

18 February 2021

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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 2020 AND
UPDATE ON NEW ZEALAND PROPERTIES

Interim Result

Please find **attached** the following information relating to SkyCity Entertainment Group Limited's result for the six months ended 31 December 2020:

1. a Results Announcement (as required by NZX Listing Rule 3.5.1);
2. the 1H21 Result - Investor Presentation; and
3. the 1H21 financial statements and notes.

SkyCity is hosting a conference call for investors and analysts today at 11.00am (NZ time) to discuss the 1H21 result. Details for this call were released on the NZX and ASX on 15 February 2021.

Update on New Zealand Properties

SkyCity's Auckland casino and entertainment facilities will reopen in a staged manner from today following the New Zealand Government's announcement yesterday that Auckland would move to Alert Level 2, and the rest of New Zealand would move to Alert Level 1, at 11.59pm on Wednesday 17 February 2021.

At Alert Level 2, SkyCity's Auckland casino and entertainment facilities can reopen with physical distancing and hygiene requirements in place. At Alert Level 1, there are no restrictions on mass gatherings and physical distancing requirements for SkyCity's Hamilton and Queenstown properties.

These COVID-19 Alert Levels will be reviewed on Monday 22 February 2021.

Authorised by:



Rob Hamilton
Chief Financial Officer

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Results for Announcement to the Market		
Name of issuer	SkyCity Entertainment Group Limited (SkyCity)	
Reporting period	6 months to 31 December 2020	
Previous reporting period	6 months to 31 December 2019	
Currency	New Zealand dollars	
Reported	Amount (million)	Percentage change
Reported revenue from continuing operations ¹	\$449.9	-37.7%
Total reported revenue ¹	\$449.9	-37.7%
Reported profit (loss) from continuing operations	\$78.4	-76.1%
Reported total net profit (loss)	\$78.4	-76.1%
Normalised	Amount (million)	Percentage change
Normalised revenue including gaming GST	\$386.9	-21.2%
Normalised total net profit (loss)	\$43.7	-41.7%

SkyCity's results have been significantly impacted by the following factors:

- the fire at the New Zealand International Convention Centre starting on 22 October 2019;
- the Auckland car park concession transaction that completed on 19 August 2019;
- COVID-19; and
- a settlement agreement entered into with The Fletcher Construction Company Limited in November 2020.

Further details on these items are provided in the company's Investor Presentation which is attached to this announcement.

Notes:

- 'Reported' information is per the financial statements.
- 'Normalised' results sets International Business win to a theoretical win rate of 1.35% and adjusts 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.
- Certain totals, subtotals and percentages may not agree due to rounding.

¹ On the Income Statement, this is the total of revenue, NZICC fire related income, other income and share of losses from associates.

Interim Dividend		
Amount per Quoted Equity Security	\$ nil	
Imputed amount per Quoted Equity Security	\$ nil	
Record Date	n/a	
Dividend Payment Date	n/a	
	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	\$1.2086	\$0.9126
A brief explanation of any of the figures above necessary to enable the figures to be understood	SkyCity's 1H21 performance is set out in the company's Investor Presentation which is attached to this announcement. It provides detail and explanatory comment on: - 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 2020. The Investor Presentation will be available on the company's website from 18 February 2021.	
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	18 February 2021	

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 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 FY20

Results Announcement

	1H21				1H20			
	Revenue \$m	EBITDA \$m	EBIT \$m	NPAT \$m	Revenue \$m	EBITDA \$m	EBIT \$m	NPAT \$m
Reported	449.9	152.6	110.2	78.4	721.7	407.5	366.0	328.0
IB revenue adjustment	3.4	-	-	-	32.0	-	-	-
Gaming GST	35.3	-	-	-	48.0	-	-	-
IB at theoretical win rate	4.5	3.6	3.6	2.5	(3.7)	0.1	0.1	0.1
Gain on sale – Auckland car parks	-	-	-	-	(66.5)	(66.5)	(66.5)	(66.5)
Liquidated damages	(39.5)	(39.5)	(39.5)	(39.5)	-	-	-	-
NZICC fire impacts	(66.8)	3.2	3.2	2.3	(240.6)	(187.7)	(187.7)	(186.3)
Sale of Darwin	-	-	-	-	-	-	-	(0.2)
Normalised	386.9	119.9	77.5	43.7	490.9	153.3	111.8	75.0

Adjustment	Discussion
Treat IB commissions as an expense rather than reduction in revenue which reduces both reported revenue and operating expenses within IB (by \$3.4m in 1H21 and \$32.0m in 1H20)	This adjustment adds back IB commissions (treated as a reduction from revenue in the reported results) and increases both revenue and expenses. This adjustment does not impact EBITDA, EBIT or NPAT. This adjustment has been made to maintain the relationship between turnover and the theoretical win rate of 1.35% when determining normalised revenue
Add gaming GST to reported revenue (by \$35.3m in 1H21 and \$48.0m in 1H20)	- Reported revenue included within the financial statements of the Group excludes GST - This adjustment adds back GST associated with gaming so that normalised revenue equals the amount bet by gaming customers - All publicly listed NZ and Australian casino companies include GST associated with gaming within their revenue results. Including gaming GST within reported revenue is not consistent with GAAP and SkyCity therefore does not do so - However, SkyCity does include gaming GST within its normalised revenue. This adjustment does not impact EBITDA, EBIT or NPAT
Apply theoretical win rate of 1.35% for IB vs. actual win rate of 0.61% (1H21) and 1.43% (1H20)	- This adjustment recalculates gaming win from IB to the theoretical win rate. The vast majority of IB play is baccarat. Statistically, over the long-term the casino expects to win 1.35% of all bets taken on baccarat. However, in any particular reporting period the actual results of play will vary depending on "luck" - The 1.35% win rate is used by all publicly listed NZ and Australian casino companies in addition to casino companies in Asia and the United States - In order to understand the long-term results within IB there is the need to eliminate the inherent volatility or "luck" factor
Reverse net loss (\$2.3m post-tax) arising from impacts of NZICC 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 the Horizon Hotel which is being constructed on the adjacent site. Both buildings are insured and all significant costs associated with the fire are expected to be fully covered. Any costs not covered by insurance are expected to be sought from Fletcher Construction - The fire has significant implications for the financial statements for the Group which were recognised in FY20 – these impacts are explained further on pages 184-188 and in SkyCity's FY20 financial statements which have been released to the NZX and ASX - The FY20 financial statements included <u>a number of</u> significant judgements and estimates to determine the appropriate accounting. These judgements and estimates have continued to be reviewed as new information has become available – following a revised damage assessment for the NZICC/Horizon Hotel, the expected insurance recovery relating to the asset has increased and is required to be recognised as income as SkyCity is principal in the insurance relationship. This income has been offset by an increase in costs relating to demolition and deconstruction of the site post fire that are required to be expensed as incurred - The NZICC fire (and associated accounting impact) is a significant, one-off event that has impacted the comparability of the 1H21 result with the prior year

Adjustment	Discussion
Eliminate benefit (\$39.5m) arising from liquidated damages on NZICC/Horizon Hotel project withheld in lieu of late practical completion	▪ SkyCity entered into Building Works Contracts on the NZICC/Horizon Hotel projects in November 2015 ▪ Under the Building Works Contracts, liquidated damages apply for late delivery of separable portions related to contractual completion dates ▪ Given the significant delays to completion of the NZICC/Horizon Hotel, SkyCity is entitled to claim the liquidated damages under the building works contracts up to the agreed cap (\$39.5m in total) ▪ Following several pre-fire claims being settled with Fletcher Construction during 1H21, recovery of the liquidated damages has been deemed virtually certain and hence the full amount is required to be accounted for as income in SkyCity's interim financial statements ▪ The liquidated damages are a significant, one-off event – making this adjustment which eliminates the one-off gain will enhance the reader's understanding as this item does not impact the underlying operations of the Group
Eliminate Darwin operations from normalised results (1H20 only)	▪ During FY19, SkyCity sold its Darwin operations ▪ Darwin has been fully excluded from normalised results to enable appropriate comparisons with 1H21

SkyCity Entertainment Group Limited

1H21 Results

Investor Presentation
18 February 2021

A tall, slender tower with a spiral design, likely the SkyCity Tower, set against a sunset sky with orange and yellow hues.

Important Information

- Average NZ\$ vs. A\$ cross-rate for 1H21 = 0.9334 and 1H20 = 0.9449
- Weighted average number of shares (excl treasury stock) for 1H21 = 756,373,566 and 1H20 = 665,162,480
- Normalised revenue (incl gaming GST), calculated as gaming win (incl GST) plus non-gaming revenue (excl GST), is shown to facilitate Australasian comparisons
- Normalised revenue and earnings adjusted for IB at the theoretical win rate of 1.35% versus an actual win rate of 0.61% in 1H21 (1H20: 1.43%)
- 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

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1H21 Key Features

1. Mixed financial result given challenging operating environment and Covid-19 disruptions – resilient local gaming performance, weaker tourism-related businesses
2. Successful CEO transition and new senior appointments confirmed
3. Adelaide expansion completed on-time and on-budget – positive trading across all business activities post opening
4. NZICC/Horizon Hotel project progressing – reinstatement works underway, but slower than expected
5. NZ online casino trading consistently – long-term growth opportunity (subject to regulation)
6. Strong balance sheet and financial flexibility – expect to pay final dividend for FY21 assuming no prolonged property closures



1H21 Results

Presentation of 1H21 Results

- Normalised results adjust for impact of NZICC fire and liquidated damages on NZICC/Horizon Hotel project and certain other items (see pages 38-39 for more details)
 - Adjustments from reported to normalised results consistent with SkyCity’s “Non-GAAP Financial Information Policy”
 - Normalised results not adjusted for impact of Covid-19 and related property closures
- Comparability of underlying (or “like-for-like”) normalised earnings of the Group in 1H21 vs. pcpc significantly impacted by:
 - Temporary closure of SkyCity Auckland during August 2020 due to Covid-19
 - Temporary closure of SkyCity Adelaide in November 2020 due to Covid-19
 - Related operational and financial impacts on business from Covid-19 (i.e. periods of social distancing/restrictions on gatherings, NZ wage subsidy and Australian JobKeeper scheme)
 - Discontinued car park and convention centre operations in Auckland in pcpc

1H21 Results Overview

	1H21	1H20	Movement	
	\$m	\$m	\$m	%
Reported Revenue	449.9	721.7	(271.8)	(37.7%)
Reported EBITDA	152.6	407.5	(254.9)	(62.6%)
Reported NPAT	78.4	328.0	(249.6)	(76.1%)
Reported EPS	10.4cps	49.3cps	(38.9cps)	(78.9%)
	1H21	1H20	Movement	
	\$m	\$m	\$m	%
Normalised Revenue (incl Gaming GST) ⁽¹⁾	386.9	490.9	(104.0)	(21.2%)
Normalised EBITDA ⁽¹⁾	119.9	153.3	(33.4)	(21.8%)
Normalised NPAT ⁽¹⁾	43.7	75.0	(31.3)	(41.7%)
Normalised EPS	5.8cps	11.3cps	(5.5cps)	(48.6%)
Interim Dividend DPS	0.0cps	10.0cps	(10.0cps)	(100.0%)

(1) See pages 38-39 for more details

1H21 Revenue by Business

	1H21	1H20	Movement
	\$m	\$m	%
Properties (excl IB)⁽¹⁾			
Auckland	230.8	305.6	(24.5%)
Hamilton	36.8	34.1	7.8%
Queenstown	5.9	7.1	(15.9%)
NZ Other ⁽²⁾	1.0	0.0	N/A
Adelaide (A\$)	89.5	77.4	15.8%
Total Property Revenue (excl IB)⁽¹⁾	370.5	428.6	(13.6%)
Normalised IB Revenue	8.2	61.9	(86.7%)
Online/E-sports	8.1	0.4	2017.0%
Normalised Revenue⁽¹⁾⁽³⁾	386.9	490.9	(21.2%)
IB revenue adjustment ⁽³⁾	(3.4)	(32.0)	-
Non-GAAP adjustments ⁽³⁾	66.5	262.8	-
Reported Revenue	449.9	721.7	(37.7%)

