



# Financial Statements and Notes

## for the year ended 30 June 2021

These financial statements were signed on  
24 August 2021 on behalf of the Board of directors  
of SkyCity Entertainment Group Limited by:

Rob Campbell  
Chair

Jennifer Owen  
Chair of the Audit and Risk Committee



## Income Statement

For the year ended 30 June 2021

	NOTES	2021	2020
<b>Continuing Operations</b>		<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>	<b>3</b>	<b>713,216</b>	641,653
Other income	4, 5	<b>67,936</b>	98,924
Share of losses from associates		-	(83)
NZICC fire related income	6(a)	<b>170,727</b>	384,500
NZICC fire related expenses	6(b)	<b>(141,845)</b>	(108,090)
Employee benefits expense		<b>(269,126)</b>	(284,867)
Asset impairment	7	<b>(8,834)</b>	(160,600)
Other expenses	7	<b>(108,482)</b>	(91,332)
Directors' fees		<b>(962)</b>	(900)
Gaming taxes		<b>(36,253)</b>	(30,254)
Direct consumables		<b>(45,428)</b>	(60,039)
Marketing and communications		<b>(18,718)</b>	(16,184)
Community contributions, levies and sponsorships		<b>(12,289)</b>	(10,382)
Fair value adjustments on investment properties	15	<b>7,386</b>	(14,055)
Earnings Before Interest, Tax, Depreciation and Amortisation Expenses (EBITDA)		<b>317,328</b>	348,291
Depreciation and amortisation expense	7	<b>(89,519)</b>	(85,446)
Depreciation on right-of-use assets	10	<b>(1,894)</b>	(1,114)
Earnings Before Interest and Tax (EBIT)		<b>225,915</b>	261,731
Net finance costs	11	<b>(32,455)</b>	(28,613)
<b>Profit Before Income Tax</b>		<b>193,460</b>	233,118
Income tax (expense)/benefit	18	<b>(37,334)</b>	2,152
<b>Profit from continuing operations</b>		<b>156,126</b>	235,270
<b>Profit from discontinued operations</b>		-	118
<b>Profit for the Year Attributable to Shareholders of the Company</b>		<b>156,126</b>	235,388
<b>Earnings per share for Profit Attributable to the Shareholders of the Company</b>		<b>CENTS</b>	<b>CENTS</b>
Basic and diluted earnings per share	8	<b>20.6</b>	35.4

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

## Statement of Comprehensive Income

For the year ended 30 June 2021

	NOTES	2021	2020
		\$'000	\$'000
<b>Profit for the Year</b>		<b>156,126</b>	235,388
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
<b>Asset Revaluation Reserve</b>			
Asset revaluation reserve - revaluation on transfer to investment property	30	<b>8,755</b>	5,936
Asset revaluation reserve - income tax		<b>(1,921)</b>	-
		<b>6,834</b>	5,936
<b>Items that may be subsequently reclassified to profit or loss</b>			
<b>Foreign Currency Translation Reserve</b>	30		
Exchange differences on translation of overseas subsidiaries		<b>(4,669)</b>	6,285
<b>Cash flow Hedge Reserve</b>	30		
Cash flow hedges - revaluations		<b>(24,859)</b>	9,154
Cash flow hedges - transfer to finance costs		<b>35,790</b>	(5,143)
Cash flow hedges - income tax		<b>(3,076)</b>	(1,239)
<b>Cost of Hedging Reserve</b>	30		
Cost of hedging reserve - costs incurred/revaluations		<b>(6)</b>	(113)
Cost of hedging reserve - transfer to finance cost		<b>463</b>	462
Cost of hedging reserve - income tax		<b>(128)</b>	(98)
		<b>3,515</b>	9,308
<b>Other Comprehensive Income for the Year, Net of Tax</b>		<b>10,349</b>	15,244
<b>Total Comprehensive Income for the Year</b>		<b>166,475</b>	250,632

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



## Balance Sheet

As at 30 June 2021

	NOTES	2021	2020
		\$'000	\$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and bank balances	26	49,940	54,224
Receivables and prepayments	25	33,405	42,252
Derivative financial instruments	31	156	53,288
Inventories		7,187	6,628
Current tax receivables		-	1,989
NZICC fire recoveries	6(c)	175,352	49,571
Assets held for sale	27	13,517	11,019
<b>Total Current Assets</b>		<b>279,557</b>	218,971
<b>Non-current Assets</b>			
Property, plant and equipment	23	1,370,762	1,528,902
Intangible assets	24	646,326	649,531
Finance lease receivable	4	11,605	10,574
Derivative financial instruments	31	4,109	23,100
Investment properties	15	124,368	72,400
Deferred tax assets	19	9,344	6,877
Right-of-use asset	10	126,755	51,967
NZICC fire recoveries	6(d)	233,000	227,000
<b>Total Non-current Assets</b>		<b>2,526,269</b>	2,570,351
<b>Total Assets</b>		<b>2,805,826</b>	2,789,322

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

**Balance Sheet (continued)**

As at 30 June 2021

	NOTES	2021 \$'000	2020 \$'000
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables and provisions	28	200,165	221,842
Interest bearing liabilities	13	48,031	302,509
Current tax liabilities		16,256	776
Derivative financial instruments	31	-	6,113
Lease liabilities	10	3,014	485
Deferred licence value	16	1,963	153,165
<b>Total Current Liabilities</b>		<b>269,429</b>	684,890
<b>Non-current Liabilities</b>			
Interest bearing liabilities	12	440,964	282,731
Non-current payables		20,317	10,569
Lease income in advance	22	36,310	39,815
Derivative financial instruments	31	7,528	24,375
Deferred tax liabilities	20	57,031	45,175
Lease liabilities	10	115,793	52,188
Deferred licence value	17	207,436	214,972
<b>Total Non-current Liabilities</b>		<b>885,379</b>	669,825
<b>Total Liabilities</b>		<b>1,154,808</b>	1,354,715
<b>Net Assets</b>		<b>1,651,018</b>	1,434,607
<b>EQUITY</b>			
Share capital	29	1,338,223	1,288,287
Reserves	30	(22,972)	(33,321)
Retained earnings		335,767	179,641
<b>Total Equity</b>		<b>1,651,018</b>	1,434,607

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



## Statement of Changes in Equity

For the year ended 30 June 2021

	NOTES	SHARE CAPITAL	RESERVES	RETAINED EARNINGS	TOTAL EQUITY
		\$'000	\$'000	\$'000	\$'000
<b>Balance as at 1 July 2019</b>		1,126,996	(48,565)	77,541	1,155,972
Total comprehensive income		-	15,244	235,388	250,632
Dividends paid	9	-	-	(133,288)	(133,288)
Equity raising	29	177,160	-	-	177,160
Share rights issued for employee service	29	3,698	-	-	3,698
Net movement in treasury shares	29	436	-	-	436
Buy back and cancellation of shares		(20,003)	-	-	(20,003)
<b>Balance as at 30 June 2020</b>		1,288,287	(33,321)	179,641	1,434,607
<b>Balance as at 1 July 2020</b>		1,288,287	(33,321)	179,641	1,434,607
Total comprehensive income		-	10,349	156,126	166,475
Equity raising	29	48,737	-	-	48,737
Share rights issued for employee service	29	3,253	-	-	3,253
Net movement in treasury shares	29	(2,054)	-	-	(2,054)
<b>Balance as at 30 June 2021</b>		<b>1,338,223</b>	<b>(22,972)</b>	<b>335,767</b>	<b>1,651,018</b>

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 2021

	NOTES	2021	2020
		\$'000	\$'000
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		718,898	655,470
Payments to suppliers and employees		(397,713)	(480,613)
Government grants		28,643	27,354
		349,828	202,211
Gaming taxes and levies paid		(46,074)	(40,988)
Income taxes paid		(15,569)	(41,057)
<b>Net Cash Inflow from Operating Activities</b>	38	<b>288,185</b>	120,166
<b>Cash Flows from Investing Activities</b>			
Capital additions		(171,673)	(326,877)
Purchased intangible assets		(5,799)	(20,515)
Auckland car park concession disposal		-	128,946
NZICC fire related income		30,533	106,000
NZICC fire related costs		(108,040)	(26,638)
Lease income received in advance		-	39,815
<b>Net Cash Outflow from Investing Activities</b>		<b>(254,979)</b>	(99,269)
<b>Cash Flows from Financing Activities</b>			
Issue of new share capital		46,683	177,597
Cash flows associated with derivatives		17,669	(2,327)
New borrowings		208,031	45,814
Repayment of borrowings		(267,447)	(34,127)
Dividends paid to company shareholders	9	-	(133,288)
Interest paid		(35,857)	(41,444)
Lease interest paid		(2,879)	-
Buy back of share capital		-	(20,003)
Repayment of lease liabilities		(3,690)	(469)
<b>Net Cash Outflow from Financing Activities</b>		<b>(37,490)</b>	(8,247)
<b>Net (Decrease)/Increase in Cash and Bank Balances</b>	14	<b>(4,284)</b>	12,650
Cash and bank balances at the beginning of the year		54,224	41,574
<b>Cash and Bank Balances at the End of the Year</b>	26	<b>49,940</b>	54,224

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



## 1 Summary of Significant Accounting Policies

SkyCity Entertainment Group Limited (**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.

SkyCity 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 dual-listed on the New Zealand and Australian stock exchanges (NZX and ASX respectively).

These consolidated financial statements were approved for issue by the Board of directors on 24 August 2021.

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

### (a) 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), the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules.

The Group financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2021 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 the 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 in the understanding of the Group's financial performance and is consistent with the information used internally to evaluate the performance of business units.

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

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

### Critical Accounting Estimates and Judgements

The preparation of 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 casino licence, which has a finite useful life, was impaired in the prior period and consequently was tested for impairment in the current period. This impairment testing required the use of key estimates, which are discussed in note 24(c);
- as reported in the Group's 30 June 2020 financial statements, in October 2019 there was a significant fire at the construction site of the New Zealand International Convention Centre (**NZICC**). Accounting for the consequences of the fire has required the exercise of judgement and the use of estimates. Details of the judgements and estimates made are provided in note 6;
- investment properties are carried at fair value. Determining the fair value of properties requires the use of estimates. Details of estimates made are provided in note 15; and

- properties that were transferred from property, plant and equipment to investment properties at 30 June 2021 were revalued to fair value prior to the transfer, which required the use of key estimates. Details of estimates made are provided in note 15.

#### **(b) COVID-19**

On 11 March 2020, the World Health Organization declared a global pandemic as a result of the outbreak and spread of COVID-19. As a result of the pandemic, SkyCity has faced a number of closures and other trading restrictions during the 2020 and 2021 financial years.

In the comparative period, SkyCity took a number of actions to manage the impacts of COVID-19. Those actions included a rapid restructure of the New Zealand workforce, the implementation of cost and capital savings initiatives, an equity raising, the arrangement of new bank facilities and securing covenant waivers in relation to lending facilities. The financial impacts of COVID-19 in the comparative period included a reduction in revenue, the receipt of wage subsidies from the New Zealand and Australian Governments, increased impairment of accounts receivable, reductions in the fair value of investment properties and the impairment of the SkyCity Adelaide casino licence. Full details of the impacts of COVID-19 on the comparative period are disclosed in the 30 June 2020 financial statements.

During the current year:

- the SkyCity Auckland site was closed from 12 August to 30 August 2020, 15 February to 17 February 2021 and 28 February to 6 March 2021 and operated with social distancing restrictions from 30 August to 8 October 2020, 18 February to 22 February 2021 and 7 March to 11 March 2021;
- the SkyCity Adelaide site was closed for three days from 18 November 2020 and operated under government social distancing restrictions for the majority of the remainder of the year;
- the Group has continued to receive both the New Zealand Government wage subsidy and Australian JobKeeper payments (note 5); and
- the SkyCity Board resolved to voluntarily return a portion of the New Zealand Government wage subsidy and Australian JobKeeper payments that it had received (note 5).

Subsequent to the reporting date, the SkyCity Adelaide site has again been closed due to COVID-19 trading restrictions imposed by the South Australian Government, and all New Zealand sites have been closed due to restrictions imposed by the New Zealand Government (note 39).

There are inherent uncertainties in both New Zealand and Australia relating to forecasting earnings in the COVID-19 environment.

