptions, and associated risk to the estimates provided, relate to the extent of the damage to the NZICC building and the uncertain cost to remediate, the timeline for remediation and the final view of the insurers as the claims are presented. These judgements and estimates will continue to be reviewed as new information becomes available. It is possible that the actual financial impacts of the fire will differ from those included in these financial statements - those differences may be material. Details of judgements and estimates made are provided throughout this note.

#### (a) Income

	6 MONTHS 31 DECEMBER 2022	6 MONTHS 31 DECEMBER 2021
	\$'000	\$'000
Contract works insurance recovery (remediation and pre-remediation costs)	21,968	52,483
<b>Total income</b>	<b>21,968</b>	<b>52,483</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 7 NZICC Fire (continued)

#### Contract Works Insurance Recovery

The accounting treatment of the insurance recovery for the damage caused by the fire is dependent on the relationship between SkyCity, the insurers and the Contractor. It is the Group's view, supported by legal advice, that SkyCity is the principal in the insurance relationship and therefore receives, and has control over, all insurance proceeds. As a result of this relationship, and because insurance proceeds are recognised when their receipt is virtually certain, the Group has recognised the following where recovery of the associated costs is virtually certain under the Contract Works Insurance policy:

- the expected insurance proceeds for reconstruction/remediation of the fire damage as income and a receivable, based on estimated rebuild costs; and
- actual pre-remediation costs as income and a receivable as the works are undertaken.

Amounts claimed under the Contract Works Insurance policy relate to the following items:

- reconstruction costs paid to the Contractor;
- pre-remediation costs, including site preparation, demolition and clearing costs paid to the Contractor;
- costs of professional advisers assisting the Group as a result of the fire; and
- insurance premiums and other project costs for additional periods due to construction delays.

Pre-remediation costs relating to site preparation and including demolition and clearing costs paid to the Contractor and associated costs incurred by SkyCity, are recognised as expenses when they are incurred. Payments to the Contractor for the reconstruction and associated costs incurred by SkyCity (i.e. remediation costs) are capitalised to property, plant and equipment as the rebuild occurs over time.

While the insurers have confirmed that SkyCity's Contracts Works Insurance policy will respond in relation to the damage caused by the fire, the final insurance recovery will be dependent on the final view of the insurers as the claims are presented. The damage assessment, reconstruction scope and insurance claim process by the Contractor and the insurers is still underway, so no complete reconstruction cost insurance recovery has been confirmed at this stage. Accordingly, the Group has had to estimate the level of insurance recovery for the purposes of these accounts with income not recognised in relation to costs for which the recoverability has not been assessed to be virtually certain at this stage.

This estimate has been informed by the early estimates the Group received from quantity surveyor Rider Levett Bucknall Auckland Limited (**RLB**) on the possible reconstruction costs, current estimates provided by the Contractor, the total indemnity limits, sub limits, terms and conditions of the Contract Works Insurance policy, feedback from the insurers and their representatives to date, and advice from the Group's legal and insurance advisors as to the likely insurance policy response.

At this stage it is not possible to provide a high level of certainty on the likely outcome and quantum of the recoveries under the Contract Works Insurance policy. The Group has assumed a total insurance recovery for remediation and pre-remediation costs for both buildings of \$617.2 million (30 June 2022: \$595.2 million) - the increase in the current period is due to further information received from the insurers on policy responses and the Contractor on anticipated costs of rebuild. The Group considers recovery of this amount to be virtually certain. At 31 December 2022, \$459.4 million (30 June 2022: \$328.1 million) of this has been provisionally confirmed as covered under the policy by the insurers. However, as with large and complex claims like this, and where expected costs have not all been incurred to date and not all claims have been presented to the insurers, there are further costs for which policy coverage has not been confirmed by the insurers and therefore for which the recoverability has not been assessed to be virtually certain. The Group will only recognise insurance income in relation to these costs as recovery becomes virtually certain. Some of these costs are disclosed as a contingent asset (note 14) where recovery is probable.