(1) Including gaming GST

(2) "NZ Other" revenue relates to NZ wage subsidy attributable to corporate function

(3) See pages 38-39 for more details

1H21 EBITDA by Business

	1H21	1H20	Movement
	\$m	\$m	%
Properties (excl IB)			
Auckland ⁽¹⁾	94.9	137.4	(30.9%)
Hamilton ⁽¹⁾	18.1	14.9	21.6%
Queenstown ⁽¹⁾	2.2	1.5	50.5%
Adelaide (A\$) ⁽²⁾	25.2	12.9	95.9%
Total Property EBITDA (excl IB)⁽¹⁾⁽²⁾	142.4	167.4	(14.9%)
Normalised IB EBITDA ⁽¹⁾	(2.8)	8.2	(133.7%)
Corporate Costs ⁽¹⁾	(20.1)	(18.9)	(6.3%)
Online/E-sports	5.1	(1.1)	N/A
NZICC/Horizon Hotel/Adelaide pre-opening costs	(4.7)	(2.3)	102.9%
Normalised EBITDA	119.9	153.3	(21.8%)
Non-GAAP adjustments ⁽³⁾	32.7	254.2	N/A
Reported EBITDA	152.6	407.5	(62.6%)

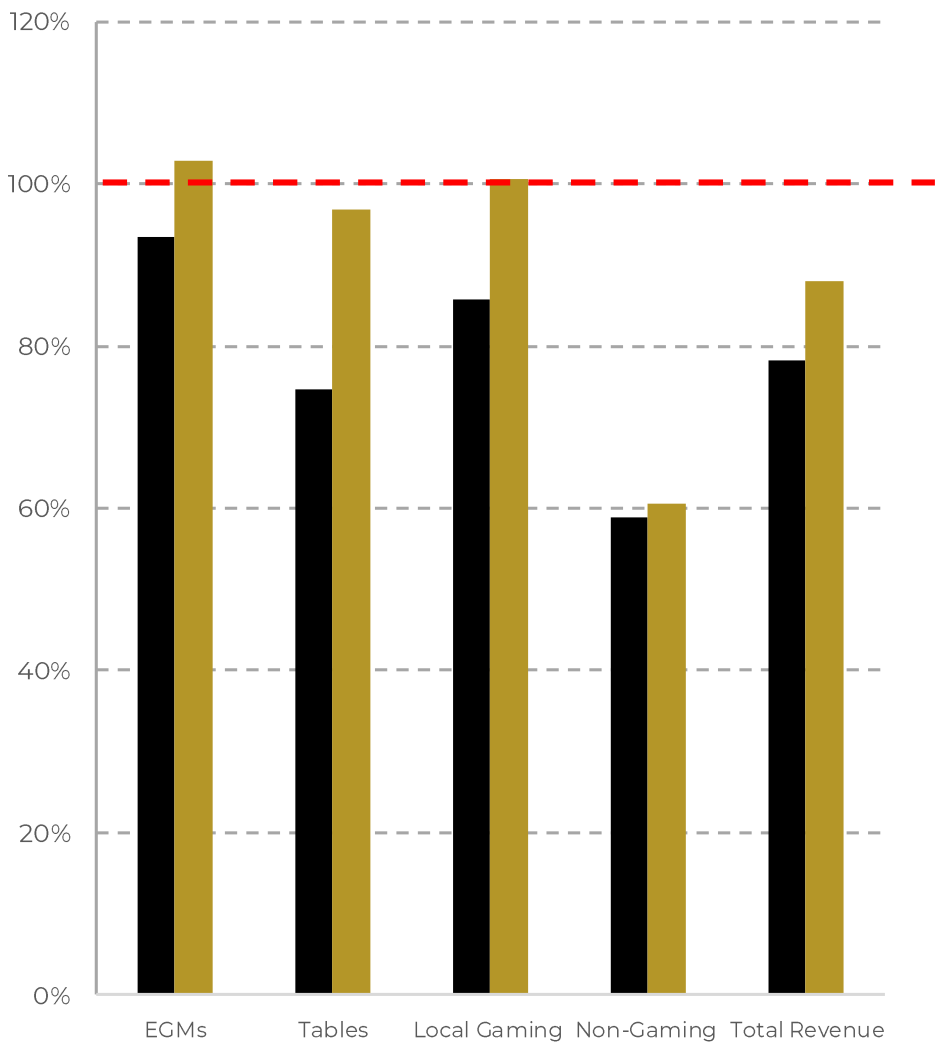
(1) Impacted by NZ wage subsidy during the period treated as other income (total EBITDA impact around \$10m for combined NZ businesses and corporate function)

(2) Impacted by JobKeeper scheme during the period treated as other income (total EBITDA impact around A\$13m)

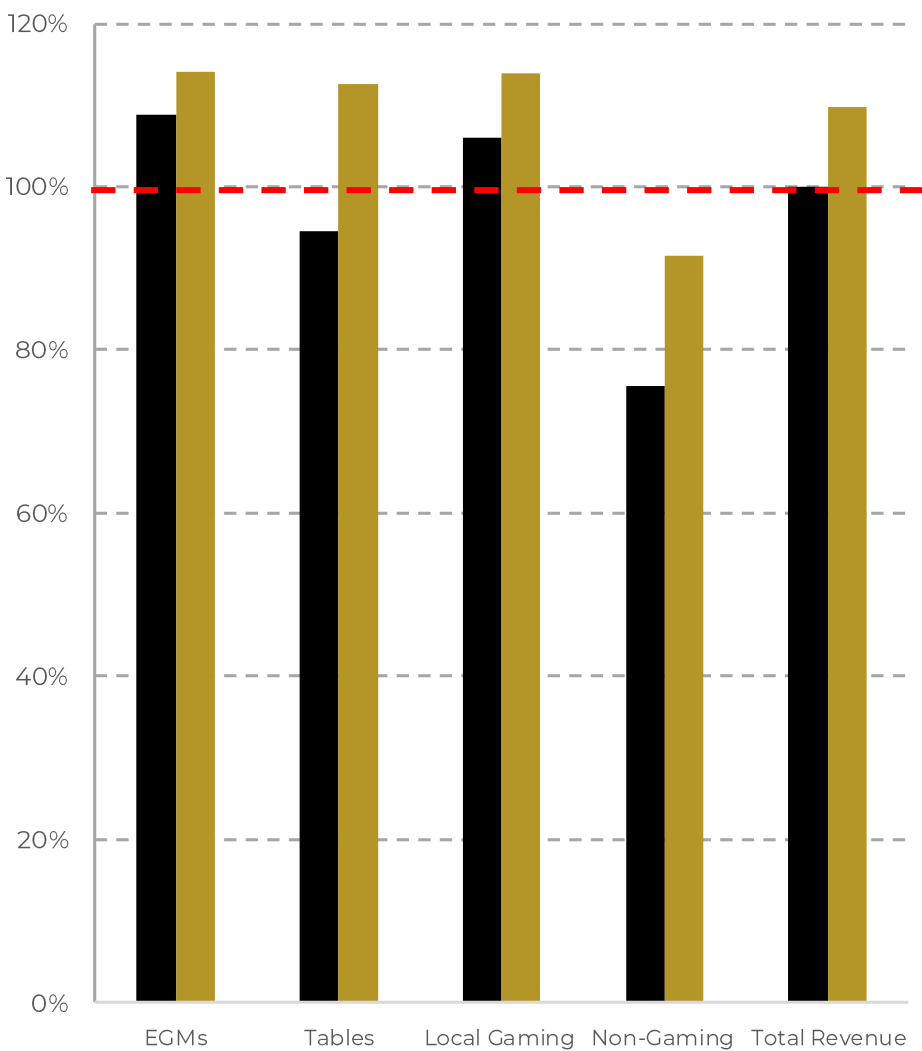
(3) See pages 38-39 for more details

Domestic Performance

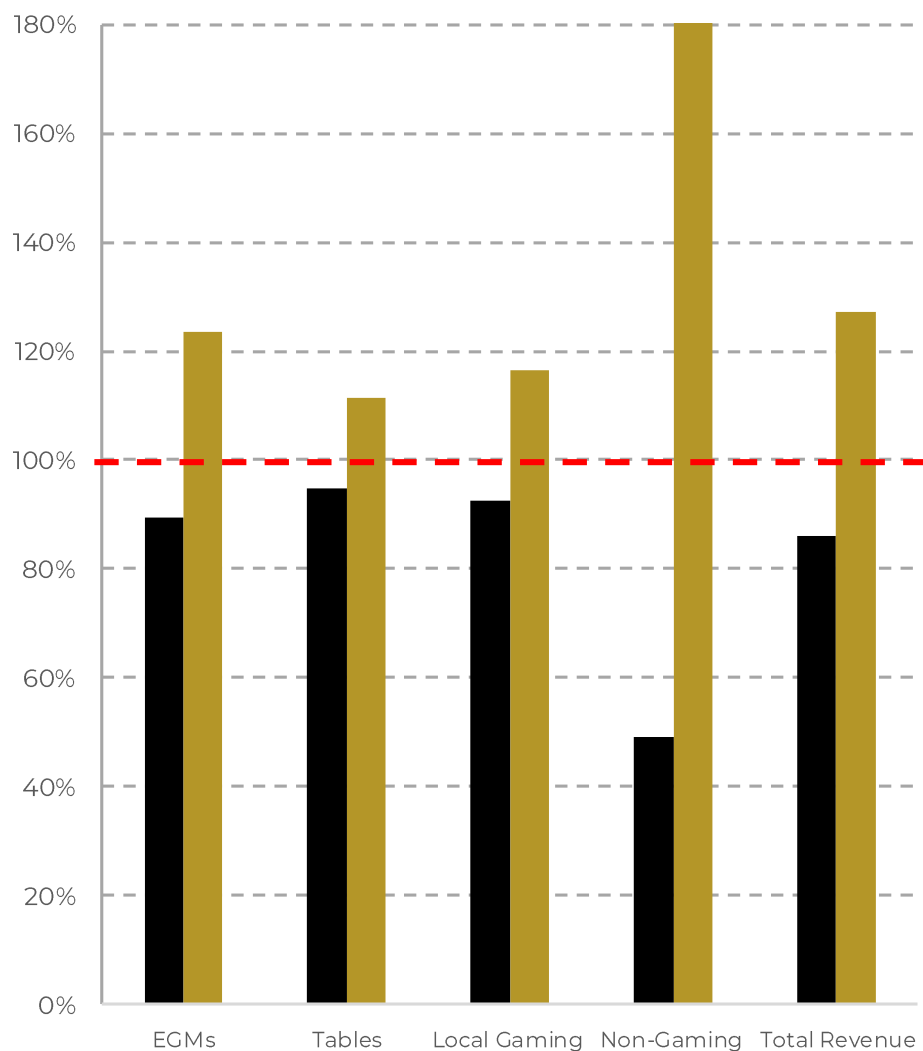
SkyCity Auckland average daily revenue vs. pcp on a like-for-like basis: 1 July 2020-13 February 2021⁽¹⁾⁽²⁾



SkyCity Hamilton average daily revenue vs. pcp: 1 July 2020-13 February 2021⁽¹⁾



SkyCity Adelaide average daily revenue vs. pcp on a like-for-like basis: 1 July 2020-13 February 2021⁽¹⁾⁽³⁾



1 July 2020 to 31 October 2020 (ref. UBS Investor Conference Presentation) 1 November 2020 to 13 February 2021

(1) Excludes other income associated with NZ wage subsidy and Australian JobKeeper scheme
(2) Adjusted for (1) 19 days of lost Auckland trading during second closure in August 2020, (2) 3 days of lost Auckland trading due to NZICC fire in October 2019, and (3) conventions/car parking revenue recognised in pcp as business either not currently trading or sold over analysed period
(3) Adjusted for 3½ days of lost Adelaide trading during second closure in November 2020

1H21 Result Commentary (1 of 3)

