



Financial Statements and Notes

for the year ended **30 June 2023**

These financial statements were signed on
22 August 2023 on behalf of the Board of directors
of SkyCity Entertainment Group Limited by:

A handwritten signature in black ink, appearing to read 'Julian Cook'.

Julian Cook
Chair of the SkyCity Board

A handwritten signature in black ink, appearing to read 'Chad Barton'.

Chad Barton
Chair of the Audit Committee



Independent auditor's report

To the shareholders of SkyCity Entertainment Group Limited

Our opinion

In our opinion, the accompanying financial statements of SkyCity Entertainment Group Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2023, 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 2023;
- 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 levels, specified reporting to the Supervisor of the Group's retail bond and agreed-upon-procedure services in relation to the allocation of Community Trust Revenue, compliance with banking and debt covenants, the reconciliation of normalised results to reported results, scrutineering of the vote count at the Annual Shareholder Meeting and the testing of share-based payment calculations. The provision of these other services 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>Provisions and contingent liabilities relating to regulatory matters</p> <p>The Group operates in a highly regulated environment and given the extent of scrutiny 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.</p> <p>SkyCity Adelaide has been 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). On 7 December 2022, following the conclusion of their investigation, AUSTRAC filed civil penalty proceedings against SkyCity Adelaide in the Federal Court of Australia.</p> <p>The proceedings remain at a relatively early stage with AUSTRAC and SkyCity Adelaide currently working toward agreeing facts and potential admissions before the Court identifies a process for any remaining disputed issues and potential penalty to be determined. Management, in consultation with their external legal advisors, have taken into account a wide range of factors and estimated the potential exposure to penalties and associated legal costs that may arise as a result of the civil penalty proceedings, and a provision of A\$45.0 million (NZ\$49.0 million) has been recognised (refer to Note 30 of the financial statements). As the provision amount remains highly uncertain, involves significant judgement and estimation uncertainty and is susceptible to material change, this represents a key judgement applied by the directors.</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. CBS advised on 6 February 2023 that they would be placing the review on hold, pending the finalisation of the AUSTRAC proceedings outlined above. Due to the uncertainty associated with the potential outcome of the CBS review, the Group has disclosed the matter as a contingent liability in Note 38 of the financial statements.</p> <p>Due to 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 and considered to be a key audit matter.</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 the Group's external legal counsel, where applicable, to corroborate the information provided by management; • Read correspondence between the Group and the applicable regulatory bodies; • Evaluated management's assessment of whether the civil penalty proceedings filed by AUSTRAC should be recognised as a provision, against the criteria in NZ IAS 37 <i>Provisions, contingent liabilities and contingent assets</i>; • Performed the following procedures in relation to the measurement of the provision recognised for potential AUSTRAC penalties and associated legal costs: <ul style="list-style-type: none"> – Assessed management's estimation of the provision, with reference to external data and other similar AUSTRAC proceedings and settlements, and challenged key assumptions; – Considered the external legal advice received and discussed the process for estimating the provision and key assumptions applied directly with external legal counsel; – Assessed the professional competence, independence and objectivity of management's external legal counsel; and • Assessed the appropriateness of the associated disclosures in the financial statements.

Description of the key audit matter	How our audit addressed the key audit matter
<p>Impairment considerations in respect of the SkyCity Adelaide casino license</p> <p>As set out in Note 25 of the financial statements, at 30 June 2023, the carrying amount of the SkyCity Adelaide casino license is \$87.2 million (30 June 2022: \$141.9 million). This is after an impairment charge of \$49.7 million that has been recorded during the year (30 June 2022: nil impairment).</p> <p>The SkyCity Adelaide casino license has a finite useful life and, as such, accounting standards require the Group to assess at the end of each reporting period whether there is any indication that it may be impaired.</p> <p>An impairment assessment was prepared in relation to the Adelaide cash generating unit (CGU) which includes the SkyCity Adelaide casino licence. This was prepared as the Group considered there to be indications that the CGU may be impaired, including the impact of the ongoing regulatory matters on the business. The Group engaged an external valuations expert to calculate impairment using the fair value less cost of disposal (FVLCO) method for the Adelaide CGU.</p> <p>Management and their external valuations expert made a number of key assumptions that impact the CGU's recoverable value. As described in Note 25, this includes the compound annual EBITDA growth rate of 6%, terminal growth rate of 2.5%, and post-tax discount rate of 12%.</p> <p>This is a key focus of our audit and considered to be a key audit matter due to the inherent estimation uncertainties and significant judgement involved in assessing impairment, including the impact of heightened regulatory scrutiny on the assumptions that the Group's assessment is based on.</p> <p>An impairment of \$49.7 million was recorded, which represents the difference between the midpoint of the valuation range (determined by management's valuation expert under the FVLCO method and adopted by the Directors) and the Adelaide CGU carrying value at 30 June 2023.</p>	<p>Our procedures included the following:</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 the year ended 30 June 2024 to the Board approved business plan; • Considered the five-year forecast cash flows included in management's expert's valuation, as adopted by the Board; • Considered the forecast accuracy of the Board approved forecasts by comparing historical performance against previous budgets; • Considered and challenged key assumptions in the cash flow forecasts including the impacts of heightened regulatory scrutiny, and the key drivers of EBITDA growth and overall business performance, with reference to external evidence where possible; • Engaged our auditor's valuation expert to: <ul style="list-style-type: none"> – Review and challenge key assumptions, including the post-tax discount and terminal growth rates based on their experience and external market evidence; – Assess the reasonableness of the cost of disposal assumption applied under the FVLCO method based on their experience and industry knowledge; and – Evaluate the final conclusions reached with reference to external market evidence; • In conjunction with our auditor's valuation expert, we assessed the valuation report prepared by management's valuation expert and considered key sensitivities over the model. In doing so, we met with management's valuation experts to understand and challenge their approach and assumptions; • Assessed the professional competence, independence and objectivity of management's valuation expert; and • Assessed the appropriateness of disclosures made in the financial statements including those for key assumptions and sensitivities.

Description of the key audit matter	How our audit addressed the key audit matter
<p>Accounting for the NZICC fire</p> <p>As disclosed in Note 7 to the financial statements, there continues to be complex accounting considerations inherent in accounting for the 2019 fire at the New Zealand International Convention Centre (NZICC) construction site. As outlined below, the degree of uncertainty and estimation has reduced relative to previous periods, however there remains a sufficient degree of complexity for this to be considered a key audit matter for the purposes of our audit, particularly due to the material nature of the balances involved.</p> <p>The extent of damage pertaining to the NZICC and adjacent Horizon Hotel 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). Expert investigation in respect of the damage sustained has now been completed, and accordingly, the estimates provided by RLB are considered to be final. During the year, the estimate for the extent of damage has been reduced and \$52.7 million of previously derecognised capitalised work in progress has been recapitalised, offset by the re-recognition of deferred licence value liability of \$42.4 million.</p> <p>As at 30 June 2023, the total insurance income recognised since the date of the fire of \$657.1 million represents what the Group has determined to be virtually certain under the insurance policy. During the current year, a significant portion of the insurance policy was settled following an agreement reached between the Group and their insurers, which has resulted in the majority of claimable insurance funds being received by the Group and a significant decrease in the associated insurance recovery receivable. The accounting treatment of the settlement funds as they flow between the Group, the insurers and the Contractor has required management judgement to be applied.</p> <p>The most significant assumptions, and associated risk to the estimates provided, relate to the timeline for remediation, ongoing insurer policy responses and the apportionment of costs between capitalisation and expenditure. Any changes to these and other assumptions can significantly impact the amounts recorded. There remains a degree of 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.</p>	<p>We have obtained management's workings on the estimates of damage and insurance recoveries and assessed the Group's estimates and related judgments by performing, amongst others, 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; • Challenging management on the judgements applied in relation to the virtual certainty assessment for insurance recoveries; and • Evaluating the settlement of the insurance contract and assessing the judgements applied by management in determining how the settlement payments should be accounted for. <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; • Assessed the estimates and judgements applied in apportioning costs between capital expenditure and fire-related costs; and • Considered the adequacy of the related financial statement disclosures.

Our audit approach

Overview



Overall group materiality: \$7,610,000, which represents approximately 5% of profit before tax excluding NZICC fire related income, NZICC fire related expenses, impairment of Adelaide intangible assets and regulatory penalties.

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

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

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

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

- Provisions and contingent liabilities relating to regulatory matters
- Impairment considerations in respect of the SkyCity Adelaide casino license
- Accounting for the NZICC fire

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 black ink that reads "Richard Day" in a cursive script.

Chartered Accountants
22 August 2023

Auckland



Income Statement

For the year ended 30 June 2023

	NOTES	2023 \$'000	2022 \$'000
Revenue	5	855,785	553,543
Other income	6	7,449	32,969
NZICC fire related income	7,a	61,882	52,483
NZICC fire related expenses	7,b	(63,828)	(88,849)
Employee benefits expense		(303,067)	(254,778)
Asset impairment	8	(50,856)	(7,293)
Other expenses	8	(134,884)	(92,550)
Directors' fees		(1,198)	(1,070)
Gaming taxes and levies		(52,833)	(37,438)
Direct consumables		(59,514)	(34,143)
Marketing and communications		(22,730)	(15,440)
Regulatory penalties	30	(49,009)	–
Community contributions, sponsorships and donations		(10,110)	(5,098)
Fair value losses on investment properties	16	(12,252)	(5,400)
Share of profits from associates	26	1,064	–
Earnings Before Interest, Tax, Depreciation and Amortisation Expenses (EBITDA)		165,899	96,936
Depreciation and amortisation	8	(84,363)	(88,692)
Depreciation on right-of-use assets	11	(6,309)	(5,968)
Earnings Before Interest and Tax (EBIT)		75,227	2,276
Net finance costs	12	(23,492)	(35,044)
Profit/(Loss) Before Income Tax		51,735	(32,768)
Income tax expense	18	(43,760)	(827)
Profit/(Loss) for the Year Attributable to Shareholders of the Company		7,975	(33,595)
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY		CENTS	CENTS
Basic and diluted earnings/(loss) per share	9	1.1	(4.4)

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

Statement of Comprehensive Income

For the year ended 30 June 2023

	NOTES	2023 \$'000	2022 \$'000
Profit/(Loss) for the Year		7,975	(33,595)
Other Comprehensive Income Items that may be subsequently reclassified to profit or loss			
Foreign Currency Translation Reserve			
Exchange differences on translation of overseas subsidiaries	32	(4,877)	10,681
Cash Flow Hedge Reserve	32		
Cash flow hedges - revaluations		(10,734)	13,777
Cash flow hedges - transfer to finance costs		12,408	(3,369)
Cash flow hedges - income tax		(469)	(2,914)
Cost of Hedging Reserve	32		
Cost of hedging reserve - costs incurred/revaluations		(3,913)	37
Cost of hedging reserve - transfer to finance costs		694	462
Cost of hedging reserve - income tax		901	(140)
Other Comprehensive Income for the Year, Net of Tax		(5,990)	18,534
Total Comprehensive Income for the Year		1,985	(15,061)