That notwithstanding, due to the capital raise conducted in the prior year, and the funding available through the syndicated banking facility, the directors have determined that there are no material uncertainties related to SkyCity being a going concern. Accordingly, the directors have concluded that it is appropriate that these financial statements continue to be prepared on a going concern basis.

#### **(c) Principles of Consolidation**

Subsidiaries are all entities (including structured 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. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

#### **(d) 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.

#### **(e) Goods and Services Tax (GST)**

The Income Statement, Statement of Cash Flows, 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.

#### **(f) 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.

#### **(g) New Accounting Standards Adopted in the Year**

The accounting policies that materially affect recognition and measurement in the financial statements have been applied on a basis consistent with the prior year.

#### **(h) 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 2021 that would have a material impact on the Group's financial statements.

#### **(i) Future Change in Intangible Assets Accounting Policy**

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

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

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

Compliance with the Committee's decision necessitates a change to SkyCity's intangible assets accounting policy, as SkyCity has to date recognised such costs as intangible assets. Making this change will require a retrospective restatement of prior period financial statements in the year in which the revised accounting policy is adopted. To implement this change, SkyCity is currently examining all historically capitalised software configuration and customisation costs relating to SaaS arrangements to identify the level of restatement required. Given the number and complexity of the Group's software arrangements, SkyCity has decided to implement the revised accounting policy in the 30 June 2022 annual financial statements, with full compliance in the 31 December 2021 interim financial statements.

While the financial impact of the revised accounting policy is still being quantified, it is likely to be material for financial reporting purposes. The change will reduce intangible assets and associated amortisation, increase operating expenses, and reclassify the relevant spend from an investing to an operating cashflow. The change may also result in the recognition of prepayments.

## 2 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.

### (a) Primary Reporting Format - Business Segments

	SKYCITY AUCKLAND	OTHER NZ OPERATIONS	SKYCITY ADELAIDE	INTERNATIONAL BUSINESS	CORPORATE /GROUP	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2021</b>						
Gaming revenue	345,737	65,360	143,937	24,547	-	579,581
Online revenue	-	13,140	-	-	-	13,140
Non-gaming revenue	81,300	10,129	36,359	35	-	127,823
Other income	9,640	1,220	16,596	-	980	28,436
NZICC fire income	170,727	-	-	-	-	170,727
Liquidated damages	39,500	-	-	-	-	39,500
<b>Total revenue</b>	<b>646,904</b>	<b>89,849</b>	<b>196,892</b>	<b>24,582</b>	<b>980</b>	<b>959,207</b>
Expenses	(243,805)	(43,307)	(154,622)	(21,474)	(36,826)	(500,034)
NZICC fire expenses	(141,845)	-	-	-	-	(141,845)
Depreciation and amortisation	(45,514)	(5,887)	(22,794)	-	(17,218)	(91,413)
<b>Segment profit/(loss) (EBIT)</b>	<b>215,740</b>	<b>40,655</b>	<b>19,476</b>	<b>3,108</b>	<b>(53,064)</b>	<b>225,915</b>
<b>Net finance costs</b>						<b>(32,455)</b>
<b>Profit before income tax</b>						<b>193,460</b>
Segment assets	1,924,219	109,669	597,282	(15,679)	190,335	2,805,826
Net additions to non-current assets (other than financial assets and deferred tax)	52,660	3,783	149,900	-	12,217	218,560
<b>2020</b>						
Gaming revenue	312,282	51,554	90,995	75,948	-	530,779
Online revenue	-	4,521	-	-	-	4,521
Non-gaming revenue	118,094	8,738	18,824	-	-	145,656
Other income	20,586	2,428	8,327	8	1,144	32,493
NZICC fire income	384,500	-	-	-	-	384,500
Sale of Auckland car park concession	66,431	-	-	-	-	66,431
<b>Total revenue</b>	<b>901,893</b>	<b>67,241</b>	<b>118,146</b>	<b>75,956</b>	<b>1,144</b>	<b>1,164,380</b>
Shares of net profits/(losses) of associates	-	(83)	-	-	-	(83)
Expenses	(292,198)	(41,625)	(107,126)	(72,184)	(34,183)	(547,316)
Impairment of goodwill	-	-	(160,600)	-	-	(160,600)
NZICC fire expenses	(108,090)	-	-	-	-	(108,090)
Depreciation and amortisation	(46,073)	(6,159)	(19,090)	-	(15,238)	(86,560)
<b>Segment profit/(loss) (EBIT)</b>	<b>455,532</b>	<b>19,374</b>	<b>(168,670)</b>	<b>3,772</b>	<b>(48,277)</b>	<b>261,731</b>
<b>Net finance costs (including discontinued operations)</b>						<b>(28,613)</b>
Less: Discontinued operations before tax						118
<b>Profit before income tax from continuing operations</b>						<b>(28,495)</b>
Segment assets	1,738,081	100,891	617,139	-	333,211	2,789,322
Net additions to non-current assets (other than financial assets and deferred tax)	147,380	9,573	229,369	-	19,692	406,014



**(b) Secondary Reporting Format - Geographical Segments**

	TOTAL REVENUE		NON-CURRENT ASSETS EXCLUDING FINANCIAL INSTRUMENTS AND DEFERRED TAX ASSETS	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
New Zealand	745,932	1,021,158	1,931,543	1,951,348
Australia	213,275	143,222	581,273	589,026
	959,207	1,164,380	2,512,816	2,540,374

**(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, Sky Tower, investment properties and a number of other related activities. This segment does not include International Business operations.

**Other NZ Operations**

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

**SkyCity Adelaide**

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

**International Business**

This segment comprises gaming operations for international customers, most of whom are from Asia. The revenue is generated at SkyCity's Auckland, Adelaide, Queenstown and Hamilton locations. The results of the segment include commission and complimentary play. No assets are allocated to this segment.

**Corporate/Group**

This segment includes head office functions and funding entities. It is not considered an operating segment.

### 3 Revenue

#### Accounting Policy

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

The revenue from the online casino is from New Zealand based players using technology developed by and under a Malta gaming licence held by Gaming Innovation Group Inc (**GiG**). SkyCity is not the principal transacting with casino customers. Revenue is reported net of GiG costs allowable under the arrangement.

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

	2021	2020
	\$'000	\$'000
Gaming	572,253	491,477
Non-gaming	127,823	145,655
Online gaming	13,140	4,521
<b>Total revenue</b>	<b>713,216</b>	<b>641,653</b>

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 \$18.9 million (2020: \$19.5 million).

	NOTES	2021	2020
		\$'000	\$'000
<b>Reconciliation to the segment note</b>			
Total revenue	3	713,216	641,653
Gain on sale of Auckland car park concession	4	-	66,431
Other income	5	1,622	3,310
Government grants	5	26,814	29,183
Liquidated damages	5	39,500	-
NZICC fire income	6	170,727	384,500
<b>Total revenue as per Income Statement</b>		<b>951,879</b>	<b>1,125,077</b>
International Business rebates		7,328	39,303
<b>Total revenue as per segment note</b>		<b>959,207</b>	<b>1,164,380</b>

### 4 Auckland Car Park Transaction

	2021	2020
	\$'000	\$'000
Net gain on sale of the Auckland car park concession	-	66,431
	-	66,431



On 4 April 2019, the Group announced it had entered into a binding, conditional agreement to sell a long term concession to 2048 over the Auckland car parks to Macquarie for \$220.0 million, to be paid upfront in a lump sum on completion.

The agreement:

- gives Macquarie the right to undertake the operations and management of the approximately 3,200 car parks under the existing Auckland casino/hotel complex and the NZICC currently under construction, with all economic benefit of ownership passed to Macquarie for the concession period;
- provides SkyCity with exclusive access to 450 car parks, which will be used for VIP customers, to be paid for by SkyCity irrespective of use (these are known as the “nested car parks”); and
- provides SkyCity with non-exclusive access to further car parks at agreed rates on a pay per use basis (these are known as the “unnested car parks”). These car parks will also be available to the public.

On 19 August 2019, the Auckland car park concession transaction was completed and SkyCity received \$220.0 million. Macquarie took over the main site car park and the initial 600 NZICC car parks and was to be provided with approximately 650 further NZICC car parks no later than 31 December 2020. However, due to the NZICC fire (see note 6), that did not occur.

#### **Nested Car Parks**

The Group determined that it retains the significant risks and rewards of ownership of these car parks. As a result, the Group continued to recognise the car parks as its property, plant and equipment and has recognised its obligation to Macquarie as a financial liability. The liability was initially recognised at its fair value of \$45.8 million.

#### **Main Site and Initial 600 NZICC Unnested Car Parks**

The Group determined, based on an evaluation of the terms and conditions of the arrangement, including the proportion of the \$220.0 million concession payment relating to these car parks amounting to substantially all of the fair value of these car parks, that substantially all the significant risks and rewards of ownership of these unnested car parks passed to the concession holder on 19 August 2019. Therefore, this part of the concession payment has been accounted for as a finance lease (note 12).

As a result of this determination, as at 19 August 2019:

- the carrying value of these car parks of \$96.6 million was derecognised;
- a finance lease receivable of \$133.2 million for these car parks was recognised and immediately settled in cash by the upfront payment;
- a finance lease receivable of \$9.9 million was recognised for the residual value of these car parks (the value beyond the period of the concession term);
- an adjustment to the deferred licence value liability associated with the NZICC of \$24.2 million was recognised in the Income Statement; and
- a resulting gain of \$66.4 million was recognised in the Income Statement.

In determining the carrying value, judgement was required to distinguish the value of the unnested car parks from the value of the Auckland casino/hotel asset. Judgement was also required to determine the carrying value of the initial 600 NZICC car parks.

#### **Remaining Approximately 650 Further NZICC Unnested Car Parks**

At 30 June 2020, the Group determined, given the inability to determine when these car parks would be provided to Macquarie, that it was likely that this part of the concession should be treated as an operating lease and the car parks classified as investment property. On that basis, in 2020, \$27.1 million of costs associated with these car parks were transferred from property, plant and equipment (note 23) to investment properties (note 15) and the Group treated \$39.8 million of the \$220.0 million concession payment as lease income received in advance.

From January 2021, delay payments to Macquarie have been deducted from the \$39.8 million allocation of the concession payment for the purposes of making the lease determination. As a result, the portion of the concession payment relating to these car parks would not amount to substantially all of the fair value of these car parks; consequently, classification as an operating lease remained appropriate.

As a result of the updated NZICC damage estimates (see note 6), a further \$2.2 million has been transferred from property plant and equipment (note 23) to investment properties (note 15) in the current year.

## 5 Other Income

	2021	2020
	\$'000	\$'000
Net (loss)/gain on disposal of property, plant and equipment	(528)	348
Dividend income	2	9
Rental income from investment properties	2,148	2,953
Government grants	26,814	29,183
Liquidated damages	39,500	-
	67,936	32,493

### Government Grants

As part of its COVID-19 response, the New Zealand Government introduced a wage subsidy scheme to enable businesses to retain employees. SkyCity met the eligibility criteria for that scheme and applied for, and received, \$10.2 million of subsidies for the current financial year (30 June 2020: \$20.9 million).

The Australian Government also introduced wage subsidies (referred to as JobKeeper payments) as part of its response to the COVID-19 pandemic. SkyCity met the eligibility criteria for that scheme and applied for, and received, \$16.6 million (A\$15.4 million) of JobKeeper payments for the current financial year (30 June 2020: NZ\$8.3 million, A\$7.8 million).

Despite having met all of the respective eligibility criteria for the New Zealand wage subsidy scheme and JobKeeper payments, in June 2021 the SkyCity Board resolved to make a voluntary repayment of \$6.7 million of wage subsidies received from the New Zealand Government and \$3.3 million (A\$3.1 million) of JobKeeper payments received from the Australian Government. These amounts are recognised as an expense (note 7) and as a provision at 30 June 2021 (note 28). The \$6.7 million voluntary repayment to the New Zealand Government was made on 27 July 2021. It is anticipated that the voluntary repayment to the Australian Government will be made in September 2021 (note 39).

### Liquidated Damages

Included within the Fletcher Construction Company Limited (**FCC** or the **Contractor**) construction contracts for the NZICC and Horizon Hotel is the right to liquidated damages if certain milestones are not met. To 30 June 2020, SkyCity withheld \$39.5 million from payments to FCC and disclosed this amount as a contingent asset for liquidated damages. As part of a settlement agreement signed on 30 November 2020, FCC agreed to not challenge retention of the amount, and accordingly \$39.5 million has been recognised as other income in the current financial period.

