

**SkyCity Entertainment Group Limited  
Interim Financial Statements  
for the six month period ended 31  
December 2020**

For and on behalf of the Board:



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Rob Campbell  
Chairman



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Bruce Carter  
Chairman of the Audit and Risk Committee

17 February 2021



## ***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 2020, 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 2020, 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).

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#### ***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 responsibilities are further described in the *Auditor's responsibilities 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, tax advisory, the licensing of a software tool for subsidiary statutory financial statement preparation, and other assurance and agreed-upon-procedure services in relation to: compliance with banking and US private placement covenants; the allocation of Community Trust revenue; application for the Australian COVID-19 JobKeeper scheme; and the reconciliation of normalised results to reported results. The provision of these other services has not impaired our independence.

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#### ***Emphasis of matter – impact of the NZICC fire***

We draw attention to Note 6 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 structural steel and facade which is still being assessed. There is, therefore, material uncertainty inherent in the balances recorded and the amounts recognised in the income statement. 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.



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### *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.

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### *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.

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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 black ink, appearing to read 'Richard Day', written in a cursive style.

Chartered Accountants  
17 February 2021

Auckland

**SkyCity Entertainment Group Limited**  
**Income Statement**  
**For the six month period ended 31 December 2020**

	Notes	<b>Unaudited 6 months 31 December 2020 \$'000</b>	Unaudited 6 months 31 December 2019 \$'000	Audited 12 months 30 June 2020 \$'000
<b>Continuing operations</b>				
Revenue	4	<b>315,710</b>	412,532	641,653
Other income	5	<b>67,457</b>	68,675	98,924
NZICC fire related income	6.a	<b>66,770</b>	240,592	384,500
NZICC fire related costs	6.b	<b>(66,664)</b>	(47,535)	(108,090)
Share of losses from associates		-	(83)	(83)
Employee benefits expense		<b>(131,285)</b>	(146,113)	(284,867)
Impairment of Adelaide casino licence		-	-	(160,600)
Other expenses	7	<b>(52,754)</b>	(48,303)	(97,134)
Directors' fees		<b>(488)</b>	(553)	(900)
Gaming taxes		<b>(15,851)</b>	(20,082)	(30,254)
Direct consumables		<b>(16,829)</b>	(35,762)	(54,376)
Marketing and communications		<b>(7,124)</b>	(9,814)	(16,045)
Community contributions, levies and sponsorships		<b>(6,356)</b>	(6,081)	(10,382)
Fair value adjustment on investment property		-	-	(14,055)
Earnings Before Interest, Taxes, Depreciation and Amortisation Expenses (EBITDA)		<b>152,586</b>	407,473	348,291
Depreciation and amortisation expense	7	<b>(41,797)</b>	(40,910)	(85,446)
Depreciation on right-of-use assets		<b>(574)</b>	(551)	(1,114)
Earnings Before Interest and Tax (EBIT)		<b>110,215</b>	366,012	261,731
Net finance costs	9	<b>(14,042)</b>	(6,377)	(28,613)
<b>Profit Before Income Tax</b>		<b>96,173</b>	359,635	233,118
Income tax (expense)/benefit	12	<b>(17,757)</b>	(31,879)	2,152
<b>Profit from continuing operations</b>		<b>78,416</b>	327,756	235,270
Profit from discontinued operations		-	229	118
<b>Profit for the Period Attributable to Shareholders of the Company</b>		<b>78,416</b>	327,985	235,388

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

Basic and diluted earnings per share	<b>10.4</b>	49.3	35.4
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*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 2020**

	<b>Unaudited 6 months 31 December 2020 \$'000</b>	Unaudited 6 months 31 December 2019 \$'000	Audited 12 months 30 June 2020 \$'000
<b>Profit for the period</b>	<b>78,416</b>	327,985	235,388
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
<b>Asset Revaluation Reserve</b>			
Asset revaluation reserve - revaluation on transfer to investment property	20     -	5,936	5,936
	<u>-</u>	<u>5,936</u>	<u>5,936</u>
<b>Items that may be Reclassified Subsequently to Profit or Loss</b>			
Exchange differences on translation of overseas subsidiaries	20     (1,072)	(1,550)	6,285
<b>Cashflow Hedge Reserve</b>			
- Cash flow hedges - revaluations	20     (36,855)	(1,280)	9,154
- Cash flow hedges - transfer to finance costs	20     41,296	7,224	(5,143)
- Cash flow hedges - income tax	20     (1,257)	(1,690)	(1,239)
<b>Cost of Hedging Reserve</b>			
- Cost of hedging reserve - revaluations	20     (251)	(269)	(113)
- Cost of hedging reserve - transfer to finance costs	20     462	462	462
- Cost of hedging reserve - income tax	20     (59)	(54)	(98)
	<u>2,264</u>	<u>2,843</u>	<u>9,308</u>
<b>Other comprehensive income for the year, net of tax</b>	<u>2,264</u>	<u>8,779</u>	<u>15,244</u>
<b>Total comprehensive income for the year</b>	<u>80,680</u>	<u>336,764</u>	<u>250,632</u>

*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 2020**

	Notes	Unaudited 31 December 2020 \$'000	Unaudited 31 December 2019 \$'000	Audited 30 June 2020 \$'000
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and bank balances		58,077	52,835	54,224
Receivables and prepayments	14	46,527	49,360	42,252
Derivative financial instruments		33,901	107	53,288
Inventories		7,983	7,950	6,628
Current tax receivables		5,734	-	1,989
NZICC fire recoveries	6,c	127,395	141,664	49,571
Assets classified as held for sale	23	13,535	10,701	11,019
<b>Total Current Assets</b>		<b>293,152</b>	<b>262,617</b>	<b>218,971</b>
<b>Non-current Assets</b>				
Property, plant and equipment	13	1,441,257	1,531,504	1,528,902
Intangible assets		645,792	802,873	649,531
Finance lease receivable		11,094	10,222	10,574
Derivative financial instruments		2,250	54,631	23,100
Investment properties	16	74,557	58,667	72,400
Deferred tax assets		5,621	1,816	6,877
Right-of-use assets		53,165	51,262	51,967
NZICC fire recoveries	6,d	207,000	77,000	227,000
<b>Total Non-current Assets</b>		<b>2,440,736</b>	<b>2,587,975</b>	<b>2,570,351</b>
<b>Total Assets</b>		<b>2,733,888</b>	<b>2,850,592</b>	<b>2,789,322</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables and provisions	15	178,725	211,716	221,842
Interest bearing liabilities	11	138,370	54,259	302,509
Current tax liabilities		2,632	4,871	776
Derivative financial instruments		3,562	3,136	6,113
Lease liabilities		504	470	485
Deferred licence value	17	5,041	148,754	153,165
<b>Total Current Liabilities</b>		<b>328,834</b>	<b>423,206</b>	<b>684,890</b>
<b>Non-Current Liabilities</b>				
Interest bearing liabilities	10	441,427	536,317	282,731
Non-current payables		12,141	1,416	10,569
Lease income in advance		39,815	39,815	39,815
Derivative financial instruments		20,789	22,770	24,375
Deferred tax liabilities		50,340	71,678	45,175
Lease liabilities		53,727	51,147	52,188
Deferred licence value	18	219,996	295,352	214,972
<b>Total Non-current Liabilities</b>		<b>838,235</b>	<b>1,018,495</b>	<b>669,825</b>
<b>Total Liabilities</b>		<b>1,167,069</b>	<b>1,441,701</b>	<b>1,354,715</b>
<b>Net Assets</b>		<b>1,566,819</b>	<b>1,408,891</b>	<b>1,434,607</b>
<b>EQUITY</b>				
Share capital	19	1,339,819	1,110,018	1,288,287
Reserves	20	(31,057)	(39,786)	(33,321)
Retained earnings		258,057	338,659	179,641
<b>Total Equity</b>		<b>1,566,819</b>	<b>1,408,891</b>	<b>1,434,607</b>