Group

- Group performance significantly impacted by Covid-19 disruptions, particularly tourism-related businesses (hotels, F&B and IB)
- Reported results down significantly vs. pcp due to impact of NZICC fire and gain from Auckland car park concession sale in pcp
- Local gaming activity stronger than expectations, particularly EGMs
- Progressive improvement in performance across the period – NZ at Alert Level 1 for 2Q21 and opening of the Adelaide expansion in early December 2020 (refer to charts on page 10)

NZ Properties

- Auckland:
 - Resilient local gaming activity with EGM revenue 95% of pcp on a like-for-like basis⁽¹⁾ – non-gaming businesses significantly impacted by Covid-19 disruptions
 - Property closed for 19 days during the period (EBITDA impact around \$20m) with a further 37 days at Alert Level 2 restrictions
- Hamilton: Strong EBITDA performance underpinned by improved gaming activity (EGM revenue +9%) and cost savings
- Queenstown: Solid performance despite no international tourists – local gaming activity flat on pcp and cost savings

NZ Online Casino

- Significant growth in gaming revenue and EBITDA vs. pcp, despite operational constraints
- Over 30k active customers (lifetime to date registrations around 50k)
- Broad geographic spread of customers across NZ
- EBITDA margin around 40% – well ahead of expectations

(1) Adjusts for closure periods in Auckland in 1H21 and the pcp (NZICC fire), but not trading period at Alert Level 2

1H21 Result Commentary (2 of 3)

Australian Properties

- Performance prior to completion of expansion impacted by operational constraints due to Covid-19 and construction disruption
- Strong December 2020 performance across all business activities post opening of expansion
- One-off benefit from JobKeeper scheme recognised as other income – EBITDA 92% of pcp (excl JobKeeper)

International Business

- As previously flagged, IB significantly impacted by ongoing international border closures
- Cost control and modest interstate tables activity in Adelaide post opening of expansion reduced expected losses – EBITDA break-even during 2Q21
- Actual win rate of 0.61% (volatility higher with lower turnover) well below theoretical win rate of 1.35%
- Commenced strategic review – focus on operating model, regulatory considerations and long-term earnings opportunity

Corporate and Other Expenses

- Corporate costs up slightly vs. pcp – CEO retirement costs (\$3.5m, of which \$2.0m non-cash bonus accruals brought forward) and project-write offs (\$2.0m), offset by cost savings across function
- Pre-opening costs on major projects (\$4.7m) up vs. pcp reflecting ramp-up of preparations for opening Adelaide expansion
- D&A flat vs. pcp – Adelaide expansion assets in-service from end of November 2020, offset by certain assets coming to end of useful life
- Net interest expense significantly higher than pcp – unable to capitalise interest on NZICC/Horizon Hotel from date of fire (\$7m impact in 1H21)
- Normalised effective tax rate of 31% (1H20: 29%) – amortisation charge on certain assets non-deductible for tax purposes

1H21 Result Commentary (3 of 3)

Funding and Dividends

- Funding plan successfully completed post redemption of NZ bond in September 2020
- Available liquidity around \$465m as at 31 December 2020
- No interim dividend – dividends suspended for period of covenant waivers/relief
- New dividend policy agreed with the Board following review during 1H21

Management Changes

- New management structure under CEO established
- Julie Amey appointed as new CFO, effective 1 May 2021 – significant global experience in senior corporate finance roles
- Internal appointments confirmed for senior operational roles – Callum Mallet as COO (NZ), David Christian as COO (Australia) and Matt Ballesty as Chief Casino Officer
- Rob Hamilton (current CFO) and Liza McNally (current CMO) leave end of February and March 2021, respectively



Capital Management

Funding and Dividends

Funding

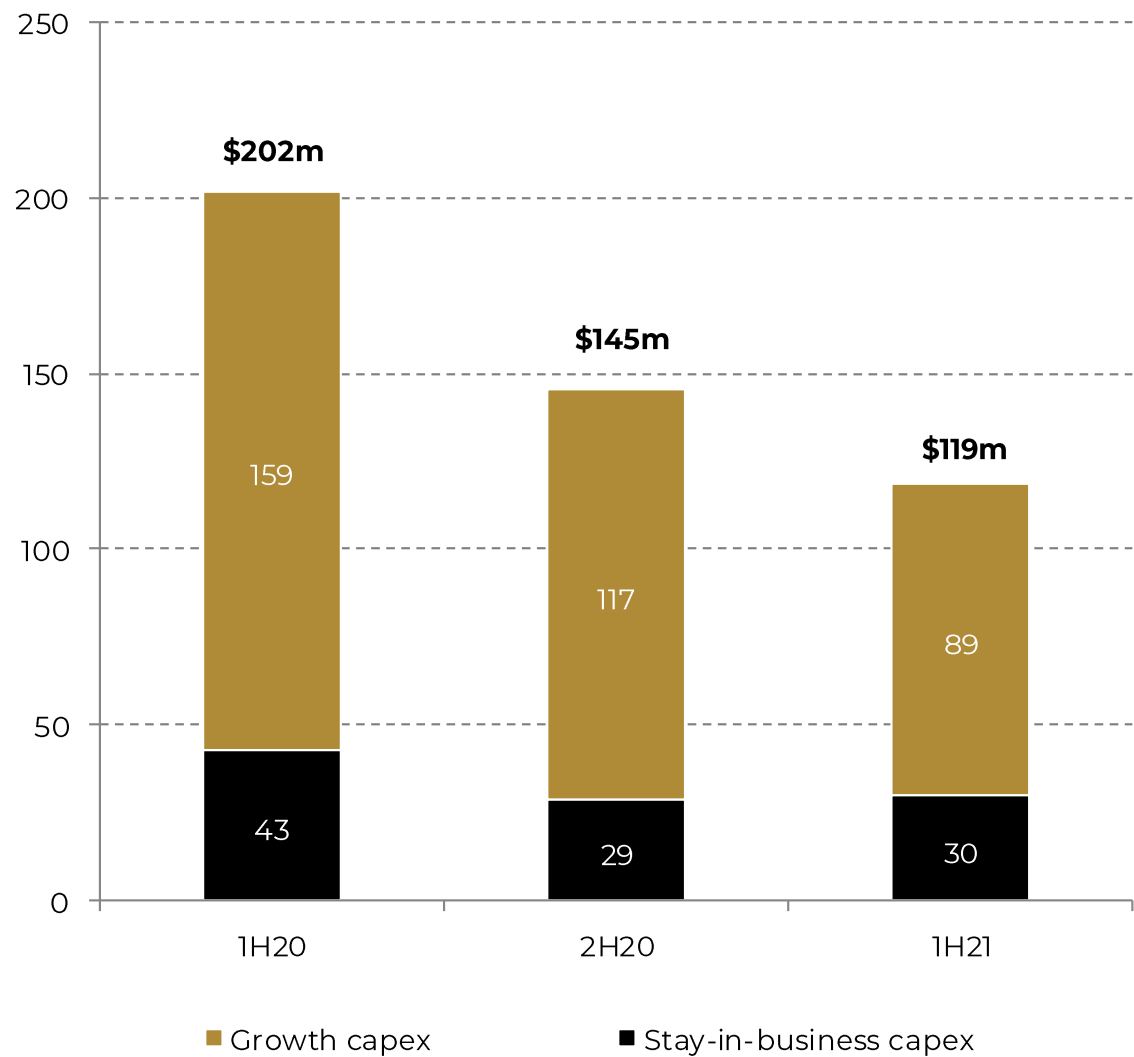
- Sufficient liquidity to respond to further Covid-19 disruptions and/or more protracted economic recovery in NZ and Australia
- Major projects fully funded – focused on execution and leveraging benefits
- Covenant waivers/relief secured for December 2020 and June 2021 testing periods
- Focused on effective capital discipline
- Remain committed to BBB- credit rating
- Balance sheet capacity for future growth projects and/or capital management to be reviewed when no longer in reliance on covenant waivers/relief and domestic and international environment becomes more certain

Dividends

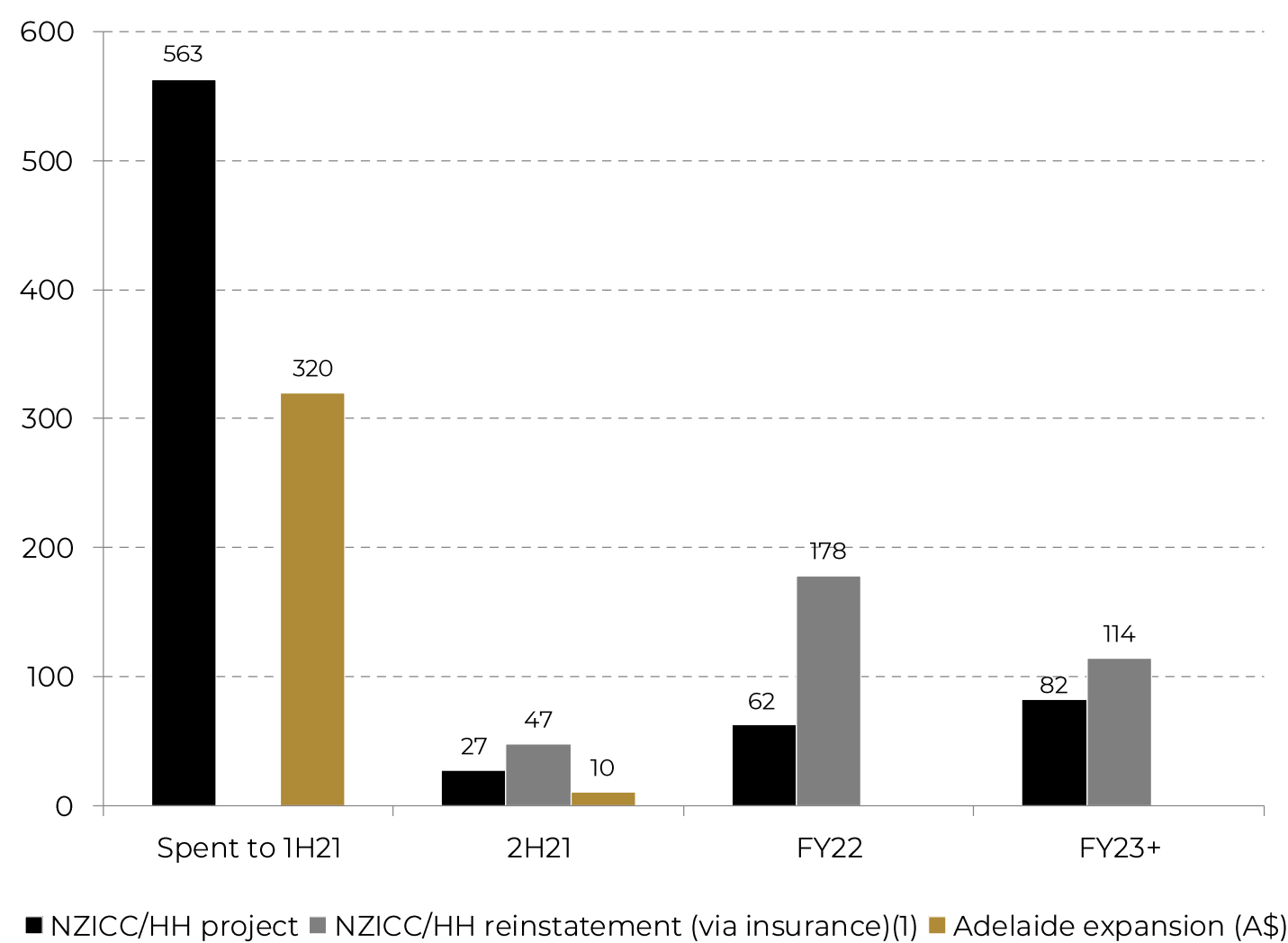
- Dividends suspended for period of covenant waivers/relief, but expect to pay final dividend for FY21 assuming no prolonged property closures
- Review of dividend policy completed during 1H21
- Preference for greater flexibility than existed under previous policy
- Targeting payout ratio of between 60-90% of normalised profit per annum (adjusted for capitalised interest)
 - No minimum annual dividend (or per share target)
 - Intend to progressively increase dividends over time as earnings grow
 - Targeting a dividend yield in the upper quartile of the NZX-50 and ASX-200