As outlined above, insurance income related to estimated pre-remediation and remediation costs is recognised when the recoverability of those costs is considered virtually certain. The assessment of whether the recoverability of specific costs is virtually certain is a key judgement of the Group, and that judgement is based on limited information and is highly sensitive to the final view of the insurers as the claims are compiled and presented. In addition, for remediation costs, the judgement is highly sensitive to the actual extent of rebuild required (i.e. the extent of damage done by the fire) and the actual remediation costs, and could be further affected by potential market movements in construction costs. As a result of these factors, the ultimate insurance recovery may differ, potentially materially, from the current assessment.

The majority of pre-remediation and remediation/reconstruction costs are expected to be incurred by the Contractor. However, costs are also incurred by SkyCity and initial recovery for these items will be sought from insurers where appropriate. To the extent that recovery under the Group's insurance policies is not available, recovery of these costs may be sought from the Contractor.





## NOTES TO THE FINANCIAL STATEMENTS

### 7 NZICC Fire (continued)

#### Other Recoveries

In addition to recovery of the expected pre-remediation and remediation/reconstruction costs, the Group seeks recovery of additional costs. These costs include business interruption costs and lost gross profit while the Auckland precinct was closed or affected by the fire, additional ongoing costs that have arisen as a result of the fire and insurance excess.

Initial recovery for these additional items will be sought from insurers where appropriate and, to the extent that recovery under the Group's insurance policies is not available, recovery may be sought from the Contractor.

Income in relation to these items is recognised as other recoveries when the costs are incurred, and it is virtually certain that these costs will be reimbursed. Where recovery of these costs is considered probable but not considered virtually certain, a contingent asset is disclosed (note 14). The assessment of whether recoverability of these costs is virtually certain is a key judgement by the Group.

#### (b) Expenses

	6 MONTHS 31 DECEMBER 2022	6 MONTHS 31 DECEMBER 2021
	\$'000	\$'000
Write-back of NZICC and Horizon Hotel capitalised work-in-progress	(50,041)	-
Release of Deferred Licence Value liability	40,055	-
Site preparation, demolition and other costs	60,086	56,330
<b>Total expenses</b>	<b>50,100</b>	<b>56,330</b>

#### Write-off of NZICC and Horizon Hotel Capitalised Work-in-Progress

The fire is accounted for as the disposal of the damaged asset and the purchase of new component parts (or, as applicable, the part replacement of repaired component parts). As a result, the carrying value of the damaged/destroyed parts of the NZICC and Horizon Hotel is expensed. As the investigation of the extent of damage is finalised, a change to the current estimated damaged components may be identified and adjusted in future periods. However the Group believes as the damage assessment and remediation of both buildings progress, there is less risk of material adjustment to the damaged components to be identified and written off.

Based on updated estimates provided by RLB, and additional advice relating to damage assessment from the NZICC project team, the Group estimates that approximately 38% (30 June 2022: 51%) of the NZICC and 12% (30 June 2022: 13%) of the Horizon Hotel construction work that had been completed to the date of the fire has been destroyed and will need to be replaced. In addition, the Group estimates that approximately 22% (30 June 2022: 28%) of the associated overheads and direct costs incurred by the Group that were capitalised to the build prior to the fire were destroyed by the fire and those costs have consequently been written off. As a result, approximately \$144.3 million of costs previously capitalised as work in progress in property, plant and equipment have been written off (30 June 2022: \$194.3 million). This has resulted in a decrease of \$50.1 million in the current financial year to the impairment expense recognised in relation to the fire (2022 financial year: decrease of \$34.3 million).

While there is now more certainty around the extent of damage than at 30 June 2022, due to updated estimates and additional information received from the insurers and FCC, and hence refinement of the numbers above, this estimate is still highly sensitive to the actual extent of damage and the ultimate write off may differ as the final assessment of the damage to both buildings is completed.

Future costs (external and internal) related to rebuilding the NZICC and Horizon Hotel to their level of completion prior to the fire will be capitalised as incurred.



## NOTES TO THE FINANCIAL STATEMENTS

### 7 NZICC Fire (continued)

#### Release from Deferred Licence Value Liability

The agreement between SkyCity and the Crown under which the NZICC is being built provides SkyCity with casino licence enhancements in return for SkyCity building the NZICC.

