

14 February 2022

Client Market Services
NZX Limited
Level 1, NZX Centre
11 Cable Street
WELLINGTON

SkyCity Entertainment Group Limited
99 Albert Street, Auckland 1010
New Zealand

PO Box 6443, Auckland 1141
New Zealand

p +64 9 363 6000
w www.skycityentertainmentgroup.co.nz

Copy to:
ASX Market Announcements
Australian Stock Exchange
Exchange Centre
Level 6
20 Bridge Street
Sydney NSW 2000
AUSTRALIA

Dear Sir/Madam

RE : SKYCITY ENTERTAINMENT GROUP LIMITED (SKC)
INTERIM RESULT FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

Please find **attached** the following information relating to SkyCity Entertainment Group Limited's (**SkyCity**) result for the six months ended 31 December 2021:

1. Results Announcement (as required by NZX Listing Rule 3.5.1);
2. 1H22 Investor Presentation; and
3. 1H22 financial statements and notes.

SkyCity is hosting a conference call for equity analysts, institutional investors and fund managers at 12pm noon New Zealand time (10am Australian Eastern time) today to discuss the company's financial result for the six-month period ended 31 December 2021. Details for this call were released on the NZX and ASX on 20 January 2022.

Authorised by:



Julie Amey
Chief Financial Officer
Phone: +64 9 363 6047
Email: julie.amey@skycity.co.nz

Results for Announcement to the Market		
Name of issuer	SkyCity Entertainment Group Limited (SkyCity)	
Reporting period	6 months to 31 December 2021	
Previous reporting period	6 months to 31 December 2020	
Currency	New Zealand dollars	
Reported	Amount (million)	Percentage change
Reported revenue from continuing operations ¹	\$289.8	-35.6%
Total reported revenue ¹	\$289.8	-35.6%
Reported profit (loss) from continuing operations	-\$33.7	-143.3%
Reported total net profit (loss)	-\$33.7	-143.3%
Normalised	Amount (million)	Percentage change
Normalised revenue including gaming GST	\$260.8	-32.6%
Normalised total net profit (loss)	-\$19.5	-145.3%

Notes:

- 'Reported' information is per the financial statements;
- 'Normalised' results set International Business win to a theoretical win rate of 1.35% and adjust for certain revenue and expense items. Reconciliation between reported and normalised financial information is provided at the end of this announcement;
- 'EBITDA' means earnings before interest, tax, depreciation and amortisation;
- 'EBIT' means earnings before interest and tax;
- 'NPAT' means net profit after tax;
- the financial statements for the previous reporting period have been restated to reflect a change in accounting policy for Software as a Services (SaaS) arrangements; and
- certain totals, subtotals and percentages may not agree due to rounding.

¹ On the Income Statement, this is the total of revenue, other income and fire related income.

Interim Dividend		
Amount per Quoted Equity Security	-	
Imputed amount per Quoted Equity Security	-	
Record Date	-	
Dividend Payment Date	-	
	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	\$1.2085	\$1.2165
A brief explanation of any of the figures above necessary to enable the figures to be understood	<p>SkyCity's 1H22 performance is set out in the company's Investor Presentation attached to this announcement, which provides detail and explanatory comment on:</p> <ul style="list-style-type: none">- operating and financial performance for each business unit and the SkyCity Group as a whole; and- various other relevant aspects of the financial performance, for the six months ended 31 December 2021. <p>The Investor Presentation will be available on the company's website from 14 February 2022.</p>	
Authority for this announcement		
Name of person authorised to make this announcement	Jo Wong	
Contact person for this announcement	Jo Wong	
Contact phone number	09 363 6143	
Contact email address	jo.wong@skycity.co.nz	
Date of release through MAP	14 February 2022	

Unaudited financial statements accompany this announcement.

Reconciliation between Reported and Normalised Financial Information

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

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

This objective is achieved by:

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

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

For internal purposes, including budgeting and determination of staff incentives, normalised results are used.

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

Application of SkyCity's "Non-GAAP Financial Information Policy" is consistent with the approach adopted in FY21.

	1H22				1H21 - Restated			
	Revenue \$m	EBITDA \$m	EBIT \$m	NPAT \$m	Revenue \$m	EBITDA \$m	EBIT \$m	NPAT \$m
Reported	289.8	20.4	(27.4)	(33.7)	449.9	150.5	109.4	77.9
IB revenue adjustment	0.5	-	-	-	3.4	-	-	-
Gaming GST	20.7	-	-	-	35.3	-	-	-
IB at theoretical win rate	2.3	2.5	2.5	1.7	4.5	3.6	3.6	2.5
NZICC fire impacts	(52.5)	7.1	7.1	6.2	(66.8)	3.2	3.2	2.3
Liquidated damages					(39.5)	(39.5)	(39.5)	(39.5)
Asset impairment		6.2	6.2	6.2				
Normalised	260.8	36.2	(11.6)	(19.5)	386.9	117.8	76.7	43.2

SkyCity Entertainment Group Limited

1H22 Result

Investor Presentation
14 February 2022



Important Information

- Average NZ\$ vs. A\$ cross-rate for 1H22 = 0.9525 and 1H21 = 0.9334
- Weighted average number of shares (excl treasury stock) for 1H22 = 757,507,871 and 1H21 = 756,373,566
- Normalised revenue (incl gaming GST), calculated as gaming win (incl GST) plus non-gaming revenue (excl GST), shown to facilitate Australasian comparisons
- Normalised revenue and earnings adjusted for IB at the theoretical win rate of 1.35% vs. an actual win rate of 0.11% in 1H22 (1H21: 0.61%) and certain other items
- EBITDA margin is calculated as a % of revenue (incl gaming GST) to facilitate Australasian comparisons
- Certain totals, subtotals and percentages may not agree due to rounding

Contents

01	1H22 Key Features	05	Trading Update & Outlook
02	1H22 Results	06	Appendices
03	Financial Resilience & Capital Allocation		
04	CEO Update & Group Strategy		

1H22 Key Features

1. 1H22 materially impacted by Covid-19 disruptions, but resilient local gaming activity when open/fully operational and NZ online casino performing well
2. Positive EGM activity when open – record New Year’s Eve performance in NZ and Adelaide revenue up 33% vs. pcip with stable market share
3. Effective cost/capex control and flexible operating model in response to Covid-19 disruptions
4. Expanded strategic partnership with GiG through equity investment and Board seat
5. NZICC/Horizon Hotel project remains complex but progressing and working closely with Fletcher Construction
6. Positive progress on enhancement of AML programme, including key senior appointments
7. Balance sheet well positioned to manage near-term challenges from Covid-19 – adequate committed liquidity, met gearing covenant for December 2021 and covenant variation secured for June 2022
8. Remain positive on medium-term outlook – targeting return to FY19 earnings levels when fully operational (and then grow from there)

Management Priorities

Navigate through ongoing uncertainty of Covid-19 operating environment

Ensure financial resilience – ongoing effective cost/capital control and manage balance sheet through near-term challenges

Return business to FY19 earnings levels

Optimise Adelaide expansion – focus on local and interstate business

Progress NZICC/Horizon Hotel reinstatement with Fletcher Construction

Pursue online gaming opportunity in NZ

Enhancement of Host Responsibility and AML programmes – respond to AUSTRAC investigation in Adelaide



1H22 Results

1H22 Results Overview

	1H22	1H21	Movement	
	\$m	\$m	\$m	%
Reported Revenue	289.8	449.9	(160.1)	(35.6%)
Reported EBITDA	20.4	150.5	(130.1)	(86.4%)
Reported NPAT	(33.7)	77.9	(111.6)	(143.3%)
Reported EPS	(4.5cps)	10.3cps	(14.8cps)	(143.2%)
	1H22	1H21	Movement	
	\$m	\$m	\$m	%
Normalised Revenue (incl Gaming GST) ⁽¹⁾	260.8	386.9	(126.0)	(32.6%)
Normalised EBITDA ⁽¹⁾	36.2	117.8	(81.6)	(69.2%)
Normalised NPAT ⁽¹⁾	(19.5)	43.2	(62.7)	(145.3%)
Normalised EPS	(2.6cps)	5.7cps	(8.3cps)	(145.2%)
Dividend DPS ⁽²⁾	0.0cps	0.0cps	0.0cps	0.0%

(1) See pages 34-35 for more details

(2) No interim dividend in 1H22 or 1H21 due to reliance on covenant waivers/relief

1H22 Revenue by Business

	1H22	1H21	Movement
	\$m	\$m	%
Properties (excl IB)⁽¹⁾			
Auckland	118.5	230.8	(48.7%)
Hamilton	24.4	36.8	(33.7%)
Queenstown	5.0	5.9	(16.3%)
NZ Other ⁽²⁾	3.6	1.0	259.9%
Adelaide (A\$)	92.8	89.5	3.7%
Total Property Revenue (excl IB)⁽¹⁾	248.8	370.5	(32.8%)
Normalised IB Revenue	2.5	8.2	(69.2%)
Online/E-sports ⁽³⁾	9.4	8.1	16.3%
Normalised Revenue⁽¹⁾⁽⁴⁾	260.8	386.9	(32.6%)
IB revenue adjustment ⁽⁴⁾	(0.5)	(3.4)	-
Non-GAAP adjustments ⁽⁴⁾	29.5	66.5	-
Reported Revenue	289.8	449.9	(35.6%)

(1) Including gaming GST

(2) "NZ Other" revenue relates to NZ wage subsidy attributable to corporate function/IB and \$1.8m gain on sale of E-sports business (Let's Play Live Media) during August 2021

(3) Includes \$0.1m of revenue from E-sports business (Let's Play Live Media) recognised prior to sale during August 2021

(4) See pages 34-35 for more details

1H22 EBITDA by Business

	1H22	1H21 ⁽⁴⁾	Movement
	\$m	\$m	%
Properties (excl IB)			
Auckland ⁽¹⁾	16.0	94.9	(83.1%)
Hamilton ⁽¹⁾	9.6	18.1	(47.1%)
Queenstown ⁽¹⁾	1.4	2.2	(36.9%)
Adelaide (A\$) ⁽²⁾	10.8	23.9	(54.9%)
Total Property EBITDA (excl IB)⁽¹⁾⁽²⁾	38.3	141.0	(72.8%)
Normalised IB EBITDA ⁽¹⁾	(1.9)	(2.8)	31.6%
Corporate Costs	(8.0)	(20.8)	61.7%
Online/E-sports ⁽³⁾	8.7	5.1	70.6%
NZICC/Horizon Hotel/Adelaide pre-opening costs	(0.9)	(4.7)	81.0%
Normalised EBITDA	36.2	117.8	(69.2%)
Non-GAAP adjustments ⁽⁵⁾	(15.8)	32.7	-
Reported EBITDA	20.4	150.5	(86.4%)

(1) Impacted by NZ wage subsidy treated as other income during 1H22 (\$17m) and the pcp (\$10m) for NZ businesses

(2) Impacted by JobKeeper Scheme treated as other income during pcp (around A\$13m)

(3) Includes \$1.8m gain on sale of E-sports business (Let's Play Live Media) during August 2021

(4) Restated for impact of adoption of IFRS Interpretations Committee decision on accounting for SaaS

(5) See pages 34-35 for more details

Impact of Covid-19 in NZ and South Australia

NZ

- NZ properties significantly impacted by Covid-19 during 1H22
 - Auckland closed for 107 days before reopening on 3 December 2021 at “Red” setting
 - Hamilton and Queenstown closed for 65 and 22 days, respectively, with extended periods under operating restrictions when open
 - International border (incl Trans-Tasman) remained closed
- Covid-19 protection framework replaced Alert Level system from December 2021
 - NZ currently in “Red” setting following Omicron being confirmed in community on 23 January 2022 (having been in “Orange” setting from 30 December 2021)
 - Under “Red” setting NZ properties open but with capacity restrictions and social distancing – limited restrictions at “Orange”⁽¹⁾ and none at “Green” setting
 - Lockdowns not contemplated under framework – regional borders remain open
- NZ Government announced staged reopening of international border from end of February 2022 – international tourism (initially from visa-waiver countries such as Australia/UK/US/Singapore/Japan/Korea etc.) to resume no later than July 2022 for vaccinated travelers but with self-isolation requirement

South Australia

- Adelaide closed for 8 days during July 2021
- Casino remained open for balance of 1H22, but with operating restrictions – social distancing, capacity limits, indoor mask wearing etc.
- Omicron outbreak since December 2021, but capacity limits recently relaxed – workforce disruptions ongoing as staff test positive for Covid-19 or required to isolate as a contact
- Interstate borders opened progressively from December 2021 (excl Western Australia)
- International border expected to open to tourists from 21 February 2022, but initial ramp-up uncertain

(1) No restrictions on capacity or gathering sizes, QR Code scanning continues and public facing workers required to wear facemasks

