SkyCity Entertainment Group Limited Interim Financial Statements for the six month period ended 31 December 2021

For and on behalf of the board:

Julian Cook
Chairman

Jennifer Owen
Chair of the Audit and Risk Committee

11 February 2022

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 2021, 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 the 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 2021, 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 responsibility is further described in the *Auditor's responsibility 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-procedure services in relation to: compliance with banking and debt covenants; the allocation of Community Trust revenue; the shareholder vote count at the Annual General Meeting; 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 on 22 October 2019 at the New Zealand International Convention Centre (NZICC) and the adjacent Horizon Hotel, and the related significant judgements and estimates.

The fire caused extensive damage and material income, expense and asset balances related to the fire are included in the interim financial statements. These amounts are based on estimates, including the extent of damage to the NZICC, uncertain costs to remediate, the percentage of contingency included in the estimates and the timeline for remediation. There is, therefore, material uncertainty inherent in the balances recorded and the amounts recognised in the interim financial statements. Consequently, the actual financial impacts may differ from the estimates included in these interim financial statements, and those differences may be material. Our conclusion is not modified in respect of this matter.

Emphasis of matter – uncertainty regarding the outcome of regulator investigation
We draw attention to Note 14 in the interim financial statements which describes the uncertainty related to the outcome of the investigation of SkyCity Adelaide Pty Ltd by the Australian Transaction Reports and Analysis Centre (AUSTRAC). Our conclusion is not modified in respect of this matter.

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 interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility 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 and International Standards on Auditing (New Zealand) 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 to the Company's shareholders 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:

PricewaterhouseCoopers

Chartered Accountants
11 February 2022

Auckland

SkyCity Entertainment Group Limited
Income Statement
For the six month period ended 31 December 2021

	Notes	**Unaudited 6 months 31 December 2021 $'000**	Restated* Unaudited 6 months 31 December 2020 $'000
Revenue	5	**216,755**	315,710
Other income	6	**20,573**	67,457
NZICC fire related income	7.a	**52,483**	66,770
NZICC fire related costs	7.b	**(56,330)**	(66,664)
Employee benefits expense		**(123,319)**	(131,285)
Impairment	12,13	**(6,236)**	-
Other expenses		**(44,449)**	(51,792)
Directors' fees		**(598)**	(488)
Gaming taxes		**(13,251)**	(15,851)
Direct consumables		**(14,870)**	(19,426)
Marketing and communications		**(6,581)**	(7,613)
Community contributions, levies and sponsorships		**(3,768)**	(6,356)
Earnings Before Interest, Taxes, Depreciation and Amortisation Expenses (EBITDA)		**20,409**	150,462
Depreciation and amortisation expense		**(44,906)**	(40,484)
Depreciation on right-of-use assets		**(2,934)**	(574)
(Loss)/Earnings Before Interest and Tax (EBIT)		**(27,431)**	109,404
Net finance costs		**(17,169)**	(14,042)
(Loss)/Profit Before Income Tax		**(44,600)**	95,362
Income tax benefit/(expense)	11	**10,882**	(17,503)
(Loss)/Profit for the Period Attributable to Shareholders of the Company		**(33,718)**	77,859
Earnings per share for Profit Attributable to the Shareholders of the Company:			
Basic and diluted (loss)/earnings per share		**(4.5)**	10.3

** Refer to note 12 for details on prior period restatement*

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

SkyCity Entertainment Group Limited
Statement of Comprehensive Income
For the six month period ended 31 December 2021

	Unaudited 6 months 31 December 2021 $'000	Restated* Unaudited 6 months 31 December 2020 $'000
(Loss)/Profit for the Period	**(33,718)**	77,859
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Foreign Currency Translation Reserve		
Exchange differences on translation of overseas subsidiaries	**(4,584)**	(1,072)
Cashflow Hedge Reserve		
Cash flow hedges - revaluations	**4,277**	(36,855)
Cash flow hedges - transfer to finance costs	**1,184**	41,296
Cash flow hedges - income tax	**(1,529)**	(1,257)
Cost of Hedging Reserve		
Cost of hedging reserve - revaluations	**(212)**	(251)
Cost of hedging reserve - transfer to finance costs	**462**	462
Cost of hedging reserve - income tax	**(70)**	(59)
Other Comprehensive (Loss)/Income for the Period, Net of Tax	**(472)**	2,264
Total Comprehensive (Loss)/Income for the Period	**(34,190)**	80,123

