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New Zealand

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3 September 2020

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

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)
2020 ANNUAL REPORT

Please find **attached** SkyCity Entertainment Group Limited's 2020 Annual Report for the financial year ended 30 June 2020.

The attached document is a higher resolution (uncompressed) version of the 2020 Annual Report released earlier today and is now being provided in both single page and double page layout for ease of reference.

Authorised by:



Jo Wong
Company Secretary
Phone: +64 9 363 6143
Email: jo.wong@skycity.co.nz

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SKY CITY

Annual Report
Year Ended 30 June 2020





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ANNUAL MEETING

Due to the ongoing impacts of COVID-19, the 2020 SkyCity Annual Meeting will be held virtually via an online platform on 16 October 2020 commencing at 1.00pm (New Zealand time). Instructions and further details on how shareholders can participate in the virtual Annual Meeting will be included in the Notice of Meeting.

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Chair's Review

The 2020 financial year was a tough one for SkyCity and its stakeholders. The external events which impacted the year are well known and the financial performance of the company reflects those events. It also reflects a great deal of skill, energy and support from our stakeholders across the board to react to those events. We have maintained a strong asset, people, and capital base and barring further negative external events SkyCity will recover and grow.

The accounting and financial report on a year with these shock events is inevitably complex. In this report, and in our wider commentary on the business, we endeavour to provide clear information and guidance to enable investors and other stakeholders to genuinely understand the past, current and future of SkyCity.

The key events of the year, though well known to all readers of this annual report, may be summarised for the record as:

- the ongoing delay to completion of the New Zealand International Convention Centre and Horizon Hotel project was deeply exacerbated by the fire. The immediate impact of the fire was effectively managed by our people, as was the return to operations across the Auckland site. The reestablishment of work and a path to completion have also been difficult tasks with effective progress made;
- COVID-19 halted our business at every location. Our people have effectively managed operations during restrictive periods and with greater operating freedom when pandemic regulations allowed. But our operations and results across the Group will continue to reflect a more difficult environment for some time;
- we have had no option, despite much appreciated Government support for our people during the COVID-19 crisis, but to substantively restructure our business to meet this more difficult environment;



- in the course of this, we have prudently restructured our funding, including raising new equity to manage ongoing commitments and operating risk;
- the important SkyCity Adelaide expansion project has moved towards substantive completion effectively within the planned time and budget. While this is an impressive facility, its economic performance will not meet the original expectations when it was launched in 2018. Accordingly, we have been required to impair the investment to reflect a realistic current value; and
- we have successfully launched an online casino business which is already a good contributor to the Group financially and provides a good base for participation in this growing part of the casino business globally.

Obviously from such a momentous year there are learnings. For the SkyCity Board, the important immediate learnings are:

- to recognise the resilience of the core gaming business in each area where we hold a licence and to ensure that we maintain our presence, quality of service, financial control and host responsibility/harm management processes at the highest level;

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- the importance of maintaining a strong balance sheet and operating the business to provide sustainable returns to investors;
- to keep a strong focus on disciplined capital allocation and not to make allocations which do not fully reflect an appropriate return adjusted for the risks involved; and
- to conduct the business holistically within the terms of the sustainability framework for SkyCity which is detailed elsewhere in this annual report.

A few comments on the outlook for the current financial year, comments which must reflect a high degree of uncertainty given the global environment:

- SkyCity can operate under current trading conditions, but at present we do not have an operating model which can optimise the business to previous levels without a recovery in the economy and international tourism, including our International Business and convention travel. So, while on our current outlook we can expect continuity and some growth, there is something of a holding position across several aspects of our business; and
- this means that, in this period, the SkyCity Board and management are fully directed towards efficient completion of committed projects, improving the quality and efficiency of operating our existing facilities, and being well prepared equally to react to further adverse external events and to take any genuine opportunities which arise in the markets where we are present.

I wish to thank my fellow directors for their assiduous attention to their duties over this difficult time, our management team for their skill and commitment in meeting some most unusual challenges with aplomb, our people working in the business (including those who have had to leave in the restructuring) for what they have contributed to keeping us all going and able to continue with confidence, and to our external stakeholders for responding supportively. Finally, to those vital people who make it all work – our customers in the casinos in person or online, in our hotels and meeting rooms, in our restaurants, bars, Sky Tower and other facilities – our warm appreciation and ongoing welcome.



Rob Campbell
Chair, SkyCity Entertainment Group

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Chief Executive Officer's Review

The year under review has been extremely complex and challenging for SkyCity. It commenced with good momentum with our operations trading at record levels (at a revenue level) until October 2019, when a significant fire broke out on the roof of the New Zealand International Convention Centre site. Fire and emergency crews battled over several days to bring the fire under control with the fire causing significant disruption to the Auckland CBD, including an unprecedented three-day closure of the entire SkyCity Auckland precinct. The SkyCity Board and management team were still focused on dealing with the impacts of the fire when the COVID-19 pandemic emerged in early 2020, culminating in the mandated closure of SkyCity's properties in New Zealand and Adelaide on 23 March 2020 following announcements by the New Zealand and Australian Governments.



We were able to reopen our New Zealand properties on 14 May 2020 (with the exception of Wharf Casino in Queenstown which currently remains closed), albeit initially with reduced operating hours and subject to restrictions on mass gatherings and physical distancing requirements. Our Adelaide property was able to reopen on 29 June 2020 as part of the South Australian Government's three-stage approach to easing the COVID-19 restrictions. Then, from 12–30 August 2020, our Auckland casino and entertainment facilities were closed again and physical distancing and hygiene requirements were reinstated at our Hamilton and Queenstown properties when the COVID-19 Alert Level increased to Alert Level 3 in Auckland and to Alert Level 2 for the rest of New Zealand following a new outbreak in the Auckland community.

An unprecedented number of significant strategic decisions and actions have had to be taken to mitigate the impacts of these events:

- significant operational effort has gone into closing and reopening our properties with rigorous health and safety measures in place;
- we rapidly restructured our New Zealand workforce, downsizing it by around 25% to ensure SkyCity is positioned to be sustainable as a smaller domestically focused business; and
- we executed a capital raising and debt restructure to ensure that SkyCity has sufficient liquidity and funding capacity.

These actions mean that SkyCity is well positioned to deal with the foreseeable future. We have also been aided by Government responses in the form of wage subsidies and other assistance measures. Our core domestic gaming business is resilient and has returned to being cash positive and profitable. The other aspects of our business that are more reliant on international visitors (including VIP gaming, hotels and restaurants) will clearly only fully recover when country borders reopen. Our domestic businesses have recovered more quickly than anticipated when open and, if we can sustain this, the business is not under threat and can wait it out until the world recovers.

Fortunately, development work on the SkyCity Adelaide expansion and hotel projects and associated master planning projects was able to continue over the period – these projects continue to progress very well and remain on-budget and on-time, with the SkyCity Adelaide expansion and Eos by SkyCity, the new 120-room luxury hotel, due to open before the end of 2020. Work recommenced in late May 2020 on the New Zealand International Convention Centre and Horizon Hotel projects following the move to Alert Level 3 of the COVID-19 Alert system in New Zealand and we now expect Horizon Hotel to be delivered during 2021 and the New Zealand International Convention Centre to be completed during 2023.

The capital raising announced in June 2020 ensures that our major construction projects remain fully funded and that we are also able to continue with smaller projects that will enhance operations. The $230 million equity raising was well supported and underpinned the restructure of our debt facilities, enabling us to obtain covenant relief through to 30 June 2021, securing extensions to bank facilities due to mature in that period and

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additional debt facilities. We now have "buffer" facilities of liquidity available to draw down should the COVID-19 situation worsen, but at present this is not required. Dividends are currently suspended, but this will be reviewed against market and trading conditions during the financial year ending 30 June 2021.

A positive feature of the year has been the launch of SkyCity Online Casino, which operates out of Malta but provides an attractive online entertainment offering to New Zealanders. This business ramped up significantly from March 2020 and has now grown into a profitable operation despite the very low key and conservative approach taken in comparison to other offshore online businesses targeting New Zealanders. We observed a slight reduction in online gaming revenue following the reopening of the New Zealand properties in May 2020, but saw an increase in activity during the recent closure in Auckland in August 2020 with customer registrations currently over 35,000. We continue to prepare for a regulated online industry in New Zealand and are supportive of Government initiatives in this regard.

The result for the financial year ended 30 June 2020 is complicated by strategic actions taken in 2019 and 2020, the New Zealand International Convention Centre fire and COVID-19 related issues. Comparability between the FY19 and FY20 periods is impacted by COVID-19 related property closures and the sale of the long term concession over the SkyCity Auckland car parks (completed in early FY20). In determining normalised earnings relative to reported earnings, various adjustments have been made, including the New Zealand International Convention Centre fire impact, a number of COVID-19 related adjustments and a A$150 million impairment of the SkyCity Adelaide casino licence.

Our domestic businesses have been performing stronger than expectations when open in New Zealand and South Australia, although the outlook remains unpredictable as we adjust to new social and economic settings. We reasonably expect that, in the short to medium term, weaker economies, lower personal disposable income and changed entertainment habits, as well as longer term travel restrictions, will result in SkyCity being a smaller, domestically focused business. International Business should recover once travel restrictions are lifted, but the parts of our business driven by corporate travel and by tourism, such as our hotels and the Sky Tower, will take longer to recover.

SkyCity's strategic plan is focused on managing the post COVID-19 recovery and completing its major projects in Adelaide and Auckland, which will underpin medium term earnings and cash flow growth.

We are also able to continue with the many initiatives that we have underway under our sustainability pillars. Minimising harm to our customers remains our core focus and we have made a number of investments into technology over the past year, significantly improving the tools that we have. We will be investing further into digital technology to improve our customer experience. We have the challenge of rebuilding employee culture after the significant restructure and we are very focused on that as well as furthering initiatives relating to workplace flexibility and diversity. We have made good progress in refocusing our SkyCity Community Trusts in New Zealand on initiatives that will enhance the employability, wellbeing and advancement of youth and we have upweighted strategies to ensure our supply chain is ethical and supports local business. We have followed through on our commitment to go carbon neutral in Australia as planned (having gone neutral in New Zealand last year) and we are well advanced with solutions to reduce waste to landfill. The COVID-19 crisis has reinforced how important business profitability is as an underpin to any sustainability initiatives – something that perhaps we took for granted historically, but have now included as a critical element of being sustainable in the short and long term.

The past financial year has been incredibly challenging and stressful for the entire SkyCity family. We have had to make some significant, tough decisions to ensure that our business survives and continues to provide a great place to work and precincts enjoyed by thousands of our customers. The Board has been intimately involved with the executive team in making these decisions, but we would not be as well positioned were it not for the enormous amount of hard work and effort made by the wider teams at corporate and property levels. The energy, selfless commitment and willingness to keep stepping up the effort to deal with multiple challenges is a humbling reflection of the company culture and I would like to thank everyone for their unwavering support in these unprecedented times.



Graeme Stephens
Chief Executive Officer



SkyCity is investing A$330 million to transform SkyCity Adelaide into a world-class entertainment hub – the new 12-storey building features a sweeping, curved golden façade, a luxury 120-room hotel, restaurants and bars, conference and event facilities, a spa and wellness centre and expanded gaming experiences.

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About this Annual Report

This annual report is a review of SkyCity Entertainment Group Limited (SkyCity or the company and, together with its subsidiaries, the Group) and its subsidiary companies' performance for the financial year ended 30 June 2020. Where appropriate, information is also provided in relation to activities that have occurred after 30 June 2020, but prior to publication of this annual report.

This annual report has been prepared in accordance with the Listing Rules and Corporate Governance Code of NZX Limited, the New Zealand Companies Act 1993 and the New Zealand Financial Markets Conduct Act 2013 and (although SkyCity is not required to comply with ASX Listing Rule 4.10, which requires entities to include certain prescribed information in their annual reports, as it has a 'Foreign Exempt Listing' status on ASX Limited) substantially reflects the Listing Rules of ASX Limited and the Corporate Governance Principles and Recommendations (Fourth Edition) of the ASX Corporate Governance Council.

This annual report has also been prepared with due consideration of the International Integrated Reporting Council's International Integrated Reporting Framework. Integrated reporting applies principles and concepts that are focused on bringing greater cohesion and efficiency to the reporting process and adopting 'integrated thinking' as a way of breaking down internal silos and reducing duplication.

The non-financial information in this annual report has been informed by the principles and disclosures of the Global Reporting Initiative's (GRI) Sustainability Reporting Standards. Ernst & Young has undertaken limited assurance (in accordance with the International Standard on Assurance Engagements (New Zealand)) over disclosures associated with selected performance data included in the Sustainability section included in this annual report. A GRI reference index based on the GRI Sustainability Reporting Standards is included on pages 228–231 of this annual report.

The financial statements have been prepared in accordance with the International Financial Reporting Standards. This annual report includes both reported and normalised financial information. Our objective in providing normalised financial information is to provide data that is useful to the investment community in understanding the underlying operations of the SkyCity Group – the intention being to provide information which is representative of SkyCity's underlying performance (as a potential indicator of future performance), can be compared across years and can assist with comparison between publicly listed casino companies in New Zealand and Australia. This objective is achieved by:

- eliminating the inherent volatility (or 'luck' factor) from International Business, which has variable turnover and actual win percentage period to period;
- eliminating structural differences in the business between periods; and
- eliminating known different treatments with other New Zealand and Australian publicly listed casino companies.

Normalised numbers are a non-GAAP financial measure. A reconciliation of reported and normalised earnings and a description of the differences are provided on pages 224–227 of this annual report.

Certain totals, subtotals and percentages stated in this annual report may not agree throughout due to rounding.

Unless otherwise stated, all dollar amounts in this annual report are expressed in New Zealand dollars.

An electronic copy of this annual report is available in the Investor Centre section of the company's website at www.skycityentertainmentgroup.com.

This annual report is dated 3 September 2020 and is signed on behalf of the SkyCity Board by:

Rob Campbell
Chair

Bruce Carter
Deputy Chair

Year in Review

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2019

JULY

- Rollout of a refreshed SkyCity brand and logo across the New Zealand properties – with the new logo reflecting the sum of many parts of SkyCity's business and paying homage to the stars of the Southern Hemisphere

SEPTEMBER

- SkyCity announced as the 'Official Hotels and Entertainment Partner' for the Emirates Team New Zealand defence of the 36th America's Cup in March 2021

NOVEMBER

- Construction commenced on the All Blacks Experience, an exciting new venture between New Zealand Rugby and Ngāi Tahu Tourism, in the Federal Street precinct at SkyCity Auckland
- Six SkyCity Auckland restaurants included in the prestigious Cuisine Good Food Awards list for 2019 in New Zealand. The Grill was also awarded two hats and Depot, Gusto at the Grand and MASU by Nic Watt were each awarded one hat
- SkyCity Entertainment Group named a finalist in the Most Improved Performance category in the 2019 Deloitte Top 200 Awards

AUGUST

- SkyCity Online Casino launched in partnership with international iGaming company Gaming Innovation Group Inc
- Sale of long term concession over SkyCity Auckland car parks completed
- Launched new customer websites, and new apps for customers and SkyCity Premier Rewards members, in New Zealand

OCTOBER

- A significant fire broke out on the roof of the New Zealand International Convention Centre (under construction) resulting in significant disruption to the Auckland CBD, a three-day closure of the SkyCity Auckland precinct and significant delay to the completion dates for the New Zealand International Convention Centre and adjacent Horizon Hotel

DECEMBER

- New external LED lightbulbs installed on the Sky Tower, supporting SkyCity's climate change commitment to reduce carbon emissions from lighting the Sky Tower by 10%
- SkyCity joined the New Zealand Government's Energy Efficiency and Conservation Authority's Gen Less programme, which empowers New Zealand businesses and individuals to live a climate-friendly lifestyle by lowering energy consumption



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2020

JANUARY

- The Guardsman, a new bar and restaurant, opened at SkyCity Adelaide following a A$6 million restoration of the Adelaide Railway Station's former Great Dining Hall. The new venue pays homage to the Railway Station's rich heritage and features a grand central bar, open kitchen and a coffee front

FEBRUARY

- Fundraising activities across the Auckland, Adelaide and Hamilton properties raised over $55,000 for the South Australia Country Fire Service Foundation to acknowledge and support the devastating Australian bushfires

MARCH

- Completed a $5.5 million refurbishment of EIGHT, a VIP table game area, and a $6 million refurbishment of our International Business 'Horizon' gaming suites in Auckland
- All SkyCity properties closed on 23 March 2020 following announcements by the Australian and New Zealand Governments mandating their immediate closure in response to COVID-19

APRIL

- Changes implemented in response to COVID-19, including significantly reducing capital expenditure and minimising operating costs, including an immediate restructure of the management team and salaried employee base in New Zealand
- Eos by SkyCity announced as the name of the new 120-room luxury hotel being developed as part of the A$330 million SkyCity Adelaide expansion project, with the first guests expected to be welcomed in late 2020

MAY

- The SkyCity Auckland, Hamilton and Queenstown properties (excluding Wharf Casino) reopened on 14 May 2020 following the New Zealand Government's decision to move to Alert Level 2
- SkyCity moved forward to further reduce its New Zealand workforce and commenced consultation on a proposal to reduce its rostered (waged) staff due to the expected significant impact of COVID-19 on its operating environment and financial outlook

JUNE

- Launched a $230 million equity raising as part of a comprehensive funding plan to strengthen SkyCity's balance sheet in response to uncertainty around the impacts of COVID-19. In conjunction with the equity raising, SkyCity also secured the support of existing lenders by way of covenant waivers/relief, extensions to $170 million of upcoming debt maturities and $160 million in additional debt facilities
- S&P Global Ratings affirmed SkyCity Entertainment Group Limited's long term issuer credit rating and its debt issue ratings as BBB- (Negative Outlook)
- Restructure of the rostered (waged) workforce in New Zealand completed
- Awarded a Silver Award in the 2020 Australasian Reporting Awards and a Silver Award in the 2020 Australasian Sustainability Reporting Awards for SkyCity's 2019 annual report
- SkyCity Adelaide reopened on 29 June 2020 as part of the South Australian Government's three-stage approach to easing the COVID-19 restrictions



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Creating Value

Our Business

As at 30 June 2020

3,817 staff

5 properties across New Zealand and Australia

1 online casino

GAMING

5 land-based casino licences

273 table games

3,204 electronic gaming machines

307 automated table games

HOSPITALITY

19 restaurants

14 bars

HOTELS

635 hotel rooms

SKY TOWER

328 metres tall

FY20 REVENUE BY BUSINESS ACTIVITY

	Reported	Normalised
	%	%
Local Gaming	71%	67%
International Business	6%	10%
Hotel & Conventions	7%	6%
Food & Beverage	12%	10%
Other	4%	7%

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FY20 Outputs & Financial Results

FY20 revenue and annual visitation

GAMING

$496.0 million
including online (reported)

$601.3 million*
including online (normalised)

1.9 million
visits from loyalty card members to our land-based casinos**

HOSPITALITY

$76.8 million

3.5 million restaurant/bar covers

HOTELS

$34.6 million

158,377 rooms occupied

SKY TOWER

$14.9 million

410,321 visits

$125.5 million
in taxes to **Governments** (including GST, gaming tax and income tax)

$295.8 million
in remuneration and benefits to **staff**

$66.4 million
of dividends declared in relation to FY20 period for **shareholders**

$10.4 million
in **community contributions, levies and sponsorships**

$204.5 million
to **suppliers**

$347 million
of **capital invested**

$41.4 million
in interest paid to **lenders**

*Includes gaming GST.
**Calculated by reference to customers who used their SkyCity Premier Rewards cards to game, where one visit records a customer's patronage on a day irrespective of how many times they used their card on that day.

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FY20 Outcomes & Impacts

Our sustainability vision recognises that, to be a sustainable business, we must be a responsible business actively protecting and promoting the people we serve and the places we share, whilst creating value for our shareholders. SkyCity's sustainability initiatives are therefore focused on doing good for our customers, our employees, our communities, our suppliers, our environment and our shareholders.

OUR CUSTOMERS

Significant investment in additional host responsibility measures to improve our ability to detect excluded persons and continuous play, including the introduction of facial recognition technology across all SkyCity land-based casinos, which has led to a significant increase in the detection of excluded persons returning to a SkyCity casino in breach of their exclusion orders during the period.

43 cameras
installed across SkyCity casinos for facial recognition during FY20

1,757 ▲ customers
identified in breach of their exclusion orders during FY20
FY19 – 874

As at 30 June 2020

21,327 customers
have downloaded the new SkyCity app (launched in August 2019)

OUR PEOPLE

Establishment of a $1 million SkyCity Employee Hardship Fund, from funds contributed by the Senior Leadership Team and other senior executives across the business via voluntary salary reductions and voluntary contributions by other staff members, to assist employees impacted by COVID-19.

Downsized our New Zealand workforce by around
25% ▼
in response to COVID-19

ZERO
fatalities or serious injuries

8% ▼ reduction
in Total Recordable Incident Frequency Rate (TRIFR) from FY19 baseline

72% ▲ increase
in hazard identification reports from FY19 baseline

SkyCity's sustainability strategy is linked to seven of the 17 United Nations Sustainable Development Goals (a set of goals to end poverty, protect the planet, and ensure prosperity for all as part of a new sustainable development agenda) – Good Health and Well-being (Goal 3), Quality Education (Goal 4), Gender Equality (Goal 5), Decent Work and Economic Growth (Goal 8), Responsible Consumption and Production (Goal 12), Climate Action (Goal 13) and Partnerships to Achieve the Goal (Goal 17).

A full description of the Sustainable Development Goals is available at www.un.org/sustainabledevelopment. SkyCity recognises that, for the Goals to be achieved, everyone needs to do their part and business and industry play an important role. We are committed to playing our part in helping to achieve the Goals.

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OUR COMMUNITIES

Contributed a total of $3.7 million to the four New Zealand SkyCity Community Trusts for distribution to communities in the Auckland, Waikato, and Queenstown Lakes regions. In addition to company tax, SkyCity paid over $33 million in gaming tax and problem gaming levies derived from SkyCity's gaming operations.

$3.7 million
paid to the SkyCity Community Trusts
FY19 – $4 million

$33.1 million
paid in gaming taxes and problem gaming levies
FY19 – $43.1 million

OUR SUPPLIERS

SkyCity has approximately 800 key ongoing significant suppliers across the SkyCity Group, with a substantial number of these being in the food and beverage sector.

Over
$530 million
paid to suppliers of goods and services during FY20 (including capital expenditure)
FY19 – over $450 million

OUR ENVIRONMENT

SkyCity was among the first major New Zealand companies to go carbon neutral and was certified carbonzero by Toitū Envirocare in New Zealand in October 2019 having paid $86,000 to offset the equivalent of 12,866 tonnes of carbon (measured in FY19).

The carbon credits purchased through Toitū Envirocare are generated by international projects, which will fund 48,000 solar household cookers for rural communities in China and help build wind farm capacity in India to replace fossil fuel alternatives.

Certified carbonzero in New Zealand by offsetting in FY20 the equivalent of
12,866 tonnes CO2e

15,137 tonnes CO2e
total carbon footprint
FY19 – 19,093 tonnes CO2e

Sky Tower lighting upgraded to LED resulting in a
10% energy saving

OUR SHAREHOLDERS

10 cents
total dividend per share (fully imputed)
FY19 – 20 cents per share

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) has confirmed that SkyCity Entertainment Group has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series.

Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

FTSE4Good

Performance

FY20 Highlights

SkyCity's financial result for the financial year ended 30 June 2020 has been significantly impacted by the New Zealand International Convention Centre fire and COVID-19 pandemic that emerged in New Zealand and Australia in early 2020, with normalised EBITDA and NPAT for the Group for the period to 30 June 2020 negatively impacted but at the top-end of the guidance range provided at the time of our equity raising in June 2020.

Our reported results were up significantly over the prior year however due to accounting for the New Zealand International Convention Centre fire and the gain from the sale of the long term concession of the SkyCity Auckland car park, partially offset by a A$150 million impairment of the Adelaide casino licence.

Pleasingly, our domestic business (which has historically accounted for over 85% of Group EBITDA) has demonstrated its resilience and traded well ahead of expectations when open and fully operational following the property closures in March 2020.

The key features of the FY20 result are:

EBITDA

Reported
$348.3 million

Normalised
$200.7 million

NPAT

Reported
$235.4 million

Normalised
$66.3 million

DIVIDEND

Interim dividend* (fully imputed) of
10 cents per share

EQUITY RAISING

$230 million
equity raising launched in June 2020 and successfully completed during June and July 2020

SKYCITY ONLINE CASINO

Over
35,000 customer registrations

SkyCity Online Casino has grown rapidly since its launch in August 2019 despite operational constraints, with significant growth in its customer base over the period – with over 35,000 customer registrations as at 31 August 2020 – and the business being profitable since April 2020

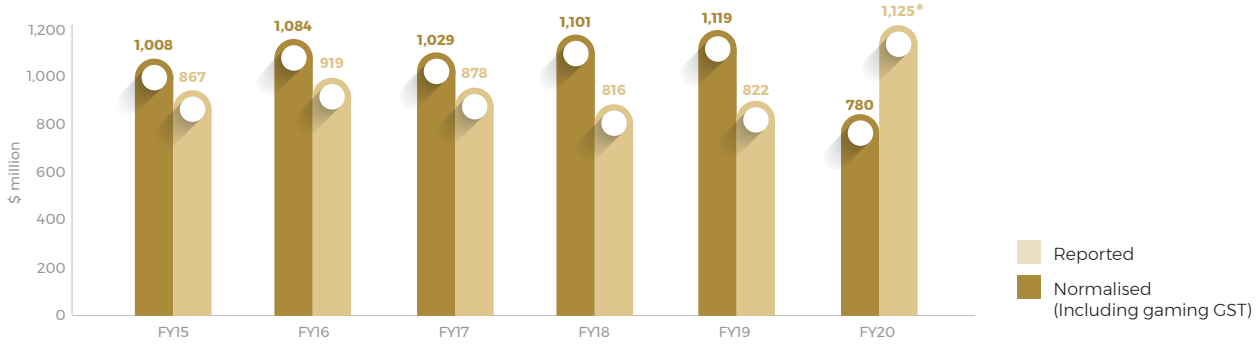
*A final dividend was not declared for FY20 due to restrictions in the covenant waivers/relief secured as part of the funding plan announced by the company in June 2020.