Response to Covid-19 disruptions

Financial

- Continue to benefit from labour restructure implemented during 2020
- Further cost/capital saving initiatives implemented during 1H22
 - Significant reduction of non-essential expenses and stay-in-business capex
 - Reduction of corporate bonus and deferral of wage increases for staff including sustainable wage in NZ
 - Recruitment focused on critical roles
- Decisive action taken to further support balance sheet
 - Accessed NZ wage subsidy in response to property closures (around \$17m)
 - Covenant waiver/relief for December 2021 and June 2022 testing periods
 - Secured additional liquidity (\$50m) from banking syndicate

Operational

- Implemented operational plans as settings changed
 - Maintained flexible operating model – focused on customer experience/engagement (even when closed) and highest returning businesses
 - Focused on gaming-led recovery, particularly from premium customers – optimised gaming floor layouts
 - Resilience of local gaming business re-confirmed following successive demand shocks
- Prioritised keeping staff and customers safe
 - Customer tracking system to support contact tracing efforts
 - Vaccination certificates mandatory for staff/customers across all properties (NZ from 1 December 2021, Adelaide from 10 February 2022)
- Construction activity on NZICC/Horizon Hotel project safely resumed and now fully operational (even at “Red” setting)
- Ongoing refinements to operating model to leverage/prepare for future environment

1H22 Result Commentary (1 of 3)

Group

- Group financial performance significantly impacted by Covid-19 disruptions, particularly in Auckland
- Strong start to 1H22 (consistent with trends in 4Q21) prior to NZ property closures
- Cost saving initiatives implemented in response to property closures and related revenue impacts – combined NZ properties EBITDA positive
- Reported results impacted by accounting of NZICC fire and liquidated damages on NZICC/Horizon Hotel project in pcp
- Resilient local gaming activity (particularly from EGMs) when open/fully operational

NZ Properties

- Auckland:
 - Property closed for 107 days from 17 August 2021
 - Performance prior to property closure consistent with pre-Covid-19 levels – solid local gaming activity when reopened during December 2021 at “Red” setting and record New Year’s Eve EGM activity
- Hamilton: Property closed for 65 days, but record performance in July 2021 and local gaming activity above pre-Covid-19 levels in December 2021 at “Orange” setting
- Queenstown: Solid performance despite Covid-19 disruptions and reduced domestic tourism in NZ – Wharf Casino remains closed

NZ Online Casino

- Significant growth in revenue and EBITDA vs. pcp, despite operational constraints – meaningful contributor to Group earnings
- Benefited from closure of land-based casinos in NZ
- Around 10k active weekly customers and continued broad geographic spread of customers across NZ

1H22 Result Commentary (2 of 3)

Adelaide

- Covid-19 disruptions and other external factors impacted performance but EBITDA comparable vs. pcg on a like-for-like basis⁽¹⁾
 - Expanded facilities continue to be well received by customers – EGM revenue growth with stable market share and EoS by SkyCity (luxury hotel) outperforming compset
 - Margins temporarily impacted by higher fixed cost base post-expansion (particularly in non-gaming) and ongoing investment in AML
 - CBD visitation subdued due to Covid-19 settings – table games activity particularly impacted
 - AML risk assessment underway for local VIP customers

International Business

- Continue to be significantly impacted by ongoing international border closures
- Cost control reduced expected losses vs. pcg – revised operating model to be leveraged when international borders reopen
- Actual win rate 0.11% (volatility higher with lower turnover) well below theoretical win rate of 1.35%
- Focused on enhanced customer due diligence and source of wealth/funds checks for existing and prospective customers – several key customers have prospectively satisfied enhanced due diligence

Corporate and Other Expenses

- Corporate costs (\$8m) materially below pcg, but savings largely non-recurring – reduction of corporate bonus/other staff costs, reduced ICT and non-essential expenses offsetting increased AML/compliance costs
- Project pre-opening costs (\$0.9m) well down vs. pcg reflecting completion of Adelaide expansion and delays on NZICC/Horizon Hotel
- D&A slightly above pcg – Adelaide expansion in-service, partially offset by certain assets coming to end of useful life
- Net interest expense (\$17m) slightly above expectations – higher average debt as operational cashflows impacted by property closures in NZ, offset by lower cost of debt

⁽¹⁾ One-off EBITDA impact (A\$13m) in pcg from Australian Jobkeeper scheme

1H22 Result Commentary (3 of 3)

Management/ Board Changes

- Key senior management appointments to enhance AML function
- Board renewal confirmed and successful transition of Chair from Rob Campbell to Julian Cook during January 2022

Accounting Impacts

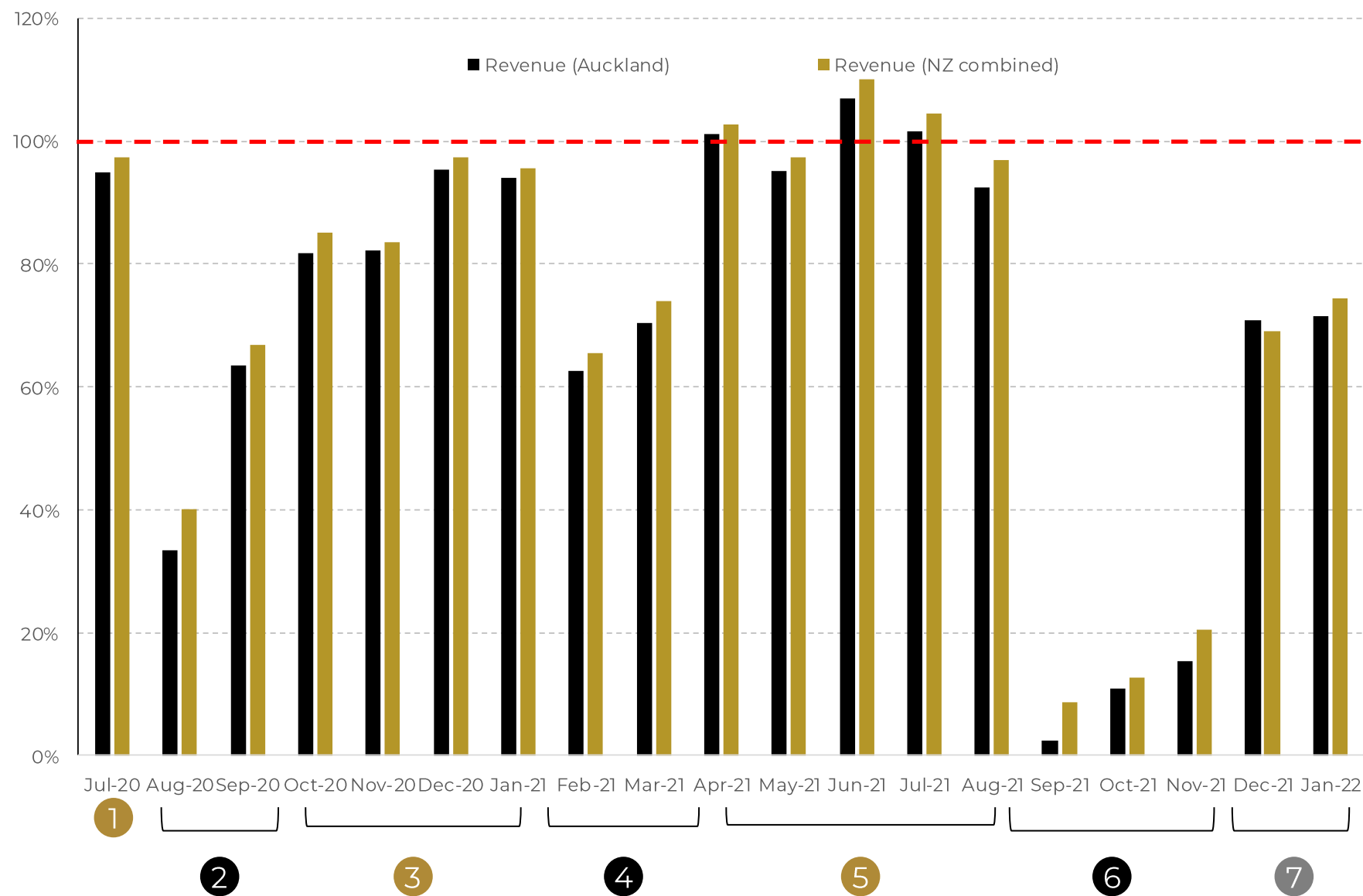
- Complex set of financial results due to various significant events
- Normalised results not adjusted for impact of Covid-19 and related property closures
- NZ wage subsidy and Australian JobKeeper scheme treated as other income in 1H22 and pcip (opex when partially repaid in 2H21)
- IFRS Interpretations Committee decision on configuration/customisation costs incurred in implementing SaaS arrangements adopted during 1H22 and 1H21 restated, but immaterial impact on Group results



Financial Resilience & Capital Allocation

Financial Resilience (1 of 2)

NZ combined revenue vs. pre-Covid-19 average:
July 2020-January 2022 (\$m)⁽¹⁾



- Covid-19 settings**
1. NZ at Alert Level 1 (no restrictions)
 2. Auckland closed for 19 days during August 2020 (Alert Level 2 for 37 days)
Hamilton and Queenstown at Alert Level 2 for 41 days
 3. NZ at Alert Level 1
 4. Auckland closed for 10 days during February/March 2021 (Alert Level 2 for 11½ days)
Hamilton and Queenstown at Alert Level 2 for 10 days
 5. NZ at Alert Level 1
 6. Auckland closed for 107 days during August to December 2021
Hamilton closed for 65 days during August/September 2021 and October/November 2021 (42 days at Alert Level 2)
Queenstown closed for 22 days during August/September 2021 (86 days at Alert Level 2)
 7. Auckland reopened at “Red” setting on 3 December 2021 and moved to “Orange” setting from 30 December 2021
Hamilton and Queenstown moved to “Orange” setting from 3 December 2021
All of NZ moved to “Red” setting on 23 January 2021

Local gaming activity quick to rebound following demand shocks. Clear pathway for earnings to return to FY19 levels when fully operational – domestic gaming-led, particularly in Auckland, and leveraged to recovery in travel/tourism sector as international borders reopen

----- Average of monthly revenue for period 1 July 2019 to 29 February 2020

(1) Analysed period for August 2021 for 16 days prior to NZ going into Alert Level 4 on 17 August 2021

Financial Resilience (2 of 2)

Balance Sheet & Funding

- Balance sheet well positioned to meet near-term challenges from Covid-19 and to deliver on strategic plan
 - Net hedged debt⁽¹⁾ as at 31 December 2021 of \$685m (increase of \$95m from 30 June 2021)
 - Committed liquidity of \$258m to fund future commitments and withstand one-off events and/or Covid-19 disruptions
 - Sale of non-core assets (i.e. LPL/Queenstown land, totaling around \$30m) to support funding of GiG equity investment
 - No meaningful capex requirements with Adelaide expansion completed and NZICC/Horizon Hotel largely funded via insurance
 - No significant debt maturities until mid-2023
- Significant asset backing with in excess of \$2bn⁽²⁾ land & buildings owned across the Group, mainly in Auckland
- Remain committed to BBB- (Stable Outlook) credit rating from S&P Global Ratings