** Refer to note 12 for details on prior period restatement*

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

SkyCity Entertainment Group Limited
Balance Sheet
As at 31 December 2021

	Notes	**Unaudited 31 December 2021 $'000**	Restated* 30 June 2021 $'000	Restated* 1 July 2020 $'000
ASSETS				
Current Assets				
Cash and bank balances		**74,867**	49,940	54,224
Receivables and prepayments		**31,804**	33,405	42,252
Derivative financial instruments		**4**	156	53,288
Inventories		**7,715**	7,187	6,628
Current tax receivables		**16,538**	-	1,989
NZICC fire recoveries	7,c	**148,659**	175,352	49,571
Assets classified as held for sale	13	**26,174**	13,517	11,019
Total Current Assets		**305,761**	279,557	218,971
Non-current Assets				
Property, plant and equipment		**1,366,143**	1,370,762	1,528,902
Intangible assets	12	**621,124**	627,065	630,592
Finance lease receivable		**12,176**	11,605	10,574
Other non-current assets		**2,000**	-	-
Derivative financial instruments		**4,843**	4,109	23,100
Investment properties		**124,380**	124,368	72,400
Deferred tax assets		**14,314**	9,740	6,910
Right-of-use assets		**123,882**	126,755	51,967
NZICC fire recoveries	7,d	**181,000**	233,000	227,000
Total Non-current Assets		**2,449,862**	2,507,404	2,551,445
Total Assets		**2,755,623**	2,786,961	2,770,416
LIABILITIES				
Current Liabilities				
Payables and provisions		**175,291**	200,165	221,842
Interest bearing liabilities	10	**-**	48,031	302,509
Current tax liabilities		**823**	16,256	776
Derivative financial instruments		**1,457**	-	6,113
Lease liabilities		**3,309**	3,014	485
Deferred licence value		**251**	2,088	153,165
Total Current Liabilities		**181,131**	269,554	684,890
Non-Current Liabilities				
Interest bearing liabilities	9	**597,401**	440,964	282,731
Non-current payables		**22,136**	20,317	10,569
Lease income in advance		**32,866**	36,310	39,815
Derivative financial instruments		**2,366**	7,528	24,375
Deferred tax liabilities		**47,256**	51,975	39,903
Lease liabilities		**114,164**	115,793	52,188
Deferred licence value		**207,436**	207,436	214,972
Total Non-current Liabilities		**1,023,625**	880,323	664,553
Total Liabilities		**1,204,756**	1,149,877	1,349,443
Net Assets		**1,550,867**	1,637,084	1,420,973
EQUITY				
Share capital		**1,339,278**	1,338,223	1,288,287
Reserves		**(23,451)**	(22,979)	(33,321)
Retained earnings		**235,040**	321,840	166,007
Total Equity		**1,550,867**	1,637,084	1,420,973

** Refer to note 12 for details on prior period restatement*

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

	Notes	Share Capital $'000	Reserves $'000	Retained earnings $'000	Restated* Total Equity $'000
Balance as at 1 July 2021		**1,338,223**	**(22,972)**	**335,767**	**1,651,018**
Adjustment on change in accounting policy	12	-	(7)	(13,927)	(13,934)
Balance as at 1 July 2021 restated		**1,338,223**	**(22,979)**	**321,840**	**1,637,084**
Total comprehensive loss		-	(472)	(33,718)	**(34,190)**
Dividends paid	8	-	-	(53,082)	**(53,082)**
Share rights issued for employee service		3,363	-	-	**3,363**
Net movement in treasury shares		(2,308)	-	-	**(2,308)**
Balance as at 31 December 2021		**1,339,278**	**(23,451)**	**235,040**	**1,550,867**
Balance as at 1 July 2020		**1,288,287**	**(33,321)**	**179,641**	**1,434,607**
Adjustment on change in accounting policy	12	-	-	(13,634)	(13,634)
Balance as at 1 July 2020 restated		**1,288,287**	**(33,321)**	**166,007**	**1,420,973**
Total comprehensive income		-	2,264	77,859	**80,123**
Equity raising		48,737	-	-	**48,737**
Share right issued for employee service		2,795	-	-	**2,795**
Balance as at 31 December 2020 restated		**1,339,819**	**(31,057)**	**243,866**	**1,552,628**

** Refer to note 12 for details on prior period restatement*

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

	Notes	**Unaudited 6 months 31 December 2021 $'000**	Restated* Unaudited 6 months 31 December 2020 $'000
Cash Flows from Operating Activities			
Receipts from customers		**216,879**	313,940
Payments to suppliers and employees		**(215,699)**	(187,080)
Government grants	6	**17,228**	25,709
		18,408	152,569
Gaming taxes and levies paid		**(17,772)**	(19,530)
Income taxes paid		**(32,712)**	(14,548)
Net Cash Inflow/(Outflow) from Operating Activities		**(32,076)**	118,491
Cash Flows from Investing Activities			
Disposal of Lets Play Live Media		**3,250**	-
Capital additions		**(46,231)**	(111,340)
Payments for investment property		**-**	(283)
Purchased intangible assets		**(8,449)**	(5,049)
NZICC fire related income		**131,177**	533
NZICC fire related costs		**(58,584)**	(59,045)
Net Cash Inflow/(Outflow) from Investing Activities		**21,163**	(175,184)
Cash Flows from Financing Activities			
Issue of new share capital		**-**	48,737
Cash flows associated with derivatives		**2,893**	1,979
New borrowings		**108,336**	175,141
Repayment of borrowings		**-**	(143,500)
Buy back of shares		**(2,308)**	-
Interest paid		**(15,430)**	(20,692)
Dividends paid to company shareholders	8	**(53,082)**	-
Lease liabilities paid		**(4,569)**	(1,119)
Net Cash Inflow from Financing Activities		**35,840**	60,546
Net Increase in Cash and Bank Balances		**24,927**	3,853
Cash and bank balances at the beginning of the period		**49,940**	54,224
Cash and Cash Equivalents at End of the Period		**74,867**	58,077

** Refer to note 12 for details on prior period restatement*

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

1 General Information

SkyCity Entertainment Group Limited (Company) and its subsidiaries (together, SkyCity or the Group) is a limited liability company incorporated and domiciled in New Zealand.

The interim financial statements of the Group have been prepared in accordance with the requirements of the Financial Reporting Act 2013, the Companies Act 1993 and the New Zealand Stock Exchange (NZX).

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 the Company's registered office is 99 Albert Street, Auckland.

The Company is dual listed on the New Zealand and Australian stock exchanges.

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.

These interim financial statements of the Group for the six months ended 31 December 2021 have been reviewed but have not been audited. They were approved for issue by the Board of Directors on 11 February 2022.

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 34 Interim Financial Reporting (NZ IAS 34), International Accounting Standard (IAS) 34 Interim Financial Reporting, and the New Zealand Stock Exchange 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 2021.

Measurement basis

These interim financial statements have been prepared under the historical cost convention, except that certain financial instruments (including derivative instruments) and investment properties are held at fair value.