*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 2020**

	Share Capital \$'000	Reserves \$'000	Retained earnings \$'000	Total Equity \$'000
Notes				
<b>Balance as at 1 July 2020</b>	<b>1,288,287</b>	<b>(33,321)</b>	<b>179,641</b>	<b>1,434,607</b>
<b>Total comprehensive income</b>	-	2,264	78,416	<b>80,680</b>
Equity raising	19 48,737	-	-	<b>48,737</b>
Share rights issued for employee service	19 2,795	-	-	<b>2,795</b>
<b>Balance as at 31 December 2020</b>	<b>1,339,819</b>	<b>(31,057)</b>	<b>258,057</b>	<b>1,566,819</b>
<b>Balance as at 1 July 2019</b>	<b>1,126,996</b>	<b>(48,565)</b>	<b>77,541</b>	<b>1,155,972</b>
Total comprehensive income	-	8,779	327,985	<b>336,764</b>
Dividends provided for or paid	8 -	-	(66,867)	<b>(66,867)</b>
Share rights issued for employee service	19 2,791	-	-	<b>2,791</b>
Net movement in treasury shares	19 234	-	-	<b>234</b>
Buy back and cancellation of shares	19 (20,003)	-	-	<b>(20,003)</b>
<b>Balance as at 31 December 2019</b>	<b>1,110,018</b>	<b>(39,786)</b>	<b>338,659</b>	<b>1,408,891</b>
<b>Balance as at 1 July 2019</b>	<b>1,126,996</b>	<b>(48,565)</b>	<b>77,541</b>	<b>1,155,972</b>
Total comprehensive income	-	15,244	235,388	<b>250,632</b>
Dividends provided for or paid	8 -	-	(133,288)	<b>(133,288)</b>
Equity raising	177,160	-	-	<b>177,160</b>
Share rights issued for employee service	19 3,698	-	-	<b>3,698</b>
Net movement in treasury shares	19 436	-	-	<b>436</b>
Buy back and cancellation of shares	19 (20,003)	-	-	<b>(20,003)</b>
<b>Balance as at 30 June 2020</b>	<b>1,288,287</b>	<b>(33,321)</b>	<b>179,641</b>	<b>1,434,607</b>

*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 2020

	<b>Unaudited 6 months 31 December 2020 \$'000</b>	Unaudited 6 months 31 December 2019 \$'000	Audited 12 months 30 June 2020 \$'000
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	313,940	423,200	655,470
Payments to suppliers and employees	(184,955)	(262,832)	(480,613)
Government grants	25,709	-	27,354
	<u>154,694</u>	<u>160,368</u>	<u>202,211</u>
Gaming taxes and levies paid	(19,530)	(25,937)	(40,988)
Income taxes paid	(14,548)	(37,946)	(41,057)
<b>Net Cash Inflow from Operating Activities</b>	<u>120,616</u>	<u>96,485</u>	<u>120,166</u>
	24		
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment	(111,340)	(187,943)	(324,625)
Auckland car park concession disposal	-	128,981	128,946
Payments for investment property	(283)	(1,587)	(2,252)
Payments for intangible assets	(7,174)	(12,624)	(20,515)
Lease income received in advance	-	39,815	39,815
NZICC fire related income	533	20,000	106,000
NZICC fire related costs	(59,045)	(11,384)	(26,638)
<b>Net Cash Outflow from Investing Activities</b>	<u>(177,309)</u>	<u>(24,742)</u>	<u>(99,269)</u>
<b>Cash Flows from Financing Activities</b>			
Issue of new share capital	48,737	-	177,160
Cash flows associated with derivatives	1,979	43	(2,327)
New borrowings	175,141	47,814	45,814
Repayment of borrowings	(143,500)	-	(34,127)
Buy back of shares	-	(19,993)	(19,566)
Net issue of treasury shares	-	234	-
Repayment of lease liabilities	-	(228)	(469)
Dividends paid to company shareholders	-	(66,867)	(133,288)
Interest paid	(21,811)	(21,485)	(41,444)
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>	<u>60,546</u>	<u>(60,482)</u>	<u>(8,247)</u>
<b>Net Increase in Cash and Bank Balances</b>	<b>3,853</b>	<b>11,261</b>	<b>12,650</b>
Cash and bank balances at the beginning of the period	<u>54,224</u>	<u>41,574</u>	<u>41,574</u>
<b>Cash and Bank Balances at the End of the Period</b>	<u>58,077</u>	<u>52,835</u>	<u>54,224</u>

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



## **1 General Information**

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

SkyCity is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 99 Albert Street, Auckland. The company is dual listed on the New Zealand and Australian stock exchanges.

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). SkyCity Entertainment Group Limited is a company registered under the Companies Act 1993 and is an FMC Reporting Entity under part 7 of the Financial Markets Conduct Act 2013.

These financial statements have been approved for issue by the Board of Directors on 17 February 2021.

## **2 Summary of Significant Accounting Policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with generally accepted accounting practice in New Zealand, International Accounting Standard 34 and New Zealand equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34). For the purposes of complying with GAAP the Group is classed as a for-profit entity (FRS 44(7)).

The Group also uses non-GAAP financial information which is not prepared in accordance with New Zealand International Financial Reporting Standards (NZ IFRS) when discussing financial performance. 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

The preparation of interim financial statements in accordance with NZ IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The same significant judgements, estimates and assumptions included in the notes to the financial statements for the year ended 30 June 2020 have been applied to these interim financial statements.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain financial instruments (including derivative instruments) and investment properties.