Financial Covenants

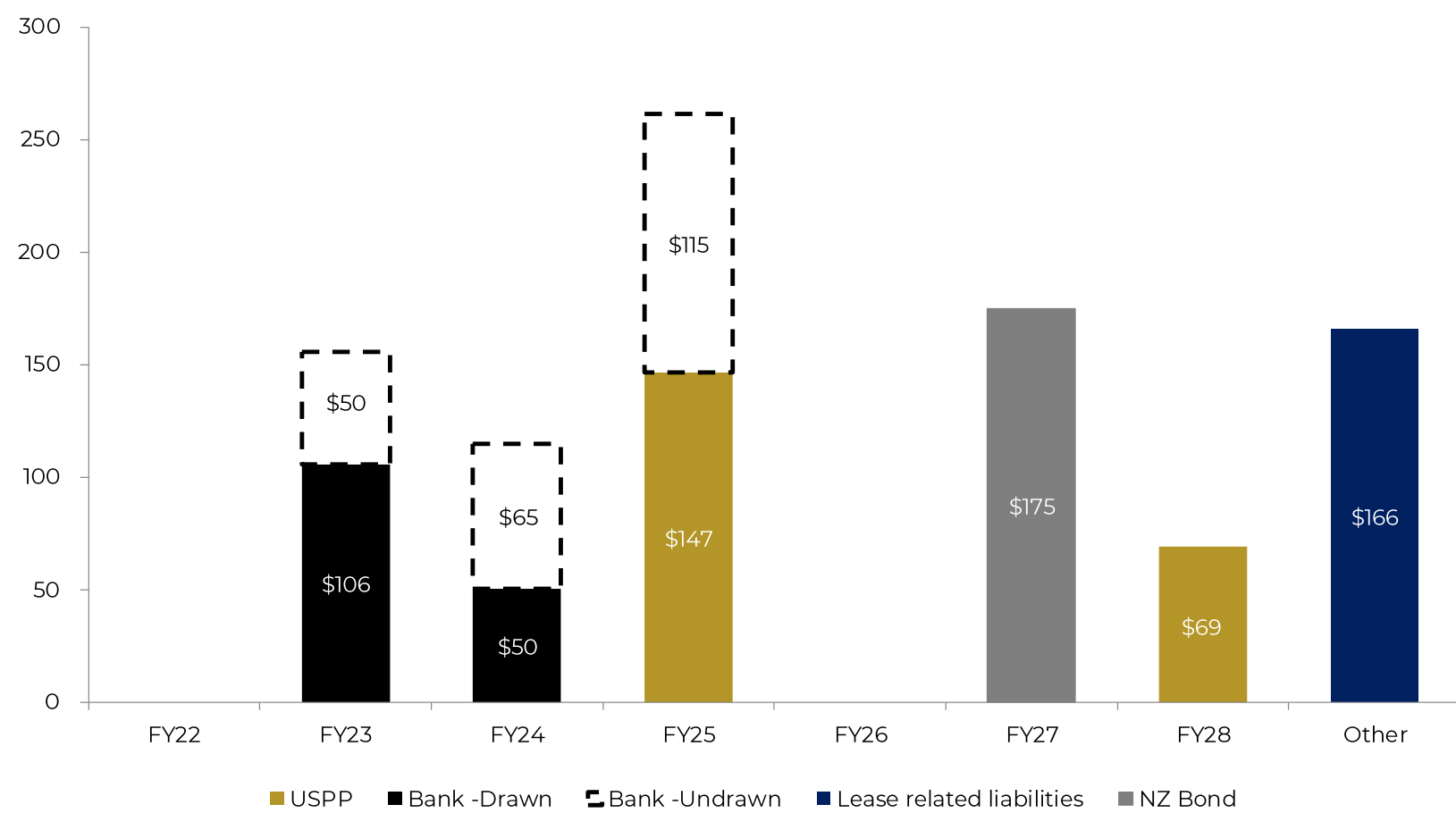
- Covenant waiver/relief secured for December 2021 and June 2022 testing periods
 - Full waiver for December 2021 gearing covenant – ultimately not required
 - June 2022 gearing covenant to be tested on 2x 2H22 EBITDA basis (as opposed to LTM) and higher gearing threshold
 - Not able to pay dividend until satisfy standard covenant test

(1) Including lease-related liabilities

(2) Market value as at 30 June 2021 which includes NZICC/Horizon Hotel “as built”

Debt Capital

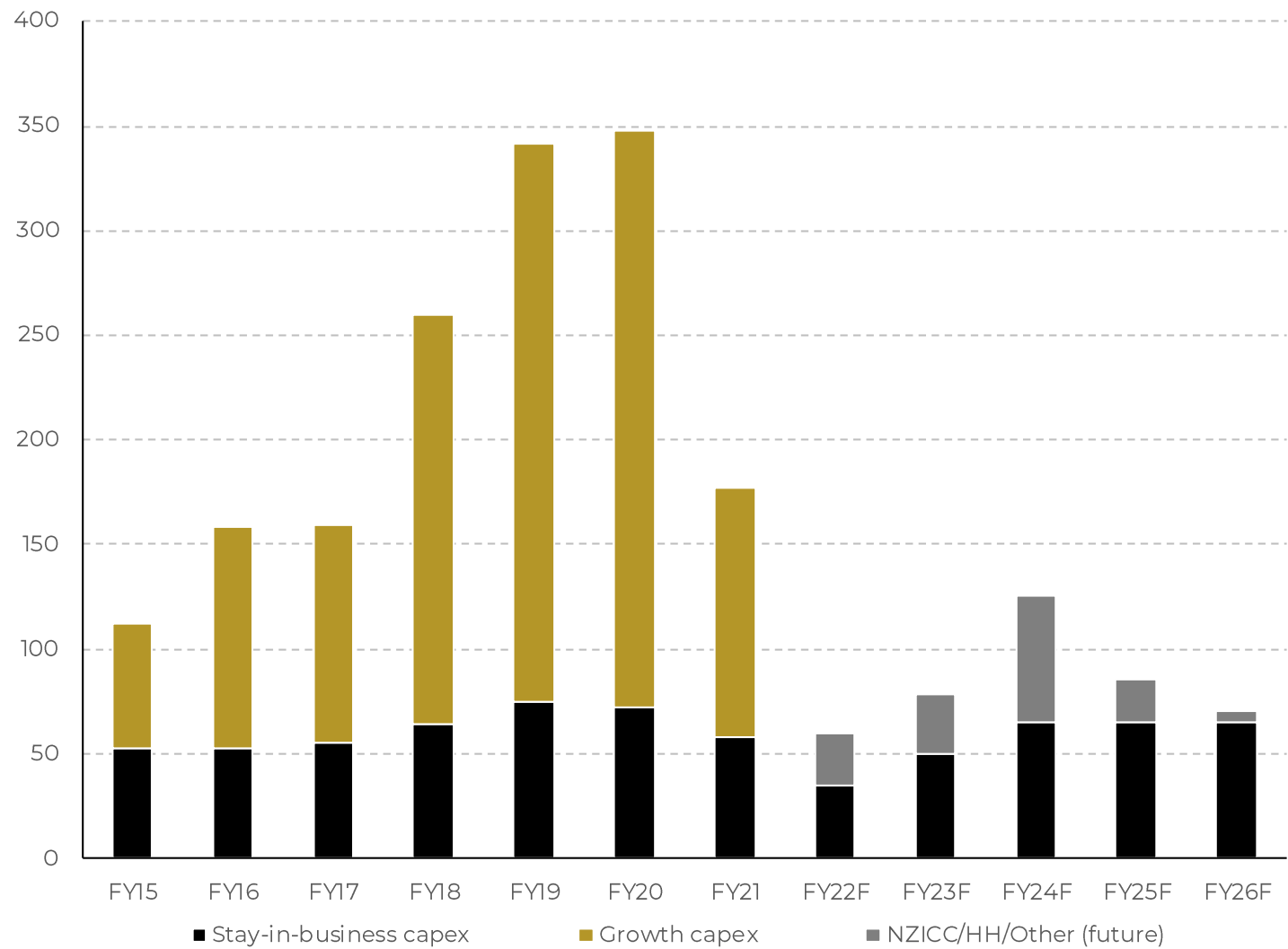
Pro-forma hedged debt maturity profile as at 31 December 2021 (\$m)



- Committed debt facilitates (at hedged exchange rates) of around \$940m (incl lease-related liabilities) as at 31 December 2021
 - Committed liquidity of \$258m (including \$28m cash at bank) as at 31 December 2021
 - \$713m in drawn facilities (\$547m excl lease-related liabilities) – \$557m fixed-term and \$156m bank debt
- Weighted average debt maturity around 4 years
- Average 1H22 interest rate on drawn debt of 4.33% vs. 6.55% in pcg following debt restructure in FY21

Capital Allocation

Total capex⁽¹⁾⁽²⁾: FY15-FY26F (\$m)



- Focused on effective cost and capital discipline
- Capex peaked in FY19 and FY20
- Adelaide expansion completed
- Around \$120m of net capex remaining on NZICC/Horizon Hotel project
 - Excludes reinstatement costs funded via insurance
- Ongoing land-based stay-in-business capex between \$50-80m per annum
 - Required to maintain and refurbish existing properties
 - Significant reduction to FY22 stay-in-business capex
- No meaningful growth projects in pipeline
 - GiG investment (€25m or around \$40m) expected to settle during 1Q 2022

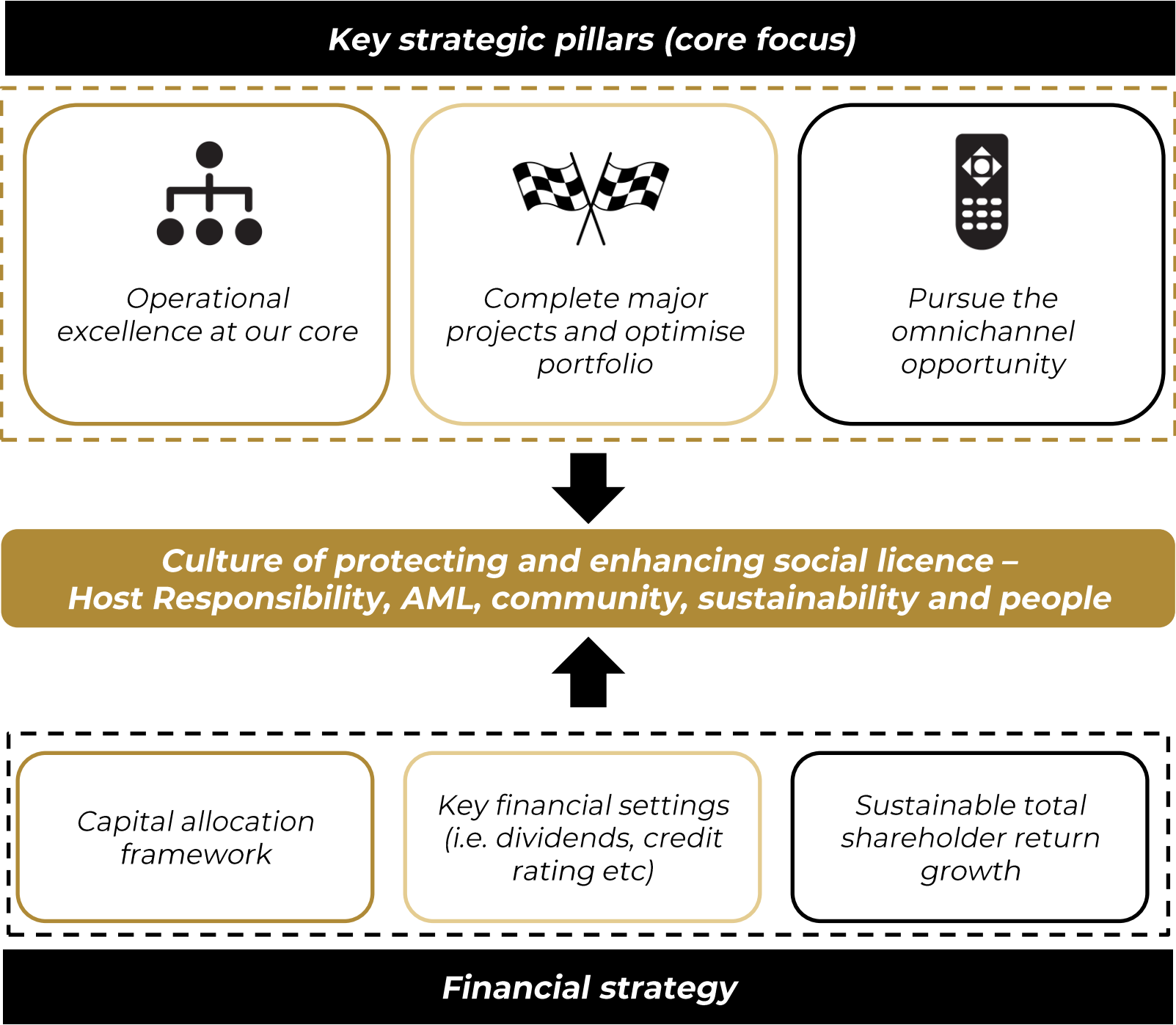
SkyCity transitioning to low-capex cycle post completion of major developments – expect significant cashflow generation as earnings recover over the medium-term

(1) Excludes capex on NZICC/Horizon Hotel reinstatement funded via insurance
(2) Forecasts illustrative/indicative and subject to change



CEO Update & Group Strategy

Group Strategic Plan



- No change to Group strategic plan
- Focus on continuous improvement in operational performance (and investments to support this)
- Focus on maximising value of exclusive casino licences
- Execute Adelaide expansion and NZICC/Horizon Hotel project and leverage benefits
- Unique opportunity to monetise omnichannel and consolidate on leadership position in gaming industry
- Focus on growing free cashflows
- Critical to protect/enhance social licence to operate
- Focused on enhancing Group-wide Host Responsibility and AML programmes
- Continue to monitor/evaluate adjacent opportunities

Host Responsibility & AML

Host Responsibility

- Promotion of responsible/safe gaming at heart of business
- Board (Sustainability) Committee oversees Harm Minimisation framework
- Internal governance group meets monthly to consider Host Responsibility matters
- Regular engagement with regulators on effectiveness of Host Responsibility programme
- Leverage technology to support programme – facial recognition at all properties

