

FINANCIAL STATEMENTS AND NOTES

for the Year ended
30 June 2024

These financial statements
were signed on 21 August 2024
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 report

To the shareholders of SkyCity Entertainment Group Limited

Our opinion

In our opinion, the accompanying financial statements of SkyCity Entertainment Group Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2024, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards Accounting Standards (IFRS Accounting Standards).

What we have audited

The Group's financial statements comprise:

- the balance sheet as at 30 June 2024;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of tax compliance, executive remuneration benchmarking, preliminary gap analysis in relation to climate reporting requirements, specified reporting to the Supervisor of the Group's retail bond and agreed-upon-procedure services in relation to the allocation of Community Trust Revenue, compliance with banking and debt covenants, the reconciliation of underlying results to reported results, scrutineering of the vote count at the Annual Shareholder Meeting and the testing of share-based payment calculations. The provision of these other services and relationships have not impaired our independence as auditor of the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	How our audit addressed the key audit matter
Accounting considerations in respect of SkyCity Adelaide <i>Impairment of the SkyCity Adelaide CGU</i> As disclosed in Note 24 of the financial statements, the carrying amount of the SkyCity Adelaide cash generating unit (CGU) has been impaired by \$94.3 million at 30 June 2024 (2023: \$49.7 million). The SkyCity Adelaide casino licence has a finite useful life and, as such, accounting standards require the Group to assess at the end of each reporting period whether there is any indication that it may be impaired. An impairment assessment was prepared in relation to the Adelaide CGU which includes the SkyCity Adelaide casino licence. This was prepared as the Group considered there to be indications that the CGU may be impaired, including the impact of the ongoing regulatory matters on the business and planned future enhancements such as mandatory carded play. The Group engaged an external valuation expert to calculate impairment using the fair value less cost of disposal (FVLCD) method. Management and their external valuation expert made a number of key assumptions that impact the CGU's recoverable value. As described in Note 24, this includes the compound annual EBITDA growth rate of 6.0%, terminal growth rate of 2.5%, and post-tax discount rate of 11.0%. The impairment expense recognised represents the difference between the carrying value of the Adelaide CGU as at 30 June 2024 and the recoverable amount. The recoverable amount adopted by management and the Board falls within the indicative valuation range determined by management's valuation expert under the FVLCD method.	Our procedures in relation to the impairment of the SkyCity Adelaide CGU included the following: • Understood the process undertaken by management to prepare the forecast cash flows; • Compared the forecast cash flows used in the impairment assessment to the forecast adopted by the Board; • Considered the appropriateness and accuracy of the ten-year forecast cash flows included in management's expert's valuation, as adopted by the Board, by comparing historical performance against previous budgets; • Considered and challenged key assumptions in the cash flow forecasts, with reference to external evidence where possible; • Engaged our auditor's valuation expert to: – Review and challenge key assumptions, including the post-tax discount and terminal growth rates based on their experience and external market evidence; – Assess the reasonableness of the cost of disposal assumption applied under the FVLCD method based on their experience and industry knowledge; and – Evaluate the final conclusions reached with reference to external market evidence; • In conjunction with our auditor's valuation expert, we assessed the valuation report prepared by management's valuation expert and considered management's and their expert's key sensitivities over the model. In doing so, we met with management and their expert to understand and challenge their approach and assumptions; • Assessed the professional competence, independence and objectivity of management's valuation expert; and • Assessed the appropriateness of the associated disclosures made in the financial statements, including those for key assumptions and sensitivities.

Description of the key audit matter	How our audit addressed the key audit matter
Recognition of deferred tax assets In addition, as disclosed in Note 19 of the financial statements, the Group has recognised a deferred tax asset of \$30.5 million as at 30 June 2024 (2023: \$30.6 million) in relation to unused tax losses in Australia. Under Australian tax legislation, tax losses can be carried forward indefinitely, however it must be probable that future taxable income will become available in order to recognise a deferred tax asset for the unused tax losses. Management's forecasts, including consideration of key sensitivities, indicate that the Adelaide business will generate future taxable income. On this basis, the Group has considered it is probable that sufficient future taxable income will be generated to utilise the tax losses recognised. There is an inherent level of uncertainty associated with management's forecasting and the continued recognition of the deferred tax asset is a significant area of judgement. The impairment of the SkyCity Adelaide CGU and recognition of deferred tax assets were key focus areas of our audit and considered to be a key audit matter due to the inherent estimation uncertainties and significant judgement involved, including the impact of future regulatory changes and planned enhancements, such as mandatory carded play, on the assumptions applied.	Our procedures in relation to the recognition of deferred tax assets for the unused tax losses included performing the following: • Considered the forecast accuracy of the Board approved forecasts by comparing historical performance against previous budgets; • Assessed the forecasts to determine the expected timing for future utilisation of tax losses in Australia, and considered the impact of key sensitivities on this assessment; and • Considered and challenged management's assessment of the recoverability of the deferred tax asset with reference to the recognition criteria in NZ IAS 12 <i>Income Taxes</i>.
Provisions and contingent liabilities relating to legal and regulatory matters The Group operates in a highly regulated environment. Given the extent of scrutiny by regulators and the general nature of casino operations across both New Zealand and Australia, there remains a high degree of risk in respect of legal and regulatory compliance. As disclosed in Note 29 and Note 37 of the financial statements, the Group is subject to several ongoing legal and regulatory matters. The assessment of these matters involves complexity and uncertainty as to their outcome and quantification of any associated future economic outflows.	Our procedures included the following: • Held meetings with management, including in-house legal counsel, to obtain the most recent facts and circumstances in relation to ongoing regulatory matters; • Assessed our obligations under auditing and ethical standards and relevant legislation to determine whether the matters are required to be reported to third parties; • Read meeting minutes from relevant committees to identify and consider information relating to regulatory matters; • Discussed the matters with the Group's external legal counsel, where applicable, to

Description of the key audit matter	How our audit addressed the key audit matter
NZ IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> (NZ IAS 37) outlines the criteria for the recognition of a provision or disclosure of a contingent liability. The application of this standard required judgement to be applied to determine if a provision for these matters should be recognised, and the extent of disclosures required. Due to the significance of the matters disclosed in Note 29 and Note 37, their subjective nature and the associated uncertainties, any related assumptions have the potential to be subject to bias, error or inconsistent application by management. This was therefore considered to be an area of focus for our audit and considered to be a key audit matter.	corroborate the information provided by management; • Read correspondence between the Group and the applicable regulatory bodies; • Agreed the payment of regulatory penalties subsequent to balance date to supporting documentation; • Evaluated management's assessment of whether the various regulatory matters should be recognised as a provision or disclosed as a contingent liability, against the criteria in NZ IAS 37; and • Assessed the appropriateness of the associated disclosures in the financial statements against the requirements of NZ IAS 37.

Our audit approach

Overview



Overall group materiality: \$8.0 million, which represents approximately 5% of profit before tax, excluding impairment of Adelaide assets and regulatory penalties.

We chose profit before tax, which is a generally accepted benchmark, as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users.

We chose to adjust this benchmark as described above, because, in our view, it provides a more stable measure of the Group's performance.

We selected transactions and balances to audit based on the overall group materiality to SkyCity Entertainment Group rather than determining the scope of procedures to perform by auditing only specific subsidiaries or entities.

As reported above, we have two key audit matters, being:

- Accounting considerations in respect of SkyCity Adelaide; and
- Provisions and contingent liabilities relating to legal and regulatory matters.



As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

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

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/>

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's 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 Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

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

For and on behalf of:

A handwritten signature in black ink, appearing to read 'Richard Day', written over a light blue horizontal line.

Chartered Accountants
21 August 2024

Auckland

INCOME STATEMENT

For the year ended 30 June 2024

	NOTES	2024 \$'000	2023 \$'000
Revenue	5	861,037	855,785
Other income	6	21,422	7,449
NZICC fire related income	7,a	45,926	61,882
NZICC fire related expenses	7,b	(52,390)	(63,828)
Employee benefits expense		(314,714)	(303,067)
Asset impairments	8	(94,326)	(50,856)
Other expenses	8	(123,548)	(134,884)
Directors' fees		(1,327)	(1,198)
Gaming taxes and levies	29	(64,354)	(52,833)
Direct consumables		(62,879)	(59,514)
Marketing and communications		(21,505)	(22,730)
Regulatory penalties	29	(41,300)	(49,009)
Community contributions, sponsorships and donations		(10,064)	(10,110)
Fair value losses on investment properties	16	(3,979)	(12,252)
Share of profits from associate		158	1,064
Earnings Before Interest, Tax, Depreciation and Amortisation Expenses (EBITDA)		138,157	165,899
Depreciation and amortisation	8	(85,601)	(84,363)
Depreciation on right-of-use assets	11	(6,420)	(6,309)
Earnings Before Interest and Tax (EBIT)		46,136	75,227
Net finance costs	12	(15,996)	(23,492)
(Loss)/Profit Before Income Tax		30,140	51,735
Income tax expense	18	(173,488)	(43,760)
(Loss)/Profit for the Year Attributable to Shareholders of the Company		(143,348)	7,975
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY		CENTS	CENTS
Basic and diluted (loss)/earnings per share	9	(18.9)	1.1

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

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2024

	NOTES	2024 \$'000	2023 \$'000
(Loss)/Profit for the Year		(143,348)	7,975
Other Comprehensive Income			
Items that may be subsequently reclassified to profit or loss			
Foreign Currency Translation Reserve	31		
Exchange differences on translation of overseas subsidiaries		214	(4,877)
Cash Flow Hedge Reserve	31		
Cash flow hedges - revaluations		(1,587)	(10,734)
Cash flow hedges - transfer to finance costs		1,628	12,408
Cash flow hedges - income tax		(11)	(469)
Cost of Hedging Reserve	31		
Cost of hedging reserve - costs incurred/revaluations		2,650	(3,913)
Cost of hedging reserve - transfer to finance costs		1,157	694
Cost of hedging reserve - income tax		(1,066)	901
Other Comprehensive Income for the Year, Net of Tax		2,985	(5,990)
Total Comprehensive Income for the Year		(140,363)	1,985

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

BALANCE SHEET

As at 30 June 2024

ASSETS	NOTES	2024 \$'000	2023 \$'000
Current Assets			
Cash and cash equivalents	27	60,536	245,013
Receivables and prepayments	26	86,878	50,833
Inventories		8,375	8,582
Derivative financial instruments	32	17,913	489
Current tax receivables		7	12
NZICC fire recoveries	7,c	2,480	11,613
Other current assets		–	2,000
Assets held for sale	28	13,000	–
Total Current Assets		189,189	318,542
Non-current Assets			
Deferred tax assets	19	52,350	25,465
Finance lease receivable		-	13,978
Derivative financial instruments	32	550	11,943
Investments in associates	25	-	43,200
Investment properties	16	78,800	108,803
Property, plant and equipment	23	1,816,961	1,652,476
Intangible assets	24	544,607	566,553
Right-of-use assets	11	98,579	122,538
Total Non-current Assets		2,591,847	2,544,956
Total Assets		2,781,036	2,863,498

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

BALANCE SHEET

As at 30 June 2024

LIABILITIES	NOTES	2024 \$'000	2023 \$'000
Current Liabilities			
Payables and provisions	29	226,796	215,997
Interest bearing liabilities	14	241,116	45,814
Current tax liabilities		34,707	42,849
Derivative financial instruments	32	366	17
Lease income in advance	22	–	39,815
Lease liabilities	11	3,285	3,045
Total Current Liabilities		506,270	347,537
Non-current Liabilities			
Interest bearing liabilities	13	368,381	525,666
Non-current payables		20,052	19,097
Derivative financial instruments	32	7,178	5,617
Deferred tax liabilities	20	210,739	56,100
Lease liabilities	11	118,147	116,840
Deferred licence value	17	246,408	262,444
Total Non-current Liabilities		970,905	985,764
Total Liabilities		1,477,175	1,333,301
Net Assets		1,303,861	1,530,197
EQUITY			
Share capital	30	1,342,436	1,343,027
Reserves	31	(7,450)	(10,435)
Retained earnings		(31,125)	197,605
Total Equity		1,303,861	1,530,197

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2024

	NOTES	SHARE CAPITAL \$'000	RESERVES \$'000	RETAINED EARNINGS \$'000	TOTAL EQUITY \$'000
Balance as at 1 July 2022		1,340,556	(4,445)	235,163	1,571,274
Total comprehensive income		–	(5,990)	7,975	1,985
Dividends paid	10	–	–	(45,533)	(45,533)
Shares issued under employee share schemes	30	2,446	–	–	2,446
Net movement in treasury shares	30	25	–	–	25
Balance as at 30 June 2023		1,343,027	(10,435)	197,605	1,530,197
Balance as at 1 July 2023		1,343,027	(10,435)	197,605	1,530,197
Total comprehensive income		–	2,985	(143,348)	(140,363)
Dividends paid	10	–	–	(85,382)	(85,382)
Shares issued under employee share schemes	30	(620)	–	–	(620)
Net movement in treasury shares	30	29	–	–	29
Balance as at 30 June 2024		1,342,436	(7,450)	(31,125)	1,303,861

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2024

	NOTES	2024 \$'000	2023 \$'000
Cash Flows from Operating Activities			
Receipts from customers		858,009	859,631
Payments to suppliers and employees		(540,773)	(528,466)
Government grants received		475	560
Other insurance income received		–	1,744
Gaming taxes and levies paid		(59,465)	(46,338)
Income taxes paid		(54,672)	(7,034)
Net Cash Inflow from Operating Activities	39	203,574	280,097
Cash Flows from Investing Activities			
Purchases of property, plant and equipment		(303,689)	(254,746)
Investment property additions		(7,859)	–
Purchased intangible assets		(7,047)	(8,113)
Proceeds from disposal of assets held for sale		–	7,812
NZICC fire related income		–	299,067
NZICC fire related expenses		(817)	(95,456)
Net Cash Outflow from Investing Activities		(319,412)	(51,436)
Cash Flows from Financing Activities			
Cash flows associated with net derivatives		2,295	632
Proceeds from borrowings		110,000	148,999
Repayment of borrowings		(75,814)	(98,000)
Movement in treasury shares		29	25
Dividends paid to company shareholders	10	(85,382)	(45,533)
Interest paid		(9,118)	(28,362)
Lease interest paid		(6,523)	(6,378)
Repayment of lease liabilities		(4,126)	(3,729)
Net Cash Outflow from Financing Activities		(68,639)	(32,346)
Net (Decrease)/Increase in Cash and Cash Equivalents	15	(184,477)	196,315
Cash and cash equivalents at the beginning of the year		245,013	48,698
Cash and Cash Equivalents at the End of the Year	27	60,536	245,013

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

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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 consolidated financial statements were approved for issue by the Board of Directors (**Board**) on 21 August 2024. 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

The financial statements of the Group have been prepared in accordance with GAAP. They comply with New Zealand Equivalents to International Financial Reporting Standards (**NZ IFRS**), International Financial Reporting Standards (**IFRS Accounting Standards**), the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Listing Rules. The Group financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2024 and the results of all subsidiaries for the year then ended.