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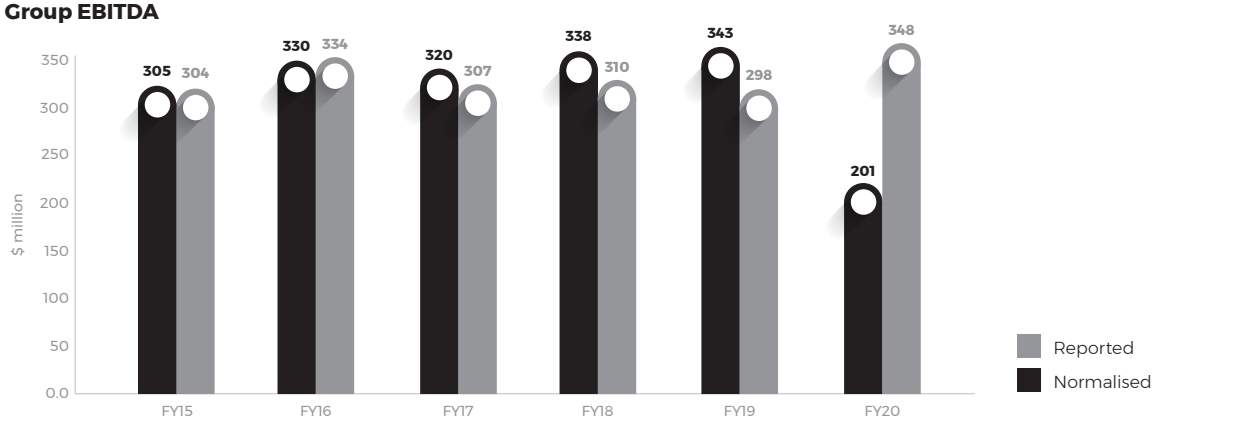
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Our Performance History

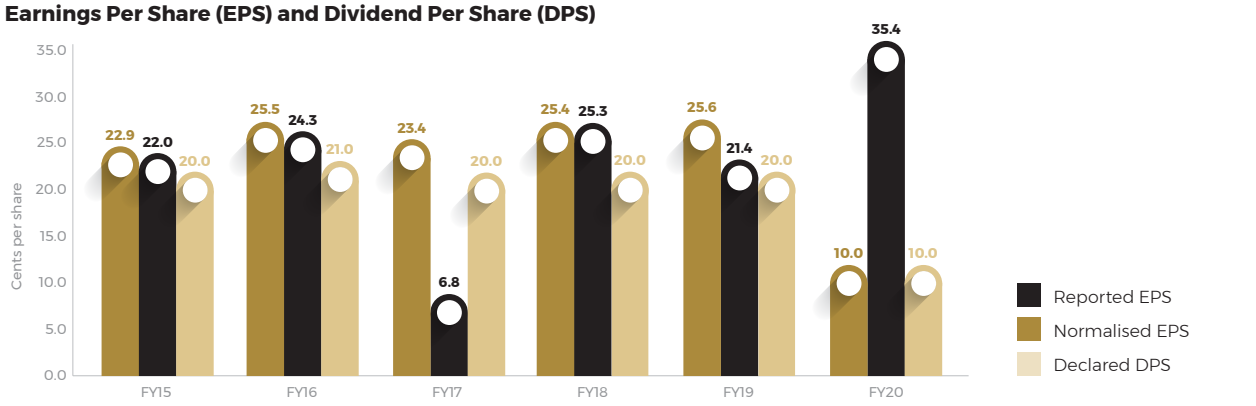
Group Revenue



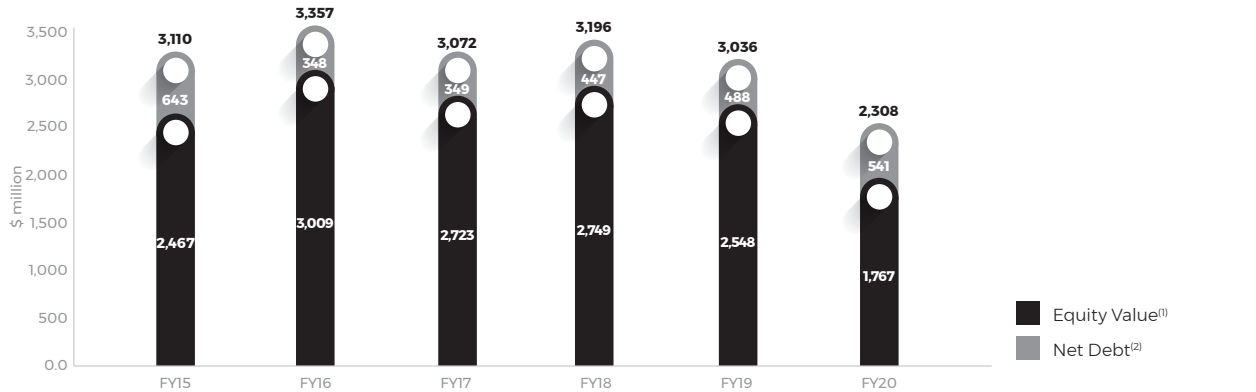
Group EBITDA



Earnings Per Share (EPS) and Dividend Per Share (DPS)



Enterprise Value



(1) Based on the share price and number of shares on issue as at 30 June in each financial year.
(2) Gross hedged debt less cash at bank as at 30 June in each financial year.

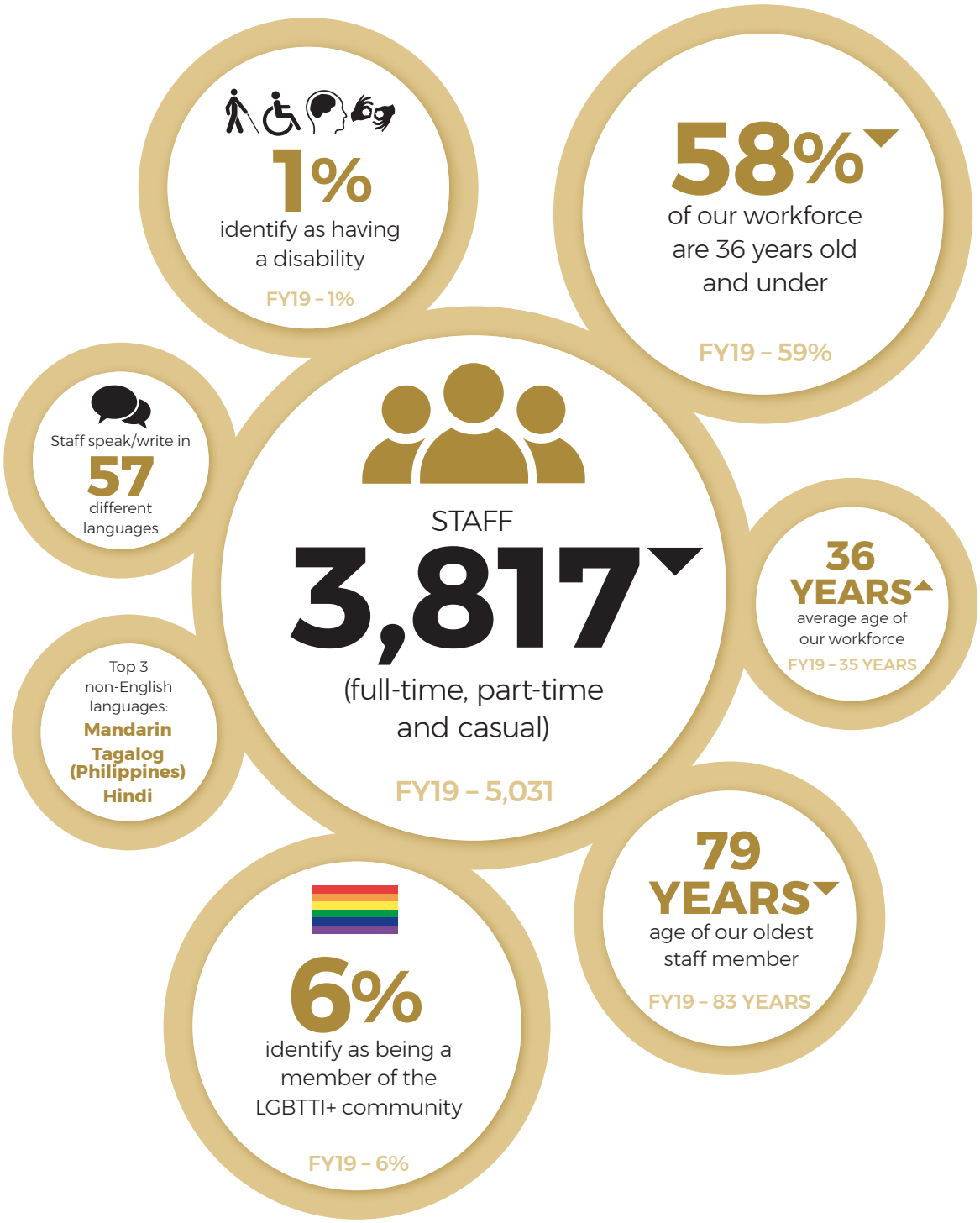
*This is a summation of the first six lines on the face of the Income Statement.

Note: FY19 and prior year results include the Darwin operations.

Diversity Snapshot

SkyCity is a major employer with over 3,800 staff. We employ a diverse range of people at all skill levels and aim to create an environment where people are at the centre, are motivated to work hard, progress in their careers and are empowered to grow and achieve.

The following graphic shows the diverse makeup of our workforce as at 30 June 2020 and, where relevant, as a comparison against our workforce numbers as at 30 June 2019.



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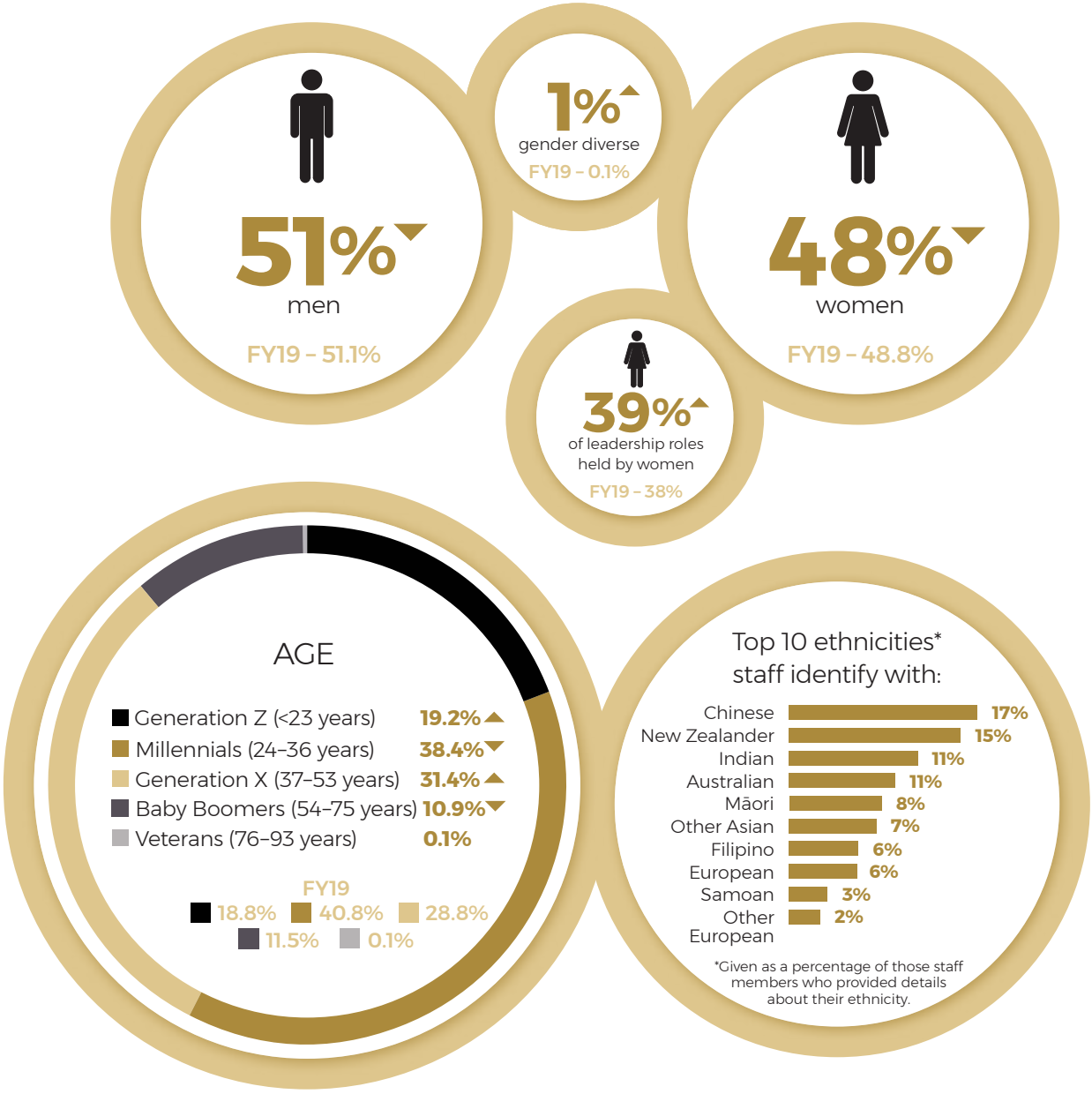
The gender composition of SkyCity's directors, officers, senior executives and total workforce as at 30 June 2020 and, comparatively as at 30 June 2019, is set out below:

	Female		Male		
2020	Number	%	Number	%	Total
Directors	2	40%	3	60%	5
Officers	3	43%	4	57%	7
Senior Executives	4	40%	6	60%	10
Total Workforce	**1,832**	**48%**	**1,980**	**52%**	**3,812**

	Female		Male		
2019	Number	%	Number	%	Total
Directors	2	33%	4	67%	6
Officers	3	38%	5	62%	8
Senior Executives	4	36%	7	64%	11
Total Workforce	**2,456**	**49%**	**2,569**	**51%**	**5,025**

In the above tables:

- 'officers' are the Chief Executive Officer and those directly reporting to the Chief Executive Officer, other than the Executive Assistant;
- 'senior executives' are, with the exception of the Chief Executive Officer, those who hold a strategic position (as determined by the People and Culture Committee from time to time) and are noted as a 'senior executive' in the SkyCity Board Charter; and
- the 'total workforce' number does not include those who identify as gender diverse and those who elected not to identify as being female, male or gender diverse.





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Communities need good businesses

By creating value for others,
we create value for SkyCity.

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Group Strategy

In 2018, we announced a refreshed Group medium term strategy which has a clear focus on the creation of both sustainable shareholder returns and enhanced social and sustainability initiatives critical to the long term viability and success of SkyCity.

Key considerations when setting the strategy in 2018 were:

- profitability of our business is roughly 80% from New Zealand and 20% from Australia. Shareholders are comfortable with the relatively low country risk and regulatory environments that these jurisdictions offer and we are likely to remain focused on this region for the foreseeable future;
- our business is predominantly gaming-led, with roughly 80% currently coming from the casino component. The long term, exclusive nature of our land-based casino licences provides a solid underpin to the risk profile of the business. We have strategically evaluated our existing casino licences to ensure we are maximising the potential within them and have identified further opportunity for growth;
- there are unlikely to be many (if any) new land-based casino licence opportunities in our jurisdictions of operation, so growth (other than organic growth) will have to come from other lines of business. The balance of our business essentially derives from hotels and restaurants. Our restaurants are relatively low margin and exist primarily to service our gaming, hotel and conventions customers and to ensure that our destinations remain relevant in their communities. Our hotels are higher margin businesses and there is an opportunity to scale up our portfolio and expertise;
- we are cognisant of a strategic need to remain abreast of developments in the online and digital space and, where appropriate, to ensure that we take up opportunities that will ensure we continue to offer a relevant form of entertainment;
- a review of our existing precincts to ensure that we are maximising opportunities has highlighted areas of potential investment into premium gaming spaces, hotels (as highlighted above) and entertainment to ensure our destinations remain relevant to customer demand. Where necessary, we are prepared to acquire property to ensure we are future-proofed;
- we have two major projects in progress which still require significant investment to complete over the next few years. While we are very comfortable with our ability to service and repay the debt funding for these projects, we currently have limited debt capacity for other expansionary projects or initiatives in the short term. Any funding requirements for new initiatives will be raised through sale of non-core assets and/or partnering using a "capital lighter" approach; and
- the relatively high dividend yield that SkyCity offers is valued by shareholders and should be preserved and recognised when looking at any future funding requirements.

Despite the challenges presented by the COVID-19 global pandemic, SkyCity's Group strategy remains relevant today with an immediate focus on managing the post COVID-19 recovery and completing the major projects in Adelaide and Auckland which will underpin medium term earnings and cash flow growth. The investments we make generate wide-ranging benefits for our communities and through the New Zealand International Convention Centre and Horizon Hotel project in Auckland, plus the casino expansion and 'Eos by SkyCity' hotel development in Adelaide, we will support the economic and tourism recoveries in both communities.

Given the uncertainty still facing the business however, it is unlikely that any large, new, capital intensive developments will be advanced. The balance sheet capacity and liquidity buffers will be preserved to protect against possible trading downside scenarios and potential future COVID-19 related closures. Consequently, hotel development and property master planning and development initiatives are currently on hold although still continue to be refined.

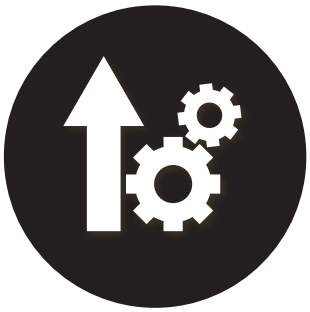
SkyCity has historically delivered a relatively high dividend yield for shareholders – however, dividends are currently suspended due to covenant waivers/relief secured as part of the funding plan announced in June 2020. SkyCity will be reviewing its dividend policy over the coming months with the aim of resuming dividend payments later in 2021.

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Our **Vision**

To be the leader in gaming, entertainment and hospitality in our communities

Our **Business Goals**



Improve our operating performance



Optimise our existing portfolio



Grow and diversify our business

Our **Character & Culture Goals**



Offer a great and safe place to work



Always put customers first



Be responsible leaders in our communities

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This section provides a summary of SkyCity's performance and strategic positioning to create value during the financial year ended 30 June 2020 and our priorities for the year ahead.

FY20 Performance – Our Business Goals

Improve our Operating Performance

During the year in review, SkyCity faced significant challenges arising from the fire at the New Zealand International Convention Centre and the impacts of COVID-19. We were able to move quickly to right size our operations for our expected future demand environment and to stand up our operations on reopening. Following implementation of the labour restructure in New Zealand during the period, SkyCity expects to deliver $50 million in annualised cost savings and a more flexible and resilient operating model going forward to be able to effectively manage an uncertain domestic and international environment.

The benefits of investment in new gaming product, product management and changes to floor layout continue to be realised across the Group, particularly in Auckland, as is our ongoing investment in premium/VIP gaming. SkyCity continues to leverage complementary assets to drive gaming visitation (ie. hotels, car parking and casino food and beverage) and focus on targeted and tactical marketing as a cost-effective tool for driving profitable visitation. The strong performance of our gaming machine business when open post property closures has been particularly pleasing given its importance to Group earnings and value.

We continue to make good progress on our ICT investment and digital capability. We have delivered significant change to critical ICT infrastructure and are now at a point where we can focus on initiatives to enhance the customer experience, centred around web and mobile, customer relationship management and data analytics.

Optimise our Existing Portfolio

We have progressed a number of key initiatives to optimise our existing portfolio over the year in review.

Excellent progress has been made on the SkyCity Adelaide expansion project during the year. The project is progressing well and is due to open before the end of 2020. In addition, the significant master planning works for the existing SkyCity Adelaide business within the Railway Station building remain on track to complete in time for the expansion opening. We expect to open the facilities in a staged manner, reflecting customer demand, with a focus initially on local and interstate customers (given expected ongoing international border closures). Significant focus is being given to preparing SkyCity Adelaide for operationalisation to ensure a smooth handover and ensure we can hit the ground running from opening. We are currently in the process of hiring up to 700 new employees who will be required when the expansion is fully operational and expect to implement new regulatory reforms (banknote acceptors, ticket-in ticket-out (TITO) technology on the main gaming floor and a multi-protocol gaming system) from October 2020, following completion of the South Australian Government's regulatory review. Walker Corporation, which is developing Festival Plaza and a 1,500-space car park (adjacent to SkyCity Adelaide), is progressing satisfactorily, but slightly behind schedule, and we now expect the car park to be handed over towards the end of FY21. SkyCity still expects to deliver the project in-line with its A$330 million budget and that the project will transform SkyCity Adelaide into a world-class entertainment complex. As previously flagged, SkyCity has booked a A$150 million impairment of SkyCity Adelaide's carrying value due to the revised timeframe to achieve long term potential earnings post expansion, exacerbated by the impact of COVID-19 – this is a non-cash item which reduces intangible asset value (casino licence) and does not impact debt covenant calculations.

The fire at the New Zealand International Convention Centre (NZICC) site during October 2019, coupled with disruptions to construction activity as a consequence of COVID-19 restrictions, has resulted in further significant delays to the project. At this stage, we expect Horizon Hotel to be completed during 2021 and the NZICC during 2023, with the possibility of hosting conferences by late 2023 or early 2024. We expect the 600 car parks damaged by the fire to be returned by the end of FY21 and the balance of the car parks (650 spaces) alongside completion of the NZICC. Despite the impacts of the fire and COVID-19 on the project timetable and delivery, we remain comfortable with our contractual position – Fletcher Construction is required to complete the project and, during May 2020, we secured a two-year extension to the long stop date to complete the NZICC (to 2 January 2025) with the New Zealand Government.

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As previously reported, appropriate project insurance is responding to the NZICC and Horizon Hotel reinstatement, with the first tranche of the insurance proceeds (totalling $105 million) received. We expect the total cost to reinstate the NZICC and Horizon Hotel to be fully covered by insurance and, accordingly, there are no changes to previous guidance for the total project costs to SkyCity (of around $750 million). Whilst the further delays on the project are regrettable, the long term investment thesis for the project remains intact – the NZICC will support long term growth in tourism expenditure and be a significant demand driver for our Auckland precinct, in addition to having secured an exclusive casino licence for our key property out to 2048.

Beyond the major projects, master planning and development opportunities in Auckland, Hamilton and Queenstown continue to be refined – however, major decisions are currently paused due to COVID-19, balance sheet constraints for the foreseeable future and an uncertain outlook for our tourism-related businesses. Significant long term option value remains embedded in our Auckland precinct (including 2,500sqm of land able to be developed) and a potential hotel opportunity in Hamilton, whilst currently 'on hold', is a complementary asset which would support long term growth of the property. We continue to evaluate future options for our Queenstown properties given their reliance on VIP gaming and international tourists. A range of other smaller projects were completed during the year in review – most notably, the major refurbishment and expansion of premium gaming facilities in Auckland and upgrades to Marble Hall and associated facilities at SkyCity Adelaide, which included the opening of The Guardsman, a South Australian themed restaurant and bar in the historic Railway Station building.

We are continuing to progress further opportunities to release capital from property assets and restructure over the medium term, which includes exploring an internal restructuring of our operations and property assets. A potential opportunity exists to establish standalone funding structures and unlock unrecognised value in property assets (with an estimated fair value of $2 billion of land and buildings owned as at 30 June 2020) – with our intention to separately report our operations and property assets once the internal restructure is complete. We continue to evaluate the potential sale of certain non-core assets, such as the AA Centre (SkyCity HQ) in Auckland once current building works and leasing are completed.

SkyCity remains focused on effective capital discipline and, following announcement of our funding plan which included a $230 million equity raising successfully executed during June and July 2020, our balance sheet is in a strong position to deliver on our medium term strategic plan. Following the equity raising, we have sufficient liquidity to fund our major projects in Adelaide and Auckland and to respond to a range of downside scenarios, including a longer and more protracted recovery in New Zealand and Australia and/or further COVID-19 disruptions. Our balance sheet capacity for future growth projects and/or capital management will be reviewed when we are no longer in reliance on covenant waivers/relief secured as part of the funding plan and the domestic and international environment becomes more certain. We remain committed to our BBB- (negative outlook) credit rating which S&P Global Ratings re-affirmed following the equity raising and well positioned to raise further debt capital if required in the future.

Grow and Diversify our Business

We launched SkyCity Online Casino, an offshore online casino, in August 2019 with Gaming Innovation Group (GiG) via a Malta-based subsidiary. The site, which offers high quality host responsibility and a brand name New Zealanders can trust, has seen strong growth during FY20 with over 25,000 customer registrations by year-end (over 35,000 as at the end of August 2020) and the business trading profitably from April 2020. GiG provides SkyCity with a full-suite online casino solution, which includes a technical platform, gaming content, managed services and front-end development. SkyCity supports future regulation of the New Zealand online casino market, including introducing an appropriate licensing

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regime for operators and imposing taxes and host responsibility requirements. Following a public consultation commenced during 2019, the Department of Internal Affairs (the New Zealand gambling regulator) is developing a policy framework for potential regulation. While ultimately a regulated online gaming market in New Zealand remains the preferred solution for SkyCity, the launch of SkyCity Online Casino is an important step on the journey of pursuing opportunities to grow and diversify our earnings, addressing a fast growing industry which is highly complementary to our land-based activities and offering customers a multi-channel gaming experience.

SkyCity's strategy for growing its hotel business remains focused on the successful delivery of Eos by SkyCity and the Horizon Hotel in Auckland over the next 12–18 months. Longer term hotel development opportunities on existing precincts continue to be refined, but major decisions are currently paused due to COVID-19.

As an entertainment and hospitality provider, SkyCity is challenged to stay relevant in relation to new forms of entertainment. In addition to our foray into online gaming, by late 2020, the existing SkyCity Auckland Convention Centre will become home to the All Blacks Experience and Weta Workshop, both providing unique, interactive customer experiences. Federal Street will become Auckland's leading entertainment zone ensuring the long term relevance of our precinct and appeal to a broad range of demographics.

SkyCity also continues to monitor and evaluate regional merger and acquisition opportunities in its industry, noting that inorganic growth opportunities are likely to emerge as a consequence of the impact of COVID-19 on the casino industry and both the domestic and global economies.

FY20 Performance – Our Character and Culture Goals

At SkyCity, we need to continually focus on protecting and enhancing our social licence to operate. Following good progress during FY18 and FY19, we have continued to invest in key sustainability initiatives, particularly in the areas of diversity and inclusion. We continue to actively promote women into leadership positions and are proud of the gender and cultural diversity we have across the business. We are also committed to providing safe, fun and progressive environments for our customers, suppliers and staff. We continue to deliver on our Group health and safety strategy, which is centred around preventing harm and building awareness, particularly in response to the risks posed by COVID-19 in our communities. We remain focused on youth development and supporting our most vulnerable staff. We continue to meaningfully reduce our gender pay gap across the New Zealand businesses and the final instalment of our '$20 by 2020' wage initiative is scheduled to be implemented in New Zealand by the end of 2020.

Being a responsible member of our community remains a key aspect of our sustainability framework and Group strategic plan. In the year in review, we achieved carbon neutral status across our New Zealand operations, launched allocations for our employee-led SkyCity Green Fund (which will invest in projects globally to offset emissions) and implemented initiatives to reduce waste to landfill and water usage. We have refocused the SkyCity Community Trusts to ensure targeted allocations and contributions go to those causes most worthy within our communities. The establishment of the SkyCity Employee Hardship Fund in April 2020, totalling $1 million, has assisted staff facing financial difficulties as a consequence of the impacts of COVID-19.

At SkyCity, we are proud of, and rely on, our culture of compliance, which encourages people to focus on doing the right thing by themselves, their teammates, the company and stakeholders. To ensure our future success across various financial, social and human capitals, it is important to continue conducting our business holistically within the terms of our sustainability framework.

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Outlook for FY21

Assuming there is no adverse change to the current COVID-19 outlook in New Zealand and South Australia, we expect Group normalised EBITDA to be above FY20, but still below pre-COVID-19 and FY19 levels.

We expect the domestic businesses to continue to perform well when open (although we remain well prepared for the possibility of further closures), but are planning for negligible International Business and international tourism activity due to ongoing international border closures. At a property/unit level:

- Auckland performance is expected to return to trends observed prior to the second property closure in August 2020, driven by a resilient domestic gaming performance and cost savings, offset by weaker performance from non-gaming businesses;
- Hamilton is expected to deliver good performance versus the prior comparable period – predominantly domestic business underpinned by positive gaming machine activity and cost savings;
- Queenstown is expected to be adversely impacted by continuing international border restrictions;
- the Adelaide expansion is expected to open in phases during FY21 (depending on the operating environment due to COVID-19) and we expect EBITDA to be broadly consistent with FY19 levels;
- negligible International Business turnover is expected, with fixed operating costs for International Business of around $750,000 per month; and
- SkyCity Online Casino is expected to deliver a more meaningful contribution.

SkyCity's dividend policy is to be reviewed during 1H21. We are not currently able to pay an interim dividend due to reliance on covenant waiver/relief (for the December 2020 testing period) secured as part of the funding plan announced in June 2020, but are expecting to pay a final dividend for FY21 in September or October 2021 if there are no significant adverse changes to the current COVID-19 status in New Zealand and South Australia.