## 6 NZICC Fire

On 22 October 2019, there was a significant fire at the NZICC construction site. The fire caused extensive damage to the NZICC and also damaged Horizon Hotel, which is being constructed on the adjacent site. The Group has appointed an independent expert, Rider Levett Bucknall Auckland Limited (**RLB**), to assist with assessing the value of damage from the fire and the cost of remediation. The damage assessment and reconstruction scope process is still underway by the Contractor.

The NZICC is being built under an agreement between the Group and the Crown. Under that agreement, the NZICC must be completed by a specified date, referred to as the completion long stop date. Subsequent to the reporting date, the Crown has agreed to an extension of the completion long stop date - the revised date is now 15 December 2027 (previously 2 January 2025). SkyCity expects to complete the NZICC before this date.

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



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

#### (a) Income

	2021	2020
	\$'000	\$'000
<b>Other income</b>		
Contract works insurance recovery	43,600	336,702
Other recoveries	127,127	37,456
Liquidated damages (Nelson Street car park access)	-	10,342
	<b>170,727</b>	<b>384,500</b>

#### Contract Works Insurance Recovery

The accounting treatment of the insurance recovery for the damage is dependent on the relationship between SkyCity, the insurers and the Contractor. Consequently, determining the nature of this relationship is a key judgement. It is the Group's view, supported by legal advice, that SkyCity is the principal in the insurance relationship and therefore receives, and has control over, all insurance proceeds. As a result of this relationship, the Group recognises the expected insurance proceeds for reconstruction of the fire damage as income and a receivable. Payments to the Contractor for the reconstruction are separately capitalised as the development of the new assets occurs over time.

While the insurers have acknowledged the fire event and confirmed that SkyCity's contracts works policy will respond in relation to the damage caused by the fire to the NZICC and Horizon Hotel, the final insurance recovery for the reinstatement costs will be dependent on the final view of the insurer as the claims are presented. The damage assessment and reconstruction scope process is still underway by the Contractor so no complete reconstruction cost or damage estimates have been confirmed at this stage. Accordingly, the Group has engaged RLB to estimate reconstruction costs. These estimates along with information provided by the Contractor inform the Group's view of the contracts work insurance recovery. Adjustments have been made by the Group to the estimates provided by RLB to exclude pre-remediation expenses (site preparation and clearing costs), which are recognised separately as other recoveries when incurred and to remove

costs for which the recoverability has not been assessed to be virtually certain at this stage. RLB's estimates are based on limited information and are highly sensitive to the actual extent of damage and could be further affected by potential market movements in construction costs. RLB has been provided with various updates and briefings by the Contractor, SkyCity and its advisors to assist them in preparing their estimate.

For the NZICC, the insurance recovery for the reconstruction costs after taking into account the above adjustments has been estimated to be between \$365.0 million and \$450.0 million (2020: between \$330.0 million and \$375.0 million). For Horizon Hotel, the insurance recovery for the reconstruction costs has been estimated at between \$14.6 million and \$21.0 million (2020: \$6.0 million). The Group has assumed an insurance recovery for both buildings of \$379.6 million (2020: \$336.0 million), being the lower end of the NZICC and Horizon Hotel ranges. The Group considers recovery of this amount to be virtually certain.

Given the uncertainty involved in making this assessment, both amounts include a significant contingency (the \$365.0 million amount includes a 20% contingency, while the \$450.0 million amount includes a 35% contingency).

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

### Other Recoveries

In addition to recovery of the expected reconstruction costs, the Group seeks recovery of additional items, which are recognised as other recoveries when they are incurred and meet the virtual certainty threshold. These primarily relate to site preparation, demolition and clearing costs on-charged by the Contractor but also include:

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

In the current period, recovery of costs incurred of \$127.1 million (2020: \$37.5 million) has been assessed to be virtually certain with the recovery of an additional \$14.4 million (2020: \$8.9 million) assessed as probable and therefore disclosed as a contingent asset (note 36). The assessment of recoverability of these costs as virtually certain or probable is a key judgement and for some of these costs the judgement is supported by legal advice received by the Group (note 36).

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

### (b) Expenses

	2021	2020
	\$'000	\$'000
Write-off of NZICC and Horizon Hotel capitalised work-in-progress	34,713	193,868
Release from deferred licence value liability	(7,536)	(165,785)
NZICC obligation	(6,551)	43,047
Site preparation, demolition and other costs	121,219	36,960
	141,845	108,090

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

The fire is accounted for as the disposal of the damaged asset and the purchase of new or part replacement of repaired component parts. As a result, the carrying value of the damaged/destroyed parts of the NZICC and Horizon Hotel are expensed. As the investigation of the extent of damage continues, more damaged components may be identified and written off.

Based on updated estimates provided by RLB, the Group has estimated that approximately 55% (30 June 2020: 52%) of the NZICC and 13% (30 June 2020: 5%) of the Horizon Hotel construction work to date has been destroyed and will need to be replaced. As a result, approximately \$228.6 million of costs previously capitalised as work in progress in property, plant and equipment have been written off. This is an increase of \$34.7 million in the current financial year (note 23).

This estimate is highly sensitive to the actual extent of damage and the ultimate write off may differ

materially once further assessment of the damage to both buildings has been completed.

Future costs (external and internal) related to the replacement of the derecognised asset components will be capitalised as incurred as a new asset.

#### Release from Deferred Licence Value Liability

In 2016, SkyCity accounted for the granting of the NZICC Auckland casino licence enhancements and recognised a deferred licence value liability of \$405.0 million. Based on the Group's accounting policy adopted in 2014 (at the time of recognising the Adelaide casino licence enhancements), this amount was to be accounted for as a reduction in the carrying value of the NZICC upon completion.

The deferred licence value would normally be allocated against each component asset of the NZICC upon completion, and therefore when derecognising some components (as detailed above) there is also a requirement under the Group's accounting policy to release a portion of the deferred licence value liability.



The amount of the release has been estimated at \$173.3 million (30 June 2020: \$165.8 million) based on the latest estimated percentage of damage to the NZICC. This represents 45.5% (30 June 2020: 43.5%) of the remaining deferred licence value liability (the NZICC was estimated to be 83% complete prior to the fire). The updated estimated damage percentage has resulted in a \$7.5 million release of the deferred licence value liability in the current financial period

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

Refer to note 17 for details of the deferred licence value liability release.

#### **NZICC Obligation**

The Group has recognised a liability to reconstruct the assets associated with the initial 600 NZICC car parks that are required to be provided to Macquarie (note 4). The Group has estimated this to be \$36.5 million (30 June 2020: \$43.0 million), based on an estimate prepared by RLB.

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

#### **Site Preparation, Demolition and Other Costs**

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

#### **(c) Current Assets**

	2021	2020
	\$'000	\$'000
Insurance recoveries for damages to the NZICC and Horizon Hotel	380,302	336,702
Other recoveries	164,583	37,456
Recovery of liquidated damages	-	8,413
Payments received from the insurers	(136,533)	(106,000)
Reclassification to non-current receivables (refer note below)	(233,000)	(227,000)
	175,352	49,571

These assets relate to:

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

Insurance recoveries to cover the reinstatement to the pre fire condition include amounts related to the damage to the NZICC (\$365.0 million, 30 June 2020: \$330.0 million), Horizon Hotel (\$14.6 million; 30 June 2020: \$6.0 million) and various ICT equipment (\$0.7 million; 30 June 2020 \$0.7 million).

#### **Other Recoveries**

These recoveries primarily relate to site preparation, demolition and clearing costs incurred and on-charged by the Contractor (note 6a). The Group believes that recovery of this amount is virtually certain.

#### **Payments Received from the Insurers**

To date, the Group has received payment from the insurers of \$135.5 million towards site preparation, clearing costs and the cost of remediation.

The Group has also received an initial \$1.0 million payment from insurers towards its business interruption claim.

**(d) Non-current Assets**

	2021	2020
	\$'000	\$'000
Insurance recoveries for damages to the NZICC and Horizon Hotel	233,000	227,000
	<b>233,000</b>	227,000

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

**7 Expenses**

	2021	2020
	\$'000	\$'000
<b>Other Expenses</b>		
Utilities, insurance and rates	22,848	21,949
Onerous contract expense (relating to the Wharf Casino lease)	986	958
Other property expenses	17,247	13,325
ICT related expenses	15,835	13,796
Professional fees	8,678	8,376
Other items	32,062	26,043
Government grants repaid (note 5)	10,006	-
Expenses relating to short-term leases and leases of low-value assets	803	1,203
Impairment of receivables	17	5,682
	<b>108,482</b>	91,332
<b>Depreciation and Amortisation (excluding right-of-use assets)</b>		
Depreciation	73,151	67,459
Casino licence amortisation (Adelaide)	2,629	5,507
Computer software amortisation	13,666	12,480
Gaming machine entitlements amortisation	73	-
	<b>89,519</b>	85,446
<b>Impairment</b>		
Impairment of property plant and equipment (note 23)	8,834	-
Impairment of intangible assets (note 24)	-	160,600
	<b>8,834</b>	160,600

**Reclassification of Expenses**

In the current period, a number of expenses have been reclassified to more closely align with internal reporting. Expenses for the comparative period have also been reclassified to be consistent with the current year's expense classification. There has been no impact on total expenses or profit.



## 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 employs PricewaterhouseCoopers (**PwC**) on assignments additional to their 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 Audit Independence Policy requires advisers other than PwC to be engaged wherever practicable.

Tax advisory services relates to ad-hoc queries covering a range of tax related matters.

PwC also undertook:

- agreed-upon procedures in relation to the Group's Community Trust allocation of revenue; assessment of the application of revenue under the Australian JobKeeper scheme; assessment of the normalisation of revenue disclosed in the annual report; and scrutineering of the vote count at the Company's annual meeting; and
- other assurance engagements in relation to compliance with banking and debt covenants.

	2021	2020
	\$'000	\$'000
<b>(a) Assurance and Agreed upon Procedure Services</b>		
<b>Audit and review of financial statements</b>		
PwC New Zealand	888	755
PwC Australia	52	74
PwC Hong Kong	24	23
PwC Malta	51	42
<b>Total audit and review fees</b>	<b>1,015</b>	894
<b>Performed by PwC New Zealand</b>		
Other assurance services	25	20
Agreed upon procedures	19	28
<b>Performed by PwC Australia</b>		
Agreed upon procedures	9	-
<b>Total remuneration for other assurance services and agreed upon procedures</b>	<b>53</b>	48
<b>Total remuneration for assurance and agreed upon procedures services</b>	<b>1,068</b>	942
<b>(b) Other Services</b>		
<b>Performed by PwC New Zealand</b>		
Tax compliance services	-	1
Tax advisory services	55	78
Provision of market survey data relating to executive remuneration levels	30	-
Provision of software tool for subsidiary statutory financial statement preparation	-	12
<b>Performed by PwC Australia</b>		
Tax compliance services	43	50
Tax advisory services	207	63
<b>Performed by PwC Hong Kong</b>		
Tax advisory services	17	26
<b>Performed by PwC Singapore</b>		
Tax advisory services	19	-
<b>Total remuneration for other services</b>	<b>371</b>	230
<b>Total fees expense</b>	<b>1,439</b>	1,172

## 8 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.

	2021	2020
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	759,687,194	664,946,279

## 9 Dividends

### Accounting Policy

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

	2021	2020
	\$'000	\$'000
Prior year final dividend	-	66,867
Current year interim dividend	-	66,421
<b>Total dividends provided for or paid</b>	-	133,288
<b>Cents per share</b>		
Prior year final dividend (per share)	-	10.0
Current year interim dividend (per share)	-	10.0

Subsequent to the reporting date, the directors declared a dividend of 7.0 cents per share for the year ended 30 June 2021.



## 10 Leases – SkyCity as the Lessee

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

The weighted average incremental borrowing rate for the Group's leases is 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 immaterial, 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.