In 2016, SkyCity accounted for the granting of the NZICC Auckland casino licence enhancements and recognised a deferred licence value liability of \$405.0 million. Based on the Group's accounting policy this amount was to be accounted for as a reduction in the carrying value of the NZICC upon completion.

The deferred licence value would normally be allocated against the NZICC upon completion, and therefore when derecognising the parts of the building that were destroyed in the fire (as detailed above) there is also a requirement under the Group's accounting policy to release a portion of the deferred licence value liability.

The amount of the release has been estimated at \$120.7 million (30 June 2022: \$160.8 million), based on the latest estimated percentage of damage to the NZICC. This represents 31.7% (30 June 2022: 42.2%) of the remaining deferred licence value liability (the NZICC was estimated to be 83% complete prior to the fire). The updated estimated damage percentage has resulted in a \$40.1 million increase to the deferred licence value liability in the current financial period (2022 financial year: increase of \$12.6 million).

The ultimate transfer of the deferred licence value liability is highly sensitive to the actual extent of damage and may differ from this assessment once further assessment of the damage to the NZICC has been completed. As a result, it is possible the amount of the deferred licence value liability transferred may change in future periods.

#### NZICC Obligation

The Group has recognised a liability to reconstruct the assets associated with the initial 600 NZICC car parks that are required to be provided to Macquarie. The Group has estimated the liability for the remaining works to be \$23.2 million (30 June 2022: \$30.5 million), based on an estimate prepared by RLB and the Group's assessment of the remediation works carried out to date on the car parks. This liability will be extinguished when the termination of the Car Park Concession Agreement is completed (note 13).

#### Site Preparation, Demolition and Other Costs

These costs primarily relate to site preparation, clearing costs and damage assessment on-charged by the Contractor and various related costs incurred directly by SkyCity relating to site preparation, site clearing and damage assessment. These costs are generally recoverable from the insurers. To the extent that recovery of these costs is considered virtually certain, a matching amount is included in fire income above.

#### (c) Current Assets

	31 DECEMBER 2022	30 JUNE 2022
	\$'000	\$'000
Insurance recoveries for damages to the NZICC and Horizon Hotel	617,159	595,191
Payments received from the insurers	(525,562)	(365,533)
Reclassification to non-current receivables (refer note below)	-	(17,183)
<b>Total current assets</b>	<b>91,597</b>	<b>212,475</b>

These assets relate to:

#### Insurance Recovery for Damage to the NZICC and Horizon Hotel

Insurance recoveries under the Contract Works Insurance policy related to pre-remediation and remediation/reconstruction costs, as noted in section (a) above.

#### Payments Received from the Insurers

To date, the Group has received payment from the insurers of \$525.6 million (30 June 2022: \$365.5 million) towards pre-remediation (site preparation and clearing) costs and the cost of remediation.

The Group has also received a \$2.3 million payment from the insurers towards its business interruption claim.



## NOTES TO THE FINANCIAL STATEMENTS

### 7 NZICC Fire (continued)

#### d) Non-current Assets

	31 DECEMBER 2022	30 JUNE 2022
	\$'000	\$'000
Insurance recoveries for damages to the NZICC and Horizon Hotel	–	17,183
<b>Total non-current assets</b>	<b>–</b>	<b>17,183</b>

The split between current and non-current is based on estimated cash flows associated with the anticipated timing of the reconstruction. All receivables are now classified as current.

### 8 Non-Current Interest Bearing Liabilities

	31 DECEMBER 2022	30 JUNE 2022
	\$'000	\$'000
Car park concession (main site nested car parks)	–	49,195
USPP notes	<b>219,891</b>	229,872
New Zealand bonds	<b>175,000</b>	175,000
Deferred funding expenses	<b>(3,048)</b>	(2,695)
<b>Total non-current interest bearing liabilities</b>	<b>391,843</b>	451,372

#### (a) USPP Notes

The USPP fixed rate US dollar borrowings have been hedged and converted to New Zealand dollar floating rate borrowings by using cross-currency interest rate swaps to eliminate foreign exchange exposure to the US dollar.