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



Balance Sheet

As at 30 June 2023

ASSETS	NOTES	2023 \$'000	2022 \$'000
Current Assets			
Cash and cash equivalents	28	245,013	48,698
Receivables and prepayments	27	50,833	25,826
Inventories		8,582	7,528
Derivative financial instruments	33	489	363
Current tax receivables		12	4,431
NZICC fire recoveries	7,c	11,613	212,475
Other current assets		2,000	–
Assets held for sale	29	–	26,646
Total Current Assets		318,542	325,967
Non-current Assets			
NZICC fire recoveries	7,d	–	17,183
Deferred tax assets	19	25,465	19,372
Finance lease receivable		13,978	12,737
Other non-current assets		–	2,000
Derivative financial instruments	33	11,943	11,598
Investments in associates	26	43,200	42,136
Investment properties	16	108,803	119,720
Property, plant and equipment	24	1,652,476	1,442,680
Intangible assets	25	566,553	623,897
Right-of-use assets	11	122,538	126,412
Total Non-current Assets		2,544,956	2,417,735
Total Assets		2,863,498	2,743,702

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



LIABILITIES	NOTES	2023 \$'000	2022 \$'000
Current Liabilities			
Payables and provisions	30	215,997	187,199
Interest bearing liabilities	14	45,814	78,000
Current tax liabilities		42,849	94
Derivative financial instruments	33	17	12
Lease income in advance	22	39,815	–
Lease liabilities	11	3,045	3,576
Total Current Liabilities		347,537	268,881
Non-current Liabilities			
Interest bearing liabilities	13	525,666	451,372
Non-current payables		19,097	24,557
Lease income in advance	23	–	29,501
Derivative financial instruments	33	5,617	–
Deferred tax liabilities	20	56,100	60,591
Lease liabilities	11	116,840	117,530
Deferred licence value	17	262,444	219,996
Total Non-current Liabilities		985,764	903,547
Total Liabilities		1,333,301	1,172,428
Net Assets		1,530,197	1,571,274
EQUITY			
Share capital	31	1,343,027	1,340,556
Reserves	32	(10,435)	(4,445)
Retained earnings		197,605	235,163
Total Equity		1,530,197	1,571,274

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



Statement of Changes in Equity

For the year ended 30 June 2023

	NOTES	SHARE CAPITAL \$'000	RESERVES \$'000	RETAINED EARNINGS \$'000	TOTAL EQUITY \$'000
Balance as at 1 July 2021		1,338,223	(22,979)	321,840	1,637,084
Total comprehensive income		–	18,534	(33,595)	(15,061)
Dividends paid	10	–	–	(53,082)	(53,082)
Shares issued under employee share schemes	31	2,292	–	–	2,292
Net movement in treasury shares	31	41	–	–	41
Balance as at 30 June 2022		1,340,556	(4,445)	235,163	1,571,274
Balance as at 1 July 2022		1,340,556	(4,445)	235,163	1,571,274
Total comprehensive income		–	(5,990)	7,975	1,985
Dividends paid	10	–	–	(45,533)	(45,533)
Shares issued under employee share schemes	31	2,446	–	–	2,446
Net movement in treasury shares	31	25	–	–	25
Balance as at 30 June 2023		1,343,027	(10,435)	197,605	1,530,197

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 2023

	NOTES	2023 \$'000	2022 \$'000
Cash Flows from Operating Activities			
Receipts from customers		859,631	554,816
Payments to suppliers and employees		(528,466)	(414,543)
Government grants received		560	7,476
Other insurance income received		1,744	10,749
Gaming taxes and levies paid		(46,338)	(41,698)
Income taxes paid		(7,034)	(25,679)
Net Cash Inflow from Operating Activities	40	280,097	91,121
Cash Flows from Investing Activities			
Acquisition of associate	26	–	(42,136)
Purchases of property, plant and equipment		(254,746)	(100,065)
Purchased intangible assets		(8,113)	(11,411)
Proceeds from disposal of assets held for sale	29	7,812	3,250
NZICC fire related income		299,067	231,177
NZICC fire related costs		(95,456)	(112,494)
Net Cash Outflow from Investing Activities		(51,436)	(31,679)
Cash Flows from Financing Activities			
Cash flows associated with net derivatives		632	(2,531)
Proceeds from borrowings		148,999	224,429
Repayment of borrowings		(98,000)	(194,460)
Movement in treasury shares		25	41
Dividends paid to company shareholders	10	(45,533)	(53,082)
Interest paid		(28,362)	(25,735)
Lease interest paid		(6,378)	(6,169)
Repayment of lease liabilities		(3,729)	(3,177)
Net Cash Outflow from Financing Activities		(32,346)	(60,684)
Net Increase/(Decrease) in Cash and Cash Equivalents	15	196,315	(1,242)
Cash and cash equivalents at the beginning of the year		48,698	49,940
Cash and Cash Equivalents at the End of the Year	28	245,013	48,698

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



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1

General Information

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

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

These consolidated financial statements were approved for issue by the Board of Directors (**Board**) on 22 August 2023.

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

2

Basis of Preparation

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 2023 and the results of all subsidiaries for the year then ended.

Measurement Basis

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

Presentation Currency

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

Non-GAAP Financial Information

The Group's standard profit measure prepared under GAAP is profit for the year. When discussing financial performance, the Group also uses non-GAAP financial information, which is not prepared in accordance with NZ IFRS and therefore may not be comparable to

similar financial information presented by other entities. The directors and management believe that this non-GAAP financial information provides useful information to readers of the financial statements to assist them in understanding the Group's financial performance and is consistent with the information used internally to evaluate the performance of business units.

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

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

Going Concern

For the financial year ended 30 June 2022, the Group incurred a loss of \$33.6 million. This loss arose substantially as a result of the ongoing trading restrictions imposed on businesses by the New Zealand and South Australian Governments in response to the COVID-19 pandemic as outlined below. In the current financial year, no such COVID-19 related trading restrictions were in place in New Zealand or South Australia.

SkyCity has prepared cash flow forecasts to support its going concern assessment. These forecasts consider a range of possible scenarios, including in relation to provisions (note 30), contingent liabilities (note 38) and the receipt of a notice of termination of the April 2019 concession agreement with MPF Parking NZ Limited (**Macquarie**), 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 New Zealand International Convention Centre (**NZICC**) site in return for consideration of \$220 million (**Car Park Concession Agreement**) (note 39). These scenarios have been informed by recent trading performance and assume there are no further COVID-19 trading restrictions imposed in New Zealand or South Australia. While there remain uncertainties regarding the near term financial performance of the Group, SkyCity's forecasts indicate that the Group continues to have access to a sufficient level of liquidity to sustain its operations, remain compliant with its financial obligations and meet any future challenges that may arise from the termination of the Car Park Concession Agreement (note 39) and the regulatory matters discussed in the notes on provisions (note 30) and contingent liabilities (note 38).

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



Critical Accounting Estimates and Judgements

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

- goodwill and casino licences that have an indefinite useful life are impairment tested annually, which requires the use of key estimates. Details of the estimates made are provided in note 25;
- the SkyCity Adelaide Pty Limited (**SkyCity Adelaide**) casino licence, which has a finite useful life, was impaired in a prior period and consequently was tested for impairment in the current period, which resulted in the recognition of additional impairment (note 25(c));
- as reported in the Group's 30 June 2020 financial statements, in October 2019 there was a significant fire at the NZICC construction site. 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 7;
- 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 16;
- in some instances, judgement is required to determine whether a payment that may occur in the future constitutes a provision or a contingent liability. A provision is recognised where an obligating event that gives rise to a requirement to make a payment has occurred. Where a provision is recognised, estimation of the value at which it will be recognised is required. Information on the Group's provisions is provided in note 30 and information on the Group's contingent liabilities is provided in note 38; and
- judgement and estimation is required when determining the amount of deferred tax assets to be recognised. Further information is provided in note 19.

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's operations were closed from time to time and subject to other trading restrictions when open during the financial years ended 30 June 2020, 30 June 2021 and 30 June 2022.

During the financial year ended 30 June 2022:

- 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 Wharf site was closed for the duration of the financial year;
- 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 6).

In the current financial year, the Group's operations were not impacted by COVID-19 related trading restrictions.

3

Summary of Significant Accounting Policies

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

(a) Principles of Consolidation

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

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

(b) Foreign Currency Translation

(i) Transactions and Balances

Items included in the financial statements of each Group entity are measured using that entity's functional currency (which is the currency that best reflects the economic substance of the events and circumstances relevant to that operation).

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on financial assets and liabilities carried at fair value through profit or loss are recognised in the Income Statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equity instruments classified at fair value through other comprehensive income are included in the Statement of Comprehensive Income.

(ii) Foreign Operations

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

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

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

(c) Goods and Services Tax (GST)

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

(d) Statement of Cash Flows

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

(e) Impairment of Non-Financial Assets

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

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

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

(f) Fair Value Hierarchy

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

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

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

There are no published new or amended standards or interpretations that become effective on or after 1 July 2023 that would have a material impact on the Group's financial statements.

4

Segment Information

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

(a) Primary Reporting Format - Business Segments

2023	SKYCITY AUCKLAND \$'000	OTHER OPERATIONS \$'000	SKYCITY ADELAIDE \$'000	INTERNATIONAL BUSINESS \$'000	CORPORATE /GROUP \$'000	TOTAL \$'000
Gaming revenue	387,227	66,490	169,784	22,663	–	646,164
Online revenue	–	15,354	–	–	–	15,354
Non-gaming revenue	121,607	10,689	68,901	66	54	201,317
Other income	4,123	31	2,884	–	411	7,449
NZICC fire income	61,882	–	–	–	–	61,882
Share of profit of associate	–	–	–	–	1,064	1,064
Total income	574,839	92,564	241,569	22,729	1,529	933,230
Expenses	(296,841)	(41,873)	(252,381)	(26,475)	(35,077)	(652,647)
Impairment	1,056	–	(49,662)	–	(2,250)	(50,856)
NZICC fire expenses	(63,828)	–	–	–	–	(63,828)
Depreciation and amortisation	(38,025)	(5,393)	(33,624)	–	(13,630)	(90,672)
Segment profit/(loss) (EBIT)	177,201	45,298	(94,098)	(3,746)	(49,428)	75,227
Net finance costs						(23,492)
Profit before income tax						51,735
Segment assets	1,836,354	97,491	509,797	1,049	418,807	2,863,498
Net additions to non-current assets (other than financial assets and deferred tax)	226,285	3,485	10,991	–	13,051	253,812





2022	SKYCITY AUCKLAND \$'000	OTHER OPERATIONS \$'000	SKYCITY ADELAIDE \$'000	INTERNATIONAL BUSINESS \$'000	CORPORATE /GROUP \$'000	TOTAL \$'000
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

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



(b) Secondary Reporting Format - Geographical Segments

	TOTAL REVENUE		NON-CURRENT ASSETS EXCLUDING FINANCIAL INSTRUMENTS AND DEFERRED TAX ASSETS	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
New Zealand	682,850	445,868	2,019,291	1,816,631
Australia	250,380	196,880	488,257	570,135
	933,230	642,748	2,507,548	2,386,766

(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 Operations

This segment consists of the Group's operations at SkyCity Hamilton, SkyCity Queenstown and 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 rebates and complimentary play. At the end of the current financial year, the Group restructured to reflect its decision to materially reduce SkyCity's international activities.