Our Business Goals	FY21 Priorities
Improve our operating performance	• Manage COVID-19 recovery following reopening of properties • Maintain a flexible operating model to respond to COVID-19 restrictions • Increased focus on customer experience management (CXM) and data analytics • Continue growth in core Auckland gaming business • Implement new information and communications technology (ICT) systems, including data management, Internet Protocol television (IPTV) and facial recognition • Continue to pursue operating efficiencies and cost savings
Optimise our existing portfolio	• Complete SkyCity Adelaide expansion project by the end of 2020 and leverage benefits • Manage reinstatement of the New Zealand International Convention Centre and Horizon Hotel project following the fire and impacts of COVID-19 • Enhance Auckland main gaming floor customer experience, including new bar and food court • Enhance Auckland VIP gaming experience, including launching BLACK – a new gaming area for our VIP customers • Refine development opportunities in Auckland, Hamilton and Queenstown • Explore potential sale of non-core assets, such as the AA Centre (SkyCity HQ) in Auckland

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Our Business Goals	FY21 Priorities
Grow and diversify our business	• Progress opportunity to address online casino market in New Zealand • Monitor and evaluate regional merger and acquisition opportunities in our industry • Support opening of new entertainment attractions, All Blacks Experience and Weta Workshop, in Auckland
Our Character and Culture Goals	**FY21 Priorities**
Offer a great and safe place to work	• Focus on maintaining staff resilience, morale and motivation • Maintain a cohesive management team focused on strengthening the SkyCity culture • Continuous improvement in health and safety performance • Continue to promote awareness of mental health risks • Zero work-related fatalities on our sites and/or sites where SkyCity has primary control or management responsibilities • Deliver employment opportunities for youth through our Project Nikau programme • Maintain labour practices commensurate with an employer of choice • Undertake safety engagement activities that promote active and visible safety leadership
Always put customers first	• Maintain best practice host responsibility standards across all properties • Enhance our facial recognition systems • Build foundations for a new customer data platform to provide more relevant insights and communications • Continue to improve the performance of the SkyCity Premier Rewards loyalty programme and customer experiences across each property
Be responsible leaders in our communities	• Maintain leading position on diversity and inclusion through active engagement on issues and with stakeholder groups • Measure and reduce SkyCity's carbon footprint and retain carbon neutral status • Successfully allocate funds from the SkyCity Employee Hardship Fund to support staff impacted by COVID-19 • Commence allocations to projects nominated by the employee-led SkyCity Green Fund • Implement initiatives to reduce waste to landfill and water usage

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Delivering memorable entertainment experiences

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About SkyCity

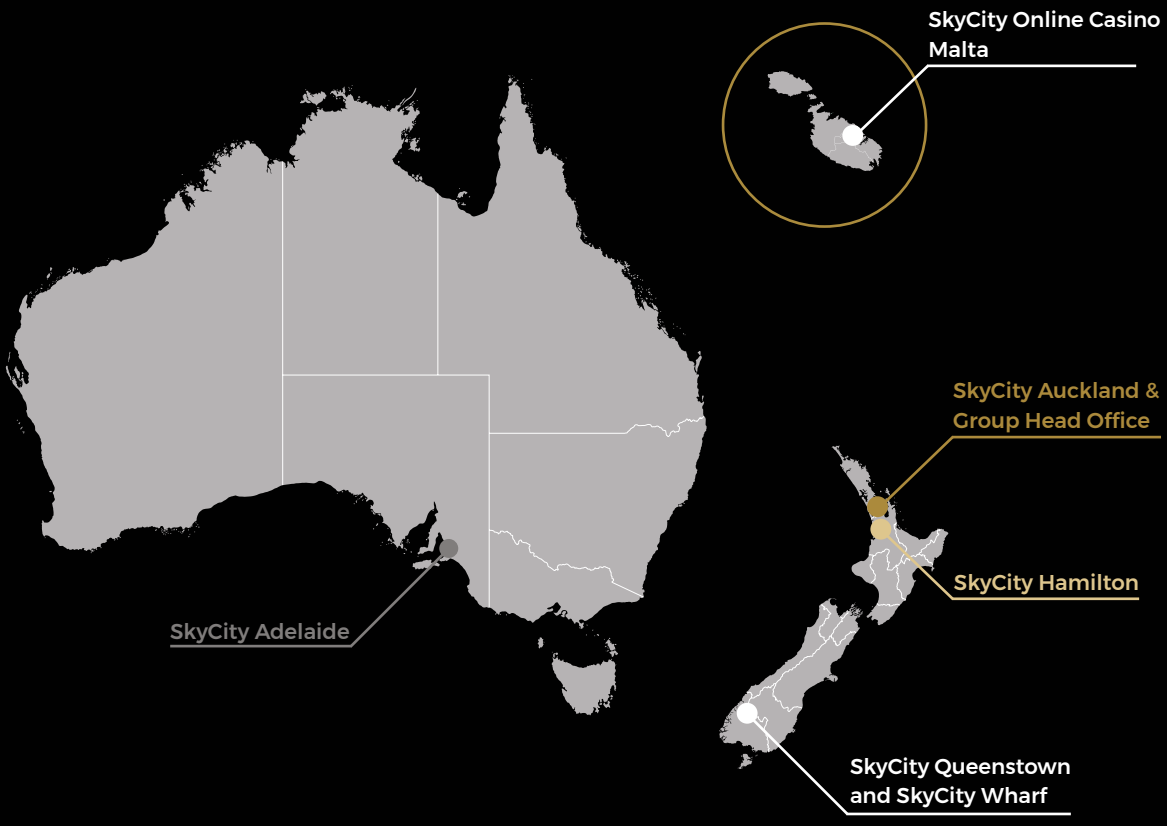
SkyCity is New Zealand's largest tourism, leisure and entertainment company and is dual listed on the New Zealand and Australian stock exchanges.

As one of three major publicly listed casino operators in Australasia, SkyCity operates integrated entertainment complexes in New Zealand (in Auckland, Hamilton and Queenstown) and in Adelaide, Australia – each featuring casino gaming facilities and premium restaurants and bars, which appeal to both domestic and international visitors alike.

SkyCity also offers award-winning hotel accommodation in Auckland at The Grand by SkyCity and SkyCity Hotel. SkyCity's hotel offering will shortly be complemented by Eos by SkyCity, a new 120-room luxury hotel due to open in Adelaide, South Australia, before the end of 2020 and Horizon Hotel, a new 300-room 5-star hotel now expected to be completed in Auckland during 2021 (having been impacted by the significant fire that broke out at the New Zealand International Convention Centre in October 2019 and the COVID-19 pandemic).

In August 2019, SkyCity launched SkyCity Online Casino, an offshore online gaming business for New Zealanders, as a logical extension of its land-based casino operations. Whilst the business is still very much in its infancy, SkyCity is encouraged by SkyCity Online Casino's performance since launch. As at 31 August 2020, there were over 35,000 registered SkyCity Online Casino customers.

SkyCity employs over 3,800 staff across its operations in New Zealand and Australia across more than 180 job types, with around 2,500 staff based at its flagship property in Auckland.



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OUR HISTORY AT A GLANCE

2020
- COVID-19 pandemic temporarily closes all SkyCity properties in New Zealand and Adelaide, South Australia

2019
- SkyCity sells SkyCity Darwin
- SkyCity Online Casino launches offshore
- SkyCity sells long term concession (licence to operate) over SkyCity Auckland car parks to Macquarie Principal Finance Group
- A significant fire broke out at the New Zealand International Convention Centre (under construction)

2018
- Construction commences on the SkyCity Adelaide expansion project

2016
- The first sod was turned on the New Zealand International Convention Centre/Horizon Hotel site

2013
- SkyCity acquires SkyCity Wharf in Queenstown

2012
- SkyCity acquires full ownership of SkyCity Queenstown

2005
- SkyCity acquires full ownership of SkyCity Hamilton

2004
- SkyCity acquires SkyCity Darwin

2002
- SkyCity Hamilton opens

2000
- SkyCity Queenstown opens
- SkyCity acquires SkyCity Adelaide

1999
- SkyCity lists on the Australian stock exchange

1998
- Harrah's management contract ends and SkyCity becomes a New Zealand-managed operation

1997
- Sky Tower opens in Auckland

1996
- SkyCity opens its flagship SkyCity Auckland complex with Harrah's Entertainment (now Caesars Entertainment), the largest casino entertainment operator in the United States, as the operator
- SkyCity lists on the New Zealand stock exchange

1994
- Construction of the SkyCity Auckland complex commences

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Auckland

Property	SkyCity Auckland, New Zealand
General Manager	 Michael Ahearne, Chief Operating Officer
Opened	1996
Casino Venue Licence	Runs until 2048*
Facilities	• Casino • Hotels • Food and beverage • Entertainment • esports broadcasting studio • Out-catering • Car parking • Sky Tower • Theatre • Telecommunications and broadcasting facilities
Licensed Gaming Product	• 1,877 electronic gaming machines • 150 table games • 240 automated table games
Workforce	~2,500 staff
FY20 Revenue	$451.0 million** (reported) $497.3 million (normalised)

*The casino venue licence can be renewed for a further period of 15 years pursuant to sections 134–138 of the New Zealand Gambling Act 2003.
**Excludes New Zealand International Convention Centre fire income and the sale of the Auckland car park concession.

Located in the heart of Auckland's CBD, SkyCity Auckland is the flagship property of the SkyCity Entertainment Group and features a casino, two award-winning hotels – The Grand by SkyCity and SkyCity Hotel, bars and restaurants, a 700-seat theatre and the iconic Sky Tower.

Opened in 1997, the 328-metre tall Sky Tower has been an icon of Auckland's skyline for over 20 years and attracts over 500,000 visitors each year. As the tallest free-standing structure in the Southern Hemisphere, visitors can enjoy breathtaking views right across Auckland from the Sky Tower's two observation decks or while dining in one of three restaurants in the Sky Tower, including Auckland's only 360-degree revolving restaurant. At the very top of the Sky Tower, a 93-metre communications mast accommodating VHF, UHF, AM and FM broadcasting and telecommunications antennas provides telecommunications and broadcasting facilities to the telecommunications industry. The Sky Tower is also home to New Zealand's only esports broadcasting studio.

SkyCity is currently investing more than $700 million within the SkyCity Auckland precinct with the development of the New Zealand International Convention Centre, an adjacent laneway, over 1,250 additional car parking spaces and the new 300-room, 5-star Horizon Hotel. This development was originally expected to be completed in 2019 – however, due to initial delays by the contractor, the significant fire that broke out at the New Zealand International Convention Centre in October 2019 and the subsequent impacts of the COVID-19 pandemic that emerged in early 2020,

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Horizon Hotel is now expected to be completed during 2021 and the New Zealand International Convention Centre and adjacent laneway are expected to be completed during 2023.

The New Zealand International Convention Centre will be New Zealand's premier convention centre enabling New Zealand to attract major international conferences as well as having capability for sporting events, theatre and musical performances. The centre is designed to be a welcoming, open building complemented by a fresh new streetscape for local, national and international visitors alike to enjoy. Two of the largest pieces of public art ever created in New Zealand, commissioned by SkyCity from New Zealand artists Sara Hughes and Peata Larkin, will adorn the exterior of the New Zealand International Convention Centre and span a total of 5,760sqm.

The 5-star Horizon Hotel will bring 300 new high-end rooms to the Auckland CBD and will be uniquely connected via an air bridge over Hobson Street to three city centre blocks across the New Zealand International Convention Centre and SkyCity Auckland's entertainment precinct. It will also be located directly above a new retail and dining laneway that will connect Nelson and Hobson Streets, and adjacent to Federal Street's award-winning restaurants and bars.

During the last financial year, SkyCity completed a $5.5 million refurbishment of EIGHT, a VIP table game area located on Level 8 of the SkyCity Auckland main site. A new $22 million BLACK and Ultra VIP gaming machine area on Level 9 of the SkyCity Auckland main site was scheduled to open in April 2020 but, due to COVID-19 related delays, will now open later this year. These new areas will provide an unrivalled VIP offering and experience to our domestic VIP customers.

Two new attractions are expected to open at SkyCity Auckland before the end of 2020. The All Blacks Experience is a joint venture between New Zealand Rugby and Ngāi Tahu Tourism and will provide visitors with a state-of-the-art, interactive experience showcasing the All Blacks. Through the use of innovation and technology, it will provide a full sensory, interactive, and immersive experience for all New Zealanders and visitors to celebrate New Zealand's rugby heritage, achievements and culture – bringing together the stories of our rugby legends, the drama and excitement of test match rugby, and the mastery and legacy of the All Blacks. Academy Award-winning design and effects company Weta Workshop will open an immersive attraction to complement its behind-the-scenes tours at their Miramar headquarters in Wellington.

Over the last financial year, we have also continued to evaluate our master plan for the SkyCity Auckland complex with ongoing concept development and feasibility analysis to explore opportunities for further accommodation, food and beverage, new gaming spaces and entertainment offerings. Our vision is for SkyCity Auckland to be a customer-centred destination with an ecosystem of mutually beneficial places – buildings, experiences and public spaces. As part of this broader master planning programme, SkyCity has acquired over $100 million of property around the SkyCity Auckland precinct over recent years – with the SkyCity Auckland footprint now spanning the majority of three blocks in the Auckland CBD (~3.5 hectares) with ~295,000sqm of gross floor area. In light of the COVID-19 pandemic, it is unlikely that any significant commitments will be made in the short term until there is greater certainty of the domestic and international economic environments.

FY20 PERFORMANCE

SkyCity Auckland delivered a robust performance in FY20 despite significant external events impacting the business. Good momentum was achieved prior to the fire at the New Zealand International Convention Centre and impact of COVID-19, including record local gaming activity for the eight months to 29 February 2020.

The property achieved positive performance from reopening in mid-May 2020 until the further mandated closure on 12 August 2020 (in response to an isolated COVID-19 outbreak in the greater Auckland area), particularly from gaming machines, despite reduced capacity and limited marketing and promotional activity. The non-gaming businesses performed satisfactorily, particularly the hotels. Local gaming activity during the period from 1 June – 11 August 2020 returned to pre-COVID-19 levels.

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The new BLACK gaming machine area at SkyCity Auckland will cater for our domestic VIP customers.

FY20 ACHIEVEMENTS

The Sugar Club and Huami were both named in Metro Magazine's 2019 Top 50 Bars (August 2019)

East Day Spa, located in The Grand by SkyCity, was named New Zealand's Best Hotel Spa at the 2019 World Spa Awards (October 2019)

Six SkyCity Auckland signature restaurants, The Grill, Gusto at the Grand, MASU by Nic Watt, Depot, Federal Delicatessen and Huami, were named in the prestigious 2019 Cuisine Good Food Awards list, with The Grill receiving two hats and each of Depot, Gusto at the Grand and MASU by Nic Watt receiving one hat (November 2019)

The Sky Tower was named by TripAdvisor as #1 of 203 things to do in Auckland Central

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Hamilton

Property	SkyCity Hamilton, New Zealand
General Manager	 Michelle Baillie
Opened	2002 Increased ownership from 70% to 100% in 2005
Casino Venue Licence	Runs until 2027*
Facilities	• Casino • Food and beverage • Entertainment • Conventions • Car parking • Tenpin bowling
Licensed Gaming Product	• 339 electronic gaming machines • 23 table games
Workforce	~300 staff
FY20 Revenue	$52.3 million (reported) $58.8 million (normalised)

*The casino venue licence can be renewed for a further period of 15 years pursuant to sections 134–138 of the New Zealand Gambling Act 2003.

Situated within Hamilton's historic Chief Post Office, in a building designed to maximise a superb riverside location on the banks of the Waikato River, SkyCity Hamilton features a casino, bars and restaurants, a conference centre and Hamilton's only tenpin bowling alley.

The SkyCity Hamilton business has been on a transformational journey over recent years with the opening of a new food and beverage development in 2015, the addition of a modern tenpin bowling alley, Bowl and Social, in 2016 and the addition of X-Golf, a virtual golf simulator, and a new café in 2019. A new Baccarat lounge was opened on the casino floor in mid-July 2020.

Over the last financial year, we continued to progress our master plan for the SkyCity Hamilton complex to explore further opportunities to leverage the property's riverbank location, including a potential hotel development and additional food and beverage and entertainment offerings, and to explore opportunities to optimise the product mix at SkyCity Hamilton in response to customer demand for electronic gaming machines (which are capacity constrained over weekends) in preference to tables, which are underutilised. The hotel feasibility also relies on hosting out of town gaming customers over the weekend, so the extra gaming machine product is necessary to satisfy this potential increase in demand.

In December 2018, SkyCity applied to the New Zealand Gambling Commission to deploy 60 additional electronic gaming machines at SkyCity Hamilton in substitution of three existing Blackjack table games. The Commission received 242 separate submissions from the general public as well as submissions from Hamilton City Council, the Ministry of Health, Waikato District Health Board, Problem Gambling Foundation, Mapu Maia, Salvation Army Oasis, the Department of Internal Affairs, Anglican Action Mission Trust

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SkyCity Hamilton

and Christchurch Casino Limited. A public hearing took place in Hamilton from 19 – 26 November 2019 at which the Commission heard both factual and expert evidence, and detailed legal submissions from the seven parties authorised to appear and be heard. In June 2020, the Commission released its decision declining the application on the basis that the proposed amendments to the licence conditions involved an opportunities substitution which was not proportionate in terms of the provisions in the New Zealand Gambling Act 2003. SkyCity is currently considering whether to make another application to the Commission for a lesser number of electronic gaming machines.

The hotel development and feasibility analysis are currently on hold until there is greater certainty of the domestic and international economic environments.

FY20 PERFORMANCE

SkyCity Hamilton achieved a solid performance during FY20 despite the impact of COVID-19 and related property closure. EBITDA was only slightly down on the prior year on a like-for-like basis and record local gaming activity was achieved in the eight months to 29 February 2020, underpinned by strong activity from gaming machines, despite being capacity constrained during peak periods.

The property has achieved strong performance since reopening from mid-May 2020, with gaming machine revenue above pre-COVID-19 levels and a positive response from key customers to marketing and promotional activity.

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The Guardsman at SkyCity Adelaide.


Eos by SkyCity will be Adelaide's most luxurious hotel when it opens.

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Adelaide

Property	SkyCity Adelaide, Australia
General Manager	 David Christian
Acquired	2000
Licensing Agreement	Runs until 2085*
Facilities	• Casino • Hotel (due to open before the end of 2020) • Food and beverage • Entertainment
Licensed Gaming Product	• 828 electronic gaming machines (allowance for 1,500) • 82 table games (allowance for 200) • 67 automated table games (allowance for 300)
Workforce	~1,000 staff
FY20 Revenue	A$112.3 million (reported) A$121 million (normalised)

*The Approved Licensing Agreement between the Minister for Business Services and Consumers and SkyCity Adelaide Pty Limited provides SkyCity Adelaide with exclusive rights to provide casino gaming (except for interactive gambling) in South Australia until 30 June 2035.

Located in the historic Railway Station building on the banks of the Torrens River, SkyCity Adelaide is South Australia's only casino destination.

In January 2020, after being overlooked for more than a decade, the former Overland Dining Hall in the Railway Station building was transformed into a new, all-hours bar and restaurant 'The Guardsman' following a A$6 million restoration. The new venue pays homage to the Railway Station's rich heritage, featuring a grand central bar, open kitchen and a coffee front.

SkyCity is currently investing A$330 million to transform SkyCity Adelaide into a world-class integrated entertainment hub on the Festival Plaza forecourt adjacent to the Adelaide Festival Centre and Adelaide Convention Centre and near the Adelaide Oval. Designed by The Buchan Group in association with Hecker Guthrie Walter Brooke, and built by Hansen Yuncken, the new development is scheduled to open before the end of 2020 and will include a 120-room luxury hotel – Eos by SkyCity, wellness centre with a day spa, pool, sauna and gym, VIP gaming facilities, function and conference facility for up to 650 guests, two new bars (including a rooftop bar) and four additional signature restaurants.

Eos by SkyCity will be Adelaide's most luxurious hotel, with rooms ranging from 50sqm – 230sqm and opulently appointed to meet the growing demand for quality hotel rooms from both domestic and international visitors.

As part of the transformation, the existing SkyCity Adelaide business, housed in the iconic Adelaide Railway Station building, is also being revitalised and restored to improve the layout and experience for customers, including:

- 5,000sqm of new carpet throughout the building;

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SKYCITY ADELAIDE EXPANSION

Investment of

A$330 million

Up to an additional

700 new positions

required to operate the new development in full operation

- repainting Marble Hall, the former grand domed waiting room in the Railway Station building, for the first time since SkyCity Adelaide opened in 1985;
- restoration of heritage features and installation of lighting features in Marble Hall;
- creation of The District at SkyCity – a new live entertainment space on Level 1, which will feature Australia's first fully functional microbrewery (operated by Pirate Life) within a casino;
- refurbishment and extension of the Baccarat Pavilion;
- a restoration of Chandelier Bar; and
- construction of a new Central Café on the Ground Floor.

A new three-storey glass atrium will connect the heritage and new buildings.

Up to 700 additional ongoing roles, including front and back of house roles, will be required to operate the new development. Recruitment for some roles has already commenced and will continue through to mid-2021.

The South Australian Government's broader review of gambling regulation in South Australia was completed over the last financial year and, on 12 December 2019, State Parliament passed legislation to significantly reform the regulation of gambling in South Australia. As part of these reforms, SkyCity Adelaide will be permitted to introduce ticket-in ticket-out (TITO) technology on the main gaming floor and banknote acceptors. To implement the reforms, amendments will need to be made to the regulations under each of the gambling acts, changes made to the Advertising and Responsible Gambling Codes of Practice, and new gambling administration guidelines and community impact assessment guidelines developed. Consumer and Business Services will also need to update its systems and operations in support of these reforms and is aiming to commence all of the reforms by the end of 2020. SkyCity Adelaide can commence operating TITO on the main gaming floor and banknote acceptors from October 2020.

FY20 PERFORMANCE

SkyCity Adelaide achieved progressive improvement in performance during FY20 prior to the disruption from COVID-19, with stable local gaming activity to 29 February 2020, casino visitation up slightly from the prior comparable period and a three-year high in gaming machine market share (8%) achieved in December 2019.

SkyCity Adelaide was closed for the duration of 4Q20 due to the South Australian Government's COVID-19 restrictions, with the majority of staff being stood-down over the period. The property experienced minimal International Business activity during 2H20 due to international travel restrictions.

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Queenstown

Property	SkyCity Queenstown and SkyCity Wharf, New Zealand
General Manager	 Jono Browne
Opened/Acquired	Opened Queenstown in 2000 and increased ownership from 60% to 100% in 2012 Acquired Wharf in 2013
Casino Venue Licence	Runs until 2025* for Queenstown Runs until 2024* for Wharf
Facilities	• Casino • Food and beverage • Entertainment • Conventions
Licensed Gaming Product	• 86 electronic gaming machines (Queenstown) • 12 table games (Queenstown) • 74 electronic gaming machines (Wharf) • 6 table games (Wharf)
Workforce	~60 staff
FY20 Revenue	$9.9 million (reported) $11.1 million (normalised)

*The casino venue licence can be renewed for a further period of 15 years pursuant to sections 134–138 of the New Zealand Gambling Act 2003.

SkyCity's two Queenstown casinos, SkyCity Queenstown and SkyCity Wharf, are located in central Queenstown, surrounded by the majestic Southern Alps.

Whilst the larger SkyCity Queenstown property reopened on 14 May 2020 following the announcement by the New Zealand Government that New Zealand would move to COVID-19 Alert Level 2 from 11.59pm on 13 May 2020, the smaller SkyCity Wharf property has remained closed since initially closing on 23 March 2020 (when the New Zealand Government announced that the COVID-19 Alert Level had increased to Alert Level 3 and its intention to move to Level 4 within the next 48 hours) as the ongoing border restrictions continue to have a detrimental effect on the local Queenstown economy in particular, which is largely dependent on tourism.

As Queenstown is an attractive destination for SkyCity's International Business customers, SkyCity continues to explore options to create an improved VIP/premium facility in Queenstown. In June 2019, SkyCity purchased land on the shores of Lake Wakatipu in Queenstown with the intention of using that land to develop a 5-star hotel to complement its existing entertainment facilities in Queenstown and further attract international visitors to Queenstown.

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SkyCity Queenstown

However, the COVID-19 pandemic and its impacts on the Queenstown economy in particular have caused the company to review its strategy in Queenstown. SkyCity continues to explore its options to create an improved VIP/premium facility, including investigating the regulatory framework to achieve any proposed development.

FY20 PERFORMANCE

The impact of COVID-19 on international visitors to Queenstown during 2H20 offset strong local gaming performance in 1H20. The property experienced minimal International Business activity during 2H20 due to international travel restrictions.

As noted above, SkyCity Wharf closed on 23 March 2020 and remains closed pending review and consideration of all available options.

SkyCity Queenstown achieved positive gaming machine performance post reopening in mid-May 2020.

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International Business

General Manager	 Stewart Neish Group General Manager – International Business
Facilities	Premium gaming facilities at SkyCity Auckland, SkyCity Adelaide and SkyCity Queenstown
FY20 Revenue	$38.0 million (reported) $78.9 million (normalised)

SkyCity's International Business division caters for high-net worth international players and junkets who visit casinos as part of their leisure activities.

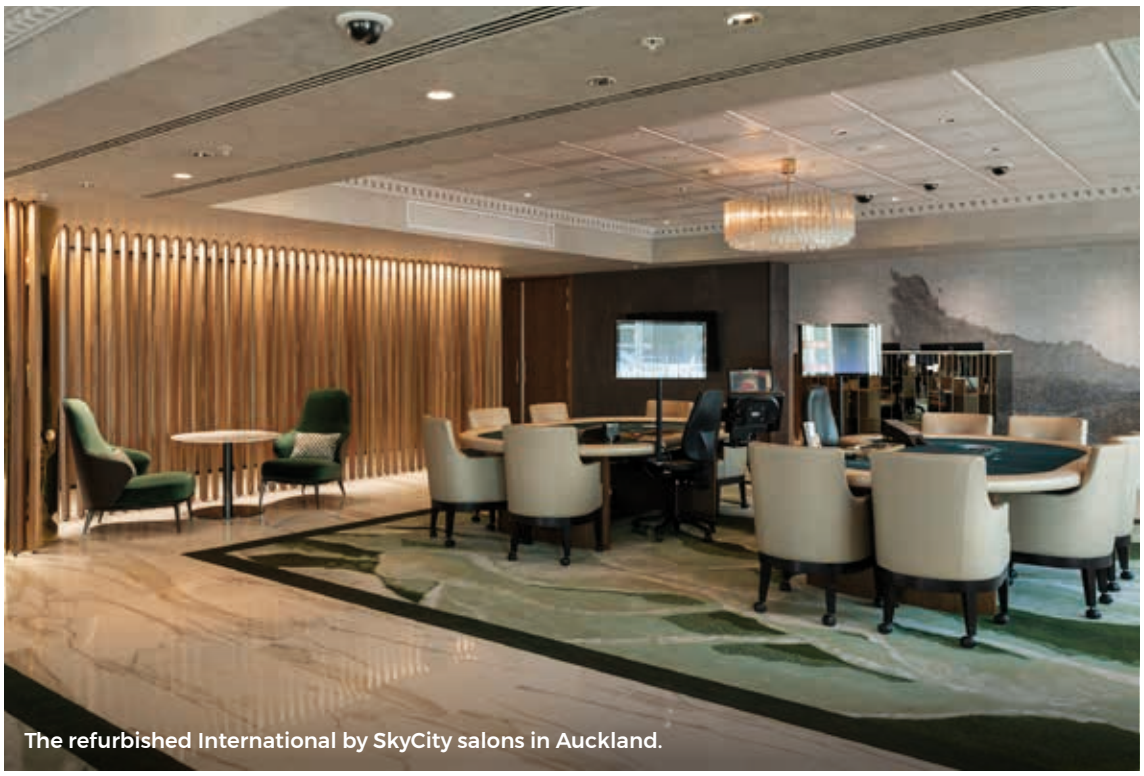
The flagship SkyCity Auckland property features several premium gaming spaces, including VIP gaming salons in The Grand by SkyCity and 1,800sqm of luxury high-end gaming space above the SkyCity Hotel.