USPP notes mature March 2025 (US\$100 million) and March 2028 (A\$65 million).

The movement in the amount of the USPP notes from 30 June 2022 relates to foreign exchange and interest rate movements.

In November 2022, the Group entered into an agreement for US\$75 million of seven-year fixed term USPP debt, to be drawn prior to 28 February 2023. The Group also has an option to draw on an additional US\$50 million of seven-year fixed term USPP debt before 30 June 2023, upon agreement with the USPP holders.

#### (b) New Zealand Bonds

\$175 million of six-year unsubordinated, unsecured redeemable fixed rate bonds were issued on 21 May 2021.



## NOTES TO THE FINANCIAL STATEMENTS

### 9 Current Interest Bearing Liabilities

	31 DECEMBER 2022	30 JUNE 2022
	\$'000	\$'000
Syndicated bank facility	-	78,000
Car park concession (main site nested car parks)	49,713	-
<b>Total current interest bearing borrowings</b>	<b>49,713</b>	<b>78,000</b>

#### (a) Syndicated Bank Facility

The syndicated banking facility is provided by ANZ (New Zealand and Australia), Commonwealth Bank of Australia, Bank of New Zealand, National Australia Bank and Westpac (New Zealand and Australia).

As at 31 December 2022, SkyCity had in place revolving credit facilities of:

- NZ\$135.0 million maturing 15 June 2024 (undrawn at the reporting date);
- NZ\$175.0 million maturing 15 June 2025 (undrawn at the reporting date); and
- NZ\$80.0 million maturing 15 June 2026 (undrawn at the reporting date).

A total of \$0.0 million was drawn at 31 December 2022 (30 June 2022: \$78.0 million).

#### (b) Auckland Car Park Concession Agreement - Financing Element

As detailed in the 30 June 2022 financial statements, a portion of the sale of the Car Park Concession Agreement relates to 450 car parks for the exclusive use of SkyCity. This portion is accounted for as an interest-bearing financial liability.

The \$220 million concession payment has been allocated between these 450 nested car parks and the unnested remaining car parks based on their respective fair values.

At 19 August 2019, \$45.8 million was allocated to these nested car parks and was recognised as the initial financial liability. From that date, interest expense has been recognised as an addition to this liability on a yield to maturity basis and payments for the use of the nested car parks have been deducted. Due to the termination of the Car Park Concession Agreement (note 13), this liability, which was classified as non-current at 30 June 2022 (note 8), is classified as current at 31 December 2022.

### 10 Income Tax Expense

	6 MONTHS 31 DECEMBER 2022	6 MONTHS 31 DECEMBER 2021
	\$'000	\$'000
Profit/(loss) before tax	45,028	(44,600)
Income tax @ 28%	12,607	(12,488)
Items non-deductible for tax purposes	1,361	917
Items non-assessable for tax purposes	(1,611)	(1,542)
Differences in overseas tax rates	(1,416)	(1,929)
Assets held for sale	(30)	(17)
Prior period adjustments	(18)	212
NZICC fire capital (income)/expenses	7,877	1,077
Non-assessable gain on sale	-	(498)
Fair value adjustment on investment property	2,123	-
Impairment adjustment	-	1,746
Controlled foreign company regime	1,366	1,632
Other	(80)	8
<b>Income tax expense/(benefit)</b>	<b>22,179</b>	<b>(10,882)</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 10 Income Tax Expense (continued)

The weighted average applicable tax rate was 49.3% (1H22: 24.4%). The weighted average tax rate has been significantly impacted by:

- NZICC fire capital income/expense;
- impairment adjustments;
- fair value adjustments; and
- sale of Lets Play Live Media Limited.

Excluding these items the weighted average tax rate would have been 27.6% (1H22: 30.1%).

### 11 Assets Classified as Held for Sale

	31 DECEMBER 2022	30 JUNE 2022
	\$'000	\$'000
Land	15,250	24,492
Buildings	–	2,151
Plant and equipment	–	3
<b>Total assets held for sale</b>	<b>15,250</b>	<b>26,646</b>

At 31 December 2022, land in Queenstown is being actively marketed for sale and is consequently classified as held for sale.