Corporate/Group

This segment includes head office functions, funding entities and the Group's investment in its associate Gaming Innovation Group Inc. (GIG) (note 26). It is not considered an operating segment.

5

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 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.

	2023 \$'000	2022 \$'000
Gaming	639,114	426,714
Non-gaming	201,317	109,901
Online gaming	15,354	16,928
Total revenue	855,785	553,543

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 \$21.4 million (2022: \$13.3 million).

	NOTES	2023 \$'000	2022 \$'000
Reconciliation to the segment note			
Total revenue	5	855,785	553,543
Other income	6	7,449	32,969
Share of profit of associate	26	1,064	–
NZICC fire income	7	61,882	52,483
Total income as per Income Statement		926,180	638,995
International Business rebates		7,050	3,753
Total income as per segment note		933,230	642,748



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Other Income

	2023 \$'000	2022 \$'000
Gain on disposal of property, plant and equipment	108	2,413
Dividend income	5	2
Rental income from investment properties	2,153	2,323
Government grants	560	17,482
Other insurance income	4,623	10,749
Total other income	7,449	32,969

Government Grants

As part of its COVID-19 response, the New Zealand Government introduced wage subsidy schemes to enable businesses to retain employees. In the current financial year, the Group received \$0.1 million (2022: \$17.3 million) of wage subsidies from these schemes. The New Zealand Government also provides wage subsidies to assist people into employment. SkyCity received \$0.4 million of subsidies for the current financial year under those schemes (2022: \$0.1 million).

Other Insurance Income

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

In the current year, insurance income has also been recognised in relation to legal fees incurred in respect of the regulatory investigations of SkyCity Adelaide (note 30).

7

NZICC Fire

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

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

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

In accounting for the impact of the fire, significant judgements and estimates have been made. The most significant assumptions, and associated risk to the estimates provided, relate to 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.

(a) Income

	2023 \$'000	2022 \$'000
Contract works insurance recovery (remediation and pre-remediation costs)	61,882	52,483
Total income	61,882	52,483

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 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;
- insurance premium increases; and
- project costs for additional periods due to construction delays.

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

Insurers have confirmed that SkyCity's Contracts Works Insurance policy will respond in relation to the damage caused by the fire, and, in the current period, have confirmed a significant portion of the policy. However, the final insurance recovery will be dependent on the final view of the insurers as claims are presented. 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.

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 is 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.



(b) Expenses

	2023 \$'000	2022 \$'000
Add back of NZICC and Horizon Hotel capitalised work-in-progress	(52,752)	(34,270)
Reversal of release from deferred licence value liability	42,449	12,559
Site preparation, demolition and other costs	74,131	110,560
Total expenses	63,828	88,849

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

The fire led to the disposal of the damaged asset and the purchase of new component parts (or, as applicable, the part replacement of repaired component parts). As a result, the carrying value of the damaged/destroyed parts of the NZICC and Horizon Hotel is expensed.

In the current financial year, final damage assessments for the NZICC and Horizon Hotel have been provided by quantity surveyor Rider Levett Bucknall Auckland Limited (**RLB**). As a result, 37.3% (2022: 51%) of the NZICC and 11.5% (30 June 2022: 13%) of the Horizon Hotel construction work that had been completed to the date of the fire has been written off. In addition, the Group estimates that 21% (2022: 28%) of the associated overheads and direct costs incurred by the Group that were capitalised to the build prior to the fire were destroyed by the fire and those costs have consequently been written off. As a result, approximately \$141.6 million of costs capitalised as work-in-progress prior to the fire in property, plant and equipment have been written off (2022: \$194.3 million). This has resulted in a decrease of \$52.8 million in the current financial year to the impairment expense recognised in relation to the fire (2022: decrease of \$34.3 million) (note 24).

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.

Reversal of Release from Deferred Licence Value Liability

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

In 2016, SkyCity accounted for the granting of the NZICC Auckland casino licence enhancements and recognised a deferred licence value liability of \$405.0 million. Based on the Group's accounting policy, this amount was to be accounted for as a reduction in the carrying value of the NZICC upon completion. 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 deferred licence value release at 30 June 2023 is \$118.3 million (2022: \$160.8 million), which represents 31.1% (2022: 42.2%) of the remaining deferred licence value liability (the NZICC was estimated to be 83% complete prior to the fire). A \$42.4 million increase of the deferred licence value liability has been recognised in the current financial year (2022: increase of \$12.6 million) (note 17).

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

	2023 \$'000	2022 \$'000
Insurance recoveries for damages to the NZICC and Horizon Hotel	657,074	595,191
Payments received from the insurers	(664,601)	(365,533)
Payments reclassified as income in advance	19,140	–
Reclassification to non-current receivables (refer note below)	–	(17,183)
Total current assets	11,613	212,475

These assets relate to:

Insurance Recovery for Damage to the NZICC and Horizon Hotel

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

Payments Received from the Insurers

In the current year, insurers have settled a portion of the Contracts Works Insurance policy. To date the Group has received payment from the insurers of \$664.6 million (2022: \$365.5 million) towards pre-remediation (site preparation and clearing) costs and the cost of remediation. Of this amount, \$19.1 million has been recorded as income in advance.

(d) Non-current Assets

	2023 \$'000	2022 \$'000
Insurance recoveries for damages to the NZICC and Horizon Hotel	–	17,183
Total non-current assets	–	17,183

The split between current and non-current assets is based on the timing of receipt of funds from insurers. All receivables are now classified as current.



8 Expenses

	2023 \$'000	2022 \$'000
Other Expenses		
Utilities, insurance and rates	31,515	24,686
Other property expenses	18,262	16,597
ICT related expenses	19,746	14,648
Professional fees	18,279	10,956
Reinstatement of lease income in advance (note 39)	13,734	–
Other items	32,529	23,331
Expenses relating to short term leases	554	441
Impairment of receivables	265	1,891
Total other expenses	134,884	92,550
Depreciation and Amortisation (excluding right-of-use assets)		
Depreciation (note 24)	71,034	75,491
Casino licence amortisation (Adelaide) (note 25)	2,712	2,622
Computer software amortisation (note 25)	10,490	10,455
Gaming machine entitlements amortisation (note 25)	127	124
Total depreciation and amortisation	84,363	88,692
Impairment		
Impairment of property, plant and equipment (note 24)	1,194	2,903
Impairment of intangible assets (note 25)	49,662	4,390
Total impairments	50,856	7,293

Auditor's Fees

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

The Group engages PricewaterhouseCoopers (**PwC**) on assignments additional to 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 Auditor Independence Policy requires advisers other than PwC to be engaged wherever practicable.

PwC is engaged to provide tax compliance services, which relate to ad-hoc queries covering a range of tax related matters, and 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 normalised results disclosed in the annual report, verification procedures in relation to share-based payments, and procedures in relation to the vote count at the annual meeting; and
- other assurance, agreed-upon procedure engagements and specified reporting in relation to compliance with banking and debt covenants.

(A) ASSURANCE AND AGREED-UPON PROCEDURE SERVICES	2023 \$'000	2022 \$'000
Audit and review of financial statements		
PwC New Zealand	1,264	1,035
PwC Hong Kong	31	29
PwC Malta	65	51
Total remuneration for audit services	1,360	1,115
Performed by PwC New Zealand		
Other assurance services	–	8
Specified reporting to retail bond supervisor	9	8
Agreed-upon procedures	64	50
Total remuneration for other assurance services	73	66
Total remuneration for assurance services and agreed-upon procedures	1,433	1,181
(B) OTHER SERVICES		
Performed by PwC New Zealand		
Provision of market survey data relating to executive remuneration levels	57	59
Performed by PwC Australia		
Tax compliance services	58	60
Total remuneration for other services	115	119
Total fees expense	1,548	1,300



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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.

	2023	2022
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	758,117,231	757,507,871
Profit/(loss) attributable to ordinary equity holders of the Company used in calculating basic and diluted earnings per share	7,965,000	(33,595,000)
Basic and diluted earnings (cents) per share	1.1	(4.4)

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Dividends

Accounting Policy

Dividends are recognised when declared.

DIVIDENDS PAID	CENTS PER SHARE	\$'000
2021 final	7.0	53,082
2022 interim	-	-
30 June 2022	7.0	53,082
2022 final	-	-
2023 interim	6.0	45,533
30 June 2023	6.0	45,533

During the current year, a supplementary dividend of \$4.98 million (1.06 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 declared a final dividend of 6.0 cents per share in respect of the 30 June 2023 financial year (note 41).

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 5.3% (with rates ranging from 3.3% to 6.0%).

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

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

Subsequent to initial recognition:

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

A small number of short-term leases have not been included in the calculation of lease liabilities or right-of-use assets. Payments made in relation to these leases are recognised on a straight-line basis over the lease term.

Lease Arrangements

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

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



The Balance Sheet shows the following amounts relating to leases:

	2023 \$'000	2022 \$'000
Right-of-use assets net book value		
SkyCity Auckland subsoil	3,085	3,089
SkyCity Auckland airbridges	3,020	3,117
SkyCity Queenstown - Stratton House	1,750	1,660
SkyCity Adelaide - Railway Building and extension	58,381	57,202
SkyCity Adelaide - car park	56,302	61,344
Total right-of-use assets	122,538	126,412
Lease liabilities		
Current	3,045	3,576
Non-current	116,840	117,530
Total lease liabilities	119,885	121,106

The Income Statement shows the following amounts relating to leases:

	2023 \$'000	2022 \$'000
Depreciation of right-of-use assets	6,309	5,968
Interest expense on lease liabilities (part of net finance costs)	6,378	6,169

12 Net Finance Costs

	2023 \$'000	2022 \$'000
Finance costs	36,881	38,743
Foreign exchange gains	(291)	(594)
Interest income	(6,165)	(1,901)
Capitalised interest (note 24)	(6,933)	(1,204)
Total net finance costs	23,492	35,044

13

Non-current Liabilities - Interest Bearing Liabilities

Accounting Policy

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

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

UNSECURED INTEREST BEARING LIABILITIES	2023 \$'000	2022 \$'000
Car park concession (main site nested car parks)	-	49,195
USPP notes	353,812	229,872
New Zealand bonds	175,000	175,000
Deferred funding expenses	(3,146)	(2,695)
Total non-current interest bearing liabilities	525,666	451,372

(a) USPP Notes

As at 30 June 2023, SkyCity had outstanding:

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

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

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 33).