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.

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 NZ GAAP and therefore may not be compatible 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 in the understanding of the Group's financial performance and is consistent with the information used internally to evaluate the performance of 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

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 2021 annual financial statements except as disclosed in note 3 below.

2 Basis of Preparation (continued)

As was the case at 30 June 2021, the COVID-19 pandemic continues to create uncertainties that impact the Group's key judgements and estimates. For intangible assets, these uncertainties include the ability to meet future forecasts and the consequential impact on the carrying value of those assets (note 12).

Going concern

For the six months to 31 December 2021, the Group incurred a loss of $33.7 million. This loss arose as a result of the following trading restrictions imposed by the New Zealand and South Australian Governments in response to the ongoing COVID-19 pandemic:

- Auckland site: Closure from 17 August 2021 to 2 December 2021 and operation with social distancing restrictions and reduced venue capacity from 3 December 2021 to 30 December 2021;
- Hamilton site: Closure from 17 August 2021 to 7 September 2021 and from 4 October 2021 to 16 November 2021 and operation with social distancing restrictions and reduced venue capacity from 8 September 2021 to 3 October 2021 and from 17 November 2021 to 2 December 2021;
- Queenstown site: Closure from 17 August 2021 to 7 September 2021 and operation with social distancing restrictions from 8 September 2021 to 2 December 2021; and
- Adelaide site: Closure from 20 July 2021 to 27 July 2021 and operation with social distancing restrictions and reduced venue capacity from 28 July to 31 December 2021.

During the period, the Group received New Zealand Government wage subsidies of $17.2 million during the closure of the Auckland and Hamilton sites (note 6).

The significant financial impact of these closures and trading restrictions on the Group created the potential for a breach of financial covenants as at 31 December 2021. To ensure that such a breach would not occur, the Group obtained a waiver of the gearing ratio (EBITDA/net debt) covenant for the 31 December 2021 testing date and secured an additional tranche of debt facility prior to the reporting date. Although a waiver was obtained from the Group's financiers, based on finalised interim results SkyCity would have been compliant with the debt covenants at 31 December 2021 had the waiver not been in place.

The Group has also agreed amended financial covenants for the 30 June 2022 testing date with both the United States Private Placement (USPP) investors and the banking syndicate (note 9).

As referenced in note 16, subsequent to balance date cases of the Omicron variant of COVID-19 were detected in the community in New Zealand. As a result, the New Zealand Government moved the country to the COVID-19 red traffic light setting, which imposed restrictions on the Group's sites, including venue capacity limits, social distancing and mask-wearing requirements.

At the time of signing these interim financial statements, New Zealand remains at the COVID-19 red traffic light setting. There is uncertainty as to the length of time that New Zealand will remain at the red traffic light setting, but the New Zealand Government has indicated this could be several weeks.

SkyCity has prepared forecasts to support its going concern assessment that consider a range of possible scenarios from operating under the red and orange traffic light settings, potential additional implications from the Omicron variant, and other considerations as disclosed within the contingent liabilities note (note 14). These forecast scenarios have been informed by the recent experience of the impact of COVID-19 restrictions in New Zealand and South Australia and assume that COVID-19 trading restrictions under the red traffic light setting in New Zealand are in place for several weeks.

While there remain uncertainties regarding the implications on the near-term financial performance of the Group, SkyCity's current forecast scenarios indicate that it continues to have access to a sufficient level of liquidity to sustain the business and remain compliant with its financial obligations, including the debt covenant restrictions. These forecast scenarios are closely monitored and continuously updated as actual performance information becomes available.

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

In the current period, the Group revised its accounting policy for the configuration and customisation costs associated with software as a service (SaaS) arrangements. Information on the change made, the reason for the change, and the impacts of the change, are provided in note 12.

3 Summary of Significant Accounting Policies (continued)

All other material accounting policies applied in these interim financial statements are consistent with those applied in the audited financial statements for the year ended 30 June 2021 and the unaudited interim financial statements for the six months ended 31 December 2020.

4 Segment Information

Accounting policy

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Chief Executive Officer (CEO).

Other operations consist of the Group's operations at SkyCity Hamilton, SkyCity Queenstown, SkyCity Wharf, Lets Play Live Media and SkyCity Online Casino.

Corporate/Group includes head office functions and funding entities and is not considered an operating segment.

Six Months Ended 31 December 2021	SkyCity Auckland $'000	Other Operations $'000	SkyCity Adelaide $'000	International Business * $'000	Corporate/ Group $'000	Total $'000
Gaming revenue	72,650	21,474	65,685	167	-	159,976
Online gaming	-	9,317	-	-	-	9,317
Non-gaming revenue	19,315	3,109	25,101	14	431	47,970
Other income	15,746	3,447	50	-	1,330	20,573
NZICC fire income	52,483	-	-	-	-	52,483
Total revenue	160,194	37,347	90,836	181	1,761	290,319
Expenses	(95,843)	(17,683)	(79,526)	(4,537)	(9,755)	(207,344)
NZICC fire expenses	(56,330)	-	-	-	-	(56,330)
Impairment	-	(4,390)	-	-	(1,846)	(6,236)
Depreciation and amortisation	(22,022)	(3,074)	(16,255)	-	(6,489)	(47,840)
Segment profit/(loss) (EBIT)	(14,001)	12,200	(4,945)	(4,356)	(16,329)	(27,431)
Net finance costs						(17,169)
Loss before income tax						(44,600)