As at 30 June 2022, assets held for sale consisted of the Queenstown land and the Little Mindil site in Darwin. During the current period, the balance of the purchase price for the Little Mindil site was received, and on 10 August 2022, title was transferred to the purchaser and the asset was derecognised.

### 12 Investment Properties

	31 DECEMBER 2022	30 JUNE 2022
	\$'000	\$'000
Opening balance	119,720	124,368
Additions	147	752
Net loss from fair value adjustment	(8,447)	(5,400)
Closing balance	111,420	119,720

#### (a) Investment Properties held at 31 December 2022

With the exception of the NZICC car park, the fair value of investment properties was assessed on 31 December 2022 by CBRE, a registered valuer and member of the New Zealand Institute of Valuers and the Property Institute of New Zealand who have recent experience in the location and category of the property being valued.

At 31 December 2022, the fair value of investment properties (other than the NZICC car park) was \$82.2 million (30 June 2022: \$90.4 million). The significant assumptions used in the valuation were:

- capitalisation rate range from 4.625% to 6.75% (30 June 2022: range from 4.25% to 6.25%); and
- passing yield (calculated as net rent divided by fair value) - range from 2.80% to 6.00% (30 June 2022: range from 2.80% to 6.00%).

The 30 June 2022 and 31 December 2022 valuations are sensitive to movements in estimated capitalisation rate and passing yield. If the assumed capitalisation rate increased, or passing yield decreased, fair value would decrease.



## NOTES TO THE FINANCIAL STATEMENTS

### 13 Commitments

#### Capital Commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	31 DECEMBER 2022	30 JUNE 2022
	\$'000	\$'000
Property, plant and equipment	518,207	296,575
<b>Total capital commitments</b>	<b>518,207</b>	<b>296,575</b>

The majority of the capital commitments relate to the construction of the NZICC and Horizon Hotel and the termination of the Car Park Concession Agreement.

#### Car Parks

As outlined in note 2, in April 2019 SkyCity entered into the Car Park Concession Agreement with Macquarie. The Car Park Concession Agreement allowed Macquarie to operate car parks at the SkyCity Auckland main site and the under construction NZICC site until 2048 for consideration of \$220 million.

Under the Car Park Concession Agreement:

- SkyCity retained exclusive access to 450 car parks for VIP customers and non exclusive access to further car parks at the SkyCity Auckland main site at agreed rates;
- 600 car parks at the NZICC site were transferred to Macquarie; and
- an additional 650 car parks at the NZICC site were to be made available to Macquarie by 31 December 2020.

Following the October 2019 fire at the NZICC site (note 7), the 600 car parks at the NZICC site that had been made available to Macquarie were no longer able to be accessed by Macquarie and the additional 650 car parks at the NZICC site were not able to be made available to Macquarie by 31 December 2020. Under the terms of the Car Park Concession Agreement, the Group undertook to remediate the damage to the car parks, with Macquarie able to terminate the Car Park Concession Agreement if access to the car parks was not made available by 22 October 2022.

The Group was unable to provide access to the car parks within the required timeframe and Macquarie terminated the Car Park Concession Agreement on 27 October 2022. As a result, the Group will take back the operation of all of the car parks that were the subject of the Car Park Concession Agreement, in return for a consideration determined by a methodology and process detailed in the Car Park Concession Agreement. At 31 December 2022, the amount of consideration to be transferred had not been determined.

The termination of the Car Park Concession Agreement will be accounted for when the Group has taken back the operation of all of the car parks that were the subject of the Car Park Concession Agreement and paid the associated consideration. As this will occur within the next year, at 31 December 2022 all liabilities associated with the Car Park Concession Agreement are classified as current. In addition, the liability for lease income in advance, which had been decreased by the regular payment made to Macquarie as compensation for the non-availability of the associated car parks, has been increased to the amount initially recognised resulting in \$13.7 million being recognised as an other expense in the six months ended 31 December 2022.