The Group has a negative working capital balance which includes \$138 million (US\$100 million) of US private placement debt that matures in March 2021 (refer note 11). The Group has significant available undrawn committed banking facilities totalling \$453 million as at 31 December 2020 (refer to note 10) and has the ability to fully pay all debts as they fall due.

The accounting policies that materially affect the measurement of the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and the Statement of Cash Flows have been applied on a basis consistent with those used in the audited financial statements for the year ended 30 June 2020 and the unaudited financial statements for the six months ended 31 December 2019.

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 2020.

## 2 Summary of Significant Accounting Policies (continued)

### (a) Significant Transactions Impacting the Period

#### Adelaide Redevelopment

The Adelaide casino expansion and hotel development was substantially completed and opened to the public in December 2020. A small portion of development remains to be completed during the second half of the financial year. As a result of the completion of the development, the majority of the Adelaide deferred licence value was transferred from current liabilities to property, plant and equipment (refer to note 17).

#### New Zealand International Convention Centre Fire

On 22 October 2019, there was a significant fire at the construction site of the New Zealand International Convention Centre (NZICC) in Auckland. This fire has caused extensive damage to the NZICC and damage to Horizon Hotel which is being constructed on the adjacent site. To date, it has not been possible to complete a full assessment of the extent of damage caused by the fire. The Group has engaged an independent expert to estimate the likely extent of damage.

The following table summarises the impact of the NZICC fire

Item	NZICC Impact	Note
NZICC fire related income	Estimated insurance proceeds to cover the full reinstatement to the pre-fire condition have been recognised as income.	6
	Insurance proceeds for other costs incurred (business interruption costs, site preparation, demolition costs and other ongoing costs as a result of the fire) are recognised as income when the costs are incurred.	
NZICC fire related expenses	Damaged/destroyed components have been recognised as an expense, partially offset by a transfer from the deferred licence value.	6
	Other costs as a result of the fire are expensed as incurred.	
Cost Capitalisation	Capitalisation of borrowing costs and some internal costs associated with the NZICC and Horizon Hotel has been suspended.	
Property, Plant and Equipment	Damaged/destroyed components of both buildings have been derecognised.	13
Deferred Licence Value	Partial release of the deferred licence value for the NZICC based on the percentage of the building damaged.	18
Insurance Proceeds	Estimated insurance proceeds to cover the full reinstatement to the pre-fire condition have been recognised as a receivable on the Balance Sheet.	6
	Insurance proceeds to cover the cost of site clean-up and preparation have been recognised as the underlying costs are incurred.	
Liquidated Damages	Recognised as income of liquidated damages for the closure of the Nelson Street car park access tunnel.	6
NZICC Long Stop Date	The Crown has agreed to an extension of the Completion Long Stop date included in the New Zealand International Convention Centre Project and Licensing Agreement.	
	The revised date is now 2 January 2025 (previously 1 January 2023).	
	SkyCity expects to complete the NZICC before this date.	

## **2 Summary of Significant Accounting Policies (continued)**

### **COVID-19**

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

During the current financial period, the Auckland site was closed from 12 August 2020 to 30 August 2020 and operated under New Zealand Alert Level 2/2.5 from 30 August 2020 to 8 October 2020. The Adelaide site was closed for 3 days commencing 18 November 2020 and has operated under government social distancing restrictions almost the entire financial period.

A comprehensive summary of SkyCity's COVID-19 response, including an equity raising, debt restructure and staff restructure, was included in the 30 June 2020 financial statements.

In the current period, the Group has continued to receive both the New Zealand wage subsidy and the Australian JobKeeper payment. The 30 June 2020 financial statements noted material valuation uncertainty in determining the fair value of the Group's investment properties given the potentially material and unknown impact of COVID-19. In the current period, the valuer notes continuing but no longer "material" uncertainty.

SkyCity remains well positioned to manage ongoing future risks associated with COVID-19.

### **(b) Changes in Accounting Policies**

There have been no significant changes in accounting policies during the current period.

### 3 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 include the Group's operations at SkyCity Hamilton, SkyCity Queenstown, SkyCity Wharf, Lets Play Live Media, Online Gaming and Associates.

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

<b>Six Months Ended 31 December 2020</b>	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
Liquidated damages	39,500	-	-	-	-	39,500
<b>Total revenue</b>	<b>313,279</b>	<b>46,030</b>	<b>89,737</b>	<b>3,336</b>	<b>939</b>	<b>453,321</b>
Expenses	(116,478)	(20,625)	(66,150)	(9,757)	(21,061)	(234,071)
NZICC fire expenses	(66,664)	-	-	-	-	(66,664)
Depreciation and amortisation	(22,957)	(2,961)	(7,715)	-	(8,738)	(42,371)
<b>Segment profit/(loss) (EBIT)</b>	<b>107,180</b>	<b>22,444</b>	<b>15,872</b>	<b>(6,421)</b>	<b>(28,860)</b>	<b>110,215</b>
Net finance costs						(14,042)
Profit before income tax from continuing operations						<u>96,173</u>

<b>Six Months Ended 31 December 2019</b>	SkyCity Auckland \$'000	Other Operations \$'000	SkyCity Adelaide \$'000	International Business * \$'000	Corporate / Group \$'000	Total \$'000
Gaming revenue	195,683	31,011	63,440	57,680	-	347,814
Online gaming	-	187	-	-	-	187
Non-gaming revenue	78,711	5,719	12,063	7	-	96,500
Other Income	2,126	83	-	-	-	2,209
NZICC fire income	240,592	-	-	-	-	240,592
Sale of Auckland car park concession	66,466	-	-	-	-	66,466
<b>Total revenue</b>	<b>583,578</b>	<b>37,000</b>	<b>75,503</b>	<b>57,687</b>	<b>-</b>	<b>753,768</b>
Shares of net profits/(losses) of associates	-	(83)	-	-	-	(83)
Expenses	(146,545)	(21,631)	(62,019)	(49,546)	(18,936)	(298,677)
NZICC fire expenses	(47,535)	-	-	-	-	(47,535)
Depreciation and amortisation	(23,027)	(3,096)	(8,413)	-	(6,925)	(41,461)
<b>Segment profit/(loss) (EBIT)</b>	<b>366,471</b>	<b>12,190</b>	<b>5,071</b>	<b>8,141</b>	<b>(25,861)</b>	<b>366,012</b>
Net finance costs (including discontinued operations)						(6,377)
Profit before income tax from continuing operations						<u>359,635</u>