Capital Expenditure

1H21 group cash capex (\$m)



Future major projects capex (\$m)



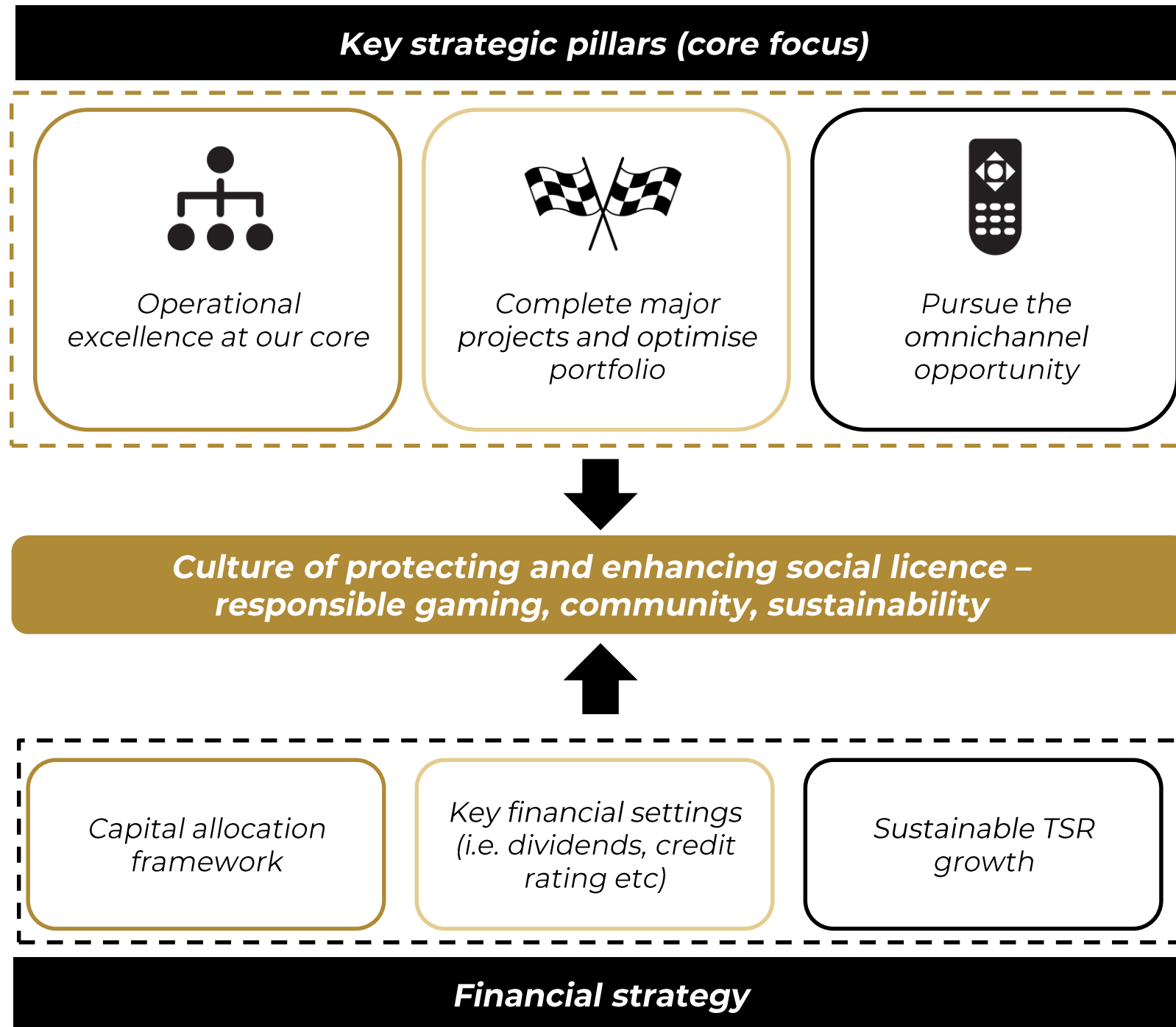
- Growth capex primarily related to major projects in Auckland⁽¹⁾ and Adelaide
- Stay-in-business capex consistent with 2H20
- Around \$500m remaining on NZICC/Horizon Hotel project, of which at least \$340m to be funded via insurance
- Final A\$10m of capex on Adelaide expansion to be spent during 2H21

(1) Excludes certain costs (around \$50m in 1H21) arising from NZICC fire not able to be capitalised but funded via insurance (including demolition and site preparation) and other costs already incurred in pre-opening



Group Strategy and CEO Update

Group Strategic Plan



- Re-focused medium-term view on strategic plan
- Vision to be the leader in gaming, entertainment and hospitality in our communities
- Focus on continuous improvement in operational performance (and investments to support this)
- Local gaming key value driver for the Group – focus on maximising value of exclusive casino licences
- Critical to execute major projects in Adelaide and Auckland on-time and to expectations
- Unique opportunity to monetise omnichannel and consolidate on leadership position in gaming industry
- Focus on growing free cash flows as major projects complete and delivering sustainable shareholder returns
- Critical to protect/enhance social licence to operate

Near-Term Priorities for CEO

1. Navigate through uncertainty of Covid-19 environment and return business to FY19 earnings when fully operational
2. Implement new management structure
3. Optimise Adelaide expansion – focus on local and interstate business
4. Progress NZICC/Horizon Hotel reinstatement
5. Pursue online gaming opportunity in NZ
6. Leverage new assets in Auckland, particularly VIP/premium gaming rooms

Other Strategic Priorities for FY21

1. Maintain discipline over capital allocation
2. NZ development opportunities and internal operational and property restructuring on hold
3. Complete strategic review of IB
4. Continue to invest in/enhance key CSR and sustainability initiatives (i.e. Host Responsibility and AML/KYC)



Strategic Projects

Adelaide Expansion – Update



Expansion from River Torrens

- Project handed over on-time and on-budget
 - Around A\$7m of “cash” capex remaining to be spent as at 31 January 2021
- New gaming spaces, EoS by SkyCity and majority of F&B venues opened during first week of December 2020
 - Focus initially on local and interstate customers (given expected ongoing international border closures)
- Master planning works on existing building completed in time for expansion opening
- No change to expected handover of Walker Corporation car park at Festival Plaza (i.e. during 4Q21) – access from start of FY22
- Significant accounting changes effective from date of practical completion (refer to page 50 for more details)

Adelaide Expansion – Product/Facilities

SkyCity Adelaide Operational KPIs

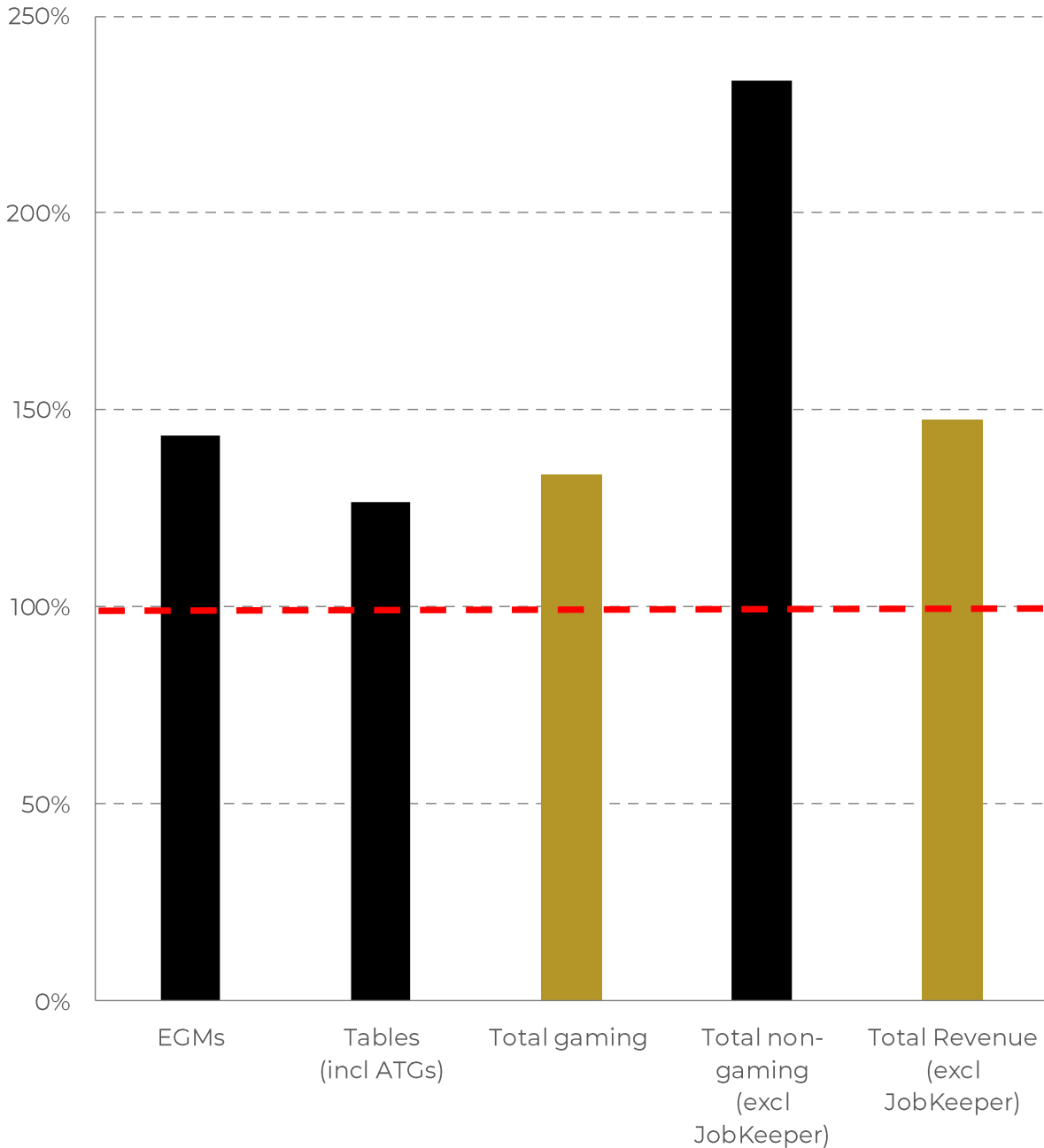
	Pre-expansion	Current (Feb-2021)	FY22
Gaming product mix			
EGMs			
Main gaming floor	584	728	748
Premium gaming	244	307	332
Total	828	1,035	1,080
Tables			
Main gaming floor	58	70	70
Premium gaming	15	25	25
IB	8	9	25
Total	81	104	120
ATGs			
Main gaming floor	61	97	89
Premium gaming	8	20	28
Total	69	117	117
Non-Gaming			
Restaurants and Bars	8	13	14
Hotel rooms (keys)	-	120	120
Function space (pax)	-	700	700
Car parking spaces	-	-	750

- Significantly expanded gaming/entertainment facilities
- Multi-level casino podium – new gaming spaces (both main floor and premium)
- 30% increase in gaming product post opening of expansion
 - Majority of IB salons currently not open due to ongoing international border closures – expect up to 25 tables when fully operational
 - Entitlements of up to 1,500 EGMs, 200 tables, 300 ATGs⁽¹⁾ under casino licence
- EGMs enabled with note acceptors, TiTo and cashless gaming
- Preferential premium gaming tax rates (particularly in EGMs)
 - Unlimited EGM bet size and jackpots in premium rooms (A\$5 maximum bet in pubs & clubs)
- Significant expansion of restaurants and bars
- New function space (accommodating up to 700 pax) opened in early February 2021
- EoS by SkyCity (new all-suite, 120 room hotel) well received by customers
- 1,500 space car park adjacent to casino – 750 spaces to be exclusively leased by SkyCity

(1) 300 ATGs transferrable for tables at ratio of 20:1

Adelaide Expansion – Performance Post Opening

*SkyCity Adelaide: revenue by activity vs. pcp:
1 December 2020 to 13 February 2021*