Located above the SkyCity Hotel, the Horizon Suites and salons were rebranded the 'International by SkyCity' salons and upgraded as part of a $6 million refurbishment in 2020 – featuring four luxurious gaming salons for exclusive use and four private accommodation suites. Each salon has its own private dining facilities, bar and massage chairs, as well as its own lounge area and outdoor balcony. Gaming dealers are available on request for customers, who enjoy the full range of gaming options offered at SkyCity Auckland in their own private salon.



The refurbished International by SkyCity salons in Auckland.

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The refurbished International by SkyCity salons in Auckland.

As part of the A$330 million SkyCity Adelaide expansion project due to open before the end of 2020, SkyCity is constructing additional VIP luxury gaming facilities to complement the existing premium gaming salon opened in Adelaide in 2015. Given expected ongoing international border restrictions as a result of the COVID-19 pandemic, the new facilities will initially cater for local and interstate customers.

Despite the impacts of COVID-19, there remains potential for further growth in International Business over the medium to long term due primarily to the attractiveness of New Zealand as a tourist destination, good connectivity and the new VIP luxury gaming facilities at SkyCity Adelaide. SkyCity remains committed to International Business and expects it to recover once international border restrictions are eased/lifted. SkyCity intends to continue to invest prudently in International Business to enhance sustainable shareholder returns.

The bulk of SkyCity's business is stable and low risk, originating from local/domestic players. The International Business provides incremental growth, but due to its inherent volatility, is likely to be maintained as a relatively small, but important, contributor to overall Group profit over the long term.

FY20 PERFORMANCE

International Business achieved significantly weaker volumes and normalised earnings in FY20 versus a record prior comparable period due to the impact of COVID-19 on visitation from Asia from January 2020, and the closure of international borders from late March 2020.

The ongoing fixed operating costs required to support the business, despite no revenue generation, in 4Q20 negatively impacted margins in addition to lower volumes in 1H20. FY20 reported EBITDA was slightly above the prior comparable period due to a higher win rate (1.47% vs 1.00%) offsetting lower turnover over the period.

Whilst SkyCity maintains a conservative approach to credit, there was an increase in the provision for bad and doubtful debts in International Business in FY20 due to COVID-19 related payment issues.

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Online

General Manager	 Steve Salmon, Online Director
Facilities	Online casino
FY20 Revenue	$4.5 million (reported) $4.5 million (normalised)

Launched in August 2019, SkyCity Online Casino provides New Zealanders with an offshore online casino platform, featuring over 1,300 online games.

SkyCity Online Casino is operated out of Malta by international iGaming company Gaming Innovation Group Inc (GiG) on behalf of SkyCity Malta Limited, an independently operated subsidiary of the SkyCity Entertainment Group, and managed by an Online Director based in Europe.

GiG provides a full-suite online casino solution, including a technical platform, gaming content, managed services and front-end development.

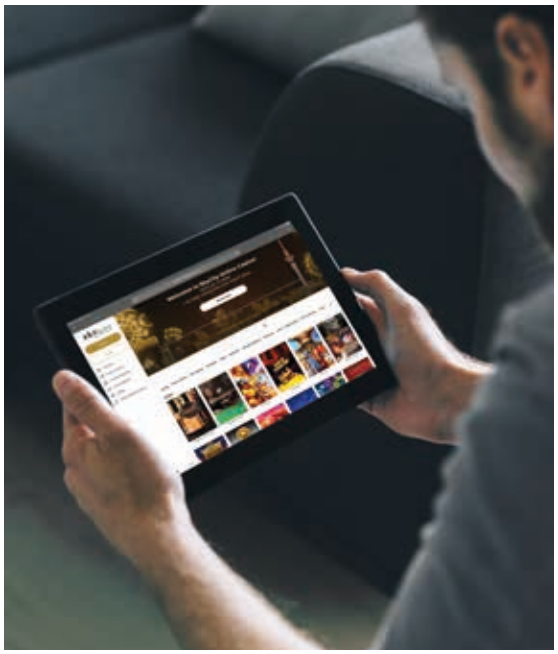
Whilst a regulated online gaming market remains the preferred solution in New Zealand, the launch of SkyCity Online Casino is another step on SkyCity's journey of pursuing opportunities to grow and diversify its earnings, accessing a fast growing industry that is highly complementary to its land-based activities and offering customers a multi-channel gaming experience. SkyCity remains supportive of regulating the New Zealand online casino market, including introducing an appropriate licensing regime for operators and imposing taxes and mandatory host responsibility requirements.

FY20 PERFORMANCE

SkyCity Online Casino experienced strong growth in customer registrations, first-time depositors and gaming revenue during the period, despite operational constraints.

During the COVID-19 mandated closure of SkyCity's land-based New Zealand casinos from 23 March – 14 May 2020, SkyCity Online Casino saw significant growth in its customer base with around 15,000 new customer registrations over the period. As at 30 June 2020, there were over 25,000 customer registrations and, as at 31 August 2020, there were over 35,000 customer registrations.

SkyCity Online Casino has been profitable every month from April 2020 with margins in-line with expectations. There has been a slight reduction in gaming revenue following the reopening of the New Zealand properties, but an increase in activity during the second closure in Auckland in August 2020. Overall, we expect SkyCity Online Casino to become a more meaningful part of Group earnings from FY21.



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Protecting the value of our business

Delivering strong and sustainable earnings across the SkyCity Group.

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Risk Profile and Management

SkyCity operates in a dynamic and challenging environment with risks and opportunities both locally and internationally.

The SkyCity Board is ultimately responsible for the governance of the Group's risk management, which includes formulating the Group's risk appetite and setting and monitoring risk tolerance.

The company maintains a risk management framework for the identification, assessment, monitoring and management of risk to the company's business. As part of this framework, SkyCity maintains an independent, centrally managed Group Risk function which evaluates and reports on risks and controls across the Group. The Group Risk team collates, assesses and monitors the risks the Group faces by way of a Top Risk Profile, which is updated regularly. The Top Risk Profile is a current view of the most significant emerging or potential risks facing the Group, as well as a summary of how those risks are being mitigated or prepared for, and is a critical input to strategic planning, insurance renewal, investment and resource prioritisation, and assurance planning.

Management reports to the Audit and Risk Committee and SkyCity Board on the effectiveness of the company's management of its material business risks at least annually.

SkyCity's ability to create and preserve value for its shareholders requires the successful execution of its business strategy. Risks influencing its ability to do this, including SkyCity's material exposure to economic, environmental and social sustainability risks, if any, and how it manages or intends to manage those risks, are outlined below.

Material Exposure	Risk Management
Pandemic Preparedness and Business Continuity As with any large, distributed business, SkyCity must be prepared for a wide range of events that have the potential to cause significant disruption and/or temporary closure of one or more of its sites. The COVID-19 pandemic and related actions taken in response by the New Zealand, Australian and other Governments (including national lockdowns and border controls/travel restrictions) and the effects of the pandemic on global and domestic economies have had, and are likely to continue to have, a material adverse effect on SkyCity, its financial performance and outlook, liquidity and/or share price.	To mitigate this risk, SkyCity maintains a comprehensive business continuity framework, which supports preparedness and response to a wide range of critical events, including a natural disaster, a fire, an emergency incident and a pandemic. The business continuity framework is subject to ongoing: • monitoring to ensure management readiness and capability, including undertaking simulated crisis response drills on a regular basis to test management readiness and capability; and • improvement to enhance resilience. Due to the strength of the business continuity framework, the SkyCity Board and management worked well in responding to and managing two significant challenges over the past financial year which materially impacted SkyCity's business and operations – the fire that broke out at the New Zealand International Convention Centre in October 2019 and the impacts of the global COVID-19 pandemic that emerged in early 2020.

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Material Exposure	Risk Management
Highly Regulated Industry SkyCity operates in the casino industry, which is highly regulated. The regulatory framework is subject to change from time to time, which may impact the environment in which SkyCity operates and the costs of operating its business. Potential examples of such changes include unfavourable changes to gaming and/or smoking legislation and regulations, licence conditions and gaming taxes and levies. There may also be increased focus on regulatory oversight of land-based casino operators and on SkyCity's social licence to operate following COVID-19 (including in respect of host responsibility and anti-money laundering obligations). Any such additional focus may add increased complexity to the business and adversely impact SkyCity's operations and the costs of operating its business. In addition, there is ongoing pressure to keep improving SkyCity's standards.	The risk of regulatory change is mitigated by maintaining frequent engagement with the governments and regulators in each jurisdiction in which SkyCity operates and with industry stakeholders. Targeted initiatives are undertaken as and when required based on the likelihood of the risk occurring and the impact it would have on SkyCity's business. SkyCity also maintains a robust compliance culture and framework to ensure compliance with licence conditions and applicable legislation and regulations. The Audit and Risk Committee has responsibility for ensuring compliance with anti-money laundering requirements in New Zealand and Australia and discusses, as a standing agenda item at each scheduled Audit and Risk Committee meeting, matters relating to the Group's anti-money laundering obligations. The Group General Manager Regulatory Affairs and Anti-Money Laundering also attends each Audit and Risk Committee meeting to report to the Audit and Risk Committee on matters of interest. Within the business, a specialist Anti-Money Laundering team oversees the Group's ongoing compliance with anti-money laundering requirements and, during the past financial year, a management-led Anti-Money Laundering Senior Management Group (chaired by the General Counsel and Company Secretary) was established to provide enhanced governance for anti-money laundering related matters across the Group. The Sustainability Committee is responsible for overseeing and monitoring the company's host responsibility and responsible gambling programme and initiatives and monitoring licensing and regulatory compliance in respect of such matters. At each scheduled Sustainability Committee meeting, progress against host responsibility and responsible gambling measures and targets is reported and discussed as a standing agenda item. Within the business, a Host Responsibility Governance Group (chaired by the Chief Operating Officer) meets monthly to discuss and review host responsibility matters that have arisen or may arise in the future across the SkyCity Group.

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Material Exposure	Risk Management
Liquidity and Solvency Risk	
SkyCity's ability to achieve its business objectives is dependent on it being able to effectively manage its liquidity and solvency throughout a period of no and/or significantly diminished revenue and earnings. There is significant complexity related to managing those matters, including as a consequence of a number of matters being outside of SkyCity's control. Such unexpected matters could result in SkyCity's financial position and future performance being adversely impacted. SkyCity's ability to demonstrate fiscal resilience during these times is critical to maintaining long term investor and regulatory confidence.	SkyCity manages liquidity risk by continuously monitoring forecast and actual cash flows and maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties and maturities. SkyCity also maintains close and transparent relationships with its lenders (including banks and United States private placement noteholders). In June 2020, SkyCity announced a comprehensive funding plan to strengthen its balance sheet and secure additional liquidity in response to the uncertainty around the impacts of COVID-19. The funding plan was successfully implemented in June and July 2020 and ensures SkyCity has an appropriate level of equity capital for the medium to long term and sufficient liquidity to fund its committed investment in its two major projects in Auckland and Adelaide. Given the cautious economic outlook and that significant risk and uncertainty still exists around COVID-19, SkyCity continues to adopt a conservative approach to capital management.
Loss of Casino Licence	
SkyCity's Auckland property contributes a significant portion of SkyCity's EBITDA. This concentration of earnings means that the performance of SkyCity is heavily dependent upon the Auckland property. A significant disruption to SkyCity's Auckland operations, which may arise through the suspension, cancellation or expiry of the Auckland casino licence, would have a significant negative impact on SkyCity. The suspension, cancellation or expiry of any of SkyCity's other casino licences would also have a negative impact on SkyCity.	SkyCity has mitigated this risk by securing an extension of the Auckland casino licence to 30 June 2048. The SkyCity Adelaide casino licence currently runs until 30 June 2085 and extensions to the Hamilton and Queenstown casino licences are intended to be sought in accordance with the renewal provisions of the Gambling Act 2003 (New Zealand) in due course. In addition, SkyCity mitigates the risk by maintaining a robust compliance culture and framework to ensure compliance with licence conditions and gaming legislation and regulations, and maintaining engagement with the governments and regulators, in each jurisdiction in which SkyCity operates. SkyCity has an excellent history of compliance over 20 years and is committed to working cooperatively with its regulators on matters of concern.

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Material Exposure	Risk Management
Economic and Business Volatility	
The general economic conditions in the markets that SkyCity operates in, in addition to volatility in certain parts of the business, can significantly influence the financial performance of the company.	To mitigate these risks, SkyCity continually monitors its external environment, including the geo-political and global economic landscape, and has a robust liquidity management framework. SkyCity also continually reviews the optimal mix for its business activities to ensure it has a balanced portfolio reflecting its risk appetite.
Customer and Innovation Risk	
SkyCity recognises that it is important to consider evolving customer demographics and preferences in both its gaming and non-gaming operations, including new offerings, technologies and innovation.	To ensure SkyCity remains relevant to its customers, key strategic projects are currently being progressed, with a focus on emerging industry trends and opportunities for leveraging new technology and demographic changes. In August 2019, SkyCity launched SkyCity Online Casino, an offshore online gaming business, via a Maltese subsidiary company as a logical extension of its land-based casino operations. Whilst the business is still very much in its infancy, SkyCity is encouraged by SkyCity Online Casino's performance over the past financial year. In July 2019, SkyCity acquired full ownership of Let's Play Live Media Limited, New Zealand's leading broadcaster and operator of esports tournaments. New forms of entertainment are also set to open at SkyCity Auckland before the end of 2020, including: • the All Blacks Experience, a joint venture between New Zealand Rugby and Ngāi Tahu Tourism, which will provide visitors with a state-of-the-art, interactive experience that will showcase the All Blacks; and • Academy Award-winning design and effects company Weta Workshop is developing an immersive attraction to complement its behind-the-scenes tours at their Miramar headquarters in Wellington. Master planning also continues to be progressed for each of the SkyCity sites to explore opportunities for further accommodation, food and beverage, new gaming spaces and entertainment offerings. However, in light of the COVID-19 pandemic, it is unlikely that any significant funding commitments will be made in the short term until there is greater certainty that the COVID-19 crisis no longer poses a threat.

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Material Exposure	Risk Management
Technology Risk	
Technology represents a critical platform to SkyCity's business – not only for facilitating/enabling its operations, but also mitigating cyber threats and ensuring compliance with regulatory and licence requirements. SkyCity's operations are dependent on a number of key systems. There is a risk that the security of critical systems may be compromised and/or information is accessed without authorisation, deleted or corrupted, which could impact SkyCity's ability to operate critical systems and result in costs to resolve or repair, potential downtime of operations, potential breaches of privacy and/or reputational impacts.	To mitigate technology risk, SkyCity has invested in a significant programme over recent years to improve technology systems, infrastructure, capability and data management, and to improve cyber resilience. SkyCity continues to invest in these areas as required. In addition, there is also significant focus on technology project governance, risk management and assurance. A management-led Privacy and Cybersecurity Steering Committee has been established to, amongst other things: • govern the development of SkyCity's privacy and cybersecurity strategy and programme; • prioritise mitigation initiatives against the cybersecurity risk matrix; • prioritise the operational initiatives to lift SkyCity's security posture; and • review and respond to major cyber and privacy incidents and oversee the proposed measures to prevent recurrence. Penetration testing is undertaken regularly to test system resilience and identify any security vulnerabilities that could be exploited. Simulated phishing emails are also regularly sent within the organisation to raise security awareness amongst employees.
Development and Project Risk (including Return from Major Projects)	
With two significant growth projects underway, the New Zealand International Convention Centre and Horizon Hotel development in Auckland and the SkyCity Adelaide expansion project, as well as master planning across the Group, SkyCity recognises that robust project management is critical to successful delivery of these projects.	SkyCity has established strong governance and oversight frameworks for both current and future major growth projects, including the establishment of a dedicated Board sub-committee to oversee the New Zealand International Convention Centre and Horizon Hotel development and a separate dedicated Board sub-committee to oversee the SkyCity Adelaide expansion project. SkyCity also ensures robust governance over capital allocation and shareholder returns. The COVID-19 pandemic has significant implications for return on capital invested in major projects. For example, the ongoing closure of international borders over the short to medium term is expected to impact visitation and occupancy for the SkyCity Adelaide expansion project.

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Material Exposure	Risk Management
Health and Safety Risk SkyCity has Health and Safety Risk Registers in place that classify risks into two key categories – high consequence/low frequency (being critical risks) and low consequence/high frequency risks. Due to the hospitality and retail focus of SkyCity's business, a high percentage of the company's health and safety risk falls into the low consequence/high frequency category, which includes risks such as slips and trips, cuts and manual task related injuries.	**General** To mitigate critical risks (which include working at heights, confined spaces, electrical, moving plant, fire and explosion), SkyCity has in place extensive safe systems of work to effectively control the potential for an incident. Ongoing safety assurance activities seek to test these controls and, where appropriate, strengthen critical risk controls ensuring SkyCity keeps its people and visitors safe. SkyCity has harm prevention programmes in place which are aimed at reducing minor injuries and promoting wellness amongst SkyCity's employees and contractors. SkyCity's New Zealand properties are tertiary accredited under the Accident Compensation Corporation (ACC) Accredited Employers Programme and its Adelaide site is a registered self-insured employer. The company undertakes assurance activities to maintain certifications and continually improve its health and safety performance. **Significant Emergencies** There were two significant emergencies during the financial year ended 30 June 2020 which required a significant health and safety response and tested SkyCity's emergency preparedness. The fire at the New Zealand International Convention Centre development in October 2019 caused significant disruption to the Auckland CBD. Whilst the fire did not occur directly within the SkyCity Auckland main site, the smoke emitted from the fire entered SkyCity Auckland's premises and systems and necessitated an extensive clean-up operation across the SkyCity Auckland precinct. The SkyCity Health and Safety team partnered with occupational hygienists and professional maintenance and cleaning services to facilitate a safe reopening. SkyCity is committed to delivering robust health and safety standards to manage the ongoing risks associated with COVID-19 and has developed and implemented a COVID-19 Health Management Framework for its business operations. The framework has been shared with Government authorities across New Zealand and South Australia. SkyCity's New Zealand properties were amongst the first casino operations in the world to reopen during the global pandemic with robust health management strategies in place. Both New Zealand and Australia have achieved relative success in ensuring a low level of infection and mortality compared to many other countries around the world. However, the ongoing health and safety risks of COVID-19 have significantly altered the commercial landscape for SkyCity's land-based properties in both jurisdictions.

Given the nature of SkyCity's operations, SkyCity does not have a material exposure to environmental risks in its usual day-to-day operations. SkyCity nonetheless recognises the criticality of climate related risks to its operations. Further details on these risks and SkyCity's approach to climate change risk management and reporting are outlined on page 117 of this annual report.

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Our COVID-19 Health Management Framework

The health of SkyCity's employees, contractors, visitors and guests is paramount. Our COVID-19 Health Management Framework outlines a comprehensive strategy for managing risks associated with COVID-19.

Operational Control Standard

Our standard outlines our mandatory risk controls, which have been developed based on guidance from the relevant health authorities in Australia and New Zealand:



Entry requirements



Guest and employee screening



Hand hygiene



Physical distancing



Education and information



Cleaning



Contact tracing

COVID-19 Risk Register

We have taken a risk based approach – analysing our business activities and putting in place controls that are reasonably practicable. We will continue to review and seek continuous improvement in our controls.



Operational Control Procedures

Focused on the workplace specific requirements for gaming areas across our precincts.



COVID-19 Safety Plans

Focused on re-entry risks to ensure our people are safe when returning to work after periods of absence.



COVID-19 Resourcing

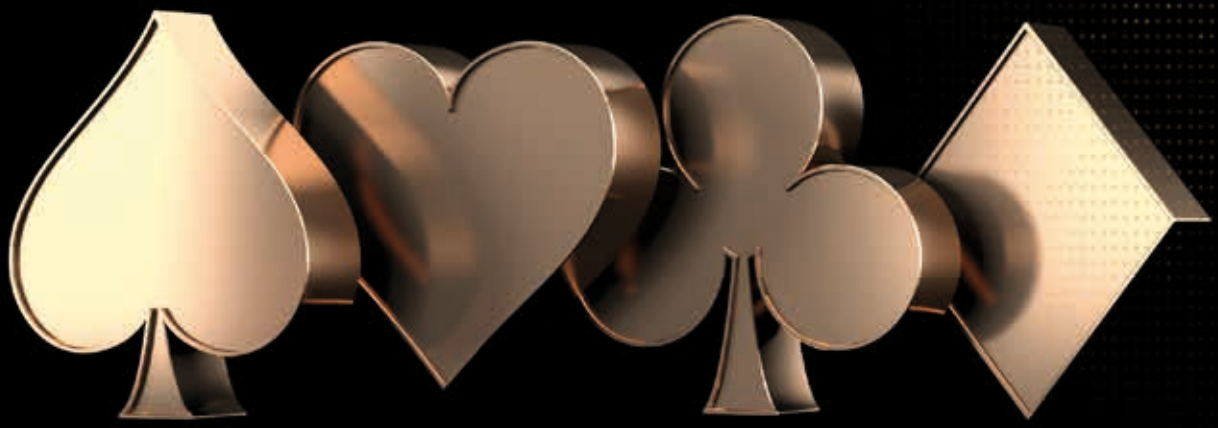
Ensuring we have the right levels of health and safety advice and equipment supported by a team of health professionals.



COVID-19 Assurance

Focused on reviewing the implemented mandatory controls to ensure we have the best levels of implementation.

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Sound governance and strong leadership

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Our Board



ROB CAMPBELL

Chair

Member of the Audit and Risk Committee
Member of the People and Culture Committee
Member of the Sustainability Committee
Chair of the Governance and Nominations Committee

Appointed a director of SkyCity in June 2017 and Chair of the SkyCity Board in January 2018

Rob is currently the Chair of Summerset Group Holdings Limited, Tourism Holdings Limited, Ultrafast Fibre Limited, New Zealand Rural Land Company Limited, Ara Ake Limited and WEL Networks Limited and a director of Precinct Properties New Zealand Limited. Rob has over 30 years' experience in capital markets and is a director of, or advisor to, a range of investment fund and private equity groups in New Zealand, Australia, Hong Kong and the United States of America.

Rob holds a Bachelor of Arts with First Class Honours in Economic History and Political Science and a Masters of Philosophy in Economics.



BRUCE CARTER

Deputy Chair

Chair of the Audit and Risk Committee
Member of the Sustainability Committee
Member of the Governance and Nominations Committee

Appointed a director of SkyCity in October 2010

Based in Adelaide, Australia, Bruce is currently Chair of ASC Pty Limited (Australian Submarine Corporation), Aventus Capital Limited, the COVID-19 Business Advisory Committee and Scissor Holdings Pty Ltd trading as One Rail Australia, and a director of AIG Australia Limited, Bank of Queensland Limited as well as a number of private companies and government bodies.

Bruce was one of the founding partners of Ferrier Hodgson in Adelaide. He was formerly a partner at Ernst & Young and has more than 30 years' experience in corporate restructuring and insolvency.

Bruce is a Fellow of Chartered Accountants Australia and New Zealand.

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SUE SUCKLING

Director

Chair of the Sustainability Committee
Member of the Governance and Nominations Committee

Appointed a director of SkyCity in May 2011

Sue Suckling is an independent director and consultant with over 25 years in commercial corporate governance. She is recognised for her leadership in the technology innovation space and her deep governance experience.

Sue is currently the Chair of the Insurance & Financial Services Ombudsman Scheme Commission, Jacobsen Holdings Limited, Brannigans Consulting Limited, Rubix Limited, Soltians Limited, Jade Software Corporation Limited and Zag Limited. Previous governance roles include chairing NIWA, the New Zealand Qualifications Authority and AgriQuality Limited, and as a director of Restaurant Brands Limited, Westpac Investments Limited and the New Zealand Dairy Board. She was awarded an OBE for her contribution to New Zealand business.

Sue is a Chartered Fellow of the New Zealand Institute of Directors and a Companion of the Royal Society of New Zealand.



JENNIFER OWEN

Director

Member of the Audit and Risk Committee
Member of the People and Culture Committee
Member of the Governance and Nominations Committee

Appointed a director of SkyCity in December 2016

Jennifer Owen has more than 30 years' experience in the areas of accountancy, audit, finance, treasury and equities research. She has specific specialist knowledge of the New Zealand and Australian gaming and entertainment sectors through her previous roles as Director of Equities Research at Citigroup Global Markets, with a specialist focus on the Australasian gaming sector, and as Equities Research Analyst at Macquarie Group focusing on the tourism/leisure sector, and a wide network within the gaming industry and has a strong understanding of industry and investor issues.

Jennifer is currently a Principal of Owen Gaming Research, an independent research firm specialising in the gaming and wagering markets, and a director of Aspire Child Care (Mascot) Pty Limited.

Jennifer holds a Bachelor of Business from the Queensland Institute of Technology and a Masters in Business Administration from the University of Queensland, is a graduate of the Australian Institute of Company Directors' Diploma course and is a member of Chartered Accountants Australia and New Zealand.

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MURRAY JORDAN

Director

Chair of the People and Culture Committee
Member of the Governance and Nominations Committee

Appointed a director of SkyCity in December 2016

Murray Jordan is currently a director of Chorus Limited, Metcash Limited, Stevenson Group Limited, Southern Cross Benefits Limited, Southern Cross Hospitals Limited and the Southern Cross Medical Care Society. He is also a trustee of Southern Cross Health Trust, Starship Foundation, Foodstuffs' Members Protection Trust and The Foodstuffs Co-operative Perpetuation Trust.

Prior to embarking on a governance career in 2015, he held various senior management roles at Foodstuffs Limited from 2004 to 2015, including Managing Director of Foodstuffs North Island and Managing Director and General Manager Retail, Sales and Performance of Foodstuffs Auckland Limited. In 2013, he led the merger of the Auckland and Wellington businesses of Foodstuffs to create what is now known as Foodstuffs North Island and established and oversaw the integration programme.

His early career was in the property sector, including as General Manager of Telecom NZ's property business and General Manager of AMP Capital Investors NZ Limited's property portfolio. Murray has a Masters degree in Property Administration from the University of Auckland.

Our Senior Leadership Team



From left to right:
Simon Jamieson, Jo Wong, Rob Hamilton and Glen McLatchie

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From left to right:
Graeme Stephens, Liza McNally, Michael Ahearne and Claire Walker

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GRAEME STEPHENS

Chief Executive Officer

Graeme joined SkyCity as Chief Executive Officer in May 2017, bringing with him significant expertise in the gaming, hospitality, and leisure industries.

Prior to joining SkyCity, Graeme was Chief Executive Officer of Sun International, a casino, resorts and entertainment company listed on the Johannesburg Stock Exchange. Under his leadership, the company rebalanced its portfolio, diversified into growth areas in both South Africa and Latin America, redeveloped its flagship resort in Sun City and built a new casino resort near Pretoria.

An accountant by profession and with more than 10 years' experience in banking and corporate finance, Graeme was appointed Senior Vice President of New Business Development at Kerzner International in 2003 and was responsible for a number of global hospitality projects before joining Sun International in 2011.

ROB HAMILTON

Chief Financial Officer

Rob joined SkyCity as Chief Financial Officer in October 2014 and is responsible for the financial management of SkyCity, including reporting, treasury, risk management and corporate development. He also oversees SkyCity's International Business and Information and Communications Technology function and helps to drive the strategic direction of the SkyCity Group.

Rob is a respected member of the finance community with more than 20 years' experience at First NZ Capital (now Jarden), where he led the investment banking team. He is currently a non-executive director of Tourism Holdings Limited, on the Board of Trustees for Auckland Grammar School and a trustee of the SkyCity Auckland Community Trust.

Rob was a finalist in the Chief Financial Officer of the Year category in the 2019 Deloitte Top 200 Awards in New Zealand.

Rob holds Bachelor degrees in Commerce and Science.

MICHAEL AHEARNE

Chief Operating Officer

Michael joined SkyCity in December 2017 as Chief Operating Officer and is responsible for overseeing the operations and driving value across SkyCity's five properties in New Zealand and Australia. He is also responsible for SkyCity's online gaming strategy, including the establishment of SkyCity Online Casino in 2019.