AML

- Progressing enhancement programme with focus on continuous improvement
 - Significant Management resource/attention applied to programme
 - Senior AML leaders appointed in NZ and Adelaide
 - Ongoing improvements in governance and investment in ICT systems/KYC processes and learning & development
- AUSTRAC investigation of Adelaide ongoing
 - Meeting with AUSTRAC team regularly and responding to information requests
 - Fully committed to addressing AUSTRAC's concerns
 - Timetable for finalisation of investigation remains unknown

NZICC/Horizon Hotel Project



View from Hobson St – new linkway bridge

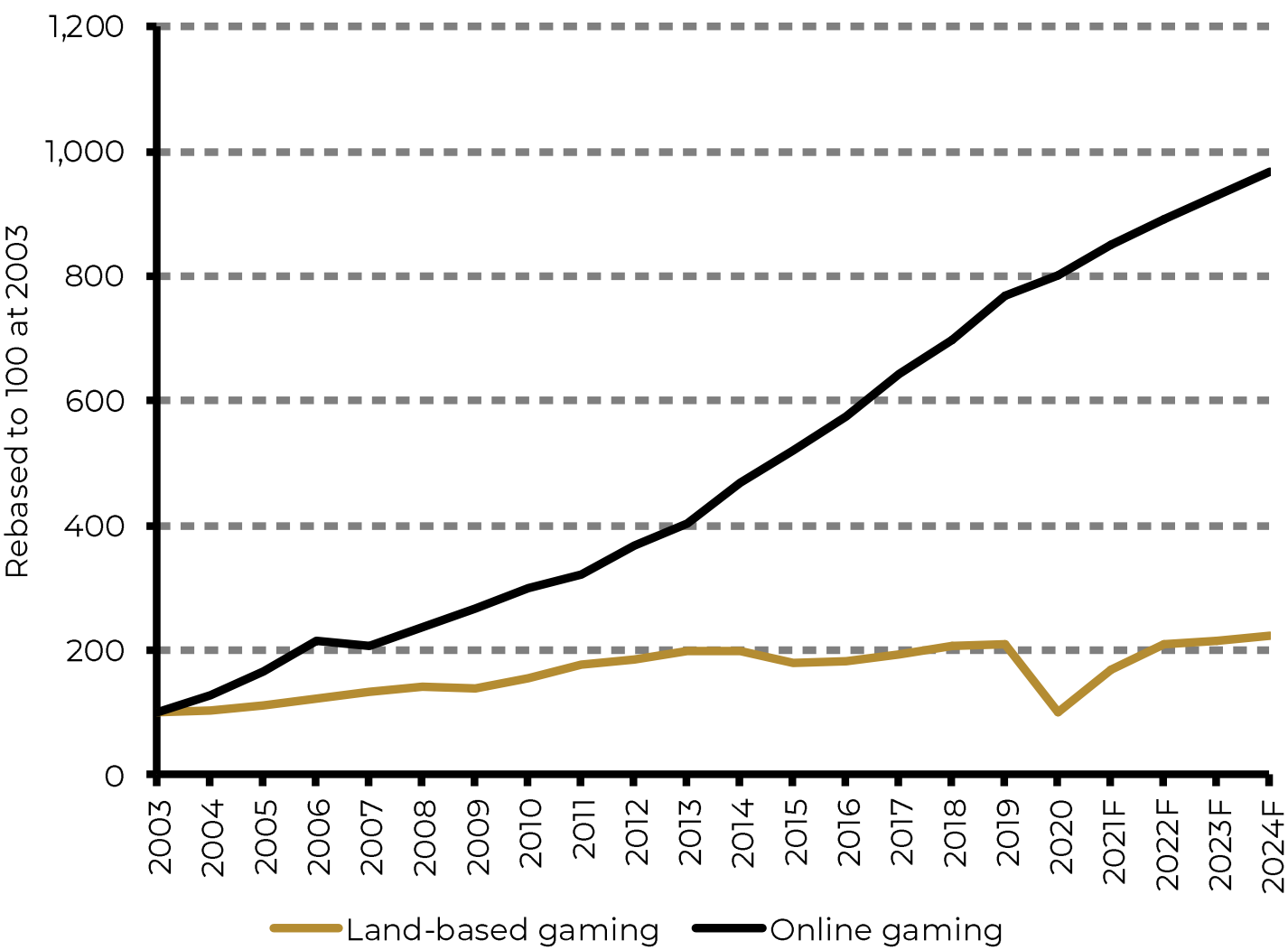
- Significant investment in future of Auckland
- Project secured exclusive casino licence for key Auckland property out to 2048 and other gambling concessions
- NZICC fire causing significant project delays
- Project remains complex – reinstatement works progressing, but slower than expected
- Latest Fletcher Construction programme indicates completion of Horizon Hotel during 2024 and NZICC during 2025
- Remain comfortable with contractual position on project
- No material change to previous guidance for total SkyCity project costs (around \$750m)
- Around \$120m of net capex still to spend as at 31 January 2022 (excl reinstatement works funded by insurance)

Online Casino Strategy



Online Gaming – Global Context

Global land-based vs. online casino growth rate: 2003-2024F (%)

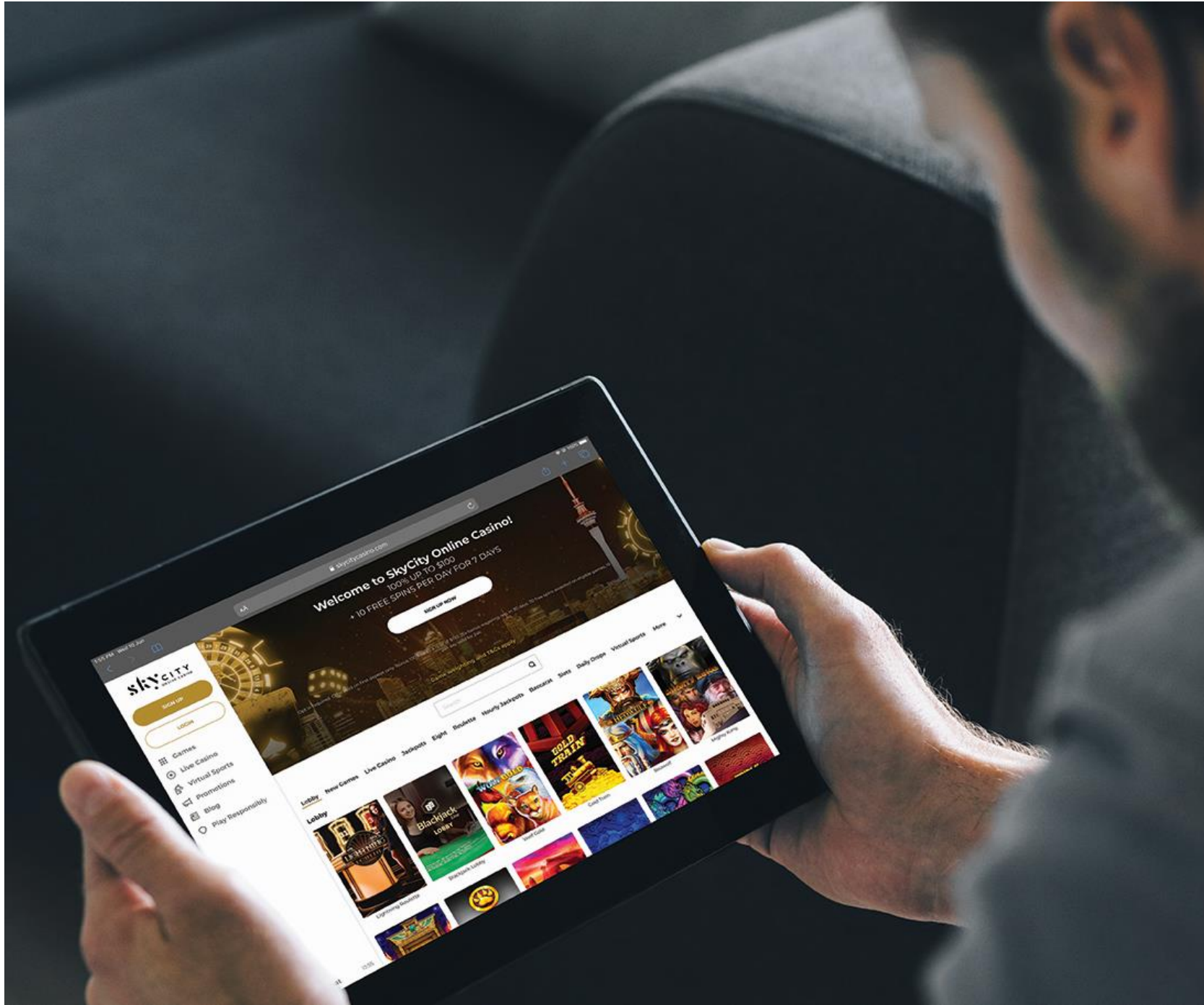


Source: H2 Gambling Capital

- 1 Significant growth in online gaming globally vs. land-based
- 2 Transition from land-based to online channel, accelerated by impact of Covid-19
- 3 Significant web and mobile penetration across most economies
- 4 Opportunity for land-based operators to offer omnichannel and capture greater share of wallet
- 5 Number of jurisdictions regulating online gaming (or planning to)
- 6 Premium multiples being paid for online gaming operators, particularly in high-growth, regulated markets

Global online gaming market growing rapidly vs. land-based and transforming as new jurisdictions regulate

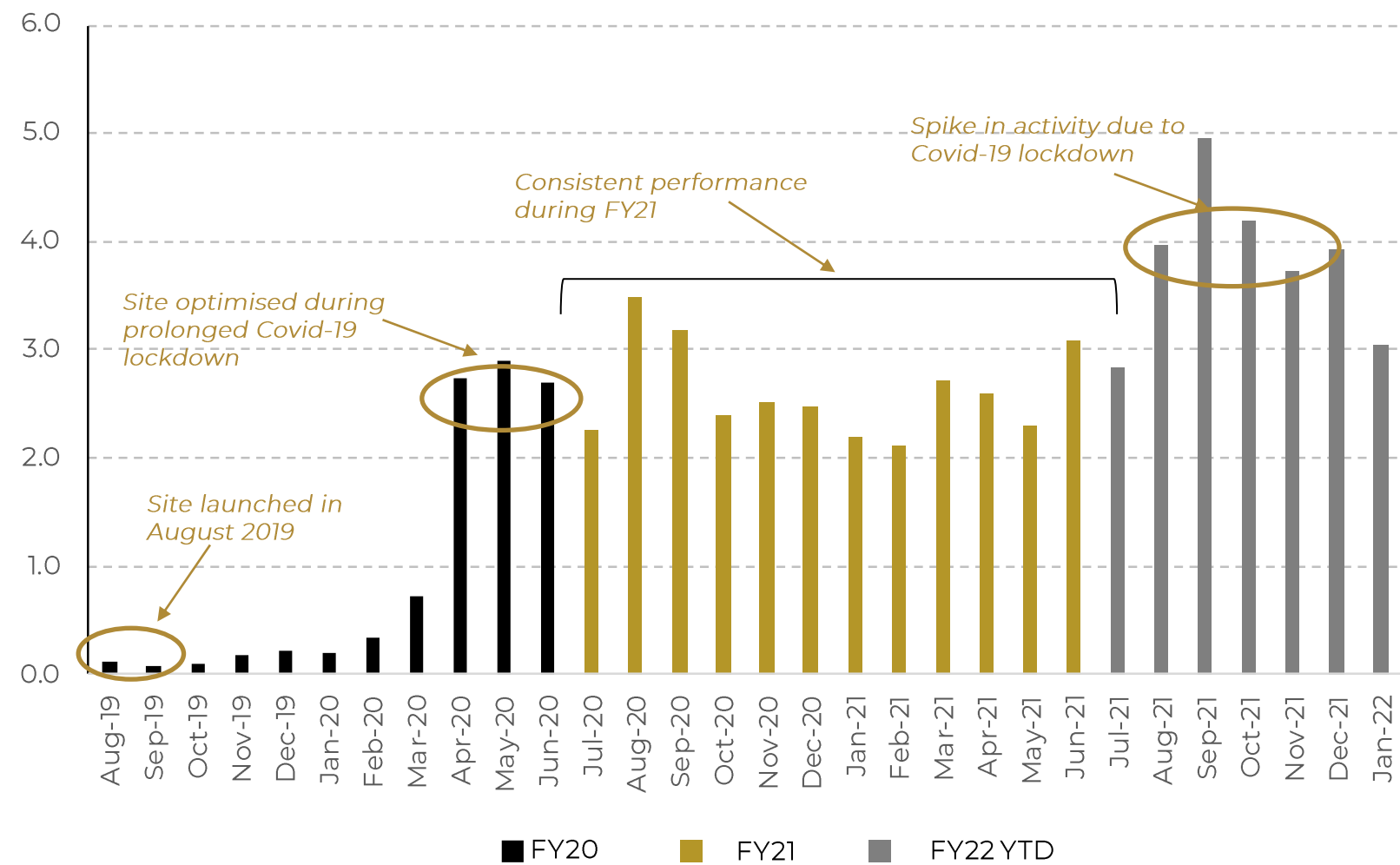
NZ Online Casino – Strategic Context (1 of 2)