MEASUREMENT BASIS

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities, as identified in specific accounting policies below and in the notes.

PRESENTATION CURRENCY

The 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 year. When discussing financial performance, the Group also uses non-GAAP financial information, which is not prepared in accordance with NZ IFRS 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 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.

GOING CONCERN

The Group has negative working capital of \$317.1 million at balance date, largely as a result of the reclassification to current liabilities of \$80.0 million of drawn banking facilities that mature on 15 June 2025 and US\$100.0 million of United States private placement (**USPP**) notes that mature on 17 March 2025, as well as the impact of accrued/provided for regulatory penalty payments (refer to note 29). The Group has available undrawn banking facilities totalling \$252.5 million as at 30 June 2024 (refer note 13), of which \$115.0 million was due to mature within 12 months of the issuance of these financial statements. Subsequent to balance date, the Group successfully refinanced the US\$100.0 million USPP notes into a new US\$150.0 million 7-year USPP note and extended the maturity date of \$217.5 million of the syndicated bank facility to September 2027 and September 2028 (refer note 13). The Company's directors have assessed the forecast cash flows of the Group, taking into account the refinancing events noted above, and concluded that there are no material uncertainties related to the Group being a going concern and that the Group has the ability to pay all debts as they fall due. Accordingly, these financial statements are prepared on a going concern basis.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of certain critical accounting estimates and the exercise of judgement regarding the application of accounting policies. The critical estimates and judgements made in the preparation of these financial statements relate to the following:

- goodwill and casino licences that have an indefinite useful life are impairment tested annually, which requires the use of key estimates. Details of the estimates made are provided in note 24;
- the SkyCity Adelaide Pty Ltd (SkyCity Adelaide) casino licence, which has a finite useful life, was impaired in a prior period and consequently was tested for impairment in the current period, which resulted in the recognition of additional impairment. For further detail on the basis of valuation refer to note 24(c);

- while the New Zealand International Convention Centre (NZICC) is still under construction the Group has used judgement and estimations in relation to the value of the NZICC car parks in service (note 23);
- investment properties are carried at fair value. Determining the fair value of properties requires the use of estimates and assumptions. Details of the estimates and assumptions made are provided in note 16;
- in some instances, judgement is required to determine whether a payment that may occur in the future constitutes a provision or a contingent liability. A provision is recognised where an obligating event that gives rise to a requirement to make a payment has occurred. Where a provision is recognised, estimation of the value at which it will be recognised is required. Information on the Group's provisions is provided in note 29 and information on the Group's contingent liabilities is provided in note 37;
- judgement and estimation are required when determining the amount of deferred tax assets to be recognised in respect of SkyCity Adelaide's tax losses and the recent change in New Zealand tax legislation which eliminates the deduction of building structure depreciation as part of the tax calculation. Further information is provided in note 19; and
- the Group has used judgement and estimations in relation to the value of amounts recognised as construction work in progress that are expected to ultimately be allocated to the structure on completion of the NZICC and Horizon Hotel as at 30 June 2024, for use in tax calculations (note 20).

3. Material Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below and in the notes to the financial statements. These policies have been consistently applied to all periods presented, unless otherwise stated.

(a) Principles of Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated in the Group financial statements. Unrealised losses are also eliminated. When necessary, amounts

reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Foreign Currency Translation

(i) Transactions and Balances

Items included in the financial statements of each Group entity are measured using that entity's functional currency (which is the currency that best reflects the economic substance of the events and circumstances relevant to that operation). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Translation differences on financial assets and liabilities carried at fair value through profit or loss are recognised in the Income Statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equity instruments classified at fair value through other comprehensive income are included in the Statement of Comprehensive Income.

(ii) Foreign Operations

The results and financial position of foreign entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as outlined below:

- assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that Balance Sheet;
- income and expenses for each Income Statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

Exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity.

(c) Goods and Services Tax (GST)

The Income Statement, Statement of Comprehensive Income and Statement of Changes in Equity have been prepared so that all components are stated exclusive of GST. All items in the Balance Sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(d) Statement of Cash Flows

Cash flows associated with derivatives that are part of a hedging relationship are off-set against cash flows associated with the hedged item.

**(e) Impairment of
Non-Financial Assets**

Intangible assets, including goodwill, that have an indefinite useful life are tested for impairment annually (or more frequently if events or changes in circumstances indicate that the asset might be impaired). Goodwill and casino licences are allocated to cash generating units for the purpose of impairment testing.

Intangible assets that have a finite useful life, items of property, plant and equipment and investments in associates are assessed for indicators of impairment annually and tested for impairment if an indicator of impairment is found.

Impairment testing is done by comparing the carrying value of the asset to its recoverable amount, which is the higher of value in use and fair value less costs of disposal. Any impairment is recognised immediately as an expense. Impairment on goodwill is not subsequently reversed, but impairment on other assets may be reversed.

(f) Fair Value Hierarchy

Some of the items in the financial statements are carried at fair value. In addition, for some items carried under a different measurement basis, fair value is disclosed. Where a fair value measurement is made, the measurement is categorised as falling within one of three levels on the fair value hierarchy, with categorisation based on the nature of the significant inputs to the valuation:

- **Level 1** - unadjusted quoted prices in an active market for identical assets or liabilities;
- **Level 2** - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. as information derived from prices); and
- **Level 3** - inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

(g) Standards, Amendments and Interpretations to Existing Standards that are not yet Effective

There are no published new or amended standards or interpretations that become effective on or after 1 July 2024 that would have a material impact on the Group's financial statements.

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. From 1 July 2023, the Group restructured to reflect its decision to materially reduce SkyCity's international activities. As a consequence of this restructure, there is no longer a separate International Business operating segment. Comparative information has been restated and amounts previously recognised in the International Business segment are incorporated into the operating segment to which they now relate.

Online gaming historically included in the Other NZ Operations segment is now shown separately to better reflect its potential for material growth in the future. Comparative information for the Other NZ Operations segment has been restated to reflect that change.

(a) Primary Reporting Format - Business Segments

2024	SKYCITY AUCKLAND \$'000	OTHER NZ OPERATIONS \$'000	SKYCITY ADELAIDE \$'000	ONLINE \$'000	CORPORATE /GROUP \$'000	TOTAL \$'000
Gaming revenue	397,419	66,574	168,218	–		632,211
Online revenue	–	–	–	9,336	–	9,336
Non-gaming revenue	143,011	10,375	69,274	–	70	222,730
Other income	11,320	31	20	–	10,051	21,422
NZICC fire income	45,926	–	–	–	–	45,926
Share of profit of associate	–	–	–	–	158	158
Total income	597,676	76,980	237,512	9,336	10,279	931,783
Expenses	(320,635)	(41,971)	(239,078)	(5,165)	(40,061)	(646,910)
Impairment	–	–	(94,326)	–	–	(94,326)
NZICC fire expenses	(52,390)	–	–	–	–	(52,390)
Depreciation and amortisation	(40,678)	(5,423)	(32,157)	–	(13,763)	(92,021)
Segment profit/(loss) (EBIT)	183,973	29,586	(128,049)	4,171	(43,545)	46,136
Net finance costs						(15,996)
Profit before income tax						30,140
Segment assets	2,015,633	97,184	425,735	3,193	239,291	2,781,036
Net additions to non-current assets (other than financial assets and deferred tax)	292,073	6,869	12,246	–	13,141	324,329
RESTATED 2023	SKYCITY AUCKLAND \$'000	OTHER NZ OPERATIONS \$'000	SKYCITY ADELAIDE \$'000	ONLINE \$'000	CORPORATE /GROUP \$'000	TOTAL \$'000
Gaming revenue	400,460	67,174	178,530	–	–	646,164
Online revenue	–	–	–	15,354	–	15,354
Non-gaming revenue	121,607	10,689	68,967	–	54	201,317
Other income	4,123	31	2,884	–	411	7,449
NZICC fire income	61,882	–	–	–	–	61,882
Share of profit of associate	–	–	–	–	1,064	1,064
Total income	588,072	77,894	250,381	15,354	1,529	933,230
Expenses	(311,219)	(38,621)	(263,759)	(4,619)	(34,429)	(652,647)
Impairment	1,056	–	(49,662)	–	(2,250)	(50,856)
NZICC fire expenses	(63,828)	–	–	–	–	(63,828)
Depreciation and amortisation	(38,025)	(5,393)	(33,624)	–	(13,630)	(90,672)
Segment profit/(loss) (EBIT)	176,056	33,880	(96,664)	10,735	(48,780)	75,227
Net finance costs						(23,492)
Profit before income tax						51,735
Segment assets	1,837,663	93,239	509,472	4,305	418,819	2,863,498
Net additions to non-current assets (other than financial assets and deferred tax)	226,285	3,485	10,991	–	13,051	253,812

The gaming revenue shown above has not been adjusted for gaming rebates. Note 5 shows gaming revenue adjusted for gaming rebates, which is consistent with the manner in which the revenue is presented in the Income Statement.

(b) Secondary Reporting Format - Geographical Segments

	TOTAL REVENUE		NON-CURRENT ASSETS EXCLUDING FINANCIAL INSTRUMENTS AND DEFERRED TAX ASSETS	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
New Zealand	694,270	682,850	1,429,233	2,019,291
Australia	237,513	250,380	1,109,714	488,257
	931,783	933,230	2,538,947	2,507,548

(c) Description of Segments

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, hotels and conventions, (including the NZICC), food and beverage, the Sky Tower, investment properties and a number of other related activities.

Other NZ Operations

This segment consists of the Group's operations at SkyCity Hamilton, SkyCity Queenstown and SkyCity Wharf and includes casino operations, conventions, and food and beverage.

SkyCity Adelaide

This segment consists of the Group's Adelaide operations, and includes casino operations, a hotel and conventions and food and beverage.

Online

This segment consists of the Group's online gaming operations.

Corporate/Group

This segment includes head office functions, funding entities and the Group's investment in its associate Gaming Innovation Group Inc. (GiG) (note 25). It is not considered an operating segment.

5. Revenue

ACCOUNTING POLICY

Gaming revenues represent the net win to the Group's land-based casinos from gaming activities, being the difference between amounts wagered and amounts won by casino patrons. Revenue is recognised at the conclusion of each game.

Gaming rebates are accounted for as a reduction in gaming revenue. Revenue from the online casino is derived from gaming activities by New Zealand based players using an online platform developed by GiG and operated under a Malta gaming licence held by Silvereye Entertainment Limited (a subsidiary of GiG).

GiG is therefore the principal transacting with the online casino customers (and not SkyCity). Revenue is reported net of costs payable to GiG under contractual arrangements agreed with GiG.

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

	2024 \$'000	2023 \$'000
Gaming	628,971	639,114
Non-gaming	222,730	201,317
Online gaming	9,336	15,354
Total revenue	861,037	855,785

The Group provides complimentary hotel accommodation, food and beverage and other goods and services to certain groups of customers. As the goods and services offered under these arrangements are tailored to meet the needs of individual customers, it is not practical to allocate total revenue received to all of the goods and services provided. Consequently, this revenue is all recognised as gaming revenue. The retail value of complimentary items provided in the current year was \$23.2 million (2023: \$21.4 million).

RECONCILIATION TO THE SEGMENT NOTE	NOTES	2024 \$'000	2023 \$'000
Total revenue	5	861,037	855,785
Other income	6	21,422	7,449
Share of profit from associate		158	1,064
NZICC fire income	7	45,926	61,882
Total income as per Income Statement		928,543	926,180
Gaming rebates		3,240	7,050
Total income as per segment note		931,783	933,230

6. Other Income

	2024 \$'000	2023 \$'000
Gain on disposal of property, plant and equipment	124	108
Dividend income	7	5
Rental income from investment properties	3,866	2,153
Government grants	475	560
Other insurance income	2,480	4,623
Gain on sale of shares in associate	9,633	–
Gain on termination of Car Park Concession Agreement	4,837	–
Total other income	21,422	7,449

GOVERNMENT GRANTS

The New Zealand Government provides wage subsidies to assist people into employment. SkyCity received \$0.5 million in subsidies for the current financial year under those schemes (2023: \$0.4 million). In the prior year the Group also received \$0.1 million in wage subsidies from the New Zealand Government COVID-19 scheme.

OTHER INSURANCE INCOME

In the current year, \$2.5 million of other income has been recognised in relation to business interruption insurance to cover costs incurred as a result of the fire at the NZICC in October 2019. In the prior year, other insurance income was recognised in relation to the insurer's partial payment of the Group's claim in relation to payments made to compensate MPF Parking NZ Limited (**Macquarie**) for car parks that were not available to it under a concession agreement signed in April 2019, pursuant to which 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 NZICC construction site in return for consideration of \$220.0 million (plus GST) (**Car Park Concession Agreement**).

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 the Horizon Hotel, which was being constructed on the adjacent site. Both the NZICC and Horizon Hotel projects were insured under a contract works insurance policy at the time of the fire.

In June 2024, the insurers, The Fletcher Construction Company Limited (FCC or the **Contractor**) and SkyCity reached a full and final settlement of all remaining contract works insurance claims relating to the NZICC and Horizon Hotel projects with the final proceeds received from the insurers in the year ended 30 June 2024.

(a) Income

	2024 \$'000	2023 \$'000
Contract works insurance recovery (remediation and pre-remediation costs)	45,926	61,882
Total income	45,926	61,882

CONTRACT WORKS INSURANCE RECOVERY

The Group has previously recognised an insurance receivable for the associated costs assessed as virtually certain under the contract works insurance policy. These have been adjusted for the final settlement with a further \$45.9 million recorded as income.

The majority of pre-remediation and remediation/reconstruction costs are expected to be incurred by the Contractor. However, costs are also incurred by SkyCity. Where SkyCity's costs are not recoverable under the Group's insurance policies, recovery of these costs will be sought from the Contractor.

(b) Expenses

	2024 \$'000	2023 \$'000
Add back of NZICC and Horizon Hotel capitalised work-in-progress	–	(52,752)
Reversal of release from deferred licence value liability	–	42,449
Site preparation, demolition and other costs	34,013	74,131
Abnormal delay costs	18,377	–
Total expenses	52,390	63,828

ADD BACK OF NZICC AND HORIZON HOTEL CAPITALISED WORK-IN-PROGRESS

In the prior financial year, the final damage assessment was provided by Rider Levett Bucknall (RLB) which resulted in a decrease of \$52.8 million to the impairment expense recognised in relation to the fire.