- Positive performance post opening of expansion, but only early days
- Local gaming revenue up 33% for period 1 December 2020 to 13 February 2021 vs. pcp
 - Visitation and spend skewed to premium customers
 - Benefiting from regulatory reforms, particularly note acceptors
 - EGM market share in January 2021 around 10%
- Hotel occupancy around 60%
 - Primarily gaming and leisure customers, both local and interstate
- New F&B facilities proving popular with customers
- Good cost execution

Adelaide Expansion – New Facilities (1 of 4)



Sol Bar



The District

Adelaide Expansion – New Facilities (2 of 4)



Lucky Noodle



Eos by SkyCity

Adelaide Expansion – New Facilities (3 of 4)



Grange Room (Premium)



Main Gaming Floor

Adelaide Expansion – New Facilities (4 of 4)



Marble Hall



Main Gaming Floor

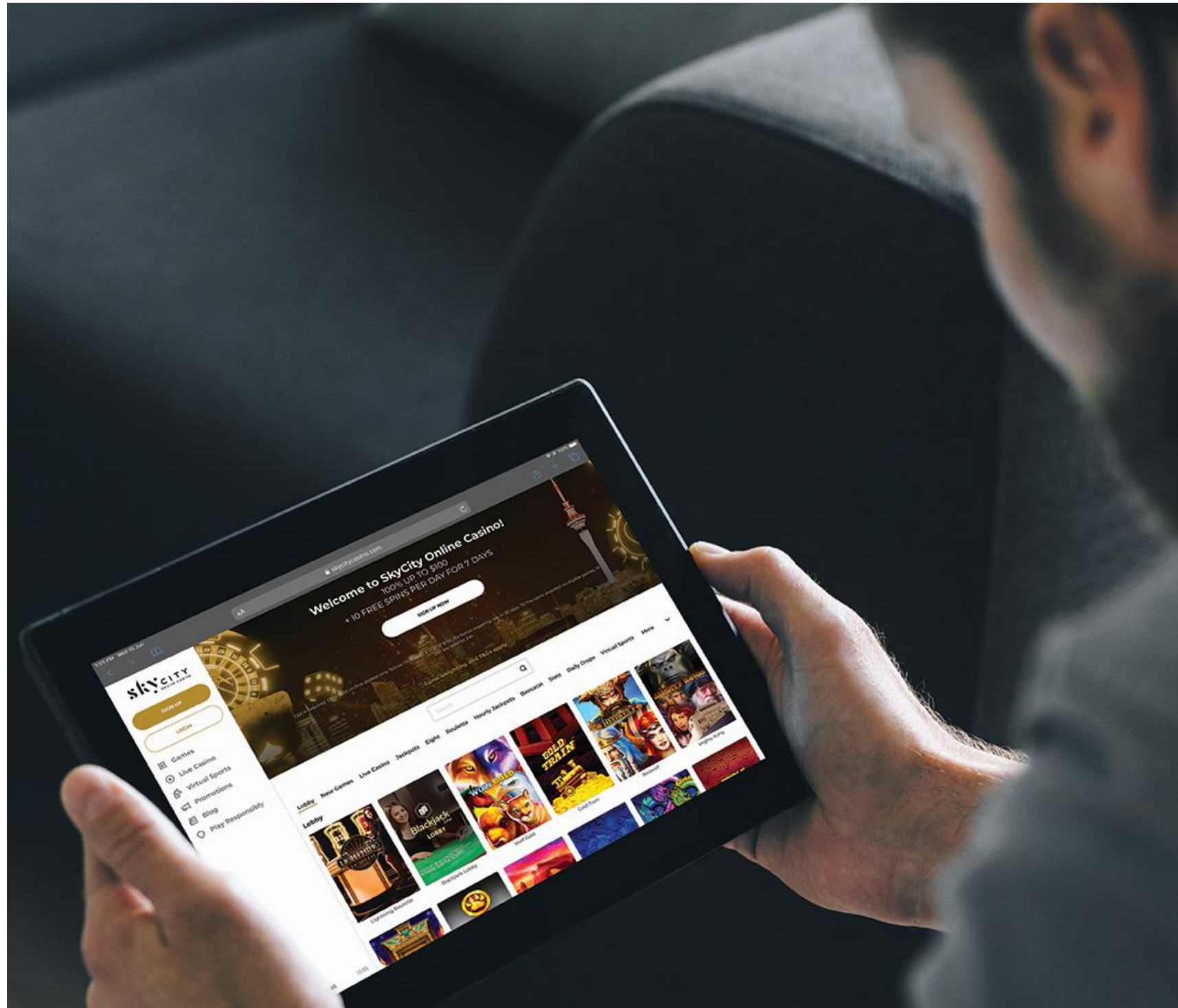
NZICC/Horizon Hotel Project



View from Hobson St – new linkway bridge

- NZICC fire has caused significant project delays
 - Reinstatement works progressing, but slower than expected
 - Expect Horizon Hotel to be completed during 1H 2022 and NZICC by end of 2023
 - Around 500 car parks damaged by the fire expected to be reinstated during 2021
- Remain comfortable with contractual position on project
 - Several pre-fire claims (primarily relating to scope/design) settled with Fletcher Construction during 2Q21
 - Major provisional sums on the project now fixed
- Insurance responding to fire
 - Following completion of revised damage assessment, now expect reinstatement costs of at least \$340m
- No material change to previous guidance for total project costs
 - \$160m of net “cash” capex still to spend as at 31 January 2021 under the Building Works Contracts (excl reinstatement works funded by insurance)
 - Liquidated damages of \$39.5m recognised as income in 1H21 (previously a contingent asset)

Online Gaming



- Optimising offshore venture with GiG, despite operational constraints
 - Exploring opportunity to expand into broader product verticals
 - Paying GST in NZ (\$2.7m lifetime to date)
 - High-quality Host Responsibility practices
- Support future regulation in NZ
 - Emphasis needs to be on protecting harm and community benefits
 - Significant omnichannel opportunity for SkyCity if online market regulated in NZ
 - NZ Gambling Regulator (DIA) policy review is ongoing
- Growth in online gambling significant global industry theme
 - Numerous jurisdictions regulating online gambling
 - Transition from physical to online across most industries – exacerbated by the impact of Covid-19
 - Strong growth in category across Europe and US
 - Online gaming companies trading at significant premium to land-based casinos due to structural growth outlook (e.g. DraftKings, Entain, Penn Gaming)

Other Projects



VIP Black/Ultra (Auckland)

- Refurbishment of VIP/premium gaming rooms in Auckland completed
- New main gaming floor bar (Flare) and food court (Food Republic) in Auckland opened during October 2020
- All Blacks Experience and Weta Workshop “Unleashed” in Auckland opened during December 2020
 - World-class attractions that will appeal to broad customer base
 - Unique opportunity for SkyCity to partner with two of NZ’s most iconic brands
- NZ development opportunities and internal restructuring of operating businesses and property assets on hold
- General maintenance requirements for Auckland and Hamilton properties being reviewed – ageing plant and services

Auckland Investment (1 of 2)



VIP Eight



Flare Bar

Auckland Investment (2 of 2)



Weta Workshop "Unleashed"



All Blacks Experience



FY21 Outlook

Update on Covid-19 in NZ and South Australia

NZ	- Auckland currently at Alert Level 2⁽¹⁾ (following 3 days at Alert Level 3) - Rest of NZ (incl Hamilton and Queenstown) at Alert Level 1 - Majority of new cases continue to be caught at border in managed isolation facilities - International border expected to remain closed for foreseeable future - Ongoing refinements to operating model to reflect domestic-only business - NZ online casino unaffected by Alert Level changes	Operational settings during 1H21	
	Alert Level 1	Auckland: 128 days Hamilton/Queenstown: 143 days	
	Alert Level 2 ⁽¹⁾	Auckland: 37 days Hamilton/Queenstown: 41 days	
	Alert Level 3	Auckland: 19 days Hamilton/Queenstown: 0 days	
		Closed	
South Australia	- Interstate border open, but with some in-bound restrictions from certain states - International border expected to remain closed for foreseeable future - Businesses/public activities required to have Covid-Safe plan - Casino open to public (requirement to register) - Capacity subject to maximum patronage – limit of one person per 2m² - Social distancing measures on EGMs and tables and in F&B outlets progressively relaxed over last few months – no requirement to deactivate every 2nd EGM and 5 pax per table game (previously 3 pax)	Covid-Safe plan	Full period ⁽²⁾
	100 pax limit ⁽³⁾	14 days	
	Closed	3 ½ days	

(1) Alert Level 2 settings in NZ: social distancing across all venues, deactivation of every 2nd EGM and limitations on tables to 3 pax, restrictions on gatherings to 100 pax, largely members only
(2) Capacity subject to maximum patronage. Strict measures in place to ensure social distancing on EGMs and tables and in F&B outlets
(3) 100 pax limit in casino and individual F&B venues

FY21 Outlook

Group

- Performing better than expected prior to recent closure in Auckland, but no change to previous guidance for FY21
 - Outlook remains uncertain and subject to change
 - Intend to provide more detailed guidance when operating environment becomes more certain
 - Not able to provide guidance for reported results due to uncertainty around impact of NZICC fire accounting
- Local gaming to continue to perform well when open, particularly EGMs
- Tourism-related businesses to continue to be significantly impacted by operating restrictions and international border closures

Capex and Dividends

- Expect stay-in-business capex around \$60m and growth capex (incl major projects) around \$200m
- Expect to comply with financial covenants for 30 June 2021 testing period assuming no prolonged property closures
- Expect to pay final dividend for FY21 in September or October 2021 assuming no prolonged property closures

Corporate

- Expect corporate costs around \$38m – increase vs. previous guidance due to one-off CEO retirement costs and project write-offs
- Expect NZICC/Horizon Hotel and Adelaide expansion pre-opening costs around \$7m
- Net interest expected to be around \$33m
- D&A expected to be around \$90m
- Normalised effective tax rate expected to be around 31% (vs. FY20: 29%)



Appendices

Reported and Normalised Results (1 of 2)

- The differences between 1H21 reported and normalised financial information are summarised overleaf – refer to pages 51-53 for more information on why these adjustments have been made
- 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
- 1H20 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 \$32.0m) – effectively reverses impact of IFRS 15 (Revenue from Contracts with Customers)
 - Add gaming GST (\$48.0m) to reported revenue
 - Apply theoretical win rate of 1.35% for IB vs. actual win rate of 1.43%
 - Eliminate gain (\$66.5m) arising from Auckland car park concession sale (completed in August 2019)
 - Eliminate net gain (\$186.3m post-tax) arising from impacts of NZICC fire
 - Eliminate Darwin operations from normalised results

⁽¹⁾ Refer to pages 11-14 of interim financial statements for further information on NZICC fire accounting

Reported and Normalised Results (2 of 2)

	1H21				1H20			
	Revenue \$m	EBITDA \$m	EBIT \$m	NPAT \$m	Revenue \$m	EBITDA \$m	EBIT \$m	NPAT \$m
Reported	449.9	152.6	110.2	78.4	721.7	407.5	366.0	328.0
IB revenue adjustment	3.4	-	-	-	32.0	-	-	-
Gaming GST	35.3	-	-	-	48.0	-	-	-
IB at theoretical win rate	4.5	3.6	3.6	2.5	(3.7)	0.1	0.1	0.1
Gain on sale – Auckland car parks	-	-	-	-	(66.5)	(66.5)	(66.5)	(66.5)
Liquidated damages	(39.5)	(39.5)	(39.5)	(39.5)	-	-	-	-
NZICC fire impacts	(66.8)	3.2	3.2	2.3	(240.6)	(187.7)	(187.7)	(186.3)
Sale of Darwin	-	-	-	-	-	-	-	(0.2)
Normalised	386.9	119.9	77.5	43.7	490.9	153.3	111.8	75.0

