



FINANCIAL

Statements and Notes

FOR THE YEAR ENDED 30 JUNE 2022

These financial statements were signed on 24 August 2022 on behalf of the Board of directors of SkyCity Entertainment Group Limited by:

Julian Cook
Chair of the SkyCity Board

Jennifer Owen
Chair of the Audit and Risk Committee



Independent auditor's report

To the shareholders of SkyCity Entertainment Group Limited

Our opinion

In our opinion, the accompanying financial statements of SkyCity Entertainment Group Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2022, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The Group's financial statements comprise:

- the balance sheet as at 30 June 2022;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Our firm carries out other services for the Group in the areas of tax compliance, provision of market survey data relating to executive remuneration benchmarking, other assurance services in relation to compliance with banking and debt covenants and agreed-upon-procedure services in relation to the allocation of Community Trust Revenue, compliance with banking and debt covenants, the reconciliation of normalised results to reported results, scrutineering of the vote count at the Annual General Meeting and the verification of share-based payment calculations. The provision of these other services have not impaired our independence as auditor of the Group.

Key audit matters

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

| Description of the key audit matter | How our audit addressed the key audit matter |
|---|---|
| <p>Accounting for the NZICC fire</p> <p>As disclosed in note 5 of the financial statements, the extent of damage pertaining to the New Zealand International Convention Centre (NZICC) and adjacent Hobson Street Hotel (HSH) as a result of the fire, has been re-estimated by an independent external expert engaged by the Group, Rider Levett Bucknall Auckland Limited (RLB).</p> <p>Expert investigation in respect of the damage sustained remains ongoing and as a result, the estimates are sensitive and continue to be based on incomplete information. During the year, the estimate for the extent of damage has been reduced and \$34.3 million of previously derecognised capitalised work in progress has been recapitalised, offset by the re-recognition of deferred licence value liability of \$12.6 million.</p> <p>The related insurance recovery receivable and income estimate has been informed by the early estimates the Group received from RLB on the possible reconstruction costs, current estimates provided by Fletcher Construction Company Limited (the Contractor), the total indemnity limits, sub-limits, terms and conditions of the Contract Works Insurance policy (the insurance policy), feedback from the insurers and their representatives to date, and advice from the Group's legal and insurance advisors as to the likely insurance policy response.</p> <p>As at 30 June 2022, the total insurance income recognised since the date of the fire of \$595.2 million represents what the Group has determined to be virtually certain under the insurance policy. Due to uncertainty in relation to the response by the insurers to future claims, the recovery of future insurance income over and above this amount is not considered to be virtually certain. This position and the interpretation of the insurance policy has been supported by legal and expert insurance advice received by the Group.</p> <p>The most significant assumptions, and associated risk to the estimates provided, relate to the extent of damage to the NZICC, the percentage of contingency included in the estimates, the timeline for remediation, insurer responses and the apportionment of costs between capitalisation and expenditure. Any changes to these and other assumptions can significantly impact the amounts recorded.</p> | <p>We have obtained management's workings on the estimates of damage and insurance recoveries and assessed the Group's estimates and related judgements by performing the following procedures:</p> <ul style="list-style-type: none"> Assessing the facts and circumstances, assumptions and methodology underpinning the key estimates that were used by management in the calculation of the estimates of damage and insurance recoveries with reference to supporting documentation and through meetings with management and their experts; Considering legal and expert insurance advice on the interpretation of the insurance policy in respect of the total indemnity limits, sub-limits and likelihood of recovery of any further cost escalation; Discussed the uncertainties and complexities in relation to the insurance policy with management's external legal advisor; and Challenged management on the judgements applied in relation to the virtual certainty assessment for insurance recoveries. <p>Additionally, we have:</p> <ul style="list-style-type: none"> Assessed the professional competence, independence and objectivity of the Group's damage estimate expert; Checked the mathematical accuracy of the underlying calculations of the fire related adjustments; Assessed the recoverability of the insurance recoveries recognised giving consideration to the credit risk of the respective insurers; Substantively tested a sample of other recoveries back to supporting documentation to validate the amounts recorded during the year; and Considered the adequacy of the associated disclosures in the financial statements. |



| Description of the key audit matter | How our audit addressed the key audit matter |
|---|---|
| <p>There is significant estimation uncertainty inherent in the balances recorded on the balance sheet and the amounts recognised in the income statement pertaining to the accounting implications of the fire. It is possible that the actual financial impacts of the fire will differ from those recorded and those differences may be material. We have therefore considered this to be an area of focus for our audit.</p> <p>Impairment considerations in respect of goodwill and other intangible assets At 30 June 2022, the carrying amount of goodwill and casino licences totalled \$582.7 million (30 June 2021: \$585.4 million). Refer to note 23 of the financial statements.</p> <p>Accounting standards require an entity to assess at the end of each reporting period whether there is any indication that an asset may be impaired. There is also a requirement to perform an impairment assessment of goodwill and other indefinite life intangible assets at least annually. Due to the significance of the judgement involved, we considered this to be an area of focus for our audit.</p> <p>The Group performed an impairment assessment for the Auckland and Hamilton cash generating units (CGUs), both of which include indefinite life intangible assets. An assessment of the value in use using discounted cash flow forecast (DCF) models was prepared for both of these CGUs. The Group concluded that the recoverable amount exceeds the carrying amount and no impairment has been recorded.</p> <p>An impairment assessment was also prepared in relation to the Adelaide CGU which includes a finite life intangible asset, the Adelaide casino licence. In FY20, the Group recorded an impairment charge of \$160.6 million against the Adelaide casino licence.</p> <p>The Group engaged a valuation expert to perform an independent valuation of the Adelaide CGU which was prepared using a DCF model under the fair value less costs of disposal (FVLCOD) method.</p> <p>Impairment testing is a key focus of our audit due to the materiality of the balances and the significant level of management estimation and judgement in determining the key assumptions used in the impairment assessments. The most significant of these are disclosed in note 23.</p> | <p>For the Auckland and Hamilton CGUs, we performed the following audit procedures:</p> <ul style="list-style-type: none"> • Understood the process undertaken by management to prepare the forecast cash flows; • Compared the forecast cash flows used for FY23 to the Board approved business plan; • Considered and challenged key assumptions, in particular those underpinning the earnings before interest, tax, depreciation and amortisation (EBITDA) margin and the ongoing impacts of COVID-19; • Engaged our auditor's valuation expert to assess management's valuation conclusions and key assumptions, including the pre tax discount rates and terminal growth rates; and • Compared historical performance against budget, investigated material differences and considered the impact on future cash flow forecasts. <p>For the Adelaide CGU, we performed the following audit procedures:</p> <ul style="list-style-type: none"> • Understood the process undertaken by management to prepare the forecast cash flows; • Compared the forecast cash flows used for FY23 to the Board approved business plan; • Considered the adoption by the Board of the five year forecast included in management's expert's valuation; • Compared historical performance against budget, investigated material differences and considered the impact on future cash flow forecasts; • Considered and challenged key assumptions, including: the ongoing impacts of COVID-19; international business strategy; and the key drivers of EBITDA growth and overall business performance, with reference to external evidence where possible; |

| Description of the key audit matter | How our audit addressed the key audit matter |
|--|--|
| <p>In relation to Adelaide, the impairment review and independent valuation concluded on a valuation of the CGU being within a reasonable range, the mid point of which implies a potential impairment reversal of \$3.2 million at 30 June 2022 (with the low end of the range resulting in an additional impairment of \$19.3 million and the high end a reversal of impairment of \$28.4 million).</p> <p>However, given the uncertainties associated with forecasting in a COVID-19 environment, and acknowledging the sensitivities of the valuation to small changes in assumptions as disclosed in note 23, management determined that the resulting valuation range did not warrant a reversal of the impairment previously recognised, nor any additional impairment.</p> | <ul style="list-style-type: none"> ● Considered the potential impact of the ongoing Australian Transaction Reports and Analysis Centre (AUSTRAC) investigation and subsequently announced Consumer and Business Services (CBS) investigation; ● Engaged our auditor's valuation expert to: <ul style="list-style-type: none"> – Assess and challenge key assumptions, including the discount and terminal growth rates; – Assess the reasonableness of the 2% cost of disposal assumption applied under the fair value less costs of disposal (FVLCO) method; and; – Evaluate the valuation conclusions and cross checks performed by management's valuation expert with reference to external market evidence. ● In conjunction with our auditor's valuation expert, we also met with management's valuation expert to understand and challenge the valuation approach and key assumptions, including the ongoing impact of COVID-19, in particular the impact on international business; ● Considered the key drivers for movements in both the independent valuation of the CGU and the carrying value of the CGU from the prior year. Assessed whether the valuation conclusion supports both no impairment reversal and no further impairment, noting consistent with the prior year that there remains significant uncertainty in forecasting in a COVID-19 environment; and ● Considered and challenged the extent of disclosure provided in note 23 of the financial statements, with particular emphasis on the valuation sensitivities. |
| <p>Capital structure and liquidity</p> <p>As at 30 June 2022, the Group's net debt was \$601.8 million (30 June 2021: \$557.9 million). The Group's borrowings are comprised of syndicated banking facilities, United States Private Placement (USPP) notes, and a retail bond. Subsequent to the reporting date but prior to the date of the financial statements, the Group has extended the maturity date of syndicated bank facilities amounting to \$160.0 million. Further details have been disclosed in notes 11, 12, 13 and 39 of the financial statements.</p> | <p>We considered the Group's assessment of their ability to continue as a going concern and our procedures included the following:</p> <ul style="list-style-type: none"> ● Reviewed agreements between the Group and their funding providers to obtain an understanding of the revised covenant terms; ● Assessed and challenged management's forecasted cash flows and associated assumptions, placing particular emphasis on management's assessment of the potential outcomes for the contingent liabilities disclosed in note 36, with reference to supporting documentation and/or expert advice received by management; |



| Description of the key audit matter | How our audit addressed the key audit matter |
|---|---|
| <p>As noted in note 1 of the financial statements, the Group's performance has been significantly impacted in the current year due to COVID-19 restrictions. The Group obtained covenant waivers for the 31 December 2021 testing period and also obtained covenant waivers and amended covenant terms for the 30 June 2022 testing period. The Group is currently compliant with all debt covenants as at 30 June 2022.</p> <p>There remain significant uncertainties in relation to future events and operating conditions of the Group which may impact funding liquidity and the going concern assumption. To address these uncertainties, management has prepared forecasts that consider a range of possible scenarios including consideration of the contingent liabilities disclosed in note 36. These scenarios have been informed by recent trading performance and assumes no further COVID-19 lockdowns at any sites nor a move to the red traffic light setting under the COVID-19 Protection Framework in New Zealand.</p> <p>Because of the significance of the judgements involved in the assumptions, we have considered this to be an area of focus for the audit.</p> <p>As a result of management's forecasted cash flows and scenario/sensitivity analysis, the Group has concluded that it continues to have access to a sufficient level of liquidity to sustain the business and remain compliant with its financial obligations. The Directors have therefore concluded that there are no material uncertainties related to the Group being a going concern.</p> | <ul style="list-style-type: none"> • Tested the mathematical accuracy of management's forecasted covenant calculations for the 31 December 2022 and 30 June 2023 testing periods; • Performed a range of sensitivities on the forecasts and considered possible alternative scenarios, including a scenario incorporating a reduction in forecasted EBITDA as a result of further COVID-19 restrictions; and • Considered the appropriateness of the Group's disclosures. |
| <p>Contingent liabilities relating to regulatory matters</p> <p>The Group operates in a highly regulated environment. The SkyCity Adelaide casino is currently the subject of an enforcement investigation by the Australian Transaction Reports and Analysis Centre (AUSTRAC) into potential serious breaches of the requirements of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (the Act).</p> | <p>Our procedures included the following:</p> <ul style="list-style-type: none"> • Held meetings with management, including in-house legal counsel, to obtain the most recent facts and circumstances in relation to ongoing regulatory matters; • Assessed our obligations under auditing and ethical standards and relevant legislation to determine whether the matters are required to be reported to third parties; • Read meeting minutes from relevant committees to identify and consider information relating to regulatory matters; • Discussed the matters with external legal counsel, where applicable, to corroborate the information provided by management; |

| Description of the key audit matter | How our audit addressed the key audit matter |
|--|--|
| <p>The investigation remains ongoing, and AUSTRAC are yet to clarify the nature and extent of any potential breaches of the Act. There remains a high degree of uncertainty in relation to the outcome of the investigation. As such, the Group has deemed that there is insufficient information available to assess the likelihood of AUSTRAC taking enforcement action; or the magnitude of any potential financial penalties that may be imposed. The Group has disclosed the AUSTRAC investigation as a contingent liability in note 36 of the financial statements.</p> <p>In addition, on 1 July 2022, Consumer and Business Services South Australia (CBS) advised that they would be conducting an investigation under the Casino Act 1997 into SkyCity Adelaide's suitability to hold a casino licence in South Australia. In accordance with statements from CBS, it is the Group's view that this is in response to perceived industry-wide issues within the Australian casino sector. SkyCity has not to date been advised by CBS of any specific misconduct by SkyCity Adelaide. The investigation remains ongoing and is due to be completed by February 2023.</p> <p>Given the ongoing investigations by regulators in Australia, and the general nature of casino operations across both New Zealand and Australia, there remains a high degree of risk in respect of legal and regulatory compliance. Contingent liabilities in relation to legal and regulatory matters are therefore considered to be a key audit matter.</p> <p>Given the significance of the matters outlined above, their subjective nature and the associated uncertainties, any related assumptions have the potential to be subject to bias, error or inconsistent application by management. This was therefore considered to be an area of focus for our audit.</p> | <ul style="list-style-type: none"> • Read correspondence between the Group and the applicable regulatory bodies; • Evaluated the Group's assessment of whether a present obligation exists arising from past events, against the criteria in NZ IAS 37 <i>Provisions, contingent liabilities and contingent assets</i>; and • Assessed the appropriateness of the associated disclosures in the financial statements. |



Our audit approach

Overview



Overall group materiality: \$5.6 million, which approximately represents 5% of weighted-average profit before tax from continuing operations over the past five years, excluding the net gain on the Auckland car park concession transaction, NZICC fire related income, NZICC fire related expenses and income from liquidated damages, recorded in either or both the current and prior years.