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. Therefore, when derecognising the parts of the building that were destroyed in the fire, there is also a requirement under the Group's accounting policy to release a portion of the deferred licence value liability. As a result of damage estimates being finalised at 30 June 2023, no change has been recognised to the deferred licence value in the current period (30 June 2023: increase of \$42.4 million).

SITE PREPARATION, DEMOLITION AND OTHER COSTS

As at 30 June 2024, the site preparation, demolition, and damage assessment costs have now been fully settled by the insurers.

ABNORMAL DELAY COSTS

The Group has identified \$18.4 million of additional costs incurred during the current year in relation to the NZICC and Horizon Hotel projects. In the Group's view, these costs have only been incurred due to abnormal delays in the completion of the projects, and would not have been incurred if the projects had been completed within a reasonable time frame. These additional costs have been expensed during the current year, and will be excluded from the final attributable cost of the NZICC and Horizon Hotel assets.

(c) Current Assets

	2024 \$'000	2023 \$'000
Insurance recoveries for damages to the NZICC and Horizon Hotel	–	657,074
Payments received from the insurers	–	(664,601)
Payments reclassified as income in advance	–	19,140
Insurance recoveries for MDBI claim	2,480	–
Total current assets	2,480	11,613

As at 30 June 2024, due to confirmation from the insurers that the claim had been approved, \$2.5 million had been recognised as a receivable from SkyCity's business interruption insurance to cover costs incurred as a result of the fire in October 2019.

8. Expenses



	2024 \$'000	2023 \$'000
Other Expenses		
Utilities, insurance and rates	30,867	31,515
Onerous contract expense (relating to the Wharf Casino lease)	1,264	
Other property expenses	19,516	18,262
ICT related expenses	21,729	19,746
Professional fees	20,291	18,279
Reinstatement of lease income in advance	–	13,734
Other items	29,073	32,529
Expenses relating to short term leases	807	554
Impairment of receivables	1	265
Total other expenses	123,548	134,884
Depreciation and Amortisation (excluding right-of-use assets)		
Depreciation (note 23)	73,846	71,034
Casino licence amortisation (Adelaide) (note 24)	1,721	2,712
Computer software amortisation (note 24)	9,908	10,490
Gaming machine entitlements amortisation (note 24)	126	127
Total depreciation and amortisation	85,601	84,363
Impairment		
Impairment of property, plant and equipment (note 23)	53,168	1,194
Impairment of intangible assets (note 24)	17,963	49,662
Impairment of right-of-use assets (note 11)	23,195	–
Total impairments	94,326	50,856

AUDITOR'S FEES

During the year, the fees outlined in the table below were incurred for services provided by the Company's auditor and its related practices.

The Group engages PricewaterhouseCoopers (PwC) on assignments additional to its statutory audit duties where PwC's expertise and experience with the Group are important and auditor independence is not impaired. For other work, the Group's External Auditor Independence Policy requires advisers other than PwC to be engaged wherever practicable.

PwC is engaged to provide tax compliance services, which relate to ad-hoc queries covering a range of tax-related matters, and services in relation to executive remuneration benchmarking.

During the financial year, PwC also undertook:

- agreed-upon procedures in relation to the Group's allocation of revenue from the SkyCity Community Trusts, assessment of the underlying results disclosed in the annual report, verification procedures in relation to share-based payments, and procedures in relation to the vote count at the annual meeting;
- other assurance, agreed-upon procedure engagements and specified reporting in relation to compliance with banking and debt covenants; and
- other assurance services in relation to preliminary gap analysis in relation to climate reporting requirements.

(a) Assurance and Agreed-upon Procedure Services

	2024 \$'000	2023 \$'000
Audit and review of financial statements		
PwC New Zealand	1,330	1,264
PwC Hong Kong	33	31
PwC Malta	69	65
Total remuneration for audit services	1,432	1,360
Performed by PwC New Zealand		
Specified reporting to retail bond supervisor	9	9
Agreed-upon procedures	68	64
Total remuneration for assurance related services	77	73
	1,509	1,433

(b) Other Services

	2024 \$'000	2023 \$'000
Performed by PwC New Zealand		
Services in relation to executive remuneration benchmarking	75	57
Preliminary gap analysis in relation to climate reporting requirements	50	–
Performed by PwC Australia		
Tax compliance services	46	58
Total remuneration for other services	171	115
	1,680	1,548

9. Earnings per Share

ACCOUNTING POLICY**(i) Basic Earnings per Share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

There are no dilutive potential ordinary shares and therefore basic and diluted earnings per share are the same.

EARNINGS PER SHARE	2024 \$'000	2023 \$'000
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	758,733,593	758,117,231
(Loss)/profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share (\$'000)	(143,348)	7,975
Basic and diluted earnings (cents) per share	(18.9)	1.1

10. Dividends

ACCOUNTING POLICY

Dividends are recognised when declared.

DIVIDENDS PAID	CENTS PER SHARE	\$'000
2022 final	–	–
2023 interim	6.0	45,533
30 June 2023	6.0	45,533
2023 final	6.0	45,541
2024 interim	5.25	39,841
30 June 2024	11.25	85,382

During the current year, supplementary dividends of \$8.8 million were paid on shares held by non-resident shareholders, for which the Group received an equivalent foreign investor tax credit entitlement. The foreign investor tax credit entitlement is included in income taxes paid within the Statement of Cash Flows.

The Board has not declared a final dividend in respect of the financial year ended 30 June 2024.

11. Leases

ACCOUNTING POLICY

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate; and
- payments to be made under reasonably certain extension options.

The lease payments are discounted using the interest rate implicit in the lease. If, as is generally the case, that rate cannot be readily determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The incremental borrowing rate is calculated as follows:

- where possible, using recent third party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since the third party financing was received;
- using a build-up approach that starts with a risk free interest rate adjusted for credit risk; and
- making adjustments specific to the lease (e.g. term, country, currency and security).

The weighted average incremental borrowing rate for the Group's leases is 5.3% (2023: 5.3%), with rates ranging from 3.3% to 6.0%.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs; and
- restoration costs.

Subsequent to initial recognition:

- lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made; and
- right-of-use assets are amortised on a straight-line basis over the remaining term of the lease (or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term).

A small number of short term leases have not been included in the calculation of lease liabilities or right-of-use assets.

Payments made in relation to these leases are recognised on a straight-line basis over the lease term.

LEASE ARRANGEMENTS

The Group has a small number of long term leases. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Extension and termination options are included in a number of leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

The Balance Sheet shows the following amounts relating to leases:

	2024 \$'000	2023 \$'000
Right-of-use assets net book value		
SkyCity Auckland - Subsoil	4,126	3,085
SkyCity Auckland - Airbridges	3,058	3,020
SkyCity Queenstown - Stratton House	986	1,750
SkyCity Adelaide - Railway Building and Extension	48,687	58,381
SkyCity Adelaide - Car Park	41,722	56,302
Total right-of-use assets	98,579	122,538
Lease liabilities		
Current	3,285	3,045
Non-current	118,147	116,840
Total lease liabilities	121,432	119,885

The Income Statement shows the following amounts relating to leases:

	2024 \$'000	2023 \$'000
Depreciation of right-of-use assets	6,420	6,309
Impairment of right-of-use assets	23,195	–
Interest expense on lease liabilities (part of net finance costs)	6,523	6,378

12. Net Finance Costs

	2024 \$'000	2023 \$'000
Finance costs	47,739	36,881
Foreign exchange gains	(241)	(291)
Interest income	(6,251)	(6,165)
Capitalised interest (note 23)	(25,251)	(6,933)
Total net finance costs	15,996	23,492

13.

Non-current Liabilities - Interest Bearing Liabilities

ACCOUNTING POLICY

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. They are subsequently carried at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method. However, the interest margin on US dollar denominated USPP notes maturing in March 2025 and February 2030 are accounted for as a fair value hedge and the carrying value of the borrowings is adjusted for fair value changes attributable to the risk being hedged.

Borrowings are only classified as non-current liabilities if the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

	2024 \$'000	2023 \$'000
Unsecured Interest Bearing Liabilities		
USPP notes	195,924	353,812
New Zealand bonds	175,000	175,000
Deferred funding expenses	(2,543)	(3,146)
Total non-current interest bearing liabilities	368,381	525,666

(a) USPP Notes

As at 30 June 2024, SkyCity had outstanding USPP debt of:

- US\$100.0 million maturing on 17 March 2025;
- A\$65.4 million maturing on 15 March 2028; and
- US\$75.0 million maturing on 28 February 2030.

Subsequent to balance date, in August 2024, SkyCity entered into agreements with USPP investors to issue US\$150.0 million of USPP notes that will mature on 15 September 2031. These notes will be drawn on 15 September 2024 and the proceeds used to repay US\$100.0 million of USPP notes due for repayment on 17 March 2025. Following that transaction SkyCity will have outstanding USPP debt of:

- A\$65.4 million maturing on 15 March 2028;
- US\$75.0 million maturing on 28 February 2030; and
- US\$150.0 million maturing on 15 September 2031.

Movements in the carrying value of the outstanding balance in the current year relate to movements in exchange rates and interest rates.

The US dollar USPP notes have been hedged to NZ dollars by way of cross currency interest rate swaps to eliminate foreign exchange exposure to the US dollar. The offsetting changes in the value of the cross currency interest rate swaps are included within derivative financial instruments (note 32).

The fair value of USPP debt is estimated at NZ\$371.9 million (2023: NZ\$375.5 million) compared to a carrying value of NZ\$357.0 million (2023: NZ\$353.8 million). Fair value has been calculated based on the present value of future principal and interest cash flows, using market interest rates and credit margins at balance date. This is a level 2 valuation in the fair value hierarchy.

All financial covenants were met at 30 June 2024.

(b) Syndicated Bank Facility

The Group has an unsecured syndicated banking facility that 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 30 June 2024, SkyCity had in place revolving credit facilities totalling NZ\$332.5 million of:

- NZ\$175.0 million maturing on 15 June 2025 (\$80.0 million drawn at the reporting date);
- NZ\$20.0 million maturing on 15 July 2025 (undrawn at the reporting date);
- NZ\$80.0 million maturing on 15 June 2026 (undrawn at the reporting date); and
- NZ\$57.5 million maturing on 15 July 2027 (undrawn at the reporting date).

Subsequent to balance date, in August 2024, certain tranches totalling NZ\$275.0 million of the syndicated bank facility were extended as follows:

- NZ\$175.0 million maturing on 15 June 2025 was extended and/or replaced;
- NZ\$20.0 million maturing on 15 July 2025 was extended and/or replaced; and
- NZ\$80.0 million maturing on 15 June 2026 was extended and/or replaced.

Following this extension, SkyCity had in place revolving credit facilities totalling NZ\$275.0 million of:

- NZ\$57.5 million maturing on 15 July 2027;
- NZ\$80.0 million maturing on 15 September 2027; and
- NZ\$137.5 million maturing on 15 September 2028.

(c) New Zealand Bonds

\$175.0 million of six-year unsubordinated, unsecured redeemable fixed rate bonds were issued on 21 May 2021.

The bonds are quoted on the NZDX. As at 30 June 2024, the closing price was \$0.89546 (2023: \$0.86705) per \$1 bond. The bonds are carried at amortised cost. The total fair value of the bonds is \$156.7 million (2023: \$151.7 million) which is a level 1 valuation in the fair value hierarchy as they are listed securities.

(d) Negative Pledge Deeds

A negative pledge deed has been executed in relation to each of the funding facilities - bank facilities, USPP notes and New Zealand bonds. In each deed, there are requirements for minimum guaranteeing group participation and financial covenants. All requirements of the negative pledge deeds have been met as at 30 June 2024.

(e) Weighted Average Interest Rate

	2024 %	2024 \$'000	2023 %	2023 \$'000
Interest bearing liabilities	5.59%	733,472	5.31%	694,511

The weighted average debt interest rate includes lease liabilities and the impact of interest rate and foreign currency hedging.

14. Current Liabilities - Interest Bearing Liabilities

ACCOUNTING POLICY

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months from the reporting date.

	2024 \$'000	2023 \$'000
Unsecured Interest Bearing Liabilities		
Syndicated bank facility	80,000	–
USPP notes	161,116	–
Car park concession (main site nested car parks)	–	45,814
Total current interest bearing borrowings	241,116	45,814

Subsequent to balance date, following the extension of syndicated bank facility and USPP notes, the \$241.1 million of current interest bearing liabilities has been reclassified to non-current liabilities.

Refer note 13(a) for details concerning the USPP notes and 13(b) for details concerning the syndicated bank facility.

15. Net Debt Reconciliation

	CASH AND BANK BALANCES \$'000	BORROWINGS DUE WITHIN 1 YEAR \$'000	BORROWINGS DUE AFTER 1 YEAR \$'000	TOTAL \$'000
Net debt as at 1 July 2022	(48,698)	81,576	568,901	601,779
Movement in cash and cash equivalents	(196,315)	–	–	(196,315)
Movement in car park concession liability	–	45,814	(49,195)	(3,381)
Revaluation of USPP notes	–	–	(5,058)	(5,058)
Movement in USPP notes	–	–	128,999	128,999
Amortisation of deferred funding expenses	–	–	(451)	(451)
Net movement in bank drawings	–	(78,000)	–	(78,000)
Movement in lease liabilities	–	(531)	(690)	(1,221)
Net debt as at 30 June 2023	(245,013)	48,859	642,506	446,352
Movement in cash and cash equivalents	184,477	–	–	184,477
Movement in car park concession liability	–	(45,814)	–	(45,814)
Revaluation of USPP notes	–	5,004	(1,773)	3,231
Movement in USPP notes	–	156,112	(156,112)	–
Amortisation of deferred funding expenses	–	–	599	599
Net movement in bank drawings	–	80,000	–	80,000
Movement in lease liabilities	–	241	1,307	1,548
Net debt as at 30 June 2024	(60,536)	244,402	486,527	670,393

16. Investment Properties

ACCOUNTING POLICY

Investment property, principally comprising freehold office buildings and display space, is held for long term rental yields.

Completed investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices in less active markets, or discounted cash flow projections which are level 3 valuations in the fair value hierarchy. Changes in fair value are recorded in the Income Statement.

Investment property under construction is carried at cost if its fair value is unable to be reliably determined during construction but will be reliably determinable when construction is complete. In the prior year the NZICC car parks were carried at cost on that basis, while in the current year they have been transferred to property, plant and equipment following settlement of the Car Park Concession Agreement (note 23).