**SkyCity Entertainment Group Limited**  
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(continued)

### 3 Segment Information (continued)

Year Ended 30 June 2020	SkyCity Auckland \$'000	Other Operations \$'000	SkyCity Adelaide \$'000	International Business * \$'000	Corporate / Group \$'000	Total \$'000
Gaming revenue	312,282	51,554	90,996	75,948	-	530,780
Online revenue	-	4,521	-	-	-	4,521
Non-gaming revenue	118,094	8,738	18,823	-	-	145,655
Other income	20,586	2,428	8,327	8	1,144	32,493
NZICC fire income	384,500	-	-	-	-	384,500
Sale of Auckland car park concession	66,431	-	-	-	-	66,431
Total revenue	901,893	67,241	118,146	75,956	1,144	1,164,380
Shares of net profits/(losses) of associates	-	(83)	-	-	-	(83)
Expenses	(292,198)	(41,625)	(107,126)	(72,184)	(34,183)	(547,316)
Adelaide casino licence impairment	-	-	(160,600)	-	-	(160,600)
NZICC fire expenses	(108,090)	-	-	-	-	(108,090)
Depreciation and amortisation	(46,073)	(6,159)	(19,090)	-	(15,238)	(86,560)
Segment profit/(loss) (EBIT)	455,532	19,374	(168,670)	3,772	(48,277)	261,731
Net finance costs (including discontinued operations)						(28,613)
Profit before income tax from continuing operations						233,118

\* International Business gaming revenue includes rebates and complimentary play.

### 4 Revenue

	6 months 31 December 2020 \$'000	6 months 31 December 2019 \$'000	12 months 30 June 2020 \$'000
Gaming	254,361	315,845	491,477
Non-gaming	53,823	96,500	145,655
Online gaming	7,526	187	4,521
Total revenue	315,710	412,532	641,653

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

Non gaming revenues include hotel and conventions, food and beverage, Sky Tower, car parking and other revenues. These are recognised when the goods are provided, or services are rendered.

	6 months 31 December 2020 \$'000	6 months 31 December 2019 \$'000	12 months 30 June 2020 \$'000	
Notes				
<b>Reconciliation to the segment note</b>				
Total revenue	4	315,710	412,532	641,653
Other income	5	1,142	2,209	3,310
Government grants	5	26,815	-	29,183
International Business rebates		3,384	31,969	39,303
Gain on sale of Auckland car park concession		-	66,466	66,431
NZICC fire income	6	66,770	240,592	384,500
Liquidated damages	5	39,500	-	-
<b>Total revenue as per segment note</b>		453,321	753,768	1,164,380

## 5 Other income

	<b>6 months</b> <b>31 December</b> <b>2020</b> <b>\$'000</b>	6 months 31 December 2019 \$'000	12 months 30 June 2020 \$'000
Net gain on disposal of property, plant and equipment	67	397	348
Net gain on sale of carpark under the Auckland Car Park Concession	-	66,466	66,431
Government grants	26,815	-	29,183
Dividend income	2	9	9
Rental income from investment properties	1,073	1,803	2,953
Liquidated Damages	39,500	-	-
	<u>67,457</u>	<u>68,675</u>	<u>98,924</u>

### Government Grants

#### *New Zealand*

As part of its COVID-19 response, the New Zealand Government introduced a wage subsidy covering an initial 12-week period from application for companies with a greater than 30% reduction in revenue as a result of COVID-19.

The New Zealand Government extended the wage subsidy for a further 8 weeks after the initial 12 weeks for companies with a greater than 40% reduction in revenue in the 30 days preceding the second application. In July 2020, SkyCity made an application for the extended wage subsidy.

In the current financial period, SkyCity has recognised \$10.2 million (30 June 2020: \$20.9 million) from the New Zealand wage subsidy.

#### *Adelaide*

The Australian Government introduced the JobKeeper Payment plan which is effective until 31 March 2021. Under this plan, eligible companies receive A\$1,500 per fortnight per eligible employee provided the company has paid its employee at least this amount. SkyCity was eligible for this payment to 3 January 2021. In the current financial period, SkyCity has recognised \$16.6 million (A\$15.4 million) (30 June 2020: NZ\$8.3 million, A\$7.8 million) from the Australian JobKeeper plan.

### Liquidated Damages

Included within The Fletcher Construction Company Limited ("FCC") construction contracts for the NZICC and Horizon Hotel is the right to liquidated damages if certain milestones are not met. To date SkyCity has withheld \$39.5 million from payments to FCC for liquidated damages. As part of a settlement agreement signed on 30 November 2020, FCC has agreed to not challenge retention of the amount, and accordingly \$39.5 million has been recognised as other income in the current financial period. At 30 June 2020 and 31 December 2019, this amount was included within contingent assets.

## 6 NZICC Fire

On 22 October 2019, there was a significant fire at the construction site of the NZICC in Auckland. This fire has caused extensive damage to the NZICC and damage to Horizon Hotel which is being constructed on the adjacent site. To date, it has not been possible to complete a full assessment of the extent of damage caused by the fire. The Group has engaged an independent expert to estimate the likely extent of damage.

Both buildings are insured and all significant costs associated with the fire are expected to be fully covered. Any costs not covered by insurance are expected to be sought from Fletcher Construction Company Limited (FCC or the Contractor) who is the contractor constructing both buildings.

As noted above, at this point in time a full assessment of the damage is not available, nor is an agreed reconstruction timeline available. As a result, these financial statements include a number of significant judgements and estimates to determine the appropriate accounting. The estimated damage assessment and cost of remediation is particularly sensitive to the assessment of the extent of damage to the structural steel and facade. These judgements and estimates will continue to be reviewed as new information becomes available. It is possible that the actual financial impacts will differ from those included in these financial statements and these differences may be material. Details of the judgements and estimates made are provided in the following parts of this note and should be read in conjunction with the information disclosed in the 30 June 2020 financial statements.

## 6 NZICC Fire (continued)

The Group has engaged external expert advisers to assist in determining the appropriate treatment of the NZICC fire. Rider Levett Bucknall Auckland Limited (RLB) have been appointed to assist with assessing the NZICC damage and cost of remediation.