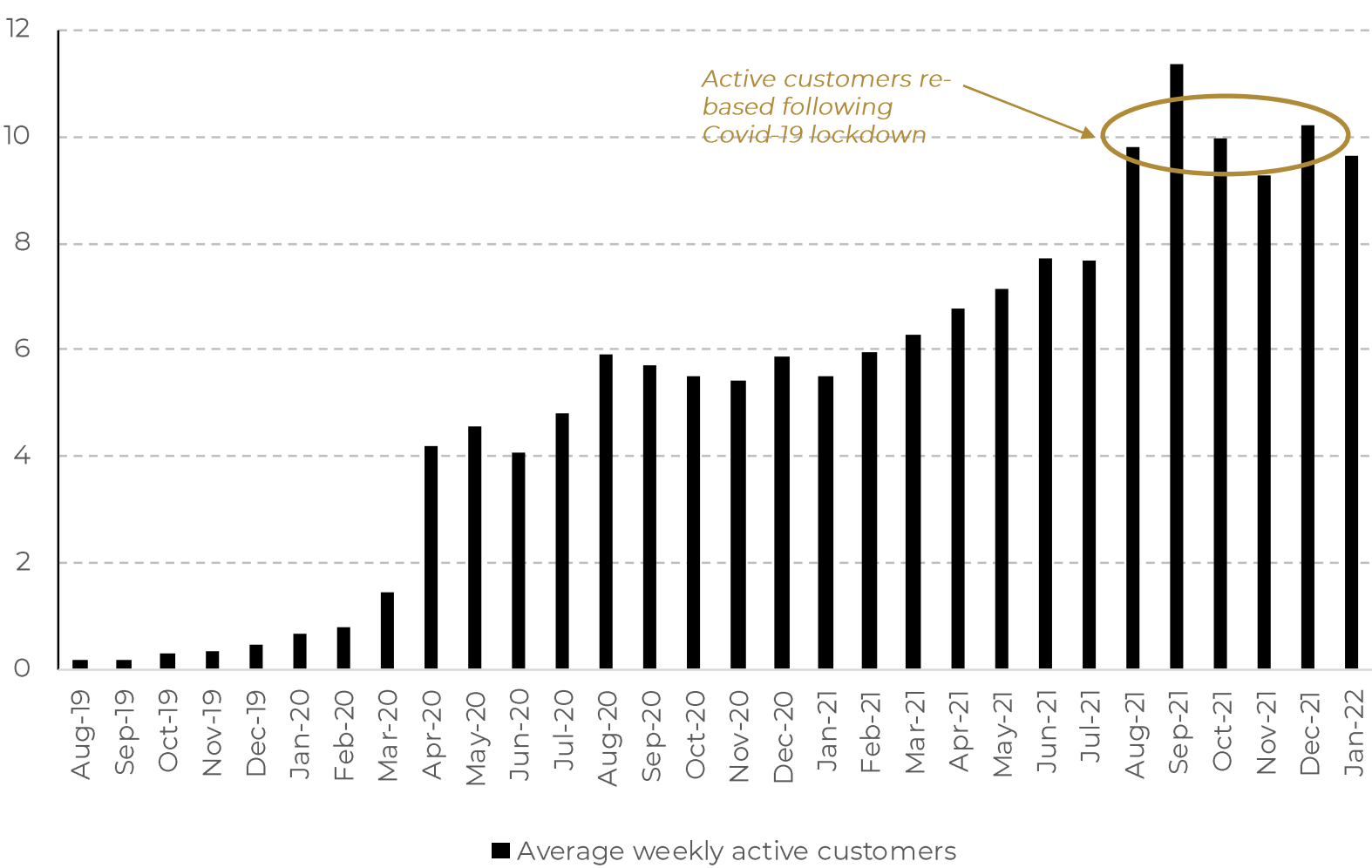
- Optimising NZ online casino with GiG
 - Performing effectively despite operational constraints and market increasingly targeted by offshore operators
 - Strong operating metrics – low acquisition costs and bonusing vs. peers due to strong brand/loyalty
- Support future regulation in NZ
 - Emphasis on protecting harm and community benefits
 - DIA policy review ongoing
- Significant omnichannel opportunity if NZ online market regulates
 - Addressable market estimated to be \$300m+
 - Market expected to grow significantly from current levels (with/without regulation)
 - Opportunity to leverage single customer wallet and offer integrated offline/online experience

NZ Online Casino – Strategic Context (2 of 2)

**Monthly gross gaming revenue⁽¹⁾:
FY20-FY22 YTD to 31 January 2022 (\$m)**



**Weekly active customers⁽²⁾:
FY20-FY22 YTD to 31 January 2022 (000s)**



Strong performance since inception, despite operational constraints – significant captive customer base

(1) Gross gaming revenue pre-adjustments for significant jackpot wins and/or bonusing
(2) Weekly active customers = unique customer visits to online casino

Expansion of Strategic Partnership with GiG

Overview

- Binding term sheet signed in December 2021 to provide GiG with €25m (around \$40m) of new equity
 - Funding to support GiG's acquisition of 100% of France-Pari/Sportnco (Sportnco) for headline €70m (with an earn-out opportunity)
 - SkyCity to become GiG's largest standalone shareholder (around 11%) and have representative join GiG Board
 - GiG a European-based online gaming platform provider and media services operator – strategic partner following launch of SkyCity online casino in August 2019
 - Sportnco a European-based B2B online sports and Player Account Management (PAM) provider
- Equity investment conditional completion of Sportnco acquisition – shareholder approval received during January 2022
- Equity investment funded from combination of sale of non-core assets and existing debt facilities
- Settlement expected during Q1 2022

Strategic Rationale

- Consistent with Group strategic plan
- GiG an established platform and well known to SkyCity – strong alignment on culture, values and focus on compliance
- Builds digital capability and strengthens strategic alignment with B2B partner
- GiG acquisition of Sportnco strategic and expected to be value accretive
- Value enhancing transaction for SkyCity – expect risk-adjusted return on equity well in excess of cost of capital
- Considered relatively low cost/risk exposure to significant growth expected in online gaming globally
- Investment likely to provide visibility to other strategic opportunities in online gaming
- Capital being recycled from low-returning assets to high-growth online gaming opportunity



Trading Update & Outlook

Trading Update (1 January to 12 February 2022)

NZ Properties

- Local gaming activity at “Orange” setting comparable to pre-Covid-19 levels, particularly EGMs in Auckland and Hamilton
- Auckland impacted since going to “Red” setting on 23 January 2022, but solid weekend trading and holiday period peaks – Hamilton and Queenstown not as impacted since going to “Red” setting
- Ongoing focus on cost/capex control

IB

- Negligible IB and interstate activity due to Covid-19 restrictions
- Focus on cost control
- Implementing operational readiness plan in preparation for international border reopening during 2022

SkyCity Adelaide

- Subdued performance in January 2022 given Covid-19 restrictions and lower CBD visitation in response to Omicron outbreak
- Performance recovering during February 2022 to-date – relaxation of capacity limits (50% capacity vs. 25% previously)

NZ Online Casino

- Consistent performance vs. pcg, but below peak of activity experienced during NZ lockdowns in 1H22
- Customer activity likely impacted by NZ land-based casinos reopening from late 2021

FY22 Outlook

Group

- Uncertain near-term outlook due to Covid-19 – unable to provide detailed earnings guidance
- Local gaming businesses in NZ expected to perform well when fully operational, particularly EGMs
- NZ tourism-related businesses to continue to be negatively impacted, but international border expected to progressively open during 2022
- Adelaide expansion to be optimised, albeit ramp-up impacted by ongoing operating restrictions – outlook expected to improve as Omicron outbreak subsides, SA Government stimulates tourism and hospitality industries and international border reopens
- Expect consistent performance from NZ online casino
- Labour shortages and supply chain constraints in NZ and South Australia driving cost inflation

Capex/ Dividends

- Expect stay-in-business capex around \$35m and growth capex around \$25m (net of reinstatement costs on NZICC/Horizon Hotel project funded by insurance)
- GiG equity investment of €25m (around \$40m) expected to settle during 1Q 2022
- Committed to existing dividend policy – not able to resume dividends until meet standard financial covenant

Corporate

- Expect corporate costs to be around \$24m, materially below the pcg
- Ongoing AML/compliance costs
- Net interest expense expected to be around \$34m
- D&A expected to be around \$95m – full-year impact of Adelaide expansion in-service
- Normalised effective tax rate expected to be below pcg due to tax losses in 1H22



Appendices

Reported and Normalised Results (1 of 3)

- 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 NZ and Australia
- This objective is achieved by:
 - Eliminating inherent volatility or “luck” factor from IB which has variable turnover and actual win % from period to period;
 - Eliminating structural differences in the business between periods; and
 - Eliminating known different treatments with other NZ and Australian publicly listed casino companies
- SkyCity believes that by making these adjustments the users of the financial information are able to understand the underlying performance of the Group and form a view on future performance
- For internal purposes, including budgeting and determination of staff incentives, normalised results are used
- Non-GAAP information is prepared in accordance with a Board approved “Non-GAAP Financial Information Policy” and is reviewed by the Board at each reporting period
- Application of SkyCity's “Non-GAAP Financial Information Policy” is consistent with the approach adopted in FY21

Reported and Normalised Results (2 of 3)

- The differences between 1H22 reported and normalised financial information are summarised overleaf
- 1H22 adjustments (from reported to normalised)
 - Treat IB commissions as an expense rather than a reduction in revenue which reduces both reported revenue and operating expenses within IB (by \$0.5m) – effectively reverses impact of IFRS 15 (Revenue from Contracts with Customers)
 - Add gaming GST (\$20.7m) to reported revenue
 - Apply theoretical win rate of 1.35% for IB vs. actual win rate of 0.11%
 - Reverse net loss (\$6.2m post-tax) arising from impacts of NZICC fire⁽¹⁾
 - Reverse impairment (\$6.2m) of Wharf Casino in Queenstown and Queenstown development land
- 1H21 adjustments (from reported to normalised)
 - Treat IB commissions as an expense rather than a reduction in revenue which reduces both reported revenue and operating expenses within IB (by \$3.4m) – effectively reverses impact of IFRS 15 (Revenue from Contracts with Customers)
 - Add gaming GST (\$35.3m) to reported revenue
 - Apply theoretical win rate of 1.35% for IB vs. actual win rate of 0.61%
 - Reverse net loss (\$2.3m post-tax) arising from impacts of NZICC fire⁽¹⁾
 - Eliminate benefit (\$39.5m) arising from liquidated damages on NZICC/Horizon Hotel project withheld due to late practical completion

⁽¹⁾ Refer to note 7 of 1H22 financial statements for further information on NZICC fire accounting

Reported and Normalised Results (3 of 3)

	1H22				1H21			
	Revenue \$m	EBITDA \$m	EBIT \$m	NPAT \$m	Revenue \$m	EBITDA \$m	EBIT \$m	NPAT \$m
Reported	289.8	20.4	(27.4)	(33.7)	449.9	150.5	109.4	77.9
IB revenue adjustment	0.5	-	-	-	3.4	-	-	-
Gaming GST	20.7	-	-	-	35.3	-	-	-
IB at theoretical win rate	2.3	2.5	2.5	1.7	4.5	3.6	3.6	2.5
NZICC fire impacts	(52.5)	7.1	7.1	6.2	(66.8)	3.2	3.2	2.3
Liquidated damages	-	-	-	-	(39.5)	(39.5)	(39.5)	(39.5)
Asset impairment	-	6.2	6.2	6.2	-	-	-	-
Normalised	260.8	36.2	(11.6)	(19.5)	386.9	117.8	76.7	43.2

Presentation of 1H22 Results

- Comparability of underlying (or “like-for-like”) normalised earnings of the Group in 1H22 vs. pcip significantly impacted by:
 - Closure of SkyCity Auckland during August to December 2021 due to Covid-19
 - Closure of SkyCity Hamilton during August/September 2021 and October/November 2021 due to Covid-19
 - Closure of SkyCity Queenstown during August/September 2021 due to Covid-19
 - Temporary closure of SkyCity Adelaide in July 2021 due to Covid-19
 - Related operational and financial impacts on business from Covid-19 (i.e. social distancing/restrictions on gatherings, NZ wage subsidy and Australian JobKeeper scheme)
- In response to the IFRS Interpretations Committee decision in April 2021, SkyCity revised its accounting policy in relation to configuration/customisation costs incurred in implementing SaaS arrangements
 - Until 1H22, accounting policy had been to capitalise the costs of configuring/customising SaaS arrangements as intangible assets
 - Revised policy that costs are to be expensed as incurred, unless the requirements for capitalisation are met
 - Change in accounting policy implemented retrospectively by restating opening equity position (as at 1 July 2020) and comparative financial statements