	2024 \$'000	2023 \$'000
Opening balance at 1 July	108,803	119,720
Additions	7,859	220
Net loss from fair value adjustment	(3,979)	(12,252)
Transfer to property, plant and equipment - NZICC car parks (note 23)	(30,483)	1,115
Transfer to property, plant and equipment - 99 Albert Street (note 23)	(3,400)	–
Closing balance at 30 June	78,800	108,803

(a) Amounts Recognised in Profit or Loss for Investment Property

	2024 \$'000	2023 \$'000
Rental income	3,866	2,153
Direct operating expenses from property that generated rental income	(2,465)	2,153
Net loss from fair value adjustment	(3,979)	(12,252)
Total recognised in profit or loss	(2,578)	(12,329)

(b) Investment Properties held at 30 June 2024

Investment properties were revalued to fair value on 30 June 2023 and 30 June 2024 by CBRE Ltd (CBRE), a registered valuer and member of the New Zealand Institute of Valuers and the Property Institute of New Zealand that has recent experience in the location and category of the property being valued.

At 30 June 2023, the fair value of these investment properties (excluding the NZICC car parks) was \$78.3 million. The significant assumptions used in the valuation were:

- capitalisation rate – range from 5.0% to 7.0%; and
- passing yield (calculated as net rent divided by fair value) – range from 2.74% to 6.77%.

At 30 June 2024, the fair value of these investment properties was \$78.8 million. The significant assumptions used in the valuation were:

- capitalisation rate – range from 5.38% to 7.50%; and
- passing yield (calculated as net rent divided by fair value) – range from 2.02% to 7.52%.

The 30 June 2023 and 30 June 2024 valuations are sensitive to movements in estimated capitalisation rate and passing yield. If the assumed capitalisation rate is increased or the passing yield is decreased, the fair value would decrease.

17. Deferred Licence Value

	TOTAL \$'000
2024	
Opening balance at 1 July	262,444
Adjustment to property, plant and equipment re NZICC car parks (note 23)	(16,036)
Closing balance at 30 June	246,408
2023	TOTAL \$'000
Opening balance 1 July	219,996
Impact of NZICC fire (note 7)	42,448
Closing balance at 30 June	262,444

SKYCITY AUCKLAND

In 2016, SkyCity's accounting for the granting of the NZICC Auckland casino licence enhancements resulted in the recognition of 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. Following the NZICC fire in October 2019, the damaged portion of the NZICC was disposed of for financial reporting purposes. As a result of this disposal, \$160.8 million of the deferred licence value was released to the Income Statement in the years ended 30 June 2020 to 30 June 2022.

In the prior financial year, as a result of the final damage assessment prepared by RLB (note 7), \$42.4 million of the above \$160.8 million adjustment was reversed, taking the total adjustment to \$118.3 million.

In the current year, as a result of NZICC car parks being in service, \$16.0 million of the remaining balance has been released against the assets (note 23).

18. Income Tax Expense

ACCOUNTING POLICY

The income tax expense for the year is the tax payable on the current year's taxable income, based on the income tax rate for each jurisdiction. This is then adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(a) Income Tax Expense

	2024 \$'000	2023 \$'000
Current tax expense	46,684	54,232
Deferred tax expense/(benefit)	126,804	(10,472)
Total income tax expense	173,488	43,760

(b) Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable/(Receivable)

	2024 \$'000	2023 \$'000
Profit from continuing operations before income tax expense	30,140	51,735
Prima facie income tax @ 28%	8,439	14,486
Tax effects of:		
New Zealand tax law changes to depreciation	129,599	–
Auckland car park asset deferred tax liability	19,373	–
Non-deductible regulatory provision	8,130	14,703
Adelaide impairment adjustments	7,096	15,531
Australian tax group losses not recognised	4,004	–
Non-deductible miscellaneous expenses	2,793	3,093
Prior period adjustments	2,172	3
Non-deductible NZICC fire capital receipts/expenses	1,810	545
Controlled foreign company regime	1,342	2,806
Investment property fair value adjustments	166	2,285
Other	114	12
Non-deductible gain on Auckland car park buy back	(1,390)	–
Non-taxable gain on sale of associate shares	(2,697)	–
Items non-assessable for tax purposes	(3,123)	(4,723)
Difference in overseas tax rates	(4,340)	(4,981)
Total income tax expense	173,488	43,760

The weighted average applicable tax rate was 575.6% (2023: 84.6%). The weighted average tax rate has been significantly impacted by:

- New Zealand tax law changes to depreciation;
- Auckland car park asset deferred tax liability;
- non-deductible regulatory penalties;
- Adelaide impairment adjustments;
- Australian Group tax losses not recognised;
- non-taxable sale of shares; and
- NZICC fire capital receipts/expenses.

Excluding these items, the weighted average tax rate would have been 27.4% (2023: 27.4%).

19. Deferred Tax Assets

	2024 \$'000	2023 \$'000
The balance comprises temporary differences attributable to:		
Provisions and accruals	9,928	6,299
Depreciation	3,561	(12,785)
Foreign exchange variances	36	4
Cash flow hedges	–	80
Lease liability	33,860	33,425
Right-of-use assets	(25,524)	(32,164)
Tax losses	30,489	30,606
Net deferred tax assets	52,350	25,465
Movements:		
Balance at beginning of the year	25,465	19,372
Foreign exchange differences	127	(321)
Charged to the Income Statement (note 18)	26,758	6,414
Closing balance at 30 June	52,350	25,465

Deferred tax assets relate to the Australian and other foreign operations (excluding Malta).

The Group has recognised a deferred tax asset of \$52.3 million (A\$47.8 million) in relation to tax losses and other deductible timing differences. A deferred tax asset has been recognised on tax losses of \$102.5 million (A\$93.7 million) (2023: \$102.0 million, A\$93.7 million) in relation to Australia. The Group has a further \$13.3 million (A\$12.2 million) of tax losses which are not recognised as deferred tax assets because it has been assessed that it is not probable that future taxable profits will be available against which the Group can utilise the tax losses. The tax losses have predominantly arisen as a result of the COVID-19 pandemic impacting SkyCity Adelaide's operations and South Australian tourism, with the expanded SkyCity Adelaide property largely not able to operate at full capacity for the majority of time since opening in December 2020. In addition, accelerated tax depreciation on the Adelaide property expansion and expenditure incurred in relation to ongoing SkyCity Adelaide regulatory reviews have also contributed to the tax loss position.

The Group's forecasts, including consideration of key sensitivities, indicate that the Adelaide business will generate future taxable income. On this basis, the Group has considered it is probable that sufficient future taxable income will be generated to utilise the tax losses recognised.

It is possible to carry forward Australian tax losses indefinitely, subject to ownership and same business tests, and these losses do not have an expiry date.

The Group reviews future loss utilisation at each reporting date.

20. Deferred Tax Liabilities

	2024 \$'000	2023 \$'000
The balance comprises temporary differences attributable to:		
Provisions and accruals	(8,175)	(7,633)
Depreciation	218,208	64,166
Lease liabilities	(2,398)	(2,371)
Right-of-use assets	2,288	2,199
Cash flow hedges	(1,105)	(2,182)
Asset revaluation reserve	1,921	1,921
Net deferred tax liabilities	210,739	56,100
Movements:		
Balance at beginning of the year	56,100	60,591
Charged to the Income Statement (note 18)	153,562	(4,059)
Tax debited/(credited) directly to other comprehensive income (note 31)	1,077	(432)
Closing balance at 30 June	210,739	56,100

Deferred tax liabilities relate to the New Zealand and Malta operations.

On 28 March 2024, the New Zealand Government enacted changes to tax legislation which removed the ability to depreciate buildings with a life over 50 years for tax purposes. For the Group the application of this taxation change under NZ IAS 12 Income Taxes results in an increase to the deferred taxation liability of \$129.6 million and a corresponding one-off increase to tax expense of \$129.6 million as the tax base of New Zealand buildings has reduced to nil. The deferred taxation liability adjustment relates to New Zealand buildings except for certain investment properties and also impacts building structure assets that are classified as construction work-in-progress, including the Group's NZICC and Horizon Hotel projects. As these projects were yet to be completed at 30 June 2024, there is significant judgement involved in estimating the value of the building structure assets for these projects. Due to the judgement involved, the final impact may differ materially from the amount included in these financial statements.

21. Imputation and Franking Credits

	2024 \$'000	2023 \$'000
Balances available for use in subsequent reporting periods		
Imputation credit account (New Zealand)	85,079	71,487
Franking credit account (Australia) (A\$)	13,951	13,951

As required by the Income Tax Act 2007, the imputation credit account had a credit balance as at 31 March 2024.

22. Lease Income in Advance

	2024 \$'000	2023 \$'000
Lease income in advance	–	39,815
Total lease income in advance	–	39,815

In the prior year, the 624 further NZICC car parks that were to have been delivered to Macquarie as part of the Car Park Concession Agreement were accounted for as an operating lease, with the underlying car parks classified as investment property and the payment received from Macquarie in relation to those car parks (determined by allocating the amount paid by Macquarie under the Car Park Concession Agreement between the various car parks that Macquarie was granted a concession to, based on their respective fair values) recognised as lease income in advance. Macquarie served a notice of termination in relation to the Car Park Concession Agreement and, as payment for termination of the Car Park Concession Agreement was expected in the next 12 months, lease income in advance was classified as a current liability.

In the current year, the Car Park Concession Agreement was terminated on 31 January 2024 and the liability was settled.

23. Property, Plant and Equipment

ACCOUNTING POLICY

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as below:

Buildings and fit out	5-75 years
Plant, equipment and motor vehicles	2-75 years
Fixtures and fittings	3-20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

AS AT 1 JULY 2022	LAND \$'000	BUILDINGS AND FITOUT \$'000	PLANT, EQUIPMENT AND MOTOR VEHICLES \$'000	FIXTURES AND FITTINGS \$'000	CAPITAL WORK IN PROGRESS \$'000	TOTAL \$'000
Cost	167,752	996,587	402,639	146,724	493,659	2,207,361
Accumulated depreciation and impairment	–	(368,166)	(294,505)	(102,010)	–	(764,681)
Net book amount	167,752	628,421	108,134	44,714	493,659	1,442,680
Year ended 30 June 2023						
Opening net book amount	167,752	628,421	108,134	44,714	493,659	1,442,680
Exchange differences	–	(3,850)	(694)	(374)	(366)	(5,284)
Net additions/transfers/disposals	–	6,039	23,650	1,341	209,090	240,120
Transfer to NZICC obligation	–	–	–	–	(19,699)	(19,699)
(Impairment)/reversal of impairment (note 8)	(2,250)	1,056	–	–	–	(1,194)
Transfer to investment properties - NZICC car parks (note 16)	–	–	–	–	(1,115)	(1,115)
Transfer from assets held for sale (note 28)	14,100	–	–	–	1,150	15,250
NZICC fire adjustment (note 7)	–	–	–	–	52,752	52,752
Depreciation charge	–	(28,704)	(33,317)	(9,013)	–	(71,034)
Closing net book amount	179,602	602,962	97,773	36,668	735,471	1,652,476
At 30 June 2023						
Cost	179,602	999,241	420,326	147,236	735,471	2,481,876
Accumulated depreciation and impairment	–	(396,279)	(322,553)	(110,568)	–	(829,400)
Net book amount	179,602	602,962	97,773	36,668	735,471	1,652,476
Year ended 30 June 2024						
Opening net book amount	179,602	602,962	97,773	36,668	735,471	1,652,476
Exchange differences	–	908	106	28	12	1,054
Net additions/transfers/disposals	1,146	13,636	26,865	3,146	38,771	83,564
Transfer from investment properties - NZICC car parks (note 16)	–	30,483	–	–	–	30,483
Car park asset additions	–	186,612	1,480	–	13,942	202,034
Release from deferred licence (note 17)	–	(16,036)	–	–	–	(16,036)
Transfer from investment properties 99 Albert Street (note 16)	1,928	1,316	112	44	–	3,400
Impairment charge (note 8)	–	(43,913)	(6,215)	(3,040)	–	(53,168)
Transfer to assets held for sale (note 28)	(13,000)	–	–	–	–	(13,000)
Depreciation charge	–	(32,225)	(33,183)	(8,438)	–	(73,846)
Closing net book amount	169,676	743,743	86,938	28,408	788,196	1,816,961
At 30 June 2024						
Cost	169,676	1,197,072	376,109	139,047	788,196	2,670,100
Accumulated depreciation and impairment	–	(453,329)	(289,171)	(110,639)	–	(853,139)
Net book amount	169,676	743,743	86,938	28,408	788,196	1,816,961

(a) Capitalised Borrowing Costs

Borrowing costs of \$25.3 million have been capitalised in the current year relating to capital projects (2023: \$6.9 million) using the Group's weighted average cost of debt of 5.59% across the year (2023: 5.31%).

(b) Queenstown Land

At 30 June 2023, the Queenstown land was reclassified to property, plant and equipment from assets held for sale (note 28), as a sale was no longer expected within the next year. In May 2024, a sale and purchase agreement was entered into and the land has been reclassified from property, plant and equipment to held for sale at 30 June 2024.

(c) Capitalisation of Auckland Car Parks

In the current year as a result of the termination of the Car Park Concession Agreement on 31 January 2024, car parks in the Auckland main site and those in service in the NZICC, have been capitalised to property, plant and equipment.

As a result of capitalising the in service NZICC car parks, a release of the deferred licence value (\$16.0 million) has been made against these assets (note 17).

As the NZICC is still a construction site, and the information required to accurately assess the car park asset values will not be received from FCC until following practical completion, significant judgment is required to estimate the asset value and asset classification. The estimates were based on the building works contract and the cost of remediation post the fire in October 2019, at the NZICC construction site. The most significant risk to the judgments and estimates used, relate to the final allocation of costs once construction is complete. These judgements and estimates will continue to be reviewed as new information becomes available and as a result may change materially.

(d) Encumbrances

A memorandum of encumbrance is registered against the certificate of title for the Auckland casino in favour of Auckland Council. Auckland Council requires prior written consent before any transfer, assignment or disposition of the land. The intent of the covenant is to protect the Council's rights under the resource consent, relating to the provision of the bus terminus, public car park and public footpaths around the complex.

A further encumbrance records the Council's interest in relation to the subsoil areas under Federal and Hobson Streets used by SkyCity as car parking and a vehicle tunnel. The encumbrance is to notify any transferee of the Council's interest as lessor of the subsoil areas.

There are four encumbrances relating to the NZICC site land. One encumbrance protects the rights of the Crown under the agreement between the Crown and the Group for the construction of the NZICC (NZICC Agreement), two relate to firewalls between buildings that have now been demolished

and the final encumbrance protects the underground vehicle entrance to the car park on the main Auckland casino site. The NZICC site land is also subject to a covenant in favour of the Crown which restricts the subdivision and use of the site to that permitted under the NZICC Agreement.

24. Intangible Assets

ACCOUNTING POLICY

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill is included in intangible assets. Goodwill is not amortised but is instead tested for impairment annually (or more frequently if events or changes in circumstances indicate that it might be impaired) and is carried at cost less accumulated impairment losses.