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:

	2021	2020
	\$'000	\$'000
<b>Right-of-use assets net book value</b>		
SkyCity Auckland – sub soil	3,091	3,095
SkyCity Auckland – airbridges	3,214	2,318
SkyCity Queenstown – Stratton House	1,930	2,367
SkyCity Adelaide – Railway Building and extension	55,056	44,187
SkyCity Adelaide – car park	63,464	-
	<b>126,755</b>	51,967
<b>Lease liabilities</b>		
Current	3,014	485
Non-current	115,793	52,188
	<b>118,807</b>	52,673

Amounts recognised in the Income Statement are:

	2021	2020
	\$'000	\$'000
Depreciation of right-of-use asset	1,894	1,114
Interest expense on lease liabilities (part of net finance costs)	3,566	3,088

## 11 Net Finance Costs

	2021	2020
	\$'000	\$'000
Finance costs	41,743	45,419
Foreign exchange gains	(388)	(195)
Interest income	(1,086)	(1,060)
Debt restructuring costs (note 12)	-	7,506
Capitalised interest (note 23)	(7,814)	(23,057)
<b>Total finance costs</b>	<b>32,455</b>	28,613

## 12 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 United States private placement (**USPP**) notes maturing in March 2025 is 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.



The interest margin on US dollar denominated USPP notes maturing in March 2025 is accounted for as a fair value hedge. The carrying values of the borrowings are adjusted for fair value changes attributable to the risk being hedged.

	2021	2020
	\$'000	\$'000
<b>Unsecured Interest Bearing Liabilities</b>		
Car park concession (main site nested car parks) (note 4)	47,167	42,802
USPP notes	221,811	241,420
New Zealand bonds	175,000	-
Deferred funding expenses	(3,014)	(1,491)
<b>Total Non-current Interest Bearing Liabilities</b>	<b>440,964</b>	<b>282,731</b>

#### (a) USPP Notes

As at 30 June 2021, SkyCity had outstanding USPP notes of:

- US\$100.0 million maturing 17 March 2025; and
- A\$65.4 million maturing 15 March 2028.

Movements in the carrying value of the outstanding balance in the current year relate to maturity of US\$100 million of notes on 15 March 2021 plus 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 in note 32.

Fair value of USPP debt is estimated at NZ\$243.4 million (2020: NZ\$429.4 million) compared to a carrying value of NZ\$221.8 million (2020: NZ\$397.0 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. Fair value is calculated using inputs other than quoted prices that are observable for the liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This is a level 2 valuation.

#### (b) Syndicated Bank Facility

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

As at 30 June 2021, SkyCity had in place revolving credit facilities of:

- A\$280.0 million maturing 31 March 2022 (partially drawn at the reporting date);
- NZ\$60.0 million maturing 15 June 2022 (undrawn at the reporting date);
- NZ\$85.0 million maturing 15 June 2023 (undrawn at the reporting date); and
- NZ\$85.0 million maturing 15 June 2024 (undrawn at the reporting date).

Subsequent to balance date:

In August 2021, the syndicated bank facility was restructured and extended to the following:

- A\$100.0 million maturing 15 June 2023;
- NZ\$115.0 million maturing 15 June 2024; and
- NZ\$115.0 million maturing 15 June 2025.

#### (c) New Zealand Bonds

\$125 million of unsubordinated, unsecured, redeemable fixed rate bonds were redeemed on 28 September 2020 at \$1.028 per bond, equating to a total redemption cost of \$128.5 million.

\$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 2021, the closing price was \$1.038 per \$1 bond. The bonds are carried at amortised cost. The total fair value is \$ 181.7 million and is a level 1 valuation as they are listed securities.

**(d) Auckland Car Park Concession**

Incorporated in the Auckland car park concession is an interest-bearing liability of \$47.2 million relating to the main site nested car parks. This liability will be amortised to nil over the life of the contract with the movements recognised in interest income.

**(e) 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 guarantee group participation and financial covenants. All requirements of the negative pledge deeds have been met as at 30 June 2021.

**(f) CBA Revolving Credit Facility**

In July 2020, a NZ\$100.0 million revolving credit facility was established with the Commonwealth Bank of Australia, maturing 31 December 2021. The facility was cancelled on 29 June 2021.

**(g) Weighted Average Interest Rate**

	2021		2020	
	%	\$'000	%	\$'000
Interest bearing liabilities*	5.68%	610,798	6.39%	586,731

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

**13 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.

	2021	2020
	\$'000	\$'000
<b>Unsecured Interest Bearing Liabilities</b>		
Syndicated bank facility	48,031	15,000
USPP notes	-	155,618
New Zealand bonds	-	128,500
Car park concession (main site nested car parks)	-	3,391
<b>Total current interest-bearing borrowings</b>	<b>48,031</b>	<b>302,509</b>

Refer note 12(a) for details concerning the USPP notes, note 12(b) for details concerning the syndicated bank facility, note 12(c) for details concerning the New Zealand bonds and note 12(d) for details concerning the car park concession.

All financial covenants were met at 30 June 2021.



## 14 Net Debt Reconciliation

	CASH AND BANK BALANCES	BORROWINGS DUE WITHIN 1 YEAR	BORROWINGS DUE AFTER 1 YEAR	TOTAL
	\$'000	\$'000	\$'000	\$'000
<b>Net debt as at 1 July 2019</b>	(41,574)	49,127	495,913	<b>503,466</b>
Movement in cash and cash equivalents	(12,650)	-	-	<b>(12,650)</b>
Recognition of car park concession liability	-	3,391	42,802	<b>46,193</b>
Revaluation of New Zealand bonds	-	3,500	-	<b>3,500</b>
Revaluation of USPP notes	-	6,230	17,716	<b>23,946</b>
Repayment of USPP notes	-	(21,127)	-	<b>(21,127)</b>
Amortisation of deferred funding expenses	-	-	687	<b>687</b>
Net movement in bank drawings	-	(13,000)	-	<b>(13,000)</b>
Reclassification	-	274,388	(274,388)	-
Initial recognition of lease liabilities	-	485	50,336	<b>50,821</b>
Increase in lease liabilities	-	-	1,852	<b>1,852</b>
<b>Net debt as at 30 June 2020</b>	<b>(54,224)</b>	<b>302,994</b>	<b>334,918</b>	<b>583,688</b>
Movement in cash and cash equivalents	4,284	-	-	<b>4,284</b>
Movement in car park concession liability	-	(3,391)	4,365	<b>974</b>
Movement in New Zealand bonds	-	(128,500)	175,000	<b>46,500</b>
Revaluation of USPP notes	-	-	(19,608)	<b>(19,608)</b>
Repayment of USPP notes	-	(155,618)	-	<b>(155,618)</b>
Amortisation of deferred funding expenses	-	-	(1,523)	<b>(1,523)</b>
Net movement in bank drawings	-	33,031	-	<b>33,031</b>
Movement in lease liabilities	-	2,529	63,604	<b>66,133</b>
Increase in lease liabilities	-	-	-	-
<b>Net debt as at 30 June 2021</b>	<b>(49,940)</b>	<b>51,045</b>	<b>556,756</b>	<b>557,861</b>

## 15 Non-current Assets - 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. 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. The NZICC car park is carried at cost on that basis.

The carrying value of investment property has been calculated as follows:

	2021	2020
	\$'000	\$'000
<b>Balance at the beginning of the year</b>	<b>72,400</b>	40,660
Acquisitions	937	2,252
Net gain/(loss) from fair value adjustment	7,386	(14,055)
Transfer from property, plant and equipment - Levels 4 and 5, 88 Federal Street	-	16,420
Transfer from property, plant and equipment - NZICC car parks (note 4)	2,245	27,123
Transfer from property, plant and equipment - 86 Federal Street	9,750	-
Transfer from property, plant and equipment - 99 Albert Street	31,650	-
<b>Closing balance at 30 June</b>	<b>124,368</b>	72,400

**(a) Amounts Recognised in Profit and Loss for Investment Property**

	2021	2020
	\$'000	\$'000
Rental income	2,148	2,953
Direct operating expenses from property that generated rental income	(2,455)	(1,594)
Net gain/(loss) from fair value adjustment	7,386	(14,055)
	<b>7,079</b>	(12,696)

**(b) Investment Properties held at 30 June 2020**

With the exception of the NZICC car park (which is referred to below), investment properties were valued to fair value on 30 June 2020 by Bower Valuations Limited and Extensor Advisory Limited, Registered Valuers and Members of the New Zealand Institute of Valuers and the Property Institute of New Zealand.

These properties were revalued to fair value on 30 June 2021 by CBRE, Registered Valuers and Members of the New Zealand Institute of Valuers and the Property Institute of New Zealand.

All valuers had recent experience in the location and category of the property being valued.

At 30 June 2020, the fair value of these investment properties (other than the NZICC car park) was \$45.3 million. The significant assumptions used in the valuation were:

- capitalisation rate – range from 5.82% to 7.0%; and
- passing yield (calculated as net rent divided by fair value) – range from 5.04% to 10.33%.

At 30 June 2021, the fair value of these investment properties (other than the NZICC car park) was \$53.6 million. The significant assumptions used

in the valuation were:

- capitalisation rate – range from 4.00% to 5.88%; and
- passing yield (calculated as net rent divided by fair value) – range from 3.65% to 5.75%.

The 30 June 2020 and 30 June 2021 valuations are sensitive to movements in estimated capitalisation rate and passing yield. If the assumed capitalisation rate increased, or passing yield decreased, fair value would decrease.

**(c) NZICC Car Park**

Approximately 650 car parks are due to be provided to Macquarie as part of the Auckland car park concession transaction (note 4).

Given the delay in providing these car parks to Macquarie, this part of the concession has been treated as an operating lease, and the car parks have been classified as investment property.

In 2020, \$27.1 million of costs associated with these car parks was transferred from property, plant and equipment to investment properties. In 2021, an additional \$2.2 million was transferred from property, plant and equipment to investment properties, as a result of updated NZICC damage estimates on the car parks prepared by RLB (note 6).



#### (d) Transfer from Property, Plant and Equipment in 2021

##### 86 Federal Street

At 30 June 2020, 86 Federal Street was classified in its entirety as property, plant and equipment. At 30 June 2021, seven floors in the building were either tenanted, or being actively marketed for rental, and were consequently reclassified as investment property. The remaining floors of the building continued to be classified as property, plant and equipment.

As SkyCity carries its property, plant and equipment under the cost model, and its investment property under the revaluation model, for each floor being transferred from property, plant and equipment to investment property, the difference between carrying value under the cost model and fair value was accounted for as a revaluation of property, plant and equipment (note 23).

Immediately before reclassification, the building was revalued on a floor by floor basis by CBRE (who have recent experience in the location and category of the property being valued). At 30 June 2021, the floors of the building that are classified as investment property are carried at fair value (\$9.8 million), which resulted in an increase of \$4.3 million in the asset revaluation reserve (note 30).

The following were the significant assumptions used in CBRE's valuation:

- capitalisation rate of 5.88%; and
- passing yield (calculated as net rent divided by fair value) – 1.32%.

##### 99 Albert Street

At 30 June 2020, the portion of 99 Albert Street owned by SkyCity was classified in its entirety as property, plant and equipment. At 30 June 2021, six floors in the building, car parks associated with those floors, and ground floor retail spaces, were either tenanted, or being actively marketed for rental, and were consequently reclassified as investment property. The remaining floors of the building, and associated car parks, continued to be classified as property, plant and equipment.

Immediately before reclassification, the building was revalued to fair value on a floor by floor basis by CBRE (who have recent experience in the location and category of the property being valued). Those floors being transferred from property, plant and equipment to investment property were revalued to their fair value, with the revaluation being accounted for as a revaluation of property, plant and equipment. At 30 June 2021, the floors of the building that are classified as investment property are carried at fair value (\$31.7 million), which resulted in an impairment of \$4.0 million of land and an increase of \$4.4 million in the asset revaluation reserve in relation to buildings (note 30).

The following were the significant assumptions used in CBRE's valuation:

- capitalisation rate of 5.88%; and
- passing yield (calculated as net rent divided by fair value) – 3.29%.

## 16 Current Liabilities – Deferred Licence Value

### Accounting Policy

Regulatory reforms granted which are specific to the Group are initially recognised at their fair value when it is probable that the reforms will be received and that the Group will comply with all conditions attached.

Regulatory reforms are recognised as an intangible asset (note 24) and included within the value of casino licences. 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 a deferred licence value.