### a Income

	<b>6 months 31 December 2020 \$'000</b>	6 months 31 December 2019 \$'000	12 months 30 June 2020 \$'000
Contract works insurance recovery	<b>6,000</b>	225,785	336,702
Other recoveries	<b>60,770</b>	4,465	37,456
Liquidated damages for Nelson St car park access	-	10,342	10,342
	<b>66,770</b>	240,592	384,500

NZICC fire related income consists of:

#### ***Insurance recovery for damage to the NZICC and Horizon Hotel (\$6.0 million)***

While the insurers have acknowledged the fire event and confirmed SkyCity's contracts works policy will respond in relation to damage to the NZICC and Horizon Hotel, no complete reconstruction cost or damage estimates are currently available from the Contractor or the insurers. Accordingly, the Group has engaged an independent expert to estimate the likely reconstruction costs to address the damage. These are based on limited information and are highly sensitive to the actual extent of damage which has not yet been fully assessed. For the NZICC, reconstruction costs have been estimated to be between \$330.0 million and \$370.0 million (30 June 2020: between \$330.0 million and \$375.0 million). For the Horizon Hotel, reconstruction costs have been estimated at between \$12.0 million and \$15.0 million (30 June 2020: \$6.0 million). Based on this information, the Group has assumed an insurance recovery for both buildings of \$342.0 million, being the lower end of the NZICC and Horizon Hotel ranges. The Group considers recovery of this amount to be virtually certain.

As a result of this updated information, the recovery has increased by \$6 million in the current financial period.

These estimates are highly sensitive to the actual extent of damage and the ultimate insurance recovery for the damage may differ from this initial assessment once detailed assessment of the actual damage and rebuild planning is completed for both buildings. As a result, it is possible the insurance recovery of \$342.0 million may change materially.

#### ***Other recoveries (\$60.8 million)***

In addition to recovery of the expected reconstruction costs, the Group is able to seek recovery of additional items, including the following:

- 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 under the Auckland Car Park Concession Agreement (for lack of access to the NZICC car parks);
- site preparation and clearing costs;
- costs of professional advisers assisting the Group as a result of the fire; and
- additional ongoing operating costs as a result of the fire.

The Group estimates that the additional costs incurred and lost gross profit since the fire totalled \$117.9 million. A further recovery of \$60.8 million has been accrued for these items in the current financial period and the balance of \$19.7 million has been included as a contingent asset (refer note 21).

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

## 6 NZICC Fire (continued)

### b Expenses

	6 months 31 December 2020 \$'000	6 months 31 December 2019 \$'000	12 months 30 June 2020 \$'000
Write-off of NZICC and Horizon Hotel capitalised work-in-progress	13,783	101,786	193,868
Release from Deferred Licence Value liability	5,024	(85,404)	(165,785)
NZICC car park obligation	(8,984)	28,653	43,047
Site preparation, demolition and other costs	56,841	2,500	36,960
	<u>66,664</u>	<u>47,535</u>	<u>108,090</u>

NZICC fire related expenses consists of:

#### **Write-off of NZICC and Horizon Hotel capitalised work-in-progress (\$13.8 million)**

Based on updated estimates provided by RLB, the Group has estimated that approximately 51% of the NZICC (30 June 2020: 52%) and 10% of the Horizon Hotel (30 June 2020: 5%) construction work to the date of the fire has been destroyed and will need to be replaced. As a result, approximately \$207.7 million of costs previously capitalised as work in progress in Property, Plant and Equipment have been written off. This is an increase of \$13.8 million in the current financial period.

This estimate is highly sensitive to the actual extent of damage and the ultimate write-off may differ once further assessment is completed on the damage to both buildings. As a result, it is possible the write off of \$207.7 million may increase or decrease materially.

#### **Release from Deferred Licence Value liability (\$5.0 million reversal)**

The amount of the release has been estimated at \$160.8 million (30 June 2020: \$165.8 million) based on the latest estimated percentage of damage to the NZICC. This represents 42.2% (30 June 2020 43.5%) of the remaining Deferred Licence Value liability (the NZICC was estimated to be 83% complete prior to the fire).

The updated estimated damage percentage has resulted in a \$5.0 million partial reversal of the Deferred Licence Value release in the current financial period.

The ultimate transfer of the Deferred Licence Value liability is highly sensitive to the actual extent of damage and may differ from this initial assessment once a detailed assessment of the actual extent of damage to the NZICC is completed. As a result, it is possible the amount of the Deferred Licence Value liability transferred may change materially.

Refer to note 18 for details of the Deferred Licence Value liability.

#### **NZICC car park obligation (\$9.0 million reversal)**

The Group has recognised a liability to reconstruct the assets associated with the initial 600 NZICC car parks. The Group has estimated this to be \$34.1 million (previously \$43.0 million) based on an estimate prepared by RLB.

The ultimate cost for reconstructing these assets may differ from this assessment once detailed planning is completed and the actual extent of the damage is known. As a result, it is possible the \$34.1 million liability may change materially.

#### **Site preparation, demolition and other costs (\$56.8 million)**

The Group and Contractor have incurred costs relating to site preparation, demolition, cleaning and other items. To the extent recovery of these costs is considered virtually certain, a matching amount is included in NZICC fire income above.



## 6 NZICC Fire (continued)

### c Current assets

	31 December 2020 \$'000	31 December 2019 \$'000	30 June 2020 \$'000
Insurance recoveries for damages to the NZICC and Horizon Hotel	342,702	205,931	336,702
Other insurance recoveries	98,226	4,320	37,456
Recovery of liquidated damages	-	8,413	8,413
Payments received from the insurers	(106,533)	-	(106,000)
Transfer to non current receivables (refer note 6(d))	(207,000)	(77,000)	(227,000)
	<u>127,395</u>	<u>141,664</u>	<u>49,571</u>

In addition to the \$127.4 million of current NZICC recoveries, there are also non-current recoveries of \$207.0 million (refer below). NZICC recoveries (current plus non-current) total \$334.4 million.

NZICC recoveries relate to:

#### **Insurance Recovery for Damage to the NZICC and Horizon Hotel (\$342.7 million)**

The Group has recognised insurance recoveries of \$342.7 million (30 June 2020: \$336.7 million) related to the damage to the NZICC (\$330.0 million; 30 June 2020: \$330.0 million), Horizon Hotel (\$12.0 million; 30 June 2020: \$6.0 million) and various ICT equipment (\$0.7 million; 30 June 2020: \$0.7 million).

The cost of remediating the NZICC was assessed by SkyCity's experts at between \$330.0 million and \$370.0 million (30 June 2020: \$330.0 million and \$375.0 million). Both amounts include a significant contingency given the uncertainty involved in making this assessment. The \$330.0 million amount includes a 20% contingency, while the higher \$370.0 million amount includes a 35% contingency (no change from 30 June 2020).

#### **Other Insurance Recoveries (\$98.2 million)**

These recoveries relate to business interruption following the fire and costs incurred relating to site clearance and demolition. SkyCity believes recovery of this amount is virtually certain.