(ii) Acquired Software

Acquired computer software (other than that licensed under a software as a service arrangement) is capitalised at cost (which includes acquisition cost and any costs incurred in bringing the software into use). Subsequent to initial recognition, it is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated on a straight-line basis over the useful life, which ranges from three to 15 years.

(iii) Gaming Machine Entitlements

Gaming machine entitlements (GMEs) are required to operate gaming machines in South Australia. Each GME gives the licensee the right to own and operate a single gaming machine at the licensee's venue.

The number of GMEs held by a licensee cannot exceed the maximum number of gaming machines which have been approved for the venue. SkyCity Adelaide currently owns 1,080 GMEs and is licensed to hold a maximum of 1,500.

GMEs can be purchased or sold during trading rounds by an eligible person via the South Australian Government's approved trading system. Trading rounds are usually held at least twice a year at the discretion of the South Australian Liquor and Gambling Commissioner. The trading price of a GME is determined by a number of factors, including the number of sellers and buyers and the minimum and maximum prices offered.

SkyCity Adelaide's GMEs are carried at cost less accumulated amortisation and impairment losses. They are amortised over the term of the exclusivity period (which is the period over which SkyCity Adelaide is exclusively permitted to provide casino gaming, except for interactive gaming, in South Australia), which is to 30 June 2035.

(iv) Casino Licences and Regulatory Reforms

The Group's casino licences that have:

- a finite useful life are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to profit or loss on a straight-line basis over the legal licence term; and
- an indefinite useful life are carried at cost less accumulated impairment losses.

Determining whether a casino licence has a finite or indefinite useful life is a key judgement and involves assessment of the terms and conditions, and in particular the renewal terms, of the relevant licence.

Regulatory reforms granted by a government that are specific to the Group are accounted for as intangible assets arising from a government grant and included within the value of casino licences. The reforms are initially recognised at their fair value when there is reasonable assurance that the reforms will be received, and the Group will comply with all conditions attached to them.

Where a regulatory reform is related to property, plant and equipment, once constructed the carrying value of that property, plant and equipment is reduced by the value of the regulatory reforms. Prior to completion of the related property, plant and equipment, the value of the regulatory reforms is accounted for as deferred licence value.

	GOODWILL \$'000	CASINO LICENCES \$'000	COMPUTER SOFTWARE \$'000	GAMING MACHINE ENTITLEMENTS \$'000	TOTAL \$'000
At 1 July 2022					
Cost	35,786	785,310	132,656	1,879	955,631
Accumulated amortisation and impairment	–	(238,423)	(93,107)	(204)	(331,734)
Net book amount	35,786	546,887	39,549	1,675	623,897
Movements in the Year Ended 30 June 2023					
Exchange differences	–	(2,322)	(103)	(27)	(2,452)
Additions	–	–	8,099	–	8,099
Impairment charge	–	(49,662)	–	–	(49,662)
Amortisation charge	–	(2,712)	(10,490)	(127)	(13,329)
Closing net book amount	35,786	492,191	37,055	1,521	566,553
At 30 June 2023					
Cost	35,786	779,055	140,450	1,848	957,139
Accumulated amortisation and impairment	–	(286,864)	(103,395)	(327)	(390,586)
Net book amount	35,786	492,191	37,055	1,521	566,553
Movements in the Year Ended 30 June 2024					
Exchange differences	–	398	4	6	408
Additions	–	–	6,520	–	6,520
Car park asset additions	–	–	844	–	844
Impairment charge	–	(17,533)	(144)	(286)	(17,963)
Amortisation charge	–	(1,721)	(9,908)	(126)	(11,755)
Closing net book amount	35,786	473,335	34,371	1,115	544,607
At 30 June 2024					
Cost	35,786	780,836	114,187	1,857	932,666
Accumulated amortisation and impairment	–	(307,501)	(79,816)	(742)	(388,059)
Net book amount	35,786	473,335	34,371	1,115	544,607

CASINO LICENCE

CONTRACT TERM

**SkyCity Auckland
Casino
(indefinite useful life)**

SkyCity Auckland Limited holds a casino premises licence for the Auckland premises.

The initial licence was granted in 1996 for nil consideration, and hence there was no associated initial carrying value.

Pursuant to the terms of the NZICC Agreement, the initial term of the licence was extended to 30 June 2048.

The licence can be renewed for further periods of 15 years pursuant to section 138 of the Gambling Act 2003 (NZ).

In addition to the licence extension, the casino premises licence was amended to (a) permit the implementation of account-based cashless gaming and ticket in ticket out (**TITO**) gaming systems; (b) permit an increase in the number of gaming machines, gaming tables and automated table games; and (c) implement various other operational improvements. Under the NZICC Agreement, the Company has agreed to construct the NZICC for a total cost of at least \$430.0 million.

The reforms (a to c above) are exclusive to the Group and were recorded at fair value based on the estimated incremental benefit over the life of the reforms. The fair value was determined using a discounted cash flow model falling within level 3 of the fair value hierarchy over the life of the reforms.

The carrying amount of the casino licence is \$405.0 million (2023: \$405.0 million).

**SkyCity Adelaide
Casino
(finite useful life)**

The casino and associated operations are carried out by SkyCity Adelaide under a casino licence (the Approved Licensing Agreement (**ALA**)) dated October 1999 (as amended). Unless terminated earlier, the expiry date of the ALA is 30 June 2085. The term of the ALA can be renewed for a further fixed term pursuant to section 9 of the Casino Act 1997 (SA). The carrying value of the casino licence is amortised over the life of the ALA.

The casino licence and associated regulatory reforms asset are amortised over 20 years or 71 years depending on whether the incremental benefit is associated with the exclusivity period (which is to 30 June 2035 and is the period over which SkyCity Adelaide is exclusively permitted to provide casino gaming, except for interactive gaming, in South Australia) or the full licence period.

The carrying value of the casino licence is A\$62.4 million, NZ\$68.3 million (2023: A\$80.1 million, NZ\$87.2 million).

**SkyCity Hamilton
Casino
(indefinite useful life)**

SkyCity Hamilton Limited holds a casino premises licence for the Hamilton premises. The casino premises licence is for an initial 25 year term from 19 September 2002. The licence can be renewed for further periods of 15 years pursuant to section 138 of the Gambling Act 2003 (NZ). As the licence was initially granted for nil consideration, there is no associated carrying value.

**SkyCity Queenstown
Casino
(indefinite useful life)**

Queenstown Casinos Limited holds a casino premises licence for the Queenstown premises. The casino premises licence is for an initial 25 year term from 7 December 2000. The licence can be renewed for further periods of 15 years pursuant to section 138 of the Gambling Act 2003 (NZ). As the licence was initially granted for nil consideration, there is no associated carrying value.

(a) Impairment Tests for Intangibles Assets with Indefinite Useful Lives

Goodwill and the casino licences of SkyCity Auckland and SkyCity Hamilton have indefinite useful lives and consequently are tested annually for impairment.

2024	SKYCITY AUCKLAND \$'000	SKYCITY HAMILTON * \$'000	TOTAL \$'000
Goodwill	–	35,786	35,786
Casino licence	405,000	–	405,000
Total	405,000	35,786	440,786
2023			
Goodwill	–	35,786	35,786
Casino licence	405,000	–	405,000
Total	405,000	35,786	440,786

These intangible assets are tested for impairment in the cash generating unit (CGU) to which they belong. The recoverable amount of each CGU is determined on the basis of value in use. These calculations use cash flow projections using updated five-year forecasts for each site. For all of these assets, the calculated value in use significantly exceeds carrying value.

The entire Auckland precinct is treated as a single CGU due to the close and interconnected relationship of the cash flows across all of SkyCity's Auckland businesses.

* SkyCity Hamilton is included within the "Other NZ Operations" segment in note 4.

(b) Key Assumptions used for Value in Use Calculations of Cash Generating Units

	EBITDA MARGIN		TERMINAL GROWTH RATE		PRE-TAX DISCOUNT RATE	
	2024	2023	2024	2023	2024	2023
SkyCity Auckland	40.0%	43.4%	2.5%	2.5%	12.3%	14.2%
SkyCity Hamilton	44.3%	47.0%	2.5%	2.5%	12.3%	14.2%

These assumptions are consistent with past experience adjusted for economic indicators. The discount rates are pre-tax and reflect specific risks relating to the relevant CGU.

For each CGU, there is sufficient headroom between the value in use of the CGU and the carrying value of the related CGU assets that significant changes in the assumptions used would not require an impairment.

(c) Impairment Review of the SkyCity Adelaide CGU

At each reporting period the Group undertakes a fair value (less costs of disposal) assessment of its Adelaide CGU to identify if any indicators of impairment are identified and require adjustment.

Deloitte was engaged to undertake an indicative enterprise valuation of the Adelaide CGU at 30 June 2024 with an approach consistent with previous years, utilising SkyCity Adelaide's ten-year outlook that is premised on casino license ownership continuity.

The most significant assumption change in SkyCity Adelaide's outlook from the previous valuation is the introduction of mandatory carded play (MCP) and other long play requirements for gaming customers in early 2026. This assumption has a significant level of uncertainty as it requires an estimation of the potential impact on Customer behaviour and Adelaide's competitive positioning in the South Australian market, to estimate the financial implications for Adelaide's future revenue and cashflow generation.

Due to the significant uncertainty inherent in these estimates, several sensitivities on the ten-year outlook were undertaken and analysed for consideration as part of impairment assessment, including a range of 15%-20% impact on uncarded revenue of introducing MCP.

The enterprise value prepared by Deloitte indicated an asset impairment range of between A\$76.0 million (NZ\$83.2 million) and A\$118.0 million (NZ\$129.2 million), premised on the following financial settings:

- compound annual EBITDA growth rate from 2025 to 2034 of 6.0% (30 June 2023: 2024 to 2028 of 6.0%);
- terminal growth rate of 2.5 % (30 June 2023 of 2.5%); and
- post-tax discount rate of 11.0% (30 June 2023 of 12.0%).

SkyCity Entertainment Group Directors adopted the ten-year outlook and an enterprise value for SkyCity Adelaide that falls within the enterprise value range as determined by Deloitte and after considering key sensitivities over the more significant uncertainties in the ten-year outlook assumptions.

This has resulted in an impairment of the Adelaide assets of A\$86.2 million (NZ\$94.3 million) at 30 June 2024, apportioned across Adelaide's fixed assets as follows:

- Property, Plant, and Equipment: A\$48.6 million (NZ\$53.2 million);
- Intangible assets: A\$16.4 million (NZ\$17.9 million); and
- Right-of-use assets: A\$21.2 million (NZ\$23.2 million).

Deloitte has independently determined the post-tax discount rate, which reflects their current market assessment of the increased uncertainty in the Australian casino industry, risks specific to SkyCity Adelaide, time value of money and the consideration of uncertainties that do form part of the underlying future cashflow assumptions.

The indicative enterprise value is highly sensitive to changes in its key assumptions and estimates. The sensitivities below illustrate the range of the potential impact of +/- changes against the mid-point of the Deloitte enterprise value:

- a MCP impact assumption change of +/- 2.5% results in an approximate change in enterprise value of A\$11.0 million/NZ\$12.0 million with all other factors remaining unchanged;
- an EBITDA change of +/- 5.0% results in an approximate change in enterprise value in the range of A\$15.0-\$16.0 million/NZ\$16.0-\$17.0 million (2023: A\$20.0-\$21.0 million/NZ\$23.0-\$24.0 million);
- a terminal growth rate change of +/- 0.5% results in an approximate change in enterprise value in the range of A\$7.0-\$8.0 million/NZ\$8.0-\$9.0 million (2023: A\$13.0-\$14.0 million/NZ\$14.0-\$15.0 million); and
- a discount rate change of +/- 0.75% results in an approximate change in enterprise value in the range of A\$18.0-\$22.0 million/NZ\$20.0-\$24.0 million (2023 at 0.5%: A\$15.0-\$17.0 million/NZ\$16.0-\$18 million).

The Group will continue to complete annual impairment reviews of the SkyCity Adelaide CGU. Increases in the fair value less costs of disposal could result in a partial reversal of impairment recognised to date. Decreases in the fair value less costs of disposal may result in the recognition of an additional impairment charge.

25. Investments in Associates

An associate is an entity over which the Group is able to exert significant influence. Investments in associates are equity accounted.

The Group previously held a 10.02% shareholding interest in GiG. This interest was sold on 28 June 2024 for \$56.8 million, and as a result a gain on disposal of \$9.6 million has been recognised in the current year (note 6).

	2024 \$'000	2023 \$'000
Shares in associates	–	43,200

For the 12-months ended 31 March 2024, GiG had:

- total revenue of €98.2 million (31 March 2023: €116.5 million); and
- total net profit after tax of €13.2 million (31 March 2023: €5.7 million).

As at 31 March 2024, GiG had:

- total current assets of €28.7 million (31 March 2023 restated: €17.7 million);
- total non-current assets of €109.0 million (31 March 2023 restated: €86.5 million);
- total current liabilities of €43.3 million (31 March 2023 restated: €12.1 million); and
- total non-current liabilities of €98.6 million (31 March 2023 restated: €80.2 million).

MOVEMENTS IN CARRYING AMOUNTS

	2024 \$'000	2023 \$'000
Opening balance at 1 July	43,200	42,136
Share of total recognised revenues and expenses	2,157	1,064
Net proceeds from sale of associate	(54,990)	–
Gain on sale of associate	9,633	–
Closing balance at 30 June	–	43,200

26. Receivables and Prepayments

ACCOUNTING POLICY

Trade receivables are recognised initially at transaction value and subsequently measured at amortised cost less impairment.

	2024 \$'000	2023 \$'000
Net trade receivables		
Trade receivables (gross)	8,143	8,867
Impairment	(1,052)	(876)
Trade receivables (net)	7,091	7,991
Other receivables	60,871	5,230
Prepayments	18,916	37,612
Total receivables and prepayments	86,878	50,833

Due to the short term nature of these receivables, and the fact that they are assessed for impairment, their carrying value approximates fair value.

Included in other receivables is \$56.8 million relating to the sale of the shares in GiG (note 25 and note 40).

27. Cash and Cash Equivalents

	2024 \$'000	2023 \$'000
Cash at bank	18,998	202,965
Cash in house	41,538	42,048
Total cash and cash equivalents	60,536	245,013

28. Assets Held for Sale

ACCOUNTING POLICY

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

	2024 \$'000	2023 \$'000
Land	13,000	–
Total assets held for sale	13,000	–

At 30 June 2024, the Queenstown land was reclassified from property, plant and equipment (note 23), as a sale and purchase agreement has been entered into and settlement is expected within the next year.

29. Payables and Provisions

ACCOUNTING POLICY

Accounts payable are initially recognised at fair value, net of transaction costs, and thereafter carried at amortised cost.