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

We chose to use a weighted average of the last five years and to adjust it as described above because, in our view, it provides a more stable measure of the Group's performance.

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

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

- Accounting for the NZICC fire
- Impairment considerations in respect of goodwill and other intangible assets
- Capital structure and liquidity
- Contingent liabilities relating to regulatory matters.

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

Materiality

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

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

How we tailored our group audit scope

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

Other information

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

This description forms part of our auditor's report.

**Who we report to**

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

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

For and on behalf of:

A handwritten signature in cursive script that reads "Richard Day".

Chartered Accountants
24 August 2022

Auckland



Income Statement

For the year ended 30 June 2022

| | NOTES | 2022 | RESTATED* 2021 |
|---|----------|------------------|-------------------|
| | | \$'000 | \$'000 |
| Revenue | 3 | 553,543 | 713,216 |
| Other income | 4 | 32,969 | 67,936 |
| NZICC fire related income | 5(a) | 52,483 | 170,727 |
| NZICC fire related expenses | 5(b) | (88,849) | (141,845) |
| Employee benefits expense | | (254,778) | (269,126) |
| Asset impairment | 6 | (7,293) | (8,834) |
| Other expenses | 6 | (92,550) | (112,330) |
| Directors' fees | | (1,070) | (962) |
| Gaming taxes and levies | | (37,438) | (41,146) |
| Direct consumables | | (34,143) | (44,042) |
| Marketing and communications | | (15,440) | (18,701) |
| Community contributions, sponsorships and donations | | (5,098) | (8,350) |
| Fair value (losses)/gains on investment properties | 14 | (5,400) | 7,386 |
| Earnings Before Interest, Tax, Depreciation and Amortisation Expenses (EBITDA) | | 96,936 | 313,929 |
| Depreciation and amortisation | 6 | (88,692) | (86,556) |
| Depreciation on right-of-use assets | 9 | (5,968) | (1,894) |
| Earnings Before Interest and Tax (EBIT) | | 2,276 | 225,479 |
| Net finance costs | 10 | (35,044) | (32,455) |
| (Loss)/Profit Before Income Tax | | (32,768) | 193,024 |
| Income tax expense | 17 | (827) | (37,191) |
| (Loss)/Profit for the Year Attributable to Shareholders of the Company | | (33,595) | 155,833 |
| Earnings per share for Profit Attributable to the Shareholders of the Company | | CENTS | CENTS |
| Basic and diluted (loss)/earnings per share | 7 | (4.4) | 20.6 |

*Refer to note 23 for details on prior period restatement.

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

Statement of Comprehensive Income

For the year ended 30 June 2022

| | NOTES | 2022 | RESTATED* 2021 |
|--|-------|-----------------|-------------------|
| | | \$'000 | \$'000 |
| (Loss)/Profit for the Year | | (33,595) | 155,833 |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss | | | |
| Asset Revaluation Reserve | | | |
| Asset revaluation reserve – revaluation on transfer to investment property | 30 | – | 8,755 |
| Asset revaluation reserve – income tax | | – | (1,921) |
| | | – | 6,834 |
| Items that may be subsequently reclassified to profit or loss | | | |
| Foreign Currency Translation Reserve | | | |
| Exchange differences on translation of overseas subsidiaries | 30 | 10,681 | (4,676) |
| Cash Flow Hedge Reserve | 30 | | |
| Cash flow hedges – revaluations | | 13,777 | (24,859) |
| Cash flow hedges – transfer to finance costs | | (3,369) | 35,790 |
| Cash flow hedges – income tax | | (2,914) | (3,076) |
| Cost of Hedging Reserve | 30 | | |
| Cost of hedging reserve – costs incurred/revaluations | | 37 | (6) |
| Cost of hedging reserve – transfer to finance costs | | 462 | 463 |
| Cost of hedging reserve – income tax | | (140) | (128) |
| | | 18,534 | 3,508 |
| Other Comprehensive Income for the Year, Net of Tax | | 18,534 | 10,342 |
| Total Comprehensive Income for the Year | | (15,061) | 166,175 |

*Refer to note 23 for details on prior period restatement.

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



Balance Sheet

As at 30 June 2022

| | NOTES | 2022 \$'000 | RESTATED* 2021 \$'000 | RESTATED* 1 JULY 2020 \$'000 |
|----------------------------------|-------|------------------|-----------------------------|------------------------------------|
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | 26 | 48,698 | 49,940 | 54,224 |
| Receivables and prepayments | 25 | 25,826 | 33,405 | 42,252 |
| Inventories | | 7,528 | 7,187 | 6,628 |
| Derivative financial instruments | 31 | 363 | 156 | 53,288 |
| Current tax receivables | | 4,431 | – | 1,989 |
| NZICC fire recoveries | 5(c) | 212,475 | 175,352 | 49,571 |
| Assets held for sale | 27 | 26,646 | 13,517 | 11,019 |
| Total Current Assets | | 325,967 | 279,557 | 218,971 |
| Non-current Assets | | | | |
| NZICC fire recoveries | 5(d) | 17,183 | 233,000 | 227,000 |
| Deferred tax assets | 18 | 19,372 | 9,740 | 6,910 |
| Finance lease receivable | | 12,737 | 11,605 | 10,574 |
| Other non-current assets | | 2,000 | – | – |
| Derivative financial instruments | 31 | 11,598 | 4,109 | 23,100 |
| Investments in associates | 24 | 42,136 | – | – |
| Investment properties | 14 | 119,720 | 124,368 | 72,400 |
| Property, plant and equipment | 22 | 1,442,680 | 1,370,762 | 1,528,902 |
| Intangible assets | 23 | 623,897 | 627,065 | 630,592 |
| Right-of-use assets | 9 | 126,412 | 126,755 | 51,967 |
| Total Non-current Assets | | 2,417,735 | 2,507,404 | 2,551,445 |
| Total Assets | | 2,743,702 | 2,786,961 | 2,770,416 |

*Refer to note 23 for details on prior period restatement.

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

Balance Sheet (continued)

As at 30 June 2022

| | NOTES | 2022 \$'000 | RESTATED* 2021 \$'000 | RESTATED* 1 JULY 2020 \$'000 |
|--------------------------------------|-------|------------------|-----------------------------|------------------------------------|
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Payables and provisions | 28 | 187,199 | 200,165 | 221,842 |
| Interest bearing liabilities | 12 | 78,000 | 48,031 | 302,509 |
| Current tax liabilities | | 94 | 16,256 | 776 |
| Derivative financial instruments | 31 | 12 | – | 6,113 |
| Lease liabilities | 9 | 3,576 | 3,014 | 485 |
| Deferred licence value | 15 | – | 2,088 | 153,165 |
| Total Current Liabilities | | 268,881 | 269,554 | 684,890 |
| Non-current Liabilities | | | | |
| Interest bearing liabilities | 11 | 451,372 | 440,964 | 282,731 |
| Non-current payables | | 24,557 | 20,317 | 10,569 |
| Lease income in advance | 21 | 29,501 | 36,310 | 39,815 |
| Derivative financial instruments | 31 | – | 7,528 | 24,375 |
| Deferred tax liabilities | 19 | 60,591 | 51,975 | 39,903 |
| Lease liabilities | 9 | 117,530 | 115,793 | 52,188 |
| Deferred licence value | 16 | 219,996 | 207,436 | 214,972 |
| Total Non-current Liabilities | | 903,547 | 880,323 | 664,553 |
| Total Liabilities | | 1,172,428 | 1,149,877 | 1,349,443 |
| Net Assets | | 1,571,274 | 1,637,084 | 1,420,973 |
| EQUITY | | | | |
| Share capital | 29 | 1,340,556 | 1,338,223 | 1,288,287 |
| Reserves | 30 | (4,445) | (22,979) | (33,321) |
| Retained earnings | | 235,163 | 321,840 | 166,007 |
| Total Equity | | 1,571,274 | 1,637,084 | 1,420,973 |

*Refer to note 23 for details on prior period restatement.

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



Statement of Changes in Equity

For the year ended 30 June 2022

| | NOTES | SHARE CAPITAL | RESERVES | RETAINED EARNINGS | TOTAL EQUITY |
|---|-------|------------------|----------------|-------------------|------------------|
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance as at 1 July 2020 | | 1,288,287 | (33,321) | 179,641 | 1,434,607 |
| Adjustment on change in accounting policy* | | - | - | (13,634) | (13,634) |
| Restated balance at the beginning of the year* | | 1,288,287 | (33,321) | 166,007 | 1,420,973 |
| Total comprehensive income | | - | 10,342 | 155,833 | 166,175 |
| 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) |
| Balance as at 30 June 2021 (restated)* | | 1,338,223 | (22,979) | 321,840 | 1,637,084 |
| Balance as at 1 July 2021 (restated)* | | 1,338,223 | (22,979) | 321,840 | 1,637,084 |
| Total comprehensive income | | - | 18,534 | (33,595) | (15,061) |
| Dividends paid | 8 | - | - | (53,082) | (53,082) |
| Share rights issued for employee service | 29 | 2,292 | - | - | 2,292 |
| Net movement in treasury shares | 29 | 41 | - | - | 41 |
| Balance as at 30 June 2022 | | 1,340,556 | (4,445) | 235,163 | 1,571,274 |

*Refer to note 23 for details on prior period restatement.

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 2022

| | NOTES | 2022 \$'000 | RESTATED* 2021 \$'000 |
|--|-------|-----------------|-----------------------------|
| Cash Flows from Operating Activities | | | |
| Receipts from customers | | 554,816 | 718,898 |
| Payments to suppliers and employees | | (414,543) | (401,113) |
| Government grants | | 7,476 | 28,643 |
| Other insurance income | | 10,749 | – |
| Gaming taxes and levies paid | | (41,698) | (46,074) |
| Income taxes paid | | (25,679) | (15,569) |
| Net Cash Inflow from Operating Activities | 38 | 91,121 | 284,785 |
| Cash Flows from Investing Activities | | | |
| Acquisition of associate | 24 | (42,136) | – |
| Capital additions | | (100,065) | (171,673) |
| Purchased intangible assets | | (11,411) | (2,399) |
| Proceeds from disposal of assets held for sale | 27 | 3,250 | – |
| NZICC fire related income | | 231,177 | 30,533 |
| NZICC fire related costs | | (112,494) | (108,040) |
| Net Cash Outflow from Investing Activities | | (31,679) | (251,579) |
| Cash Flows from Financing Activities | | | |
| Issue of new share capital | | – | 46,683 |
| Cash flows associated with net derivatives | | (2,531) | 17,669 |
| Proceeds from borrowings | | 224,429 | 208,031 |
| Repayment of borrowings | | (194,460) | (267,447) |
| Movement in treasury shares | | 41 | – |
| Dividends paid to company shareholders | 8 | (53,082) | – |
| Interest paid | | (25,735) | (35,857) |
| Lease interest paid | | (6,169) | (2,879) |
| Repayment of lease liabilities | | (3,177) | (3,690) |
| Net Cash Outflow from Financing Activities | | (60,684) | (37,490) |
| Net Decrease in Cash and Bank Balances | 13 | (1,242) | (4,284) |
| Cash and bank balances at the beginning of the year | | 49,940 | 54,224 |
| Cash and Bank Balances at the End of the Year | 26 | 48,698 | 49,940 |

*Refer to note 23 for details on prior period restatement.

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



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1 Summary of Significant Accounting Policies

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

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

These consolidated financial statements were approved for issue by the Board of Directors (**Board**) on 24 August 2022. The Board does not have the power to amend the financial statements once they have been issued.

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, the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Listing Rules.

The Group financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2022 and the results of all subsidiaries for the year then ended.

Non-GAAP Financial Information

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

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

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

Going Concern

For the 12 months to 30 June 2022, the Group incurred a loss of \$33.6 million. This loss arose substantially as a result

of the trading restrictions imposed by the New Zealand and South Australian Governments in response to the ongoing COVID-19 pandemic. Information on those trading restrictions is provided below.

The significant financial impact of these closures and trading restrictions on the Group created the potential for a breach of financial covenants at 30 June 2022. To ensure that such a breach would not occur, the Group obtained a waiver of EBITDA-based covenants (debt gearing ratio and interest cover ratio) measured at 30 June 2022.

SkyCity has prepared forecasts to support its going concern assessment that consider a range of possible scenarios including consideration of the contingent liabilities disclosed in note 36. These scenarios have been informed by recent trading performance and assume there are no further COVID-19 lockdowns at any sites nor a move to the red traffic light setting under the COVID-19 Protection Framework in New Zealand. While there remain uncertainties regarding the near term financial performance of the Group, SkyCity's forecasts indicate that the Group continues to have access to a sufficient level of liquidity to sustain the business, remain compliant with its financial obligations and meet any future challenges that may arise from contingent liabilities.

The Company's directors (**Directors**) have therefore concluded that there are no material uncertainties related to the Group being a going concern and, accordingly, these annual financial statements are prepared on a going concern basis.

Measurement Basis

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

Presentation Currency

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

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 23;
- the SkyCity Adelaide casino licence, which has a finite useful life, was impaired in a prior period and consequently was tested for impairment in the current period. This impairment testing required the use of key estimates, which are discussed in note 23(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 5;
- 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 14;
- in some instances judgement is required to determine whether a payment that may occur in the future constitutes a provision or a contingent liability. A provision is recognised where an obligating event that gives rise to a requirement to make a payment has occurred. Information on the Group's provisions is provided in note 28 and information on the Group's contingent liabilities is provided in note 36; and
- judgement and estimation is required when determining the amount of deferred tax assets to be recognised. Further information is provided in note 18.

(b) COVID-19 Pandemic

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, 2021 and 2022 financial years.