	ADELAIDE	TOTAL
<b>2021</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Opening Balance</b>	<b>153,165</b>	153,165
Exchange differences	494	494
Transfer to property, plant and equipment (note 23)	(143,323)	(143,323)
Transfer to intangible assets (note 24)	(3,067)	(3,067)
Transfer to right-of-use assets (ROU) (note 10)	(5,306)	(5,306)
<b>Closing balance</b>	<b>1,963</b>	1,963
<b>2020</b>		
<b>Opening balance</b>	-	-
Transfer from non-current liabilities (note 17)	153,165	153,165
<b>Closing balance</b>	<b>153,165</b>	153,165

The SkyCity Adelaide deferred licence value liability was initially recognised in 2014 following an amendment to the Adelaide Approved Licensing Agreement (**ALA**). The agreement to amend the ALA required SkyCity Adelaide to agree to undertake a A\$350.0 million casino expansion and hotel development project and the deferred licence value liability relates to this requirement.

In the current year, the majority of the SkyCity Adelaide deferred licence value was transferred to property, plant and equipment, due to the majority of the construction work having been completed and the casino being opened to the public. The remaining balance will be transferred to property, plant and equipment following the completion of the Adelaide expansion.

## 17 Non-current Liabilities – Deferred Licence Value

	AUCKLAND	ADELAIDE	TOTAL
<b>2021</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Opening balance</b>	214,972	-	<b>214,972</b>
Impact of NZICC fire (note 6)	(7,536)	-	<b>(7,536)</b>
<b>Closing balance</b>	<b>207,436</b>	-	<b>207,436</b>
<b>2020</b>			
<b>Opening balance</b>	355,179	149,625	<b>504,804</b>
Exchange rate movement	-	3,540	<b>3,540</b>
Transferred to current liabilities (note 16)	-	(153,165)	<b>(153,165)</b>
Adjustment to property, plant and equipment classified as held for sale	25,578	-	<b>25,578</b>
Impact of NZICC fire (note 6)	(165,785)	-	<b>(165,785)</b>
<b>Closing balance</b>	<b>214,972</b>	-	<b>214,972</b>

### SkyCity Auckland

Following the NZICC fire, the damaged portion of the NZICC was disposed of for financial reporting purposes (refer note 6). As a result of this disposal and the estimates detailed in note 6, \$165.8 million was released to the Income Statement in the year ended 30 June 2020 and a further \$7.5 million was released in the year ended 30 June 2021.

These amounts are based on the assessment of the damage from the NZICC fire (refer note 6) and may materially change as further information becomes available.



## 18 Income Tax Expense/(Benefit)

### 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 balance sheet 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.

	2021	2020
	\$'000	\$'000
<b>(a) Income Tax Expense/(Benefit)</b>		
Current tax	33,053	26,115
Deferred tax	4,281	(28,267)
<b>Income tax (benefit)/expense</b>	<b>37,334</b>	<b>(2,152)</b>
<b>(b) Numerical Reconciliation of Income Tax Expense/(Benefit) to Prima Facie Tax Payable</b>		
Profit from continuing operations before income tax expense	193,460	233,118
Prima facie income tax @ 28%	54,169	65,273
Tax effects of:		
Expenses not deductible for tax purposes	1,703	2,210
Differences in overseas tax rates	(2,138)	(3,402)
Assets held for sale	390	(411)
Prior period adjustments	(1,502)	243
NZICC fire capital (income)/expenses	(8,385)	(73,955)
Auckland car park concession proceeds	-	(20,062)
Adelaide casino licence impairment	-	48,188
Fair value adjustments	2,138	3,955
Reinstatement of New Zealand tax building depreciation	-	(24,145)
Non-taxable settlement amount	(11,060)	-
Controlled foreign company regime	2,108	-
Other	(89)	(46)
<b>Income tax expense/(benefit)</b>	<b>37,334</b>	<b>(2,152)</b>

The weighted average applicable tax rate was 19.3% (2020: -0.9%). The weighted average tax rate has been significantly impacted by:

- NZICC fire capital (income)/expense;
- Auckland car park concession proceeds;
- Adelaide casino licence impairment;
- fair value adjustments;
- reinstatement of New Zealand tax building depreciation; and
- non-taxable settlement amount.

Excluding these items, the weighted average tax rate would have been 28.7% (2020: 27.4%).

## 19 Deferred Tax Assets

	2021	2020
	\$'000	\$'000
<b>The balance comprises temporary differences attributable to:</b>		
Provisions and accruals	8,112	5,316
Depreciation	(11,859)	(7,723)
Foreign exchange variances	4	166
Cash flow hedges	453	653
Lease accounting	(382)	185
Tax losses	12,441	8,280
Other	575	-
<b>Net deferred tax assets</b>	<b>9,344</b>	<b>6,877</b>
<b>Movements:</b>		
Balance at beginning of the year	6,877	4,843
Foreign exchange differences	17	89
Charged to the Income Statement (note 18)	2,729	3,157
Tax credited directly to other comprehensive income (note 30)	(279)	(1,212)
<b>Closing balance at 30 June</b>	<b>9,344</b>	<b>6,877</b>

Deferred tax assets relate to the Australian and other foreign operations.

## 20 Deferred Tax Liabilities

	2021	2020
	\$'000	\$'000
<b>The balance comprises temporary differences attributable to:</b>		
Provisions and accruals	(9,388)	(14,972)
Depreciation	68,678	64,702
Lease accounting	(246)	(28)
Cash flow hedges	(4,430)	(7,355)
Asset revaluation reserve	1,921	-
Other	496	2,828
<b>Net deferred tax liabilities</b>	<b>57,031</b>	<b>45,175</b>
<b>Movements:</b>		
Balance at beginning of the year	45,175	70,160
Charged to the Income Statement (note 18)	7,010	(25,110)
Tax debited directly to other comprehensive income (note 30)	4,846	125
<b>Closing balance at 30 June</b>	<b>57,031</b>	<b>45,175</b>

Deferred tax liabilities relate to the New Zealand operations.



## 21 Imputation and Franking Credits

	2021	2020
	\$'000	\$'000
<b>Balances available for use in subsequent reporting periods</b>		
Imputation credit account (New Zealand)	51,601	21,347
Franking credit account (Australia) (A\$)	13,951	13,951

As required by relevant tax legislation, the imputation credit account had a credit balance as at 31 March 2021.

## 22 Non-current Liabilities - Lease Income in Advance

	2021	2020
	\$'000	\$'000
Lease income in advance	36,310	39,815
	<b>36,310</b>	39,815

As detailed in note 4, the approximately 650 further NZICC car parks to be delivered as part of the Auckland car park concession transaction have been determined to be an operating lease.

The \$220.0 million concession payment was allocated between the 450 nested car parks and the unnested car parks based on their respective fair values. The payment for the unnested car parks (refer note 6) was further allocated based on the number of car parks. At 19 August 2019, \$39.8 million was allocated to these approximately 650 further NZICC car parks and was recognised as a lease payment in advance.

## 23 Property, Plant and Equipment

### Accounting Policy

Property, plant and equipment is 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 fitout	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 balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

	LAND	BUILDINGS AND FITOUT	PLANT, EQUIPMENT AND MOTOR VEHICLES	FIXTURES AND FITTINGS	CAPITAL WORK IN PROGRESS	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2019</b>						
Cost	210,317	775,739	371,060	123,996	641,849	2,122,961
Accumulated depreciation	-	(324,786)	(272,273)	(89,645)	-	(686,704)
<b>Net book amount</b>	<b>210,317</b>	<b>450,953</b>	<b>98,787</b>	<b>34,351</b>	<b>641,849</b>	<b>1,436,257</b>
<b>Year Ended 30 June 2020</b>						
Opening net book amount	210,317	450,953	98,787	34,351	641,849	1,436,257
Exchange differences	-	959	421	90	4,123	5,593
Net additions/transfers	1,421	41,162	25,461	3,681	257,460	329,185
Transfer to investment properties - existing convention centre (note 15)	-	(10,484)	-	-	-	(10,484)
Transfer to investment properties - NZICC car parks (note 15)	-	-	-	-	(27,123)	(27,123)
Reversal of 2019 assets held for sale	-	-	-	-	56,801	56,801
NZICC fire disposal (note 6)	-	-	-	-	(193,868)	(193,868)
Depreciation charge	-	(25,126)	(33,017)	(9,316)	-	(67,459)
<b>Closing net book amount</b>	<b>211,738</b>	<b>457,464</b>	<b>91,652</b>	<b>28,806</b>	<b>739,242</b>	<b>1,528,902</b>
<b>At 30 June 2020</b>						
Cost	211,738	783,956	391,221	126,345	739,242	2,252,502
Accumulated depreciation	-	(326,492)	(299,569)	(97,539)	-	(723,600)
<b>Net book amount</b>	<b>211,738</b>	<b>457,464</b>	<b>91,652</b>	<b>28,806</b>	<b>739,242</b>	<b>1,528,902</b>
<b>Year Ended 30 June 2021</b>						
Opening net book amount	211,738	457,464	91,652	28,806	739,242	1,528,902
Exchange differences	-	159	55	8	1,115	1,337
Net additions/transfers	-	44,852	36,600	12,642	41,874	135,968
Adelaide expansion	-	296,760	53,583	35,514	(385,857)	-
Transfer of Adelaide deferred licence (note 16)	-	(107,113)	(21,956)	(14,254)	-	(143,323)
Transfer to investment properties - 86 Federal Street (note 15)	(1,674)	(3,765)	-	-	-	(5,439)
Transfer to investment properties - 99 Albert Street (note 15)	(15,262)	(11,944)	-	-	-	(27,206)
Impairment (note 7)	(8,834)	-	-	-	-	(8,834)
Transfer to investment properties - NZICC car parks (notes 6 and 15)	-	-	-	-	(2,245)	(2,245)
Assets held for sale (note 27)	-	(272)	(262)	-	-	(534)
NZICC fire disposal	-	-	-	-	(34,713)	(34,713)
Depreciation charge	-	(27,199)	(35,759)	(10,193)	-	(73,151)
<b>Closing net book amount</b>	<b>185,968</b>	<b>648,942</b>	<b>123,913</b>	<b>52,523</b>	<b>359,416</b>	<b>1,370,762</b>
<b>At 30 June 2021</b>						
Cost	185,968	1,001,903	445,398	159,320	359,416	2,152,005
Accumulated depreciation	-	(352,961)	(321,485)	(106,797)	-	(781,243)
<b>Net book amount</b>	<b>185,968</b>	<b>648,942</b>	<b>123,913</b>	<b>52,523</b>	<b>359,416</b>	<b>1,370,762</b>



#### **(a) Capitalised Borrowing Costs**

Borrowing costs of \$7.8 million have been capitalised in the current year relating to capital projects (2020: \$23.1 million) using the Group's weighted average cost of debt of 5.68% across the year (2020: 6.36%).

#### **(b) Transfers to Investment Property**

##### **86 Federal Street**

At 30 June 2020, 86 Federal Street was classified in its entirety as property, plant and equipment. As at 30 June 2021, seven floors in the building were either tenanted, or being actively marketed for rental, and were consequently reclassified as investment property. The remaining floors of the building continued to be classified as property, plant and equipment (note 15).

The reclassification of the seven floors from property, plant and equipment carried under the cost model, to investment property carried under the fair value model, was accounted for as a revaluation of property, plant and equipment and resulted in the recognition of a \$4.3 million increase in the asset revaluation reserve. There was no change in carrying value of the floors that remained classified as property, plant and equipment.

##### **99 Albert Street**

At 30 June 2020, the portion of 99 Albert Street owned by SkyCity, was classified in its entirety as property, plant and equipment. As at 30 June 2021, six floors in the building, car parks associated with those floors, and ground floor retail spaces, were either tenanted, or being actively marketed for rental, and were consequently reclassified as investment property. The remaining floors of the building, and associated car parks, continued to be classified as property, plant and equipment.

The reclassification of the six floors, associated car parks, and ground floor retail spaces from property, plant and equipment carried under the cost model, to investment property carried under the fair value model, was accounted for as a revaluation of property, plant and equipment and resulted in the recognition of an impairment of \$4.0 million of land and an increase of \$4.4 million in the asset revaluation reserve in relation to buildings.

Where the valuation of a floor that was being retained as property, plant and equipment was lower than the carrying value of that floor, the floor was written down to its revalued amount. This resulted in the recognition of an impairment of land of \$4.8 million.

#### **(c) Capitalisation of Adelaide Expansion**

In the current year, the Adelaide casino expansion and hotel development was substantially completed and was opened to the public. As a result, the capital work in progress was capitalised in the Group's fixed asset register and allocated to the appropriate asset categories. This includes an allocation of the Adelaide deferred licence value of \$151.7 million (A\$141.2 million) to the extent the expansion is complete (note 16).