Six Months Ended 31 December 2020 - restated	SkyCity Auckland $'000	Other Operations $'000	SkyCity Adelaide $'000	International Business * $'000	Corporate/ Group $'000	Total $'000
Gaming revenue	159,950	31,965	62,494	3,336	-	257,745
Online gaming	-	7,526	-	-	-	7,526
Non-gaming revenue	37,987	5,168	10,668	-	-	53,823
Other Income	9,072	1,371	16,575	-	939	27,957
NZICC fire income	66,770	-	-	-	-	66,770
Sale of Auckland car park concession	39,500	-	-	-	-	39,500
Total revenue	313,279	46,030	89,737	3,336	939	453,321
Shares of net profits/(losses) of associates	-	-	-	-	-	-
Expenses	(116,478)	(20,625)	(67,548)	(9,757)	(21,787)	(236,195)
NZICC fire expenses	(66,664)	-	-	-	-	(66,664)
Depreciation and amortisation	(22,934)	(2,961)	(7,672)	-	(7,491)	(41,058)
Segment profit/(loss) (EBIT)	107,203	22,444	14,517	(6,421)	(28,339)	109,404
Net finance costs						(14,042)
Profit before income tax						95,362

* International Business gaming revenue includes rebates and complimentary play.

5 Revenue

	6 months 31 December 2021 $'000	6 months 31 December 2020 $'000
Gaming	**159,468**	254,361
Non-gaming	**47,970**	53,823
Online gaming	**9,317**	7,526
Total revenue	**216,755**	315,710

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 end of each game. International Business rebates are treated as a reduction in gaming revenue.

The revenue from the online casino is from New Zealand based players using technology developed by and under a Malta gaming licence held by Gaming Innovation Group Inc (GIG). SkyCity is not the principal transacting with 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 2021 $'000**	6 months 31 December 2020 $'000
Reconciliation to the segment note			
Total revenue	5	**216,755**	315,710
Other income	6	**3,345**	1,142
Government grants	6	**17,228**	26,815
Liquidated damages	6	**-**	39,500
NZICC fire income	7	**52,483**	66,770
Total revenue as per income statement		**289,811**	449,937
International Business rebates		**508**	3,384
Total revenue as per segment note		**290,319**	453,321

6 Other income

	6 months 31 December 2021 $'000	6 months 31 December 2020 $'000
Net gain on disposal of property, plant and equipment	**555**	67
Net gain on sale of Lets Play Live Media	**1,779**	-
Liquidated damages	**-**	39,500
Government grants	**17,228**	26,815
Dividend income	**2**	2
Rental income from investment properties	**1,009**	1,073
	20,573	67,457

Government Grants

Government grants are wage subsidies and business support payments received from the New Zealand and Australian Governments in relation to the COVID-19 pandemic.

6 Other income (continued)

Liquidated Damages

Included within the contracts with The Fletcher Construction Company Limited ("FCC or the Contractor") for the construction of the New Zealand International Convention Centre (NZICC) and Horizon Hotel is the right to liquidated damages if certain milestones are not met. To 30 June 2020, SkyCity withheld $39.5 million from payments to FCC (which were disclosed as a contingent asset). As part of a settlement agreement signed on 30 November 2020, FCC agreed to not challenge retention of that amount, and accordingly $39.5 million was recognised as other income in the prior financial period.

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 FCC which is the contractor constructing both buildings.

In accounting for the impact of the fire, a number of significant judgements and estimates have been made. Consistent with the position at 30 June 2021, the most significant assumptions, and associated risk to the estimates provided, relate to the extent of the damage of the NZICC building, the uncertain costs to remediate, the percentage of contingency included in the estimates and the timeline for remediation. 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 interim financial statements, those differences may be material. Details of further judgements and estimates made are provided throughout this note.

a Income

	6 months 31 December 2021 $'000	6 months 31 December 2020 $'000
Contract works insurance reinstatement recovery	**-**	6,000
Other recoveries	**52,483**	60,770
	52,483	66,770

Contracts Work Insurance Recovery for Reinstatement works

The accounting treatment of the insurance recovery for the damage 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, the Group recognises the expected insurance proceeds for reconstruction of the fire damage as income and a receivable.

While the insurers have confirmed that SkyCity's contracts works policy will respond in relation to the damage caused by the fire, the final insurance recovery for the reinstatement costs will be dependent on the final view of the insurer as the claims are presented. The damage assessment and reconstruction scope process is still underway by the Contractor and no complete reconstruction cost or damage estimates have been confirmed at this stage.

At 30 June 2021, the insurance recovery for the NZICC and Horizon Hotel reconstruction costs was estimated to be between $379.6 million and $471.0 million and the Group assumed that the insurance recovery would be at the lower end of the range (i.e. $379.6 million). That estimate was based on assessments performed by an independent expert, Rider Levett Bucknall Auckland Limited (RLB), adjusted by the Group as outlined in the 30 June 2021 annual financial statements. The Group considers recovery of the amount to be virtually certain. Since 30 June 2021, no material information has arisen that requires a change to that estimate. Consequently, at 31 December 2021, the insurance recovery for the NZICC and Horizon Hotel reconstruction costs is estimated to be $379.6 million and no contract works insurance recovery income has been recognised in the six months to 31 December 2021.

7 NZICC Fire (continued)

a Income (continued)

These estimates are highly sensitive to the actual extent of damage and the ultimate insurance recovery may differ, potentially materially, from the current assessment.

Other Recoveries

In addition to recovery of the expected reconstruction costs, the Group seeks recovery of additional items, which are recognised as other recoveries when they are incurred, and payment is considered virtually certain. These costs primarily relate to site preparation, demolition and clearing, but also include:

- business interruption costs and lost gross profit while the Auckland precinct was closed or affected by the fire;
- payments required to be made by SkyCity to now MPF Parking Limited (Macquarie) under the Auckland Car Park Concession Agreement (for lack of access to the NZICC car parks due to the fire damage);
- costs of professional advisers assisting the Group as a result of the fire;
- insurance premiums and other project costs for additional periods due to construction delays; and
- additional ongoing costs as a result of the fire.