Fair value of USPP debt is estimated at NZ\$375.5 million (2022: NZ\$236.7 million) compared to a carrying value of NZ\$353.8 million (2022: NZ\$229.9 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 2023.

(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 2023, SkyCity had in place revolving credit facilities of:

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

(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 2023, the closing price was \$0.8671 (2022: \$0.8981) per \$1 bond. The bonds are carried at amortised cost. The total fair value is \$151.7 million (2022: \$157.2 million) which is a level 1 valuation in the fair value hierarchy as they are listed securities.



(d) Negative Pledge Deeds

A negative pledge deed has been executed in relation to each of the funding facilities - bank facilities, USPP notes and New Zealand bonds. In each deed, there are requirements for minimum guarantee group participation and financial covenants. All requirements of the negative pledge deeds have been met as at 30 June 2023.

(e) Weighted Average Interest Rate

	2023 %	2023 \$'000	2022 %	2022 \$'000
Interest bearing liabilities	5.31%	694,511	4.51%	652,554

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

14 Current Liabilities - Interest Bearing Liabilities

Accounting Policy

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

	2023 \$'000	2022 \$'000
Syndicated bank facility	-	78,000
Car park concession (main site nested car parks)	45,814	-
Total current interest bearing borrowings	45,814	78,000

Refer note 13(b) for details concerning the syndicated bank facility.

As detailed in note 39, a portion of the sale of the Car Park Concession Agreement (note 2) related to 450 car parks for the exclusive use of SkyCity. This portion is accounted for as an interest bearing financial liability.

The \$220 million received for the sale of the Car Park Concession Agreement was allocated between the 450 nested car parks and the unnested remaining car parks based on their respective fair values. As a result, at 19 August 2019, \$45.8 million was allocated to the nested car parks and was recognised as the initial financial liability. From that date, interest expense has been recognised as an addition to this liability on a yield to maturity basis and payments for the use of the nested car parks have been deducted. Due to Macquarie having served a notice of termination of the Car Park Concession Agreement (note 39), this liability, which was classified as non-current at 30 June 2022 (note 13), is classified as current at 30 June 2023. In addition, this liability is now recognised at the estimated amount that will be paid to settle the obligation when the termination occurs.

15

Net Debt Reconciliation

	CASH AND BANK BALANCES \$'000	BORROWINGS DUE WITHIN 1 YEAR \$'000	BORROWINGS DUE AFTER 1 YEAR \$'000	TOTAL \$'000
Net debt as at 1 July 2021	(49,940)	51,045	556,756	557,861
Movement in cash and cash equivalents	1,242	–	–	1,242
Recognition of 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
Movement in cash and cash equivalents	(196,315)	–	–	(196,315)
Movement in car park concession liability	–	45,814	(49,195)	(3,381)
Revaluation of USPP notes	–	–	(5,058)	(5,058)
Movement in USPP notes	–	–	128,999	128,999
Amortisation of deferred funding expenses	–	–	(451)	(451)
Net movement in bank drawings	–	(78,000)	–	(78,000)
Movement in lease liabilities	–	(531)	(690)	(1,221)
Net debt as at 30 June 2023	(245,013)	48,859	642,506	446,352





16

Investment Properties

Accounting Policy

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

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

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

	2023 \$'000	2022 \$'000
Balance at the beginning of the year	119,720	124,368
Additions	220	752
Net loss from fair value adjustment	(12,252)	(5,400)
Transfer from property, plant and equipment - NZICC car parks	1,115	–
Closing balance at 30 June	108,803	119,720

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

	2023 \$'000	2022 \$'000
Rental income	2,153	2,323
Direct operating expenses from property that generated rental income	(2,230)	(2,485)
Net loss from fair value adjustment	(12,252)	(5,400)
Total recognised in profit or loss	(12,329)	(5,562)

(b) Investment Properties held at 30 June 2023

With the exception of the NZICC car park (which is referred to below), investment properties were revalued to fair value on 30 June 2022 and 30 June 2023 by CBRE, a registered valuer and member of the New Zealand Institute of Valuers and the Property Institute of New Zealand that has recent experience in the location and category of the property being valued.

At 30 June 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%.

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

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

The 30 June 2022 and 30 June 2023 valuations are sensitive to movements in estimated capitalisation rate. If the assumed capitalisation rate increased, then fair value would decrease.

(c) NZICC Car Park

As outlined in notes 2 and 39, 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, 624 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 7), delivery of those car parks was delayed, with the consequence that the Car Park Concession Agreement in relation to those car parks was accounted for as an operating lease, with the underlying car parks classified as investment property. The payment received from Macquarie in relation to those car parks (which was determined by allocation of the payment received from Macquarie in relation to the

Car Park Concession Agreement between the various car parks that Macquarie was granted a concession to, based on their respective fair values) was recognised as lease income in advance (notes 22 and 23). On the reclassification of the lease, \$27.1 million of costs associated with those 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 7). In the current year, following final NZICC damage assessments on the car parks by RLB (note 7), a further \$1.1 million was transferred from property, plant and equipment to investment properties.

Macquarie has now served a notice of termination in relation to the Car Park Concession Agreement (note 39). When SkyCity regains operating control of the car park, those car parks will be classified as property, plant and equipment.

17 Deferred Licence Value

	TOTAL \$'000
2023	
Opening balance	219,996
Impact of NZICC fire (note 7)	42,448
Closing balance	262,444
2022	
Opening balance	207,436
Impact of NZICC fire (note 7)	12,560
Closing balance	219,996

As outlined in note 7, in 2016 SkyCity's accounting for the granting of the NZICC Auckland casino licence enhancements resulted in the recognition of a deferred licence value liability of \$405.0 million. Based on the Group's accounting policy, this amount was to be accounted for as a reduction in the carrying value of the NZICC upon completion. Following the NZICC fire, the damaged portion of the NZICC was disposed of for financial reporting purposes (note 7). As a result of this disposal and the estimates detailed in note 7, \$165.8 million of the deferred licence value 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 prior financial year, as a result of the damage assessments prepared by RLB (note 7), \$12.6 million of the above \$173.3 million adjustment was reversed, taking the total adjustment to \$160.8 million.

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



18

Income Tax Expense

Accounting Policy

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

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

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

(a) Income Tax Expense

	2023 \$'000	2022 \$'000
Current tax expense	54,232	4,645
Deferred tax benefit	(10,472)	(3,818)
Income tax expense	43,760	827

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

Profit/(loss) from continuing operations before income tax expense	51,735	(32,768)
Prima facie income tax @ 28%	14,486	(9,175)
Tax effects of:		
Items not deductible for tax purposes	3,093	2,287
Items non-assessable for tax purposes	(4,723)	(3,150)
Differences in overseas tax rates	(4,981)	(3,581)
Assets held for sale	(503)	(499)
Prior period adjustments	3	322
NZICC fire capital net expenses	545	10,182
Non-assessable gain on sale	–	(498)
Impairment adjustments	15,531	1,746
Fair value adjustments	2,788	935
Non-deductible regulatory penalties provision	14,703	–
Controlled foreign company regime	2,806	3,006
Other	12	(748)
Total income tax expense	43,760	827

The weighted average applicable tax rate was 84.6% (2022: -2.5%). The weighted average tax rate has been significantly impacted by:

- NZICC fire capital (income)/expenses;
- impairment adjustments;
- fair value adjustments;
- sale of Lets Play Live Media Limited; and
- non-deductible regulatory penalty provision.

Excluding these items, the weighted average tax rate would have been 27.4% (2022: 17.5%).

19

Deferred Tax Assets

	2023 \$'000	2022 \$'000
The balance comprises temporary differences attributable to:		
Provisions and accruals	6,299	6,999
Depreciation	(12,785)	(13,607)
Foreign exchange variances	4	4
Cash flow hedges	80	80
Lease accounting	1,261	489
Tax losses	30,606	25,407
Net deferred tax assets	25,465	19,372
Movements:		
Balance at beginning of the year	19,372	9,740
Foreign exchange differences	(321)	263
Charged to the Income Statement (note 18)	6,414	9,742
Tax debited directly to other comprehensive income (note 32)	-	(373)
Closing balance at 30 June	25,465	19,372

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

The Group has recognised a deferred tax asset on tax losses of A\$93.7 million (2022: A\$76.5 million) in relation to Australia. The tax losses have predominantly arisen as a result of the COVID-19 pandemic impacting SkyCity Adelaide's operations and South Australian tourism, with the expanded SkyCity Adelaide property largely not able to operate at full capacity for the majority of time since opening in December 2020. In addition, accelerated tax depreciation on the Adelaide property expansion and expenditure incurred in relation to ongoing SkyCity Adelaide regulatory reviews have also contributed to the tax loss position. It is possible to carry forward Australian tax losses indefinitely and these losses do not have an expiry date. The Group has determined it is probable that taxable profits will be derived in future periods in addition to profits arising from the reversal of existing taxable temporary differences against which the tax losses can be utilised. As noted in note 25, 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 differences can be utilised. It is anticipated based on the five-year forecast that tax losses will be fully utilised by the year ended 30 June 2028. The Group reviews future loss utilisation at each reporting date.



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Deferred Tax Liabilities

	2023 \$'000	2022 \$'000
The balance comprises temporary differences attributable to:		
Provisions and accruals	(7,633)	(3,676)
Depreciation	64,166	64,314
Lease accounting	(172)	(219)
Cash flow hedges	(2,182)	(1,749)
Asset revaluation reserve	1,921	1,921
Net deferred tax liabilities	56,100	60,591
Movements:		
Balance at the beginning of the year	60,591	51,975
(Credited)/charged to the Income Statement (note 18)	(4,059)	5,924
Tax (credited)/debited directly to other comprehensive income (note 32)	(432)	2,681
Transfer out for discontinued operations	-	11
Closing balance at 30 June	56,100	60,591

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

21

Imputation and Franking Credits

	2023 \$'000	2022 \$'000
Balances available for use in subsequent reporting periods		
Imputation credit account (New Zealand)	71,487	40,292
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 2023.

22

Lease Income in Advance - Current

	2023 \$'000	2022 \$'000
Lease income in advance	39,815	–
Total lease income in advance	39,815	–

Refer to note 23 for details.

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Lease Income in Advance - Non-current

	2023 \$'000	2022 \$'000
Lease income in advance	–	29,501
Total lease income in advance	–	29,501

As detailed in note 16, the 624 further NZICC car parks that were to have been delivered as part of the Car Park Concession Agreement are accounted for as an operating lease, with the underlying car parks classified as investment property and the payment received from Macquarie in relation to those car parks (determined by allocating the amount paid by Macquarie under the Car Park Concession Agreement between the various car parks that Macquarie was granted a concession to, based on their respective fair values) recognised as lease income in advance. Macquarie has now served a notice of termination in relation to the Car Park Concession Agreement (note 39). As payment for termination of the Car Park Concession Agreement is expected in the next 12 months (note 39), lease income in advance is now classified as a current liability (note 22).