## NOTES TO THE FINANCIAL STATEMENTS

### 14 Contingencies

#### (a) Contingent Liabilities

##### Regulators

SkyCity operates in an industry with a complex regulatory framework. During the current and prior periods, there has been heightened focus from a range of regulators across New Zealand and in particular Australia. SkyCity takes its obligations seriously and continues to work proactively with its regulators and respond to their inquiries.

##### (i) AUSTRAC Enforcement Investigation

On 4 June 2021, SkyCity Adelaide Pty Ltd (**SkyCity Adelaide**) was notified by the Australian Transaction Reports and Analysis Centre's (**AUSTRAC**) Regulatory Operations Team that it had identified potential serious non-compliance by SkyCity Adelaide with the Australian Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (**Act**) and Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No. 1) and had therefore referred the matter to AUSTRAC's Enforcement Team.

The potential serious non-compliance noted by AUSTRAC included concerns relating to ongoing customer due diligence and adopting and maintaining an anti-money laundering and counter-terrorism financing (**AML/CTF**) program in compliance with the Act. These concerns were identified in the course of a compliance assessment which AUSTRAC commenced in September 2019, focusing on SkyCity Adelaide's management of customers identified as high risk and politically exposed persons for the periods of 1 July 2015 to 30 June 2016 and 1 July 2018 to 30 June 2019.

As a result of the referral from AUSTRAC's Regulatory Operations Team, AUSTRAC's Enforcement Team initiated a formal enforcement investigation into the compliance of SkyCity Adelaide with the Act.

Following the investigation, on 7 December 2022 AUSTRAC commenced civil penalty proceedings in the Federal Court of Australia (**Court**) against SkyCity Adelaide for alleged serious and systemic non-compliance with the Act. AUSTRAC's allegations are extensive and include that SkyCity Adelaide:

- failed to appropriately assess the money laundering and terrorism financing risks it faced, including the likelihood and impact of those risks, and to identify and respond to changes in risk over time;
- did not include in its AML/CTF programs appropriate risk-based systems and controls to mitigate and manage the risks to which SkyCity Adelaide was reasonably exposed;
- failed to establish an appropriate framework for Board and senior management oversight of the AML/CTF programs;
- did not have a transaction monitoring program to monitor transactions and identify suspicious activity that was appropriately risk-based or appropriate to the nature, size and complexity of SkyCity Adelaide;
- did not have an appropriate enhanced customer due diligence program to carry out additional checks on higher risk customers; and
- did not conduct appropriate ongoing customer due diligence on a range of customers who presented higher money laundering risks.

AUSTRAC alleges the following specific breaches of the Act:

- that SkyCity Adelaide contravened section 81 of the Act (which relates to the requirement to adopt and maintain an AML/CTF program) on an innumerable number of occasions on and from 7 December 2016; and
- that SkyCity Adelaide contravened section 36 of the Act (which relates to the requirement to undertake customer due diligence) on 124 occasions in the period on and from 7 December 2016.

Each of the alleged contraventions referred to above attracts a maximum civil penalty of between A\$18 million and A\$22.2 million per contravention. As AUSTRAC alleges that SkyCity Adelaide contravened section 81 of the Act on an innumerable number of occasions, it is not possible to determine a theoretical maximum penalty for the alleged breaches.

## NOTES TO THE FINANCIAL STATEMENTS

### 14 Contingencies (continued)

For the reasons outlined below, the Group considers that this is one of the rare circumstances contemplated by applicable financial reporting standards where it is not possible to reliably estimate a provision for any potential financial penalty that may arise from the proceedings:

- AUSTRAC has not yet identified any potential penalty that it will submit to the Court which should apply to SkyCity Adelaide's alleged contraventions of the Act;
- management and the Group's legal advisers have commenced their review and assessment of AUSTRAC's Statement of Claim and each of the specific allegations that it contains, but there is still considerable work required to complete that process;
- once the process of reviewing and assessing each of the allegations in AUSTRAC's Statement of Claim is complete, there will likely be further engagement with AUSTRAC regarding SkyCity Adelaide's response to each of the allegations that AUSTRAC has made, which may impact the outcome of the proceedings and any potential penalty that AUSTRAC will submit to the Court; and
- judgments in civil penalty proceedings brought by AUSTRAC to date demonstrate that the Court's determination of the appropriate penalty (where contraventions are admitted or established) is very specific to the facts in each case and that the Court will have regard to all relevant matters in determining an appropriate penalty, including the nature and extent of any contravention(s), loss and damage suffered as a result of any contravention(s), steps taken to improve existing systems, and relative size and financial position of the business.