#### **(d) Encumbrances**

A memorandum of encumbrance is registered against the title of land 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 sub soil 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 sub soil areas.

There are four encumbrances relating to the NZICC site land. One encumbrance protects the rights of the Crown under the NZICC Project and Licensing 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 Project and Licensing 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 licences are capitalised at cost (which includes acquisition cost and any costs incurred in bringing the software into use). Subsequent to initial recognition they are 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 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 treated as intangible assets. They are carried at cost less accumulated amortisation and impairment losses. They are amortised over the term of the exclusivity period, which is to 30 June 2035.

#### (iv) Casino Licences and Associated Regulator 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. Accordingly, 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.

Regulatory reforms are recognised as an intangible asset and included within the value of casino licences. 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.

#### (v) Impairment of Intangible 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 is allocated to cash generating units for the purpose of impairment testing.

Intangible assets that have a finite useful life 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 the 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.



	GOODWILL	CASINO LICENCES	COMPUTER SOFTWARE	GAMING MACHINE ENTITLEMENTS	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2019</b>					
Cost	35,786	768,618	127,311	-	<b>931,715</b>
Accumulated amortisation	-	(57,726)	(75,581)	-	<b>(133,307)</b>
<b>Net book amount</b>	<b>35,786</b>	<b>710,892</b>	<b>51,730</b>	<b>-</b>	<b>798,408</b>
<b>Movements in the Year Ended 30 June 2020</b>					
Exchange differences	-	7,052	68	-	<b>7,120</b>
Additions	1,908	-	20,682	-	<b>22,590</b>
Impairment charge	-	(160,600)	-	-	<b>(160,600)</b>
Amortisation charge	-	(5,507)	(12,480)	-	<b>(17,987)</b>
Closing net book amount	37,694	551,837	60,000	-	<b>649,531</b>
<b>At 30 June 2020</b>					
Cost	37,694	777,118	147,798	-	<b>962,610</b>
Accumulated amortisation	-	(225,281)	(87,798)	-	<b>(313,079)</b>
<b>Net book amount</b>	<b>37,694</b>	<b>551,837</b>	<b>60,000</b>	<b>-</b>	<b>649,531</b>
<b>Movements in the Year Ended 30 June 2021</b>					
Exchange differences	-	453	9	-	<b>462</b>
Additions	-	-	8,868	-	<b>8,868</b>
Adelaide expansion	-	-	5,740	3,088	<b>8,828</b>
Transfer of Adelaide deferred licence (note 16)	-	-	(1,802)	(1,265)	<b>(3,067)</b>
Assets classified as held for sale (note 27)	(1,908)	-	(20)	-	<b>(1,928)</b>
Amortisation charge	-	(2,629)	(13,666)	(73)	<b>(16,368)</b>
<b>Closing net book amount</b>	<b>35,786</b>	<b>549,661</b>	<b>59,129</b>	<b>1,750</b>	<b>646,326</b>
<b>At 30 June 2021</b>					
Cost	35,786	778,303	160,551	1,823	<b>976,463</b>
Accumulated amortisation	-	(228,642)	(101,422)	(73)	<b>(330,137)</b>
<b>Net book amount</b>	<b>35,786</b>	<b>549,661</b>	<b>59,129</b>	<b>1,750</b>	<b>646,326</b>

CASINO LICENCE	CONTRACT TERM
SkyCity Auckland Casino (indefinite useful life)	<p>SkyCity Auckland Limited holds a casino premises licence for the Auckland premises.</p> <p>The initial licence was granted in 1996 for nil consideration, and hence there was no associated initial carrying value.</p> <p>Pursuant to the terms of the New Zealand International Convention Centre Project and Licensing Agreement between Her Majesty the Queen in Right of New Zealand and the Company dated 5 July 2013 (<b>NZICC Agreement</b>), the initial term of the licence was extended to 30 June 2048.</p> <p>The licence can be renewed for further periods of 15 years pursuant to section 138 of the Gambling Act 2003 (NZ).</p> <p>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.</p> <p>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 cashflow model falling within level 3 of the fair value hierarchy over the life of the reforms.</p> <p>The carrying amount of the casino licence is \$405.0 million (FY20: \$405.0 million).</p>
SkyCity Adelaide (finite useful life)	<p>The casino and associated operations are carried out by SkyCity Adelaide Pty Limited under a casino licence (the Approved Licensing Agreement (<b>ALA</b>)) 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.</p> <p>The casino licence and associated regulatory reforms asset is amortised over 20 years or 71 years depending on whether the incremental benefit is associated with the exclusivity period or the full licence period.</p> <p>The carrying value of the casino licence is A\$130.6 million (FY20: A\$133.0 million) (NZ\$140.3 million and NZ\$142.4 million respectively).</p>
SkyCity Hamilton Casino (indefinite useful life)	<p>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.</p>
SkyCity Queenstown Casino (indefinite useful life)	<p>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.</p>
SkyCity Wharf Casino (Queenstown) (indefinite useful life)	<p>Otago Casinos Limited holds a casino premises licence for the Queenstown Wharf premises. The casino premises licence is for an initial 25 year term from 11 September 1999. The licence can be renewed for further periods of 15 years pursuant to section 138 of the Gambling Act 2003 (NZ). The carrying value of the casino licence which arose on SkyCity's acquisition of Otago Casinos Limited is \$4.4 million (FY20: \$4.4 million).</p>



**(a) Impairment Tests for Intangibles with Indefinite Lives**

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

	SKYCITY AUCKLAND	OTAGO CASINOS LIMITED*	SKYCITY HAMILTON*	TOTAL
	\$'000	\$'000	\$'000	\$'000
<b>2021</b>				
Goodwill	-	-	35,786	35,786
Casino licence	405,000	4,391	-	409,391
<b>Total</b>	<b>405,000</b>	<b>4,391</b>	<b>35,786</b>	<b>445,177</b>
<b>2020</b>				
Goodwill	-	-	35,786	35,786
Casino licence	405,000	4,391	-	409,391
<b>Total</b>	<b>405,000</b>	<b>4,391</b>	<b>35,786</b>	<b>445,177</b>

\* SkyCity Hamilton and Otago Casinos Limited are included within the "Other NZ Operations" segment in note 2.

Other than Otago Casinos Limited, the recoverable amount of a cash generating unit is determined based on value in use calculations. These calculations use cash flow projections approved by directors which include cash flows in relation to International Business where those cash flows relate to the relevant cash generating unit. For all of these assets, the calculated value in use significantly exceeds carrying value. The value of the Wharf (Otago Casinos Limited) casino licence is the potential ability to utilise the licence to enhance the Group's gaming offering.

Professional judgement has been made to treat the entire Auckland precinct as a single cash generating unit given the close and interconnected relationship of the cash flows across all of SkyCity's Auckland businesses. Impairment testing has also been completed on the Adelaide casino licence (an amortising asset). Judgement was used to determine the valuation and resulting impairment charge.

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

	EBITDA MARGIN		TERMINAL GROWTH RATE		PRE-TAX DISCOUNT RATE	
	2021	2020	2021	2020	2021	2020
SkyCity Auckland	<b>40.8%</b>	36.0%	<b>2.0%</b>	2.0%	<b>11.5%</b>	11.0%
SkyCity Hamilton	<b>47.9%</b>	41.4%	<b>2.0%</b>	2.0%	<b>11.5%</b>	11.0%

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 operating segment. The estimated impacts of COVID-19 have been factored into these assumptions.

There is sufficient headroom between the value in use calculations and the carrying value of the related cash generating units' assets that significant changes in the assumptions used would not require an impairment.

**(c) Impairment Review of the Adelaide Casino Licence**

In the prior year, the Group engaged Deloitte to independently determine the recoverable amount of the Adelaide cash generating unit, for the purposes of determining whether the SkyCity Adelaide casino licence was impaired. The recoverable amount was determined using the fair value less costs of disposal approach, with the fair value measurement being a Level 3 measurement in the fair value hierarchy. A key input into the assessment was the five year forecast for SkyCity Adelaide, which had been adopted by the Board. As a result of this assessment, the Adelaide casino licence was impaired by A\$150.0 million (NZ\$160.6 million).

The 2020 impairment arose as a result of:

- revised expectations regarding the time frame for Adelaide Casino to achieve its long term potential earnings following completion of the expansion project; and
- a reduced earnings outlook due to the expected future impacts of COVID-19, including an expectation that International Business activity may take some years to recover.

In the current year, the Group again engaged Deloitte to independently determine the recoverable amount of the Adelaide cash generating unit, for the purposes of determining whether the SkyCity Adelaide casino licence was impaired. A key input to Deloitte's assessment was the updated Board approved five-year forecast for SkyCity Adelaide. The recoverable amount for the current year was determined using the fair value less costs of disposal approach (and the fair value measurement was again a Level 3 measurement in the fair value hierarchy). The valuation resulted in a range – taking the mid point of the range implies an impairment reversal of A\$5.4 million (NZ\$5.7 million) (with the low end of the range being an increase in impairment of A\$15.7 million (NZ\$16.9 million) and the high end of the range being a reversal in impairment of A\$29.0 million (NZ\$31.2 million)). Given the uncertainties associated with forecasting in a COVID-19 environment, including the ongoing impact to International Business, management determined that the current period valuation did not warrant either an increase in, or a reversal of, the impairment recognised in the prior period.

The 2020 and 2021 independent valuations were based on the following key estimates:

- compound annual EBITDA growth rate from FY19 to FY26 = 17.4% (2020: FY19 to FY25 = 21.1%) – note that the anticipated impacts of COVID-19 have been taken into account;
- terminal growth rate = 2% (2020: 2%); and
- discount rate = 10.8% (2020: 10.8%).

#### EBITDA Growth

Determining an appropriate growth rate is made difficult by the impact of COVID-19 on the current and prior periods' results and its expected impact on future years. A significant initial EBITDA uplift is expected from the opening of the Adelaide expansion. Further growth is then expected until the 2026 financial year, with growth expected to level off from then onwards. Growth estimates have considered a number of factors, including an expected increase in gaming machine market share, an expected increase in premium and VIP gaming activity, an expected increase in visitors to the area due to the new hotel and restaurants

and an expected positive impact from recent and current developments in the surrounding precinct (including a new car park building).

#### Discount Rate

The discount rate has been independently calculated by Deloitte. It reflects the current market assessment of the risks specific to SkyCity Adelaide, taking into account the time value of money and individual risks of the underlying assets, including those arising from COVID-19, that have not been incorporated in the cash flow estimates.

The impairment assessment is sensitive to changes in the discount rate and information on this sensitivity is provided below.

#### Valuation Sensitivities

The impact of COVID-19 on the Group has already been wide-ranging and significant. Given the unknown future impact of COVID-19, there is a heightened level of uncertainty at present which makes accurate forecasts of the future particularly challenging.

The sensitivities below illustrate the impact on the impairment assessment of changes in the key assumptions:

- an EBITDA increase of 5% would have resulted in an impairment reversal of approximately \$31 million, while an EBITDA decrease of 5% would have increased impairment by approximately \$20 million (2020: an increase/decrease of 5% would have decreased/increased impairment by approximately \$27 million);
- a 0.5% increase in terminal growth rate (to 2.5%) would have resulted in an impairment reversal of approximately \$24 million, while a decrease in terminal growth rate of 0.5% (to 1.5%) would have increased impairment by approximately \$11 million (2020: an increase/decrease of 0.5% would have decreased/increased impairment by approximately \$20 million); and
- a 0.5% increase in the discount rate (to 11.25%) would have increased impairment by approximately \$16 million, while a decrease in discount rate of 0.5% (to 10.25%) would have resulted in an impairment reversal of approximately \$29 million (2020: an increase/decrease of 0.5% would have increased/decreased impairment by approximately \$24 million).

The valuation assumes no repeat of the previous COVID-19 lockdown in Adelaide, which is a key judgement and assumption. The actual valuation impact of a renewed lockdown (if any) would depend on the length of the lockdown, the nature of the lockdown restrictions and the Federal and State Government responses.



### Annual Impairment Review

The Group will complete an annual impairment review of the SkyCity Adelaide casino licence going forward. Increases in the fair value less costs of disposal, or reductions in the carrying value of the Adelaide business, could result in a partial reversal of the impairment charge recognised in the prior period. Decreases in the fair value less costs of disposal may result in the recognition of an additional impairment charge.