1H22 Result – Reported

	1H22	1H21	Movement	
	\$m	\$m	\$m	%
Reported Revenue	289.8	449.9	(160.1)	(35.6%)
Expenses	(269.4)	(299.4)	30.1	10.0%
Reported EBITDA	20.4	150.5	(130.1)	(86.4%)
Depreciation & Amortisation	(47.8)	(41.1)	(6.8)	(16.5%)
Reported EBIT	(27.4)	109.4	(136.9)	(125.1%)
Net Interest	(17.2)	(14.0)	(3.2)	(22.3%)
Reported NPBT	(44.6)	95.4	(140.0)	(146.8%)
Tax	10.9	(17.5)	28.4	162.2%
Reported NPAT	(33.7)	77.9	(111.6)	(143.3%)
Reported EPS	(4.5cps)	10.3cps	(14.8cps)	(143.2%)

1H22 Result – Normalised

	1H22	1H21	Movement	
	\$m	\$m	\$m	%
Normalised Revenue (incl Gaming GST)	260.8	386.9	(126.0)	(32.6%)
Gaming GST	(20.9)	(35.8)	14.9	41.6%
Normalised Revenue	239.9	351.1	(111.2)	(31.7%)
Expenses	(203.7)	(233.3)	29.6	12.7%
Normalised EBITDA	36.2	117.8	(81.6)	(69.2%)
Depreciation & Amortisation	(47.8)	(41.0)	(6.8)	(16.5%)
Normalised EBIT	(11.6)	76.7	(88.3)	(115.1%)
Net Interest	(17.2)	(14.0)	(3.1)	(22.3%)
Normalised NPBT	(28.8)	62.7	(91.5)	(145.9%)
Tax	9.3	(19.6)	28.8	147.2%
Normalised NPAT	(19.5)	43.2	(62.7)	(145.3%)
Normalised EPS	(2.6cps)	5.7cps	(8.3cps)	(145.2%)

SkyCity Auckland

	1H22	1H21	Movement
	\$m	\$m	%
Revenue			
Gaming Machines	60.0	120.8	(50.3%)
Tables	23.5	63.1	(62.8%)
Gaming Revenue (incl GST)	83.5	183.9	(54.6%)
Non-Gaming Revenue	35.0	46.9	(25.5%)
Total Normalised Revenue (incl gaming GST) (excl IB)	118.5	230.8	(48.7%)
Gaming GST	(10.8)	(23.9)	54.6%
Total Normalised Revenue (excl gaming GST) (excl IB)	107.7	206.9	(48.0%)
Expenses	(91.6)	(112.0)	18.2%
Normalised EBITDA (excl IB)	16.0	94.9	(83.1%)
<i>EBITDA Margin (excl IB)</i>	<i>13.5%</i>	<i>41.1%</i>	-
Depreciation & Amortisation	(22.0)	(22.9)	4.0%
EBIT (excl IB)	(6.0)	72.0	(108.3%)
Normalised EBITDA (incl IB)	14.8	93.5	(84.2%)

- Property closed for 107 days during the period
- Strong performance prior to property closure on 17 August 2021
 - Premium gaming activity well up vs. pcg
 - Record EGM revenue in July 2021
 - Tables revenue up 3% vs. strong pcg
- Solid performance in December 2021 when reopened at “Red” setting
 - Gaming-led recovery, particularly from EGMs
 - Benefited from new product installations, particularly Dollar Storm
 - Record New Year’s Eve EGM performance
 - Tourism-related businesses impacted by regional (to 15 December 2021) and ongoing international border closures
- Cost mitigations implemented to address revenue reduction, but margins impacted by negative operating leverage – significant fixed cost base, particularly labour and property overheads

SkyCity Hamilton

	1H22	1H21	Movement
	\$m	\$m	%
Revenue			
Gaming Machines	16.9	26.5	(36.1%)
Tables	3.3	5.2	(36.0%)
Gaming Revenue (incl GST)	20.3	31.8	(36.1%)
Non-Gaming Revenue	4.1	5.0	(18.4%)
Total Normalised Revenue (incl gaming GST) (excl IB)	24.4	36.8	(33.7%)
Gaming GST	(2.6)	(4.1)	36.1%
Total Revenue (excl gaming GST) (excl IB)	21.7	32.6	(33.4%)
Expenses	(12.2)	(14.5)	16.3%
EBITDA (excl IB)	9.6	18.1	(47.1%)
<i>EBITDA Margin (excl IB)</i>	<i>39.3%</i>	<i>49.2%</i>	-
Depreciation & Amortisation	(2.3)	(2.1)	(10.8%)
EBIT (excl IB)	7.3	16.0	(54.6%)
Normalised EBITDA (incl IB)	9.5	18.1	(47.2%)

- Property closed for 65 days and further 42 days at Alert Level 2
- Strong performance prior to property closure on 17 August 2021
 - Record like-for-like EBITDA performance In July 2021
 - Strong local gaming activity, particularly from premium customers
- Positive performance in December 2021 when operating at “Orange” setting
 - Local gaming activity above pre-Covid-19 levels
 - Benefited from new product installations, particularly Dollar Storm
 - Record New Year’s Eve EGM performance
- Strong local economic conditions despite Covid-19 disruptions – population growth, increased business investment and diversification, domestic tourism etc.
- Good cost control partially offset revenue reduction

SkyCity Queenstown/Wharf Casino

	1H22	1H21	Movement
	\$m	\$m	%
Revenue			
Gaming Machines	3.4	4.0	(14.2%)
Tables	1.0	1.0	(4.3%)
Gaming Revenue (incl GST)	4.4	5.0	(12.1%)
Non-Gaming Revenue	0.6	0.9	(39.1%)
Total Normalised Revenue (incl gaming GST) (excl IB)	5.0	5.9	(16.3%)
Gaming GST	(0.6)	(0.6)	12.1%
Total Revenue (excl gaming GST) (excl IB)	4.4	5.3	(16.9%)
Expenses	(3.0)	(3.1)	2.3%
Normalised EBITDA (excl IB)	1.4	2.2	(36.9%)
<i>EBITDA Margin (excl IB)</i>	28.3%	37.5%	-
Depreciation & Amortisation	(0.6)	(0.6)	2.1%
EBIT (excl IB)	0.8	1.6	(50.6%)
Normalised EBITDA (incl IB)	1.4	2.1	(33.5%)

- Property closed for 22 days and further 86 days at Alert Level 2
- Local gaming revenue consistent with the pcg on a like-for-like basis, despite operational constraints and limited domestic tourism
 - Strong EGM performance in July 2021
 - Carded gaming activity up 5% vs. pcg
- Positive local gaming performance in December 2021 when operating at “Orange” setting – EBITDA up 46% vs. pcg
- Wharf Casino remains closed – licence value fully impaired in 1H22 financial statements (totaling around \$4m)
- Pursuing sale of development land at 633 Frankton Road

SkyCity Adelaide

	1H22	1H21	Movement
	A\$m	A\$m	%
Revenue			
Gaming Machines	34.4	25.8	33.3%
Tables	36.1	38.3	(5.8%)
Gaming Revenue (incl GST)	70.5	64.1	10.0%
Non-Gaming Revenue ⁽¹⁾	22.3	25.4	(12.2%)
Total Normalised Revenue (incl gaming GST) (excl IB)	92.8	89.5	3.7%
Gaming GST	(6.3)	(5.8)	(7.4%)
Total Revenue (excl gaming GST) (excl IB)	86.5	83.7	3.4%
Expenses	(75.8)	(59.8)	(26.7%)
EBITDA (excl IB)	10.8	23.9	(54.9%)
<i>EBITDA Margin (excl IB)</i>	<i>11.6%</i>	<i>23.0%</i>	<i>-</i>
Depreciation & Amortisation	(15.5)	(7.2)	(116.1%)
EBIT (excl IB)	(4.7)	16.8	(127.9%)
Normalised EBITDA (incl IB)	10.2	22.8	(55.3%)

- Performance impacted by Covid-19 disruptions and other external factors
- EBITDA consistent with pcg on like-for-like basis⁽¹⁾
- Growth in EGM revenue with stable market share of around 8%
 - Adelaide pub & club EGM revenue up 13% vs. pcg – increased addressable market
 - Negligible impact from car park to-date given subdued CBD visitation
- Table games impacted by operational settings
 - AML risk assessment underway for local VIPs
- Solid performance from EoS by SkyCity, despite limited domestic tourism and international borders remaining closed
 - Market-leading REVPar vs. compset – occupancy around 59%
- Margins temporarily impacted by higher fixed cost base post-expansion, particularly in non-gaming (hotels and F&B) and ongoing investment in AML function
- Despite subdued 1H22 vs. expectations, no material change to medium-term earnings outlook for property

(1) Includes JobKeeper scheme in 1H21 of around A\$15.4m recognised as other income (EBITDA benefit of A\$13m)

International Business

	1H22	1H21	Movement
	\$m	\$m	%
Turnover	187.5	609.8	(69.2%)
Normalised Revenue ⁽¹⁾	2.5	8.2	(69.2%)
Reported Revenue	0.2	3.3	(94.5%)
Total Normalised EBITDA ⁽¹⁾	(1.9)	(2.8)	31.6%
Total Reported EBITDA	(4.4)	(6.4)	32.2%
Actual Win (%)	0.11%	0.61%	-
Margin (%)	(75.0%)	(33.7%)	-

- Significantly impacted by ongoing international border closures
- Cost control reduced expected losses vs. pcip
- Revised operating model to be leveraged when international borders reopen
- Focused on enhanced due diligence and source of wealth/funds checks for existing and prospective customers
 - Several key customers have prospectively satisfied enhanced due diligence
 - No arrangements with corporate junkets since April 2021
- Actual win rate of 0.11%, well below theoretical win rate of 1.35%

⁽¹⁾ 1H22 normalised results in IB adjusted for turnover at the actual win rate of 0.11% vs theoretical win rate of 1.35%, IFRS 15 (Revenue from Contracts with Customers) and Gaming GST

NZ Online Casino

	1H22	1H21	Movement
Operating KPIs			
Customer registrations	29.3k	24.4k	20.2%
First time depositors (new actives)	17.7k	14.1k	25.6%
Deposit conversion (%)	59.3%	60.0%	-
Total bets (\$m)	568.2	413.2	37.5%
	1H22	1H21	Movement
	\$m	\$m	%
Gaming revenue	18.4	13.0	41.5%
GiG costs and bonusing	(6.8)	(3.8)	(79.4%)
NZ GST	(2.3)	(1.7)	(35.2%)
Gaming revenue (attributable to SkyCity)	9.3	7.5	23.8%
Expenses	(2.3)	(2.1)	(8.4%)
EBITDA (attributable to SkyCity)	7.1	5.4	29.7%
<i>EBITDA Margin (vs. total gaming revenue)</i>	38.4%	41.9%	-

- NZ online casino performing well
- Significant growth in gaming revenue and EBITDA vs. pcp, despite operational constraints and increasingly competitive landscape
 - Beneficiary of closure of NZ land-based casinos during the period
 - Increased ARPU⁽¹⁾ and customer lifetime value
 - Strong retention of existing customers
 - Deposit conversion rates consistently around 60%
 - Broad geographic spread of customers across NZ
 - Meaningful contributor to Group earnings – EBITDA margin comparable vs. pcp

(1) Average revenue per user

Who is GiG today?