Michael has significant global experience in the gaming industry across both land-based and online casinos, as well as retail and online sports betting. Prior to joining SkyCity, Michael held a number of senior commercial, operational and product leadership roles at Paddy Power Betfair, one of the world's leaders in sports betting and gaming. Prior to this, Michael enjoyed a 13-year career in the Australasian gaming and entertainment sector – 10 years of which were spent at The Star Casino, Sydney, where he held a variety of senior management positions and, following that, three years as Chief Operating Officer for Aristocrat in the Australia and New Zealand regions.

Michael is a qualified accountant and holds an MBA from the University of Technology, Sydney.

CLAIRE WALKER

Chief People and Culture Officer

Claire was appointed in August 2016, bringing more than 20 years' experience in human resource management gained across a number of different sectors, and holds the position of Chief People and Culture Officer. She is responsible for leading the development and implementation of best practice people and culture strategy across the SkyCity Group and has executive responsibility for sustainability at SkyCity.

Prior to joining SkyCity in 2016, Claire was Chief People Officer at Sanford Limited where she established the human resources function and led the sustainability and integrated reporting activities for the organisation and, prior to that, Claire led the human resources and employee relations function for the SkyCity Auckland business. Claire has also held senior human resource roles with Carter Holt Harvey and Downer after several years working in the education sector.

Claire holds a governance role on the advisory board of the Sustainable Business Council in New Zealand.

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JO WONG

General Counsel and Company Secretary

Jo joined SkyCity as Senior Legal Counsel in January 2009 and was appointed as General Counsel and Company Secretary in September 2016. She is responsible for SkyCity's legal, company secretarial, regulatory affairs and anti-money laundering functions and is designated as SkyCity's Chief Privacy Officer.

Jo has more than 20 years' experience in both private practice and in-house legal roles. Before joining SkyCity in 2009, she held General Counsel and Group Corporate Counsel roles in the New Zealand financial services industry and was a Senior Solicitor at Russell McVeagh, one of the leading law firms in New Zealand.

Jo was a finalist in the In-House Lawyer of the Year category in the 2019 New Zealand Law Awards and was recognised in New Zealand Lawyer's inaugural In-House Leaders 2019 list as one of 25 leading lawyers across New Zealand.

Jo is a graduate of the 2017 Global Women Breakthrough Leaders Programme, is a member of New Zealand Asian Leaders and holds a Bachelor of Laws and a Bachelor of Arts (Criminology and Japanese) from Victoria University of Wellington.

SIMON JAMIESON

General Manager NZICC

Since joining SkyCity in September 2007, Simon has held a number of roles, including General Manager SkyCity Adelaide, General Manager Hotels SkyCity Auckland and Acting General Manager SkyCity Auckland.

As General Manager NZICC, Simon oversees the development of SkyCity's New Zealand International Convention Centre and Horizon Hotel project in Auckland. He is also responsible for health and safety at SkyCity.

With more than 30 years' experience in large-scale hospitality businesses, Simon brings a wealth of commercial experience and tourism know-how to the SkyCity business.

LIZA MCNALLY

Chief Marketing Officer

Liza joined SkyCity in January 2018 as Chief Marketing Officer and has 25 years of marketing expertise working in Australia and New Zealand. In addition to managing Group Communications, Liza is responsible for championing the digital customer experience across the SkyCity Group.

Liza's background includes senior marketing and sales positions within media, entertainment and telecommunications organisations. Prior to joining SkyCity, Liza was Chief Marketing Officer at New Zealand Media & Entertainment (NZME).

Liza is currently a non-executive director of AFL New Zealand and a trustee of the Auckland Farmers Santa Parade. Liza holds a Bachelor of Commerce (Hons Marketing) from Deakin University, Australia.

GLEN MCLATCHIE

Chief Information Officer

Glen joined SkyCity in 2016 as Chief Information Officer and is responsible for lifting the digital capability of the organisation to be able to respond to future innovation initiatives and growth strategies.

Prior to joining SkyCity, Glen was General Manager ICT with Meridian Energy where he transformed and modernised their aging technology footprint and digital capability. He has 25 years of technology experience from across several industries globally, having worked in and out of the UK, France, USA, Australia, Malaysia, India, China and the Middle East.

Glen is a board member of Auckland charity Big Brothers Big Sisters and an advisory board member of Cyber Research NZ. Glen holds a Master of Information Systems from Swinburne University of Technology, Australia, and a Bachelor of Business Studies from Massey University, New Zealand.

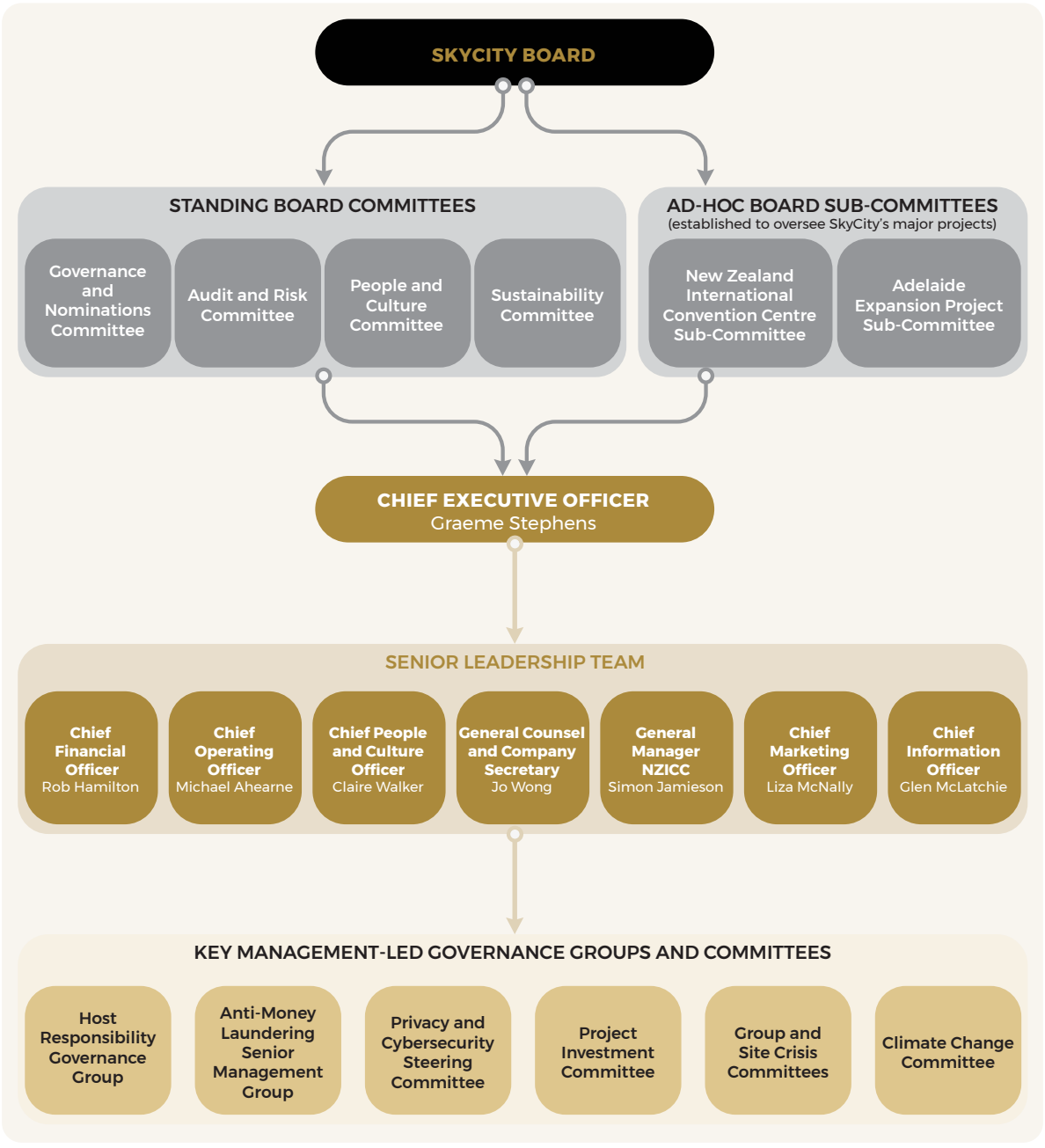
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BOARD AND SENIOR LEADERSHIP TEAM ORGANISATIONAL CHART

SkyCity is committed to maintaining the highest standards of corporate behaviour and responsibility and has adopted governance policies and procedures reflecting this. Our corporate governance framework ensures Board accountability to shareholders and provides for an appropriate delegation of responsibilities to the Chief Executive Officer and Senior Leadership Team.

The SkyCity Board has responsibility for the affairs and activities of the company, which in practice is achieved through delegation to the Chief Executive Officer and Senior Leadership Team who are charged with the day-to-day leadership and management of the company.

Further information on SkyCity's corporate governance framework is set out on pages 123–133 of this annual report. SkyCity's constitution and relevant charters and policies are available in the Governance section of the company's website at www.skycityentertainmentgroup.com.



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The BLACK gaming area at SkyCity Auckland is due to open later this year and will provide an unrivalled VIP offering and experience to our domestic VIP customers.



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Being a responsible corporate citizen

We are committed to maintaining the highest levels of sustainability objectives and practices.

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Sustainability

At SkyCity, we recognise that sustainability is critical to all levels of our business and operations. Part of being a responsible business is understanding the impacts arising from our operations. The aim of this understanding is to enable positive impacts to be fostered and negative impacts to be at the very least mitigated and ideally abated. This is particularly true when there is potential for harm to either people or the environment.

At SkyCity, we need to continually focus on our social licence to operate – as, in the casino industry, we have to try harder than most to justify our place in society. SkyCity is committed to maintaining the highest levels of sustainability objectives and practices, with priority given to minimising the impacts associated with problem gambling as an area of primary focus.

Our sustainability initiatives are focused on doing good for our customers, our employees, our communities, our suppliers and our environment. Our objective is to ensure that our strategic decisions strengthen the communities we operate in and provide environments and opportunities for our customers, suppliers and staff to enjoy, to be entertained and to be safe.

Setting Our Framework

In 2016, after engaging with both internal and external stakeholders on which sustainability issues were most relevant to SkyCity's business, SkyCity adopted its first set of sustainability goals, priority actions and targets and developed a materiality matrix to identify a set of priority impact areas and issues for the business. These were subsequently refined in 2018 to incorporate global trends and local market conditions in our approach to, and assessment of, risks and opportunities, culminating in a refreshed set of sustainability pillars.

In early 2020, we commenced a review of our materiality matrix to prioritise the issues most important to our business and stakeholders and to ensure the issues were appropriately weighted in our sustainability strategy. From a long list of potentially material issues identified via a desktop review, the following issues (grouped under our existing sustainability pillars) were identified by internal and external stakeholders as material to SkyCity's business:



OUR CUSTOMERS

- Responsible hosting
- Customer experience
- Cybersecurity and data privacy
- Regulatory risk



OUR PEOPLE

- Employee engagement
- Health, safety and wellbeing
- Organisational culture
- Diversity, inclusion and belonging



OUR COMMUNITIES

- Community investment
- Community and Iwi engagement



OUR SUPPLIERS

- Ethical sourcing



OUR ENVIRONMENT

- Climate change



ISSUES IMPACTING MULTIPLE PILLARS

- Business continuity
- Return on investment
- Theft and fraud
- Operational efficiency
- Sustainable portfolio

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Despite the challenges presented by the COVID-19 global pandemic, SkyCity's current sustainability strategy and strategic pillar goals, plans and priorities (as validated by the feedback from our stakeholders as part of the materiality review in 2020) remain relevant today. We have learnt through the COVID-19 pandemic that we cannot take for granted that the core business will generate profit. Recognising that to be a sustainable business we must be a responsible business actively protecting and promoting the people we serve and the places we share whilst creating value for our shareholders, SkyCity's sustainability strategy has this year been amended to also incorporate financial performance alongside social and environmental performance.

Our new 'Our Shareholders' pillar recognises that SkyCity must create value for its shareholders while maintaining its social licence to operate. The priority issues relevant to this pillar are business continuity, improving SkyCity's operating performance, optimising SkyCity's existing portfolio, and growing and diversifying SkyCity's business. The objectives for this pillar are to:

- strengthen and maintain good relationships with all stakeholders, including shareholders and debt providers;
- grow gaming visitation and spend and develop complementary activities that drive gaming;
- achieve operating efficiencies which protect and grow margins;
- develop digital businesses and leverage investment in technology;
- ensure capital allocation balances short term returns and long term sustainability;
- ensure ownership of assets balances strategic control and return on capital; and
- monitor and evaluate regional merger and acquisition opportunities in our industry.

We continue to focus on embedding our sustainability pillars into all levels of the organisation and in the way SkyCity operates. The material issues identified have influenced our focus on managing SkyCity's risks and have informed our sustainability strategy and priorities, which underpin our reporting on our non-financial performance.

Our Sustainability Committee

The Sustainability Committee is a dedicated Board committee that assists the SkyCity Board to contribute to SkyCity's vision and strategic plan by ensuring that the company's sustainability strategy is best practice and supports the highest level of sustainability objectives, with priority given to minimising the impacts associated with problem gambling as an area of primary focus.

The responsibilities of the Sustainability Committee include reviewing and recommending to the Board the sustainability strategy, principles, policies and practices of the company to ensure alignment with the company's strategic objectives and performance, and reviewing and reporting to the Board on the company's impacts associated with SkyCity's sustainability pillars.

The guiding principles that underpin SkyCity's sustainability activities and the role, responsibilities, composition, structure and membership of the Sustainability Committee are set out in the Sustainability Committee Charter (available in the Governance section of the company's website at www.skycityentertainmentgroup.com), which is reviewed and approved by the Board on an annual basis.

The Board and Sustainability Committee maintain operational supervision of SkyCity's sustainability activities through clearly defined policy and effective management. Claire Walker, SkyCity's Chief People and Culture Officer, has executive responsibility for SkyCity's sustainability activities with key operational personnel within the business having day-to-day responsibility for the activities.

Our Pillars

The following pages outline our priorities, objectives and activities for each of the sustainability pillars – 'Our Customers', 'Our People', 'Our Communities', 'Our Suppliers' and 'Our Environment', outline the activities undertaken to support our sustainability strategy, and provide a summary of our achievement against our priorities for the financial year ended 30 June 2020. Commentary on the new 'Our Shareholders' pillar is provided in an overarching way throughout the entirety of our financial and non-financial disclosures.

The areas identified as priority issues are those considered highly material for SkyCity's business and for our stakeholders. Our objectives and activities set out what we intend to do both in our business and our communities. They are intended to challenge the business and staff and provide a dedicated framework for measuring progress over the coming years. We are committed to measuring performance on each goal, through specific key performance indicators, which will ensure the business strives to keep pace with internal and external expectations.

We Welcome Your Feedback

If you have any feedback or questions in relation to SkyCity's sustainability framework and/or reporting, please contact SkyCity at sustainability@skycity.co.nz.

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Our Sustainability Vision

To be a sustainable business, we must be a responsible business actively protecting and promoting the people we serve and the places we share, whilst creating value for our shareholders.



PEOPLE

Inspire our people

Create a great place to work where people are empowered to grow and achieve

Great, safe place to work

PLACE

Protect our environments

Respect and protect our physical environments for future generations

Sustainable success

PROFIT

Create sustainable value

Ensure business continuity through operational efficiency, sustainable investment and customer focus

Reliable return on investment

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CUSTOMERS | Always put customers first | Be responsible leaders in our community

Ensure safe and enjoyable experiences for our customers, employees and communities

Our Priorities	Our Plan	Material Issues
Leading host responsibility	• Maintain industry-leading harm minimisation practices • Host Responsibility Programme performance and problem gambling indicators • Industry benchmarking of SkyCity's Host Responsibility Programmes • Leverage technology to enhance the identification of actual or potential problem gamblers and act on that information	• **Responsible hosting** • **Customer experience** • **Cybersecurity and data privacy** • **Regulatory risk**
Customer experience and engagement	• Employee Host Responsibility training completion rates • Accelerate customer experience and engagement through improved data, digital and loyalty capability	**Sustainable Development Goals**
Community awareness of harm minimisation practices	• Increase in community knowledge and understanding of SkyCity's harm minimisation practices • Customer data security and privacy practices	

SUPPLIERS | Be responsible leaders in our communities

Source ethically and locally

Our Priorities	Our Plan	Material Issues
Low carbon supply chain	• Encourage suppliers to set science-based targets and strive to achieve zero carbon by 2050	• **Ethical sourcing**
Buy local and seasonal	• Serve meals from a sustainable supply chain to employees and customers • Source animal products responsibly (eg. free range eggs) • Track and report on local vs international procurement spend • Support supplier diversity (indigenous economy) and working conditions	
Connect to the circular economy	• Remove single-use plastics from our supply chain	
Progress initiatives to eliminate modern slavery	• In accordance with the Modern Slavery Act 2019 (Cth), develop a modern slavery statement by 31 December 2020	**Sustainable Development Goals**
Ethical supply chain	• Progressively work towards an end-to-end understanding of our supply chain, ensuring that all suppliers meet the standards of our Ethical Sourcing Code	

ENVIRONMENT | Be responsible leaders in our communities

Offer a great and safe place to work

Active commitment to reducing our environmental footprint

Our Priorities	Our Plan	Material Issues
Climate change/ emissions reduction	• Measure, report and offset SkyCity's carbon emissions	• **Climate change**
Reducing waste	• Reduction of waste and diversion from landfill	**Sustainable Development Goals**
Employee activation	• Employee-led Green Fund	
Reduction in water use	• Implement initiatives to reduce water use	

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COMMUNITY | Be responsible leaders in our communities

Serve a social purpose by investing in our local economies and communities

Our Priorities	Our Plan	Material Issues
Economic contribution	• Measure and evaluate SkyCity's economic contribution to the communities in which we operate, through local procurement spend	• **Community investment** • **Community and Iwi engagement** **Sustainable Development Goals** 
Building communities by developing people	• In collaboration with the SkyCity Community Trusts, make a positive impact on youth development, employment and career paths	
Investing in our communities through the SkyCity Community Trusts in New Zealand	• Community based partnerships that achieve sustainable social change • Report on community outcomes through narrative and case studies accompanied by quantitative results	
Developing deeper connections with Iwi and indigenous peoples	• Build SkyCity's confidence and capability to engage authentically with Māori and indigenous peoples	

PEOPLE | Offer a great and safe place to work

A great place to work where our people are empowered to grow and achieve

Our Priorities	Our Plan	Material Issues
Employee engagement	• Employee engagement pulse checks	• **Employee engagement** • **Meaningful career and development pathways** • **Diversity, inclusion and belonging** • **Health, safety and wellbeing** **Sustainable Development Goals** 
Meaningful career and development pathways	• Internal promotions and development opportunities	
Diversity, inclusion and belonging	• Leverage the competitive advantage SkyCity's diverse workforce provides • Ethnicity and gender reporting, including gender equality of pay, and representation	
Health, safety and wellbeing	• Health, safety and wellbeing scorecards	

SHAREHOLDERS | Improve our operating performance | Optimise our existing portfolio | Grow and diversify our business | Always put customers first

Create value and maintain our social licence to operate

Our Priorities	Our Plan	Material Issues
Business continuity	• Strengthen and maintain good relationships with all stakeholders, including shareholders and debt providers	• **Business continuity** • **Return on investment** • **Operational efficiency** • **Sustainable portfolio** • **Regulatory risk**
Improve operating performance	• Grow gaming visitation and spend and develop complementary activities that drive gaming	
Optimise existing portfolio	• Achieve operating efficiencies which protect and grow margins	
Grow and diversify our business	• Develop digital businesses and leverage investment in technology • Capital allocation balances short term returns and long term sustainability • Ownership of assets balances strategic control and return on capital • Monitor and evaluate regional merger and acquisition opportunities in our industry	



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Be responsible hosts

Ensure safe and enjoyable experiences for our customers, employees and communities.

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Our Customers

At our core, SkyCity is a provider of casino entertainment. The promotion of responsible gaming and safe consumption of alcohol are therefore topics at the heart of our business.

We take our responsibilities to minimise risk and harm from problem gambling very seriously.

Priority Issues

- Leading host responsibility
- Customer experience and engagement
- Community awareness of harm minimisation practices

Key Stakeholders

- Customers (existing and potential)
- Department of Internal Affairs
- Gambling Commission
- Office of Liquor and Gambling Commissioner
- Consumer and Business Services
- Government Ministers, agencies and officials, including the Ministry of Health
- Treatment service providers and public health providers, including Asian Family Services, Problem Gambling Foundation, Salvation Army, Raukura Hauora o Tainui and Hāpai Te Hauora
- Australasian Gaming Council
- Police
- Local councils

FY20 Performance Highlights

- Deployed facial recognition technology across all SkyCity's land-based casinos to assist in identifying excluded customers
- Commenced operation of a predictive algorithm risk model at the SkyCity Hamilton casino to assist in identifying players who may be at risk from gambling harm by analysing loyalty data
- Implemented 'Live View' system technology at the SkyCity Auckland and SkyCity Hamilton casinos to assist in identifying continuous play on electronic gaming machines
- Increased host responsibility training for SkyCity Auckland Customer Service Ambassadors – a front line customer service team whose role is to engage and build rapport with customers with an emphasis on host responsibility
- The SkyCity Auckland and SkyCity Hamilton casinos participated in Gambling Harm Awareness Week in New Zealand – with treatment and public health stakeholders stationed within the casino environs to create awareness of problem gambling and access to support and treatment networks

FY20 Key Challenges

- Remains challenging to identify and prevent excluded persons from re-entering and remaining within our land-based casinos
- Maintaining effectiveness, relevancy and consistency in harm minimisation best practice is an ongoing challenge
- Alignment of host responsibility and harm minimisation practice and culture across the SkyCity Group remains challenging due to differences from site to site, such as size, scale and staffing structure

FY21 Focus Areas

- Review and refresh the delivery of host responsibility training to staff, including development of a new coaching and education programme for front line staff to improve capability around identifying uncarded and excluded players
- Maintain leading and best practice host responsibility by leveraging available technology solutions
- Increase and upweight host responsibility team/resourcing

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Our challenge is to ensure that our business provides entertaining and profitable, yet safe and responsible, experiences and environments

Leading and Best Practice Host Responsibility

When done responsibly, gambling can be a fun and enjoyable entertainment activity. However, it can also have harmful effects on some individuals, their families and their communities. Our challenge is therefore to ensure that our business provides entertaining and profitable, yet safe and responsible, experiences and environments.

This section largely focuses on SkyCity's approach to host responsibility across its land-based casinos. Due to limitations in the New Zealand Gambling Act 2003, SkyCity launched its online gaming site, SkyCity Online Casino, offshore in August 2019 via its Maltese subsidiary, SkyCity Malta Limited, in partnership with international iGaming company Gaming Innovation Group Inc (GiG). GiG provides a full-suite online casino solution, which includes a technical platform, gaming content, managed services, front-end development and best-in-class host responsibility procedures. SkyCity Malta Limited has tailored the host responsibility tools available from its offshore platform to align wherever possible with SkyCity's land-based practices and, in some cases, has developed new processes specifically applicable to the New Zealand market such as the casino age restriction and contact information for support services. Further details of SkyCity Online Casino's host responsibility practices are available at www.skycityentertainmentgroup.com/our-commitment/responsible-gambling for all customers and staff.

Commitment to Host Responsibility

At SkyCity, we place great importance on host responsibility throughout every part of the organisation.

The Sustainability Committee is a dedicated Board committee that assists the SkyCity Board to contribute to SkyCity's vision and strategic plan by ensuring that the company's sustainability strategy is best practice and supports the highest level of sustainability objectives, with priority given to minimising the impacts associated with problem gambling as an area of primary focus. The Sustainability Committee is responsible for overseeing and monitoring the company's host responsibility and responsible gambling programme and initiatives and monitoring licensing and regulatory compliance in respect of such matters. At each scheduled Sustainability Committee meeting, progress against host responsibility and responsible gambling measures and targets is reported and discussed as a standing agenda item.

Within the business, a Host Responsibility Governance Group meets monthly to discuss and review host responsibility matters that have arisen or may arise in the future across the SkyCity Group. Membership of the Governance Group includes the Chief Operating Officer, General Counsel and Company Secretary, Group Regulatory Manager, Group Risk Manager, the General Managers for Auckland, Hamilton, Queenstown and Adelaide, and Host Responsibility representatives. The principal objectives of the Governance Group are to:

- provide collective guidance to SkyCity management on host responsibility matters of interest;
- enable senior management to discuss any relevant topics and to receive advice, support and ongoing learnings in a confidential environment;
- expose senior management personnel to host responsibility topics that may have bearing or impact on SkyCity's regulatory environs, customers, their site/jurisdiction of operation or its employees; and
- develop initiatives that will collectively benefit SkyCity customers and shareholders by way of discussion, provision or endorsement of responsible gambling and/or harm prevention components.

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We are immensely proud of the culture of care we have developed within our casinos and continue to focus on ways to ensure that this culture of care is maintained

A robust Host Responsibility Programme is in place at each of our physical sites, and within SkyCity Online Casino, to prevent and minimise harm from problem gambling.

All SkyCity Board members and staff receive training in problem gambling awareness. A dedicated team of experienced host responsibility specialists is employed at each of SkyCity's land-based casinos and, through our partnership with Gaming Innovation Group plc, an experienced harm minimisation team is in place for SkyCity Online Casino. Additionally, at our largest and busiest Auckland site, a team of Customer Service Ambassadors is trained to interact with our customers and report any concerns to our specialist Host Responsibility team so preventative action can be taken, where required.

An outline of SkyCity's commitment to host responsibility and detailed individual site-related information, including the Host Responsibility Programme for each site and SkyCity Online Casino, is available at www.skycityentertainmentgroup.com/our-commitment/responsible-gambling.

Maintaining Leading and Best Practice Host Responsibility

We are immensely proud of the culture of care we have developed within our casinos and continue to focus on ways to ensure that this culture of care is maintained and that we have the highest standard of host responsibility best practice.

Over the past financial year, we implemented additional host responsibility measures to improve our ability to detect excluded persons and continuous play, including:

- the introduction of facial recognition technology across all our land-based casinos in New Zealand and Adelaide, South Australia, in November 2019 to assist in identifying excluded customers;
- the introduction of 'Live View' system technology at the SkyCity Auckland and SkyCity Hamilton casinos to assist in identifying uncarded continuous play on electronic gaming machines;
- upgrading the 'Carpark Assist' technology at SkyCity Auckland casino to ensure alerts relating to vehicles of interest are sent to mobile devices to improve response times;
- increased host responsibility training for Customer Service Ambassadors; and
- more regular and dedicated physical sweeps of gaming areas by SkyCity personnel.