In the 2020 financial year, SkyCity took a number of actions to manage the impacts of COVID-19. Those actions, which are detailed in the Group's 30 June 2020 annual financial statements, included a rapid restructure of the New Zealand workforce, the implementation of cost and capital savings initiatives, an equity raise, the arrangement of new bank facilities and securing covenant waivers in relation to lending facilities.

During the comparative 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 social distancing restrictions for the majority of the remainder of the year;
- the Group received both the New Zealand Government wage subsidy and Australian JobKeeper Payments (note 4); and
- the Board resolved to voluntarily return a portion of the New Zealand Government wage subsidy and Australian JobKeeper Payments that it had received (note 4).

During the current year:

- the SkyCity Auckland site was closed for 107 days from 18 August to 2 December 2021 and operated with social distancing restrictions from 3 December to 30 December 2021 and 24 January to 13 April 2022;
- the SkyCity Hamilton site was closed for 65 days from 18 August to 7 September 2021 and from 4 October to 17 November 2021 and operated with social distancing restrictions from 24 January to 13 April 2022;
- the SkyCity Queenstown site was closed for 21 days from 18 August to 7 September 2021 and operated with social distancing restrictions from 24 January to 13 April 2022;
- the SkyCity Adelaide site was closed for eight days from 20 July to 27 July 2021; and
- the Group continued to receive the New Zealand Government wage subsidy (note 4).

(c) Principles of Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated in the Group financial statements. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(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.

In the current period, the Group revised its accounting policy for the configuration and customisation costs associated with software as a service (**SaaS**) arrangements. Information on the change made, the reason for the change, and the impact of the change is provided in note 23.

(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 2022 that would have a material impact on the Group's financial statements.

(i) Fair Value Hierarchy

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

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



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 |
| 2022 | | | | | | |
| Gaming revenue | 226,640 | 50,367 | 134,129 | 19,331 | – | 430,467 |
| Online revenue | – | 16,928 | – | – | – | 16,928 |
| Non-gaming revenue | 52,990 | 6,926 | 49,495 | 42 | 448 | 109,901 |
| Other income | 27,960 | 1,682 | 96 | – | 3,231 | 32,969 |
| NZICC fire income | 52,483 | – | – | – | – | 52,483 |
| Total income | 360,073 | 75,903 | 183,720 | 19,373 | 3,679 | 642,748 |
| Expenses | (209,923) | (35,697) | (161,808) | (15,664) | (26,578) | (449,670) |
| Impairment | (1,057) | (4,390) | – | – | (1,846) | (7,293) |
| NZICC fire expenses | (88,849) | – | – | – | – | (88,849) |
| Depreciation and amortisation | (42,450) | (5,923) | (33,055) | – | (13,232) | (94,660) |
| Segment profit/(loss) (EBIT) | 17,794 | 29,893 | (11,143) | 3,709 | (37,977) | 2,276 |
| Net finance costs | | | | | | (35,044) |
| Loss before income tax | | | | | | (32,768) |
| Segment assets | 1,805,614 | 92,243 | 584,118 | 1,707 | 260,020 | 2,743,702 |
| Net additions to non-current assets (other than financial assets and deferred tax) | 116,930 | 4,587 | 6,781 | – | 55,319 | 183,617 |
| 2021 – RESTATED | | | | | | |
| 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 |
| Total revenue | 646,904 | 89,849 | 196,892 | 24,582 | 980 | 959,207 |
| Expenses | (243,806) | (43,307) | (156,094) | (21,474) | (38,752) | (503,433) |
| NZICC fire expenses | (141,845) | – | – | – | – | (141,845) |
| Depreciation and amortisation | (45,468) | (5,887) | (22,545) | – | (14,550) | (88,450) |
| Segment profit/(loss) (EBIT) | 215,785 | 40,655 | 18,253 | 3,108 | (52,322) | 225,479 |
| Net finance costs | | | | | | (32,455) |
| Profit before income tax | | | | | | 193,024 |
| Segment assets | 1,924,204 | 109,669 | 596,489 | (15,679) | 172,278 | 2,786,961 |
| Net additions to non-current assets (other than financial assets and deferred tax) | 52,660 | 3,783 | 149,900 | – | 12,217 | 218,560 |

(b) Secondary Reporting Format – Geographical Segments

| | TOTAL REVENUE | | NON-CURRENT ASSETS EXCLUDING FINANCIAL INSTRUMENTS AND DEFERRED TAX ASSETS | |
|-------------|----------------|----------------|--|----------------------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | RESTATED 2021 \$'000 |
| New Zealand | 445,868 | 745,932 | 1,816,631 | 1,913,487 |
| Australia | 196,880 | 213,275 | 570,135 | 580,068 |
| | 642,748 | 959,207 | 2,386,766 | 2,493,555 |

(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, SkyCity Wharf and online gaming. This segment does not include International Business operations.

SkyCity Adelaide

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

International Business

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

Corporate/Group

This segment includes head office functions, funding entities and the Group's investment in its associate (note 24). 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 Gaming Innovation Group Inc (**GiG**) and under a Malta gaming licence held by Silvereye Entertainment Limited (a subsidiary of GiG). SkyCity is not the principal transacting with online casino customers. Revenue is reported net of GiG costs allowable under the arrangement.

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

| | 2022 \$'000 | 2021 \$'000 |
|----------------------|----------------|----------------|
| Gaming | 426,714 | 572,249 |
| Non-gaming | 109,901 | 127,827 |
| Online gaming | 16,928 | 13,140 |
| Total revenue | 553,543 | 713,216 |



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 \$13.3 million (2021: \$18.9 million).

| | NOTES | 2022 | 2021 |
|---|-------|----------------|---------|
| | | \$'000 | \$'000 |
| Reconciliation to the segment note | | | |
| Total revenue | 3 | 553,543 | 713,216 |
| Other income | 4 | 32,969 | 67,936 |
| NZICC fire income | 5 | 52,483 | 170,727 |
| Total income as per Income Statement | | 638,995 | 951,879 |
| International Business rebates | | 3,753 | 7,328 |
| Total income as per segment note | | 642,748 | 959,207 |

4 Other Income

| | 2022 | 2021 |
|--|---------------|--------|
| | \$'000 | \$'000 |
| Net gain/(loss) on disposal of property, plant and equipment | 2,413 | (528) |
| Dividend income | 2 | 2 |
| Rental income from investment properties | 2,323 | 2,148 |
| Government grants | 17,482 | 26,814 |
| Liquidated damages | - | 39,500 |
| Other insurance income | 10,749 | - |
| | 32,969 | 67,936 |

Government Grants

As part of its COVID-19 response, the New Zealand Government introduced wage subsidy schemes to enable businesses to retain employees. SkyCity received \$17.5 million of subsidies for the current financial year under those schemes (2021: \$10.2 million).

The Australian Government also introduced wage subsidies (referred to as JobKeeper Payments) as part of its response to the COVID-19 pandemic. No payments were received in the current year - however, in the prior year SkyCity received \$16.6 million (A\$15.4 million) of JobKeeper Payments.

In June 2021, the Board resolved to voluntarily repay a portion of the wage subsidies/payments received from the New Zealand and Australian Governments and consequently recognised an expense (note 6) in the year to 30 June 2021 and 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 and the A\$3.1 million voluntary repayment to the Australian Government was made on 8 October 2021.

Other Insurance Income

As outlined in note 5, in October 2019 there was a fire at the NZICC construction site. As a result of the NZICC fire the Group is required to make payments to compensate MPF Parking Limited (**Macquarie**) for carparks that are not available under a concession agreement (**Car Park Concession Agreement**) dated 3 April 2019 pursuant to which Macquarie was granted a long term concession until 2048 over the SkyCity Auckland car parks located at both the SkyCity Auckland main site and the NZICC site. Other insurance income arises as a result of the insurer's partial payment of the Group's claim in relation to this payment to Macquarie and is recognised when received.

Liquidated Damages

Fletcher Construction Company Limited (**FCC**, or the **Contractor**) is the contractor building the NZICC and Horizon Hotel (which is on an adjacent site to the NZICC). Included within the construction contracts with FCC for the NZICC and Horizon Hotel is the right to liquidated damages if certain milestones are not met. As part of a settlement agreement signed 30 November 2020, FCC agreed to not challenge retention of the amount, and accordingly \$39.5 million was recognised as other income in the previous financial period.

5 NZICC Fire

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

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

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

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

(a) Income

| | 2022 | 2021 |
|---|---------------|----------------|
| | \$'000 | \$'000 |
| Other income | | |
| Contract works insurance recovery (remediation and pre-remediation) | 52,483 | 171,793 |
| Other recoveries | - | (1,066) |
| | 52,483 | 170,727 |

Contract Works Insurance Recovery

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

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

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

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

Pre-remediation costs relating to site preparation, and

including demolition and clearing costs paid to the Contractor and associated costs incurred by SkyCity, are recognised as expenses when they are incurred. Other recoveries disclosed in 2021 have been restated as they previously included pre-remediation costs amounting to \$128.2 million that have now been reclassified to contract works insurance recovery. Payments to the Contractor for the reconstruction and associated costs incurred by SkyCity (i.e. remediation costs) are capitalised to property, plant and equipment as the rebuild occurs over time.

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

This estimate has been informed by the early estimates the Group received from quantity surveyor Rider Levett Bucknall Auckland Limited (**RLB**) on the possible reconstruction costs, current estimates provided by the Contractor, the total indemnity limits, sub limits, terms and conditions of the Contract Works Insurance policy,



feedback from the insurers and its representatives to date, and advice from the Group's legal and insurance advisors as to the likely insurance policy response.

At this stage it is not possible to provide a high level of certainty on the likely outcome and quantum of the recoveries under the Contract Works Insurance policy. The Group has assumed a total insurance recovery for remediation and pre-remediation costs for both buildings of \$595.2 million (2021: \$542.7 million). The Group considers recovery of this amount to be virtually certain. At 30 June 2022, \$328.1 million of this has been provisionally confirmed as covered under the policy by the insurers. However, as with large and complex claims like this and where expected costs have not all been incurred to date and not all claims have been presented to the insurers, there are further costs for which policy coverage has not been confirmed by the insurers at this stage and therefore for which the recoverability has not been assessed to be virtually certain. The Group will only recognise insurance income in relation to these costs as recovery becomes virtually certain. Some of these costs are disclosed as a contingent asset (note 36) where recovery is probable.

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

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

Other Recoveries

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

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

Income in relation to these items is recognised as other recoveries when the costs are incurred, and it is virtually certain that these costs will be reimbursed. Where recovery of these costs is considered probable but not considered virtually certain, a contingent asset is disclosed (note 36). The assessment of whether recoverability of these costs is virtually certain is a key judgement by the Group.

(b) Expenses

| | 2022 | 2021 |
|--|---------------|---------|
| | \$'000 | \$'000 |
| (Add back)/Write-off of NZICC and Horizon Hotel capitalised work-in-progress | (34,270) | 34,713 |
| Release from deferred licence value liability | 12,559 | (7,536) |
| NZICC obligation | - | (6,551) |
| Site preparation, demolition and other costs | 110,560 | 121,219 |
| | 88,849 | 141,845 |

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

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

Based on updated estimates provided by RLB, and additional advice relating to damage assessment from the NZICC project managers, Beca Limited, the Group estimates that approximately 51% (30 June 2021: 55%) of the NZICC and 13% (30 June 2021: 13%) of the Horizon Hotel construction work that had been completed to the date of the fire has been destroyed and will need to be replaced. In addition, the Group estimates that 28% (30 June 2021: 45%) of the associated

overheads and direct costs incurred by the Group that were capitalised to the build prior to the fire were destroyed by the fire and those costs have consequently been written off. As a result, approximately \$194.3 million of costs previously capitalised as work in progress in property, plant and equipment have been written off (30 June 2021: \$228.6 million). This has resulted in a decrease of \$34.3 million in the current financial year to the impairment expense recognised in relation to the fire (2021: increase of \$34.7 million) (note 22).

While there is now more certainty around the extent of damage than in the prior year, and hence refinement of the numbers above, this estimate is still highly sensitive to the actual extent of damage and the ultimate write off may differ materially as the final assessment of the damage to both buildings is completed.

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

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

The amount of the release has been estimated at \$160.8 million (30 June 2021: \$173.3 million), based on the latest estimated percentage of damage to the NZICC. This represents 42.2% (30 June 2021: 45.5%) 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 \$12.6 million increase 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 16 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. The Group has estimated the liability for the remaining works to be \$30.5 million (30 June 2021: \$36.5 million), based on an estimate prepared by RLB and the Group's assessment of the remediation works carried out to date on the car parks.

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

(c) Current Assets

| | 2022 | 2021 |
|---|-----------|-----------|
| | \$'000 | \$'000 |
| Insurance recoveries for damages to the NZICC and Horizon Hotel | 595,191 | 542,708 |
| Other recoveries | - | 2,177 |
| Payments received from the insurers | (365,533) | (136,533) |
| Reclassification to non-current receivables (refer note below) | (17,183) | (233,000) |
| | 212,475 | 175,352 |



These assets relate to:

Insurance Recovery for Damage to the NZICC and Horizon Hotel

Insurance recoveries under the Contract Works Insurance policy related to pre-remediation and remediation/reconstruction costs, as noted in section (a) above. Note that 2021 comparative numbers now include pre-remediation to give total contract works insurance recoveries (this was previously recognised in Other Recoveries).

Other Recoveries

As outlined above, these relate to recoveries sought for items other than pre-remediation and remediation/reconstruction costs (such as business interruption costs).