A provision is recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

	2024 \$'000	2023 \$'000
Trade payables	20,846	23,639
Deferred income	18,216	36,671
Accrued expenses	116,400	36,226
Employee benefits	47,346	51,686
NZICC obligation	–	10,788
Provisions	14,469	7,978
Regulatory provisions	9,519	49,009
Total payables and provisions	226,796	215,997

The carrying amounts of trade and other payables approximates their fair value, due to their short term nature.

PROVISIONS

Provisions are recognised in relation to a number of matters, including a workers' compensation claim in Adelaide, the civil penalty proceedings commenced by the Department of Internal Affairs (**Department** or **DIA**) against SkyCity Casino Management Limited (**SCML**) and the longstanding contractual dispute between SkyCity Adelaide and Revenue South Australia concerning the proper interpretation of the Casino Duty Agreement for the purpose of calculating casino duty at the SkyCity Adelaide casino.

In the prior year, provisions were also recognised in relation to the SkyCity Auckland car parks and the onerous contract for the Queenstown Wharf casino.

NZICC OBLIGATION

As at 30 June 2023, the Group had recognised a provision to reconstruct the assets associated with the initial 600 NZICC car parks that were transferred to Macquarie under the Car Park Concession Agreement but were subsequently damaged in the NZICC fire in October 2019.

The assets associated with those car parks were fully repaired and completed in the current year and, accordingly, there is no provision recorded in respect of them as at 30 June 2024.

The Car Park Concession Agreement was terminated on 31 January 2024.

REGULATORY ACCRUAL - AUSTRAC PROCEEDINGS

As detailed in the Group's financial statements for the year ended 30 June 2023, the Australian Transaction Reports and Analysis Centre (**AUSTRAC**) commenced civil penalty proceedings in the Federal Court of Australia (**Court**) against SkyCity Adelaide on 7 December 2022 for alleged serious and systemic non-compliance with the Australian AML/CFT Act.

As at 30 June 2023, SkyCity had recognised a provision of A\$45.0 million (NZ\$49.0 million) in relation to the potential exposure to penalties and legal costs associated with the proceedings. This represented an estimate at the time of the potential exposure to penalties and legal costs arising from the proceedings having regard to a wide range of factors relevant to the determination of any penalty that may ultimately become payable by SkyCity Adelaide and external legal advice obtained by SkyCity and SkyCity Adelaide.

SkyCity subsequently increased the provision to A\$73.0 million (NZ\$78.7 million) as at 31 December 2023 following discussions with AUSTRAC and a case management hearing on 1 February 2024 where SkyCity Adelaide and AUSTRAC jointly informed the Court that the parties had come to

an agreement in relation to the contraventions that SkyCity Adelaide would admit in the proceedings and the amount of a civil penalty they would jointly propose as appropriate in the circumstances subject to finalisation of a Statement of Agreed Facts and Admissions.

On 17 May 2024, SkyCity Adelaide and AUSTRAC filed a Statement of Agreed Facts and Admissions with the Court outlining SkyCity Adelaide's admitted contraventions of the Australian AML/CFT laws during the period from 7 December 2016 to 14 December 2022 and the parties' proposal that SkyCity Adelaide pay a pecuniary penalty of A\$67.0 million in relation to those contraventions. On 7 June 2024, the Court approved the agreement reached by SkyCity Adelaide and AUSTRAC.

The A\$67.0 million (NZ\$73.3 million) pecuniary penalty was reclassified from regulatory penalty provisions to accrued expenses at 30 June 2024, and was paid by SkyCity Adelaide to the Commonwealth of Australia on 4 July 2024 (note 40).

REGULATORY PROVISION - DIA MATTERS

On 16 February 2024, the Department filed civil penalty proceedings in the New Zealand High Court against SCML for non-compliance by SCML with the New Zealand Anti Money Laundering and Countering Financing of Terrorism Act 2009 (**AML/CFT Act**) following a review of SCML's compliance with the AML/CFT Act. The pleadings set out five separate causes of action, being that SCML did not meet its obligations relating to its risk assessment, establishing, implementing and maintaining an AML/CFT compliance programme, monitoring accounts and transactions, conducting enhanced customer due diligence, and terminating existing business relationships. These alleged failures relate to largely, although not exclusively, historical matters and some matters relate to incidents of non-compliance which have previously been self-reported to the Department.

SCML is a subsidiary of SkyCity and the holder of the casino operator's licence for the SkyCity Auckland, SkyCity Hamilton and SkyCity Queenstown casinos in New Zealand.

As at 31 December 2023, SkyCity had recognised a provision for a potential civil penalty and associated legal fees of \$5.0 million in relation to the proceedings. This represented at the time an estimate of the potential exposure to penalties and legal costs arising from the proceedings having regard to a wide range of factors relevant to the determination of any penalty that may ultimately become payable by SCML and external legal advice obtained by SkyCity.

On 21 May 2024, SkyCity announced that SCML and the Department had reached an agreement to resolve the proceedings. Under the agreement:

- SCML has admitted that it breached its obligations under the AML/CFT Act to undertake and review a fully-compliant risk assessment, establish, implement, and maintain a fully-compliant AML/CFT compliance programme, adequately conduct account monitoring, conduct compliant enhanced customer due diligence, and terminate business relationships when required over the period from 2018 to 2023; and
- SCML and the Department have agreed to jointly recommend that the High Court impose a civil pecuniary penalty of \$4.16 million in respect of SCML's admitted breaches of the AML/CFT Act.

The agreement remains subject to approval by the High Court of New Zealand at a penalty hearing set down for 5 September 2024.

In addition, as at 30 June 2024, the Group has recognised a provision in relation to the estimated financial impacts associated with the 5 day closure of the gambling area of the SkyCity Auckland casino.

CASINO DUTY PROVISION

SkyCity Adelaide has a longstanding 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.

The 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. Consequently, 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 17 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 Revenue South Australia's position as to the interpretation of the CDA is accepted.

The parties subsequently agreed that it would be appropriate to refer certain questions of law to the South Australian Court of Appeal and sought the approval of the Supreme Court to reserve those questions of law to the Court of Appeal. The Supreme Court agreed to the parties' request given the complexity of the issues involved and the likelihood of appeal from the Supreme Court.

The proceedings were heard in the Court of Appeal on 13 October 2023 and the Court of Appeal's judgment was delivered on 22 February 2024, with the Court of Appeal ruling:

- in favour of Revenue South Australia's interpretation of the CDA by finding that credits on gaming machines arising from the conversion of loyalty points, when played by customers, are to be included in gaming revenue for the purpose of calculating casino duty at the SkyCity Adelaide casino, and that loyalty points earned by customers for gaming machine play may not be deducted from gaming revenue; and
- in favour of SkyCity Adelaide's position on the characterisation of the CDA, which leaves it open for SkyCity Adelaide to argue that the interest clause in the CDA is unenforceable as a penalty.

On 21 March 2024, SkyCity Adelaide sought special leave from the High Court of Australia to appeal the Court of Appeal's judgment on the interpretation of the relevant provisions in the CDA which determine the treatment of loyalty points converted to gaming machine play for the purpose of calculating casino duty at the SkyCity Adelaide casino. Special leave was granted by the High Court on 6 June 2024.

On 27 June 2024, the Crown Solicitor's Office filed a cross claim seeking special leave from the High Court to appeal the Court of Appeal's judgment on the interpretation of the interest clause in the CDA.

The proceedings remain in progress and there are a range of potential outcomes arising from these proceedings, including an unfavourable ruling from the High Court that complimentary bets on gaming machines arising from the conversion of loyalty points should be included in gaming revenue for the purpose of calculating casino duty. Based on the potential outcomes, the estimated range of additional casino duty payable is from A\$2.8 million to A\$13.1 million and the estimated range of penalty interest payable is from nil to A\$23.4 million as at 30 June 2024. Following the Court of Appeal judgment on 22 February 2024, SkyCity has recognised a provision of A\$13.1 million (NZ\$14.0 million) in relation to the potential exposure to casino duty payable. However, no provision has been recognised in relation to the potential exposure to penalty interest as there remain a range of potential outcomes and no present obligation exists (note 37).

30. Share Capital

	2024 SHARES	2023 SHARES	2024 \$'000	2023 \$'000
Issues of ordinary shares during the year				
Opening balance of ordinary shares issued	760,205,209	760,205,209	1,343,027	1,340,556
Share rights issued for employee services	–	–	(620)	2,446
Net issue of treasury shares	–	–	29	25
Closing balance of ordinary shares issued	760,205,209	760,205,209	1,342,436	1,343,027

All ordinary shares rank equally, carry one vote per share and carry the right to dividends.

Included within the number of shares is 1,471,616 treasury shares (2023: 2,087,978) held by a third party in connection with the Company's employee share schemes. The movement in treasury shares during the year related to the issuance of shares under the employee incentive plans, and the exercise of share rights/options.

31. Reserves

	2024 \$'000	2023 \$'000
Asset revaluation reserve	12,770	12,770
Hedging reserve - cash flow hedges	(3,329)	(3,359)
Foreign currency translation reserve	(16,460)	(16,674)
Cost of hedging reserve	(431)	(3,172)
Total reserves	(7,450)	(10,435)
MOVEMENTS:		
Asset Revaluation Reserve		
Opening balance	12,770	12,770
Closing balance	12,770	12,770
Hedging Reserve - Cash Flow Hedges		
Opening balance	(3,359)	(4,564)
Revaluation	(1,587)	(10,734)
Transfer to net profit - finance costs (net)	1,628	12,408
Deferred tax	(11)	(469)
Closing balance	(3,329)	(3,359)
Foreign Currency Translation Reserve		
Opening balance	(16,674)	(11,797)
Exchange difference on translation of overseas subsidiaries	214	(4,877)
Closing balance	(16,460)	(16,674)
Cost of Hedging Reserve		
Opening balance	(3,172)	(854)
Revaluations	2,650	(3,913)
Transfer to finance costs	1,157	694
Deferred tax	(1,066)	901
Closing balance	(431)	(3,172)

32. Derivative Financial Instruments

ACCOUNTING POLICY

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- (2) hedges of exposures to variability in cash flows associated with recognised assets or liabilities or highly probable forecast transactions (cash flow hedges).

FAIR VALUE HEDGE

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

CASH FLOW HEDGE

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised as equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts accumulated in equity are recognised in the Income Statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the Income Statement when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is transferred to the Income Statement.

DERIVATIVES THAT DO NOT QUALIFY FOR HEDGE ACCOUNTING

Changes in the fair value of any derivative instrument that do not qualify for hedge accounting are recognised in the Income Statement.

	2024 \$'000 NOTIONAL VALUE	2023 \$'000 NOTIONAL VALUE	2024 \$'000 FAIR VALUE	2023 \$'000 FAIR VALUE
Current Assets				
Interest rate swaps - cash flow hedges	80,000	–	591	–
Forward foreign exchange contracts	85,143	40,371	1,892	489
Cross currency interest rate swaps - cash flow hedges*	146,630	–	15,430	–
Total current derivative financial instrument assets	311,773	40,371	17,913	489
Non-current Assets				
Interest rate swaps - cash flow hedges	140,000	80,000	550	2,407
Cross currency interest rate swaps - cash flow hedges*	–	146,630	–	9,536
Total non-current derivative financial instrument assets	140,000	226,630	550	11,943
Total derivative financial instrument assets			18,463	12,432
Current Liabilities				
Forward foreign currency contracts	81,838	5,352	366	17
Total current derivative financial instrument liabilities	81,838	5,352	366	17
Non-current Liabilities				
Cross currency interest rate swaps - cash flow hedges*	128,999	128,999	7,171	5,617
Interest rate swaps - cash flow hedges	20,000	–	7	–
Total non-current derivative financial instrument liabilities	148,999	128,999	7,178	5,617
Total derivative financial instrument liabilities			7,544	5,634
Total net derivative financial instruments			10,919	6,798

* A component of the interest margin in US\$175.0 million of these cross currency interest rate swaps (CCIRS) is treated as a fair value hedge.

33. Financial Risk Management

The Group's activities expose it to a variety of financial risks - market risks (including currency and interest rate risk), liquidity risk, and credit risk. The Group's overall risk management programme recognises the nature of these risks and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out under a formal Treasury Policy approved by the Board. The Treasury Policy sets out written principles for overall risk management, as well as policies covering specific areas such as currency risk, interest rate risk, and credit risk.

(a) Market Risk

(i) Currency Risk

The Group operates internationally and is exposed to currency risk, primarily with respect to Australian and US dollars. Exposure to the Australian dollar arises from the Group's investment in, and intercompany loans to, its Australian operations. Exposure to the US dollar arises from USPP funding denominated in that currency.

The Group utilises natural hedges wherever possible with forward foreign exchange contracts used to manage any significant residual risk to the Income Statement.

The Group's exposure to the US dollar (refer to the USPP notes detailed in note 13) has been fully hedged by way of CCIRS, hedging US dollar exposure on both principal and interest. The CCIRS correspond in amount and maturity to the US dollar borrowings with no residual US dollar exposure.

(ii) Interest Rate Risk

The Group's interest rate risk arises from long term borrowings.

Interest rate swaps (**IRS**) and CCIRS are utilised to modify the interest repricing profile of the Group's debt to match the profile required by the Treasury Policy. All IRS and CCIRS are in designated hedging relationships that are highly effective.

As the Group has no significant interest bearing assets, the Group's income is substantially independent of changes in market interest rates.

(b) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its financial obligations. SkyCity is largely a cash-based business and its material credit risks arise mainly from financial instruments utilised in funding activity.

Financial instruments that potentially create a credit exposure can only be entered into with counterparties that are explicitly approved by the Board.

The maximum credit risk of any financial instrument at any time is the fair value where that instrument is an asset. All derivatives are carried at fair value in the Balance Sheet. Trade receivables are presented net of impairment.

(c) Liquidity Risk

Liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of unutilised committed credit facilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties and maturities.

MATURITIES OF COMMITTED FUNDING FACILITIES

Debt maturities are detailed in note 13.