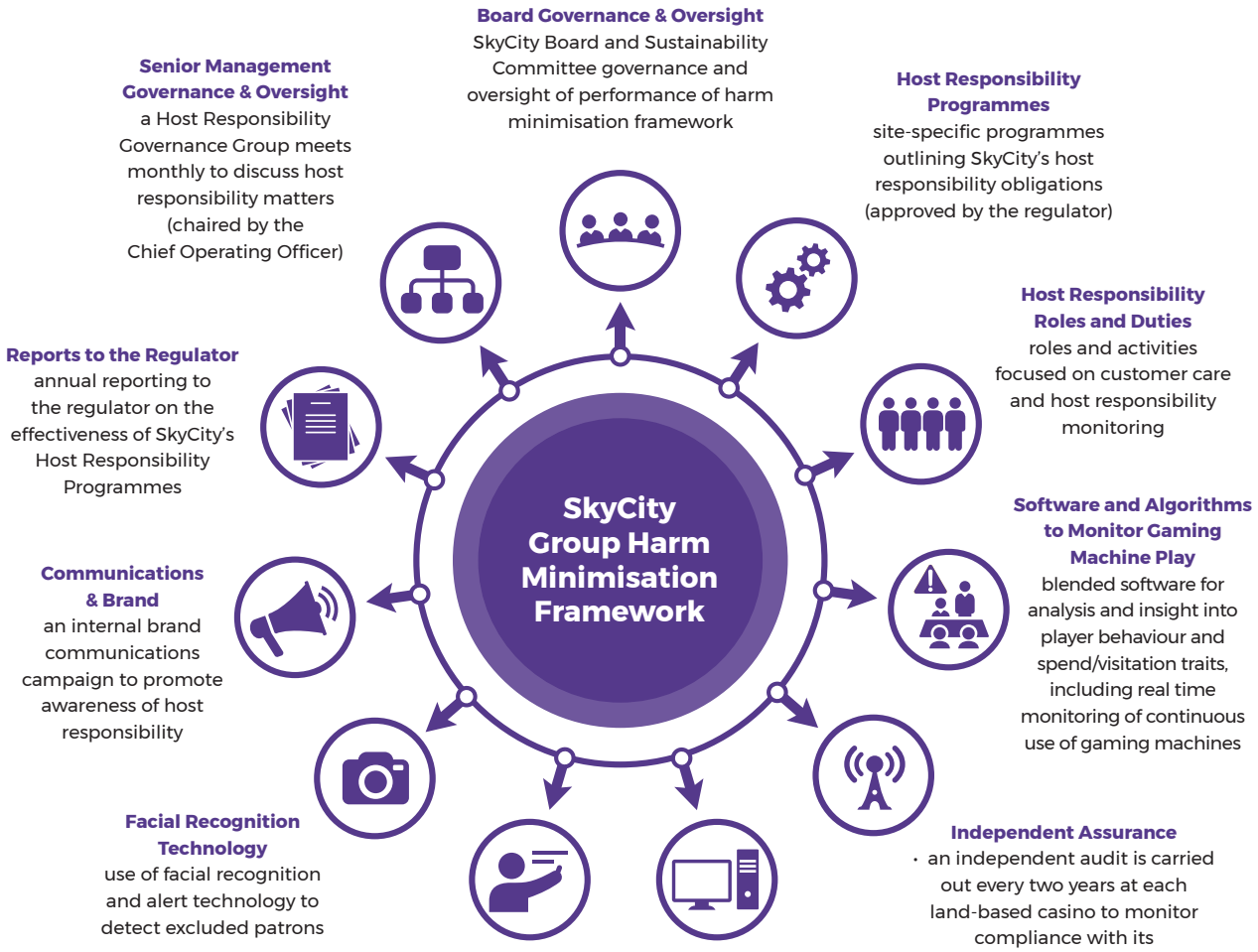
In addition, we continued to undertake internal mystery shopping training exercises to test the robustness of our host responsibility practices.

Prior to the introduction of facial recognition technology in November 2019, SkyCity was largely reliant on its casino staff and Security and Surveillance teams using photographs to recognise excluded people. The introduction of facial recognition technology and other technological solutions (such as 'Live View' system technology at the SkyCity Auckland and SkyCity Hamilton casinos) significantly bolsters and assists SkyCity's ongoing efforts to detect and prevent excluded customers from re-entering its casinos and to detect continuous presence and play – however, despite our best efforts and host responsibility measures and initiatives, some individuals may nonetheless find ways to elude staff.

In a dynamic casino environment, maintaining effectiveness, relevancy and consistency in harm minimisation best practice is an ongoing challenge. In response to that challenge, SkyCity continues to explore available technology solutions, seek expert advice, consult stakeholder groups and source a range of research material.

SkyCity has regular and robust dialogue with its regulators, including the Department of Internal Affairs in New Zealand, through which SkyCity is always challenged to do better in respect of its host responsibility practices and the effectiveness of its Host Responsibility Programmes. This dialogue has driven some of the host responsibility measures outlined above and will continue to drive initiatives in the future.

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Board Governance & Oversight
SkyCity Board and Sustainability Committee governance and oversight of performance of harm minimisation framework

Senior Management Governance & Oversight
a Host Responsibility Governance Group meets monthly to discuss host responsibility matters (chaired by the Chief Operating Officer)

Host Responsibility Programmes
site-specific programmes outlining SkyCity's host responsibility obligations (approved by the regulator)

Host Responsibility Roles and Duties
roles and activities focused on customer care and host responsibility monitoring

Reports to the Regulator
annual reporting to the regulator on the effectiveness of SkyCity's Host Responsibility Programmes

Software and Algorithms to Monitor Gaming Machine Play
blended software for analysis and insight into player behaviour and spend/visitation traits, including real time monitoring of continuous use of gaming machines

Communications & Brand
an internal brand communications campaign to promote awareness of host responsibility

Facial Recognition Technology
use of facial recognition and alert technology to detect excluded patrons

Independent Assurance
- an independent audit is carried out every two years at each land-based casino to monitor compliance with its Host Responsibility Programme
- internal independent assurance programme (internal audit and continuous improvement)
- mystery shopping programme

Learning & Development Framework
a suite of host responsibility modules for staff, including online courses, in-person courses, and annual refresher courses

iTrak Monitoring & Reporting
a record management tool for host responsibility incidents and assessments, including reports for ongoing oversight

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Independent Evaluation

In connection with SkyCity's application to the New Zealand Gambling Commission to replace three table games at the SkyCity Hamilton casino with 60 electronic gaming machines, in 2019, we commissioned Dr Mark Griffiths to provide an independent report in relation to the application, which, amongst other things, expressed his opinion on the overall host responsibility regime in place at the SkyCity Hamilton casino.

Dr Griffiths is a chartered psychologist specialising in the field of behavioural addictions, including gambling disorder and gaming addiction, a Distinguished Professor of Behavioural Addiction at the School of Social Sciences at Nottingham Trent University and the Director of the International Gaming Research Unit at Nottingham Trent University. He is internationally known for his work into gambling and gaming addictions, and has been researching, teaching and writing in this area for 32 years.

Dr Griffiths assessed SkyCity Hamilton casino's responsible gaming policies and procedures against a model best-in-class responsible gaming strategy that he developed. It was envisaged that SkyCity's responsible gaming strategy would achieve the following objectives:

- minimise the likelihood of a 'vulnerable player' developing a gambling problem whilst playing games within SkyCity's gaming environment;
- encourage well-informed and rational gambling behaviour among SkyCity's clientele;
- provide support for clientele who develop problems and/or who show distress as a result of playing on SkyCity games within their gaming platforms;
- protect vulnerable groups from either gambling online within the gaming platform in the first place (for example, excluding underaged players), or minimise the harm to problem gamblers who continue to gamble;
- contribute towards the ongoing understanding of gambling problems;
- develop an amicable relationship with the local community and other stakeholders (eg. treatment providers, educational programmes, research community, faith groups, etc); and
- promote a positive reputation that accurately reflects the integrity of SkyCity as a responsible gaming operator.

Following his assessment (which included an onsite review in September 2019), Dr Griffiths found that all seven of these objectives were met by SkyCity and that he was "highly impressed with the measures that are in place for player protection and harm minimisation, as well as the measures implemented to promote responsible gambling among its clientele as outlined in the Host Responsibility Programme".

Dr Griffiths commented that, based on all the information that he had been provided with and on the basis of his onsite visit to the SkyCity Hamilton casino, SkyCity's host responsibility regime was one of the best that he had seen compared with casinos he had been to in other jurisdictions including those he had personally visited in the UK, Australia, USA, Canada, Macao, Singapore, Argentina, Uruguay, Holland, Austria, Switzerland, Greece, Hungary, Albania, Slovenia, Italy, Poland, Belgium, Finland, Sweden, and Malta.

While Dr Griffiths' report was provided in respect of SkyCity Hamilton's Host Responsibility Programme, that Programme is largely similar to the Host Responsibility Programme in place at each of SkyCity's other land-based casinos.

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We continue to focus on ways to ensure that we have the highest standard of host responsibility best practice

Embracing Technology

Facial Recognition

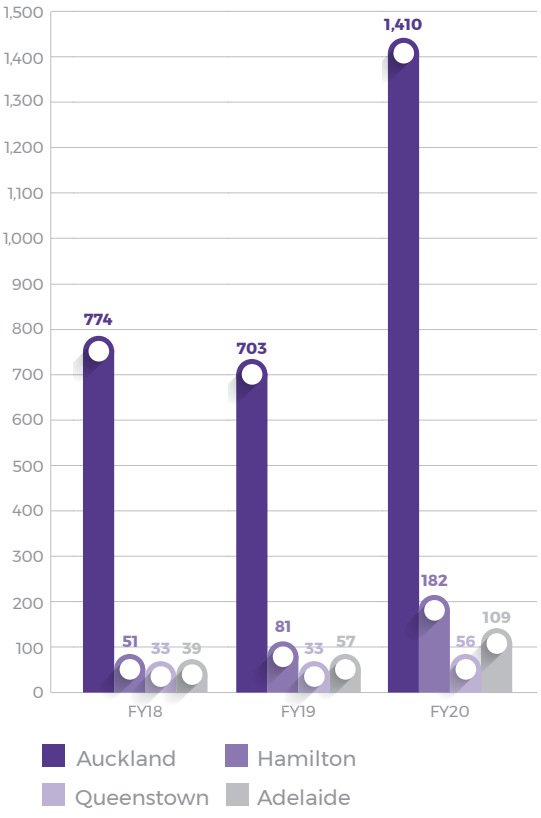
After trialling different available technology solutions from late 2018, SkyCity successfully implemented a full facial recognition technology solution across all its land-based casinos in November 2019. This technology assists SkyCity to recognise customers who have been excluded from re-entering its casinos by notifying SkyCity personnel when an individual matching an image from SkyCity's database of excluded patrons re-enters a SkyCity gambling area.

Prior to the introduction of facial recognition technology in November 2019, staff recall was the primary mechanism for identifying excluded persons returning to the casino in breach of their exclusion orders. Initial indications are that the new technology is proving to be useful in assisting SkyCity to identify excluded customers from re-entering SkyCity's casinos, with a marked increase in the number of excluded persons identified returning to a SkyCity casino in breach of their exclusion orders during the financial year ended 30 June 2020 in comparison to preceding periods.

While there is no guarantee that facial recognition technology will be effective in each and every case, the technology nonetheless significantly bolsters SkyCity's ongoing efforts to deter, detect and prevent excluded customers from re-entering SkyCity's casinos.

In July 2020, we commenced a trial at the SkyCity Hamilton casino using facial recognition technology in conjunction with up to 26 additional cameras within the casino as a further means of identifying customers who remain onsite for extended periods. If the results of the trial indicate that this initiative may be beneficial to SkyCity's ability to detect continuous presence, SkyCity will evaluate its application at its other land-based casinos.

Number of Excluded Persons Identified Returning to a SkyCity Property in Breach of an Exclusion Order



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Predicative Algorithm

Since 2014, SkyCity has operated a predictive algorithm risk model created by Focal Research at SkyCity's largest and busiest casino in Auckland, which analyses loyalty data as a tool to identify players who may be at risk from gambling harm. The algorithm was upgraded in May 2019 and again in June 2020 with the addition of Focal Research's 'ALeRT BETTOR Protection System' software to enhance and improve SkyCity's ability to identify potential at-risk gamblers. The ALeRT BETTOR Protection System software uses routinely stored customer data to create complex models for identifying and managing high-risk play (the algorithm) that otherwise may not be outwardly visible to operators or customers.

In June 2020, the algorithm (including the ALeRT BETTOR Protection System software) was rolled out and implemented at the SkyCity Hamilton casino.

Consistency of Responsible Gaming Culture and Practice

The alignment of excellent host responsibility and harm minimisation practice and culture across the SkyCity Group remains challenging due to differences from site to site, such as size, scale and staffing structure. There are also market and customer differences that impact our approach to staff training and programme design, in addition to unique cultural distinctions to consider. Furthermore, our sites across New Zealand and in South Australia each have different regulatory environments in which to operate.

These differences mean that while SkyCity's Host Responsibility Programmes have similarities, they are often carried out quite differently. However, problem gambling is an addiction and the possibility of harm from this type of behaviour manifests itself in the same way regardless of jurisdiction or location. That is why SkyCity endeavours to lead in this area and employ best practice prevention methods across the business.

A key strategic focus across the SkyCity Group for minimising gambling harm is prevention. Robust prevention initiatives can be developed and implemented across the Group with few or no regulatory or local procedural constraints. By adopting a prevention approach, we can increase our ability to identify and respond early to new or emerging concerns that may lead to problem gambling related issues for our customers.

We are committed to carrying out regular reviews of each of our Host Responsibility Programmes to ensure alignment of our practices across our sites.

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We offer extensive information to customers about exclusion options and referral details to problem gambling support services

Customer Experience and Engagement

SkyCity promotes a range of tools in order to facilitate responsible gambling – however, exclusion is an equally important host responsibility offering for those who may be vulnerable to problem gambling.

Our casinos offer extensive information to customers about exclusion options and referral details to problem gambling support services, including gambling helplines and face-to-face counselling organisations.

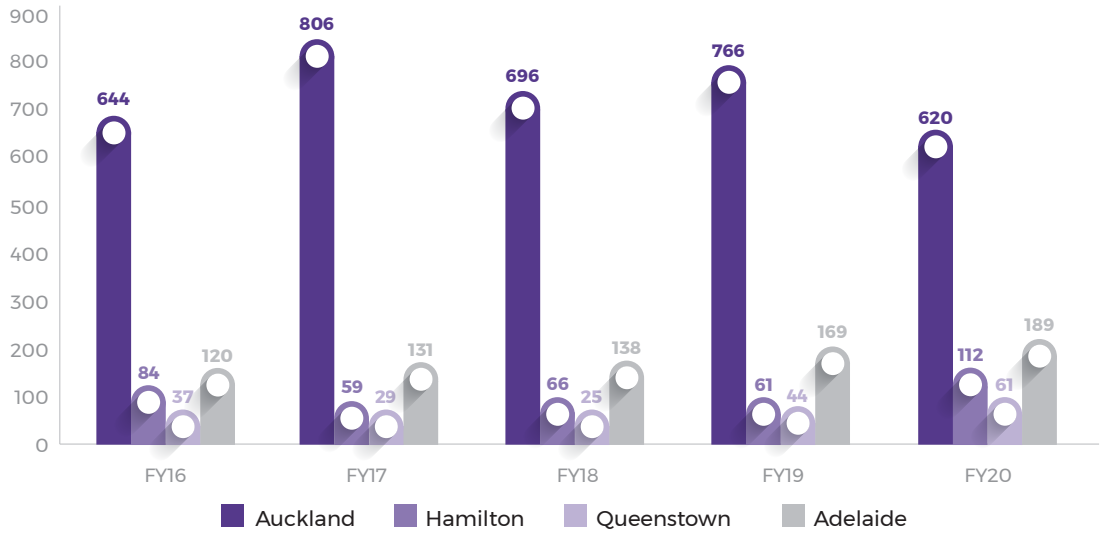
In New Zealand, customers can choose to exclude themselves from all SkyCity casinos in New Zealand for a period of up to two years. In some cases, SkyCity itself makes the decision to exclude a customer as a means to prevent risk of harm occurring, or as a means to stop further harm through a customer's gambling at SkyCity's casinos.

In Adelaide, all exclusions are referred to Consumer Business Services (the South Australian Government's regulator) who has overall management of exclusions.

With the size of our customer base and premises, it can be a challenge to identify individuals immediately and, despite our best efforts and measures, some individuals may nonetheless find ways to elude staff and re-enter a SkyCity casino.

The following graph summarises the number of exclusions issued by each of the SkyCity properties over the 2016–2020 financial years:

Exclusions at SkyCity Properties



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Community Knowledge

Given that a material issue to our stakeholders, internal and external, is responsible gambling, we aim to foster good relationships with problem gambling stakeholders.

As part of this approach, we provide tours of our facilities and literature to treatment providers to assist them in understanding our gaming environments and Host Responsibility Programmes. We also partner with local experts and support agencies to ensure we have up-to-date resources in place for harm minimisation and prevention.

The objective is to improve information sharing and collaboration between stakeholders in order to advance SkyCity's harm minimisation approach. This collaborative approach ensures that knowledge about problem gambling is shared between SkyCity and the relevant stakeholders, who will work together to minimise harm.

During the past financial year, we continued to engage with community stakeholders, both at their request and through more formal bi-monthly Host Responsibility Community Liaison Group meetings in Auckland attended by treatment service providers, public health providers and Government agencies.

In September 2019, SkyCity also participated in Gambling Harm Awareness Week in New Zealand, partnering with treatment services and stakeholders to promote support and harm minimisation initiatives with customers within our SkyCity Auckland and SkyCity Hamilton casinos.

We also include treatment providers in our internal host responsibility training programmes wherever possible.

Would You Like a Helping Hand?



At SkyCity, we take our responsibilities as a host very seriously - the safety and wellbeing of our customers is a top priority.

Gambling can be fun for most people. However, for some, losing control of their gambling can happen quickly (or over time) without recognising the early warning signs that there may be a problem developing and can cause harm, including financial problems, emotional distress and relationship difficulties.

The negative consequences of problem gambling can affect the gambler, their family or friends, their employer and/or the community at large.

It is important to recognise early warning signs, such as guilt or remorse after a gambling session or overspending money and/or time.

SkyCity is committed to promoting responsible gaming behaviour. But problems can arise for a small percentage of players. If you or someone you care about shows the signs and symptoms of problem gambling, help is at hand.

The signs and symptoms of problem gambling include:

- gambling makes home life unhappy;
- feeling sad or unhappy after gambling;
- trying to win back losses;
- gambling to escape worry or trouble;
- changing sleeping or eating habits due to gambling;
- borrowing to finance gambling;
- considering committing or actually committing an illegal act to finance gambling; and/or
- considering harming yourself as a result of gambling.

Call the Gambling Helpline (free and confidential 24 hours) 0800 654 655 or text 8006.

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Inspire our people

A great place to work where our people are empowered to grow and achieve.

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Our People

As a major employer with over 3,800 staff, we know that taking care of our people is the key to creating a great place to work.

We are committed to providing our employees with sustainable career paths at SkyCity and want our staff to grow their careers with us.

Priority Issues

- Employee engagement
- Meaningful career and development pathways
- Diversity, inclusion and belonging
- Health, safety and wellbeing

Key Stakeholders

- Employees (existing, former and potential)
- Union representatives
- Ministry of Business, Innovation and Employment
- Ministry of Social Development
- Ministry of Health
- Department of Education, Skills and Employment
- Accident Compensation Corporation
- WorkSafe NZ
- SafeWork SA
- ReturnToWorkSA
- Immigration New Zealand
- Women's Refuge
- Women in Gaming and Hospitality Australasia
- Gender Tick
- Rainbow Tick
- Southern Cross Healthcare

FY20 Performance Highlights

- Launched 'SkyCity FLEX', a new flexible working framework
- Held the SkyCity Diversity and Inclusion Conference, attended by 170 people leaders from across the SkyCity business
- Sponsored the 2019 Rainbow Excellence Awards
- Awarded the 2019 Rainbow Tick Training and Development Award for SkyCity's Transition Support Framework, a transgender employee framework and tool kit
- Finalist in the 'Employer of Choice' category at the 2019 New Zealand Tourism Awards
- Announced as a Platinum winner in the 'Best Learning and Development Project – Leadership Capability' category at the 2019 LearnX Asia Pacific Awards for SkyCity's Tahuna Te Ahi programme
- Launched refreshed employee values
- Developed and implemented employee pulse surveys
- Continued to focus on improving our health and safety performance against our four health and safety goals set out in our Group Health and Safety Strategy for 2019-2021

FY20 Key Challenges

- Better representation of women at more senior levels
- Downsized our New Zealand workforce by around 25% in response to the COVID-19 pandemic
- The COVID-19 global pandemic created an emerging risk relating to health and wellness requiring support for our employees in dealing with anxiety and stress

FY21 Focus Areas

- Continue the momentum on closing the gender pay gap
- Implement the final stage of SkyCity's '$20 by 2020' wage initiative in New Zealand – a commitment to pay a $20-an-hour minimum wage (announced by SkyCity in March 2018)
- Establish a new SkyCity Diversity and Inclusion Advisory Panel to provide a minority perspective on diversity and inclusion issues
- Continue to promote awareness of mental health issues and to evaluate the impact on psychosocial risks

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Our vision is to be a centre of expertise that delivers high value learning and development solutions for staff

At SkyCity, we aim to create an environment where our people are at the centre and ensure that our staff can work safely, are motivated to work hard, progress in their careers, and have the tools and knowledge they need to look after both themselves and our customers.

Employee Engagement, Meaningful Career and Development Pathways

With a large and diverse workforce, SkyCity is recognised for taking a lead in staff development and care. Our vision is to be a centre of expertise that delivers high value learning and development solutions for staff which contribute to the achievement of our business priorities.

We have an advanced set of priorities and programmes in place across our sites to achieve our goal of being a great place to work where our people are empowered to grow and to achieve. To ensure that these programmes remain effective and relevant, we regularly review the effectiveness of the programmes, in terms of both interest and sustained impact, and make refinements as required. New programmes are also trialled and introduced where appropriate. We regularly seek advice from staff on how to remove barriers to participation (such as release time) and introduce better incentives for participation.

Tahuna Te Ahi – Ignite the Fire

Recognising the special standing of Māori as tangata whenua and the indigenous people of Aotearoa, SkyCity launched Tahuna Te Ahi, a tailored programme developed by New Zealand company Indigenous Growth Limited, for our New Zealand-based employees in 2018. The programme provides accelerated leadership development specifically for Māori employees in addition to implementing initiatives which elevate the standing of Māori at SkyCity more broadly. The programme connects people to indigenous values and culture while at the same time giving them the tools to incorporate their culture into a business environment.

SkyCity was awarded the 2018 Deloitte Top 200 Diversity & Inclusion Leadership Award for the programme in November 2018 and was named as a Platinum winner in the 'Best Learning & Development Project – Leadership Capability' category at the 2019 LearnX Asia Pacific Awards for the programme in June 2019.

15 employees commenced the Tahuna Te Ahi programme during the last financial year.

SkyCity Values Refresh

Following the rollout of a refreshed company vision and business, character and culture goals, we commenced a process to refresh SkyCity's values, using a consultative process across all sites which unearthed the core values shared by SkyCity employees when they operate at their best.

The refreshed values are people centric, simple and tell the story of the behaviours and actions people need to practice to enable themselves, their teams and SkyCity to succeed. We have integrated the values into our performance and development framework, MyPATH.



You bring your best to play a unique role at SkyCity



You're part of a team built on passion, respect and equality



We're all about entertainment and making every experience the best for guests

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Health, Safety and Wellbeing

At SkyCity, our people are paramount to the success of our business. Ensuring we take care of our people at work allows them to provide our guests with a safe and enjoyable experience. Our health and safety mission is to prevent harm and build wellness.

Health and Safety

Each property within the SkyCity Group must demonstrate compliance with our Group Health and Safety policy and standards for safety. We also conduct internal audits annually and external audits as required for registration and certification. Findings from these audits are monitored and tracked for continuous improvement.

In 2018, SkyCity adopted a new Group Health and Safety Strategy for 2019–2021 which centres around the mission "Prevent Harm and Build Wellness" and four goals:

- **Industry leading safety culture** – we will create a positive safety culture for our workers and guests with a strong emphasis on genuine and visible leadership and active engagement of our workers;
- **Effective risk management** – we will focus on our critical risks, ensuring we have sufficient risk mitigation strategies in place to prevent fatal or serious harm;
- **Sustainable systems and processes** – we will create a contemporary and resilient approach to the management and improvement of health and safety; and
- **Health and wellbeing** – we will adopt a risk-based approach to health and wellbeing, including programmes to reduce physical and psychosocial risks to our workers.

The strategy also addresses the New Zealand Government's key goals of its New Zealand Health and Safety at Work Strategy 2018–2028.

Employee Wellbeing

SkyCity has programmes in place to promote healthy behaviours and personal responsibility for mental and physical health. The programmes aim to promote healthy lifestyles, increase physical activity, reduce absenteeism and improve productivity.

We continue to evaluate the impact on psychosocial risks as part of our Group Health and Safety Strategy. During the last financial year, we promoted awareness of mental health risks aligning with Mental Health Awareness Week in New Zealand and R U OK? Day in Australia. During Mental Health Awareness Week, the Auckland Sky Tower was lit purple and green, the colours of the Mental Health Foundation, to show support to those with experience of mental illness, as well as their family and friends.

In January 2020, the COVID-19 global pandemic created an emerging risk relating to health and wellness. In response, SkyCity established a specialist Health and Hygiene team to provide staff with up-to-date information on the global pandemic, support in dealing with anxiety and stress relating to the pandemic, and training and awareness on health management relating to the pandemic.

Following periods of lockdown, we also focused on physical and mental health work conditioning. These programmes were aimed at creating physical and mental resilience of our operational workers to minimise the risk of harm, resulting in low rates of injury and illness following the reopening of our properties.

Additionally, during the last financial year, SkyCity commenced a pilot programme to provide health services across our Auckland property. The pilot programme is focused on personal health checks and coaching of our frontline employees.

As part of SkyCity's wellness programme, all SkyCity employees across the Group are also invited to receive their flu vaccinations for free. This service is offered annually to employees onsite at the beginning of the flu season to ensure all staff have easy access to the vaccinations. This year, due to the impact of COVID-19 and the resulting temporary closure of all SkyCity sites, employees were provided with flu vaccination vouchers which were redeemable at local pharmacies.

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FY20 Health and Safety Scorecard

Indicator	Target	FY20 Performance
Safety Success Indicator 1	Zero fatalities or serious injuries	✓ Achieved – no fatalities or serious injuries
Safety Success Indicator 2	Reduce Total Recordable Incident Frequency Rate (TRIFR) by 10% from the FY19 baseline	Not achieved – reduced by 8%*
Safety Success Indicator 3	Increase hazard identification reports by 20% from the FY19 baseline	✓ Achieved – increased by 72%

*The final TRIFR result was significantly impacted by the COVID-19 closures, which significantly reduced the total number of hours worked. For the six months to 31 December 2019, there was a 17.6% reduction in TRIFR against the prior period.

GOAL 1



Industry Leading Safety Culture

Highlights

Carried out a safety culture review within the SkyCity Auckland Logistics department, which led to the rollout of a targeted initiative to increase safety engagement and leadership within the department. This has resulted in a significant increase in hazards reported within the department – thereby allowing mitigation strategies to be developed to lower workplace incidents

Implementation of Group standards for leadership focusing on individual objectives that include participation and engagement targets

GOAL 2



Effective Risk Management

Highlights

Continued to invest in strengthening our critical risk controls across the SkyCity Group, focusing on achieving zero fatalities (Safety Success Indicator 1)

Focused on safety in design of new facilities to mitigate our risks in the design phase

Implemented new emergency preparedness initiatives, including fire training simulations to increase preparedness in the event of a fire

Continued implementation of a Construction Safety Assurance Programme to ensure our contractors keep their people safe on construction projects at SkyCity

GOAL 3



Sustainable Systems and Processes

Highlights

SkyCity Adelaide's self-insurance licence was successfully renewed for a further five-year period following ReturnToWorkSA's (the organisation responsible for providing work injury insurance and regulating the South Australian Return to Work scheme) audit of SkyCity Adelaide's health and safety systems

Successfully implemented a new hazard reporting system using technology to drive a greater understanding of our risks, resulting in a significant improvement in the quantity of hazards reported

GOAL 4



Health and Wellbeing

Highlights

A significant increase in the number of employees electing to participate in our health vaccination programme with a focus on influenza vaccinations

Commenced a Health Check Programme aimed at increasing awareness on personal health whilst providing practical strategies

Significant focus on the implementation of infectious disease prevention strategies for employees, contractors and guests

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We established a $1 million SkyCity Employee Hardship Fund in response to the impacts of the COVID-19 pandemic on our people

Staff Support Programmes

SkyCity has a range of services designed to assist employees who may need a helping hand.

At our Auckland and Hamilton sites, the Connect Centre offers confidential help and advice for SkyCity employees – for work issues and situations outside of work. They offer advice about practical and effective ways to handle difficult or sensitive issues. Where needed, they can also assist employees in working with agencies outside of SkyCity who may be able to help.