Payments Received from the Insurers

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

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

(d) Non-current Assets

| | 2022 | 2021 |
|---|--------|---------|
| | \$'000 | \$'000 |
| Insurance recoveries for damages to the NZICC and Horizon Hotel | 17,183 | 233,000 |
| | 17,183 | 233,000 |

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

6 Expenses

| | 2022 | RESTATED 2021 |
|--|--------|---------------|
| | \$'000 | \$'000 |
| Other Expenses | | |
| Utilities, insurance and rates | 24,686 | 22,848 |
| Onerous contract expense (relating to the Wharf Casino lease) | - | 986 |
| Other property expenses | 16,597 | 17,247 |
| ICT related expenses | 14,648 | 19,235 |
| Professional fees | 10,956 | 8,678 |
| Other items | 23,331 | 32,510 |
| Government grants repaid (note 4) | - | 10,006 |
| Expenses relating to short term leases | 441 | 803 |
| Impairment of receivables | 1,891 | 17 |
| | 92,550 | 112,330 |
| Depreciation and Amortisation (excluding right-of-use assets) | | |
| Depreciation (note 22) | 75,491 | 73,151 |
| Casino licence amortisation (Adelaide) (note 23) | 2,622 | 2,629 |
| Computer software amortisation (note 23) | 10,455 | 10,703 |
| Gaming machine entitlements amortisation (note 23) | 124 | 73 |
| | 88,692 | 86,556 |

| | 2022 | RESTATED 2021 |
|--|--------------|------------------|
| | \$'000 | \$'000 |
| Impairment | | |
| Impairment of property plant and equipment (note 22) | 2,903 | 8,834 |
| Impairment of intangible assets (note 23) | 4,390 | - |
| | 7,293 | 8,834 |

Reclassification of Expenses

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

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.

PwC is engaged to provide tax compliance services, which relate to ad-hoc queries covering a range of tax related matters; and also to provide market survey data for the purposes of executive remuneration benchmarking.

PwC also undertook:

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

| | 2022 | 2021 |
|--|--------------|--------|
| | \$'000 | \$'000 |
| (a) Assurance and Agreed upon Procedure Services | | |
| Audit and review of financial statements | | |
| PwC New Zealand | 1,035 | 888 |
| PwC Australia | - | 52 |
| PwC Hong Kong | 29 | 24 |
| PwC Malta | 51 | 51 |
| Total remuneration for audit services | 1,115 | 1,015 |
| Performed by PwC New Zealand | | |
| Other assurance services | 16 | 25 |
| Agreed upon procedures | 50 | 19 |
| Performed by PwC Australia | | |
| Agreed upon procedures | - | 9 |
| Total remuneration for other assurance services | 66 | 53 |
| Total remuneration for assurance related services | 1,181 | 1,068 |



| (b) Other Services | | |
|---|--------------|--------------|
| Performed by PwC New Zealand | | |
| Tax advisory services | - | 55 |
| Provision of market survey data relating to executive remuneration levels | 59 | 30 |
| Performed by PwC Australia | | |
| Tax compliance services | 60 | 43 |
| Tax advisory services | - | 207 |
| Performed by PwC Hong Kong | | |
| Tax advisory services | - | 17 |
| Performed by PwC Singapore | | |
| Tax advisory services | - | 19 |
| Total remuneration for other services | 119 | 371 |
| | 1,300 | 1,439 |

7 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.

| | 2022 | 2021 |
|--|-------------|-------------|
| | Number | Number |
| Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share | 760,205,209 | 759,687,194 |

8 Dividends

Accounting Policy

Dividends are recognised when declared.

| | CENTS PER SHARE | \$'000 |
|---------------------|-----------------|---------------|
| 2020 final | - | - |
| 2021 interim | - | - |
| 30 June 2021 | - | - |
| 2021 final | 7.0 | 53,082 |
| 2022 interim | - | - |
| 30 June 2022 | 7.0 | 53,082 |

During the current year, a supplementary dividend of \$5.82 million (1.24 cents per share) was paid on shares held by non-resident shareholders, for which the Group received an equivalent foreign investor tax credit entitlement. The foreign investor tax credit entitlement is included in income taxes paid within the Statement of Cash Flows.

The Directors have not declared a final dividend in respect of the 30 June 2022 financial year.

9 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, using 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;
- using a build-up approach that starts with a risk free interest rate adjusted for credit risk; and
- making adjustments specific to the lease (e.g. term, country, currency and security).

The weighted average incremental borrowing rate for the Group's leases is 5.2% (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:

| | 2022 | 2021 |
|---|----------------|---------|
| | \$'000 | \$'000 |
| Right-of-use assets net book value | | |
| SkyCity Auckland sub soil | 3,089 | 3,091 |
| SkyCity Auckland airbridges | 3,117 | 3,214 |
| SkyCity Queenstown – Stratton House | 1,660 | 1,930 |
| SkyCity Adelaide – Railway Building and extension | 57,202 | 55,056 |
| SkyCity Adelaide – car park | 61,344 | 63,464 |
| | 126,412 | 126,755 |
| Lease liabilities | | |
| Current | 3,576 | 3,014 |
| Non-current | 117,530 | 115,793 |
| | 121,106 | 118,807 |



Amounts recognised in the Income Statement are:

| | 2022 | 2021 |
|---|---------------|--------|
| | \$'000 | \$'000 |
| Depreciation of right-of-use assets | 5,968 | 1,894 |
| Interest expense on lease liabilities (part of net finance costs) | 6,169 | 3,566 |

10 Net Finance Costs

| | 2022 | 2021 |
|--------------------------------|----------------|---------|
| | \$'000 | \$'000 |
| Finance costs | 38,743 | 41,743 |
| Foreign exchange gains | (594) | (388) |
| Interest income | (1,901) | (1,086) |
| Capitalised interest (note 22) | (1,204) | (7,814) |
| Total finance costs | 35,044 | 32,455 |

11 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 notes (**USPP**) 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.

| | 2022 | 2021 |
|---|----------------|---------|
| | \$'000 | \$'000 |
| Unsecured Interest Bearing Liabilities | | |
| Car park concession (main site nested car parks) | 49,195 | 47,167 |
| USPP notes | 229,872 | 221,811 |
| New Zealand bonds | 175,000 | 175,000 |
| Deferred funding expenses | (2,695) | (3,014) |
| Total Non-current Interest Bearing Liabilities | 451,372 | 440,964 |

(a) USPP Notes

As at 30 June 2022 SkyCity had outstanding:

- 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 movements in exchange rates and interest rates.

The US dollar USPP notes have been hedged to NZ dollars by way of cross currency interest rate swaps to eliminate foreign exchange exposure to the US dollar. The offsetting changes in the value of the cross currency interest rate swaps are included within derivative financial instruments (note 31).

Fair value of USPP debt is estimated at NZ\$236.7 million (2021: NZ\$243.4 million) compared to a carrying value of NZ\$229.9 million (2021: NZ\$221.8 million). Fair value has been calculated based on the present value of future principal and interest cash flows, using market interest rates and credit margins at balance date. This is a level 2 valuation in the fair value hierarchy.

All financial covenants were met at 30 June 2022.

(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 2022, SkyCity had in place revolving credit facilities of:

- A\$100.0 million maturing on 15 June 2023 (NZ\$78.0 million drawn at the reporting date);
- NZ\$50.0 million maturing on 31 May 2023 (undrawn at the reporting date);
- NZ\$115.0 million maturing on 15 June 2024 (undrawn at the reporting date); and
- NZ\$115.0 million maturing on 15 June 2025 (undrawn at the reporting date).

In August 2022, the syndicated bank facility was restructured to the following:

- NZ\$50 million of bank debt maturing in May 2023 extended and replaced; and
- A\$100 million of bank debt maturing in June 2023 extended and replaced.

Post the restructure the syndicated bank facilities include:

- NZ\$135 million of bank debt maturing in June 2024;
- NZ\$175 million of bank debt maturing in June 2025; and
- NZ\$80 million of bank debt maturing in June 2026.

Total committed bank debt facilities remain unchanged at around \$390 million. There has been no material changes to current drawn bank debt since 30 June 2022.

(c) New Zealand Bonds

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

The bonds are quoted on the NZDX. As at 30 June 2022, the closing price was \$0.8981 (2021: \$1.038) per \$1 bond. The bonds are carried at amortised cost. The total fair value is \$157.2 million (2021: \$181.7 million) which is a level 1 valuation in the fair value hierarchy as they are listed securities.

(d) Auckland Car Park Concession

Incorporated in the Car Park Concession Agreement (note 4) is an interest-bearing liability of \$49.2 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. Unless waived (note 1), all requirements of the negative pledge deeds have been met as at 30 June 2022.

(f) Weighted Average Interest Rate

| | 2022 | | 2021 | |
|-------------------------------|-------|---------|-------|---------|
| | % | \$'000 | % | \$'000 |
| Interest bearing liabilities* | 4.51% | 652,554 | 5.68% | 610,798 |

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



12 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.

| | 2022 | 2021 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Syndicated bank facility | 78,000 | 48,031 |
| Total current interest-bearing borrowings | 78,000 | 48,031 |

Refer note 11(b) for details concerning the syndicated bank facility.

13 Net Debt Reconciliation

| | CASH AND BANK BALANCES | BORROWINGS DUE WITHIN 1 YEAR | BORROWINGS DUE AFTER 1 YEAR | TOTAL |
|--|---------------------------|------------------------------------|-----------------------------------|------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Net debt as at 1 July 2020 | (54,224) | 302,994 | 334,918 | 583,688 |
| Movement in cash and cash equivalents | 4,284 | – | – | 4,284 |
| Recognition of car park concession liability | – | (3,391) | 4,365 | 974 |
| Revaluation of New Zealand bonds | – | (128,500) | 175,000 | 46,500 |
| Revaluation of USPP notes | – | – | (19,608) | (19,608) |
| Repayment of USPP notes | – | (155,618) | – | (155,618) |
| Amortisation of deferred funding expenses | – | – | (1,523) | (1,523) |
| Net movement in bank drawings | – | 33,031 | – | 33,031 |
| Movement in lease liabilities | – | 2,529 | 63,604 | 66,133 |
| Net debt as at 30 June 2021 | (49,940) | 51,045 | 556,756 | 557,861 |
| Movement in cash and cash equivalents | 1,242 | – | – | 1,242 |
| Movement in car park concession liability | – | – | 2,028 | 2,028 |
| Revaluation of USPP notes | – | – | 8,061 | 8,061 |
| Amortisation of deferred funding expenses | – | – | 319 | 319 |
| Net movement in bank drawings | – | 29,969 | – | 29,969 |
| Movement in lease liabilities | – | 562 | 1,737 | 2,299 |
| Net debt as at 30 June 2022 | (48,698) | 81,576 | 568,901 | 601,779 |

14 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 which are level 3 valuations in the fair value hierarchy. Changes in fair value are recorded in the Income Statement.

Investment property under construction is carried at cost if its fair value is unable to be reliably determined during construction but will be reliably determinable when construction is complete. The NZICC car park is carried at cost on that basis.

| | 2022 | 2021 |
|---|----------------|---------|
| | \$'000 | \$'000 |
| Balance at the beginning of the year | 124,368 | 72,400 |
| Additions | 752 | 937 |
| Net (loss)/gain from fair value adjustment | (5,400) | 7,386 |
| Transfer from property, plant and equipment – NZICC car parks | – | 2,245 |
| Transfer from property, plant and equipment – 86 Federal Street | – | 9,750 |
| Transfer from property, plant and equipment – 99 Albert Street | – | 31,650 |
| Closing balance at 30 June | 119,720 | 124,368 |

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

| | 2022 | 2021 |
|--|---------|---------|
| | \$'000 | \$'000 |
| Rental income | 2,323 | 2,148 |
| Direct operating expenses from property that generated rental income | (2,485) | (2,455) |
| Net (loss)/gain from fair value adjustment | (5,400) | 7,386 |
| | (5,562) | 7,079 |

(b) Investment Properties held at 30 June 2020

With the exception of the NZICC car park (which is referred to below), investment properties were revalued to fair value on 30 June 2022 by CBRE, a registered valuer and member of the New Zealand Institute of Valuers and the Property Institute of New Zealand who have recent experience in the location and category of the property being valued.

At 30 June 2021, the fair value of these investment properties (other than the NZICC car park) was \$95.0 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%.

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

- capitalisation rate – range from 4.25% to 6.25%; and
- passing yield (calculated as net rent divided by fair value) – range from 2.80% to 6.00%.

The 30 June 2021 and 30 June 2022 valuations are sensitive to movements in estimated capitalisation rate and passing yield. If the assumed capitalisation rate increased, or passing yield decreased, fair value would decrease.

(c) NZICC Car Park

As outlined in note 4, under the Car Park Concession Agreement, Macquarie was granted a concession until 2048 over car parks on the SkyCity Auckland main site and the NZICC site. When the Car Park Concession Agreement was brought into effect, approximately 650 car parks on the NZICC site were due to be made available

to Macquarie at a future date. It was initially determined that, when those car parks were made available, the Car Park Concession Agreement in relation to those car parks would be accounted for as a finance lease. However, due to the NZICC fire (note 5), delivery of these car parks has been delayed, with the consequence that the Car Park Concession Agreement in relation to those car parks will now be accounted for as an operating lease, with the underlying car parks classified as investment property.

Initially, \$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 5). No further adjustment has been made in the current year.

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

86 Federal Street

At 30 June 2021, seven floors in the building were reclassified from property, plant and equipment to investment property.

As SkyCity carries its property, plant and equipment under the cost model, and its investment property under the revaluation model, for each floor 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 22), which resulted in an increase of \$4.3 million in the asset revaluation reserve at 30 June 2021 (note 30).

99 Albert Street

At 30 June 2021, six floors in the building, car parks associated with those floors, and ground floor retail spaces, were reclassified from property, plant and equipment to investment property.



Immediately before reclassification, those floors being transferred from property, plant and equipment to investment property were revalued to their fair value, with the revaluation accounted for as a revaluation of property, plant and equipment. This 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).

15 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 23) 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 |
|---|------------------|----------------|
| 2022 | \$'000 | \$'000 |
| Opening Balance | 2,088 | 2,088 |
| Exchange differences | 65 | 65 |
| Transfer to property, plant and equipment (note 22) | (2,248) | (2,248) |
| Transfer to intangible assets (note 23) | 95 | 95 |
| Closing balance | - | - |
| 2021 – RESTATED | | |
| Opening balance | 153,165 | 153,165 |
| Transfer from non-current liabilities (note 16) | 494 | 494 |
| Transfer to property, plant and equipment (note 22) | (143,323) | (143,323) |
| Transfer to intangible assets (note 23) | (2,942) | (2,942) |
| Transfer to right-of-use assets (note 9) | (5,306) | (5,306) |
| Closing balance | 2,088 | 2,088 |

SkyCity Adelaide

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 balance of the SkyCity Adelaide deferred licence value was transferred to property, plant and equipment and intangible assets, due to the construction work having been completed.