In the current period recovery of costs incurred of $52.5 million (1H21: $60.8 million) has been assessed to be virtually certain with the recovery of $39.3 million (FY21: $23.3 million) assessed as probable and therefore disclosed as a contingent asset (note 14). The assessment of recoverability of these costs as virtually certain or probable is a key judgement and for some of these costs the judgement is supported by legal advice received by the Group.

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

b Expenses

	6 months 31 December 2021 $'000	6 months 31 December 2020 $'000
Write-off of NZICC and Horizon Hotel capitalised work-in-progress	**-**	13,783
Release from Deferred Licence Value liability	**-**	5,024
NZICC obligation	**-**	(8,984)
Site preparation, demolition and other costs	**56,330**	56,841
	56,330	66,664

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, or part replacement of repaired, component parts. As a result, the carrying value of the damaged/destroyed parts of the NZICC and Horizon Hotel are expensed. As the investigation of the extent of damage continues, more damaged components may be identified and written off.

No material information has arisen in the six months to 31 December 2021 to indicate a change to the extent of damage previously estimated by RLB in June 2021 - accordingly the Group has estimated that approximately 55% (30 June 2021: 55%) of the NZICC and 13% (30 June 2021: 13%) of the Horizon Hotel construction work to date has been destroyed and will need to be replaced or repaired. As a result, to date approximately $228.6 million of costs previously capitalised as work in progress in property, plant and equipment have been written off.

This estimate is highly sensitive to the actual extent of damage and the ultimate write off may differ materially once the full damage assessment to both buildings has been completed.

7 NZICC Fire (continued)

b Expenses (continued)

Costs (external and internal) relating to the replacement of the derecognised asset components are being capitalised as incurred as a new asset. $37.4m of costs were capitalised during the current period (1H21 $0). The apportionment of costs between capitalisation and expense is a key judgement.

Release from Deferred Licence Value Liability

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 each component asset of the NZICC upon completion, and therefore when derecognising some components (as detailed above) there is also a requirement under the Group's accounting policy to release a portion of the deferred licence value liability. As no additional capitalised work in progress has been written off in the current period, no further release from the deferred licence value liability has occurred in the current period and the total amount released remains at the same level as at 30 June 2021 ($173.3 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 NZICC has been completed. As a result, it is possible the amount of the deferred licence value liability transferred may change materially.

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 under the Auckland Car Park Concession Agreement. No material information has arisen in the six months to 31 December 2021 to indicate a change to the estimate prepared by RLB in June 2021 and accordingly this liability remains at the same level as at 30 June 2021 ($36.5 million).

The ultimate cost for reconstructing these assets may differ materially from this assessment once detailed planning and construction is completed and the actual extent of the damage is known.

Site Preparation, Demolition and Other Costs

These costs primarily relate to site preparation and clearing costs on charged by the Contractor and some costs incurred directly by SkyCity. 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 NZICC fire income above.

c Current Assets

	31 December 2021 $'000	30 June 2021 $'000
Insurance recoveries for damages to the NZICC and Horizon Hotel	**380,302**	380,302
Other recoveries	**217,066**	164,583
Payments received from the insurers	**(267,709)**	(136,533)
Transfer to non-current receivables (refer note 7(d))	**(181,000)**	(233,000)
	148,659	175,352

In addition to the $148.7 million of current NZICC recoveries, there are also non-current recoveries of $181.0 million (refer below). NZICC recoveries (current plus non-current) total $329.7 million.

Insurance Recovery for Damage to the NZICC and Horizon Hotel

Insurance recoveries to cover the reinstatement to the pre fire condition include amounts related to the damage to the NZICC $365.0 million (30 June 2021: $365.0 million), Horizon Hotel $14.6 million (30 June 2021: $14.6 million) and various ICT equipment $0.7 million (30 June 2021: $0.7 million).

7 NZICC Fire (continued)

c Current Assets (continued)

Other Recoveries

These recoveries primarily relate to site preparation, demolition and clearing costs incurred and on-charged by the Contractor (note 7a). The Group believes that recovery of this amount is virtually certain.

Payments Received from the Insurers

To date the Group has received payment from the insurers of $265.5m million (2021 $135.5 million) towards site preparation, clearing costs, the cost of remediation and SkyCity costs.

The Group has also received $2.2 million (2021 $1.0 million) from insurers towards its business interruption claim.

d Non-current Assets

	31 December 2021 $'000	30 June 2021 $'000
Insurance recoveries for damages to the NZICC and Horizon Hotel	**181,000**	233,000
	181,000	233,000

The split between current and non-current is based on estimated cash flows associated with the anticipated timing of the reconstruction.

8 Dividends

	6 months 31 December 2021 $'000	6 months 31 December 2020 $'000
Prior year's final dividend	**53,082**	-
Total dividends provided for or paid	**53,082**	-
Cents per share		
Prior year's final dividend	**7.0¢**	- ¢

9 Non-Current Liabilities - Interest Bearing Liabilities

	31 December 2021 $'000	30 June 2021 $'000
Car park concession (main site nested car parks)	**48,003**	47,167
USPP notes	**221,046**	221,811
Syndicated bank facility	**156,367**	-
New Zealand bonds	**175,000**	175,000
Deferred funding expenses	**(3,015)**	(3,014)
Total non-current liabilities - interest bearing liabilities	**597,401**	440,964

9 Non-Current Liabilities - Interest Bearing Liabilities (continued)

(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 within the Income Statement.

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 2021 relates to foreign exchange and interest rate movements.