	LESS THAN 6 MONTHS \$'000	6 - 12 MONTHS \$'000	BETWEEN 1 AND 2 YEARS \$'000	BETWEEN 2 AND 5 YEARS \$'000	OVER 5 YEARS \$'000	TOTAL \$'000
30 JUNE 2024						
Bank facility	–	175,000	100,000	57,500	–	332,500
USPP	–	161,116	–	71,549	124,375	357,040
New Zealand bonds	–	–	–	175,000	–	175,000
Lease liabilities	961	2,324	4,506	14,883	98,758	121,432
Total committed debt facilities	961	338,440	104,506	318,932	223,133	985,972
Total drawn debt	961	243,440	4,506	261,432	223,133	733,472
Future contracted interest on drawn debt	13,400	18,718	34,821	53,467	5,667	126,073
Future interest of lease liabilities	3,251	3,199	6,235	17,400	373,268	403,353
Future contracted interest on CCIRS/IRS	2,533	2,335	3,624	13,738	1,934	24,164
Total drawn debt and derivatives	20,145	267,692	49,186	346,037	604,002	1,287,062
30 JUNE 2023						
Bank facility	–	135,000	175,000	80,000	–	390,000
USPP	–	–	156,112	71,210	126,490	353,812
New Zealand bonds	–	–	–	175,000	–	175,000
Car park concession liability	45,814	–	–	–	–	45,814
Lease liabilities	1,119	3,045	4,416	12,481	98,824	119,885
Total committed debt facilities	46,933	138,045	335,528	338,691	225,314	1,084,511
Total drawn debt	46,933	3,045	160,528	258,691	225,314	694,511
Future contracted interest on drawn debt	12,024	23,918	39,408	62,374	14,190	151,914
Future interest of lease liabilities	3,160	3,135	6,155	17,302	312,179	341,931
Future contracted interest on CCIRS/IRS	3,134	6,234	8,979	15,154	5,043	38,544
Total drawn debt and derivatives	65,251	36,332	215,070	353,521	556,726	1,226,900

(d) Fair Value Estimation

Other than the New Zealand bonds, which are listed on the NZDX and therefore level 1 in the fair value hierarchy, all SkyCity financial instruments that are carried at fair value, which includes CCIRS, IRS and forward foreign currency contracts, are valued using level 2 in the fair value hierarchy.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Specific valuation techniques used to value financial instruments include:

- the fair value of IRS and CCIRS is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.

Further details on derivatives are provided in note 32.

(e) Capital Risk Management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximise returns for shareholders and benefits for other stakeholders over the long term.

In order to optimise its capital structure, the Group manages actual and forecast operational cash flows, capital expenditure and equity distributions.

The Group primarily manages capital on the basis of gearing measured as a ratio of net debt (debt at hedged exchange rates less cash at bank) to underlying EBITDA and interest coverage (underlying EBITDA relative to net interest cost). Underlying EBITDA is a non-GAAP measure used to report to the market. It is based on EBITDA as shown in the Income Statement with adjustments to eliminate fair value movements, impairments and impacts of unusual events such as the fire at the NZICC construction site in October 2019.

The primary ratios were as follows at 30 June:

	2024	2023
Gearing ratio	2.6x	1.6x
Interest cover ratio	6.7x	10.1x

34.

Share-Based Payments

ACCOUNTING POLICY

SkyCity operates equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the share rights is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share rights granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). At each reporting date, the Company revises its estimates of the number of shares expected to be distributed. It recognises the impact of the revision of original estimates, if any, in the Income Statement, and a corresponding adjustment to equity over the remaining vesting period.

CURRENT PLANS

Executive Long Term Incentive Restricted Share Rights Plan (LTI RSR Plan)

Under the LTI RSR Plan, certain senior executives are granted with restricted share rights (RSRs). The grants are subject to the rules of the SkyCity Restricted Share Rights Long Term Incentive Plan (FY23 and FY24). Each RSR granted confers a right to receive one ordinary share in the Company, which will only vest if the relevant employee remains continuously employed by the Company (or a company within the Group) from the date of issue until the relevant vesting date and provided that certain performance measures are met. Performance measures relate to the total shareholder return relative to the cost of equity for the Group and other comparable companies. If those vesting conditions are not met, the RSRs will lapse and no shares will be awarded to the participating executives. No dividends will be paid on the RSRs.

CEO Restricted Share Rights (CEO RSR Grant)

On 21 December 2021, a one-off issue of RSRs was granted to the former CEO, Michael Ahearne. This grant was subject to the rules of the SkyCity Restricted Share Rights Plan, as amended by the specific terms of the CEO RSR Grant. These RSRs were forfeited in the current year following the resignation and departure of Mr Ahearne.

Long Term Incentive Retention Restricted Share Rights (LTI Retention RSRs)

On 30 November 2022, a one-off issue of RSRs was granted to the New Zealand Chief Operating Officer in lieu of an entitlement to LTI RSRs. The grant is subject to the rules of the SkyCity Restricted Share Rights Long Term Incentive Plan (FY23), as amended by the specific terms of the LTI Retention RSRs grant.

Each RSR confers a right to receive one ordinary share in the Company. There are no performance measures associated with the vesting of the RSRs under the LTI Retention RSRs grant other than continued employment by the Company at the respective vesting dates being:

- 8 September 2025 in respect of 50% of the RSRs; and
- 8 September 2026 in respect of the remaining 50% of the RSRs.

Each vested RSR may be exercised on or before the termination date (being 8 September 2027) by paying the exercise price of \$2.85657 per RSR, as reduced by the aggregate cash amount per share of any dividends paid by the Company between 8 September 2022 and the relevant date of exercise of the RSR. No dividends will be paid on the RSRs.

Performance Incentive Plan (PIP)

The PIP includes both cash (the short term incentive scheme component of the PIP) and deferred equity components (the deferred short term incentive component of the PIP).

The deferred short term incentive scheme under the PIP offers participants, subject to the relevant performance conditions being met, the opportunity to acquire RSRs of an amount equivalent to between 10% and 50% of their base salary. RSRs (if any) issued to a participant on a short term incentive cash payment date (**Declaration Date**) will only vest if that participant remains an employee up and until:

- the first anniversary of the Declaration Date in respect of 50% of the RSRs; and
- the second anniversary of the Declaration Date in respect of the remaining 50% of the RSRs.

However, if a participant's deferred short term incentive entitlement in any financial year is to RSRs having a value of \$10,000 or less (calculated using the volume-weighted average sale price of the Company's shares used to determine the number of RSRs to be issued to the participant), the RSRs will not be split out equally into two separate tranches, but will instead comprise one tranche and (subject to the vesting criteria being satisfied) vest to the participant on the first anniversary of the Declaration Date. These RSRs will be issued to staff after the finalisation of the Group's results.

Executive Long Term Incentive Plan (LTI Plan)

A prior plan, the LTI Plan, was replaced with the LTI RSR plan from 2023. Under the LTI Plan, executives purchased ordinary shares of the Company funded by an interest-free loan from the Group. The shares purchased by the executives are held by a trustee company with executives entitled to exercise the voting rights attached to the shares and receive dividends, the proceeds of which are used to repay the interest-free loan.

At the end of the restricted period (three years), the Group pays a bonus to each executive to the extent their performance targets have been met which is sufficient to repay the initial interest-free loan associated with the shares which vest. The shares upon which performance targets have been met will then fully vest to the executives. The loan owing on shares upon which performance targets have not been met (the forfeited shares) will be novated from the executives to the trustee company and will be fully repaid by the transfer of the forfeited shares. Performance measures relate to the total shareholder return relative to the cost of equity for the Group and other comparable companies.

At 30 June 2024, the interest-free loans relating to the LTI Plan total \$463,595 (2023: \$1,883,607).

OUTSTANDING SHARE RIGHTS

Movements in the number of RSRs outstanding are as follows:

GRANT DATE	EXPIRY DATE	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	EXPIRED DURING THE YEAR	BALANCE AT END OF THE YEAR
		NUMBER	NUMBER	NUMBER	NUMBER	NUMBER
2024						
LTI PLAN						
17/09/20	17/09/23	498,128	–	(83,022)	(415,106)	–
08/09/21	08/09/24	150,690	–	–	–	150,690
LTI RSR PLAN						
08/09/22	08/09/25	136,810	–	–	–	136,810
06/09/23	06/09/26	–	385,849	–	–	385,849
CEO RSR GRANT						
08/09/21	08/09/26	3,947,368	–	–	(3,947,368)	–
LTI RETENTION RSRs						
08/09/22	08/09/27	675,676	–	–	–	675,676
PIP						
07/09/21	07/09/22	316,289	–	(314,482)	(1,807)	–
21/09/22	21/09/23	218,858	–	(218,858)	–	–
21/09/22	21/09/24	87,540	–	–	(19,006)	68,534
13/09/23	13/09/24	–	410,310	–	(21,020)	389,290
13/09/23	13/09/25	–	379,040	–	(51,555)	327,485
19/09/23	19/09/24	–	55,489	–	(41,998)	13,491
19/09/23	19/09/25	–	51,687	–	(38,196)	13,491
Total		6,031,359	1,282,375	(616,362)	(4,536,056)	2,161,316

GRANT DATE	EXPIRY DATE	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	EXPIRED DURING THE YEAR	BALANCE AT END OF THE YEAR
		NUMBER	NUMBER	NUMBER	NUMBER	NUMBER
2023						
LTI PLAN						
28/08/19	28/08/22	420,418	–	(70,070)	(350,348)	–
17/09/20	17/09/23	556,986	–	–	(58,858)	498,128
08/09/21	08/09/24	233,805	–	–	(83,115)	150,690
LTI RSR PLAN						
08/09/22	08/09/25	–	198,596	–	(61,786)	136,810
CEO PLAN						
16/11/21	16/11/22	157,347	–	(157,347)	–	–
CEO RSR GRANT						
08/09/21	08/09/26	3,947,368	–	–	–	3,947,368
LTI RETENTION RSRs						
08/09/22	08/09/27	–	675,676	–	–	675,676
PIP						
07/09/21	07/09/22	390,044	–	(381,943)	(8,101)	–
07/09/21	07/09/23	379,550	–	–	(63,261)	316,289
21/09/22	21/09/23	–	262,027	–	(43,169)	218,858
21/09/22	21/09/24	–	109,017	–	(21,477)	87,540
Total		6,085,518	1,245,316	(609,360)	(690,115)	6,031,359

The weighted average remaining contractual life of rights outstanding at the end of the period was 1.68 years (2023: 2.66 years).

FAIR VALUES

Fair Value of Share Rights Granted (LTI RSR Plan)

The assessed fair value at grant date of the rights granted on 6 September 2023 was \$0.61. This was calculated using the single index model by Ernst & Young Transaction Advisory Services Limited.

The valuation inputs for the rights granted on 6 September 2023 included:

- (a) rights are granted for no cash consideration;
- (b) exercise price: nil; and
- (c) share price at grant date: \$2.03.

The expected price volatility is derived by analysing the historic volatility over a recent historical period similar to the term of the right.

Fair Value of SkyCity Deferred Share Rights (PIP Plan)

The assessed value of each 2023 right was determined by Ernst & Young Transaction Advisory Services Limited. RSRs vesting one year after year-end were valued at \$2.50 (2023: \$2.65) and RSRs vesting two years after year-end were valued at \$2.24 (2023: \$2.35).

EXPENSES ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2024 \$'000	2023 \$'000
Rights issued under share rights plans	(620)	2,446

35.

Related Party Transactions

(a) Key Management Personnel Compensation

Key management personnel compensation is set out below. The key management personnel are all the directors of the Company, the CEO and the Senior Leadership Team.

	SHORT TERM BENEFITS \$'000	SHARE-BASED PAYMENTS \$'000	TOTAL \$'000
2024	8,381	649	9,030
2023	10,156	1,958	12,114

(b) Other Transactions with Key Management Personnel or Entities Related to Them

Certain directors and management have relevant interests in a number of companies with which SkyCity has transactions in the normal course of business. A number of SkyCity directors are also non executive directors of other companies – some of which are disclosed in a register of directors' interests maintained by SkyCity. Any transactions undertaken with these entities have been entered into in the normal course of business.

Certain directors and management hold shares in SkyCity and receive dividends in the normal course of business.

In the current year, \$24,937 (2023: \$49,022) was paid to an incoming director for consultancy services provided over the period from 21 July 2023 to 27 September 2023 (inclusive), prior to their appointment as a director.

From time to time, certain directors provide additional services to the Group outside of their capacity as directors. Additional fees of \$190,038 were paid in the current year to two directors (2023: Nil), comprising \$161,538 to Julian Cook for the provision of executive support to the Company over the period from 26 February 2024 to 30 June 2024 pending the commencement of the new CEO and \$28,500 to Donna Cooper for the provision of consultancy services to the Company in relation to strategic communications and the organisational risk management programme.

(c) Subsidiaries

Interests in subsidiaries are set out in note 36.

(d) Associates

As outlined in note 25, the Group acquired an associate, GiG, on 1 April 2022. As outlined in note 5, the Group also earns revenue from online gaming operations under a Maltese gaming licence held by a subsidiary of GiG. For the year ended 30 June 2024, the Group earned revenue of €5.2 million (NZ\$9.4 million) (2023: €9.0 million (NZ\$15.4 million)) from those online gaming operations. At 30 June 2024, the Group has a receivable of €0.3 million (NZ\$0.5 million) (30 June 2023: €0.8 million (NZ\$1.3 million)) from GiG in relation to online gaming.

36. Subsidiaries



The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 3(a):

NAME OF ENTITY	PRINCIPAL PLACE OF BUSINESS	CLASS OF SHARES	EQUITY HOLDING	
			2024 %	2023 %
Cashel Asset Management Limited	New Zealand	Ordinary	100%	100%
Horizon Tourism New Zealand Limited (formerly SkyCity Wellington Limited)	New Zealand	Ordinary	100%	100%
New Zealand International Convention Centre Limited	New Zealand	Ordinary	100%	100%
Otago Casinos Limited	New Zealand	Ordinary	100%	100%
Queenstown Casinos Limited	New Zealand	Ordinary	100%	100%
Sky Tower Limited	New Zealand	Ordinary	100%	100%
SkyCity Action Management Limited	New Zealand	Ordinary	100%	100%
SkyCity Auckland Holdings Limited	New Zealand	Ordinary	100%	100%
SkyCity Auckland Limited	New Zealand	Ordinary	100%	100%
SkyCity Casino Management Limited	New Zealand	Ordinary	100%	100%
SkyCity Development Limited	New Zealand	Ordinary	100%	100%
SkyCity Enterprises Limited	New Zealand	Ordinary	100%	100%
SkyCity Hamilton Limited	New Zealand	Ordinary	100%	100%
SkyCity Holdings Limited	New Zealand	Ordinary	100%	100%
SkyCity International Holdings Limited	New Zealand	Ordinary	100%	100%
SkyCity Investments Australia Limited	New Zealand	Ordinary	100%	100%
SkyCity Investments Queenstown Limited	New Zealand	Ordinary	100%	100%
SkyCity Management Limited	New Zealand	Ordinary	100%	100%
SkyCity Precinct Limited	New Zealand	Ordinary	100%	100%
SkyCity Projects Limited	New Zealand	Ordinary	100%	100%
SkyCity Properties Limited	New Zealand	Ordinary	100%	100%
SkyCity Properties Albert St Limited	New Zealand	Ordinary	100%	100%
SkyCity Properties Victoria St Limited	New Zealand	Ordinary	100%	100%
SkyCity Ventures Limited	New Zealand	Ordinary	100%	100%
SkyCity Adelaide Pty Limited	Australia	Ordinary	100%	100%
SkyCity Australia Finance Pty Limited	Australia	Ordinary	100%	100%
SkyCity Australian Limited Partnership	Australia	Ordinary	100%	100%
SkyCity Australia Pty Limited	Australia	Ordinary	100%	100%
SkyCity Treasury Australia Pty Limited	Australia	Ordinary	100%	100%
Horizon Tourism Limited	Hong Kong	Ordinary	100%	100%
SkyCity Investment Holdings Limited	Hong Kong	Ordinary	100%	100%
SkyCity Malta Holdings Limited	Malta	Ordinary	100%	100%
SkyCity Malta Limited	Malta	Ordinary	100%	100%
SkyCity Management (UK) Limited	United Kingdom	Ordinary	100%	100%

All subsidiaries have balance dates of 30 June.