As a reliable estimate cannot be made at the date of issuing these financial statements, no provision has been raised in respect of the proceedings.

SkyCity Adelaide regards the matters raised by AUSTRAC with the utmost seriousness and, in June 2021, appointed an independent expert to conduct a comprehensive review of its AML/CTF program and broader AML function which, together with SkyCity Adelaide's own internal review, is aimed at putting in place a comprehensive enhancement program to address issues in, and improve more generally the quality of, its AML/CTF program and AML function.

#### (ii) Independent Review

On 1 July 2022, SkyCity and SkyCity Adelaide were advised by Consumer and Business Services (**CBS**) (the South Australian gaming regulator) that the South Australian Liquor and Gambling Commissioner (**Commissioner**) had appointed the Honourable Brian Martin AO KC to undertake an independent review of SkyCity Adelaide in accordance with Part 3 of the Casino Act 1997 (SA).

In its media release dated 1 July 2022, CBS noted that it was commissioning an independent review of the casino operations in South Australia "in light of interstate inquiries into various casino operations" given "a number of the matters raised to date extend beyond any one organisation and point instead to broader systemic issues within the casino industry". Mr Martin was asked to consider, amongst other things, whether SkyCity Adelaide is a suitable person to continue to hold the casino licence in South Australia, whether SkyCity is a suitable person to continue to be a close associate of SkyCity Adelaide, and, if neither is a suitable person, what changes (if any) were required for that party to become a suitable person. Mr Martin was due to report back to the Commissioner by 1 February 2023.

At 31 December 2022, Mr Martin had not delivered his report to the Commissioner.

On 6 February 2023, CBS advised SkyCity and SkyCity Adelaide (note 15) that:

- Mr Martin had formed the view that, until the resolution of the civil penalty proceedings filed by AUSTRAC against SkyCity Adelaide on 7 December 2022, it was not possible to reliably determine the question of suitability; and
- on that basis, the Commissioner had decided to put the independent review on hold and had extended the timeframe for the provision of a written report of the findings of the independent review until after the conclusion of those civil penalty proceedings.

The Commissioner also advised that he was considering his options regarding any action he should take whilst the independent review was on hold, including whether he will seek that SkyCity Adelaide undertake any actions in the interim. SkyCity Adelaide continues a constructive dialogue with the Commissioner. SkyCity and SkyCity Adelaide will continue to cooperate with CBS and any further requests for information and documents.

Prior to any findings being made or a final report being provided, it is not possible to determine what regulatory action, if any, might be applied to SkyCity Adelaide as a result of the independent review.





## NOTES TO THE FINANCIAL STATEMENTS

### 14 Contingencies (continued)

#### (iii) Casino Duty

SkyCity Adelaide has had an ongoing contractual dispute with Revenue South Australia concerning the interpretation of the Casino Duty Agreement (**CDA**) in relation to the treatment of loyalty points converted to gaming machine play and the deduction of loyalty points earned for the purpose of calculating casino duty at the SkyCity Adelaide casino. Both parties agreed to seek declaratory relief from the South Australian Courts as to the proper construction of the CDA to determine the correct interpretation on both issues. On 9 September 2022, SkyCity Adelaide filed a Statement of Claim in the Supreme Court of South Australia seeking relief in the nature of declarations relating to the dispute. On 16 November 2022, the Crown Solicitor's Office filed a cross claim which formulates Revenue South Australia's claim for the unpaid duty and interest in the event that the Court accepts Revenue South Australia's position on SkyCity's main claim. An unfavourable ruling could result in additional casino duty being payable. However as potential rulings by the South Australian Supreme Court on either issue could produce a range of positive or negative outcomes, the Group considers that no obligation exists at 31 December 2022 and consequently no provision has been recognised.

