

## SkyCity Entertainment Group 2023 Annual Meeting

### Chad Barton - Chair's Address, Audit Committee

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Thank you Chair, good afternoon everyone.

I am delighted to report on the activities of your Audit Committee, having taken up the position of Chair of this Committee following the Annual Meeting last year.

In August last year, the Audit and Risk Committee was split into two separate Board Committees – a dedicated Audit Committee and a dedicated Risk and Compliance Committee. The Audit Committee met 6 times over the last financial year.

The primary objective of the Audit Committee is to assist the Board in fulfilling its responsibilities relating to financial accounting and reporting, capital management and liquidity, external and internal audit, tax planning and compliance.

**Firstly in relation to financial accounting and reporting**, our FY23 financial statements reflect several complex judgements, including:

- The New Zealand International Convention Centre (**NZICC**) and Horizon Hotel construction project, there remains significant estimates for the costs of demolition, reconstruction and completion. The NZICC project is almost back to the point it was just before the fire occurred in October 2019, and we are excited about the expected opening of Horizon Hotel in calendar year 2024.
- Each year we are required to assess the carrying value of our assets. In Adelaide, given the reduced international play, slower ramp up in table games and higher costs of compliance, we recognised a A\$46 million impairment of the value of the SkyCity Adelaide casino licence.
- Also in Adelaide, as the AUSTRAC civil proceedings against SkyCity Adelaide Pty Limited (**SkyCity Adelaide**) have proceeded, there was enough information to estimate a potential liability, with a A\$45 million provision for potential penalties and legal costs booked. I note that this is an estimate, and with all estimates, the actual liability could be materially different.
- The South Australian regulator's independent review of SkyCity Adelaide remains on hold pending the resolution of the AUSTRAC proceedings, and prior to any findings or a final report being provided, it is not possible to determine any potential regulatory or financial outcome. On this basis, no provision has been recognised and the matter remains a contingent liability.

- Not included within the FY23 financial statements is the repurchase of the long term concession granted over our Auckland car parks that is subject to ongoing dispute with the counterparty. We expect the repurchase to be settled in FY24.

**In the area of capital management and liquidity**, in FY23, the Audit Committee focused on continuing to maintain our balance sheet strength and liquidity to manage future commitments and uncertainties.

The balance sheet strength at 30 June 2023 can be highlighted by:

- our continued investment grade rating from S&P Global Ratings of stable BBB- (stable outlook);
- gearing of 1.5 times;
- a well diversified debt capital structure between US Private Placement notes, New Zealand bonds and syndicated bank facilities; and
- liquidity headroom of \$593 million.

Given the liquidity and financial performance of the business in FY23, the Committee recommended, and the Board declared, an interim dividend of 6 cents per share and a final dividend of 6 cents per share for a total of 12 cents per share for FY23.

The Committee, working with the full Board, are committed to managing the liquidity of the business, whilst continuing to invest in our properties and return excess funds to shareholders. The Board remains committed to the Group's dividend policy.

**Regarding external and internal audit**, PricewaterhouseCoopers (**PwC**) will continue to be the external auditor of the Group through FY24, with Rich Day the lead partner being in the room today. The Board seeks shareholder approval today to fix the fees and expenses of the auditor in Resolution 5.

As mentioned by Kate Hughes in the previous speech, as part of maturing the three lines of defence assurance model, we have separated the Internal Audit function from our risk management function so that it can provide independent assurance to the Chief Executive Officer and Board. The Internal Audit function now has a reporting line to myself as the Chair of the Audit Committee.

We are continuing to build out this function with internal capability supplemented with external specialist skills where required.

The Committee and Board meet with PwC and Internal Audit independently of management on a regular basis.

**Finally in relation to tax planning and compliance,** SkyCity is a major contributor to the communities that we operate in. In FY23, we contributed \$189.5 million in taxes to government, including GST, income taxes and gaming tax and duties, and we contributed a further \$10.1 million in community contributions, levies, and sponsorships.

The FY23 effective tax rate of the Group was high at 85% of profit before tax, with the main reason being combined A\$91 million of adjustments in relation to the Adelaide property for the casino licence impairment and the provision for a potential AUSTRAC civil penalty and associated legal costs being non-deductible.

There remains an ongoing contractual interpretation difference with Revenue South Australia on the treatment of loyalty points for the purposes of calculating casino duty in South Australia. To progress this matter, both parties agreed to take the matter directly to the Court of Appeal to seek certainty and resolution. The decision of the Court of Appeal is pending, but expected within this financial year.