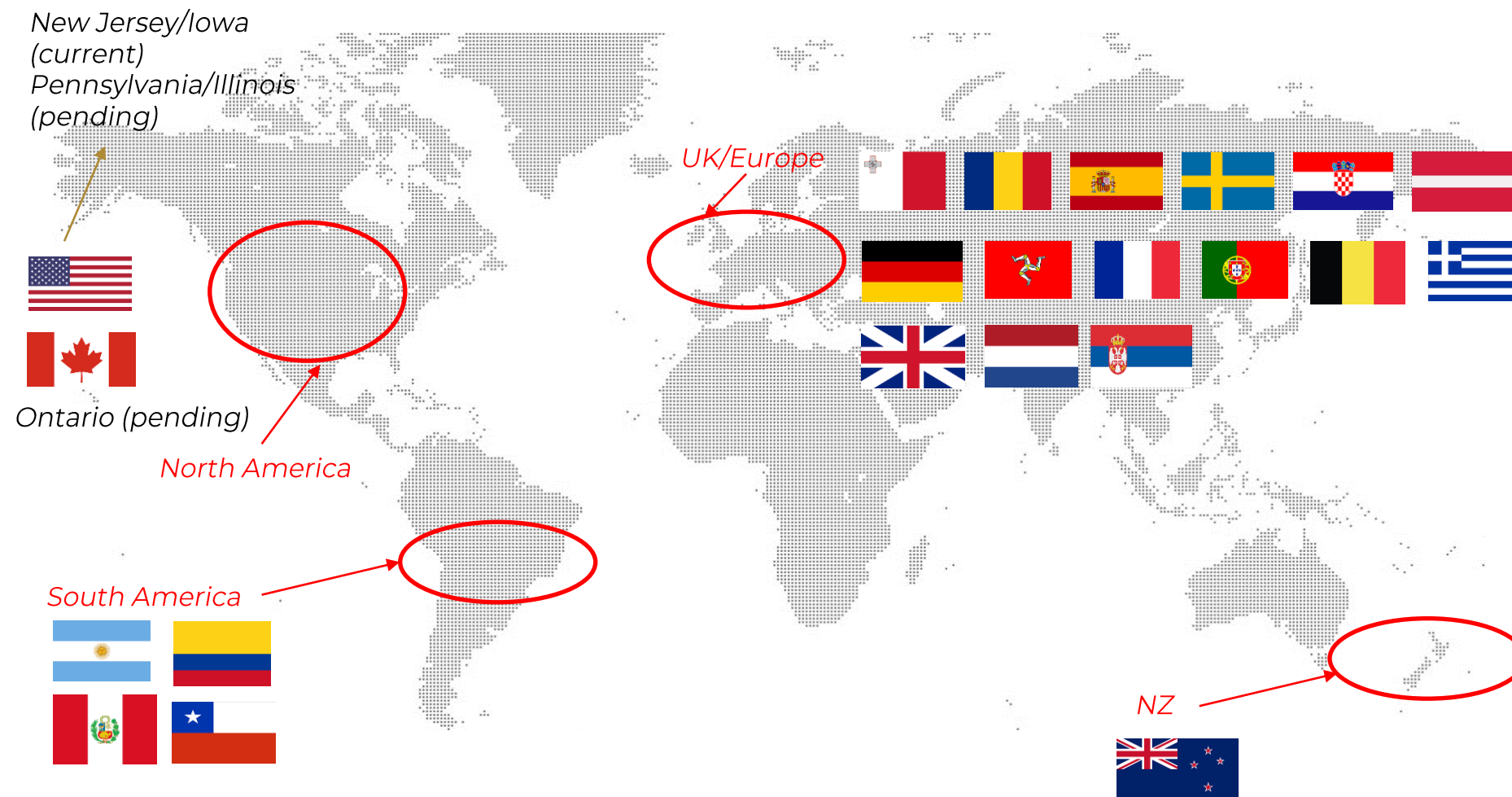
- Certified/licensed B2B online gaming operator in 14 jurisdictions globally (with 5 pending)
- Headquartered in Malta with offices in Spain, Latvia and Denmark – around 450 staff
- GiG Inc a Delaware (US) incorporated company – listed on Oslo and Stockholm stock exchanges (market capitalisation currently around €200m)
- Two operating segments (Media Services and Platform Services), but diversified business in terms of client coverage and jurisdiction
- Core strategy = facilitation of land-based operators moving online (across casino and sportsbetting) as markets regulate globally
- Improved financial performance over last 18 months (LTM revenue of €63m and EBITDA of €19m, at 31% margin) and solid balance sheet position (gearing of 2.2x as at 30 September 2021) following sale of B2C business to Betsson in April 2020

SkyCity Strategic Partnership

- SkyCity online casino operated by GiG launched in August 2019
- Partnership provides SkyCity with turnkey online solution in NZ
- GiG provides technical platform, gaming content, managed services and front-end development
- Existing agreement allows SkyCity to assume B2C components in regulated NZ market
- Site has prioritised host responsibility/AML/compliance protocols and leveraged trusted brand name in SkyCity
- Platform resonating with customers – strong performance since inception
- Partnership provides SkyCity with access into complementary, high-growth gaming category

GiG Acquisition Of Sportnco

GiG/Sportnco global market coverage post-transaction



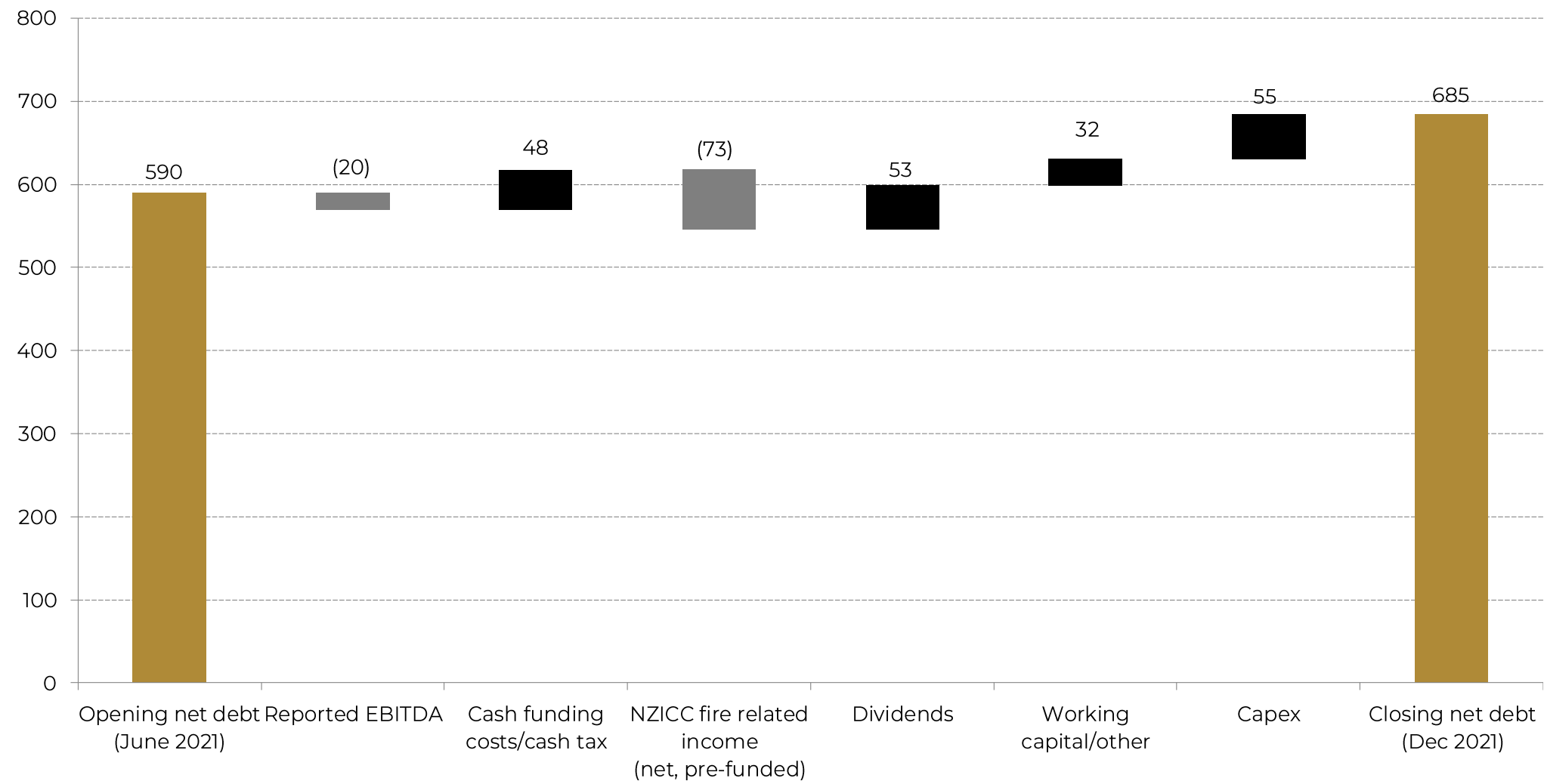
Strategic Rationale for GiG

- 20+ licences/certifications
 - High-growth and complementary jurisdictions – significant global addressable market
 - Immediate scale in online sportsbetting
- Opportunity to cross-sell and deliver omnichannel – highly complementary technology
- Strong earnings outlook post-transaction for GiG/Sportnco – new client wins, access to high-growth markets, cross-sell and scale benefits delivering margin expansion
- Addresses earnings concentration for GiG – targeting 50/50 mix of earnings between Marketing and Platform Services
- Cost synergies available – integration of technology and elimination of GiG Sports
- Strong corporate and cultural fit

Acquisition to transform GiG into global, vertically integrated B2B operator in online casino and sportsbetting

Net Debt (as at 31 December 2021)

Movement in net hedged debt (\$m)⁽¹⁾



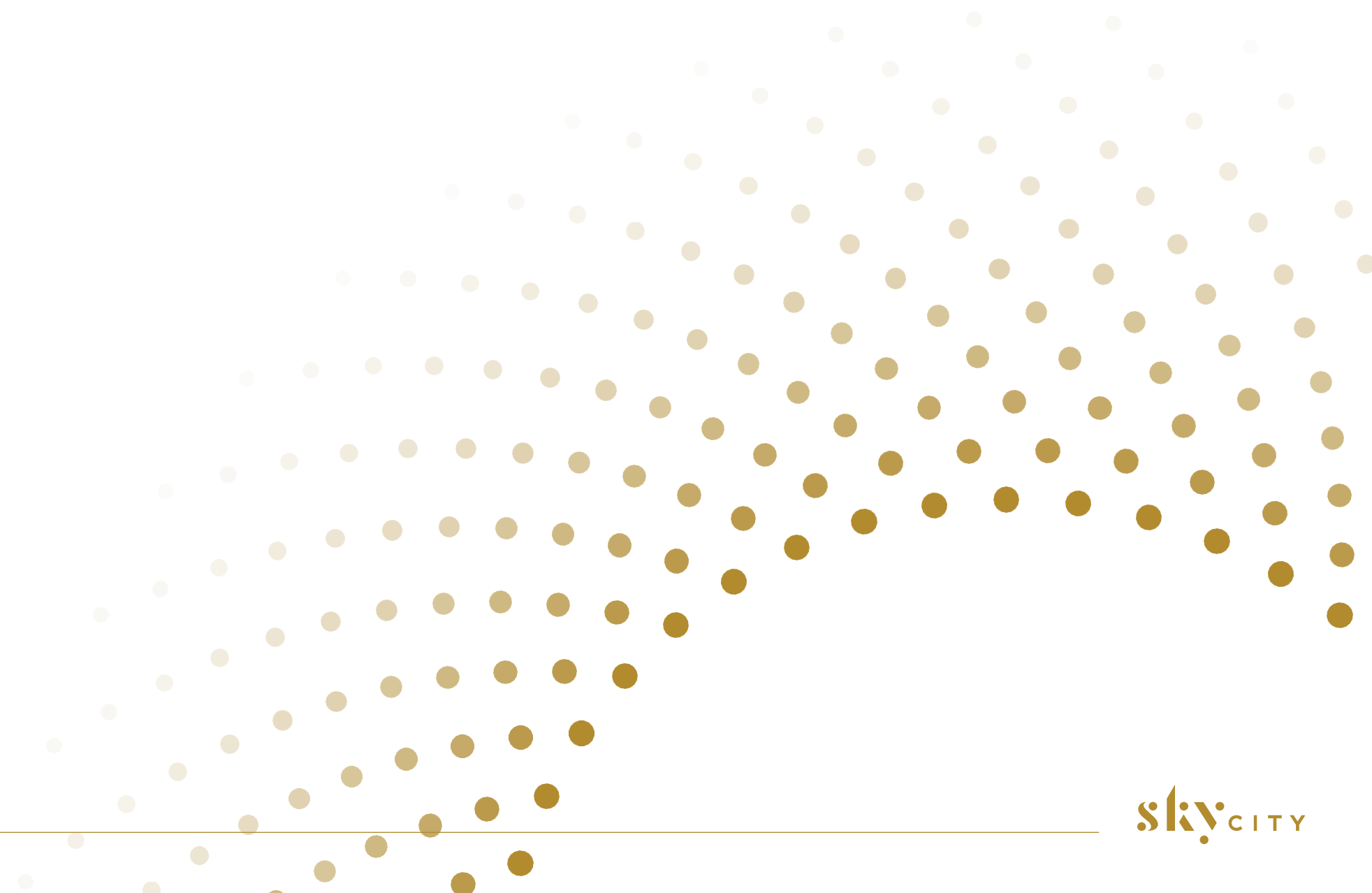
- Net hedged debt of \$685m as at 31 December 2021
 - Includes cash at bank of \$28m
 - Includes 7cps FY21 dividend paid during September 2021
 - Includes insurance prepayment of \$130m received on NZICC/Horizon Hotel project
- Compliant with gearing covenant as at 31 December 2021

⁽¹⁾ Capex = gross capex including reinstatement costs on NZICC/Horizon Hotel project funded by insurance



Disclaimer

- All information included in this presentation is provided as at 14 February 2022
- This presentation includes a number of forward-looking statements. Forward-looking statements, by their nature, involve inherent risks and uncertainties. Many of those risks and uncertainties are matters which are beyond SkyCity's control and could cause actual results to differ from those predicted. Variations could either be materially positive or materially negative
- This presentation has not taken into account any particular investor's investment objectives or other circumstances. Investors are encouraged to make an independent assessment of SkyCity



SkyCity Entertainment Group Limited

Interim Financial Statements

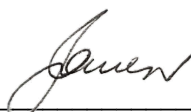
for the six month period ended 31

December 2021

For and on behalf of the board:



Julian Cook
Chairman



Jennifer Owen
Chair of the Audit and Risk Committee

11 February 2022



Independent auditor's review report

To the shareholders of SkyCity Entertainment Group Limited

Report on the interim financial statements

Our conclusion

We have reviewed the interim financial statements of SkyCity Entertainment Group Limited (the Company) and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2021, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the six month period ended on that date, and significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2021, and its financial performance and cash flows for the six month period then ended, in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34).