16 Non-current Liabilities – Deferred Licence Value

| | AUCKLAND | TOTAL |
|-------------------------------|----------------|----------------|
| 2022 | \$'000 | \$'000 |
| Opening balance | 207,436 | 207,436 |
| Impact of NZICC Fire (note 5) | 12,560 | 12,560 |
| Closing balance | 219,996 | 219,996 |
| 2021 | | |
| Opening balance | 214,972 | 214,972 |
| Impact of NZICC fire (note 5) | (7,536) | (7,536) |
| Closing balance | 207,436 | 207,436 |

SkyCity Auckland

Following the NZICC fire, the damaged portion of the NZICC was disposed of for financial reporting purposes (note 5). As a result of this disposal and the estimates detailed in note 5, \$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.

In the current year as a result of updated damage assessments prepared by RLB, \$12.6 million of the above \$173.3 million adjustment has been reversed (note 5).

These amounts are based on the assessment of the damage from the NZICC fire (note 5) and may materially change as further information becomes available.

17 Income Tax Expense

Accounting Policy

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

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

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

| | 2022 | RESTATED 2021 |
|---|-----------------|------------------|
| | \$'000 | \$'000 |
| (a) Income Tax Expense | | |
| Current tax expense | 4,645 | 33,053 |
| Deferred tax (benefit)/expense | (3,818) | 4,138 |
| Income tax expense | 827 | 37,191 |
| (b) Numerical Reconciliation of Income Tax Expense to Prima Facie Tax (Receivable)/Payable | | |
| (Loss)/Profit from continuing operations before income tax expense | (32,768) | 193,024 |
| Prima facie income tax @ 28% | (9,175) | 54,047 |
| Tax effects of: | | |
| Items not deductible for tax purposes | 2,287 | 3,566 |
| Items non-assessable for tax purposes | (3,150) | (1,865) |
| Differences in overseas tax rates | (3,581) | (2,156) |
| Assets held for sale | (499) | 390 |
| Prior period adjustments | 322 | (1,502) |
| NZICC fire capital (income)/expenses | 10,182 | (8,385) |
| Non-assessable gain on sale | (498) | - |
| Impairment adjustments | 1,746 | - |
| Fair value adjustments | 935 | 2,138 |
| Non-taxable settlement amount | - | (11,060) |
| Controlled foreign company regime | 3,006 | 2,108 |
| Other | (748) | (90) |
| Income tax expense | 827 | 37,191 |



The weighted average applicable tax rate was -2.5% (2021: 19.3%). The weighted average tax rate has been significantly impacted by:

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

Excluding these items, the weighted average tax rate would have been 17.5% (2021: 28.7%).

18 Deferred Tax Assets

| | 2022 | RESTATED 2021 |
|---|---------------|------------------|
| | \$'000 | \$'000 |
| The balance comprises temporary differences attributable to: | | |
| Provisions and accruals | 6,999 | 8,112 |
| Depreciation | (13,607) | (11,463) |
| Foreign exchange variances | 4 | 4 |
| Cash flow hedges | 80 | 453 |
| Lease accounting | 489 | (382) |
| Tax losses | 25,407 | 12,441 |
| Other | - | 575 |
| Net deferred tax assets | 19,372 | 9,740 |
| Movements: | | |
| Balance at beginning of the year | 9,740 | 6,910 |
| Foreign exchange differences | 263 | 21 |
| Charged to the Income Statement (note 17) | 9,742 | 3,088 |
| Tax credited directly to other comprehensive income (note 30) | (373) | (279) |
| Closing balance at 30 June | 19,372 | 9,740 |

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

The Group has recognised a deferred tax asset on tax losses of A\$76.5 million (2021: A\$38.6 million) in relation to Australia as it has determined it is probable that taxable profits will be derived in future periods against which the tax losses can be utilised. As noted in note 23, the Group engaged Deloitte to prepare an independent valuation for the Adelaide cash generating unit for the purposes of impairment testing. A key input into the valuation was the five year forecast which has been adopted by the Board. This forecast of future earnings has been the basis for the assessment that future taxable profit will be available against which the temporary difference can be utilised. It is anticipated based on the five year forecast that tax losses will be fully utilised by the year ending 30 June 2026. The Group reviews future loss utilisation at each reporting date.

19 Deferred Tax Liabilities

| | 2022 | RESTATED 2021 |
|---|---------------|------------------|
| | \$'000 | \$'000 |
| The balance comprises temporary differences attributable to: | | |
| Provisions and accruals | (3,676) | (9,388) |
| Depreciation | 64,314 | 63,622 |
| Lease accounting | (219) | (246) |
| Cash flow hedges | (1,749) | (4,430) |
| Asset revaluation reserve | 1,921 | 1,921 |
| Other | - | 496 |
| Net deferred tax liabilities | 60,591 | 51,975 |
| Movements: | | |
| Balance at beginning of the year | 51,975 | 39,903 |
| Charged to the Income Statement (note 17) | 5,924 | 7,226 |
| Tax debited directly to other comprehensive income (note 30) | 2,681 | 4,846 |
| Transfer out for discontinued operations | 11 | - |
| Closing balance at 30 June | 60,591 | 51,975 |

Deferred tax liabilities relate to the New Zealand operations.

20 Imputation and Franking Credits

| | 2022 | 2021 |
|---|--------|--------|
| | \$'000 | \$'000 |
| Balances available for use in subsequent reporting periods | | |
| Imputation credit account (New Zealand) | 40,292 | 51,601 |
| Franking credit account (Australia) (A\$) | 13,951 | 13,951 |

As required by the Income Tax Act 2007, the imputation credit account had a credit balance as at 31 March 2022.

21 Non-current Liabilities – Lease Income in Advance

| | 2022 | 2021 |
|-------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Lease income in advance | 29,501 | 36,310 |
| | 29,501 | 36,310 |

As detailed in note 14(c), the approximately 650 further NZICC car parks to be delivered as part of the Car Park Concession Agreement will be accounted for as an operating lease when the car parks have been delivered.

The payment received from Macquarie in relation to the Car Park Concession Agreement was allocated between the various car parks that Macquarie was granted a concession to based on their respective fair values.



22 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 fit out | 5–75 years |
| Plant, equipment and motor vehicles | 2–75 years |
| Fixtures and fittings | 3–20 years |

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

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 |
| At 1 July 2020 | | | | | | |
| Cost | 211,738 | 783,956 | 391,221 | 126,345 | 739,242 | 2,252,502 |
| Accumulated depreciation and impairment | – | (326,492) | (299,569) | (97,539) | – | (723,600) |
| Net book amount | 211,738 | 457,464 | 91,652 | 28,806 | 739,242 | 1,528,902 |
| Year Ended 30 June 2021 | | | | | | |
| 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/disposals | – | 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 15) | – | (107,113) | (21,956) | (14,254) | – | (143,323) |
| Transfer to investment properties – 86 Federal Street (note 14) | (1,674) | (3,765) | – | – | – | (5,439) |
| Transfer to investment properties – 99 Albert Street (note 14) | (15,262) | (11,944) | – | – | – | (27,206) |
| Transfer to investment properties – NZICC car parks (note 14) | – | – | – | – | (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) |
| Impairment (note 6) | (8,834) | – | – | – | – | (8,834) |
| Closing net book amount | 185,968 | 648,942 | 123,913 | 52,523 | 359,416 | 1,370,762 |

| At 30 June 2021 | | | | | | |
|---|----------------|----------------|----------------|---------------|----------------|------------------|
| Cost | 185,968 | 1,001,903 | 445,398 | 159,320 | 359,416 | 2,152,005 |
| Accumulated depreciation and impairment | – | (352,961) | (321,485) | (106,797) | – | (781,243) |
| Net book amount | 185,968 | 648,942 | 123,913 | 52,523 | 359,416 | 1,370,762 |
| Year Ended 30 June 2022 | | | | | | |
| Opening net book amount | 185,968 | 648,942 | 123,913 | 52,523 | 359,416 | 1,370,762 |
| Exchange differences | – | 7,308 | 1,441 | 788 | 441 | 9,978 |
| Net additions/transfers/disposals | – | 1,770 | 18,339 | 1,290 | 102,163 | 123,562 |
| Adelaide expansion | – | 1,446 | 1,832 | 473 | (3,751) | – |
| Transfer of Adelaide deferred licence (note 15) | – | (1,093) | (891) | (264) | – | (2,248) |
| Impairment (note 6) | (1,846) | (1,057) | – | – | – | (2,903) |
| Assets held for sale (note 27) | (16,370) | – | – | – | 1,120 | (15,250) |
| NZICC fire adjustment | – | – | – | – | 34,270 | 34,270 |
| Depreciation charge | – | (28,895) | (36,500) | (10,096) | – | (75,491) |
| Closing net book amount | 167,752 | 628,421 | 108,134 | 44,714 | 493,659 | 1,442,680 |
| At 30 June 2022 | | | | | | |
| Cost | 167,752 | 996,587 | 402,639 | 146,724 | 493,659 | 2,207,361 |
| Accumulated depreciation and impairment | – | (368,166) | (294,505) | (102,010) | – | (764,681) |
| Net book amount | 167,752 | 628,421 | 108,134 | 44,714 | 493,659 | 1,442,680 |

(a) Capitalised Borrowing Costs

Borrowing costs of \$1.2 million have been capitalised in the current year relating to capital projects (2021: \$7.8 million) using the Group's weighted average cost of debt of 4.51% across the year (2021: 5.68%).

(b) Transfers to Investment Property

86 Federal Street

In 2021, 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 three floors that remained classified as property, plant and equipment.

In 2022, there was no change in carrying value of the three floors that remained classified as property, plant and equipment.

99 Albert Street

In 2021, 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.

In 2022, an impairment of buildings of \$1.1 million was recognised for floors that had a valuation lower than their carrying value.

(c) Capitalisation of Adelaide Expansion

In the current year, minor works were undertaken to complete the Adelaide casino expansion and hotel development. As a result, the remaining capital work in progress was capitalised in the Group's fixed asset register and allocated to the appropriate asset categories. This includes the allocation of the Adelaide Deferred Licence Value of \$2.2 million (2021: \$151.7 million) A\$1.9 million (2021: A\$141.2 million) (note 15).

(d) Encumbrances

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

A further encumbrance records the Council's interest in relation to the 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 agreement between the Crown and the Group for the construction of the NZICC (**NZICC Agreement**),



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

23 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 that are not SaaS arrangements 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 Regulatory Reforms

The Group's casino licences that have:

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

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

Regulatory reforms granted by a government that are specific to the Group are accounted for as intangible assets arising from a government grant. 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.

The Queenstown Wharf casino has remained closed since 23 March 2020 (at the commencement of the first COVID-19 lockdown in New Zealand) due to the detrimental effect on the local Queenstown economy from the COVID-19 pandemic's ongoing impacts on the international tourism market. In the current period, the Queenstown Wharf casino licence was fully impaired (which resulted in the recognition of an impairment loss of \$4.4 million) due to management's decision not to reopen the Queenstown Wharf casino in the foreseeable future.

| | GOODWILL | CASINO LICENCES | COMPUTER SOFTWARE | GAMING MACHINE ENTITLEMENTS | TOTAL |
|---|----------|-----------------|-------------------|-----------------------------|-----------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At 30 June 2020 (RESTATED) | | | | | |
| Cost | 37,694 | 777,118 | 126,142 | – | 940,954 |
| Accumulated amortisation | – | (225,281) | (85,081) | – | (310,362) |
| Net book amount | 37,694 | 551,837 | 41,061 | – | 630,592 |
| Movements in the Year Ended 30 June 2021 | | | | | |
| Exchange differences | – | 453 | 9 | – | 462 |
| Additions | – | – | 5,660 | – | 5,660 |
| Adelaide expansion | – | – | 5,538 | 3,088 | 8,626 |
| Transfer of Adelaide deferred licence (note 15) | – | – | (1,677) | (1,265) | (2,942) |
| Assets classified as held for sale | (1,908) | – | (20) | – | (1,928) |
| Amortisation charge | – | (2,629) | (10,703) | (73) | (13,405) |
| Closing net book amount | 35,786 | 549,661 | 39,868 | 1,750 | 627,065 |
| At 30 June 2021 (RESTATED) | | | | | |
| Cost | 35,786 | 778,303 | 135,611 | 1,823 | 951,523 |
| Accumulated amortisation | – | (228,642) | (95,743) | (73) | (324,458) |
| Net book amount | 35,786 | 549,661 | 39,868 | 1,750 | 627,065 |
| Movements in the Year Ended 30 June 2022 | | | | | |
| Exchange differences | – | 4,238 | 235 | 49 | 4,522 |
| Additions | – | – | 9,822 | – | 9,822 |
| Adelaide expansion | – | – | (16) | – | (16) |
| Transfer of Adelaide deferred licence (note 15) | – | – | 95 | – | 95 |
| Impairment charge | – | (4,390) | – | – | (4,390) |
| Amortisation charge | – | (2,622) | (10,455) | (124) | (13,201) |
| Closing net book amount | 35,786 | 546,887 | 39,549 | 1,675 | 623,897 |
| At 30 June 2022 | | | | | |
| Cost | 35,786 | 785,310 | 132,656 | 1,879 | 955,631 |
| Accumulated amortisation | – | (238,423) | (93,107) | (204) | (331,734) |
| Net book amount | 35,786 | 546,887 | 39,549 | 1,675 | 623,897 |



| 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 NZICC Agreement, 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 (2021: \$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 (ALA)) dated October 1999 (as amended). Unless terminated earlier, the expiry date of the ALA is 30 June 2085. The term of the ALA can be renewed for a further fixed term pursuant to section 9 of the Casino Act 1997 (SA). The carrying value of the casino licence is amortised over the life of the ALA.</p> <p>The casino licence and associated regulatory reforms asset are amortised over 20 years or 71 years depending on whether the incremental benefit is associated with the exclusivity period or the full licence period.</p> <p>The carrying value of the casino licence is A\$128.1 million (2021: A\$130.6 million) (NZ\$141.9 million and NZ\$140.3 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 \$0.0 million (2021: \$4.4 million).</p> |