(b) 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 2021, SkyCity had in place revolving credit facilities of:

- A$100.0 million maturing 15 June 2023 (partially drawn at the reporting date);
- NZ$50.0 million maturing 30 November 2022 (undrawn at the reporting date);
- NZ$115.0 million maturing 15 June 2024 (partially drawn at the reporting date); and
- NZ$115.0 million maturing 15 June 2025 (undrawn at the reporting date).

A total of $156.4 million was drawn at 31 December 2021 (31 December 2020: $175.1 million; 30 June 2021: $48.0 million).

(c) Auckland Car Park Concession Agreement - financing element

As detailed in the 30 June 2021 financial statements, a portion of the sale of the Auckland Car Park Concession relates to 450 car parks for the exclusive use of SkyCity. This portion is treated 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. The residual value of the financial liability will be nil on the maturity of the car park concession contract.

(d) New Zealand Bonds

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

(e) Debt Covenants

As at 31 December 2021, SkyCity had agreed with lenders, a waiver of the Gearing Ratio covenant due to the impact of COVID-19 during the reporting period. Although a waiver was obtained, SkyCity would have been compliant had the waiver not been in place. SkyCity was also in compliance with all other debt covenants. The EBITDA-based covenants (Gearing Ratio and Interest Cover Ratio) are next tested on 30 June 2022. Amendments to these covenants as at 30 June 2022 have also been agreed with lenders and provide SkyCity greater flexibility.

10 Current Liabilities - Interest Bearing Liabilities

	31 December 2021 $'000	30 June 2021 $'000
Syndicated bank facility	-	48,031
Total current interest bearing borrowings	-	48,031

11 Income Tax (Benefit)/Expense

	6 months 31 December 2021 $'000	Restated* 6 months 31 December 2020 $'000
(Loss)/Profit before tax	(44,600)	95,362
Income tax @ 28%	(12,488)	26,701
Expenses not deductible for tax purposes	(625)	1,815
Foreign exchange variances	-	(95)
Differences in overseas tax rates	(1,929)	445
Assets held for sale	(17)	-
Prior period adjustments	212	(26)
NZICC fire capital (income)/expenses	1,077	(292)
Non-assessable gain on sale	(498)	-
Impairment adjustments	1,746	-
Non-taxable settlement amount	-	(11,060)
Controlled foreign company regime	1,632	-
Other	8	15
Tax (benefit)/expense	(10,882)	17,503

The weighted average applicable tax rate was 24.4% (2021: 19.3%, 1H21: 18.5%). The weighted average tax rate has been significantly impacted by:

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

Excluding these items the weighted average tax rate would have been 30.1% (2021: 28.7%, 1H21: 29.5%).

12 Non-current Assets - Intangible assets

	Goodwill $'000	Casino licences $'000	Computer software $'000	Gaming Entitlements $'000	Total $'000
At 1 July 2021 - restated					
Cost	35,786	778,303	135,611	1,823	951,523
Accumulated amortisation	-	(228,642)	(95,743)	(73)	(324,458)
Net book amount	35,786	549,661	39,868	1,750	627,065
Movements in the Six-month Period Ended 31 December 2021					
Exchange differences	-	(1,667)	(90)	(21)	(1,778)
Additions	-	-	6,606	-	6,606
Impairment charge	-	(4,391)	-	-	(4,391)
Amortisation charge	-	(1,288)	(5,029)	(61)	(6,378)
Closing net book amount	35,786	542,315	41,355	1,668	621,124
At 31 December 2021					
Cost	35,786	769,566	141,198	1,802	948,352
Accumulated amortisation	-	(227,251)	(99,843)	(134)	(327,228)
Net book amount	35,786	542,315	41,355	1,668	621,124
At 1 July 2020 - restated					
Cost	37,694	777,118	126,142	-	940,954
Accumulated amortisation	-	(225,281)	(85,081)	-	(310,362)
Net book amount	37,694	551,837	41,061	-	630,592
Movements in the Year Ended 30 June 2021					
				-	
Exchange differences	-	453	9	-	462
Additions	-	-	5,660	-	5,660
Adelaide expansion	-	-	5,538	3,088	8,626
Transfer of Adelaide deferred licence	-	-	(1,677)	(1,265)	(2,942)
Assets classified as held for sale	(1,908)	-	(20)	-	(1,928)
Amortisation charge	-	(2,629)	(10,703)	(73)	(13,405)
Closing net book amount	35,786	549,661	39,868	1,750	627,065
At 30 June 2021 - restated					
Cost	35,786	778,303	135,611	1,823	951,523
Accumulated amortisation and impairment	-	(228,642)	(95,743)	(73)	(324,458)
Net book amount	35,786	549,661	39,868	1,750	627,065

The Queenstown Wharf Casino remains closed and Management does not envisage reopening it in the foreseeable future. As a result, the Queenstown Wharf casino licence, which was held at $4.4m, was fully impaired in the current period.

Due to the ongoing uncertainties associated with the COVID-19 pandemic, the Auckland, Hamilton and Adelaide casino licences and goodwill were also tested for impairment. As was the case at 30 June 2021, the calculated values in use of the Auckland casino licence and Hamilton goodwill continue to significantly exceed their carrying values.

12 Non-current Assets - Intangible assets (continued)

Reduced earnings estimates for the Adelaide casino cash generating unit (CGU), resulting from a combination of changed consumer behaviour due to the impacts of the COVID-19 pandemic in South Australia, extended regulatory restrictions imposed on businesses due to COVID-19 and the estimated impact of enhancing the Adelaide Anti Money Laundering Enhancement Program (note 14), resulted in a reduction in the recoverable amount of the CGU. This meant that the mid-point of the valuation range for the CGU fell below the carrying value of the CGU, although the carrying value remains within the valuation range for the CGU. The valuation of the CGU is highly sensitive to changes in earnings estimates. The unknown future impact of COVID-19, and customer responses to enhancements in the AML/CTF Program, create a heightened level of uncertainty that makes forecasting challenging. Small changes in assumptions could lead to an increase in, or a reversal of, impairment of the CGU. Given these uncertainties, Management determined that the current period valuation did not warrant an increase in, or a reversal of, the impairment recognised in FY20 on the Adelaide casino licence of A$150 million.