Basis for conclusion

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410 (Revised)). Our responsibility is further described in the *Auditor's responsibility for the review of the financial statements* section of our report.

We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements. In addition to our role as auditor, our firm carries out other services for the Group in the areas of tax compliance and other assurance and agreed-upon-procedure services in relation to: compliance with banking and debt covenants; the allocation of Community Trust revenue; the shareholder vote count at the Annual General Meeting; and the reconciliation of normalised results to reported results. The provision of these other services has not impaired our independence.

Emphasis of matter – impact of the NZICC fire

We draw attention to Note 7 in the interim financial statements, which describes the impact of the fire on 22 October 2019 at the New Zealand International Convention Centre (NZICC) and the adjacent Horizon Hotel, and the related significant judgements and estimates.

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

**Emphasis of matter – uncertainty regarding the outcome of regulator investigation**

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

Directors' responsibility for the financial statements

The Directors of the Group are responsible on behalf of the Company for the preparation and fair presentation of these interim financial statements in accordance with IAS 34 and NZ IAS 34 and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with IAS 34 and NZ IAS 34.

A review of interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand) and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Who we report to

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

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

For and on behalf of:

A handwritten signature in dark ink, appearing to read 'Richard Day'.

Chartered Accountants
11 February 2022

Auckland

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

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

Earnings per share for Profit Attributable to the Shareholders of the Company:

Basic and diluted (loss)/earnings per share	(4.5)	10.3
---	--------------	------

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

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

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

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

* Refer to note 12 for details on prior period restatement

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

SkyCity Entertainment Group Limited
Balance Sheet
As at 31 December 2021

		Unaudited	Restated*	Restated*
		31 December	30 June	1 July
		2021	2021	2020
Notes		\$'000	\$'000	\$'000
ASSETS				
Current Assets				
		74,867	49,940	54,224
		31,804	33,405	42,252
		4	156	53,288
		7,715	7,187	6,628
		16,538	-	1,989
	7,c	148,659	175,352	49,571
	13	26,174	13,517	11,019
		305,761	279,557	218,971
Non-current Assets				
		1,366,143	1,370,762	1,528,902
	12	621,124	627,065	630,592
		12,176	11,605	10,574
		2,000	-	-
		4,843	4,109	23,100
		124,380	124,368	72,400
		14,314	9,740	6,910
		123,882	126,755	51,967
	7,d	181,000	233,000	227,000
		2,449,862	2,507,404	2,551,445
		2,755,623	2,786,961	2,770,416
LIABILITIES				
Current Liabilities				
		175,291	200,165	221,842
	10	-	48,031	302,509
		823	16,256	776
		1,457	-	6,113
		3,309	3,014	485
		251	2,088	153,165
		181,131	269,554	684,890
Non-Current Liabilities				
	9	597,401	440,964	282,731
		22,136	20,317	10,569
		32,866	36,310	39,815
		2,366	7,528	24,375
		47,256	51,975	39,903
		114,164	115,793	52,188
		207,436	207,436	214,972
		1,023,625	880,323	664,553
		1,204,756	1,149,877	1,349,443
		1,550,867	1,637,084	1,420,973
EQUITY				
		1,339,278	1,338,223	1,288,287
		(23,451)	(22,979)	(33,321)
		235,040	321,840	166,007
		1,550,867	1,637,084	1,420,973

* Refer to note 12 for details on prior period restatement

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

SkyCity Entertainment Group Limited
Statement of Changes in Equity
For the six month period ended 31 December 2021

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

* Refer to note 12 for details on prior period restatement

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

SkyCity Entertainment Group Limited
Statement of Cash Flows
For the six month period ended 31 December 2021

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

* Refer to note 12 for details on prior period restatement

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

1 General Information

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

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

The Company is registered under the Companies Act 1993 and is an FMC Reporting Entity under part 7 of the Financial Markets Conduct Act 2013. The address of the Company's registered office is 99 Albert Street, Auckland.

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

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

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

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

2 Basis of Preparation

These interim financial statements have been prepared in accordance with GAAP. They comply with New Zealand equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34), International Accounting Standard (IAS) 34 Interim Financial Reporting, and the New Zealand Stock Exchange Listing Rules.

These interim financial statements do not include all the notes normally included in the annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the annual report for the year ended 30 June 2021.

Measurement basis

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

Presentation currency

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

Non-GAAP financial information

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

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

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

Critical accounting estimates and judgements

The preparation of interim financial statements requires the use of certain critical accounting estimates and the exercise of judgement regarding the application of accounting policies.

These interim financial statements are prepared using the same significant judgements and estimates as were used in the preparation of the 30 June 2021 annual financial statements except as disclosed in note 3 below.

2 Basis of Preparation (continued)

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

Going concern

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

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

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

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

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

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

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

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

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

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

3 Summary of Significant Accounting Policies

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

3 Summary of Significant Accounting Policies (continued)

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

4 Segment Information

Accounting policy

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

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

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

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

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

* International Business gaming revenue includes rebates and complimentary play.

5 Revenue

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

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

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

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

		6 months 31 December 2021 \$'000	6 months 31 December 2020 \$'000
	Notes		
Reconciliation to the segment note			
Total revenue	5	216,755	315,710
Other income	6	3,345	1,142
Government grants	6	17,228	26,815
Liquidated damages	6	-	39,500
NZICC fire income	7	52,483	66,770
Total revenue as per income statement		<u>289,811</u>	<u>449,937</u>
International Business rebates		508	3,384
Total revenue as per segment note		<u>290,319</u>	<u>453,321</u>

6 Other income

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

Government Grants

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

6 Other income (continued)

Liquidated Damages

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

7 NZICC Fire

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

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

In accounting for the impact of the fire, a number of significant judgements and estimates have been made. Consistent with the position at 30 June 2021, the most significant assumptions, and associated risk to the estimates provided, relate to the extent of the damage of the NZICC building, the uncertain costs to remediate, the percentage of contingency included in the estimates and the timeline for remediation. These judgements and estimates will continue to be reviewed as new information becomes available. It is possible that the actual financial impacts of the fire will differ from those included in these interim financial statements, those differences may be material. Details of further judgements and estimates made are provided throughout this note.

a Income

	6 months 31 December 2021 \$'000	6 months 31 December 2020 \$'000
Contract works insurance reinstatement recovery	-	6,000
Other recoveries	<u>52,483</u>	<u>60,770</u>
	<u>52,483</u>	<u>66,770</u>

Contracts Work Insurance Recovery for Reinstatement works

The accounting treatment of the insurance recovery for the damage is dependent on the relationship between SkyCity, the insurers and the Contractor. It is the Group's view, supported by legal advice, that SkyCity is the principal in the insurance relationship and therefore receives, and has control over, all insurance proceeds. As a result of this relationship, the Group recognises the expected insurance proceeds for reconstruction of the fire damage as income and a receivable.

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

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

7 NZICC Fire (continued)

a Income (continued)

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

Other Recoveries

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

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

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

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

b Expenses

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

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

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

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

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

7 NZICC Fire (continued)

b Expenses (continued)

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

Release from Deferred Licence Value Liability

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

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

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

NZICC Obligation

The Group has recognised a liability to reconstruct the assets associated with the initial 600 NZICC car parks that are required to be provided to Macquarie under the Auckland Car Park Concession Agreement. No material information has arisen in the six months to 31 December 2021 to indicate a change to the estimate prepared by RLB in June 2021 and accordingly this liability remains at the same level as at 30 June 2021 (\$36.5 million).

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

Site Preparation, Demolition and Other Costs

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

c Current Assets

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

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

Insurance Recovery for Damage to the NZICC and Horizon Hotel

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

7 NZICC Fire (continued)

c Current Assets (continued)

Other Recoveries

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

Payments Received from the Insurers

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

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

d Non-current Assets

	31 December 2021 \$'000	30 June 2021 \$'000
Insurance recoveries for damages to the NZICC and Horizon Hotel	<u>181,000</u>	<u>233,000</u>
	<u>181,000</u>	<u>233,000</u>

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

8 Dividends

	6 months 31 December 2021 \$'000	6 months 31 December 2020 \$'000
Prior year's final dividend	<u>53,082</u>	-
Total dividends provided for or paid	<u>53,082</u>	-

Cents per share

Prior year's final dividend	7.0¢	- ¢
-----------------------------	------	-----

9 Non-Current Liabilities - Interest Bearing Liabilities

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

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

(a) USPP Notes

The USPP fixed rate US dollar borrowings have been hedged and converted to New Zealand dollar floating rate borrowings by using cross-currency interest rate swaps to eliminate foreign exchange exposure to the US dollar within the Income Statement.

USPP notes mature March 2025 (US\$100 million) and March 2028 (A\$65 million).

The movement in the amount of the USPP notes from 30 June 2021 relates to foreign exchange and interest rate movements.

(b) Syndicated Bank Facility

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

As at 31 December 2021, SkyCity had in place revolving credit facilities of:

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

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

(c) Auckland Car Park Concession Agreement - financing element

As detailed in the 30 June 2021 financial statements, a portion of the sale of the Auckland Car Park Concession relates to 450 car parks for the exclusive use of SkyCity. This portion is treated as an interest-bearing financial liability.

The \$220 million concession payment has been allocated between these 450 nested car parks and the unnested remaining car parks based on their respective fair values. At 19 August 2019, \$45.8 million was allocated to these nested car parks and was recognised as the initial financial liability.

From that date, interest expense has been recognised as an addition to this liability on a yield to maturity basis and payments for the use of the nested car parks have been deducted. The residual value of the financial liability will be nil on the maturity of the car park concession contract.

(d) New Zealand Bonds

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

(e) Debt Covenants

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

10 Current Liabilities - Interest Bearing Liabilities

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

11 Income Tax (Benefit)/Expense

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

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

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

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

12 Non-current Assets - Intangible assets

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

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

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

12 Non-current Assets - Intangible assets (continued)

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

(a) Software as a Service arrangement

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

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

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

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

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

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

The primary impacts of the change in accounting policy are:

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

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

12 Non-current Assets - Intangible assets (continued)

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

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

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

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

13 Assets Classified as Held for Sale

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

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

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

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

14 Contingencies

(a) Contingent Liabilities

Car parks

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

Regulators

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

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

The potential serious non compliance noted by AUSTRAC includes concerns relating to ongoing customer due diligence, adopting and maintaining an AML/CTF Program and compliance with Part A of an AML/CTF Program. These concerns were identified in the course of a compliance assessment which AUSTRAC commenced in September 2019, focusing on SkyCity Adelaide Pty Ltd's management of customers identified as high risk and politically exposed persons for the periods of 1 July 2015 to 30 June 2016 and 1 July 2018 to 30 June 2019.

14 Contingencies (continued)

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

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

(b) Contingent Assets

As detailed in note 7, the Group intends to seek recovery from the Contractor (FCC) for additional costs and losses associated with the NZICC fire that are not covered by the insurers. These include insurance excesses, payments to Macquarie under the Concession Agreement, additional project costs, and other items. The Group has identified \$39.3 million (2021 FY: \$23.3 million) of costs incurred to date where it does not believe that recovery is virtually certain at this time given the position currently being taken by the Contractor and by the insurer and therefore no income has been recognised. However, recovery of these costs is considered probable, and they are therefore included as a contingent asset. This is not the full extent of the costs and losses that have been incurred and that could be claimed from the Contractor relating to the fire and construction delays.

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

15 Commitments

Capital Commitments

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

	31 December 2021 \$'000	30 June 2021 \$'000
Property, plant and equipment	<u>445,673</u>	<u>445,269</u>
	445,673	445,269

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

15 Commitments (continued)

Investment

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

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

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

16 Events Occurring after the Balance Sheet Date

COVID-19

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