(a) Software as a Service Arrangements

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 SaaS arrangements must be expensed unless they:

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

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

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

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

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

The primary impacts of the change in accounting policy are:

- a net reduction in intangible assets of \$18.9 million at 1 July 2020 and \$19.3 million at 30 June 2021;
- a net decrease in profit after income tax of \$0.3 million at 30 June 2021; and
- a decrease in net operating cash inflows of \$3.4 million at 30 June 2021 (offset by an equal decrease in net investing cash outflows at the same date).

| | PREVIOUSLY REPORTED | ADJUSTMENT | RESTATED |
|--|------------------------|-----------------|------------------|
| | \$'000 | \$'000 | \$'000 |
| STATEMENT OF FINANCIAL POSITION | | | |
| Balances as at 1 July 2020 | | | |
| Intangible assets | 649,531 | (18,939) | 630,592 |
| Deferred tax asset | 6,877 | 33 | 6,910 |
| Deferred tax liability | (45,175) | 5,272 | (39,903) |
| Net assets | 1,434,607 | (13,634) | 1,420,973 |
| Retained earnings | 179,641 | (13,634) | 166,007 |
| Total equity | 1,434,607 | (13,634) | 1,420,973 |

| | PREVIOUSLY REPORTED | ADJUSTMENT FOR FY20 | ADJUSTMENT FY21 | RESTATED |
|------------------------------------|------------------------|------------------------|--------------------|----------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| INCOME STATEMENT | | | | |
| Balances as at 30 June 2021 | | | | |
| ICT related expenses | (15,835) | (3,400) | (19,235) | |
| Depreciation and amortisation | (89,519) | 2,963 | (86,556) | |
| Profit before income tax | 193,460 | (436) | 193,024 | |
| Income tax expense | (37,334) | 143 | (37,191) | |
| Profit after income tax | 156,126 | (293) | 155,833 | |

| | PREVIOUSLY REPORTED | OPENING ADJUSTMENT FOR FY20 | ADJUSTMENT FY21 | RESTATED |
|--|------------------------|-----------------------------------|--------------------|------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| STATEMENT OF FINANCIAL POSITION | | | | |
| Balances as at 30 June 2021 | | | | |
| Intangible assets | 646,326 | (18,939) | (322) | 627,065 |
| Deferred tax asset | 9,344 | 33 | 363 | 9,740 |
| Deferred tax liability | (57,031) | 5,272 | (216) | (51,975) |
| Deferred licence value | (1,963) | - | (125) | (2,088) |
| Net assets | 1,651,018 | (13,634) | (300) | 1,637,084 |
| Retained earnings | 335,767 | (13,634) | (293) | 321,840 |
| Other equity balances | (22,972) | - | (7) | (22,979) |
| Total equity | 1,651,018 | (13,634) | (300) | 1,637,084 |



| | PREVIOUSLY REPORTED | ADJUSTMENT FY21 | RESTATED |
|--|---------------------|-----------------|------------------|
| STATEMENT OF CASH FLOWS | \$'000 | \$'000 | \$'000 |
| Balances as at 30 June 2021 | | | |
| Payments to suppliers and employees | (397,713) | (3,400) | (401,113) |
| Net cash inflow from operating activities | 288,185 | (3,400) | 284,785 |
| Purchased intangible assets | (5,799) | 3,400 | (2,399) |
| Net cash out flow from investing activities | (254,979) | 3,400 | (251,579) |

In the current period, if the previous policy had been retained, \$0.9 million of software configuration and customisation costs would have been capitalised to intangible assets and \$2.7 million of amortisation would have been expensed. However, under the new accounting policy, the \$0.9 million of configuration and customisation costs were expensed as incurred and amortisation on assets previously capitalised not recognised, as those assets had been derecognised at the beginning of the current period (i.e. 1 July 2021). As a result of this change in policy, income tax expense decreased and deferred tax liability increased by \$0.5 million respectively and loss for the period decreased by \$1.3 million.

(b) 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 |
| 2022 | | | | |
| Goodwill | – | – | 35,786 | 35,786 |
| Casino licence | 405,000 | – | – | 405,000 |
| Total | 405,000 | – | 35,786 | 440,786 |
| 2021 | | | | |
| Goodwill | – | – | 35,786 | 35,786 |
| Casino licence | 405,000 | 4,391 | – | 409,391 |
| Total | 405,000 | 4,391 | 35,786 | 445,177 |

* SkyCity Hamilton and SkyCity Wharf are included within the "Other NZ Operations" segment in note 2.

Other than SkyCity Wharf, 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 SkyCity Wharf 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.

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

| | EBITDA MARGIN | | TERMINAL GROWTH RATE | | PRE-TAX DISCOUNT RATE | |
|------------------|---------------|-------|----------------------|------|-----------------------|-------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| SkyCity Auckland | 29.7% | 40.8% | 2.5% | 2.0% | 13.9% | 11.5% |
| SkyCity Hamilton | 43.5% | 47.9% | 2.5% | 2.0% | 13.9% | 11.5% |

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.

(d) Impairment Review of the Adelaide Casino Licence

In the 2020 financial year the Group engaged Deloitte to independently determine the recoverable amount of the Adelaide cash generating unit (CGU), for the purposes of determining whether the SkyCity Adelaide casino licence was impaired. This valuation resulted in a A\$150 million impairment of the SkyCity Adelaide casino licence. In 2021 another independent valuation was obtained from Deloitte, but this did not result in the recognition of further impairment, or the reversal of previously recognised impairment. In the current year Deloitte was again engaged to independently determine the recoverable amount of the Adelaide CGU 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 (which is a level 3 measurement in the fair value hierarchy). The valuation resulted in a range - taking the midpoint of the range implies an impairment reversal of A\$2.9 million (NZ\$3.2 million) (with the low end of the range being an increase in impairment of A\$17.4 million (NZ\$19.3 million) and the high end of the range being a reversal in impairment of A\$25.6 million (NZ\$28.4 million)).

The valuation of the CGU is highly sensitive to changes in earnings estimates. The unknown future impact of COVID-19, regulatory matters and customer responses to enhancements in the SkyCity Adelaide AML/CTF Program, create a heightened level of uncertainty that makes forecasting challenging. Small changes in assumptions could lead to an increase in, or a reversal of, impairment of the CGU. Given these uncertainties, management determined that the current period valuation did not warrant an increase in, or a reversal of, the impairment recognised in 2020 on the SkyCity Adelaide casino licence of A\$150 million.

The 2021 and 2022 independent valuations were based on the following key estimates:

- compound annual EBITDA growth rate from 2023 to 2027 = 10.2% (2021: 2022 to 2026 = 8.2%);
- terminal growth rate = 2.5% (2021: 2.0%); and
- discount rate = 11.0% (2021: 10.8%).

EBITDA Growth

Determining an appropriate growth rate has been made difficult by the impact of COVID 19 on the current and prior periods' results and its expected impact on future years. Given the Adelaide expansion has not been able to operate at full capacity for the majority of the time since opening (December 2020) due to COVID-19 restrictions, a significant initial EBITDA uplift is expected over financial years 2023 and 2024. 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 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 and regulatory reviews, 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/decrease of 5.0% would lead to an increase/decrease in the enterprise value of approximately A\$23 million (2021: an increase/decrease of 5.0% would have led to a variance in enterprise value of A\$26 million);
- a 0.5% increase in terminal growth rate (to 3.0%) would lead to an increase in the enterprise value of approximately A\$20 million (2021: an increase of 0.5% would have led to an increase in enterprise value of approximately A\$19 million), while a decrease in terminal growth rate of 0.5% (to 2.0%) would lead to a decrease in the enterprise value of approximately A\$18 million (2021: a decrease of 0.5% would have decreased the enterprise value by A\$17 million); and
- a 0.5% increase in the discount rate (to 11.5%) would lead to a decrease in the enterprise value of A\$21 million (2021: A\$21 million), while a decrease in discount rate of 0.5% (to 10.5%) would lead to an increase in the enterprise value of A\$23 million (2021: A\$24 million).



The valuation assumes no repeat of the previous COVID-19 lockdown in Adelaide, which is a key judgement and assumption.

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 2020. Decreases in the fair value less costs of disposal may result in the recognition of an additional impairment charge.

24 Investments in Associates

On 1 April 2022, the Group made an equity investment of €25 million (NZ\$42.1 million) in GiG, in return for which GiG issued 13,487,500 ordinary shares to SkyCity. These shares represent approximately 11.0% of GiG's equity and voting rights. The investment includes notional goodwill of €23.6 million (NZ\$39.7 million). Under the terms of the share purchase agreement, SkyCity also gained entitlement to appoint a director to GiG. That director appointment was made on 4 April 2022.

Although the Group holds less than 20% of the equity shares of GiG, the Group exercises significant influence by virtue of its contractual right to appoint a director to GiG's Board, which gives the Group the power to participate in the financial and operating policy decisions of GiG.

GiG is a European-based online gaming platform provider and media services operator that is listed on the Oslo and Stockholm stock exchanges. As outlined in note 3, the Group earns revenue from an online casino using technology developed by GiG and under a Malta gaming licence held by Silvereye Entertainment Limited (a subsidiary of GiG).

SkyCity's investment in GiG supported the funding of GiG's acquisition of France-Pari/Sportnco (**Sportnco**). Sportnco is a European-based business-to-business online sports and player account management provider, licensed in regulated and high-growth markets globally.

The carrying value of SkyCity's investment in GiG is:

| | 2022 | 2021 |
|----------------------|--------|--------|
| | \$'000 | \$'000 |
| Shares in associates | 42,136 | - |

Due to the timing of GiG's quarterly results releases, the Group's investment in GiG is accounted for using information to 31 March.

At 31 March 2022, GiG has:

- total current assets of €35.7 million;
- total non-current assets of €60.6 million;
- total current liabilities of €25.9 million; and
- total non-current liabilities of €57.2 million.

As at 30 June 2022, the fair value of the Group's interest in GiG, which is listed on the Oslo Stock Exchange, was €21.1 million (NZ\$35.5 million). Although the fair value of the investment is below cost at the reporting date, management has determined that the investment is not impaired, principally because GiG has demonstrated strong revenue and earnings growth in the last two years and is targeting continued organic revenue growth and because the movement in its share price reflects general market fluctuations.

25 Receivables and Prepayments

Accounting Policy

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

| | 2022 | 2021 |
|--|---------------|---------|
| | \$'000 | \$'000 |
| Net trade receivables | | |
| Trade receivables (gross) | 10,827 | 13,606 |
| Impairment | (4,543) | (6,206) |
| Trade receivables (net) | 6,284 | 7,400 |
| Sundry receivables | 1,776 | 1,898 |
| Prepayments | 17,766 | 24,107 |
| Total receivables and prepayments | 25,826 | 33,405 |

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

26 Cash and Cash Equivalents

| | 2022 | 2021 |
|-------------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Cash at bank | 8,779 | 15,537 |
| Cash in house | 39,919 | 34,403 |
| Total cash and bank balances | 48,698 | 49,940 |

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.

| | 2022 | 2021 |
|---------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Land | 24,492 | 8,965 |
| Buildings | 2,151 | 2,359 |
| Plant and equipment | 3 | 265 |
| Intangibles | - | 1,928 |
| Total | 26,646 | 13,517 |

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

During the current period, the sale of Lets Play Live Media, which was classified as held for sale at 30 June 2021, was completed and a gain on sale of \$1.8 million was recognised as other income (note 4). The consideration received for the sale included \$2.0 million of convertible notes issued by the acquirer, which are recognised as other non-current assets.

The Queenstown land has been classified as held for sale in the current period and has been written down to fair value less the costs of disposal, which has resulted in an impairment loss of \$1.8 million being recognised in the Income Statement. Fair value was measured on a comparable sales basis by Bower Valuations Limited, which has recent experience in the location and category of the property being valued.

At the reporting date, the Little Mindil site in Darwin was subject to a sale and purchase agreement and the purchaser had partially paid the purchase price. Subsequent to the reporting date, the balance of the purchase price was received on 27 July 2022, and on 10 August title was transferred to the purchaser and the asset was derecognised (note 39).

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.



| | 2022 | 2021 |
|--------------------------------------|----------------|----------------|
| | \$'000 | \$'000 |
| Trade payables | 21,128 | 29,541 |
| Deferred income | 21,899 | 13,833 |
| Accrued expenses | 67,733 | 57,341 |
| Employee benefits | 45,227 | 52,077 |
| NZICC obligation (note 5) | 30,487 | 36,496 |
| Other provisions | 725 | 10,877 |
| Total payables and provisions | 187,199 | 200,165 |

Other provisions primarily relate to the repayment of the New Zealand Government wage subsidy and Australian JobKeeper Payments (for 2021) (note 6).