37. Contingencies

(a) Contingent Liabilities

SkyCity operates in a highly regulated industry. During the current financial year, there has been continued focus on the casino industry in both New Zealand and Australia.

SkyCity takes its regulatory obligations seriously and continues to engage proactively with its regulators and respond to their inquiries.

INDEPENDENT REVIEW

As detailed in the Group's financial statements for the year ended 30 June 2023:

- on 1 July 2022, Consumer and Business Services (**CBS**) (the South Australian gaming regulator) advised 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) to consider, amongst other things, whether SkyCity Adelaide is a suitable person to continue to hold the casino licence in South Australia, whether the Company is a suitable person to continue to be a close associate of SkyCity Adelaide, and, if SkyCity Adelaide or the Company is not a suitable person, what changes (if any) are required for that party to become a suitable person;
- on 6 February 2023, CBS advised that Mr Martin was of the view that it was not possible to reliably determine the question of suitability until the resolution of the civil penalty proceedings filed by AUSTRAC against SkyCity Adelaide on 7 December 2022 and, accordingly, the Commissioner had decided to put the independent review on hold until after the conclusion of those proceedings; and
- on 26 May 2023, the Commissioner issued a direction notice under section 10 of the Gambling Administration Act 2019 (SA), requiring SkyCity Adelaide to appoint a suitably qualified independent expert approved by the Commissioner to, amongst other things, review SkyCity Adelaide's AML/CFT and host responsibility enhancement programmes (together the enhancement programmes) and, if required, make amendments to those enhancement programmes, and monitor the implementation of those enhancement programmes by SkyCity Adelaide and SkyCity Adelaide's compliance with its AML/CFT and gambling harm minimisation obligations.

On 25 August 2023, Kroll Australia Pty Limited (**Kroll**) was appointed as the independent expert by SkyCity Adelaide. Since its appointment, Kroll has reviewed SkyCity Adelaide's enhancement programmes and engaged with SkyCity Adelaide in the development of a new Building a Better

Business Programme of Work, which includes SkyCity Adelaide's structure and processes across the key pillars of risk, culture and governance, to ensure sustainable compliance across financial crime and gambling harm minimisation.

On 11 June 2024, the Acting Commissioner advised he had determined to recommence the independent review from 11 June 2024 and that Mr Martin is due to report back with his findings by 31 December 2024 (subject to any extension agreed by the Commissioner and Mr Martin).

Prior to any findings being made or a final report being provided by Mr Martin, it is not possible to determine what regulatory action, if any, might be applied to SkyCity Adelaide as a result of the independent review. Consequently, at the reporting date there is no present obligation and a provision has not been recognised in relation to this matter.

The Company and SkyCity Adelaide will continue to cooperate with CBS, Mr Martin and Kroll and any further requests for information and/or documents.

CASINO DUTY - INTEREST

As outlined in note 29, SkyCity Adelaide has a longstanding contractual dispute with Revenue South Australia concerning the interpretation of the 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. The parties also dispute the interpretation and enforceability of the interest clause in the CDA.

The South Australian Court of Appeal's ruling on 22 February 2024 in favour of SkyCity Adelaide's position on the characterisation of the CDA leaves it open for SkyCity Adelaide to argue that the interest clause in the CDA is unenforceable as a penalty. As a result, the questions of whether the interest provision in the CDA is enforceable and, if not, what (if any) would be the applicable interest payable for outstanding duty remain to be heard and determined by a single Judge of the Supreme Court of South Australia at a later date.

In June 2024, the Crown Solicitor's Office filed a cross claim seeking special leave from the High Court of Australia to appeal the Court of Appeal's judgment on the interpretation of the interest clause in the CDA.

The proceedings remain in progress and there are a range of potential outcomes regarding the amount of interest payable (if any). The estimated range of interest payable is from nil to \$23.4 million, calculated at 30 June 2024. Given that no present obligation exists, the Group has not recognised a provision at 30 June 2024 in relation to potential interest payable.

CASINO (PENALTIES) AMENDMENT BILL 2024 (SA)

On 1 May 2024, the Casino (Penalties) Amendment Bill 2024 (SA) (**Penalties Bill**) was introduced into

the South Australian Parliament House of Assembly by the South Australian Minister for Consumer and Business Affairs.

The Penalties Bill proposes to amend the Casino Act 1997 (SA) and Gambling Administration Act 2019 (SA) by introducing a range of new and significantly increased penalties for contraventions of those Acts in line with the penalty regimes in other Australian states, whether imposed for criminal offending, as expiation fees or as a fine imposed by taking disciplinary action.

The Penalties Bill also proposes to establish new causes for the South Australian Liquor and Gambling Commissioner to take disciplinary action against the holder of the Adelaide casino licence.

Of particular note, the Penalties Bill proposes to give the Commissioner power to impose a financial penalty on SkyCity Adelaide, as a casino licensee, either in the form of a default notice requiring payment of up to A\$1.0 million (increased from A\$10,000 currently) or by taking disciplinary action and issuing a fine not exceeding A\$75.0 million (increased from A\$100,000 currently).

The transitional provisions contained within the Penalties Bill clarify that the changes being made to the maximum fine that can be imposed by taking disciplinary action, as well as the new causes for taking disciplinary action, will apply to conduct which has occurred prior to commencement of the provisions (should such circumstances come to light), as well as to disciplinary action which has commenced but has not yet reached the stage of determining the penalty. However, the Penalties Bill expressly requires that the Commissioner, in imposing a penalty, must take into account any penalty already imposed in proceedings taken in relation to matters the subject of the disciplinary action, and preserves the Commissioner's discretion not to take any disciplinary action whatsoever.

OTHER REGULATORY MATTERS

In addition to the matters outlined above and in note 29, 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, the payment of a penalty/fine or, where the matter relates to the Group's casino operations, an application to suspend and/or cancel the relevant casino licence under the Gambling Act, Casino Act 1997 (SA) and/or Gambling Administration Act 2019 (SA) as applicable. Provisions are recognised in relation to such matters only where an obligation exists at the reporting date.

(b) Contingent Assets

The Group will seek recovery from the Contractor for the NZICC and Horizon Hotel projects for additional costs and losses associated with the NZICC fire and delays 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 \$50.8 million (30 June 2023: \$55.8 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 therefore no income has been recognised. However, these costs will be sought from the Contractor and as recovery of these costs is considered probable and are 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 significant contingent assets at year end (2023: Nil).

38. Commitments

CAPITAL COMMITMENTS

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as set out below.

	2024 \$'000	2023 \$'000
Property, plant and equipment	53,866	296,377

Capital commitments largely comprise estimations for NZICC and Horizon Hotel construction completion.

In the prior year capital commitments also included the sale and purchase agreement relating to SkyCity's acquisition of the remaining 15% interest in the AA Building (99 Albert Street, Auckland) and the termination of the Car Park Concession Agreement.

39.

Reconciliation of Profit After Income Tax to Net Cash Inflow from Operating Activities

	2024 \$'000	2023 \$'000
Profit/(loss) for the year	(143,348)	7,975
Depreciation and amortisation	92,021	90,672
Net finance costs	15,996	23,492
Gain on sale of associate	(9,633)	–
Gain on termination of Car Park Concession Agreement	(4,837)	–
Current period employee share expense	(620)	2,446
Gain on sale of fixed assets	(124)	(108)
Fair value losses to investment property	3,979	12,252
NZICC fire related income	(45,926)	(61,882)
NZICC fire related costs	52,390	63,828
Asset impairment	94,326	50,856
Share of losses of associates	(158)	(1,064)
Change in operating assets and liabilities		
Change in receivables and prepayments	(26,912)	(25,007)
Change in inventories	207	(1,054)
Change in deferred tax asset	(26,886)	(6,093)
Change in current payables	10,799	28,798
Change in deferred tax liability	154,639	(4,491)
Change in tax receivable - current	5	4,419
Change in non-current payables	955	(5,460)
Change in tax payable - current	(8,142)	42,755
Investing and financing items included in working capital movements	44,843	57,763
Net cash inflow from operating activities	203,574	280,097

40.

Events Occurring after the Reporting Date

(a) Sale of Associate

On 1 July 2024, SkyCity received \$56.8 million from the sale of its equity investment in GiG (note 25).

(b) AUSTRAC Penalty

The A\$67.0 million (NZ\$73.3 million) pecuniary penalty was paid by SkyCity Adelaide to the Commonwealth of Australia on 4 July 2024 (note 29).

(c) Suspension Application

On 2 August 2024, SkyCity announced, following agreement by SCML and the Secretary, that the gambling area of the SkyCity Auckland casino would temporarily close for five consecutive days from Monday 9 September 2024 to Friday 13 September 2024 (note 29).

(d) Syndicated Bank Facility and USPP Debt

Subsequent to the reporting date, SkyCity's syndicated bank facility was extended and USPP debt was extended and increased (note 13).

RECONCILIATION

of Underlying Results to Reported Results

SkyCity's objective of producing underlying financial information is to provide data that is useful to the investment community in understanding the underlying operations of the Group – the intention is to provide information which:

- is representative of SkyCity's underlying performance (as a potential indicator of future performance);
- can be compared across years; and
- can assist with comparison between publicly listed casino companies in New Zealand and Australia.

This objective is achieved by eliminating significant items such as property valuations, asset impairments, regulatory penalties, technical accounting adjustments, law changes and structural differences in the business between periods.

SkyCity believes that making these adjustments enables users of the financial information to better understand the underlying performance of the Group and form a view on future performance.

Non-GAAP information is prepared in accordance with a Board approved Non-GAAP Financial Information Reporting Policy and is reviewed by the Board at each reporting period.

SkyCity's Non-GAAP Financial Information Reporting Policy was approved in FY24 with a change to increase the financial threshold for adjustments to \$5.0 million.

	FY24				FY23*			
	REVENUE \$m	EBITDA \$m	EBIT \$m	NPAT \$m	REVENUE \$m	EBITDA \$m	EBIT \$m	NPAT \$m
Reported results	928.5	138.2	46.2	(143.3)	926.2	165.9	75.2	8.0
Reclassify premium revenue rebates	3.2	–	–	–	7.0	–	–	–
Reclassify gaming GST	85.8	–	–	–	87.5	–	–	–
Remove impact of NZICC fire accounting	(48.4)	9.2	9.2	8.4	(63.6)	22.8	22.8	12.3
Remove gain on sale of shares	(9.6)	(9.6)	(9.6)	(9.6)	–	–	–	–
Remove asset impairments	–	94.3	94.3	73.1	–	50.8	50.8	50.8
Remove property fair value adjustments	–	–	–	–	–	12.3	12.3	12.0
Remove labour restructure	–	–	–	–	–	1.0	1.0	0.7
Remove regulatory penalties	–	35.9	35.9	35.8	–	49.0	49.0	49.0
Remove provisions for prior year casino duty	–	9.8	9.8	9.8	–	–	–	–
Remove NZ deferred tax changes	–	–	–	149.0	–	–	–	–
Underlying results	959.6	277.8	185.8	123.2	957.1	301.8	211.1	132.8

* The FY23 underlying results were restated to remove International Business normalisation.

ADJUSTMENT

DISCUSSION

Reclassify NZ IFRS 15 Revenue from Contracts with Customers for premium patron rebates

FY24 \$3.2 million

(FY23 \$7.0 million)

- Adjustment adds back premium player rebates to premium revenue and removes it from expenses, with no net impact to EBITDA, EBIT or NPAT

Reclassify gaming revenue GST

FY24 \$85.8 million

(FY23 \$87.5 million)

- Reported revenue excludes gaming GST as per GAAP requirements, with GST reported in expenses. This adjustment adds gaming revenue GST back to revenue and removes it from expense to ensure underlying revenue better reflects gaming customer turnover. There is no net impact on EBITDA, EBIT or NPAT

Remove NZICC fire accounting impact

FY24 \$8.4 million

(FY23 \$12.3 million)

- Reporting standards applicable to the accounting for the impact of the NZICC fire requires the recognition of insurance reinstatement and the delay costs which can vary significantly between financial years impacting the comparability

Remove gain on the sale of equity investment

FY24 \$9.6 million

(FY23 \$0.0 million)

- This adjustment removes the one-off uplift reported in Other Income for the gain on sale of the Group's equity investment in Gaming Innovation Group Inc.

Remove asset impairment expense

FY24 \$94.3 million

(FY23 \$50.8 million)

- Removes the Adelaide asset accounting impairment of \$94.3 million (A\$86.2 million) (FY23 \$49.7 million, A\$45.6 million)
- FY23 reflects the accounting adjustments related to the Auckland AA Centre building (FY23 (\$1.1 million)) and Queenstown land (FY23 \$2.3 million)

Remove investment property fair value expense

- FY23 reflects the accounting adjustments related to the Auckland investment properties (FY23 \$12.0 million)

Remove labour restructure expense

- FY23 reflects the adjustment to remove a one-off restructure in the Adelaide business (FY23 \$1.0 million)

Remove regulatory penalty expenses

FY24 \$35.9 million

(FY23: \$49.0 million)

- Removes the provision recognised in relation to AUSTRAC and DIA regulatory penalties and associated legal costs to allow for better comparability between financial years

Remove casino duty back-payment provision

FY24 \$9.8 million

(FY23 \$0.0 million)

- Removes \$9.8 million (A\$9.2 million) of the total casino duty provision of \$14.4 million (A\$13.2 million) recognized in FY24, which relates to the change in the casino duty calculation for prior years

Removes the New Zealand deferred charges

FY24 \$149.0 million

(FY23 \$0.0 million)

- This adjustment includes the impact from the change to New Zealand tax legislation in FY24 removing the ability to claim tax depreciation on commercial buildings (FY24 \$129.6 million), and reflects the deferred tax liability recognised in relation to the buy back of the Auckland car park concession in January 2024 (FY24 \$19.4 million)