## 25 Receivables and Prepayments

### Accounting Policy

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

	2021	2020
	\$'000	\$'000
<b>Net trade receivables</b>		
Trade receivables (gross)	13,606	50,069
Impairment	(6,206)	(20,509)
<b>Trade receivables (net)</b>	<b>7,400</b>	29,560
Sundry receivables	1,898	256
Prepayments	24,107	12,436
<b>Total receivables and prepayments</b>	<b>33,405</b>	42,252

Due to the short-term nature of these receivables, their carrying value approximates fair value.

## 26 Cash and Bank Balances

	2021	2020
	\$'000	\$'000
Cash at bank	15,537	26,047
Cash in house	34,403	28,177
<b>Total cash and bank balances</b>	<b>49,940</b>	54,224

## 27 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.

	2021	2020
	\$'000	\$'000
Land	8,965	8,936
Buildings	2,359	2,080
Plant and equipment	265	3
Intangibles	1,928	-
<b>Total</b>	<b>13,517</b>	11,019

Assets held for sale consist of the Darwin Little Mindil site and Lets Play Live Media.

## 28 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.

	2021	2020
	\$'000	\$'000
Trade payables	29,541	65,680
Deferred income	13,833	22,422
Accrued expenses	57,341	49,430
Employee benefits	52,077	40,405
NZICC obligation (note 6)	36,496	43,047
Other provisions	10,877	858
<b>Total payables and provisions</b>	<b>200,165</b>	<b>221,842</b>

Other provisions primarily relate to the repayment of the New Zealand Government wage subsidy and the Australian JobKeeper payments (note 5).

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

## 29 Share Capital

	2021	2020	2021	2020
	Shares	Shares	\$'000	\$'000
Opening balance of ordinary shares issued	739,196,806	672,351,166	1,288,287	1,126,996
Share rights issued for employee services	-	-	3,253	3,698
Share buy back and cancellation	-	(5,154,360)	-	(20,003)
Net issue of treasury shares	-	-	(2,054)	436
Equity raising	21,008,403	72,000,000	48,737	177,160
	<b>760,205,209</b>	<b>739,196,806</b>	<b>1,338,223</b>	<b>1,288,287</b>

All ordinary shares rank equally with one vote attached to each fully-paid ordinary share.

Included within the number of shares is 3,394,058 treasury shares (2020: 5,155,841) held by the Company. The movement in treasury shares during the year related to the issuance of shares under the employee incentive plans and purchases of shares by an external trustee as part of the executive long term incentive plan (refer note 33). Treasury shares may be used to issue shares under the Company's employee incentive plans or upon the exercise of share rights/options.

### Equity Raising

The share purchase plan was completed on 9 July 2020 and involved the issue of 21,008,403 new shares at \$2.38 per share raising a total of \$50.0 million. Costs associated with the placement of \$1.3 million were deducted from the share proceeds.



## 30 Reserves

	2021	2020
	\$'000	\$'000
<b>Reserves</b>		
Asset revaluation reserve	12,770	5,936
Hedging reserve - cash flow hedges	(12,058)	(19,913)
Foreign currency translation reserve	(22,471)	(17,802)
Cost of hedging reserve	(1,213)	(1,542)
<b>Total reserves</b>	<b>(22,972)</b>	<b>(33,321)</b>
<b>Movements</b>		
<b>Asset Revaluation Reserve</b>		
Opening balance	5,936	-
Revaluation	8,755	5,936
Deferred tax	(1,921)	-
<b>Closing balance</b>	<b>12,770</b>	<b>5,936</b>
<b>Hedging Reserve - Cash Flow Hedges</b>		
Opening balance	(19,913)	(22,685)
Revaluation	(24,859)	9,154
Transfer to net profit - finance costs (net)	35,790	(5,143)
Deferred tax	(3,076)	(1,239)
<b>Closing balance</b>	<b>(12,058)</b>	<b>(19,913)</b>
<b>Foreign Currency Translation Reserve</b>		
Opening balance	(17,802)	(24,087)
Exchange difference on translation of overseas subsidiaries	(4,669)	6,285
<b>Closing balance</b>	<b>(22,471)</b>	<b>(17,802)</b>
<b>Cost of Hedging Reserve</b>		
Opening balance	(1,542)	(1,793)
Revaluations	(6)	(113)
Transfer to finance costs	463	462
Deferred tax	(128)	(98)
<b>Closing balance</b>	<b>(1,213)</b>	<b>(1,542)</b>

## 31 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 in 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 does not qualify for hedge accounting are recognised in the Income Statement.

	2021	2020	2021	2020
	\$'000 Notional Value	\$'000 Notional Value	\$'000 Fair Value	\$'000 Fair Value
<b>Current Assets</b>				
Cross currency interest rate swaps - cash flow hedges	-	108,220	-	53,218
Forward foreign exchange contracts	30,826	2,152	156	70
<b>Total current derivative financial instrument assets</b>	<b>30,826</b>	<b>110,372</b>	<b>156</b>	<b>53,288</b>
<b>Non-current Assets</b>				
Cross-currency interest rate swaps - cash flow hedges*	142,898	155,618	4,109	23,100
<b>Total non-current derivative financial instrument assets</b>	<b>142,898</b>	<b>155,618</b>	<b>4,109</b>	<b>23,100</b>
<b>Current Liabilities</b>				
Forward foreign currency contracts	-	133,932	-	192
Interest rate swaps - cash flow hedges	-	194,223	-	5,921
<b>Total current derivative financial instrument liabilities</b>	<b>-</b>	<b>328,155</b>	<b>-</b>	<b>6,113</b>
<b>Non-current Liabilities</b>				
Interest rate swaps - cash flow hedges	130,000	210,000	7,528	24,375
<b>Total non-current derivative financial instrument liabilities</b>	<b>130,000</b>	<b>210,000</b>	<b>7,528</b>	<b>24,375</b>
<b>Total net derivative financial instruments</b>			<b>(3,263)</b>	<b>45,900</b>

\*A component of the interest margin in US\$100.0 million of these cross currency interest rate swaps is treated as a fair value hedge.



## 32 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 by a central treasury department under a formal Treasury Policy approved by the Board of Directors. 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, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess funds. The Treasury Policy sets conservative limits for allowable risk exposures which are formally reviewed regularly.

### (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 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 USPP notes detailed in note 13) has been fully hedged by way of cross currency interest rate swaps (**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 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 revenue is substantially independent of changes in market interest rates.

#### (iii) Summarised Sensitivity Analysis

SkyCity manages its interest rate and foreign exchange rate exposure to minimise the impact of fluctuations in the market. The residual exposure is not considered material or significant.

### (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 and from International Business activity.

Financial instruments (other than International Business discussed below) that potentially create a credit exposure can only be entered into with counterparties that are explicitly approved by the Board. Maximum credit limits for each of these parties are approved on the basis of long term credit rating (Standard & Poor's or Moody's). A minimum long term rating of A+ (Standard & Poor's) or A1 (Moody's) is required to approve individual counterparties.

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 an allowance for estimated doubtful receivables.

International Business activity is managed in accordance with accepted industry practice. Settlement risk associated with International Business customers is minimised through credit checking and a formal review and approval process.

The Group has a significant receivable from the NZICC insurers (note 6). The lead insurer is a subsidiary of a leading global firm and has an AA-insurer financial strength rating given by S&P Global Ratings.

Other than the NZICC fire insurance receivable, there are no other significant concentrations of credit risk in the Group.

### (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 12.

	LESS THAN 6 MONTHS	6-12 MONTHS	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30 June 2021</b>						
Bank facility	-	360,752	85,000	85,000	-	<b>530,752</b>
USPP notes	-	-	-	151,580	70,231	<b>221,811</b>
New Zealand bonds	-	-	-	-	175,000	<b>175,000</b>
Car park concession liability	-	-	-	-	47,167	<b>47,167</b>
Lease liabilities	1,400	1,615	3,457	11,513	100,822	<b>118,807</b>
<b>Total committed debt facilities</b>	<b>1,400</b>	<b>362,367</b>	<b>88,457</b>	<b>248,093</b>	<b>393,220</b>	<b>1,093,537</b>
Total drawn debt	1,400	49,645	3,457	163,092	393,221	<b>610,815</b>
Future contracted interest on drawn debt	7,280	7,157	14,433	36,096	10,769	<b>75,735</b>
Future interest of lease liabilities	1,702	1,453	2,567	5,557	329,625	<b>340,904</b>
Future contracted interest on CCIRS/IRS	1,101	1,083	1,626	1,040	-	<b>4,850</b>
<b>Total drawn debt and derivatives</b>	<b>11,483</b>	<b>59,338</b>	<b>22,083</b>	<b>205,785</b>	<b>733,615</b>	<b>1,032,304</b>
<b>30 June 2020</b>						
Bank facility	-	120,000	299,786	-	-	<b>419,786</b>
USPP notes	-	155,618	-	171,414	70,005	<b>397,037</b>
New Zealand bonds	128,500	-	-	-	-	<b>128,500</b>
Car park concession liability	-	-	-	-	46,193	<b>46,193</b>
Lease liabilities	240	245	507	1,668	50,013	<b>52,673</b>
<b>Total committed debt facilities</b>	<b>128,740</b>	<b>275,863</b>	<b>300,293</b>	<b>173,082</b>	<b>166,211</b>	<b>1,044,189</b>
Total drawn debt	128,740	170,863	507	173,082	166,211	<b>639,403</b>
Future contracted interest on drawn debt	10,829	6,589	9,635	27,145	9,579	<b>63,777</b>
Future interest of lease liabilities	1,317	1,306	2,578	7,443	301,989	<b>314,633</b>
Future contracted interest on CCIRS/IRS	3,620	2,162	4,088	7,644	1,093	<b>18,607</b>
<b>Total drawn debt and derivatives</b>	<b>144,506</b>	<b>180,920</b>	<b>16,808</b>	<b>215,314</b>	<b>478,872</b>	<b>1,036,420</b>

#### (d) Fair Value Estimation

The financial instruments are measured in the balance sheet, or disclosed in their respective notes, at fair value by level of the fair value measurement hierarchy:

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

Other than the New Zealand bonds, which are listed on the NZDX and therefore level 1, all SkyCity financial instruments, which includes cross-currency interest rate swaps, interest rate swaps and forward foreign currency contracts, are valued using level 2 in the above fair value measurement 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. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Investment properties are valued using level 3 in the above fair value measurement hierarchy.



Specific valuation techniques used to value financial instruments include:

- the fair value of interest rate swaps and cross currency interest rate swaps 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 balance sheet date, with the resulting value discounted back to present value.

Further details on derivatives are provided in note 31.

#### (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 normalised EBITDA and interest coverage (normalised EBITDA relative to net interest cost).

The primary ratios were as follows at 30 June:

	2021	2020
Gearing ratio	2.3 x	2.7 x
Interest cover ratio	6.2 x	4.5 x

## 33 Share-Based Payments

### Accounting Policy

SkyCity operates an equity-settled, share-based compensation plan. 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 balance sheet 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 Plan (LTI Plan)

Under the LTI Plan, executives purchase ordinary SkyCity shares 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 to four years), the Group will pay 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 targets relate to total shareholder return relative to other comparable companies.

At 30 June 2021, the interest free loans relating to the LTI Plan total \$7,152,885 (2020: \$7,918,365).

**2018 Chief Operating Officer Commencement Shares (COO Plan)**

Under the terms of his employment agreement dated 18 November 2017, the former Chief Operating Officer was issued 35,000 ordinary SkyCity shares on 27 November 2019. There were no performance targets associated with these shares (other than continued employment during the period from his commencement date to November 2019) and no right to dividends prior to the issuance of the shares.

**2018 SkyCity Restricted Share Rights Plan (2018 RSR Plan)**

The 2018 Short Term Incentive Plan was replaced with the 2018 RSR Plan for 116 staff, with restricted share rights issued to staff after the finalisation of the Group's results. Each right conferred a right to receive one ordinary SkyCity share, which, unless otherwise agreed by the SkyCity Board, would only vest if the relevant employee remained continuously employed by SkyCity (or a company within the Group) from the date of issue until the vesting date on 1 July 2020.

**2020 Chief Executive Officer Incentive Shares (CEO Plan)**

Under the terms of his employment agreement dated 13 November 2020, the CEO will be issued 166,003 ordinary SkyCity shares on 16 November 2021. There are no performance targets associated with these shares (other than continued employment during the period from his commencement date to November 2021). The CEO will also receive a cash payment equivalent to the cash dividends declared and paid by SkyCity on shares during the 12-month period preceding the anniversary of the commencement date.