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

29 Share Capital

| | 2022 | 2021 | 2022 | 2021 |
|---|--------------------|--------------------|------------------|------------------|
| | Shares | Shares | \$'000 | \$'000 |
| Opening balance of ordinary shares issued | 760,205,209 | 739,196,806 | 1,338,223 | 1,288,287 |
| Share rights issued for employee services | - | - | 2,292 | 3,253 |
| Net issue of treasury shares | - | - | 41 | (2,054) |
| Equity raising | - | 21,008,403 | - | 48,737 |
| | 760,205,209 | 760,205,209 | 1,340,556 | 1,338,223 |

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

Included within the number of shares is 2,697,338 treasury shares (2021: 3,394,058) 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 (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

In the prior period a 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

| | 2022 | 2021 |
|--------------------------------------|----------------|-----------------|
| | \$'000 | \$'000 |
| Reserves | | |
| Asset revaluation reserve | 12,770 | 12,770 |
| Hedging reserve – cash flow hedges | (4,564) | (12,058) |
| Foreign currency translation reserve | (11,797) | (22,478) |
| Cost of hedging reserve | (854) | (1,213) |
| Total reserves | (4,445) | (22,979) |

| | 2022 | 2021 |
|---|-----------------|-----------------|
| | \$'000 | \$'000 |
| Movements | | |
| Asset Revaluation Reserve | | |
| Opening balance | 12,770 | 5,936 |
| Revaluation | – | 8,755 |
| Deferred tax | – | (1,921) |
| Closing balance | 12,770 | 12,770 |
| Hedging Reserve – Cash Flow Hedges | | |
| Opening balance | (12,058) | (19,913) |
| Revaluation | 13,777 | (24,859) |
| Transfer to net profit - finance costs (net) | (3,369) | 35,790 |
| Deferred tax | (2,914) | (3,076) |
| Closing balance | (4,564) | (12,058) |
| Foreign Currency Translation Reserve | | |
| Opening balance | (22,478) | (17,802) |
| Exchange difference on translation of overseas subsidiaries | 10,681 | (4,676) |
| Closing balance | (11,797) | (22,478) |
| Cost of Hedging Reserve | | |
| Opening balance | (1,213) | (1,542) |
| Revaluations | 37 | (6) |
| Transfer to finance costs | 462 | 463 |
| Deferred tax | (140) | (128) |
| Closing balance | (854) | (1,213) |

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 remeasured 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:

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

Fair Value Hedge

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

Cash Flow Hedge

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

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

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



Derivatives that do not Qualify for Hedge Accounting

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

| | 2022 | 2021 | 2022 | 2021 |
|--|--------------------------|--------------------------|----------------------|----------------------|
| | \$'000 Notional Value | \$'000 Notional Value | \$'000 Fair Value | \$'000 Fair Value |
| Current Assets | | | | |
| Interest rate swaps – cash flow hedges | 50,000 | – | 200 | – |
| Forward foreign exchange contracts | 20,946 | 30,826 | 163 | 156 |
| Total current derivative financial instrument assets | 70,946 | 30,826 | 363 | 156 |
| Non-current Assets | | | | |
| Interest rate swaps – cash flow hedges | 80,000 | – | 1,134 | – |
| Cross currency interest rate swaps – cash flow hedges* | 160,927 | 142,898 | 10,464 | 4,109 |
| Total non-current derivative financial instrument assets | 240,927 | 142,898 | 11,598 | 4,109 |
| Current Liabilities | | | | |
| Forward foreign currency contracts | 51,943 | – | 12 | – |
| Total current derivative financial instrument liabilities | 51,943 | – | 12 | – |
| Non-current Liabilities | | | | |
| Interest rate swaps – cash flow hedges | – | 130,000 | – | 7,528 |
| Total non-current derivative financial instrument liabilities | – | 130,000 | – | 7,528 |
| Total net derivative financial instruments | | | 11,949 | (3,263) |

*A component of the interest margin in US\$100.0 million of these cross currency interest rate swaps (CCIRS) 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. 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 USPP funding denominated in that currency.

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

The Group's exposure to the US dollar (refer to the USPP notes detailed in note 11) has been fully hedged by way of CCIRS, hedging US dollar exposure on both principal and interest. The CCIRS correspond in amount and maturity to the US dollar borrowings with no residual US dollar exposure.

(ii) Interest Rate Risk

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

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

As the Group has no significant interest bearing assets, the Group's 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+ (S&P) 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 5). 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 11.

| | 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 |
| 30 June 2022 | | | | | | |
| Bank facility | – | 160,730 | 115,000 | 115,000 | – | 390,730 |
| USPP | – | – | – | 157,471 | 72,401 | 229,872 |
| New Zealand bonds | – | – | – | 175,000 | – | 175,000 |
| Car park concession liability | – | – | – | – | 49,195 | 49,195 |
| Lease liabilities | 1,764 | 1,812 | 3,947 | 14,444 | 99,139 | 121,106 |
| Total committed debt facilities | 1,764 | 162,542 | 118,947 | 461,915 | 220,735 | 965,903 |
| Total drawn debt | 1,751 | 79,798 | 3,917 | 346,809 | 220,278 | 652,553 |
| Future contracted interest on drawn debt | 8,043 | 7,562 | 15,291 | 30,704 | 2,594 | 64,194 |
| Future interest of lease liabilities | 3,155 | 3,133 | 6,142 | 17,171 | 300,966 | 330,567 |
| Future contracted interest on CCIRS/IRS | 427 | 522 | 1,053 | 560 | – | 2,562 |
| Total drawn debt and derivatives | 13,376 | 91,015 | 26,403 | 395,244 | 523,838 | 1,049,876 |



| | 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 |
| 30 June 2021 | | | | | | |
| Bank facility | – | 360,752 | 85,000 | 85,000 | – | 530,752 |
| USPP | – | – | – | 151,580 | 70,231 | 221,811 |
| New Zealand bonds | – | – | – | – | 175,000 | 175,000 |
| Car park concession liability | – | – | – | – | 47,167 | 47,167 |
| Lease liabilities | 1,400 | 1,615 | 3,457 | 11,513 | 100,822 | 118,807 |
| Total committed debt facilities | 1,400 | 362,367 | 88,457 | 248,093 | 393,220 | 1,093,537 |
| Total drawn debt | 1,400 | 49,645 | 3,457 | 163,092 | 393,221 | 610,815 |
| Future contracted interest on drawn debt | 7,280 | 7,157 | 14,433 | 36,096 | 10,769 | 75,735 |
| Future interest of lease liabilities | 1,702 | 1,453 | 2,567 | 5,557 | 329,625 | 340,904 |
| Future contracted interest on CCIRS/IRS | 1,101 | 1,083 | 1,626 | 1,040 | – | 4,850 |
| Total drawn debt and derivatives | 11,483 | 59,338 | 22,083 | 205,785 | 733,615 | 1,032,304 |

(d) Fair Value Estimation

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

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

Specific valuation techniques used to value financial instruments include:

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

Further details on derivatives are provided in note 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:

| | 2022 | 2021 |
|----------------------|--------------|-------|
| Gearing ratio | 4.6 x | 2.3 x |
| Interest cover ratio | 3.8 x | 6.2 x |

Ratios for 2022 have been significantly distorted due to the impact of COVID-19 on 2022 EBITDA due to closures.

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 reporting date, the Company revises its estimates of the number of shares expected to be distributed. It recognises the impact of the revision of original estimates, if any, in the Income Statement, and a corresponding adjustment to equity over the remaining vesting period.

Current Plans

Executive Long Term Incentive 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 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 2022, the interest-free loans relating to the LTI Plan total \$3,889,982 (2021: \$7,152,885).

2021 Chief Executive Officer Incentive Shares (CEO Plan)

Under the terms of his employment agreement, the CEO will be issued 157,347 ordinary SkyCity shares on 16 November 2022. There are no performance targets associated with these shares (other than continued employment during the period from his commencement date to November 2022). 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.

CEO Restricted Share Rights (CEO RSR Grant)

On 21 December 2021 a one-off issue of restricted share rights (**RSRs**) was granted to the CEO. This grant is subject to the rules of the SkyCity Restricted Share Rights Plan, as amended by the specific terms of the CEO RSR Grant.

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

- 8 September 2024 in respect of 50% of the RSRs; and/or
- 8 September 2025 in respect of the remaining 50% of the RSRs.

Each vested RSR may be exercised on or before the termination date (being 8 September 2026) by paying the exercise price of NZ\$3.237 per RSR, as reduced by the aggregate cash amount per share of any dividends paid by the Company between 8 September 2021 and the relevant date of exercise of the RSR. No dividends will be paid on the RSRs.

Performance Incentive Plan (PIP)

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

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

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

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

These RSRs will be issued to staff after the finalisation of the Group's results.

2018 SkyCity Restricted Share Rights Plan (2018 RSR Plan)

A prior plan, the 2018 Short Term Incentive Plan, was replaced with the 2018 RSR Plan for 116 staff, with RSRs 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 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.



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 |
| 2022 | | | | | | |
| LTI Plan | | | | | | |
| 23/08/17 | 23/08/21 | 750,883 | - | - | (750,883) | - |
| 22/08/18 | 22/08/21 | 376,019 | - | (62,670) | (313,349) | - |
| 28/08/19 | 28/08/22 | 420,418 | - | - | - | 420,418 |
| 17/09/20 | 17/09/23 | 556,986 | - | - | - | 556,986 |
| 08/09/21 | 08/09/24 | - | 233,805 | - | - | 233,805 |
| CEO Plan | | | | | | |
| 16/11/20 | 16/11/21 | 166,003 | - | (166,003) | - | - |
| 16/11/21 | 16/11/22 | - | 157,347 | - | - | 157,347 |
| CEO RSR Plan | | | | | | |
| 08/09/21 | 08/09/26 | - | 3,947,368 | - | - | 3,947,368 |
| PIP | | | | | | |
| 06/09/19 | 06/09/21 | 459,327 | - | (459,327) | - | - |
| 10/09/19 | 10/09/21 | 8,720 | - | (8,720) | - | - |
| 07/09/21 | 07/09/23 | - | 688,834 | - | (22,742) | 666,092 |
| 07/09/21 | 07/09/23 | - | 122,860 | - | (19,358) | 103,502 |
| Total | | 2,738,356 | 5,150,214 | (696,720) | (1,106,332) | 6,085,518 |
| 2021 | | | | | | |
| LTI Plan | | | | | | |
| 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 |
| CEO Plan | | | | | | |
| 16/11/20 | 16/11/21 | - | 166,003 | - | - | 166,003 |
| 2018 RSR Plan | | | | | | |
| 11/09/18 | 01/07/20 | 1,808,708 | - | (1,808,708) | - | - |
| PIP | | | | | | |
| 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 |
| Total | | 4,966,066 | 808,070 | (2,335,499) | (700,281) | 2,738,356 |

The weighted average remaining contractual life of rights outstanding at the end of the period was 3.08 years (2021: 0.74 years).

Fair Values

Fair Value of Share Rights Granted (LTI Plan)

The assessed fair value at grant date of the rights granted on 8 September 2021 was \$1.40 (17 September 2020 was \$0.96). This was calculated using the single index model by Ernst & Young Transaction Advisory Services Limited.

The valuation inputs for the rights granted on 8 September 2021 included:

- rights are granted for no cash consideration;
- exercise price: nil (17 September 2020: nil); and
- share price at grant date: \$3.24 (17 September 2020: \$2.94).

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 (CEO Plan)

The assessed fair value at grant date of the incentive shares at 16 November 2021 was \$2.53 (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 2021 included:

- rights granted for no cash consideration;
- exercise price: nil; and
- share price at grant date: \$3.18 (16 November 2020: \$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 Chief Executive Restricted Share Rights (CEO RSR Grant)

The assessed fair value at grant date of the rights granted on 21 December 2021 was \$0.76. This was calculated using the Black Scholes model by Ernst & Young Transaction Advisory Services Limited.

The valuation inputs for the rights granted on 21 December 2021 included:

- rights are granted for no consideration;
- exercise price: \$3.24 per RSR pre-adjustments for cash dividends paid throughout the period; and
- share price at grant date: \$3.00.

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

Fair Value of SkyCity Deferred Share Rights (PIP Plan)

The assessed value of each 2021 right was determined by Ernst & Young Transaction Advisory Services Limited. RSRs vesting one year after year end were valued at \$2.84 and RSRs vesting two years after year end were valued at \$2.57. No RSRs were issued in respect of the year ended 30 June 2020.

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:

| | 2022 | 2021 |
|--|--------|--------|
| | \$'000 | \$'000 |
| Rights issued under share rights plans | 2,292 | 3,253 |



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 |
| 2022 | 8,087 | - | 851 | 8,938 |
| 2021 | 11,618 | 1,456 | 1,424 | 14,498 |

(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 \$8,769 (2021: \$88,855) were paid to incoming Directors, for the period from 20 June to 30 June 2022 (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 (2021: Nil).

(c) Subsidiaries

Interests in subsidiaries are set out in note 35.

(d) Associates

As outlined in note 24, the Group acquired an associate, GiG, on 1 April 2022. As outlined in note 3, the Group also earns revenue from online gaming under a gaming licence held by GiG. From 1 April to 30 June 2022, the Group earned €2.4 million (NZ\$4.0 million) from online gaming under the gaming licence held by GiG. At 30 June 2022, the Group has a receivable of €1.4 million (NZ\$2.3 million) from GiG in relation to online gaming.

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):

| | | | 2022 | 2021 |
|--|----------------|----------|------|------|
| | | | % | % |
| 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% |
| 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% |
| LPL Media Pty Limited | Australia | Ordinary | – | 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

Car Parks

As outlined in note 4, the Car Park Concession Agreement provides Macquarie with a long-term concession over the car parks on the SkyCity Auckland main site and the NZICC site, for the consideration of \$220 million.

If SkyCity is unable to hand over the car parks on the NZICC site to Macquarie by 22 October 2022 due to the damage caused by the NZICC fire, Macquarie has the option to terminate the Car Park Concession Agreement. In the event Macquarie chooses to exercise this option, this would result in the Car Park Concession Agreement being terminated and SkyCity taking back the operation of all of the car parks under the concession agreement, in return for a consideration determined by a methodology and process detailed in the Car Park Concession Agreement.

SkyCity is engaging with Macquarie on this matter. To date, Macquarie has not indicated whether it will exercise the termination option that may crystallise on 22 October 2022 in the likely event that the car parks on the NZICC site are not handed over to them by this date. Due to this uncertainty, no provision has been recognised at 30 June 2022. If Macquarie chooses to exercise the termination option, all costs and/or losses incurred by SkyCity because of the termination will be assessed for recovery from the NZICC Contractor.

Regulators

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

(i) AUSTRAC Enforcement Investigation

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

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

management of customers identified as high risk and politically exposed persons for the periods of 1 July 2015 to 30 June 2016 and 1 July 2018 to 30 June 2019.