### d Non-current assets

	31 December 2020 \$'000	31 December 2019 \$'000	30 June 2020 \$'000
Insurance recoveries for damages to the NZICC and Horizon Hotel	<u>207,000</u>	<u>77,000</u>	<u>227,000</u>
	<u>207,000</u>	<u>77,000</u>	<u>227,000</u>

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

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## 7 Expenses

	<b>6 months 31 December 2020 \$'000</b>	6 months 31 December 2019 \$'000	12 months 30 June 2020 \$'000
Utilities, insurance and rates	11,518	11,275	21,949
Onerous contract expense	-	-	958
Property expenses	7,114	6,892	12,096
Other items	33,428	29,540	55,246
Expenses relating to short term leases and leases of low value assets	371	804	1,203
Provision for bad and doubtful debts	323	(208)	5,682
Total other expenses	<u>52,754</u>	<u>48,303</u>	<u>97,134</u>
Depreciation	33,471	32,503	67,459
Casino licence amortisation (Adelaide)	1,311	2,763	5,507
Computer software amortisation	7,015	5,644	12,480
Total depreciation and amortisation	<u>41,797</u>	<u>40,910</u>	<u>85,446</u>

### Provision for bad and doubtful debts

In the current period the Group has recognised an expense of \$0.3 million (31 December 2019: \$0.2 million reversal and 30 June 2020: \$5.7 million) for bad and doubtful debts primarily relating to a small number of International Business customers. The Group is continuing to pursue recovery of these balances.

## 8 Dividends

	<b>6 months 31 December 2020 \$'000</b>	6 months 31 December 2019 \$'000	12 months 30 June 2020 \$'000
Prior year's final dividend	-	66,867	66,867
Interim dividend	-	-	66,421
Total dividends provided for or paid	<u>-</u>	<u>66,867</u>	<u>133,288</u>

### Cents per share

Prior year's final dividend	- ¢	10.0¢	10.0¢
Interim dividend	- ¢	- ¢	10.0¢
	<u>- ¢</u>	<u>10.0 ¢</u>	<u>20.0 ¢</u>

No final dividend was declared relating to the 2020 financial year. No dividend has been proposed for the current interim period.

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(continued)

## 9 Net Finance Costs

	<b>6 months 31 December 2020 \$'000</b>	6 months 31 December 2019 \$'000	12 months 30 June 2020 \$'000
Finance costs	<b>22,592</b>	22,398	45,419
Foreign exchange (gains)/losses	<b>(193)</b>	37	(195)
Interest income	<b>(543)</b>	(637)	(1,060)
Debt restructuring costs	<b>-</b>	-	7,506
Capitalised interest	<b>(7,814)</b>	(15,421)	(23,057)
Total finance costs	<b><u>14,042</u></b>	<u>6,377</u>	<u>28,613</u>

## 10 Non-Current Liabilities - Interest Bearing Liabilities

	<b>31 December 2020 \$'000</b>	31 December 2019 \$'000	30 June 2020 \$'000
Car park concession (main site nested car parks)	<b>46,698</b>	42,856	42,802
USPP notes	<b>220,207</b>	370,313	241,420
Syndicated bank facility	<b>175,141</b>	-	-
NZ bond	<b>-</b>	125,000	-
Deferred funding expenses	<b>(619)</b>	(1,852)	(1,491)
Total non-current liabilities - interest bearing liabilities	<b><u>441,427</u></b>	<u>536,317</u>	<u>282,731</u>

### (a) CBA Revolving Credit Facility

In July 2020 a NZ\$100 million revolving credit facility was established with the Commonwealth Bank of Australia. The facility matures on 31 December 2021. As at 31 December 2020 the facility was undrawn.

### (b) United States Private Placement Notes

The USPP fixed rate US dollar borrowings have been hedged and converted to New Zealand and Australian 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 between March 2021 and March 2028.

- US\$100.0 million maturing 15 March 2021
- US\$100.0 million maturing 17 March 2025
- A\$65.4 million maturing 15 March 2028

The movement in the amount of the USPP notes from 30 June 2020 relates to foreign exchange and interest rate movements.

## 10 Non-Current Liabilities - Interest Bearing Liabilities (continued)

### (c) 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 2020, SkyCity had in place revolving credit facilities of:

- A\$280.0 million maturing 31 March 2022
- NZ\$60.0 million maturing 15 June 2022
- NZ\$85.0 million maturing 15 June 2023
- NZ\$85.0 million maturing 15 June 2024

A total of \$175.1 million was drawn at 31 December 2020 (31 December 2019: \$30.0 million; 30 June 2020: \$15.0 million).

### (d) Auckland Car Park Concession - financing element

As detailed in the 30 June 2020 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 a 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 and payments for the use of the nested car parks have been deducted.

### (e) New Zealand Bond

The New Zealand bonds were redeemed and repaid on 28 September 2020.

### (f) Debt covenants

As at 31 December 2020, SkyCity was in compliance with all debt covenants. Waivers remain in place for all gearing ratios and interest cover covenants to 30 June 2021.

## 11 Current Liabilities - Interest Bearing Liabilities

	<b>31 December 2020 \$'000</b>	31 December 2019 \$'000	30 June 2020 \$'000
Syndicated bank facility	-	30,000	15,000
USPP notes	<b>138,370</b>	21,127	155,618
NZ bond	-	-	128,500
Car park concession (main site nested car parks)	-	<u>3,132</u>	<u>3,391</u>
Total current liabilities - interest bearing liabilities	<b><u>138,370</u></b>	<u>54,259</u>	<u>302,509</u>

Refer note 10 for details of the USPP notes.

## 12 Income Tax Expense/(Benefit)

	<b>6 months 31 December 2020 \$'000</b>	6 months 31 December 2019 \$'000	12 months 30 June 2020 \$'000
Profit before tax	96,173	359,635	233,118
Income tax @ 28%	26,928	100,698	65,273
Expenses not deductible for tax purposes	1,815	1,007	2,210
Foreign exchange variances	(95)	(95)	(53)
Differences in overseas tax rates	472	(37)	(3,402)
Asset held for sale	-	(448)	(411)
Prior period adjustments	(26)	172	243
NZICC fire capital income / expenses	(292)	(50,807)	(73,955)
Car park concession proceeds	-	(18,611)	(20,062)
Adelaide casino licence impairment	-	-	48,188
Fair value adjustments	-	-	3,955
Reinstatement of New Zealand tax building depreciation	-	-	(24,145)
Non taxable settlement amount	(11,060)	-	-
Other	15	-	7
Tax expense	17,757	31,879	(2,152)

The weighted average applicable tax rate was 18.5% (2020: -0.9%, 1H20: 8.9%). The weighted average tax rate has been significantly impacted by:

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

Excluding these items the weighted average tax rate would have been 29.5% (2020: 27.4%, 1H20: 28.2%).

## 13 Non-current assets - Property, plant and equipment

### NZICC Fire

As detailed in note 6, on 22 October 2019 a fire at the NZICC development site resulted in significant damage to the NZICC and damage to the adjacent Horizon Hotel.