(a) Software as a Service arrangement

In March 2021, the IFRS Interpretations Committee (Committee), which is responsible for interpreting the application of IFRS, issued an agenda decision that the costs incurred in configuring and customising software provided under software as a service arrangements (SaaS) must be expensed unless they:

- create an intangible asset, separate from the software, that the customer controls; or
- are paid to the supplier of the cloud-based software for significant customisation work (in which case the costs are recorded as a prepayment for services and amortised over the expected term of the SaaS arrangement).

The Committee's agenda decision was ratified by the International Accounting Standards Board in April 2021.

As a result of the Committee's decision, during the year the Group revised its accounting policy in relation to configuration and customisation costs incurred in implementing SaaS arrangements. Until the current period, the Group's accounting policy has been to capitalise the costs of configuring and customising SaaS arrangements as intangible assets. The revised policy is that such costs are expensed as incurred, unless the requirements for capitalisation established by the Committee's decision are met.

This change in accounting policy has been implemented retrospectively, by restating the opening equity position (as at 1 July 2020) and the comparative financial statements. To determine the level of restatement required, the Group identified all SaaS arrangements for which configuration and customisation costs had been capitalised, but not fully amortised at 1 July 2020, to determine which no longer met the requirements for capitalisation under the Group's revised accounting policy. Those assets that did not meet the requirements for capitalisation under the Group's revised accounting policy were derecognised.

The impact of this change in accounting policy is presented in the tables below.

The primary impacts of the change in accounting policy are:

- a net reduction in intangible assets of $18.9 million at 1 July 2020 and $19.3 million at 30 June 2021;
- a net decrease in profit after income tax of $0.6 million at 31 December 2020; and
- a decrease in net operating cash inflows of $2.1 million at 31 December 2020 (offset by an equal decrease in net investing cash outflows at the same date).

Statement of financial position	Previously reported	Adjustment	**Restated**
Balances as at 1 July 2020	$'000	$'000	**$'000**
Intangible assets	649,531	(18,939)	**630,592**
Deferred tax asset	6,877	33	**6,910**
Deferred tax liability	(45,175)	5,272	**(39,903)**
Net assets	1,434,607	(13,634)	**1,420,973**
Retained earnings	179,641	(13,634)	**166,007**
Total equity	1,434,607	(13,634)	**1,420,973**

12 Non-current Assets - Intangible assets (continued)

Income statement	Previously reported	Adjustment	**Restated**
Balances as at 31 December 2020	$'000	$'000	**$'000**
Total expenses	(230,687)	(2,125)	**(232,812)**
Depreciation and amortisation	(41,797)	1,313	**(40,484)**
Profit before income tax	96,173	(811)	**95,362**
Income tax expense	(17,757)	254	**(17,503)**
Profit after income tax	78,416	(557)	**77,859**

Statement of financial position	Previously reported	Adjustment 1 July 2020	Adjustment 30 June 2021	**Restated**
Balances as at 30 June 2021	$'000	$'000	$'000	**$'000**
Intangible assets	646,326	(18,939)	(322)	**627,065**
Deferred tax asset	9,344	33	363	**9,740**
Deferred tax liability	(57,031)	5,272	(216)	**(51,975)**
Deferred licence value - current	(1,963)	-	(125)	**(2,088)**
Net assets	1,651,018	(13,634)	(300)	**1,637,084**
Retained earnings	335,767	(13,634)	(293)	**321,840**
Reserves	(22,972)	-	(7)	**(22,979)**
Total equity	1,651,018	(13,634)	(300)	**1,637,084**

Statement of cash flows	Previously reported	Adjustment	**Restated**
Balances as at 31 December 2020	$'000	$'000	**$'000**
Payments to suppliers and employees	(184,955)	(2,125)	**(187,080)**
Net cash inflow from operating activities	120,616	(2,125)	**118,491**
Purchased intangible assets	(7,174)	2,125	**(5,049)**
Net cash outflow from investing activities	(177,309)	2,125	**(175,184)**

In the current period, if the previous policy had been retained, $0.3 million of software configuration and customisation costs would have been capitalised to intangible assets and $1.2 million of amortisation would have been expensed. However, under the new accounting policy the $0.3 million of configuration and customisation costs were expensed as incurred and amortisation on assets previously capitalised not recognised, as those assets had been derecognised at the beginning of the current period (i.e. 1 July 2021). As a result of this change in policy, income tax benefit has decreased and deferred tax liability increased by $0.3 million respectively and loss for the period decreased by $0.7 million.

13 Assets Classified as Held for Sale

	31 December 2021 $'000	30 June 2021 $'000
Land	**24,109**	8,965
Buildings	**2,062**	2,359
Plant and equipment	**3**	265
Goodwill	**-**	1,928
Total	**26,174**	13,517

Assets held for sale include certain land in Queenstown and the Little Mindil site in Darwin (2021: Darwin Little Mindil site and Lets Play Live Media).

During the current period, the sale of Lets Play Live Media, which was classified as held for sale at 30 June 2021, was completed and a gain on sale of $1.8 million was recognised as other income (note 6). The consideration received for the sale included $2.0 million of convertible notes issued by the acquirer, which are recognised as other non-current assets.