#### (iv) Other Regulatory Matters

In addition to the matters outlined above, the Group receives correspondence from and engages with its regulators from time to time as required regarding the Group's business operations, including in relation to regulator audits/reviews, adverse media about the Group's operations, and complaints made about the Group's business operations. In relation to these matters, the Group engages with the relevant regulator and responds to requests for information and documents as they arise.

In the case of any alleged wrongdoing by the Group, the appropriate regulatory response or action by a regulator (where contraventions are admitted or established) is very specific to the facts in each case and may include no action, a formal warning or, where the matter relates to the Group's casino operations, an application to suspend and/or cancel the relevant casino licence under the New Zealand Gambling Act 2003, South Australian Casino Act 1997 and/or South Australian Gambling Administration Act 2019 as applicable.

Provisions are recognised in relation to such matters only where an obligation exists at the reporting date.

#### (b) Contingent Assets

As detailed in note 7, while the insurers have confirmed that SkyCity's Contracts Works Insurance policy will respond in relation to the damage caused by the fire at the NZICC and Horizon Hotel construction site, the final insurance recovery will be dependent on the final view of the insurers as the claims are presented. No final insurance recovery has been confirmed at this stage. There are further remediation costs for which policy coverage has not yet been confirmed by the insurers and therefore for which the recoverability has not been assessed to be virtually certain.

The Group will also seek recovery from the Contractor for additional costs and losses associated with the NZICC fire that are not covered by the insurers. These include insurance excesses, payments to Macquarie under the Car Park Concession Agreement, additional project costs, and other items.

The Group has identified \$58.9 million (30 June 2022: \$68.7 million) of costs incurred to date where it does not believe that recovery is virtually certain at this time given the position currently being taken by the Contractor and by the insurers, and therefore no income has been recognised. However, recovery of these costs is considered probable and they are therefore included as a contingent asset. This does not include the full extent of the costs and losses that have been incurred or that could be claimed from the Contractor relating to the fire and construction delays.

There are no other contingent assets at 31 December 2022 (30 June 2022: no additional contingent assets).



## NOTES TO THE FINANCIAL STATEMENTS

### 15 Events Occurring after the Reporting Date

#### Regulatory Review of SkyCity Adelaide

As outlined in note 14, on 1 July 2022, CBS (the South Australian gaming regulator) announced that the Commissioner had appointed the Honourable Brian Martin AO KC to undertake an independent review of SkyCity Adelaide in accordance with Part 3 of the Casino Act 1997 (SA) and that Mr Martin was due to report back to the Commissioner by 1 February 2023.

Subsequent to the reporting date, SkyCity has continued to cooperate with the review and respond to requests for information and documents.

On 6 February 2023, CBS advised SkyCity and SkyCity Adelaide that:

- Mr Martin had formed the view that, until the resolution of the civil penalty proceedings filed by AUSTRAC against SkyCity Adelaide on 7 December 2022, it was not possible to reliably determine the question of suitability;
- on that basis, the Commissioner had decided to put the independent review on hold and had extended the timeframe for the provision of a written report of the findings of the independent review until after the conclusion of those civil penalty proceedings; and
- the Commissioner was considering his options regarding what action, if any, he should take whilst the independent review is on hold, including whether he will seek that SkyCity Adelaide undertake any actions in the interim.

SkyCity Adelaide continues a constructive dialogue with the Commissioner. SkyCity and SkyCity Adelaide will continue to cooperate with CBS and any further requests for information and documents.

#### Investment in GiG

At 31 December 2022, SkyCity's Chief Executive Officer, Michael Ahearne, was a director of the Group's equity-accounted associate GiG. In January 2023 he resigned from that position.

#### Dividend

On 14 February 2023, the Board of Directors resolved to pay an interim dividend in respect of the six months ended 31 December 2022. The unfranked, fully imputed dividend of 6.0 cents per share will be paid on 17 March 2023 to all shareholders on the Company's register at the close of business on 3 March 2023.

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