24

Property, Plant and Equipment

Accounting Policy

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

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

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

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

	LAND \$'000	BUILDINGS AND FITOUT \$'000	PLANT, EQUIPMENT AND MOTOR VEHICLES \$'000	FIXTURES AND FITTINGS \$'000	CAPITAL WORK IN PROGRESS \$'000	TOTAL \$'000
AT 1 JULY 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	–	(1,093)	(891)	(264)	–	(2,248)
Impairment (note 8)	(1,846)	(1,057)	–	–	–	(2,903)
Assets held for sale (note 29)	(16,370)	–	–	–	1,120	(15,250)
NZICC fire adjustment (note 7)	–	–	–	–	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



YEAR ENDED 30 JUNE 2023	LAND \$'000	BUILDINGS AND FITOUT \$'000	PLANT, EQUIPMENT AND MOTOR VEHICLES \$'000	FIXTURES AND FITTINGS \$'000	CAPITAL WORK IN PROGRESS \$'000	TOTAL \$'000
Opening net book amount	167,752	628,421	108,134	44,714	493,659	1,442,680
Exchange differences	–	(3,850)	(694)	(374)	(366)	(5,284)
Net additions/transfers/disposals	–	6,039	23,650	1,341	209,090	240,120
Transfer to NZICC obligation (note 30)	–	–	–	–	(19,699)	(19,699)
(Impairment)/reversal of impairment (note 8)	(2,250)	1,056	–	–	–	(1,194)
Transfer to investment properties - NZICC car parks (notes 7 and 16)	–	–	–	–	(1,115)	(1,115)
Transfer from assets held for sale (note 29)	14,100	–	–	–	1,150	15,250
NZICC fire adjustment (note 7)	–	–	–	–	52,752	52,752
Depreciation charge	–	(28,704)	(33,317)	(9,013)	–	(71,034)
Closing net book amount	179,602	602,962	97,773	36,668	735,471	1,652,476
AT 30 JUNE 2023						
Cost	179,602	999,241	420,326	147,236	735,471	2,481,876
Accumulated depreciation and impairment	–	(396,279)	(322,553)	(110,568)	–	(829,400)
Net book amount	179,602	602,962	97,773	36,668	735,471	1,652,476

(a) Capitalised Borrowing Costs

Borrowing costs of \$6.9 million have been capitalised in the current year relating to capital projects (2022: \$1.2 million) using the Group's weighted average cost of debt of 5.31% across the year (2022: 4.51%).

(b) Impairment

Queenstown Land

At 30 June 2023, the Queenstown land was reclassified to property, plant and equipment from assets held for sale (note 29), as a sale is no longer expected within the next year. At 30 June 2023, the land was revalued to fair value, which has resulted in impairment of property, plant and equipment of \$2.25 million being recognised in the Income Statement.



(c) Encumbrances

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

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

There are four encumbrances relating to the NZICC site land. One encumbrance protects the rights of the Crown under the agreement between the Crown and the Group for the construction of the NZICC (**NZICC Agreement**), two relate to firewalls between buildings that have now been demolished and the final encumbrance protects the underground vehicle entrance to the car park on the main Auckland casino site. The NZICC site land is also subject to a covenant in favour of the Crown which restricts the subdivision and use of the site to that permitted under the NZICC Agreement.

25 Intangible Assets

Accounting Policy

(i) Goodwill

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

(ii) Acquired Software

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

(iii) Gaming Machine Entitlements

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

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

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

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

(iv) Casino Licences and Regulatory Reforms

The Group's casino licences that have:

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

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

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

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

(v) Impairment of Intangible Assets

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 prior 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 \$'000	CASINO LICENCES \$'000	COMPUTER SOFTWARE \$'000	GAMING MACHINE ENTITLEMENTS \$'000	TOTAL \$'000
AT 1 JULY 2021					
Cost	35,786	778,303	135,611	1,823	951,523
Accumulated amortisation and impairment	–	(228,642)	(95,743)	(73)	(324,458)
Net book amount	35,786	549,661	39,868	1,750	627,065
MOVEMENTS IN THE YEAR ENDED 30 JUNE 2022					
Exchange differences	–	4,238	235	49	4,522
Additions	–	–	9,822	–	9,822
Transfer of Adelaide deferred licence	–	–	95	–	95
Adelaide expansion	–	–	(16)	–	(16)
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 and impairment	–	(238,423)	(93,107)	(204)	(331,734)
Net book amount	35,786	546,887	39,549	1,675	623,897
MOVEMENTS IN THE YEAR ENDED 30 JUNE 2023					
Exchange differences	–	(2,322)	(103)	(27)	(2,452)
Additions	–	–	8,099	–	8,099
Impairment charge	–	(49,662)	–	–	(49,662)
Amortisation charge	–	(2,712)	(10,490)	(127)	(13,329)
Closing net book amount	35,786	492,191	37,055	1,521	566,553
AT 30 JUNE 2023					
Cost	35,786	779,055	140,450	1,848	957,139
Accumulated amortisation and impairment	–	(286,864)	(103,395)	(327)	(390,586)
Net book amount	35,786	492,191	37,055	1,521	566,553



CASINO LICENCE

SkyCity Auckland Casino
(indefinite useful life)

CONTRACT TERM

SkyCity Auckland Limited holds a casino premises licence for the Auckland premises. The initial licence was granted in 1996 for nil consideration, and hence there was no associated initial carrying value.

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

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

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

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

The carrying amount of the casino licence is \$405.0 million (2022: \$405.0 million).

SkyCity Adelaide Casino
(finite useful life)

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.

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

The carrying value of the casino licence is A\$80.1 million (2022: A\$128.1 million) (NZ\$87.2 million and NZ\$141.9 million respectively).

SkyCity Hamilton Casino
(indefinite useful life)

SkyCity Hamilton Limited holds a casino premises licence for the Hamilton premises. The casino premises licence is for an initial 25 year term from 19 September 2002.

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

As the licence was initially granted for nil consideration, there is no associated carrying value.

SkyCity Queenstown
Casino (indefinite useful
life)

Queenstown Casinos Limited holds a casino premises licence for the Queenstown premises. The casino premises licence is for an initial 25 year term from 7 December 2000. The licence can be renewed for further periods of 15 years pursuant to section 138 of the Gambling Act 2003 (NZ).

As the licence was initially granted for nil consideration, there is no associated carrying value.

SkyCity Wharf Casino
(Queenstown)
(indefinite useful life)

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 (2022: \$0.0 million).

(a) Impairment Tests for Intangibles Assets with Indefinite Useful 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 \$'000	SKYCITY HAMILTON * \$'000	TOTAL \$'000
2023			
Goodwill	–	35,786	35,786
Casino licence	405,000	–	405,000
Total	405,000	35,786	440,786
2022			
Goodwill	–	35,786	35,786
Casino licence	405,000	–	405,000
Total	405,000	35,786	440,786

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

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

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

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

	EBITDA MARGIN		TERMINAL GROWTH RATE		PRE-TAX DISCOUNT RATE	
	2023	2022	2023	2022	2023	2022
SkyCity Auckland	43.4%	29.7%	2.5%	2.5%	14.2%	13.9%
SkyCity Hamilton	47.0%	43.5%	2.5%	2.5%	14.2%	13.9%

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

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



(c) Impairment Review of the Adelaide Casino Licence

During the financial year ended 30 June 2020, the Group engaged Deloitte to independently determine the recoverable amount of the Adelaide CGU for the purpose of determining whether the SkyCity Adelaide casino licence was impaired, which resulted in a A\$150 million (NZ\$160.6 million) impairment of the SkyCity Adelaide casino licence. Additional independent valuations were obtained from Deloitte in 2021 and 2022, but these did not result in the recognition of further impairment, or the reversal of any previously recognised impairment.

In the current financial year, Deloitte was again engaged to independently determine the recoverable amount of the Adelaide CGU for the purpose of determining whether the SkyCity Adelaide casino licence was impaired. A key input for Deloitte's assessment was the updated Board approved five-year forecast for SkyCity Adelaide. The recoverable amount for the current financial year was determined using the fair value less costs of disposal approach (with the valuation being a level 3 measurement in the fair value hierarchy). The valuation resulted in a range. Taking the midpoint of the range implies an increase in impairment of A\$45.6 million (NZ\$49.7 million), taking the low end of the range implies an increase in impairment of A\$60.4 million (NZ\$65.8 million) and taking the high end of the range implies an increase in impairment of A\$29.2 million (NZ\$31.8 million). As a result of this valuation, a further impairment of A\$45.6 million (NZ\$49.7 million), at the midpoint of the valuation range, has been recognised at 30 June 2023.

The 2023 independent valuation was based on the following key estimates:

- compound annual EBITDA growth rate from 2024 to 2028 = 6.0% (2022: 2023 to 2027 = 10.2%);
- terminal growth rate = 2.5 % (2022: 2.5%); and
- post-tax discount rate = 12.0% (2022: 11.0%).

EBITDA Growth

Determining an appropriate growth rate has been made difficult by the impact of COVID-19 on the results of prior periods, which has meant that the expanded Adelaide property has not been able to operate at full capacity for the majority of the time since opening in December 2020. In addition, the unknown future impact of regulatory matters and customer responses to ongoing enhancements to SkyCity Adelaide's anti-money laundering and countering the financing of terrorism (AML/CFT) practices create a heightened level of uncertainty that makes forecasting challenging. The valuation performed at 30 June 2023 assumes an initial EBITDA uplift from current performance over the financial years ending 30 June 2024 and 30 June 2025, 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 and an expected increase in visitors to the SkyCity Adelaide property due to ongoing developments in the surrounding precinct. However, growth expectations are lower than they were at 30 June 2022, due to the decision made at the end of the current financial year to materially reduce SkyCity's international activities. The

impairment assessment is sensitive to changes in EBITDA and information on this sensitivity is provided below.

Discount Rate

The discount rate, which has been independently calculated by Deloitte, is post-tax. It reflects the current market assessment of the increased uncertainty in the Australian casino industry and risks specific to SkyCity Adelaide, taking into account the time value of money and individual risks of the underlying assets, including those arising from regulatory reviews, that have not been incorporated into the cash flow estimates. The impairment assessment is sensitive to changes in this discount rate and information on this sensitivity is provided below.

Valuation Sensitivities

The valuation of the CGU is highly sensitive to changes in the key estimates on which it is based. Small changes in assumptions could lead to an increase or decrease in the impairment of the CGU.