The Queenstown land has been classified as held for sale in the current period and has been written down to fair value less the costs of disposal, which has resulted in an impairment loss of $1.8 million being recognised in the income statement. Fair value was measured on a comparable sales basis.

14 Contingencies

(a) Contingent Liabilities

Car parks

SkyCity has obligations under a concession agreement (Concession Agreement) with (now) MPF Parking Limited (Macquarie) pursuant to which SkyCity granted a long term concession over certain SkyCity car parks in Auckland to Macquarie. SkyCity is required to make payments to Macquarie for car parks that are unavailable under the Concession Agreement as a result of the NZICC fire. Dependent on the timeframe in which the NZICC car parks are made available to Macquarie, Macquarie may have the option to terminate the Concession Agreement. In the event such a right crystalises and Macquarie chooses to exercise such a right in lieu of other protections within the Concession Agreement, this would result in SkyCity taking back ownership of the concession car parks in return for a payment based on a determination of the market value of the car parks taking into account certain assumptions. SkyCity is engaging with Macquarie on this issue and to date Macquarie has not indicated it intends to exercise such option but should it do so recovery of additional costs or losses incurred by SkyCity resulting from the impact of the NZICC fire may be sought from the NZICC Contractor.

Regulators

SkyCity operates in an industry with a complex regulatory framework. During FY21, there was 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.

On 4 June 2021, SkyCity Adelaide Pty Ltd 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 Pty Ltd with the Australian Anti Money Laundering and Counter Terrorism Financing Act 2006 and Anti Money Laundering and Counter Terrorism Financing Rules Instrument 2007 (No.1) (AML/CTF). The Regulatory Operations Team had therefore referred the matter to AUSTRAC's Enforcement Team, which initiated a formal enforcement investigation into the compliance of SkyCity Adelaide Pty Ltd.

The potential serious non compliance noted by AUSTRAC includes concerns relating to ongoing customer due diligence, adopting and maintaining an AML/CTF Program and compliance with Part A of an AML/CTF Program. These concerns were identified in the course of a compliance assessment which AUSTRAC commenced in September 2019, focusing on SkyCity Adelaide Pty Ltd'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.

14 Contingencies (continued)

AUSTRAC has made clear that it has not made a decision regarding the appropriate regulatory response that it may apply to SkyCity Adelaide Pty Ltd, including whether or not enforcement action will be taken. If any civil penalty action is taken, this could result in a financial penalty, however SkyCity Adelaide Pty Ltd considers that it is not yet possible to reliably estimate a potential financial penalty and accordingly no provision has been raised in respect of these matters. SkyCity Adelaide Pty Ltd regards the matters raised by AUSTRAC with the utmost seriousness and has appointed an independent expert to conduct a comprehensive review of its AML/CTF Program and broader AML function which, together with SkyCity Adelaide Pty Ltd's own internal review, is aimed at putting in place a comprehensive enhancement programme to address issues in, and improve more generally, the quality of its AML/CTF Program and AML function.

Judgments in civil penalty proceedings brought by AUSTRAC to date demonstrate that the Federal Court's determination of the appropriate penalty (where contraventions are admitted or established) is very specific to the facts in each case. 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.

(b) Contingent Assets

As detailed in note 7, the Group intends to seek recovery from the Contractor (FCC) 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 Concession Agreement, additional project costs, and other items. The Group has identified $39.3 million (2021 FY: $23.3 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 insurer 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 is not the full extent of the costs and losses that have been incurred and that could be claimed from the Contractor relating to the fire and construction delays.

There are no other contingent assets at 31 December 2021 (30 June 2021: nil).

15 Commitments

Capital Commitments

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

	31 December 2021 $'000	30 June 2021 $'000
Property, plant and equipment	**445,673**	445,269
	445,673	445,269

The above commitments include the estimated cost of reinstating the NZICC and Horizon Hotel. The cost of reinstating the damage to the NZICC and Horizon Hotel arising from the NZICC fire is currently estimated to be $365.0 million to $450.0 million for the NZICC and $14.6 million to $21.0 million for the Horizon Hotel. The actual costs may be materially different to these estimates. Further information is included in note 7.

15 Commitments (continued)

Investment

In December 2021, SkyCity signed a binding term sheet to subscribe for €25 million of new equity in GiG to support the funding of GiG's acquisition of France-Pari/Sportnco (Sportnco). GiG is a European-based online gaming platform provider and media services operator (listed on the Oslo and Stockholm stock exchanges). SkyCity has an existing strategic partnership with GiG (see note 5) but does not currently have an equity interest in GiG. Sportnco is a European-based business-to-business online sports and player account management provider, licensed in regulated and high-growth markets globally.

Settlement of this agreement will result in SkyCity becoming GiG's largest standalone shareholder (with around 11% of issued capital) and in a SkyCity representative joining the GiG Board (subject to Board nomination and shareholder approval). Settlement is conditional on approval of the transaction by GiG's shareholders and completion of the Sportnco acquisition.

SkyCity intends to fund the investment from a combination of the sale of non-core assets and existing debt facilities. Settlement is expected to occur during the first quarter of the 2022 calendar year.

16 Events Occurring after the Balance Sheet Date

COVID-19

On 24 January 2022, cases of the Omicron variant of COVID-19 were detected in the community in New Zealand. As a result, the New Zealand Government moved the country to the COVID-19 red traffic light setting, which imposed restrictions on the Group's sites, including venue capacity limits, social distancing, and mask-wearing requirements. At the time of signing these interim financial statements, New Zealand remains at the COVID-19 red traffic light setting. There is uncertainty as to the length of time that New Zealand will remain at the red traffic light setting, but the New Zealand Government has indicated this could be several weeks. These developments are further detailed in note 2.