1H21 Result – Reported

	1H21	1H20	Movement	
	\$m	\$m	\$m	%
Reported Revenue	449.9	721.7	(271.8)	(37.7%)
Expenses	(297.3)	(314.2)	16.9	5.4%
Reported EBITDA	152.6	407.5	(254.9)	(62.6%)
Depreciation & Amortisation	(42.4)	(41.5)	(0.9)	(2.2%)
Reported EBIT	110.2	366.0	(255.8)	(69.9%)
Net Interest	(14.0)	(6.4)	(7.7)	(120.2%)
Reported NPBT	96.2	359.6	(263.5)	(73.3%)
Tax	(17.8)	(31.8)	14.0	44.3%
Profit from Continuing Operations	-	327.8	N/A	N/A
Profit from Discontinued Operations ⁽¹⁾	-	0.2	N/A	N/A
Reported NPAT	78.4	328.0	(249.6)	(76.1%)
Reported EPS	10.4cps	49.3cps	(38.9cps)	(78.9%)

(1) 1H20 profit from discontinued operations relates to deposit received on potential sale of Little Mindil in Darwin

1H21 Result – Normalised

	1H21	1H20	Movement	
	\$m	\$m	\$m	%
Normalised Revenue (incl Gaming GST)	386.9	490.9	(104.0)	(21.2%)
Gaming GST	(35.7)	(47.6)	11.9	24.9%
Normalised Revenue	351.1	443.3	(92.2)	(20.8%)
Expenses	(231.2)	(290.0)	58.8	20.3%
Normalised EBITDA	119.9	153.3	(33.4)	(21.8%)
Depreciation & Amortisation	(42.4)	(41.5)	(0.9)	(2.2%)
Normalised EBIT	77.5	111.8	(34.3)	(30.7%)
Net Interest	(14.0)	(6.4)	(7.7)	(120.2%)
Normalised NPBT	63.5	105.5	(42.0)	(39.8%)
Tax	(19.8)	(30.5)	10.7	35.1%
Normalised NPAT	43.7	75.0	(31.3)	(41.7%)
Normalised EPS	5.8cps	11.3ps	(5.5cps)	(48.6%)

SkyCity Auckland

	1H21	1H20	Movement
	\$m	\$m	%
Revenue			
Gaming Machines	120.8	139.4	(13.4%)
Tables	63.1	85.5	(26.2%)
Gaming Revenue (incl GST)	183.9	224.9	(18.2%)
Non-Gaming Revenue ⁽¹⁾	46.9	80.7	(41.8%)
Total Normalised Revenue (incl gaming GST) (excl IB)	230.8	305.6	(24.5%)
Gaming GST	(23.9)	(29.1)	17.9%
Total Normalised Revenue (excl gaming GST) (excl IB)	206.9	276.5	(25.2%)
Expenses	(112.0)	(139.1)	19.5%
Normalised EBITDA (excl IB)	94.9	137.4	(30.9%)
<i>EBITDA Margin (excl IB)</i>	41.1%	45.0%	-
Depreciation & Amortisation	(23.0)	(23.0)	0.3%
EBIT (excl IB)	72.0	114.4	(37.0%)
Normalised EBITDA (incl IB)	93.5	144.8	(35.4%)

- Property celebrated 25-year anniversary in February 2021
- Property closed for 19 days during August 2020 and 37 days under Alert Level 2 restrictions during September and October 2020
- Resilient local gaming performance
 - EGM revenue 95% of pcg on a like-for-like basis⁽²⁾
 - Improved table games performance 2Q21 vs. 1Q21, but slower ramp up due to Covid-19 restrictions
 - Benefitting from new product and floor layout
 - New VIP/premium gaming rooms well received by customers
- Tourism-related businesses continue to be significantly impacted by ongoing international border closures
 - Hotels profitable and outperforming compset, but well down vs. pcg
 - F&B performance at break-even contribution
- Margins stable vs. pcg – benefitting from cost savings and reduced marketing expenses

(1) Includes NZ wage subsidy of \$8.0m recognised as other income

(2) Adjusts for closure periods in Auckland in 1H21 and the pcg (NZICC fire), but not trading period at Alert Level 2

SkyCity Hamilton

	1H21	1H20	Movement
	\$m	\$m	%
Revenue			
Gaming Machines	26.5	24.2	9.4%
Tables	5.2	5.1	2.0%
Gaming Revenue (incl GST)	31.8	29.4	8.1%
Non-Gaming Revenue ⁽¹⁾	5.0	4.7	5.6%
Total Normalised Revenue (incl gaming GST) (excl IB)	36.8	34.1	7.8%
Gaming GST	(4.1)	(3.8)	(8.1%)
Total Revenue (excl gaming GST) (excl IB)	32.6	30.3	7.7%
Expenses	(14.5)	(15.4)	5.7%
EBITDA (excl IB)	18.1	14.9	21.6%
<i>EBITDA Margin (excl IB)</i>	<i>49.2%</i>	<i>43.6%</i>	-
Depreciation & Amortisation	(2.1)	(2.2)	5.5%
EBIT (excl IB)	16.0	12.7	26.4%
Normalised EBITDA (incl IB)	18.1	14.9	21.7%

- Strong EBITDA performance
- Property under Alert Level 2 restrictions for 41 days during August and September 2020
- Local gaming performance driven by:
 - Strong EGM activity, despite capacity constraints during peak periods
 - Improved product mix (swapped 12 ATGs for EGMs) and floor layout
 - New outdoor areas and refurbished premium gaming areas
 - Higher table games hold vs. pcg (on lower volumes)
 - Strong performance over New Year period
- Weaker non-gaming revenue performance (excl NZ wage subsidy)
- Significant margin improvement vs. pcg – focus on cost control and operational efficiencies

(1) Includes NZ wage subsidy of \$1.1m recognised as other income

SkyCity Queenstown/Wharf Casino

	1H21	1H20	Movement
	\$m	\$m	%
Revenue			
Gaming Machines	4.0	3.6	10.7%
Tables	1.0	2.7	(61.7%)
Gaming Revenue (incl GST)	5.0	6.3	(20.5%)
Non-Gaming Revenue ⁽¹⁾	0.9	0.8	22.1%
Total Normalised Revenue (incl gaming GST) (excl IB)	5.9	7.1	(15.9%)
Gaming GST	(0.7)	(0.8)	20.7%
Total Revenue (excl gaming GST) (excl IB)	5.3	6.3	(15.3%)
Expenses	(3.1)	(4.8)	35.8%
EBITDA (excl IB)	2.2	1.5	50.5%
<i>EBITDA Margin (excl IB)</i>	<i>37.5%</i>	<i>21.0%</i>	-
Depreciation & Amortisation	(0.6)	(0.7)	9.2%
EBIT (excl IB)	1.6	0.8	103.1%
Normalised EBITDA (incl IB)	2.1	2.0	6.6%

- Solid performance driven by increased EGM activity and cost savings
- Property under Alert Level 2 restrictions for 41 days during August and September 2020
- Significant growth in carded visitation (+70% vs. pcp)
- Continue to benefit from domestic tourism, particularly during peak holiday periods
- Considering strategic options for two casino licences
 - Wharf Casino remains closed – onerous lease benefit realised in 1H21

(1) Includes NZ wage subsidy of \$0.3m recognised as other income

SkyCity Adelaide

	1H21	1H20	Movement
	A\$m	A\$m	%
Revenue			
Gaming Machines	25.8	26.5	(2.5%)
Tables	38.3	39.5	(3.0%)
Gaming Revenue (incl GST)	64.1	66.0	(2.8%)
Non-Gaming Revenue ⁽¹⁾	25.4	11.4	123.4%
Total Normalised Revenue (incl gaming GST) (excl IB)	89.5	77.4	15.8%
Gaming GST	(5.8)	(6.0)	2.8%
Total Revenue (excl gaming GST) (excl IB)	83.7	71.4	17.3%
Expenses	(58.5)	(58.5)	(0.0%)
EBITDA (excl IB)	25.2	12.9	95.9%
<i>EBITDA Margin (excl IB)</i>	<i>28.2%</i>	<i>16.7%</i>	-
Depreciation & Amortisation	(7.2)	(8.0)	9.4%
EBIT (excl IB)	18.0	4.9	265.6%
Normalised EBITDA (incl IB)	24.1	13.2	82.9%

- Performance prior to completion of expansion impacted by operational constraints and construction disruption
 - Strict social distancing measures required due to Covid-19 for entire period
 - Property closed for 3½ days in late November 2020 in response to local Covid-19 outbreak
- One-off benefit from JobKeeper scheme recognised as other income
 - EBITDA 92% of pcp (excl JobKeeper)
- Property EBITDA excludes pre-opening costs (around A\$3m) associated with Adelaide expansion during the period
- Strong December 2020 performance across all business activities post opening of expansion (refer to page 24 for further details)

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

International Business

	1H21	1H20	Movement
	\$bn	\$bn	%
Turnover			
Auckland	0.2	3.2	(95.3%)
Other NZ	-	0.4	N/A
Adelaide (A\$)	0.4	0.9	(53.0%)
Total Turnover	0.6	4.6	(86.7%)
Normalised Revenue (\$m)⁽¹⁾	8.2	61.9	(86.7%)
Reported Revenue (\$m)	0.0	25.7	(99.9%)

	1H21	1H20	Movement
	\$m	\$m	%
EBITDA			
Auckland	(1.4)	7.4	N/A
Other NZ	(0.1)	0.5	N/A
Adelaide (A\$)	(1.1)	0.3	N/A
Total Normalised EBITDA⁽¹⁾	(2.8)	8.2	(133.7%)
Total Reported EBITDA	(6.4)	8.1	(178.9%)

1H21	1H20
Actual Win %	
0.61%	1.43%

1H21	1H20
Margin %	
(33.7%)	13.2%

- IB significantly impacted by ongoing international border closures
- Cost control and modest interstate tables activity in Adelaide reduced losses
 - EBITDA at break-even during 2Q21
- Actual win rate of 0.61% well below theoretical win rate
- Commenced strategic review of IB
 - Focus on operating model, regulatory considerations and long-term earnings opportunity
- Considering recommendations arising from NSW Casino Inquiry into Crown Resorts
 - Macanese group operators less than 15% of FY19 Group IB turnover
 - Ongoing/significant focus on AML/KYC checks for both prospective and existing customers
- Ongoing focus on proactive customer engagement and debt recoveries

(1) 1H21 normalised results in IB adjusted for turnover at the actual win rate of 0.61% vs theoretical win rate of 1.35%, IFRS 15 (Revenue from Contracts with Customers) and Gaming GST. Combined impact of adjustments on reported revenue of (\$8.2m) and reported EBITDA of (\$3.6m)