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\$21.7 million/NZ\$23.6 million (2022: an EBITDA increase/decrease of 5.0% would have led to an increase/decrease in enterprise value of approximately A\$23.0 million/NZ\$25.5 million);
- a 0.5% increase in terminal growth rate (to 3.0%) would lead to an increase in the enterprise value of approximately A\$14.6 million/NZ\$15.9 million (2022: a 0.5% increase in terminal growth rate to 3.0% would have led to an increase in enterprise value of approximately A\$20.0 million/NZ\$22.1 million);
- a decrease in terminal growth rate of 0.5% (to 2.0%) would lead to a decrease in the enterprise value of approximately A\$13.2 million/NZ\$14.4 million (2022: a 0.5% decrease in terminal growth rate to 2.0% would have decreased the enterprise value by approximately A\$18.0 million/NZ\$19.9 million);
- a 0.5% increase in the post-tax discount rate (to 12.5%) would lead to a decrease in the enterprise value of approximately A\$15.1 million/NZ\$16.4 million (2022: a 0.5% increase in the post-tax discount rate to 11.5% would have led to an approximately A\$21.0 million/NZ\$23.3 million decrease in the enterprise value); and
- a decrease in the post-tax discount rate of 0.5% (to 11.5%) would lead to an increase in the enterprise value of approximately A\$16.7 million/NZ\$18.2 million (2022: a 0.5% decrease in the post-tax discount rate to 10.5% would have led to an approximately A\$23.0 million/NZ\$25.5 million increase in enterprise value).

Annual Impairment Review

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

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Investments in Associates

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

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. At the time of issue, these shares represented approximately 11.0% of GiG's equity and voting rights. In the current financial year, GiG issued additional shares. SkyCity did not acquire additional shares and consequently its shareholding now represents approximately 10.46% 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 appointed a director to GiG on 4 April 2022. That director resigned in January 2023 and was replaced by another SkyCity appointed director in May 2023.

Although the Group holds less than 20% of the equity shares of GiG, the Group exercises significant influence by virtue of its appointment of 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 5, 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).

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

	2023 \$'000	2022 \$'000
Investment in associates (cost of acquisition plus share of profits)	43,200	42,136

For the 12-months ended 31 March 2023, GiG had:

- total revenue of €116.5 million; and
- total net profit/(loss) after tax of €5.7 million.

As at 31 March 2023, GiG had:

- total current assets of €33.3 million (31 March 2022: €35.7 million);
- total non-current assets of €189.2 million (31 March 2022: €60.6 million);
- total current liabilities of €46.9 million (31 March 2022: €25.9 million); and
- total non-current liabilities of €96.3 million (31 March 2022: €57.2 million).

As at 30 June 2023, the fair value of the Group's interest in GiG, which is listed on the Oslo Stock Exchange, was €28.3 million (NZ\$50.4 million) (2022: €21.1 million NZ\$35.5 million).



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Receivables and Prepayments

Accounting Policy

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

	2023 \$'000	2022 \$'000
Trade receivables (gross)	8,867	10,827
Impairment	(876)	(4,543)
Trade receivables (net)	7,991	6,284
Sundry receivables	5,230	1,776
Prepayments	37,612	17,766
Total receivables and prepayments	50,833	25,826

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

Included in prepayments is \$27.1 million paid to FCC as a result of the settlement of a portion of the Contracts Works Insurance policy for the fire at the NZICC construction site (note 7).

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Cash and Cash Equivalents

	2023 \$'000	2022 \$'000
Cash at bank	202,965	8,779
Cash in house	42,048	39,919
Total cash and cash equivalents	245,013	48,698

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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.

	2023 \$'000	2022 \$'000
Land	–	24,492
Buildings	–	2,151
Plant and equipment	–	3
Total assets held for sale	–	26,646

There are no assets held for sale at 30 June 2023. At 30 June 2022, the assets held for sale were the Little Mindil site in Darwin and development land in Queenstown.

At the prior 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. In the current year, the balance of the purchase price was received, title was transferred to the purchaser and the asset was derecognised.

At 30 June 2023, the Queenstown land was reclassified to property, plant and equipment (note 24), as a sale is no longer expected within the next year. At 30 June 2023, the land was revalued to fair value on a comparable sales basis by Bower Valuations Limited, which has recent experience in the location and category of the property being valued. The fair value of the land at 30 June 2023 is \$2.25 million lower than it was at 30 June 2022, which has resulted in impairment of property, plant and equipment of \$2.25 million being recognised in the Income Statement.



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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.

	2023 \$'000	2022 \$'000
Trade payables	23,639	21,128
Deferred income	36,671	21,899
Accrued expenses	36,226	67,733
Employee benefits	51,686	45,227
NZICC obligation	10,788	30,487
Provisions	7,978	725
Regulatory penalties provision	49,009	–
Total payables and provisions	215,997	187,199

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

Provisions

Provisions are recognised in relation to a number of matters, including the obligation to complete the car park associated with the Car Park Concession Agreement (note 39), the onerous contract for the Queenstown Wharf, a workers' compensation claim in Adelaide and the civil penalty proceedings commenced by the Australian Transaction Reports and Analysis Centre (**AUSTRAC**) against SkyCity Adelaide.

NZICC Obligation

The Group has recognised a liability to reconstruct the assets associated with the initial 600 NZICC car parks that were transferred to Macquarie under the Car Park Concession Agreement (note 39) but subsequently damaged in the NZICC fire (note 7). The Group has estimated the liability for the remaining works to be \$10.8 million (2022: \$30.5 million), based on an estimate prepared by RLB and the Group's assessment of the remediation works carried out to date on the car parks. This liability is reduced as remediation occurs and will be extinguished when the termination of the Car Park Concession Agreement is completed (note 39).

AUSTRAC Proceedings

In June 2021, SkyCity Adelaide was notified by AUSTRAC that it had identified potential serious non-compliance by SkyCity Adelaide with the Australian Anti-Money Laundering and Counter Terrorism Financing Act 2006 (**Act**) and Anti-Money Laundering and Counter Terrorism Financing Rules Instrument 2007 (No. 1). The potential serious non-compliance noted by AUSTRAC included concerns relating to ongoing customer due diligence and adopting and maintaining an anti-money laundering and counter terrorism financing (**AML/CTF**) programme in compliance with the Act.

Following an investigation, on 7 December 2022 AUSTRAC commenced civil penalty proceedings in the Federal Court of Australia (**Court**) against SkyCity Adelaide for alleged serious and systemic non-compliance with the Act. AUSTRAC alleges the following specific breaches of the Act:

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

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

The proceedings remain at a relatively early stage with AUSTRAC and SkyCity Adelaide currently working toward agreeing facts and potential admissions before the Court identifies a process for any remaining disputed issues (if any) and potential penalty to be determined.

At 30 June 2023, SkyCity has recognised a provision of A\$45.0 million (NZ\$49.0 million) in relation to the proceedings. This provision is for an estimate of the potential exposure to penalties and legal costs arising from the proceedings and has had regard to a wide range of factors relevant to the determination of any penalty that may ultimately become payable by SkyCity Adelaide. SkyCity and SkyCity Adelaide have also obtained external legal advice on the issue. Estimating the potential exposure for SkyCity Adelaide to penalties in the proceedings at this stage of that process remains highly dependent on a range of factors which are not yet known and, as such, the size of any penalty SkyCity Adelaide is exposed to could vary materially from the amount of the provision recognised. In particular, significant uncertainties remain as to:

- the nature and characterisation of any contraventions that will inform the Court's decision as to appropriate penalty;
- the attitude and approach that AUSTRAC will take to the questions of the seriousness, nature and extent of SkyCity Adelaide's alleged contraventions and the amount of any penalty it will submit SkyCity Adelaide should be ordered to pay; and
- the attitude and approach of the Court to the seriousness of SkyCity Adelaide's alleged contraventions, comparisons with the positions of Crown Melbourne Limited and Burswood Nominees Limited (trading as Crown Perth) (together, Crown), The Star Pty Limited and The Star Entertainment QLD Limited and, ultimately, the level of any penalty it may order SkyCity Adelaide to pay.

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

Any eventual civil penalty applied to SkyCity Adelaide in relation to the proceedings may be significantly higher or lower than the provision recognised in these financial statements. The timing of any civil penalty payable by SkyCity Adelaide is also uncertain.



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Share Capital

	2023 SHARES	2022 SHARES	2023 \$'000	2022 \$'000
Opening balance of ordinary shares issued	760,205,209	760,205,209	1,340,556	1,338,223
Shares issued under employee share schemes	-	-	2,446	2,292
Net issue of treasury shares	-	-	25	41
	760,205,209	760,205,209	1,343,027	1,340,556

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

Included within the number of shares is 2,087,978 treasury shares (2022: 2,697,338) held by a third party in connection with the Company's employee share schemes. The movement in treasury shares during the year related to the issuance of shares under the employee incentive plans, purchases of shares by the external trustee company in relation to employee incentive plans and the exercise of share rights/options.

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Reserves

	2023 \$'000	2022 \$'000
Asset revaluation reserve	12,770	12,770
Hedging reserve - cash flow hedges	(3,359)	(4,564)
Foreign currency translation reserve	(16,674)	(11,797)
Cost of hedging reserve	(3,172)	(854)
Total reserves	(10,435)	(4,445)
MOVEMENTS		
Asset Revaluation Reserve		
Opening balance	12,770	12,770
Closing balance	12,770	12,770
Hedging Reserve - Cash Flow Hedges		
Opening balance	(4,564)	(12,058)
Revaluation	(10,734)	13,777
Transfer to net profit - finance costs (net)	12,408	(3,369)
Deferred tax	(469)	(2,914)
Closing balance	(3,359)	(4,564)
Foreign Currency Translation Reserve		
Opening balance	(11,797)	(22,478)
Exchange difference on translation of overseas subsidiaries	(4,877)	10,681
Closing balance	(16,674)	(11,797)
Cost of Hedging Reserve		
Opening balance	(854)	(1,213)
Revaluations	(3,913)	37
Transfer to finance costs	694	462
Deferred tax	901	(140)
Closing balance	(3,172)	(854)



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Derivative Financial Instruments

Accounting Policy

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

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

Fair Value Hedge

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

Cash Flow Hedge

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

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

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

Derivatives that do not Qualify for Hedge Accounting

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

	2023 \$'000 NOTIONAL VALUE	2022 \$'000 NOTIONAL VALUE	2023 \$'000 FAIR VALUE	2022 \$'000 FAIR VALUE
CURRENT ASSETS				
Interest rate swaps - cash flow hedges	-	50,000	-	200
Forward foreign exchange contracts	40,371	20,946	489	163
Total current derivative financial instrument assets	40,371	70,946	489	363
NON-CURRENT ASSETS				
Interest rate swaps - cash flow hedges	80,000	80,000	2,407	1,134
Cross currency interest rate swaps - cash flow hedges*	146,630	160,927	9,536	10,464
Total non-current derivative financial instrument assets	226,630	240,927	11,943	11,598
Total derivative financial instrument assets			12,432	11,961
CURRENT LIABILITIES				
Forward foreign currency contracts	5,352	51,943	17	12
Total current derivative financial instrument liabilities	5,352	51,943	17	12
NON-CURRENT LIABILITIES				
Cross currency interest rate swaps - cash flow hedges*	128,999	-	5,617	-
Total non-current derivative financial instrument liabilities	128,999	-	5,617	-
Total derivative financial instrument liabilities			5,634	12
Total net derivative financial instruments			6,798	11,949

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



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Financial Risk Management

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

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

(a) Market Risk

(i) Currency Risk

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

Exposure to the US dollar arises from USPP funding denominated in that currency.