As a result of the fire, \$207.7 million relating to the NZICC and Horizon Hotel work in progress balance has been written off (\$193.9 million in financial year 2020 and a further \$13.8 million in the current financial period). This estimate is based on an initial assessment of the damage and may materially change as further information becomes available.

### Adelaide Expansion

As detailed in note 2(a), in December 2020 the Adelaide casino expansion and hotel development was substantially completed and opened to the public. As a result \$148.1 million of the deferred licence value was transferred to property, plant and equipment to partially offset the Adelaide work in progress balance (refer note 17).

#### 14 Current assets - Receivables and Prepayments

	31 December 2020 \$'000	31 December 2019 \$'000	30 June 2020 \$'000
<b>Net trade receivables</b>			
Trade receivables (gross)	22,078	43,500	50,070
Provision for doubtful receivables	<u>(6,793)</u>	<u>(14,882)</u>	<u>(20,509)</u>
Trade receivables (net)	15,285	28,618	29,561
Sundry receivables and prepayments	<u>31,242</u>	<u>20,742</u>	<u>12,691</u>
Total receivables and prepayments	<u>46,527</u>	<u>49,360</u>	<u>42,252</u>

#### *Provision for bad and doubtful debts*

In the current period the Group has recognised an expense of \$0.3 million (31 December 2019: \$0.2 million reversal and 30 June 2020: \$5.7 million) for bad and doubtful debts primarily relating to a small number of International Business customers. The Group is continuing to pursue recovery of these balances.

In the current period, \$14.0 million of previously provided for debts were written-off.

#### 15 Current liabilities - Payables and Provisions

	31 December 2020 \$'000	31 December 2019 \$'000	30 June 2020 \$'000
Trade payables	15,493	31,200	19,364
Deferred income	2,119	1,485	2,302
Accrued expenses	77,946	71,261	76,366
Employee benefits	48,416	39,617	40,427
NZICC car park obligation (refer note 6(b))	34,063	28,653	43,047
Onerous contract provision	688	-	836
Liquidated damages	<u>-</u>	<u>39,500</u>	<u>39,500</u>
	<u>178,725</u>	<u>211,716</u>	<u>221,842</u>

## 16 Non-current assets - Investment properties

	<b>31 December 2020 \$'000</b>	31 December 2019 \$'000	30 June 2020 \$'000
Opening balance	72,400	40,660	40,660
Acquisitions	283	1,587	2,252
Net gain from fair value adjustment	-	-	(14,055)
Transfer from Property, Plant and Equipment	-	16,420	16,420
Transfer from Property, Plant and Equipment - NZICC car parks	1,874	-	27,123
Closing balance	<u>74,557</u>	<u>58,667</u>	<u>72,400</u>

### (a) Valuation basis

Due to the uncertainty related to COVID-19, the 30 June 2020 independent valuations were reported on the basis of "material valuation uncertainty" meaning less certainty and a higher degree of caution should be applied to the valuations. While full valuations have not been prepared, SkyCity has confirmed with the valuer (Bower Valuations Limited) that while uncertainty still exists it is no longer considered "material" as at 31 December 2020.

### (b) Transfer from Property, Plant and Equipment - NZICC Car Park

As detailed in the 30 June 2020 financial statements, approximately 650 car parks are due to be provided to Macquarie as part of the Auckland car park concession transaction. Based on the expected delay in providing these car parks it is expected that this will be an operating lease and therefore those car parks will form an investment property. As a result a total of \$29.0 million (previously \$27.1 million) has been transferred from Property, Plant and Equipment to Investment Properties. The current financial period impact is \$1.9 million and is as a result of updated NZICC damage estimates on the car parks prepared by RLB.

## 17 Current liabilities - Deferred licence value

	<b>31 December 2020 \$'000</b>	31 December 2019 \$'000	30 June 2020 \$'000
SkyCity Adelaide	<u>5,041</u>	148,754	153,165
	<u>5,041</u>	148,754	153,165

The SkyCity Adelaide deferred licence value liability was initially recognised in 2014 following an amendment to the Adelaide Approved Licensing Agreement (ALA). The agreement to amend the ALA required SkyCity Adelaide to agree to undertake a A\$350 million casino expansion and hotel development project - the deferred licence value liability relates to this requirement.

The casino expansion and hotel development was substantially completed in December 2020 and the majority of the deferred licence value was transferred to property, plant and equipment. The remaining balance of \$5.0 million relates to works to be completed in the second half of the financial year.

## 18 Non-current liabilities - Deferred licence value

	<b>31 December 2020 \$'000</b>	31 December 2019 \$'000	30 June 2020 \$'000
SkyCity Auckland	<u>219,996</u>	<u>295,352</u>	<u>214,972</u>
	<b>219,996</b>	<b>295,352</b>	<b>214,972</b>

### SkyCity Auckland

Following the NZICC fire (note 6), the damaged portion of the NZICC was disposed. As a result of this disposal, \$160.8 million (previously \$165.8 million) of the SkyCity Auckland Deferred Licence Value liability has been released to the Income Statement. Changes to the RLB estimates have resulted in a partial reversal in the current financial period's Income Statement of \$5.0 million.

The \$160.8 million release is based on an initial assessment of the damage from the NZICC fire and may materially change as further information becomes available.

## 19 Share Capital

	<b>31 December 2020 Shares</b>	31 December 2019 Shares	30 June 2020 Shares	<b>31 December 2020 \$'000</b>	31 December 2019 \$'000	30 June 2020 \$'000
Opening balance of ordinary shares issued	<b>739,196,806</b>	672,351,166	672,351,166	<b>1,288,287</b>	1,126,996	1,126,996
Share rights issued for employee services	-	-	-	<b>2,795</b>	2,791	3,698
Net movement in treasury shares value	-	-	-	-	234	436
Share buy back and cancellation	-	(5,154,360)	(5,154,360)	-	(20,003)	(20,003)
Equity raising	<u>21,008,403</u>	-	<u>72,000,000</u>	<u>48,737</u>	-	<u>177,160</u>
	<b>760,205,209</b>	<b>667,196,806</b>	<b>739,196,806</b>	<b>1,339,819</b>	<b>1,110,018</b>	<b>1,288,287</b>

Included within the number of shares are treasury shares of 2,804,058 (31 December 2019 and 30 June 2020: 5,155,841) held by the Group. Treasury shares may be used to issue shares under the Group's employee incentive plan or upon the exercise of share rights.