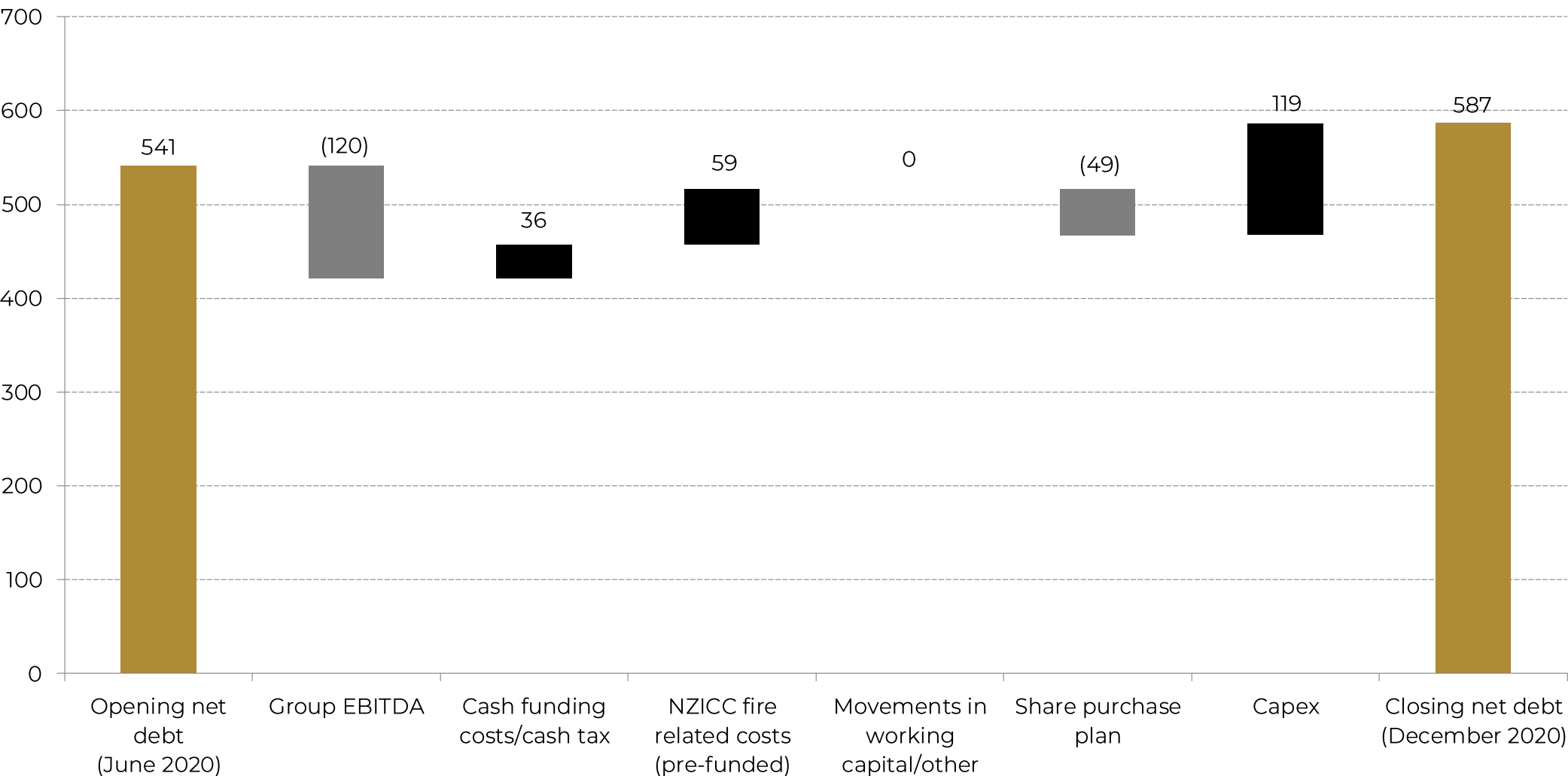
NZ Online Casino

	1H21	1H20	Movement
Operating KPIs			
Customer registrations	24.4k	2.7k	N/A
First time depositors (new actives)	14.1k	1.4k	N/A
Deposit conversion (%)	60.0%	52.0%	N/A
Total bets (\$m)	413.2	16.3	N/A
	1H21	1H20	Movement
	\$m	\$m	%
Gaming revenue	13.0	0.7	N/A
GiG costs and bonusing	(3.8)	(0.5)	N/A
NZ GST	(1.7)	(0.0)	-
Gaming revenue (attributable to SkyCity)	7.5	0.2	N/A
Expenses	(2.1)	(0.6)	N/A
EBITDA (attributable to SkyCity)	5.4	(0.5)	N/A
<i>EBITDA Margin (vs. total gaming revenue)</i>	<i>41.9%</i>	<i>N/A</i>	

- NZ online casino performing consistently
- Significant growth in gaming revenue and EBITDA vs. pcp, despite operational constraints
 - Deposit conversion rates consistently around 60%
 - Broad geographic spread of customers across NZ
 - Slight reduction in monthly gaming revenue following August and September 2020 peak (second closure in Auckland due to Covid-19)
 - EBITDA margin significantly ahead of expectations

Net Debt (as at 31 December 2020)

Movement in net hedged debt (\$m)

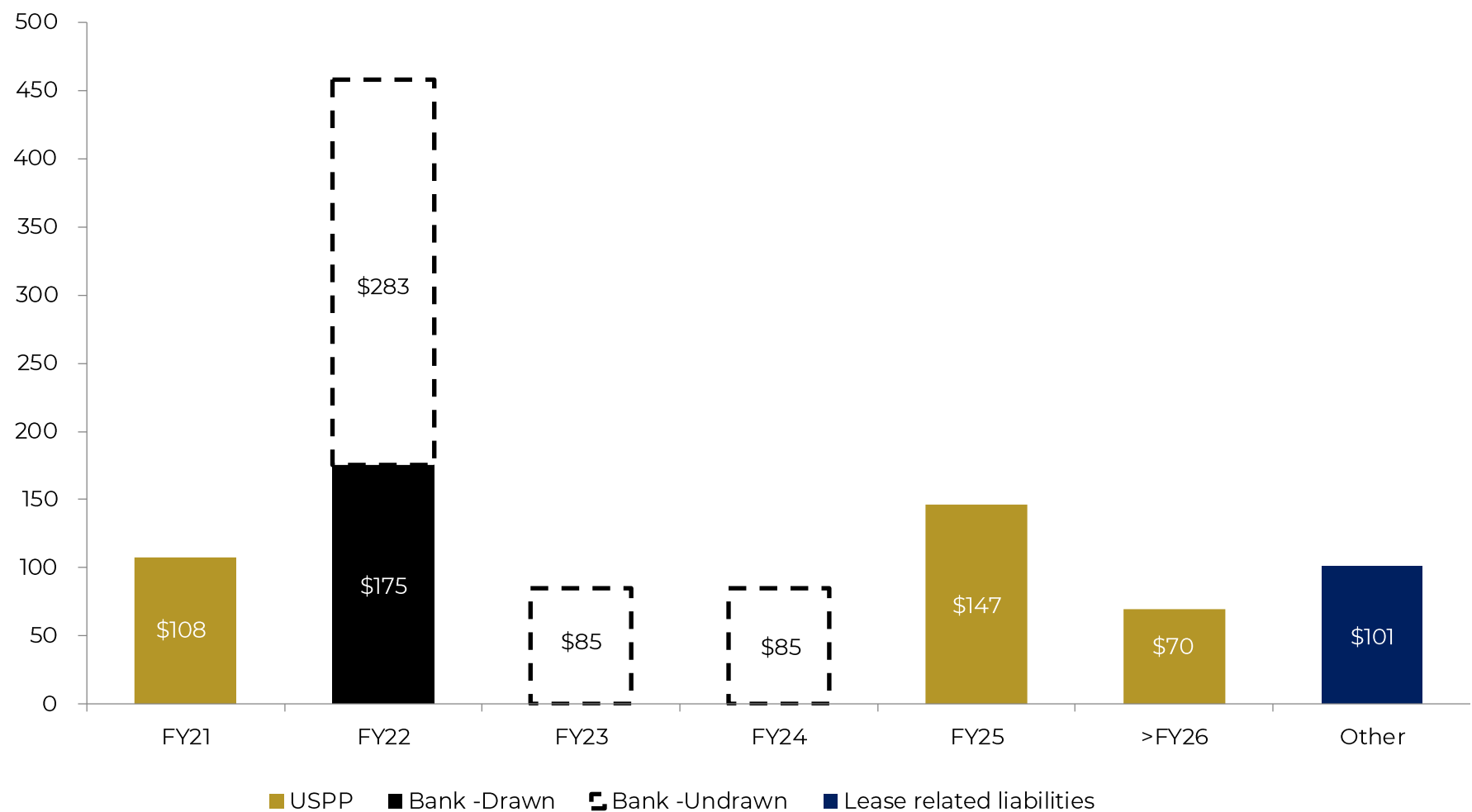


- Net hedged debt of \$587m as at 31 December 2020
 - Includes cash at bank of \$13m
 - Includes proceeds from share purchase plan (\$49m) received during July 2020 and redemption of NZ bond (\$129m) on 28 September 2020
- Gearing⁽¹⁾ of 3.5x as at 31 December 2020
- \$105m insurance prepayment arising from NZICC fire largely spent as at 31 January 2021

(1) Net hedged debt/LTM Group normalised EBITDA

Debt Maturity Profile

Hedged debt maturity profile as at 31 December 2020 (\$m)



- Committed debt (at hedged exchange rates) of \$1.1bn as at 31 December 2020
 - Available liquidity around \$465m (includes \$13m cash at bank)
 - \$500m in drawn facilities – \$325m fixed-term and \$175m bank debt
 - Average maturity of committed debt facilities of 2.5 years
- Intend to repay US\$100m (hedged at \$108m) of USPP notes maturing in March 2021
- Exploring NZ bond to replace USPP notes and maintain diversity of funding – targeting completion mid-2021
- Average interest rate of 6.55% (6.52% in 1H20) reflecting higher cost 2011 USPP debt as a proportion of drawn debt
- Continue to expect interest rate to fall as draw on cheaper bank debt and issue NZ bond

Adelaide Expansion – Accounting Treatment

Accounting for Adelaide Expansion⁽¹⁾

	FY20	FY21	FY22
	A\$m	A\$m	A\$m
Balance Sheet			
Adelaide expansion PP&E ⁽²⁾	281	205	192
Casino Licences ⁽³⁾	135	132	130
Deferred Licence Value	143	-	-
Income Statement			
Depreciation	0	7	13
Amortisation	5	2	2
Capital Expenditure			
Capital Expenditure	146	67	-
Capitalised Interest	12	7	-

- With Adelaide expansion recently completed, prudent to reaffirm accounting impacts
- SkyCity required to recognise fair value of regulatory concessions associated with Adelaide expansion on balance sheet from February 2014
 - Intangible asset (A\$165m) recognised when concessions granted (increase in casino licence value)
 - Corresponding liability (deferred licence value) recognised prior to project completion and booking of associated PP&E
 - A\$22m of deferred licence value offset against interim redevelopment works in early 2014
 - At completion, the remaining deferred licence value (A\$143m) was offset against accounting (but not tax) value of PP&E (tangible asset) which is now depreciated
- SkyCity Adelaide licence amortised over relevant licence period (i.e. 2035 (exclusivity term) or 2085 (full licence term))
- During investment phase, interest costs associated with Adelaide expansion were capitalised (at SkyCity's average cost of debt)
- At completion, PP&E (excl land but incl capitalised interest) depreciated and interest no longer capitalised

(1) FY21+ indicative estimates only

(2) Excludes A\$20m licence fee paid to SA Government in February 2014 when regulatory concessions activated

(3) SkyCity Adelaide casino licence impairment of A\$150m booked during FY20

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 FY20

Reported and Normalised Results (2 of 3)

Adjustment	Discussion
Treat IB commissions as an expense rather than reduction in revenue which reduces both reported revenue and operating expenses within IB (by \$3.4m in 1H21 and \$32.0m in 1H20)	This adjustment adds back IB commissions (treated as a reduction from revenue in the reported results) and increases both revenue and expenses. This adjustment does not impact EBITDA, EBIT or NPAT. This adjustment has been made to maintain the relationship between turnover and the theoretical win rate of 1.35% when determining normalised revenue
Add gaming GST to reported revenue (by \$35.3m in 1H21 and \$48.0m in 1H20)	- Reported revenue included within the financial statements of the Group excludes GST - This adjustment adds back GST associated with gaming so that normalised revenue equals the amount bet by gaming customers - All publicly listed NZ and Australian casino companies include GST associated with gaming within their revenue results. Including gaming GST within reported revenue is not consistent with GAAP and SkyCity therefore does not do so - However, SkyCity does include gaming GST within its normalised revenue. This adjustment does not impact EBITDA, EBIT or NPAT
Apply theoretical win rate of 1.35% for IB vs. actual win rate of 0.61% (1H21) and 1.43% (1H20)	- This adjustment recalculates gaming win from IB to the theoretical win rate. The vast majority of IB play is baccarat. Statistically, over the long-term the casino expects to win 1.35% of all bets taken on baccarat. However, in any particular reporting period the actual results of play will vary depending on “luck” - The 1.35% win rate is used by all publicly listed NZ and Australian casino companies in addition to casino companies in Asia and the United States - In order to understand the long-term results within IB there is the need to eliminate the inherent volatility or “luck” factor
Reverse net loss (\$2.3m post-tax) arising from impacts of NZICC 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 the Horizon Hotel which is being constructed on the adjacent site. Both buildings are insured and all significant costs associated with the fire are expected to be fully covered. Any costs not covered by insurance are expected to be sought from Fletcher Construction - The fire has significant implications for the financial statements for the Group which were recognised in FY20 – these impacts are explained further on pages 184-188 in SkyCity’s FY20 financial statements which have been released to the NZX and ASX - The FY20 financial statements included a number of significant judgements and estimates to determine the appropriate accounting. These judgements and estimates have continued to be reviewed as new information has become available – following a revised damage assessment for the NZICC/Horizon Hotel, the expected insurance recovery relating to the asset has increased and is required to be recognised as income as SkyCity is principal in the insurance relationship. This income has been offset by an increase in costs relating to demolition and deconstruction of the site post fire that are required to be expensed as incurred - The NZICC fire (and associated accounting impact) is a significant, one-off event that has impacted the comparability of the 1H21 result with the prior year