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

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

(ii) Interest Rate Risk

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

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

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

(b) Credit Risk

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

Financial instruments (other than those that relate to International Business which are discussed below) that potentially create a credit exposure can only be entered into with counterparties that are explicitly approved by the Board.

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

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.

(c) Liquidity Risk

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

Maturities of Committed Funding Facilities

Debt maturities are detailed in note 13.

	LESS THAN 6 MONTHS \$'000	6 - 12 MONTHS \$'000	BETWEEN 1 AND 2 YEARS \$'000	BETWEEN 2 AND 5 YEARS \$'000	OVER 5 YEARS \$'000	TOTAL
30 JUNE 2023						
Bank facility	–	135,000	175,000	80,000	–	390,000
USPP	–	–	156,112	71,210	126,490	353,812
New Zealand bonds	–	–	–	175,000	–	175,000
Car park concession liability	45,814	–	–	–	–	45,814
Lease liabilities	1,119	3,045	4,416	12,481	98,824	119,885
Total committed debt facilities	46,933	138,045	335,528	338,691	225,314	1,084,511
Total drawn debt	46,933	3,045	160,528	258,691	225,314	694,511
Future contracted interest on drawn debt	12,024	23,918	39,408	62,374	14,190	151,914
Future interest of lease liabilities	3,160	3,135	6,155	17,302	312,179	341,931
Future contracted interest on CCIRS/IRS	3,134	6,234	8,979	15,154	5,043	38,544
Total drawn debt and derivatives	65,251	36,332	215,070	353,521	556,726	1,226,900
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



(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 33.

(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). Normalised EBITDA is a non-GAAP measure used to report to the market. It is based on EBITDA as shown in the Income Statement with adjustments to eliminate fair value movements, impairments and impacts of unusual events such as the fire at the NZICC construction site.

The primary ratios were as follows at 30 June:

	2023	2022
Gearing ratio	1.6x	4.6 x
Interest cover ratio	10.1x	3.8 x

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

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Share-Based Payments

Accounting Policy

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

Current Plans

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

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

2021 Chief Executive Officer Incentive Shares (CEO Plan)

Under the terms of his employment agreement, the CEO was issued 157,347 ordinary shares of the Company on 16 November 2022. There were no performance targets associated with these shares (other than continued employment during the period from his commencement date to November 2022). The CEO also received 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 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
- 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.

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

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

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

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

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

Performance Incentive Plan (PIP)

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

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

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

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

Executive Long Term Incentive Plan (LTI Plan)

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

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

At 30 June 2023, the interest-free loans relating to the LTI Plan total \$1,883,607 (2022: \$3,889,982).



Outstanding Share Rights

Movements in the number of RSRs outstanding are as follows:

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

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 GRANT						
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	07/09/22	-	416,587	-	(26,543)	390,044
07/09/21	07/09/23	-	404,815	-	(25,265)	379,550
Total		2,738,356	5,159,922	(696,720)	(1,116,040)	6,085,518

The weighted average remaining contractual life of rights outstanding at the end of the period was 2.66 years (2022: 3.00 years).



Fair Values

Fair Value of Share Rights Granted (LTI RSR Plan)

The assessed fair value at grant date of the rights granted on 8 September 2022 was \$0.78. 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 2022 included:

- (a) rights are granted for no cash consideration;
- (b) exercise price: nil; and
- (c) share price at grant date: \$2.79.

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 LTI Retention Restricted Share Rights (LTI Retention RSRs)

The assessed fair value at grant date of the rights granted on 30 November 2022 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 30 November 2022 included:

- rights are granted for no consideration;
- exercise price: \$2.86 per RSR pre-adjustments for cash dividends paid throughout the period; and
- share price at grant date: \$2.79.

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 2022 right was determined by Ernst & Young Transaction Advisory Services Limited. RSRs vesting one year after year-end were valued at \$2.65 (2022: \$2.84) and RSRs vesting two years after-year end were valued at \$2.35 (2022: \$2.57).

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:

	2023 \$'000	2022 \$'000
Rights issued under share rights plans	2,446	2,292

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Related Party Transactions

(a) Key Management Personnel Compensation

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

	SHORT-TERM BENEFITS \$'000	SHARE-BASED PAYMENTS \$'000	TOTAL \$'000
2023	10,156	1,958	12,114
2022	8,087	2,132	10,219

(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 \$49,022 (2022: \$8,769) were paid to incoming directors, for the period from 1 July to 7 September 2022 and from 1 March to 2 March 2023 (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 (2022: Nil).

(c) Subsidiaries

Interests in subsidiaries are set out in note 37.

(d) Associates

As outlined in note 26, the Group acquired an associate, GiG, on 1 April 2022. As outlined in note 5, the Group also earns revenue from online gaming under a gaming licence held by GiG. For the year ended 30 June 2023, the Group earned revenue of €9.0 million (NZ\$15.4 million) (2022: 1 April 2022 to 30 June 2022 €2.4 million (NZ\$4.0 million)) from online gaming under the gaming licence held by GiG. At 30 June 2023, the Group has a receivable of €0.8 million (NZ\$1.3 million 30 June 2022: €1.4 million (NZ\$2.3 million)) from GiG in relation to online gaming.

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Subsidiaries

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

NAME OF ENTITY	PRINCIPAL PLACE OF BUSINESS	CLASS OF SHARES	EQUITY HOLDING	
			2023 %	2022 %
Cashel Asset Management Limited	New Zealand	Ordinary	100%	100%
Horizon Tourism New Zealand Limited (formerly SkyCity Wellington Limited)	New Zealand	Ordinary	100%	100%
New Zealand International Convention Centre Limited	New Zealand	Ordinary	100%	100%
Otago Casinos Limited	New Zealand	Ordinary	100%	100%
Queenstown Casinos Limited	New Zealand	Ordinary	100%	100%
Sky Tower Limited	New Zealand	Ordinary	100%	100%
SkyCity Action Management Limited	New Zealand	Ordinary	100%	100%
SkyCity Auckland Holdings Limited	New Zealand	Ordinary	100%	100%
SkyCity Auckland Limited	New Zealand	Ordinary	100%	100%
SkyCity Casino Management Limited	New Zealand	Ordinary	100%	100%
SkyCity Development Limited	New Zealand	Ordinary	100%	100%
SkyCity Enterprises Limited	New Zealand	Ordinary	100%	100%
SkyCity Hamilton Limited	New Zealand	Ordinary	100%	100%
SkyCity Holdings Limited	New Zealand	Ordinary	100%	100%
SkyCity International Holdings Limited	New Zealand	Ordinary	100%	100%
SkyCity Investments Australia Limited	New Zealand	Ordinary	100%	100%
SkyCity Investments Queenstown Limited	New Zealand	Ordinary	100%	100%
SkyCity Management Limited	New Zealand	Ordinary	100%	100%
SkyCity Precinct Limited	New Zealand	Ordinary	100%	100%
SkyCity Projects Limited	New Zealand	Ordinary	100%	100%
SkyCity Properties Limited	New Zealand	Ordinary	100%	100%
SkyCity Properties Albert St Limited	New Zealand	Ordinary	100%	100%
SkyCity Properties Victoria St Limited	New Zealand	Ordinary	100%	100%
SkyCity Ventures Limited	New Zealand	Ordinary	100%	100%



NAME OF ENTITY	PRINCIPAL PLACE OF BUSINESS	CLASS OF SHARES	EQUITY HOLDING	
			2023 %	2022 %
SkyCity Adelaide Pty Limited	Australia	Ordinary	100%	100%
SkyCity Australia Finance Pty Limited	Australia	Ordinary	100%	100%
SkyCity Australian Limited Partnership	Australia	Ordinary	100%	100%
SkyCity Australia Pty Limited	Australia	Ordinary	100%	100%
SkyCity Treasury Australia Pty Limited	Australia	Ordinary	100%	100%
Horizon Tourism Limited	Hong Kong	Ordinary	100%	100%
SkyCity Investment Holdings Limited	Hong Kong	Ordinary	100%	100%
SkyCity Malta Holdings Limited	Malta	Ordinary	100%	100%
SkyCity Malta Limited	Malta	Ordinary	100%	100%
SkyCity Management (UK) Limited	United Kingdom	Ordinary	100%	100%

All subsidiaries have balance dates of 30 June.

38 Contingencies

(a) Contingent Liabilities

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

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

(i) Independent Review

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

In its media release dated 1 July 2022, CBS noted that it was commissioning an independent review of the casino operations in South Australia "in light of interstate inquiries into various casino operations" given "a number of the matters raised to date extend beyond any one organisation and point instead to broader systemic issues within the casino industry". Mr Martin was asked to consider, amongst other things, whether SkyCity Adelaide is a suitable person to continue to hold the casino licence in South Australia, whether the Company is a suitable person to continue to be a close associate of SkyCity Adelaide, and, if SkyCity Adelaide or the Company is not a suitable person, what changes (if any) are required for that party to become a suitable person. Mr Martin was due to report back to the Commissioner by 1 February 2023. However, as at 30 June 2023, Mr Martin had not delivered his report to the Commissioner.



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

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

The Commissioner also advised that he was considering his options regarding any action he should take whilst the independent review was on hold, including whether he will seek that SkyCity Adelaide undertake any actions in the interim.

SkyCity Adelaide continues a constructive dialogue with the Commissioner.

On 26 May 2023, the Commissioner issued a direction notice to SkyCity Adelaide under section 10 of the Gambling Administration Act 2019 (SA), requiring SkyCity Adelaide to appoint a suitably qualified independent expert approved by the Commissioner to:

- review SkyCity Adelaide's AML/CTF and host responsibility enhancement programmes and, if required, make amendments to those enhancement programmes;
- monitor the implementation of those enhancement programmes by SkyCity Adelaide and SkyCity Adelaide's compliance with its AML/CTF and gambling harm minimisation obligations; and
- report to the Commissioner in relation to the above matters.

The Commissioner advised that the appointment of an independent expert would provide an independent perspective of SkyCity Adelaide's AML/CTF and host responsibility enhancement programmes and an additional layer of assurance. SkyCity Adelaide is working with the Commissioner to finalise the appointment of the independent expert.

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

The Company and SkyCity Adelaide will continue to cooperate with CBS and any further requests for information and documents.

(ii) Casino Duty

SkyCity Adelaide has had an ongoing contractual dispute with Revenue South Australia concerning the interpretation of the Casino Duty Agreement (**CDA**) in relation to the treatment of loyalty points converted to gaming machine play and the deduction of loyalty points earned for the purpose of calculating casino duty at the SkyCity Adelaide casino.

Both parties 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.