AUSTRAC has not yet indicated that it has made a decision regarding the appropriate regulatory response that it may apply to SkyCity Adelaide Pty Ltd, including whether enforcement action will be taken. If any enforcement action is taken, this could result in a significant financial penalty, however SkyCity Adelaide Pty Ltd considers that it is not yet possible to reliably estimate a potential financial penalty and accordingly no provision has been raised in respect of these matters. SkyCity Adelaide Pty Ltd regards the matters raised by AUSTRAC with the utmost seriousness and, in June 2021, appointed an independent expert to conduct a comprehensive review of its AML/CTF Program and broader AML function which, together with SkyCity Adelaide Pty Ltd's own internal review, is aimed at putting in place a comprehensive enhancement programme to address issues in, and improve more generally, the quality of its AML/CTF Program and AML function.

Judgments in civil penalty proceedings brought by AUSTRAC to date demonstrate that the Federal Court's determination of the appropriate penalty (where contraventions are admitted or established) is very specific to the facts in each case. The Court will have regard to all relevant matters in determining an appropriate penalty, including the nature and extent of any contravention(s), loss and damage suffered as a result of any contravention(s), steps taken to improve existing systems, and relative size and financial position of the business.

(ii) Independent Review

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

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

Mr Martin is due to report back to the South Australian Liquor and Gambling Commissioner by 1 February 2023. Prior to this report back occurring, it is not possible to determine what penalties, if any, might be applied to SkyCity Adelaide Pty Ltd.

(iii) Casino Duty

SkyCity Adelaide Pty Ltd has had an ongoing contractual dispute with Revenue South Australia concerning the interpretation of the Casino Duty Agreement (**CDA**) in relation to the treatment of loyalty points converted to gaming machine play and the deduction of loyalty points earned for the purpose of calculating casino duty at the SkyCity Adelaide casino. Both parties have agreed to seek declaratory relief from the South Australian Courts as to the proper construction of the CDA to determine the correct interpretation on both issues. Proceedings are expected to commence in the 2023 financial year. As Revenue South Australia and SkyCity Adelaide Pty Ltd have agreed to seek a Court ruling on the matter, and proceedings have not yet commenced no provision has been raised in respect of these matters as there is no present obligation. An unfavourable ruling could result in additional casino duty being payable, however as potential Court rulings on either issue could produce a range of positive or negative outcomes SkyCity Adelaide Pty Ltd considers it is not possible to reliably estimate the potential financial outcome.

(b) Contingent Assets

As detailed in note 5, while the insurers have confirmed that SkyCity's Contracts Works Insurance policy will respond in relation to the damage caused by the fire, the final insurance recovery will be dependent on the final view of the insurers as the claims are presented and no final insurance recovery has been confirmed at this stage. There are further remediation costs for which policy coverage has not yet been confirmed by the insurers and therefore for which the recoverability has not been assessed to be virtually certain.

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

The Group has identified \$68.7 million (2021: \$23.3 million) of costs incurred to date where it does not believe that recovery is virtually certain at this time given the position currently being taken by the Contractor and by the Insurers, and therefore no income has been recognised. However, recovery of these costs is considered probable and they are therefore included as a contingent asset. This does not include the full extent of the costs and losses that have been incurred or that could be claimed from the NZICC and Horizon Hotel contractor relating to the fire and construction delays.

There are no other significant contingent assets at year end.

37 Commitments**Capital Commitments**

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

| | 2022 | 2021 |
|-------------------------------|---------|---------|
| | \$'000 | \$'000 |
| Property, plant and equipment | 296,575 | 445,269 |

The majority of the capital commitments relate to the construction of the NZICC and Horizon Hotel.



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

| | 2022 | 2021 |
|---|---------------|----------------|
| | \$'000 | \$'000 |
| (Loss)/Profit for the year | (33,595) | 155,833 |
| Depreciation and amortisation | 94,660 | 88,306 |
| Net finance costs | 35,044 | 32,455 |
| Current period employee share expense | 2,292 | 3,253 |
| Gain on sale of fixed assets | (634) | 528 |
| Fair value (losses)/gains to investment property | 5,400 | (7,386) |
| NZICC fire related income | (52,483) | (170,727) |
| NZICC fire related costs | 88,849 | 141,845 |
| Asset impairment | 7,293 | 8,834 |
| Change in operating assets and liabilities | | |
| Change in receivables and prepayments | 7,579 | 8,847 |
| Change in inventories | (341) | (559) |
| Change in deferred tax asset | (9,632) | (2,467) |
| Change in current payables | (12,966) | (21,677) |
| Change in deferred tax liability | 8,616 | 11,856 |
| Change in tax receivable – current | (4,431) | 1,989 |
| Change in non-current payables | 4,240 | 9,748 |
| Change in tax payable – current | (16,162) | 15,480 |
| Investing and financing items included in working capital movements | (32,608) | 8,627 |
| Net cash inflow from operating activities | 91,121 | 284,785 |

39 Events Occurring after the Reporting Date

Syndicated Bank Facility

Subsequent to the reporting date, SkyCity's syndicated bank facility was restructured (note 11).

Little Mindil

On 27 July 2022, the balance of the purchase price for Little Mindil was received from the purchaser. Title transferred to the purchaser on 10 August 2022 and the asset was derecognised on that date (note 27).

Regulatory Review of SkyCity Adelaide Pty Ltd

On 1 July 2022, Consumer and Business Services (the South Australian gambling regulator) advised that it had commenced an independent review of SkyCity Adelaide Pty Ltd (note 36). SkyCity is continuing to cooperate with the review and requests for information and documents as they arise.

AUSTRAC Enforcement Investigation

As outlined in note 36, AUSTRAC has initiated a formal enforcement investigation into the compliance of SkyCity Adelaide Pty Ltd with the Australian Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) and Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No. 1). SkyCity is continuing to cooperate with the investigation and requests for information and documents as they arise.

Reconciliation of Normalised Results to Reported Results

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

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

This objective is achieved by:

- eliminating inherent volatility or the "luck" factor from International Business, which has variable turnover and actual win % from period to period;
- eliminating structural differences in the business between periods; and
- eliminating known different treatments with other New Zealand and Australian publicly listed casino companies.

SkyCity believes that, by making these adjustments, the users of the financial information will be able to understand the underlying performance of the Group and form a view on future performance. For internal purposes, including budgeting and determination of staff incentives, normalised results are used.

Non-GAAP information is prepared in accordance with a Board approved Non-GAAP Financial Information Policy and is reviewed by the Board at each reporting period. The Non-GAAP Financial Information Policy was applied in FY22 consistent with the approach adopted in FY21.

| | FY22 | | | | FY21 | | | |
|--|----------------|---------------|-------------|---------------|----------------|---------------|-------------|-------------|
| | Revenue \$m | EBITDA \$m | EBIT \$m | NPAT \$m | Revenue \$m | EBITDA \$m | EBIT \$m | NPAT \$m |
| Reported | 639.0 | 96.9 | 2.3 | (33.6) | 952.0 | 313.9 | 225.5 | 155.8 |
| International Business revenue adjustment | 3.8 | - | - | - | 7.3 | - | - | - |
| Gaming GST | 57.1 | - | - | - | 78.7 | - | - | - |
| International Business at theoretical win rate | (5.2) | (3.8) | (3.8) | (2.7) | (5.3) | (4.9) | (4.9) | (3.6) |
| NZICC fire impacts | (63.2) | 32.1 | 32.1 | 33.3 | (170.7) | (22.4) | (22.4) | (24.2) |
| Liquidated damages | - | - | - | - | (39.5) | (39.5) | (39.5) | (39.5) |
| Asset impairment | - | 7.3 | 7.3 | 7.3 | - | 8.8 | 8.8 | 8.8 |
| Property revaluation | - | 5.4 | 5.4 | 5.4 | - | (7.4) | (7.4) | (7.4) |
| Normalised | 631.5 | 137.9 | 43.3 | 9.7 | 822.5 | 248.6 | 160.1 | 90.0 |

| Adjustment | Discussion |
|---|--|
| Treat International Business commissions as an expense rather than reduction in revenue which reduces both reported revenue and operating expenses within International Business (by \$3.8 million in FY22 and \$7.3 million in FY21) | <ul style="list-style-type: none"> • This adjustment adds back International Business commissions (treated as a reduction from revenue in the reported results) and increases both revenue and expenses. This adjustment does not impact EBITDA, EBIT or NPAT. This adjustment has been made to maintain the relationship between turnover and the theoretical win rate of 1.35% when determining normalised revenue. |



| Adjustment | Discussion |
|---|---|
| Add gaming GST to reported revenue (by \$57.1 million in FY22 and \$78.7 million in FY21) | <ul style="list-style-type: none">• Reported revenue included within the financial statements of the Group excludes GST.• This adjustment adds back GST associated with gaming so that normalised revenue equals the amount bet by gaming customers.• All publicly listed New Zealand and Australian casino companies include GST associated with gaming within their revenue results. Including gaming GST within reported revenue is not consistent with GAAP and SkyCity therefore does not do so.• However, SkyCity does include gaming GST within its normalised revenue. This adjustment does not impact EBITDA, EBIT or NPAT. |
| Apply a theoretical win rate of 1.35% for International Business vs an actual win rate of 1.77% (FY22) and 1.67% (FY21) | <ul style="list-style-type: none">• This adjustment recalculates gaming win from International Business to the theoretical win rate. The vast majority of International Business play is baccarat. Statistically, over the long term the casino expects to win 1.35% of all bets taken on baccarat. However, in any particular reporting period the actual results of play will vary depending on “luck”.• The 1.35% win rate is used by all publicly listed New Zealand and Australian casino companies in addition to casino companies in Asia and the United States.• In order to understand the long term results within International Business, there is the need to eliminate the inherent volatility or “luck” factor. |
| Eliminate net loss (\$33.3 million post-tax) arising from impacts of the NZICC fire, which includes recoveries of compensation payments made to Macquarie for car parks compromised by reinstatement of the NZICC and Horizon Hotel (\$24.2 million net gain in FY21) | <ul style="list-style-type: none">• On 22 October 2019, there was a significant fire at the construction site of the New Zealand International Convention Centre (NZICC) in Auckland. The fire caused extensive damage to the NZICC and damage to the Horizon Hotel which is being constructed on the adjacent site. Both buildings are insured, and all significant costs associated with the fire are expected to be covered. Any costs not covered by insurance are expected to be sought from Fletcher Construction.• The fire has significant implications for the financial statements for the Group which were recognised in FY20 – these impacts are explained further on pages 184-188 of SkyCity’s FY20 financial statements which have been released to the NZX and ASX.• The FY20 financial statements included a number of significant judgements and estimates to determine the appropriate accounting. These judgements and estimates have continued to be reviewed as new information has become available – following a revised damage assessment for the NZICC/ Horizon Hotel project, the expected insurance recovery relating to the asset has increased and is required to be recognised as income as SkyCity is the principal in the insurance relationship. This income has been offset by an increase in costs relating to demolition and deconstruction of the site post fire that are required to be expensed as incurred.• The NZICC fire (and associated accounting impact) is a significant, one-off event that has impacted the comparability of the FY22 result with the prior year. |
| Reverse impact of revaluation (decrease of \$5.4 million) of Auckland investment properties (FY21: increase of \$7.4 million) | <ul style="list-style-type: none">• SkyCity has a number of investment properties in Auckland. In accordance with the appropriate accounting standard, these investment properties are revalued by an independent expert every year and the carrying value adjusted within the Group’s financial statements.• This adjustment eliminates/reverses the increase/decline in value of these properties.• The revaluation is non-cash and unrelated to the operations of the Group.• This adjustment will be made each year to determine the Group’s normalised results. |

| Adjustment | Discussion |
|---|--|
| AA Centre (SkyCity HQ) impairment (decrease of \$1.1 million FY21: increase of \$7.4 million) | <p>AA Centre</p> <ul style="list-style-type: none"> In FY21, the Group impaired the AA Centre (SkyCity HQ), majority owned by SkyCity, by \$8.8 million. The impairment arose due to revised expectations regarding the carrying value of the asset and the cost of significant improvements and remediation required to the building. In FY22, the Group impaired the AA Centre by a further \$1.1 million following valuation by an independent expert. |
| SkyCity Queenstown land impairment (decrease of \$1.8 million) | <p>Queenstown Land</p> <ul style="list-style-type: none"> During FY22, SkyCity concluded that it was no longer feasible to develop land it owns in Queenstown into a VIP gaming and hotel resort and, as such, the property is now classified as property held for sale. An independent valuation of the property resulted in an impairment to the carrying value of \$1.8 million. |
| SkyCity Wharf licence impairment (decrease of \$4.4 million) | <p>Wharf Licence</p> <ul style="list-style-type: none"> The Queenstown Wharf casino has remained closed since 23 March 2020 (at the commencement of the first COVID-19 lockdown in New Zealand) due to the detrimental effect on the local Queenstown economy from the COVID-19 pandemic's ongoing impacts on the international tourism market. In the current period, the Queenstown Wharf casino licence was fully impaired (which resulted in the recognition of an impairment loss of \$4.4 million) due to management's decision not to reopen the Queenstown Wharf casino in the foreseeable future. This group of adjustments eliminate these non-cash expenses, which are unrelated to the operations of the Group. |
| Eliminate benefit (\$39.5 million) arising from liquidated damages for the NZICC/ Horizon Hotel project withheld in lieu of late practical completion (FY21 only) | <ul style="list-style-type: none"> SkyCity entered into Building Works Contracts for the NZICC and Horizon Hotel projects in November 2015. Under the Building Works Contracts, liquidated damages apply for late delivery of separable portions related to contractual completion dates. Given the significant delays to completion of the NZICC and Horizon Hotel, SkyCity is entitled to claim the liquidated damages under the Building Works Contracts up to the agreed cap (\$39.5 million in total). Following several pre-fire claims being settled with Fletcher Construction during 1H21, recovery of the liquidated damages has been deemed virtually certain and hence the full amount is required to be accounted for as income in SkyCity's interim financial statements. The liquidated damages are a significant, one-off event – making this adjustment (which eliminates the one-off gain) will enhance the reader's understanding as this item does not impact the underlying operations of the Group. |