The Group-wide Employee Assistance Programme (EAP) is a supportive and confidential programme designed to assist SkyCity employees who may have problems that affect them at work – advice and support is available 24 hours a day, seven days a week, from trained professional counsellors who can help staff with their problems.

SkyCity also provides emergency financial assistance for employees suffering financial hardship. This help can include budgeting advice, and last resort financial help through a 'SMILE' loan to New Zealand-based staff who qualify for support.

Employee Hardship Fund

Like many other businesses, the COVID-19 pandemic has adversely impacted SkyCity's business and operations and necessitated significant changes across the SkyCity business from March/April 2020, including significantly reducing capital expenditure, minimising operating costs and restructuring SkyCity's workforce.

In April 2020, the SkyCity Employee Hardship Fund was established to initially assist SkyCity's departing employees in New Zealand who found themselves in financial difficulties that could not fully be addressed by their redundancy payments. The Fund was established using funds contributed by the Senior Leadership Team and other senior executives across the business via voluntary reductions in their salaries from 1 April – 30 June 2020 and from voluntarily contributions by other staff members.

As at 31 August 2020, a total of $209,142 had been granted (with no obligation for repayment) to 95 affected employees.

SkyCity also provided support to departing staff beyond financial assistance - collaborating with essential service providers in the healthcare and grocery sectors (where employment demand increased) to set up the Keep New Zealand Working job portal and providing free independent services, such as out-placement assistance, counselling support and budgeting advice.

In a further step to support individuals displaced from employment in the tourism sector due to the COVID-19 pandemic, SkyCity partnered with Go with Tourism (an initiative launched by Auckland Tourism, Events and Economic Development with the aim of growing interest in careers in tourism through an online portal connecting employers with potential employees) to support the 'We're Here to Help' campaign. The 'We're Here to Help' campaign was launched in April 2020 and repurposed the online portal to provide support to displaced workers with coaching, career guidance and connecting them with new employment opportunities. SkyCity saw an opportunity to provide urgent and vital support to a key industry partner by seconding members of the SkyCity Auckland Human Resources team to join the Go with Tourism team, delivering over 800 calls of personalised support between May and July 2020.

Healthcare

SkyCity understands that healthcare can be expensive and sometimes difficult to access for members of the workforce. We therefore offer permanent, full-time employees in our New Zealand sites health insurance via our healthcare provider Southern Cross Healthcare. SkyCity fully subsidises the RegularCare plan, which provides shared cover for surgical treatment, recovery, support, imaging and diagnostic tests and day-to-day treatment. Employees are also able to add their family members to the insurance plan at an additional cost.

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A Winning Career at SkyCity

Roiroi Paotama has been with SkyCity Auckland for over 16 years and began as a Wardrobe Attendant. Today Roiroi leads a team of 19 as Wardrobe Supervisor, supporting our people across the Auckland business with their garment requirements – from design and purchase to internal customer service.

"When I applied for the Attendant job, there was one part-time vacancy and two of us applied for the position, so they hired both of us and offered us a day each. I ended up working four to five days on the graveyard shift in my first three months. I was so happy!

In 2011, an opportunity became available for the Wardrobe Supervisor role and, though I didn't have much confidence that I would get it, I put my hand up and applied. I thought my interview didn't go well at all, but I knew I had experience in the department and sound computer skills and enjoyed working there. Fortunately, they saw something in me, and I got the job and was promoted.

In my time at SkyCity, I've had so many opportunities to learn and grow. As a Wardrobe Attendant, I completed a number of small courses from Excel Tips and Techniques to Creating Winning Moments and Problem Solving for Team Members. When I was promoted, I completed further courses such as Recruitment and Selection, Time Management, and Learning to Lead.

These courses helped me to understand my job as an Attendant and then as a Supervisor.

However, two programmes have really helped me and my development. The first was The University of Auckland New Start programme in 2014. I never ever considered going to university (I hardly went to school!) so I felt very nervous and uncomfortable in this environment, but I went so I could prove to myself that I could do it. I passed the course and was over the moon!

The second programme was Growing Pasifika Niu Leaders which I completed in 2017/2018. Again, I felt nervous and uncomfortable, but I attended and enjoyed it. I learned so much about myself, my culture and how I can bring all of this to work as a leader in a business setting. One of the things I can happily do now with confidence is public speaking – something I wouldn't have done without this course.

SkyCity is a company that supports its people to aim high and go for it no matter what your personal challenges are and I'm very grateful for the opportunities I've had. I didn't have much confidence in myself when I first started, but I've made a career here. I'm thankful to the many people who believed in me and supported me over the years. This is one of the things I love about working at SkyCity, the people and the opportunities!"

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We value and respect the contributions, ideas and experiences of people from all backgrounds and are committed to an inclusive workplace that enhances and promotes workplace diversity across the business

Diversity, Inclusion and Belonging

We have a strong representation of minority groups at SkyCity who are often underrepresented at leadership levels in the workforce. Encouraging diversity of thought in our workforce, and in leadership roles in particular, allows us to strategically reflect our diverse customer base and draw people with different backgrounds to our business. We believe this diversity of thought offers an opportunity to enhance SkyCity's competitive advantage and provide long term sustainable business success.

We value and respect the contributions, ideas and experiences of people from all backgrounds and are committed to an inclusive workplace that enhances and promotes workplace diversity across the business. We are committed to providing opportunities and initiatives that assist all to reach their potential, and regularly benchmark and report on our diversity position, policy and objectives.

SkyCity's Diversity and Inclusion Policy (available in the Governance section of the company's website at www.skycityentertainmentgroup.com) provides a framework for the company's current and future diversity and inclusion initiatives. Each year, the SkyCity Board sets measurable objectives to promote diversity and inclusion. The measurable objectives set by the Board for the financial year ending 30 June 2021 are to:

- continue to ensure strong female candidates are identified in the recruitment process for all Board and senior executive roles;
- maintain a gender balance across the population of employees who make up the top four levels of the organisation hierarchy;
- continue to review gender pay equality and deliver an organisation-wide programme that removes any risk of bias or inequality;
- leverage and grow diverse talent pools to develop a more ethnically diverse leadership population;
- maintain certification with specialist organisations who represent minority groups within the SkyCity workforce (for example Rainbow Tick) to reiterate our commitment to and support of these minority groups' interests;
- build the capability of all leaders in understanding and leveraging diversity of thought through ensuring appropriate learning and development solutions are delivered;
- identify and appoint an advisory panel to provide informed perspectives and guidance to the Chief Executive Officer and Inclusion Council on diversity and inclusion matters; and
- continue to provide support and education to employees and managers to promote mental health awareness and wellbeing.

We downsized our workforce in New Zealand by around 25% in April/June 2020 due to the expected significant impact of COVID-19 on our operating environment and financial outlook. When approaching the labour restructure, we were cognisant of our diversity and inclusion objectives and initiatives and to ensure that the restructure did not adversely impact our commitment in these areas. As part of the restructure process, we ran a desktop analysis of the redundancies to ensure no bias in the process with no significant concerns identified. Post restructure, there has been no significant impact on gender and/or ethnic representation in our workforce.

Inclusion Council

In 2019, a SkyCity Inclusion Council was established to support the embedding of an authentic and inclusive culture within SkyCity Auckland. The Council is made up of Employee Resource Groups whose purpose is to bring to life SkyCity's diversity and inclusion objectives. The Employee Resource Groups sit on a forum to discuss priorities and proposed actions with senior leadership on a quarterly basis.

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The five core Employee Resource Groups are Women in Leadership, NZ Asian Leaders, SkyCity Pride, Pasifika Leaders and Te Roopu Māori ō SkyCity. The leaders of the Employee Resource Groups bring together their respective communities, confirming their priorities and work together to drive initiatives that impact the groups they represent.

In the last financial year, the Employee Resource Groups have worked together across several initiatives, including Te Roopu Māori ō SkyCity's celebration of Te Wiki o te Reo (Māori Language Week) in September 2019. The celebration included a number of activations, including Taonga Pūoro, a performance and storytelling experience about the different Māori instruments, open to SkyCity employees, friends and family.

Diversity and Inclusion Leadership Conference

In October 2019, SkyCity held the SkyCity Diversity and Inclusion Leadership Conference, with 170 people leaders from across SkyCity in attendance. There were a number of external thought leaders who spoke on diversity and inclusion, with the intent of the conference to engage people leaders on diversity and inclusion in their roles as leaders within SkyCity and provide tools for creating more inclusive teams.

Supporting Our Rainbow Community

SkyCity has maintained a Rainbow Tick for its Auckland and Hamilton properties for a fifth year, and our Queenstown site was awarded the Pride Pledge in 2020. Being a Rainbow Tick employer means SkyCity has been acknowledged as being a safe, supportive and welcoming workplace where employees can bring their whole selves to work without fear of discrimination or disadvantage – no matter what their gender identity or sexual orientation.

SkyCity is committed to continually improving and working with the feedback received from Rainbow Tick to find ways we can further support our SkyCity rainbow community.

Our Adelaide site maintained its Pride in Diversity programme membership, which reiterates our commitment to our lesbian, gay, bi-sexual, trans-sexual and intersex Australian-based staff.

SkyCity Queenstown has been a supporter of the Winter Pride event in Queenstown for many years and signed up to the Pride Pledge in June 2018. The Pride Pledge was started in Queenstown to raise the visibility of safe spaces within the Queenstown community after the Winter Pride festival organisers realised that, although the town had an inclusive heart, it was very difficult for the rainbow community to see any visible signs that they were welcome and included.

Gender Tick

In April 2019, SkyCity was awarded the Gender Tick in recognition of its commitment to providing a fair workplace for all employees. The Gender Tick was reconfirmed in June 2020.

Gender Tick is a New Zealand-based accreditation for businesses to demonstrate their commitment to gender equality in the workplace. The programme assesses organisations across five key indicators, including gender inclusive culture, flexibility and leave, women in leadership, gender pay equality and ensuring a safe workplace.

Pay Equality

SkyCity continues to monitor and report on remuneration outcomes by gender to ensure pay equality.

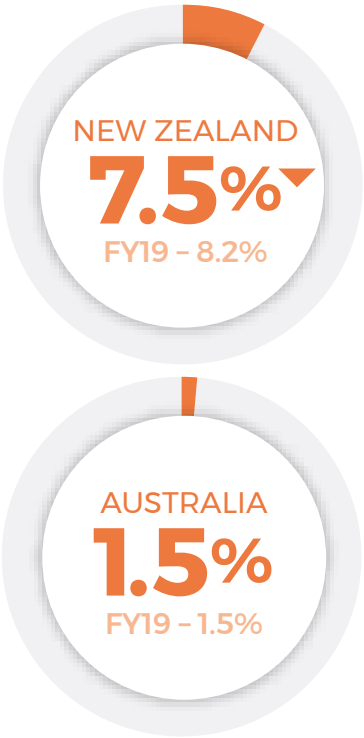
In the last financial year, SkyCity conducted gender pay equality analysis for like positions (being positions with similar degrees of know-how, problem solving and accountability). This analysis identified that there are no indications of gender bias across similar positions.

We remain focused on increasing the representation of women in senior roles across the business through a gender balanced talent pipeline. These initiatives, in addition to a strategy deployed over the past two

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years to lift the hourly wage rate of SkyCity's lowest paid staff, has contributed to a meaningful reduction to SkyCity's gender pay gap in New Zealand and the maintenance of a low gender pay gap in Australia.

The following graph illustrates the SkyCity gender pay gap as at 30 June 2020:



Percentage difference between median hourly rate for women compared to the median hourly rate for men as at 30 June 2020. Includes permanent and temporary employees.

The New Zealand national gender pay gap is 9.3% (August 2019).

SkyCity Flexible Working Framework

In May 2020, as part of SkyCity's diversity and inclusion strategy, we launched the 'SkyCity FLEX' framework following a review of processes and policies in relation to working flexibly. Employee experiences and input throughout the COVID-19 pandemic and lockdown period further highlighted a demand for employees to access flexible working arrangements.

As a largely customer facing business, we recognise that flexible working may not be appropriate or achievable for all individuals, teams and departments – however, the new framework encourages innovation in considering what may work for both our employees and customers. The framework provides guidance on both 'Location Flex' and 'Schedule Flex', with the requirement that any flexible working arrangement must meet the needs of all stakeholders - customers, employees, teams and SkyCity.

Women in Gaming and Hospitality Australasia

SkyCity is a Platinum Partner of Women in Gaming and Hospitality Australasia. SkyCity's partnership broadened the industry body's reach into New Zealand and Adelaide.

Women in Gaming and Hospitality Australasia is dedicated to achieving an inclusive industry and promoting gender equitable outcomes in the workplace. Its purpose is to achieve an inclusive industry and promote positive outcomes for women in the gaming, hospitality and gaming related industries by encouraging the development and success of women through education, mentorship and networking opportunities and providing tools and support for organisations wishing to develop or enhance their gender diversity and inclusion initiatives – all of which aligns strongly with SkyCity's values.

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Performance Against FY20 Board Diversity and Inclusion Objectives

SkyCity performed well against the measurable objectives set by the Board to promote diversity and inclusion for the financial year ended 30 June 2020.

Objective	Progress Made
Continue to ensure strong female candidates are identified in the recruitment process for all Board and senior executive roles	✓ Recruitment briefs for the Board recruitment process during the past financial year explicitly specified that SkyCity required female candidates to be identified wherever possible. ✓ Recruitment briefs for the senior leadership recruitment process explicitly specified that SkyCity require female candidates to be identified wherever possible. ✓ The Chief Executive Officer personally approved all appointments made at levels two to four of the organisational hierarchy (level one being the Chief Executive Officer), asking for an explanation as to why a female candidate had not been identified where the preferred candidate was male.
Maintain a gender balance across the population of employees who make up the top four levels of the organisation hierarchy	✓ During the past financial year, gender balance has been maintained across the top four levels of the organisational hierarchy with 49% of employees being female and 51% being male, demonstrating an equal gender representation in our talent pipeline.
Continue to review gender pay equality and deliver an organisation-wide programme that removes any risk of bias or inequality	✓ SkyCity continues to monitor and report on remuneration outcomes by gender to ensure pay equality. The annual salary review resulted in an average increase for female salaried employees of 2.41% and an average increase for male salaried employees of 2.21%. ✓ SkyCity also conducted gender pay equality analysis for like positions, positions with similar degrees of know-how, problem solving and accountability. This analysis identified that there are no indications of gender bias across like for like positions. ✓ While our analysis has identified no evidence of a gender driven pay gap for like positions, we remain focused on increasing the representation of women in senior roles across the business through a gender balanced talent pipeline. ✓ SkyCity's overall gender pay gap in New Zealand decreased to 7.5% (at 30 June 2020) from 8.2% (at 30 June 2019). ✓ SkyCity's overall gender pay gap in Australia remained at 1.5% (at 30 June 2020).
Maintain Rainbow Tick certification for our New Zealand sites and partner with Pride in Diversity Australia to reiterate our commitment to our lesbian, gay, bi-sexual, transgender, takatapui and intersex staff	✓ Rainbow Tick certification was achieved for our Auckland and Hamilton sites, and our Queenstown site was awarded the Pride Pledge. ✓ Our Adelaide site maintained its Pride in Diversity membership and participated in the Australian Workplace Equality Index survey.

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Objective	Progress Made
Leverage diverse talent pools to develop a more ethnically diverse leadership population	✓ Several initiatives were delivered during the past financial year with the objective of developing a more ethnically diverse leadership population: • SkyCity continued to offer its Māori leadership programme, Tahuna te Ahi, in partnership with Indigenous Growth Limited; • SkyCity continued as a major partner of TupuToa, hosting three summer interns for three months within our corporate business; and • SkyCity continued its sponsorship of the New Zealand Asian Leaders Forum. ✓ In addition, of the participants in SkyCity's Emerging Leadership Programme, 36% identified as Asian and 14% identified as either Māori or Pasifika.
Build the capability of all leaders in understanding and leveraging diversity of thought through ensuring appropriate learning and development solutions are delivered	✓ SkyCity held a Diversity and Inclusion Leadership Conference with 170 people leaders in attendance. The conference was intended to broadly educate SkyCity people leaders on diversity and inclusion, through a range of expert speakers who offered diverse perspectives and tools for creating more inclusive teams. ✓ The SkyCity Inclusion Council continued to encourage employee led initiatives and provide strong executive visibility and sponsorship. Five core groups continue to be represented including Women in Leadership, NZ Asian Leaders, SkyCity Pride, Pasifika Leaders and Te Roopu Māori ō SkyCity. ✓ The SkyCity Emerging Leaders Programme has a highly integrated approach to diversity and inclusion, from the selection of participants to the collaborative and experiential modules which focus on exploring bias.
Continue to provide support and education to employees and managers to promote mental health awareness	✓ SkyCity Adelaide became a Healthy Minds Accredited Workplace due to its continued work and dedication to building workplace practices which encourage strong employee wellbeing. All new employees complete the Seven Secrets to a Healthy Mind Programme as part of their onboarding. ✓ An online Healthy Minds Seminar is available to all employees across our Australian and New Zealand sites. ✓ SkyCity partnered with the Smile Initiative to deliver online learning to employees through the COVID-19 pandemic. The Smile Initiative is a social enterprise started by a collective of mental health clinicians who aim to empower businesses and employees to create a psychologically safe work environment.

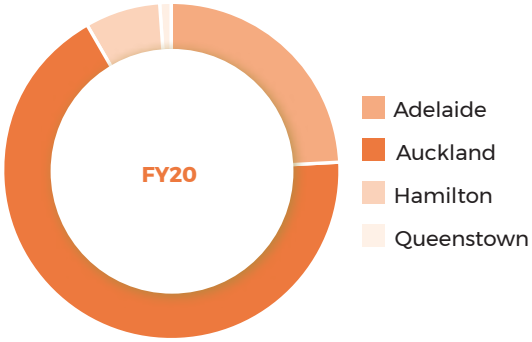
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Our Staff Numbers

Worked Full-Time Equivalent (FTE)* by Site

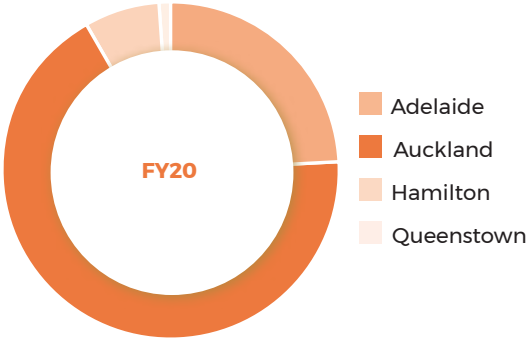
Site	Number of Employees		%	
	FY20	FY19	**FY20**	FY19
Adelaide	**616**	575	**24%**	18%
Auckland	**1,696**	2,426	**67%**	73%
Hamilton	**179**	242	**7%**	7%
Queenstown	**38**	75	**2%**	2%
Total	**2,529**	3,318	**100%**	100%

*The FTE calculation is based on actual hours worked by staff, not contracted hours. This definition provides a more accurate assessment of full-time equivalent staff.



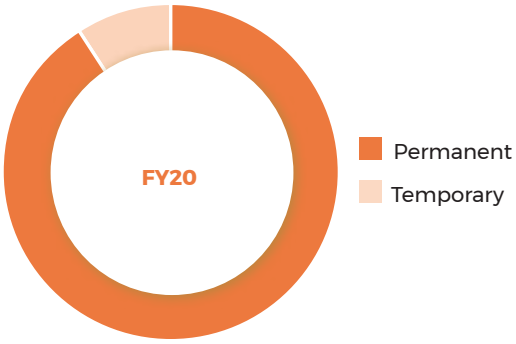
Total Headcount for Group

Site	Number of Staff		%	
	FY20	FY19	**FY20**	FY19
Adelaide	**1,059**	997	**28%**	20%
Auckland	**2,414**	3,625	**63%**	72%
Hamilton	**290**	320	**8%**	6%
Queenstown	**54**	89	**1%**	2%
Group Total	**3,817**	5,031	**100%**	100%



Employment Contract Type for Group

Contract Type	Number of Employees		%	
	FY20	FY19	**FY20**	FY19
Permanent	**3,462**	4,642	**91%**	92%
Temporary	**355**	389	**9%**	8%
Group Total	**3,817**	5,031	**100%**	100%



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Employment Contract Type by Gender

Contract type	Female		Gender Diverse		Male		Group Total	
	FY20	FY19	**FY20**	FY19	**FY20**	FY19	**FY20**	FY19
Permanent	**91%**	94%	**100%**	100%	**90%**	91%	**91%**	92%
Temporary	**9%**	6%	**0%**	0%	**10%**	9%	**9%**	8%

Employment Contract Type by Site

Contract type	Adelaide		Auckland		Hamilton		Queenstown	
	FY20	FY19	**FY20**	FY19	**FY20**	FY19	**FY20**	FY19
Permanent	**72%**	72%	**98%**	97%	**99%**	99%	**100%**	100%
Temporary	**28%**	28%	**2%**	3%	**1%**	1%	**0%**	0%

Employment Type by Gender

Contract type	Female		Gender Diverse		Male		Group Total	
	FY20	FY19	**FY20**	FY19	**FY20**	FY19	**FY20**	FY19
Full-Time	**54%**	52%	**25%**	17%	**62%**	62%	**58%**	57%
On Demand	**20%**	19%	**50%**	50%	**17%**	18%	**19%**	19%
Part-Time	**26%**	29%	**25%**	33%	**21%**	20%	**23%**	24%

Employees in Collective Agreements by Site

Contract type	Adelaide		Auckland		Hamilton		Queenstown		Group Total*	
	FY20	FY19	**FY20**	FY19	**FY20**	FY19	**FY20**	FY19	**FY20**	FY19
Yes	**74%**	75%	**26%**	25%	**4%**	7%	**0%**	0%	**37%**	33%
No	**26%**	25%	**74%**	75%	**96%**	93%	**100%**	100%	**63%**	67%

*Group total percentages are weighted proportionately based on site Worked FTE.

Employee Absenteeism**

Contract type	Adelaide		Auckland		Hamilton		Queenstown		Group Total***	
	FY20	FY19	**FY20**	FY19	**FY20**	FY19	**FY20**	FY19	**FY20**	FY19
Absenteeism	**3.08%**	3.62%	**3.95%**	3.98%	**3.09%**	3.60%	**1.83%**	2.18%	**3.70%**	3.76%

**As a percentage of scheduled days.
***Group total percentages are weighted proportionately based on site Worked FTE.



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Grow our communities

Serve a social purpose by investing in our local economies and communities.

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Our Communities

Our aim is to create value in our business and in the communities in which we operate.

We understand that to do this we need to engage meaningfully with our communities, listen to their critical needs and expectations, and respond through developing meaningful community partnerships and by taking action to address key issues in our operations.

Priority Issues

- Economic contribution
- Building communities by developing people
- Investing in our communities
- Developing deeper connections with Iwi and indigenous peoples

Key Stakeholders

- Community groups
- Sponsorship partners, including Emirates Team New Zealand, Leukaemia & Blood Cancer New Zealand and Variety – The Children's Charity
- Community partnerships
- Recipients of SkyCity Community Trust grants
- Philanthropy New Zealand
- Local Iwi
- Ministry of Social Development
- Te Puni Kōkiri
- TupuToa
- First Foundation

FY20 Performance Highlights

- Helped to raise more than $325,000 for Leukaemia & Blood Cancer New Zealand through the Step Up Sky Tower Stair Challenge
- Contributed a total of $3.7 million to the four New Zealand SkyCity Community Trusts for distribution to communities in the Auckland, Waikato, and Queenstown Lakes regions – of which $1.9 million was distributed in the financial year ended 30 June 2020, including $1 million in an extraordinary grant round by the SkyCity Auckland Community Trust to four organisations focused on reducing the impact of the COVID-19 pandemic in their communities
- Welcomed the 50th young person into Project Nikau, SkyCity's youth employment programme focused on offering employment, training and a career path to young people from disadvantaged backgrounds
- Continued our sponsorship of First Foundation, the Gateways Programme and TupuToa as part of SkyCity's ongoing commitment to youth employment

FY20 Key Challenges

- Increase public perception of SkyCity as a good corporate citizen

FY21 Focus Areas

- Support our Project Nikau rangatahi to develop their career paths at SkyCity
- Further our collaboration with the SkyCity Community Trusts on youth development, wellbeing and advancement

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We helped raise more than $325,000 for Leukaemia & Blood Cancer New Zealand through the Step Up Sky Tower Stair Challenge

SkyCity is a cornerstone of each of the communities in which it operates. We understand that our scope for influence and change is huge, and SkyCity invests in and works to develop our communities in a variety of ways.

Engaging with our stakeholders helps us to understand community attitudes toward SkyCity, the communities' expectations of us, and how stakeholders believe SkyCity should create value. SkyCity engages with stakeholders in a variety of ways, both formal and informal, in each of the communities in which it operates. These actions range from legally required engagement with regulators and problem gambling service providers for example, to less formal feedback mechanisms such as social media, customer surveys and public perception monitoring.

Whilst it is easy for organisations to talk about inputs and outputs, such as how much money or 'in-kind' contributions are given to charity, the number of charities receiving support, or how many hours staff spend on volunteering for community projects, it is a more challenging exercise to determine the outcomes and impacts of those activities. We want to ensure that there is genuine and measurable social impact from our SkyCity Community Trusts and other charitable giving. We continue to review and assess our community investments and partnerships in a more holistic and strategic way, to ensure that they are aligned to our unique business assets and are ultimately delivering both social and business value.

Economic Contribution

Sourcing Locally

SkyCity is committed to sourcing locally.

One of the intentions outlined in the SkyCity Group Procurement Policy is to source and procure locally made and supplied products from Australasian owned and operated businesses as a preference wherever possible.

In the financial year ended 30 June 2020, SkyCity spent approximately $150 million on operational goods and services, the bulk of which was spent with local suppliers – with over $35 million on food and beverage items across New Zealand and Australia.

Partnerships

Emirates Team New Zealand

In September 2019, SkyCity was announced as the 'Official Hotels and Entertainment Partner' for the Emirates Team New Zealand defence of the 36th America's Cup in March 2021. Through the partnership, Emirates Team New Zealand and their guests will have access to SkyCity's range of premium accommodation and world-class food and beverage services and SkyCity will provide on-water and onshore hospitality for Emirates Team New Zealand at their waterfront base within the America's Cup Village in Auckland. The SkyCity logo will be featured alongside the other major sponsors on the team's AC75 race yacht when Emirates Team New Zealand launch their new boat for the first time.

Come summer 2021, the festivities will continue from the Viaduct with a fan trail to Federal Street in the SkyCity Auckland precinct, where SkyCity will host an Emirates Team New Zealand Fan Zone and exclusive events at its popular food and beverage outlets. SkyCity's precincts in Hamilton and Queenstown will also join in the celebration with their own fan zones and race screenings.

SkyCity is thrilled to be partnering with Emirates Team New Zealand for the 36th America's Cup, a major event for Auckland and in the New Zealand events calendar.

Leukaemia & Blood Cancer New Zealand

During May each year, firefighters from communities across New Zealand join forces again to raise money for Leukaemia & Blood Cancer

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SkyCity is partnering with Emirates Team New Zealand for the 36th America's Cup.

New Zealand (the national charity dedicated to supporting patients and their families living with blood cancers and related blood conditions) in the Firefighter Sky Tower Stair Challenge, with each participant climbing the 1,103 steps of the Sky Tower wearing 25 kilograms of gear. Due to the impact of COVID-19, the 16th Firefighter Sky Tower Stair Challenge is now scheduled to take place on 21 November 2020.

SkyCity is proud to have Leukaemia & Blood Cancer New Zealand as a charity partner and to have worked together to raise more than $325,000 during the last financial year through the Step Up Sky Tower Stair Challenge.

To acknowledge the considerable efforts of the fire and emergency services teams that assisted with the significant fire at the New Zealand International Convention Centre in October 2019, all revenue generated from Sky Tower admissions on 17 November 2019 ($31,317) was donated to Leukaemia & Blood Cancer New Zealand.