On 9 September 2022, SkyCity Adelaide filed a Statement of Claim in the Supreme Court of South Australia seeking relief in the nature of declarations relating to the dispute. On 16 November 2022, the Crown Solicitor's Office filed a cross claim which formulates Revenue South Australia's claim for the unpaid duty and interest in the event that Revenue South Australia's position on SkyCity's main claim is accepted.

The parties subsequently agreed that it would be appropriate to refer the questions of law to the Court of Appeal of South Australia and sought the approval of the Supreme Court to reserve the questions of law to the Court of Appeal. At directions hearings on 26 May 2023 and 9 June 2023, the Supreme Court considered and agreed to the parties' request for the questions of law to be heard directly by the Court of Appeal given the complexity of the issues involved and the likelihood of appeal from the Supreme Court. The proceedings have been listed for a hearing in the Court of Appeal on 13 October 2023.

There are a range of potential outcomes of the Court of Appeal's decision including an unfavourable ruling that would result in additional casino duty being payable by SkyCity Adelaide. However, no present obligation exists in connection with the dispute at 30 June 2023 and, consequently, the Group has not recognised a provision.

(iii) Other Regulatory Matters

In addition to the matters outlined above and in note 30, the Group receives correspondence from and engages with its regulators from time to time as required regarding the Group's business operations, including in relation to regulator audits/reviews, adverse media about the Group's operations, and complaints made about the Group's business operations. In relation to these matters, the Group engages with the relevant regulator and responds to requests for information and documents as they arise.

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

(b) Contingent Assets

The Group will 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 \$55.8 million (2022: \$68.7 million) of costs incurred to date where it does not believe that recovery is virtually certain at this time given the position currently being taken by the Contractor and by the insurers, and therefore no income has been recognised. However, recovery of these costs is considered probable and they are therefore included as a contingent asset. This does not include the full extent of the costs and losses that have been incurred or that could be claimed from the NZICC and Horizon Hotel contractor relating to the fire and construction delays.

There are no other significant contingent assets at year-end.

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Commitments

Capital Commitments

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

	2023 \$'000	2022 \$'000
Property, plant and equipment	296,377	296,575

Capital commitments largely comprise estimations for NZICC and Horizon Hotel construction completion, the sale and purchase agreement for 15% of the AA Building and the termination of the Car Park Concession Agreement.

Car Parks

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

Under the Car Park Concession Agreement:

- SkyCity retained exclusive access to 450 car parks for VIP customers and non-exclusive access to further car parks at the SkyCity Auckland main site at agreed rates;
- 600 car parks at the NZICC site were transferred to Macquarie; and
- an additional 624 car parks at the NZICC site were to be made available to Macquarie by 31 December 2020.

Following the October 2019 fire at the NZICC site (note 7), the 600 car parks at the NZICC site that had been made available to Macquarie were no longer able to be accessed by Macquarie and the additional 624 car parks at the NZICC site were not able to be made available to Macquarie by 31 December 2020. Under the terms of the Car Park Concession Agreement, the Group undertook to remediate the damage to the car parks, with Macquarie able to terminate the Car Park Concession Agreement if access to the car parks was not made available by 22 October 2022.

The Group was unable to provide access to the car parks within the required timeframe and Macquarie served a notice of termination of the Car Park Concession Agreement on 27 October 2022. As a result, the Group will take back the operation of all of the car parks that were the subject of the Car Park Concession Agreement, in return for a consideration determined by a methodology and process detailed in the Car Park Concession Agreement. At 30 June 2023, the amount of consideration to be transferred had not been determined.

The termination of the Car Park Concession Agreement will be accounted for when the Group has taken back the operation of all of the car parks that were the subject of the Car Park Concession Agreement and paid the associated consideration. As this is expected to occur within the next year, at 30 June 2023 all liabilities associated with the Car Park Concession Agreement are classified as current. As a result, the liability for lease income in advance (notes 22 and 23), which had been decreased by the regular payment made to Macquarie as compensation for the non-availability of the associated car parks, has been increased to the amount initially recognised resulting in \$13.7 million being recognised as an other expense in the current period. In addition, the interest bearing liability for the nested car parks which was classified as non-current at 30 June 2022, has been revalued and is classified as current at 30 June 2023 (note 14). The finance lease receivable is considered to be an executory contract and has not been revalued.



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

	2023 \$'000	2022 \$'000
Profit/(loss) for the year	7,975	(33,595)
Depreciation and amortisation	90,672	94,660
Net finance costs	23,492	35,044
Current period employee share expense	2,446	2,292
Gain on sale of fixed assets	(108)	(634)
Fair value losses to investment property	12,252	5,400
NZICC fire related income	(61,882)	(52,483)
NZICC fire related costs	63,828	88,849
Asset impairment	50,856	7,293
Share of profits of associates	(1,064)	-
Change in operating assets and liabilities		
Change in receivables and prepayments	(25,007)	7,579
Change in inventories	(1,054)	(341)
Change in deferred tax asset	(6,093)	(9,632)
Change in current payables	28,798	(12,966)
Change in deferred tax liability	(4,491)	8,616
Change in tax receivable - current	4,419	(4,431)
Change in non-current payables	(5,460)	4,240
Change in tax payable - current	42,755	(16,162)
Investing and financing items included in working capital movements	57,763	(32,608)
Net cash inflow from operating activities	280,097	91,121

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Events Occurring after the Reporting Date

Dividend

On 22 August 2023, the directors resolved to provide for a final dividend to be paid in respect of the year ended 30 June 2023. The fully imputed, unfranked dividend of 6.0 cents per share will be paid on 22 September 2023 to all shareholders on the Company's register at the close of business on 8 September 2023.

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 the inherent volatility, or “luck” factor, from International Business, which has variable turnover and actual win % from period to period; and
- eliminating structural differences in the business between periods.

SkyCity believes that making these adjustments enables users of the financial information to better understand the underlying performance of the Group and form a view on future performance. 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 Reporting Policy and is reviewed by the Board at each reporting period. Application of SkyCity's Non-GAAP Financial Information Reporting Policy is consistent with the approach adopted in FY22.

	FY23				FY22			
	REVENUE \$m	EBITDA \$m	EBIT \$m	NPAT \$m	REVENUE \$m	EBITDA \$m	EBIT \$m	NPAT \$m
Reported	926.2	165.9	75.2	8.0	639.0	96.9	2.3	(33.6)
IB revenue adjustment	7.0	-	-	-	3.8	-	-	-
Gaming GST	87.5	-	-	-	57.1	-	-	-
IB at theoretical win rate	9.6	8.5	8.5	6.0	(5.2)	(3.8)	(3.8)	(2.7)
NZICC fire impacts	(63.6)	22.8	22.8	12.3	(63.2)	32.1	32.1	33.3
Asset impairment	-	50.8	50.8	50.8	-	7.3	7.3	7.3
Property revaluation	-	12.3	12.3	12.0	-	5.4	5.4	5.4
Labour restructure	-	1.0	1.0	0.7	-	-	-	-
Regulatory penalties	-	49.0	49.0	49.0	-	-	-	-
Normalised	966.7	310.3	219.6	138.8	631.5	137.9	43.3	9.7

ADJUSTMENT

Treat IB rebates as an expense rather than reduction in revenue, which reduces both reported revenue and operating expenses within IB (by \$7.0 million in FY23 and \$3.8 million in FY22)

Add gaming GST to reported revenue (increasing reported revenue by \$87.5 million in FY23 and \$57.1m in FY22)

Apply theoretical win rate of 1.35% for IB vs. actual win rate of 0.98% (FY23) and 1.77% (FY22)

Eliminate net loss (\$12.3 million post-tax) arising from impacts of NZICC fire, which includes recoveries of compensation payments made to Macquarie for car parks compromised by reinstatement of NZICC/Horizon Hotel (\$33.3 million loss in FY22) and to eliminate the impact of accounting adjustments made as a result of Macquarie issuing a notice of termination in relation to the Car Park Concession Agreement

Reverse impact of revaluation (decrease of \$12.0 million post-tax) of Auckland investment properties (FY22: decrease of \$5.4 million)

DISCUSSION

- This adjustment adds back International Business rebates (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.

- Reported revenue included within the financial statements of the Group excludes gaming GST, because including gaming GST within reported revenue is not consistent with GAAP.
- This adjustment adds back GST associated with gaming, so that normalised revenue equals the amount bet by gaming customers.
- This adjustment does not impact EBITDA, EBIT or NPAT.

- 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".
- In order to understand the long term results within International Business there is the need to eliminate the inherent volatility or "luck" factor.

- On 22 October 2019, there was a significant fire at the construction site of the NZICC in Auckland. This fire has 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 the Contractor.
- 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 in 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 final damage assessment for the NZICC/Horizon Hotel, the expected insurance recovery relating to the asset has increased and is required to be recognised as income as SkyCity is 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 FY23 result with the prior year.

- SkyCity has a number of investment properties in Auckland. In accordance with the appropriate accounting standard, these investment properties will be revalued by an independent expert every year and the carrying value adjusted within the Group's financial statements.
- This adjustment reverses the recognised 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

AA Building (SkyCity HQ) impairment (decrease of \$1.1 million FY22: increase of \$1.1 million)

SkyCity Queenstown land impairment (decrease of \$2.3 million FY22: decrease of \$1.8 million)

SkyCity Adelaide licence impairment (decrease of A\$45.6 million FY22: SkyCity Wharf licence decrease of \$4.4 million)

Eliminate labour restructure costs \$0.7 million post-tax

Eliminate regulatory penalties \$49.0 million

DISCUSSION

AA Building

- In FY22, the Group impaired the AA Building by \$1.1 million following valuation by an independent expert; this impairment has been reversed in FY23 to meet the requirements of applicable accounting standards.

Queenstown Land

- During FY22, SkyCity concluded that it was no longer feasible to develop land it owns in Queenstown into a VIP gaming and hotel resort. The land was consequently marketed for sale in FY22 and reclassified as held for sale (with a \$1.8 million downwards revaluation recognised). In FY23, SkyCity concluded that sale was no longer probable within a year and reclassified the land as property, plant and equipment. An impairment of \$2.3 million was recognised at the time of the reclassification to property, plant and equipment.

Adelaide Licence

- At 30 June 2023, a valuation of SkyCity Adelaide resulted in a A\$45.6 million (NZ \$49.7 million) impairment of the casino licence.

Wharf Licence

- In FY22, SkyCity decided to not reopen the Queenstown Wharf casino in the foreseeable future (it had been closed since 23 March 2020, which was the commencement of the first COVID-19 lockdown in New Zealand) and fully impaired the casino licence, which resulted in the recognition of an impairment loss of \$4.4 million.
- These adjustments eliminate these non-cash expenses, which are unrelated to the operations of the Group.

- At the end of the current year, a decision was made to materially reduce SkyCity's international activities. As a result, the International Business team was restructured, resulting in redundancy payments being made. These payments are eliminated to allow comparability between FY23 and prior years.

- This adjustment removes the provision recognised in relation to regulatory penalties and associated legal costs. This has been eliminated to allow comparability between FY23 and prior years.