### Equity Raising

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



## 20 Reserves

	6 months 31 December 2020 \$'000	6 months 31 December 2019 \$'000	12 months 30 June 2020 \$'000
<b>(a) Reserves</b>			
Asset revaluation reserve	5,936	5,936	5,936
Hedging reserve - cash flow hedges	(16,729)	(18,431)	(19,913)
Foreign currency translation reserve	(18,874)	(25,637)	(17,802)
Cost of hedging reserve	(1,390)	(1,654)	(1,542)
Total reserves	<u>(31,057)</u>	<u>(39,786)</u>	<u>(33,321)</u>

### Movements:

<i>Asset Revaluation Reserve</i>			
Opening balance	5,936	-	-
Revaluation	-	5,936	5,936
Closing balance	<u>5,936</u>	<u>5,936</u>	<u>5,936</u>

<i>Hedging Reserve - Cash Flow Hedges</i>			
Opening balance	(19,913)	(22,685)	(22,685)
Revaluation	(36,855)	(1,280)	9,154
Transfer to finance costs	41,296	7,224	(5,143)
Deferred tax	(1,257)	(1,690)	(1,239)
Closing balance	<u>(16,729)</u>	<u>(18,431)</u>	<u>(19,913)</u>

<i>Foreign Currency Translation Reserve</i>			
Opening balance	(17,802)	(24,087)	(24,087)
Exchange differences on translation of overseas subsidiaries	(1,072)	(1,550)	6,285
Closing balance	<u>(18,874)</u>	<u>(25,637)</u>	<u>(17,802)</u>

<i>Cost of Hedging Reserve</i>			
Opening balance	(1,542)	(1,793)	(1,793)
Revaluations	(251)	(269)	(113)
Transfer to finance costs	462	462	462
Deferred tax	(59)	(54)	(98)
Closing balance	<u>(1,390)</u>	<u>(1,654)</u>	<u>(1,542)</u>

## 21 Contingencies

### (a) Contingent liabilities

The possibility exists for the Group to receive third party claims in respect to the NZICC fire. However, only minor claims have been received to date. It is the Group's expectation that any claims received will be covered by either the insurers or the Contractor (31 December 2019 and 30 June 2020: nil).

Recent Australian case law has potentially changed the treatment of some Australian casual employees. The courts have held that certain casual employees are actually permanent employees and are entitled to all the benefits associated with this. SkyCity has estimated its maximum exposure at A\$3.2m, however it believes any payment as a result of the recent case is unlikely.

## 21 Contingencies (continued)

### (b) Contingent assets

As detailed in note 6, the Group intends to seek recovery from FCC for losses associated with the NZICC fire that are not covered by the insurers. These losses include insurance excesses, payments to Macquarie under the Auckland Car Park Concession Agreement and other items. To date, the Group has identified \$19.7 million of costs where it does not believe recovery is virtually certain at this time and therefore no income has been recognised. However, recovery of these costs is considered probable and they are therefore included as a contingent asset.

There are no other contingent assets at 31 December 2020 (31 December 2019 and 30 June 2020: nil).

## 22 Commitments

### (a) Capital Commitments

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

	<b>31 December 2020 \$'000</b>	31 December 2019 \$'000	30 June 2020 \$'000
Property, plant and equipment	<b>425,098</b>	412,442	440,342

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

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 \$330.0 million to \$370.0 million for the NZICC and \$12.0 million to \$15.0 million for the Horizon Hotel, all of which is expected to be paid for using insurance proceeds. The actual costs may be materially different to these estimates. Further information is included in note 6.

## 23 Assets Classified as Held For Sale

	<b>31 December 2020 \$'000</b>	31 December 2019 \$'000	30 June 2020 \$'000
Land	<b>8,894</b>	8,678	8,936
Buildings	<b>2,363</b>	2,020	2,080
Plant and equipment	<b>327</b>	3	3
Goodwill	<b>1,908</b>	-	-
Software	<b>43</b>	-	-
Total	<b>13,535</b>	10,701	11,019

Assets held for sale consist of the Darwin Little Mindil site \$11.0 million (31 December 2019: \$10.7 million and 30 June 2020: 11.0 million) and Lets Play Live Media \$2.6 million (30 June 2020: nil).

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

	<b>6 months 31 December 2020 \$'000</b>	6 months 31 December 2019 \$'000	12 months 30 June 2020 \$'000
Profit for the period	<b>78,416</b>	327,985	235,388
Depreciation and amortisation (including discontinued operations)	<b>42,371</b>	41,461	86,559
Net finance costs	<b>14,042</b>	6,377	28,613
Current period employee share entitlement	<b>309</b>	2,791	3,697
NZICC fire related income	<b>(66,770)</b>	(240,592)	(384,500)
NZICC fire related costs	<b>66,664</b>	47,535	108,090
Gain on sale of fixed assets	<b>(67)</b>	(66,863)	(66,779)
Share of (losses) of associates	-	83	83
Fair value adjustment to investment property	-	-	14,055
Adelaide casino licence impairment	-	-	160,600
Change in operating assets and liabilities			
Change in receivables and prepayments	<b>(4,275)</b>	(65)	7,041
Change in inventories	<b>(1,355)</b>	(1,491)	(169)
Change in deferred tax liability	<b>5,165</b>	1,518	(24,271)
Change in tax receivable - current	<b>(3,745)</b>	930	(1,059)
Change in deferred tax asset	<b>1,256</b>	3,027	(2,748)
Change in tax payable current	<b>1,856</b>	(9,782)	(13,877)
Change in payables and provisions - current	<b>(43,117)</b>	(16,396)	(6,270)
Change in payables - non current	<b>1,572</b>	-	9,057
Change in provisions	-	(96)	-
Investing and financing items included in working capital movements	<b>28,294</b>	63	(33,344)
Net cash inflow from operating activities	<b>120,616</b>	96,485	120,166

## 25 Events Occurring after the Balance Date

On 14 February 2021, the New Zealand Government reinstated COVID-19 Alert Level 3 for the Auckland region and the rest of New Zealand moved to Alert Level 2. From 15 February 2021, the vast majority of SkyCity Auckland's operations were closed, including all gaming areas. From 15 February 2021, SkyCity Hamilton and SkyCity Queenstown have operated in compliance with the New Zealand Government's requirements for social gatherings, contact tracing and hygiene.

On 17 February 2021, the New Zealand Government announced that from 18 February 2021 the Auckland region will move to COVID-19 Alert Level 2 and the rest of New Zealand will move to Alert Level 1. From 18 February 2021, SkyCity Auckland will re-open and operate in compliance with the New Zealand Government's requirements for social gatherings, contact tracing and hygiene.

Following the initial COVID-19 outbreak in 2020, SkyCity restructured its operations and funding arrangements to withstand a long recovery period and the latest closure and operating restrictions have not required any further restructuring.