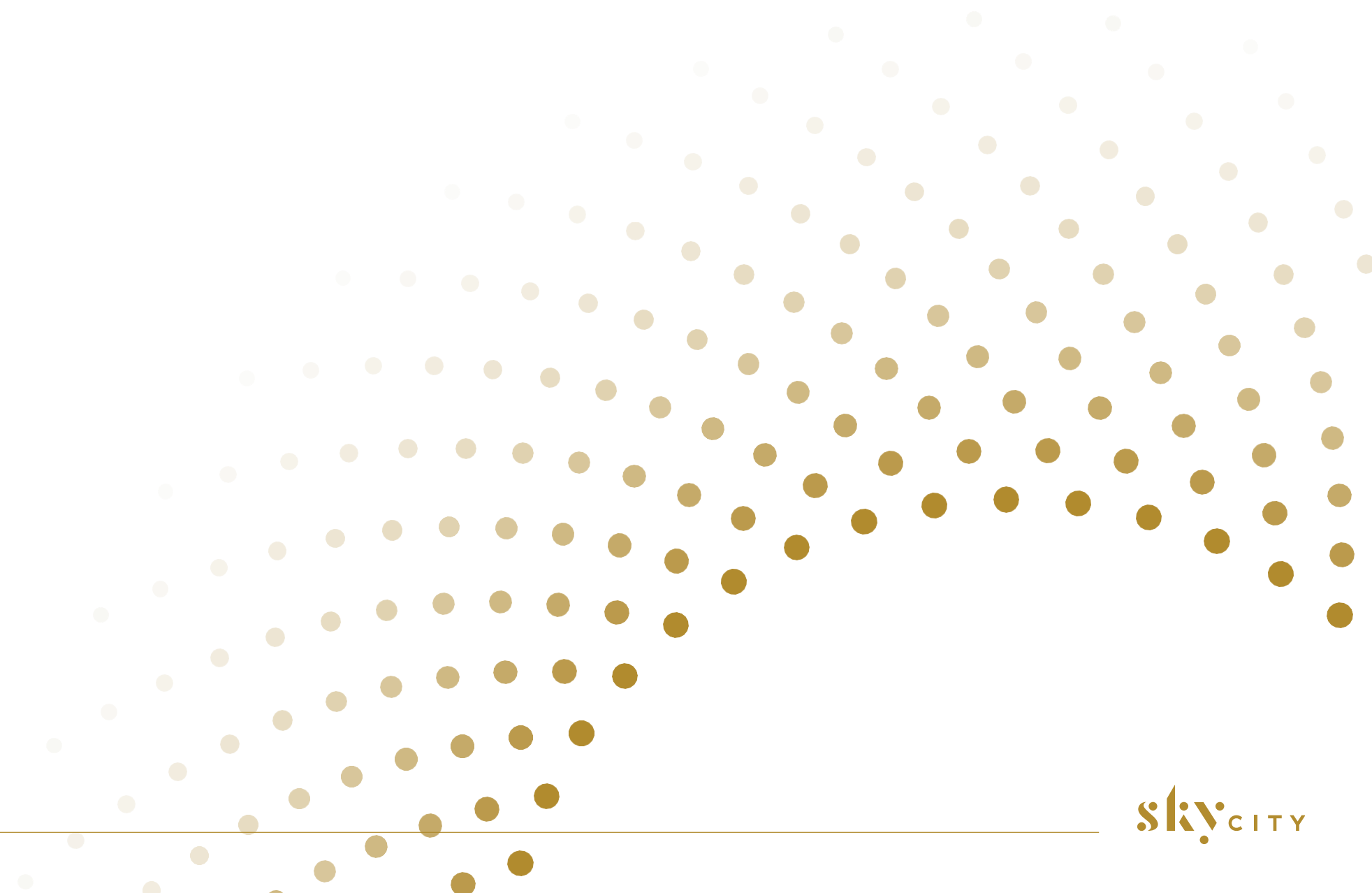
Reported and Normalised Results (3 of 3)

Adjustment	Discussion
Eliminate benefit (\$39.5m) arising from liquidated damages on NZICC/Horizon Hotel project withheld in lieu of late practical completion	▪ SkyCity entered into Building Works Contracts on the NZICC/Horizon Hotel projects in November 2015 ▪ Under the Building Works Contracts, liquidated damages apply for late delivery of separable portions related to contractual completion dates ▪ Given the significant delays to completion of the NZICC/Horizon Hotel, SkyCity is entitled to claim the liquidated damages under the Building Works Contracts up to the agreed cap (\$39.5m in total) ▪ Following several pre-fire claims being settled with Fletcher Construction during 1H21, recovery of the liquidated damages has been deemed virtually certain and hence the full amount is required to be accounted for as income in SkyCity's interim financial statements ▪ The liquidated damages are a significant, one-off event – making this adjustment which eliminates the one-off gain will enhance the reader's understanding as this item does not impact the underlying operations of the Group
Eliminate Darwin operations from normalised results (1H20 only)	▪ During FY19, SkyCity sold its Darwin operations ▪ Darwin has been fully excluded from normalised results to enable appropriate comparisons with 1H21



Disclaimer

- All information included in this presentation is provided as at 18 February 2021
- 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 2020

For and on behalf of the Board:



Rob Campbell
Chairman



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).

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.

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.



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 black ink, appearing to read 'Richard Day', written over a light blue horizontal line.

Chartered Accountants
17 February 2021

Auckland

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

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

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

Basic and diluted earnings per share	10.4	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

		Unaudited 6 months 31 December 2020 \$'000	Unaudited 6 months 31 December 2019 \$'000	Audited 12 months 30 June 2020 \$'000
	Notes			
Profit for the period		78,416	327,985	235,388
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Asset Revaluation Reserve				
Asset revaluation reserve - revaluation on transfer to investment property	20	<u>-</u>	<u>5,936</u>	<u>5,936</u>
		<u>-</u>	<u>5,936</u>	<u>5,936</u>
Items that may be Reclassified Subsequently to Profit or Loss				
Exchange differences on translation of overseas subsidiaries	20	(1,072)	(1,550)	6,285
Cashflow Hedge Reserve				
- 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)
Cost of Hedging Reserve				
- 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>
Other comprehensive income for the year, net of tax		<u>2,264</u>	<u>8,779</u>	<u>15,244</u>
Total comprehensive income for the year		<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

		Unaudited 31 December 2020 \$'000	Unaudited 31 December 2019 \$'000	Audited 30 June 2020 \$'000
	Notes			
ASSETS				
Current Assets				
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
Total Current Assets		293,152	262,617	218,971
Non-current Assets				
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
Total Non-current Assets		2,440,736	2,587,975	2,570,351
Total Assets		2,733,888	2,850,592	2,789,322
LIABILITIES				
Current Liabilities				
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
Total Current Liabilities		328,834	423,206	684,890
Non-Current Liabilities				
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
Total Non-current Liabilities		838,235	1,018,495	669,825
Total Liabilities		1,167,069	1,441,701	1,354,715
Net Assets		1,566,819	1,408,891	1,434,607
EQUITY				
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
Total Equity		1,566,819	1,408,891	1,434,607

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

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

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

	Unaudited 6 months 31 December 2020 \$'000	Unaudited 6 months 31 December 2019 \$'000	Audited 12 months 30 June 2020 \$'000
Notes			
Cash Flows from Operating Activities			
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)
Net Cash Inflow from Operating Activities	<u>120,616</u>	<u>96,485</u>	<u>120,166</u>
24			
Cash Flows from Investing Activities			
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)
Net Cash Outflow from Investing Activities	<u>(177,309)</u>	<u>(24,742)</u>	<u>(99,269)</u>
Cash Flows from Financing Activities			
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)
Net Cash Inflow/(Outflow) from Financing Activities	<u>60,546</u>	<u>(60,482)</u>	<u>(8,247)</u>
Net Increase in Cash and Bank Balances	<u>3,853</u>	<u>11,261</u>	<u>12,650</u>
Cash and bank balances at the beginning of the period	54,224	41,574	41,574
Cash and Bank Balances at the End of the Period	<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.

SkyCity Entertainment Group Limited
Notes to the Financial Statements
For the six month period ended 31 December 2020
(continued)

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.

Six Months Ended 31 December 2020	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
Total revenue	313,279	46,030	89,737	3,336	939	453,321
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)
Segment profit/(loss) (EBIT)	107,180	22,444	15,872	(6,421)	(28,860)	110,215
Net finance costs						(14,042)
Profit before income tax from continuing operations						96,173

Six Months Ended 31 December 2019	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
Total revenue	583,578	37,000	75,503	57,687	-	753,768
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)
Segment profit/(loss) (EBIT)	366,471	12,190	5,071	8,141	(25,861)	366,012
Net finance costs (including discontinued operations)						(6,377)
Profit before income tax from continuing operations						359,635

SkyCity Entertainment Group Limited
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For the six month period ended 31 December 2020
(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
Reconciliation to the segment note				
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	-	-
Total revenue as per segment note		453,321	753,768	1,164,380

5 Other income

	6 months 31 December 2020 \$'000	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 car parks 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	-	-
	67,457	68,675	98,924

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

	6 months 31 December 2020 \$'000	6 months 31 December 2019 \$'000	12 months 30 June 2020 \$'000
Contract works insurance recovery	6,000	225,785	336,702
Other recoveries	60,770	4,465	37,456
Liquidated damages for Nelson St car park access	-	10,342	10,342
	66,770	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	207,000	77,000	227,000
	<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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(continued)

7 Expenses

	6 months 31 December 2020 \$'000	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	52,754	48,303	97,134
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	41,797	40,910	85,446

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

	6 months 31 December 2020 \$'000	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	-	66,867	133,288

Cents per share

Prior year's final dividend	- ¢	10.0¢	10.0¢
Interim dividend	-	-	10.0¢
	-	10.0 ¢	20.0 ¢

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

9 Net Finance Costs

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

10 Non-Current Liabilities - Interest Bearing Liabilities

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

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

Refer note 10 for details of the USPP notes.

12 Income Tax Expense/(Benefit)

	6 months 31 December 2020 \$'000	6 months 31 December 2019 \$'000	12 months 30 June 2020 \$'000
Profit before tax	<u>96,173</u>	<u>359,635</u>	<u>233,118</u>
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	<u>17,757</u>	<u>31,879</u>	<u>(2,152)</u>

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
Net trade receivables			
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	-	39,500	39,500
	<u>178,725</u>	<u>211,716</u>	<u>221,842</u>

16 Non-current assets - Investment properties

	31 December 2020 \$'000	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

	31 December 2020 \$'000	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

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

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

	31 December 2020 Shares	31 December 2019 Shares	30 June 2020 Shares	31 December 2020 \$'000	31 December 2019 \$'000	30 June 2020 \$'000
Opening balance of ordinary shares issued	739,196,806	672,351,166	672,351,166	1,288,287	1,126,996	1,126,996
Share rights issued for employee services	-	-	-	2,795	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>-</u>	<u>72,000,000</u>	<u>48,737</u>	<u>-</u>	<u>177,160</u>
	760,205,209	667,196,806	739,196,806	1,339,819	1,110,018	1,288,287

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
(a) Reserves			
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:

	31 December 2020 \$'000	31 December 2019 \$'000	30 June 2020 \$'000
Property, plant and equipment	425,098	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

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

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

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

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.