**Performance Incentive Plan (PIP)**

The 2018 RSR Plan was replaced in 2019 with the PIP which 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 restricted share rights of an amount equivalent to between 10% and 50% of their base salary. Restricted share rights (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 restricted share rights; and
- the second anniversary of the Declaration Date in respect of the remaining 50% of the restricted share rights.

However, if a participant's deferred short term incentive entitlement in any financial year is to restricted share rights having a value of \$10,000 or less (calculated using the volume-weighted average sale price of SkyCity shares used to determine the number of restricted share rights to be issued to the participant), the restricted share rights 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 restricted share rights will be issued to staff after the finalisation of the Group's results.



## Outstanding Share Rights

Movements in the number of share rights 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
<b>2021</b>						
<b>LTI Plan</b>						
24/08/16	24/08/20	380,000	-	-	(380,000)	-
23/08/17	23/08/21	850,883	-	-	(100,000)	750,883
22/08/18	22/08/21	434,035	-	-	(58,016)	376,019
28/08/19	28/08/22	484,638	-	-	(64,220)	420,418
17/09/20	17/09/23	-	642,067	-	(85,081)	556,986
<b>CEO Plan</b>						
16/11/20	16/11/21	-	166,003	-	-	166,003
<b>2018 RSR Plan</b>						
11/09/18	01/07/20	1,808,708	-	(1,808,708)	-	-
<b>PIP</b>						
06/09/19	06/09/20	503,744	-	(503,744)	-	-
10/09/19	10/09/20	23,047	-	(23,047)	-	-
06/09/19	06/09/21	472,291	-	-	(12,964)	459,327
10/09/19	10/09/21	8,720	-	-	-	8,720
<b>Total</b>		<b>4,966,066</b>	<b>808,070</b>	<b>(2,335,499)</b>	<b>(700,281)</b>	<b>2,738,356</b>
<b>2020</b>						
<b>LTI Plan</b>						
26/08/15	28/08/19	360,000	-	-	(360,000)	-
24/08/16	24/08/20	395,000	-	-	(15,000)	380,000
23/08/17	23/08/21	865,883	-	-	(15,000)	850,883
22/08/18	22/08/21	434,035	-	-	-	434,035
28/08/19	28/08/22	-	508,207	-	(23,569)	484,638
<b>COO Plan</b>						
18/11/17	18/11/19	35,000	-	(35,000)	-	-
<b>2018 RSR Plan</b>						
11/09/18	01/07/20	1,859,641	-	-	(50,933)	1,808,708
<b>PIP</b>						
06/09/19	06/09/20	-	508,296	-	(4,552)	503,744
10/09/19	10/09/20	-	23,047	-	-	23,047
06/09/19	06/09/21	-	498,004	-	(25,713)	472,291
10/09/19	10/09/21	-	8,720	-	-	8,720
<b>Total</b>		<b>3,949,559</b>	<b>1,546,274</b>	<b>(35,000)</b>	<b>(494,767)</b>	<b>4,966,066</b>

The weighted average remaining contractual life of rights outstanding at the end of the period was 0.74 years (2020: 0.65 years).

## Fair Values

### Fair Value of Share Rights Granted

The assessed fair value at grant date of the rights granted on 17 September 2020 was \$0.96 (28 August 2019 was \$1.14). This was calculated using the single index model by Ernst & Young Transaction Advisory Services Limited.

The valuation inputs for the rights granted on 17 September 2020 included:

- (a) rights are granted for no consideration;
- (b) exercise price: nil (2020: nil); and
- (c) share price at grant date: \$2.94 (2020: \$3.90).

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 Chief Executive Officer Incentive Shares

The assessed fair value at grant date of the incentive shares at 16 November 2020 was \$2.62. This was calculated using the European call option model by Ernst & Young Transaction Advisory Services Limited.

The valuation inputs for the commencement shares on 16 November 2020 included:

- (a) no consideration;
- (b) exercise price: nil; and
- (c) share price at grant date: \$2.96.

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

### Fair Value of SkyCity Restricted Share Rights

The assessed fair value of each right was determined by Ernst & Young Transaction Advisory Services Limited at \$3.02.

### Fair Value of SkyCity Deferred Share Rights

No rights were issued in respect of the year ended 30 June 2020. The assessed value of each 2019 right was determined by Ernst & Young Transaction Advisory Services Limited. Rights vesting one year after year end were valued at \$3.68 and rights vesting two years after year end were valued at \$3.33.

## 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:

	2021	2020
	\$'000	\$'000
Rights issued under Share Rights Plans	3,253	3,698

## 34 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	TERMINATION BENEFITS	SHARE-BASED PAYMENTS	TOTAL
	\$'000	\$'000	\$'000	\$'000
2021	11,618	1,456	1,424	14,498
2020	7,372	-	2,045	9,417

### (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, and a register of directors' interests is maintained. 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, consultancy services of \$88,855 (2020: nil) were paid to new directors, for the period from 29 March to 7 June 2021 (inclusive), prior to their appointment.

From time to time, certain directors provide additional consultancy services to the Group outside of their capacity as directors. No additional fees were paid in the current year (2020: \$18,900).

### (c) Subsidiaries

Interests in subsidiaries are set out in note 35.



### 35 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following significant subsidiaries in accordance with the accounting policy described in note 1(c):

			2021	2020
			%	%
Cashel Asset Management Limited	New Zealand	Ordinary	100%	100%
Horizon Tourism New Zealand Limited (formerly SkyCity Wellington Limited)	New Zealand	Ordinary	100%	100%
Lets Play Live Media 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%
TNZ Esports Limited	New Zealand	Ordinary	100%	100%
LPL Media Pty Limited	Australia	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 wholly-owned subsidiary companies have balance dates of 30 June.

## 36 Contingencies

### (a) Contingent Liabilities

The possibility exists for the Group to receive third party claims in respect to the NZICC fire. However, only minor claims have been received to date. It is the Group's expectation that any claims received will be covered by either the insurers or the Contractor (FCC) (30 June 2021 and 30 June 2020: nil).

SkyCity operates in an industry with a complex regulatory framework. During FY21, there was heightened focus from a range of regulators across New Zealand and, in particular Australia. SkyCity takes its obligations seriously, and continues to work proactively with its regulators and respond to their inquiries.

On 4 June 2021, SkyCity was notified by AUSTRAC's Regulatory Operations Team that it had identified potential serious non-compliance by SkyCity Adelaide Pty Limited (**SkyCity Adelaide**) with the Australian Anti-Money Laundering and Counter-Terrorism Financing Act 2006 and Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No. 1) and it had therefore referred the matter to AUSTRAC's Enforcement Team, which had initiated a formal enforcement investigation into the compliance of SkyCity Adelaide. The potential serious non-compliance includes concerns relating to ongoing customer due diligence, adopting and maintaining an AML/CTF Program and compliance with Part A of an AML/CTF Program. These concerns were identified in the course of a compliance assessment which AUSTRAC commenced in September 2019 focusing on SkyCity Adelaide's management of customers identified as high risk and politically exposed persons over the periods from 1 July 2015 - 30 June 2016 and 1 July 2018 - 30 June 2019.

AUSTRAC has made clear that it has not made a decision regarding the appropriate regulatory response that it may apply to SkyCity Adelaide, including whether or not enforcement action will be taken. AUSTRAC has indicated that it will request information from SkyCity as part of its investigation. SkyCity will fully co-operate with AUSTRAC in relation to those inquiries and with the investigation of SkyCity Adelaide.

No provision has been made in relation to this or other regulatory matters in the financial statements, as these matters do not meet the requirements for recognition as a provision.

### (b) Contingent Assets

As detailed in note 6, the Group intends to seek recovery from the Contractor (FCC) for losses associated with the NZICC fire that are not covered by the insurers. These losses include insurance excesses, payments to Macquarie under the Auckland Car Park Concession Agreement and other items. To date, the Group has identified \$23.3 million (2020: \$8.9 million) of costs where it does not believe that recovery is virtually certain at this time and therefore no income has been recognised. However, recovery of these costs is considered probable and they are therefore included as a contingent asset. This is not the full extent of the expenses and losses that may be claimed from the NZICC or Horizon Hotel Contractor relating to the fire and construction delays.

There are no other significant contingent assets at year end (2020: nil).

## 37 Commitments

### Capital Commitments

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

	2021	2020
	\$'000	\$'000
Property, plant and equipment	445,269	440,342

The above commitments include the estimated cost of reinstating the NZICC and Horizon Hotel. The cost of reinstating the damage to the NZICC and Horizon Hotel arising from the NZICC fire is currently estimated to be \$365.0 million to \$450.0 million (2020: \$330.0 million to \$375.0 million) for the NZICC and \$14.6 million to \$21.0 million (2020: \$6.0 million) for the Horizon Hotel. The actual costs may be materially different to these estimates. Further information is included in note 6.



### 38 Reconciliation of Profit after Income Tax to Net Cash Inflow from Operating Activities

	2021	2020
	\$'000	\$'000
Profit for the year	156,126	235,388
Depreciation and amortisation (including discontinued operations)	91,413	86,559
Net finance costs	32,455	28,613
Current period employee share expense	3,253	3,697
Gain on sale of fixed assets	528	(66,779)
Fair value adjustment to investment property	(7,386)	14,055
NZICC fire related income	(170,727)	(384,500)
NZICC fire related costs	141,845	108,090
Asset impairment	8,834	160,600
Share of profits/(losses) of associates	-	83
Change in operating assets and liabilities		
Change in receivables and prepayments	8,847	7,041
Change in inventories	(559)	(169)
Change in deferred tax asset	(2,467)	(2,748)
Change in current payables	(21,677)	(6,270)
Change in deferred tax liability	11,856	(24,271)
Change in tax receivable - current	1,989	(1,059)
Change in non-current payables	9,748	9,057
Change in tax payable - current	15,480	(13,877)
Investing and financing items included in working capital movements	8,627	(33,344)
<b>Net cash inflow from operating activities</b>	<b>288,185</b>	<b>120,166</b>

## 39 Events Occurring after the Balance Sheet Date

### (a) Dividend

On 24 August 2021, the directors resolved to provide for a dividend to be paid in respect of the year ended 30 June 2021. The fully imputed, unfranked dividend of 7.0 cents per share will be paid on 24 September 2021 to all shareholders on the Company's register at the close of business on 17 September 2021.

### (b) COVID-19

The SkyCity Adelaide casino and entertainment facilities were closed from midnight (Australian Central Standard Time) on 19 July 2021 and reopened in a staged manner from 10.00am (Australian Central Standard Time) on 28 July 2021 in response to the COVID-19 mandated restrictions imposed by the South Australian Government in connection with a new COVID-19 cluster in South Australia.

On 17 August 2021, the New Zealand Government announced a lockdown of the whole of New Zealand, following the detection of a COVID-19 case in Auckland. The lockdown came into effect at 11:59pm on 17 August 2021 and required the closure of all non-essential businesses and organisations. All SkyCity facilities and offices in New Zealand closed on 17 August 2021, with the exception of the Auckland hotels, which remained open for guests, with food and beverage services available only through delivery to rooms. At the time of signing these financial statements, the lockdown is still in force and additional COVID-19 cases have been detected in Auckland and Wellington.

### (c) Long Stop Date

The NZICC is being built under an agreement between the Group and the Crown. Under that agreement, the NZICC must be completed by a specified date, referred to as the completion long stop date. Subsequent to the reporting date, the Crown has agreed to an extension of the completion long stop date - the revised date is now 15 December 2027 (previously 2 January 2025). SkyCity expects to complete the NZICC before this date.

### (d) Recent Australian Employment Law

In the interim financial statements, the Group disclosed a contingent liability in relation to the potential change in the treatment of some Australian casual employees that might arise from legal cases that were in progress. Subsequent to the reporting date, the Australian High Court delivered a judgment that means the definition of a casual employee will not change. As a result, no contingent liability is disclosed in these financial statements.

### (e) Partial Repayment of the New Zealand Government Wage Subsidy

On 27 July 2021, the Group made a \$6.7 million voluntary partial repayment of wage subsidies to the New Zealand Government (note 5).

### (f) Syndicated bank facility

Subsequent to the reporting date, SkyCity's syndicated bank facility was restructured (note 12).