Variety – The Children's Charity

SkyCity has continued its 20-year partnership with Variety – The Children's Charity through delivering Variety Bingo in Auckland, Adelaide and Hamilton. The eighth annual SkyCity Variety of Chefs campaign scheduled for July 2020 was unfortunately postponed due to the impact of COVID-19.

We are really proud of the partnership we have with Variety, and the support we can provide to continue the important work they do in our communities.

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Over

$60 million

awarded in grants to community groups and organisations in New Zealand since 1996

Community Outcomes, Strategy and Progress

Building Communities by Developing People

During the 2018 financial year, after engaging with employees from across the SkyCity Group and community representatives (including the youth development, family support and financial capability sectors), SkyCity developed a new community development and investment strategy centred around a thematic approach of 'Building Communities by Developing People'. This approach recognises that SkyCity can provide employment opportunities for unskilled, unemployed youth at risk of poor employment outcomes within each of the communities within which it operates – we can provide employment, training and a career path.

During the 2019 financial year, SkyCity finalised the operational strategy across the SkyCity Group to deliver this new strategy with the launch of Project Nikau, a youth employment programme with a focus on developing work-ready skills.

SkyCity worked in collaboration with the Ministry of Social Development and a community-based provider to design a work ready programme – with the first cohort of 15 cadets joining the SkyCity Auckland pilot programme in June 2019. The second cohort of 15 cadets joined in September 2019 and the third cohort of 20 young people joined in February 2020.

SkyCity has designed and implemented a wraparound youth mentoring support for each cohort and, in partnership with Te Puni Kōkiri, has co-designed individualised learning and development plans for each cadet.

In addition, through collaboration with the SkyCity Auckland Community Trust, greater social impact has been achieved in the areas of youth advancement and development through the Trust's prioritisation of initiatives that support youth development, wellbeing and employability.

SkyCity committed to our third First Foundation Scholarship in 2020. Applications were open to dependents from the SkyCity employee network in New Zealand and were managed by the First Foundation, where strict criteria had to be met to ensure eligibility. The scholarship supports an academically talented student, from a low decile school and low-income family, through tertiary study.

We continue as a major partner of TupuToa, an organisation focused on ensuring corporate New Zealand is representative of the country, by developing and empowering young Māori and Pasifika peoples and building the cultural capability of their partners. In the last financial year, SkyCity hosted three summer interns for three months within its corporate teams.

Developing Deeper Connections with Māori

Iwi Māori relationships have been initiated to support and guide Project Nikau, SkyCity's youth employment programme. Our partnership with Te Puni Kōkiri has enabled young Māori to access cadetships which support their transition into employment with SkyCity.

Through SkyCity's Inclusion Council, Te Roopu Māori ō SkyCity (an internal Employee Resource Group) has been established to support authentic engagement with Māori staff. In addition, SkyCity formally engaged an experienced and licensed Māori translator to build our capability across our New Zealand sites.

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Investing in our Communities

SkyCity Community Trusts

Established to provide funds for community and charitable purposes, the SkyCity Community Trusts are one of the vehicles SkyCity uses to 'put something back' into the New Zealand communities in which the company operates. The SkyCity Auckland Community Trust, SkyCity Hamilton Community Trust, SkyCity Queenstown Casino Community Trust and SkyCity Wharf Casino Community Trust aim to help local and regional organisations carry out community assistance and development work, focusing on supporting families to thrive and communities to prosper, with a specific focus on youth development.

Over the last financial year, SkyCity contributed a total of $3.7 million to the four SkyCity Community Trusts for distribution to community groups and organisations in the Auckland, Waikato and Queenstown Lakes regions - of which $1.9 million was distributed by the Trusts in the financial year ended 30 June 2020. Included in the grants made during the last financial year, the SkyCity Auckland Community Trust ran an extraordinary grant round in April 2020 which saw $1 million in funds granted to four organisations, all of which had strong COVID-19 response plans, focused on reducing the impact of the pandemic within their communities.

Since establishing the first SkyCity Auckland Community Trust in 1996, SkyCity has awarded more than 4,880 grants totalling over $60 million to various community groups and organisations in New Zealand, large and small, through the four SkyCity Community Trusts.

Whānau Ora Auckland and Northland COVID-19 Response

The economic and social impacts of the COVID-19 pandemic have directly affected communities, families and individuals in numerous ways. Our most vulnerable communities, including Māori and Pasifika, have been significantly impacted by unemployment, negative health outcomes, accessibility to health services and social inequities.

During the COVID-19 Alert Level 4 lockdown in New Zealand in April 2020, the SkyCity Auckland Community Trust took a proactive approach to supporting our vulnerable communities and, in line with good philanthropic practice, made the decision to provide a rapid response and 'act with impact' – running an extraordinary grant round which saw $1 million in funds granted to four organisations in the Greater Auckland and Northland region – Te Pou Matakana - Whānau Ora Commissioning Agency (Te Pae Herenga Auckland collective), Pasifika Futures Whānau Ora Commissioning Agency (Auckland collective), Te Manawaroa o Ngāti Hine (Ngāti Hine and community collective) and Te Kahu o Taonui (Iwi collective).

The four recipients and their partner organisations collectively covered the Greater Auckland and Northland regions delivering food packages, hygiene parcels and providing wrap around social services to over 10,000 families. The grants were used to support frontline services through the purchasing of hygiene items, food and supplementary items such as winter clothing, blankets and heaters, which were then distributed by the partner organisations. In the Far North, communities were also dealing with water shortages, and the grants allowed for several water tanks to be refilled.

The grants enabled the partner organisations to connect and support whānau and communities. While the most at risk were identified as Māori and Pasifika, a 'no letter box missed' and whānau ora approach meant that all communities benefitted from the grants.

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An independent review of the SkyCity Community Trusts was completed in July 2019 to align the Trusts with governance, grant making and philanthropic best practice. The overarching recommendation arising from the review was to create greater alignment of the SkyCity Community Trusts to each other, their communities and to SkyCity's corporate social responsibility objectives. To achieve the overarching recommendation, a number of subsequent recommendations were suggested, including establishing a contestable process for all trustee appointments across the four SkyCity Community Trusts, developing a trustee skills and attributes matrix to identify gaps in knowledge, skill and experience within the makeup of the Trusts, and establishing a Transitional Chair role to have oversight of the Trusts and assist in the alignment of the governance with the operations of the Trusts.

A contestable process was subsequently implemented across the four SkyCity Community Trusts, with 16 new trustees being appointed in February 2020. A Transitional Chair, Kate Cherrington, was also appointed in February 2020 to commence the implementation of the recommendations of the review for the funding rounds across the four SkyCity Community Trusts. A new Programmes and Relationship Advisor role was also established to engage with community organisations and provide advice and information relating to the Trusts' funding, including processing funding applications and supporting recipients to deliver on their desired outcomes, undertaking assessments and providing recommendations to Trustees to support funding decisions.

Biographical details of individual trustees, and their respective qualifications and experience, are set out on the Community Trusts section of the company's website at www.skycityentertainmentgroup.com/our-commitment/community-trusts.



Kate Cherrington
Chair of the SkyCity Community Trusts
(Ngāti Hine, Ngāti Wai, Kapotai, Ngā Puhi, Ngāi Pākehā)

Kate is an associate with The Centre for Social Impact based alongside Foundation North in Auckland. She works across education, community strategy and advancement projects in Aotearoa and specialises in working with groups with a kaupapa Māori focus in education and community strategy, and advancement projects.

Kate is also a trustee of Miria marae in Waiomio and serves on Te Manawatoopu the working group for Te Maara a Hineamaru, the governance for Te Runanga o Ngāti Hine. She is a Council member with NorthTec (Northland Polytechnic) in Whangarei, trustee of Te Putea Whakatupu and provides support to current young Iwi leaders in the Advancement of Māori Opportunity (AMO) network across Aotearoa.

Kate has professional experience in philanthropic strategy and community capacity support, education management, programme and policy development, quality assurance management, Māori language programme development, and wānanga development in New Zealand. She is a facilitator in the Indigenous Leaders Interactive System™ (ILIS), a structured dialogue tool to assist community groups across the world in planning for success and solving complex issues. She has been a teacher in Te Kōhanga Reo, a Māori cultural ambassador and a performer in the traditional Māori performing arts.

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Meet our SkyCity Community Trustees

Trustees of the SkyCity Auckland Community Trust



Back (from left to right) – Donald Mann, Te Arepa Morehu and Wi Pere Mita
Front (from left to right) – Pru Etcheverry, Marama Royal, Veisinia Maka and Rosie Nathan
Absent – Kate Cherrington, Sue Suckling and Rob Hamilton

Trustees of the SkyCity Hamilton Trust



Back (from left to right) – Ken Williamson, Lehi Duncan and Aisha Ross
Front (from left to right) – Michelle Baillie, Amanda Hema, Manaaki Nepia and Kawena Jones
Absent – Kate Cherrington

Trustees of the SkyCity Queenstown Casino Community and SkyCity Wharf Casino Community Trusts



Back (from left to right) – Jono Browne and Bill Moran
Front (from left to right) – Darren Rewi, Joanne Conroy and Hetty Van Hale
Absent – Kate Cherrington and Vickie Hill



Sourcing responsibly

Source ethically and locally.

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Our Suppliers

We can leverage our relationships with other organisations to promote positive outcomes in areas of impact such as anti-corruption, responsible political advocacy, fair competition and promoting social and environmental responsibility in our supply chain.

Priority Issues

- Ethical supply chain
- Low carbon supply chain
- Buy local and seasonal
- Connect to the circular economy
- Progress initiatives to eliminate modern slavery

Key Stakeholders

- Suppliers (existing and potential)
- EcoVadis

FY20 Performance Highlights

- Agreed and commenced delivery of a 24-month Ethical and Responsible Sourcing Strategy Roadmap
- Presented SkyCity's ethical sourcing strategy to the New Zealand Climate Leaders Collation in October 2019
- Finalist in the 2020 New Zealand CFO Awards for 'Finance Team Contribution to ESG Initiatives'
- Announced our commitment to only use cage free eggs across our New Zealand sites by September 2020 (delayed due to COVID-19)
- Focused on utilising local suppliers for the SkyCity Adelaide expansion project
- Developed a Modern Slavery Statement
- Implemented technology to enable greater analysis of procurement spend

FY20 Key Challenges

- The scope and geographic spread of our supply chain, and also the wide variety of suppliers we engage with, creates challenges for embedding our Ethical Sourcing Code and ensuring our suppliers are doing more than acknowledging their commitments
- Delays to the EcoVadis assessment/audit for suppliers due to the impacts of COVID-19

FY21 Focus Areas

- Focus on maximising our systems to track progress on increasing our local supply chain and obtaining a clearer picture of our suppliers' supply chains
- Exclusive use of cage free eggs across all New Zealand sites

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800 key suppliers

across the SkyCity Group

Over

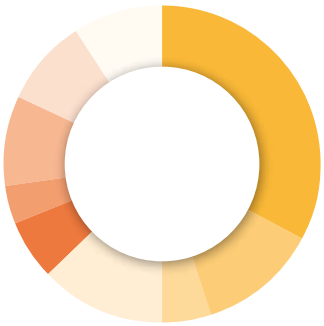
$530 million

spent on goods and services (including capital expenditure)

SkyCity has approximately 800 key ongoing significant suppliers across the SkyCity Group, with a substantial number of these being in the food and beverage sector. As a major purchaser of goods and services (we spent over $530 million with a vast array of suppliers of goods and services in the financial year ended 30 June 2020), SkyCity has a significant opportunity to use its purchasing power to drive sustainability.

Our approach is to focus on the areas in which we can have the biggest impact in terms of minimising our carbon footprint and with respect to key vendors at high ongoing expenditure levels. These areas include food, beverage, property and marketing portfolios in particular.

Approximately $150 million of the total spend (of over $530 million) relates to operational goods and services – a breakdown of which is shown in the graph below:



Food, Beverage & Retail	33%
Marketing	12%
Repairs & Maintenance	5%
Utilities, Rates & Rent	13%
Operating Consumables	6%
Travel & Entertainment	4%
Professional Fees & Insurance	9%
ICT	9%
Other Expenses	9%

SkyCity engages local contractors wherever possible for its construction projects who, in turn, procure local products, materials and subcontractors where feasible.

Many of the gaming products and equipment required by SkyCity for its casino operations are not able to be manufactured or sourced locally. In sourcing these items internationally, SkyCity's focus is on procuring such items from ethical suppliers.

Ethical and Sustainable Sourcing Practices

Ethical Sourcing Code

In 2016, we adopted an Ethical Sourcing Code to improve our indirect impact on society and the environment by carefully selecting and working with our suppliers to ensure sustainable procurement. The Code outlines our alignment with the ten principles of the United Nations Global Compact, which are derived from the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention against Corruption.

Whilst it is not a compliance measure in itself, SkyCity requests its suppliers to acknowledge our commitment to the principles of the Ethical Sourcing Code. Through distribution of our Ethical Sourcing Code, we aim to encourage our suppliers to improve their practices and to assist them in doing so, hence improving the quality of life of the people we touch indirectly and contributing to the protection of the environment.

In the last financial year, we have worked to embed the Ethical Sourcing Code into our stakeholder relationships as one of the key tools to drive change. In addition, we have strengthened our understanding of the role SkyCity can play in progressing initiatives to eliminate modern slavery and developed a new Modern Slavery Statement.

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Ethical and Responsible Sourcing Strategy

In November 2018, SkyCity engaged sustainability consulting firm, Proxima, to help formulate a Group-wide strategy. Their brief was to assist SkyCity, using their specialist knowledge of sustainable sourcing practices and understanding of global best practice, to establish a roadmap to improve the sustainability performance of all SkyCity's procurement activities (focusing initially on food and beverage), identify priority procurement challenges to focus on in the short term and define strategic goals and associated metrics.

Following consultation with key internal stakeholders, a new ethical and responsible sourcing strategy was adopted in February 2019. This strategy seeks to minimise negative impacts linked to our operational footprint and to make a positive contribution to the business, people and communities that make up our supply chain. As a significant player in Australasia's hospitality industry, SkyCity has an opportunity to promote responsible sourcing practices.

SkyCity's ethical sourcing strategy focus areas are outlined in the diagram below.

The focus areas represent the impact and activity areas that SkyCity believes to be the most relevant to the business and supply chain. Each focus area is located within an ambition level which represents the level of positive impact that SkyCity seeks to achieve.

In 'Basics' focus areas, SkyCity aims to establish a combination of minimum standards for the supply chain and pilot initiatives to gain knowledge. In 'Good Practice' focus areas, SkyCity aims to focus on specific product and service categories where these focus areas are most significant. Finally, 'Signatory Level' focus areas are where SkyCity intends to implement initiatives broadly across the SkyCity Group, thereby helping to positively influence its entire supply chain.

Whilst we have made good progress in both our ethical sourcing objectives and local sourcing over the past financial year, we recognise that more focus and attention is required to achieve our objectives. To this end, during the past financial year, we developed and embedded into the business a 24-month Ethical and Responsible Sourcing Strategy Roadmap. Pleasingly, SkyCity has set a target date of September 2020 for the exclusive use of cage free eggs across all SkyCity's New Zealand sites. While this project was delayed by several months due to the COVID-19 pandemic, we are committed to this important step.

We are committed to increasing the clarity around our goals, priorities and metrics for this pillar.



SkyCity has zero tolerance towards modern slavery

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Modern Slavery Act

The Modern Slavery Act 2018 (Cth) came into force in Australia on 1 January 2019 and requires reporting entities to disclose the risks of modern slavery practices in the operations and supply chains of the reporting entity, and any entities that the reporting entity owns or controls. The Modern Slavery Act applies to SkyCity Entertainment Group Limited, being an entity based, or operating, in Australia having an annual consolidated revenue of more than A$100 million.

The term modern slavery is used to describe situations where coercion, threats or deception are used to exploit victims and undermine or deprive them of their freedom, and includes practices such as trafficking in persons, slavery, servitude, forced marriage and forced labour.

Our Position

SkyCity is fully supportive of the Modern Slavery Act and its intention to eliminate modern slavery in all its forms, including trafficking in persons, slavery, servitude, forced marriage and forced labour.

Our Policy

SkyCity has zero tolerance towards modern slavery. We are committed to implementing and enforcing effective systems and controls to seek to ensure that modern slavery is not taking place anywhere in our business or supply chains.

SkyCity operates primarily in New Zealand and Australia with limited supply chains and, as such, we believe that our exposure to the risks of modern slavery is low. However, we still recognise that there is scope for modern slavery to occur and our modern slavery statement sets out the steps we have taken to minimise this risk.

SkyCity always aims to obtain a clear picture of a potential supplier's supply chain to ensure that it will align with SkyCity's high expectations around ethical procurement practices. All new suppliers are asked about their supply practices prior to becoming an approved supplier. SkyCity has several policies, practices and procedures in place to assist in conducting supply chain due diligence which, in turn, enables SkyCity to take significant measures to mitigate the risks of modern slavery.

SkyCity's existing significant suppliers in New Zealand all undertook (or had previously undertaken) a Sustainable Supply Chain Assessment during the reporting period. An assessment involves the supplier filling out an online questionnaire in relation to their supply chain and providing evidence to support their actions and policies across specific criterion. Once a supplier completes an assessment, they receive a rating scorecard that shows areas where they are achieving good practice in their supply chain and areas where they may need to improve. These ratings are measured against an industry-tailored set of environmental, social and governance criteria. From FY21, these processes will be implemented for our Adelaide property.

By having its suppliers complete an assessment, SkyCity is able to identify critical risks in a supplier's provision of goods and services (including potential modern slavery risks) and can begin a dialogue with such suppliers with a view to improving and managing these risks over time.

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♡ 76% ($21 million) of SkyCity's annual food and beverage procurement spend in New Zealand is captured by the EcoVadis assessment/audit process

Supply Chain Transparency and Traceability

Sustainable Supply Chain

In September 2017, we commenced a sustainable supply chain assessment pilot initiative with 129 of our key suppliers in New Zealand. As part of this, we engaged an external provider, EcoVadis, to audit and rate our suppliers against an industry-tailored set of environmental, social and governance criteria and our suppliers were invited to complete a questionnaire and provide supporting evidence. Each supplier who completes the assessment then receives a rating scorecard that shows areas where they are achieving good practice and areas where they may need to improve.

Participation in the EcoVadis assessment/audit process was initially encouraged – however, as supplier participation is central to SkyCity's ability to quantify its impact on the supply chain and execute its strategy for this pillar, the EcoVadis assessment/audit was made mandatory for SkyCity's significant existing suppliers and new suppliers during the 2019 financial year. Unfortunately, during the last financial year, we paused the EcoVadis assessment/audit for suppliers due to the impacts of COVID-19, but continue to actively use the information collected to date to improve the performance of existing suppliers.

As at 30 June 2020, 79 New Zealand-based suppliers representing over $46 million of our total annual procurement spend had completed the EcoVadis assessment/audit process. Of SkyCity's annual food and beverage procurement spend in New Zealand, 76% ($21 million) is captured under the EcoVadis process – an increase from 70% in the 2019 financial year.

We continue to focus on obtaining a clearer picture of our suppliers' supply chains to ensure they align with our Ethical Sourcing Code and new suppliers are asked about their supply practices prior to becoming an approved supplier of the company. However, the scope and geographic spread of our supply chain, and also the wide variety of suppliers we engage with, creates challenges for embedding the Ethical Sourcing Code and ensuring our suppliers are doing more than acknowledging their commitments. Our suppliers are very diverse, ranging from small localised family businesses to global multinationals. In some cases, our suppliers are very small operators and they have few resources to provide detailed information about their policies and sustainability and governance approaches. In other cases, we have had long-standing agreements with suppliers, but have not engaged with them before on sustainability issues. As we manage these issues more closely, we will have the opportunity to deepen our engagement with our suppliers on the Ethical Sourcing Code. A key way that we will do that into the future is to undertake supplier sustainability assessments and audits.

Local Suppliers

As part of a major information technology upgrade implemented in April 2019, SkyCity now categorises items in more detail, including location of the supplier. This enables SkyCity to modify procurement practices where required to support the intention outlined in SkyCity's Group Procurement Policy - to source and procure locally made and supplied products from Australasian owned and operated businesses as a preference wherever possible.

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Over

$35 million

spent on food and beverage items across New Zealand and Adelaide in FY20

The policy drives greater rigour in the onboarding of new suppliers and has an emphasis on supplier consolidation and ethical sourcing with SkyCity choosing the best mix of suppliers to meet its business requirements.

Our primary focus is procuring from businesses operating in the same countries in which SkyCity operates, thus supporting local economies even where, in some instances, goods are imported. Our secondary focus is procuring local products and produce from businesses that are geographically close to our businesses.

In the financial year ended 30 June 2020, SkyCity spent over $35 million on food and beverage items across New Zealand and Adelaide. This equates to over 23% of our spend when excluding major capital construction projects. We will be continuing to work with our food and beverage suppliers to gain more understanding as to where our products are being sourced to ensure a local focus where practical.

Adelaide Expansion Project

The SkyCity Adelaide expansion project has provided an opportunity to demonstrate our focus on locally sourced products and local suppliers.

Iconic South Australian Fashion Designer Liza Emanuele was commissioned to design new uniforms for SkyCity Adelaide's venues and has created more than 90 unique looks inspired by the best of South Australia, blended with the glamour, personality and sense of fun from each SkyCity venue. Uniforms will be updated for all staff across the new development and current heritage building to ensure the style is consistent across the precinct.

In partnership with local craft brewery Pirate Life, The District at SkyCity (a new live entertainment area on Level 1 in the existing heritage building) will feature a new Pirate Life 500-litre microbrewery when it opens later this year – Australia's first fully functional microbrewery within a casino. Pirate Life was founded in Adelaide in 2014 by Michael Cameron, Jack Cameron and Jared Proudfoot. The immediate success of the business attracted the attention of leading brewers CUB, with Pirate Life joining the CUB family in November 2017, before expanding into a brewhouse in Port Adelaide in 2019.

Following a A$6 million restoration, The Guardsman opened in January 2020 in the former Overland Dining Hall in the SkyCity Adelaide Railway Station building. The new venue pays homage to the Railway Station's rich heritage, featuring a grand central bar, open kitchen and a coffee front. Award-winning South Australian architects and interior designers Studio Gram spearheaded The Guardsman's design, with the typography and signage developed by Adelaide's Tristan Kerr of Uppercase Studio. The grand central bar and open kitchen showcase some of South Australia's well-known food and beverage producers and features an exclusive offering of South Australian beers, with more than 20 local South Australian beers available on tap, including Coopers, Pirate Life, Prancing Pony and Mismatch. South Australia's world-renowned wine regions feature in the almost entirely local wine list and local spirits include 23rd Street Distillery and Adelaide Hills Distillery. The menu uses almost entirely South Australian suppliers and produce, with signature dishes including some of South Australia's finest seafood, including Fleurieu Peninsula squid, Spencer Gulf prawns, Eyre Peninsula kingfish and Coffin Bay oysters. Desserts are inspired by South Australian food icons, including the 'Berliner' and The Guardsman's take on the FruChoc.

Local products have been selected wherever possible for Eos by SkyCity, the new 120-room luxury hotel. In alignment with our sustainability

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Pirate Life's Jack Cameron, Michael Cameron and Jared Proudfoot with SkyCity Adelaide General Manager David Christian.

commitments, all single use plastic has been substituted with recycled cardboard packaging for items such as in-room slippers. We also intend to introduce a sustainable replacement to plastic room keys to operate in parallel to the keyless entry technology in development for use on guests' mobile phones. In-room amenities at Eos by SkyCity will include Grown Alchemist products, a high-end natural Australian beauty brand. Minibar snacks and beverages include products from South Australian based Steven ter Horst and 23rd Street Distillery along with locally grown or sourced almonds and dried fruits. Hotel suites and public areas will feature an array of local South Australian artwork, photography and sculptures, including works by Alice Blanch, Mark Tipple, Peter Syndicas and Danny Fotopoulos. The Eos by SkyCity spa will also feature Australian made iKOU organic skincare products.

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"We're so proud to be championed by SkyCity who sponsor our beehives in Victoria Park, turning our honey into desserts as an awareness-raising tool for pollinator and ecosystem health in the city." - For the Love of Bees

Sourcing Locally

In Auckland, SkyCity has partnered with For the Love of Bees, sponsoring one of the beehives at Victoria Park, an inner-city Auckland park. SkyCity Auckland's Orbit 360° Dining restaurant uses the honey from this hive to create a special 'For the Love of Bees' dessert. For each dessert sold, SkyCity contributes $1 towards For the Love of Bees, which is used to support the hives, beekeepers and the flowers needed to support the hives.

For the Love of Bees is a charitable trust and a collaborative city centre project seeking to make Auckland the world's most bee-friendly city through education, events and activations – all based around a collection of living beehives at Victoria Park.



For each 'For the Love of Bees' dessert sold, SkyCity contributes $1 towards For the Love of Bees, which is used to support the hives, beekeepers and the flowers needed to support the hives.

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Using Local Ingredients

We operate significant food and beverage operations across the SkyCity Group – from catering a simple breakfast offering through to large corporate events and weddings. We support our local businesses by sourcing through them whenever possible.

Here's a glimpse of the local produce SkyCity sourced and utilised in FY20.

Auckland, New Zealand



745,140
whole eggs



19,684kg
of local butter



193,610
litres of milk and cream



42,200kg
of flour



122,473kg
of beef

Adelaide, South Australia



5,786
litres of milk



77,976
oysters (6,498 dozen)



86,500
litres of tap beer



5,586kg
of beef



Protect the environment

Active commitment to reducing our environmental footprint.

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Our Environment

We are dedicated to growing in a sustainable manner with a commitment to environmental sustainability as a foundation for successful economic, social and cultural development.

Priority Issues

- Climate change/emissions reduction
- Reducing waste
- Reducing water use
- Employee activation

Key Stakeholders

- Kaivolution
- Auckland City Mission
- Toitū Envirocare
- Sustainable Business Network
- Climate Leaders Coalition
- Energy Efficiency and Conservation Authority
- SUEZ-ResourceCo

FY20 Performance Highlights

- Establishment of an employee-led Green Fund Committee, which oversaw the selection of emissions reduction projects to be funded by the SkyCity Green Fund
- 138,000 single use plastic bottles removed from The Grand by SkyCity and SkyCity Hotel in New Zealand, and replaced with glass alternatives
- 400,000 plastic straws and 100,000 single use plastic bottles removed from our Adelaide site
- Since 2018, 1,000,000 plastic straws have been removed from our New Zealand sites (equivalent to a two-tonne carbon reduction)
- Sky Tower lighting upgraded to LED resulting in a 10% energy saving on lighting circuits
- Achieved a saving of 96 tonnes of carbon at the Auckland site with assistance from the B-Tune programme

FY20 Key Challenges

- Unable to source a suitable model to satisfactorily calculate the impacts of the fire at the New Zealand International Convention Centre construction site in October 2019, which resulted in a spike in measurable particulates in the air quality indices for the Auckland Central City while the fire was active
- Increasing recycling rates and diverting more waste from landfill
- Introducing food waste composting across all SkyCity properties

FY21 Focus Areas

- Achieve carbon zero status for the SkyCity Group (by way of offset through Toitū Envirocare)
- Deliver a zero waste technology solution for the SkyCity Auckland site
- Continue our focus on reducing water use across our New Zealand sites

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We have reduced our waste sent to landfill by 38% since 2016

Working within the limits of the natural environment will allow current and future generations to benefit from its resources to ensure continual economic and social prosperity, which we believe results in business continuity and positive impacts on staff and stakeholder wellbeing.

Reducing Waste

Since 2016, SkyCity has reduced its waste sent to landfill by 38%, in part due to the mandated property closures during FY20 (in response to the COVID-19 pandemic).

Food Donations

Since March 2015, SkyCity has partnered with Kaivolution, a Go Eco Climate Action Project in Hamilton that rescues edible and useable kai (food) that would have otherwise gone to waste or landfill and redistributes it as free kai to registered community groups and charities. During the past financial year, the SkyCity Hamilton property donated around 2,300kgs of food to Kaivolution – an increase from the prior year and approximately half of which was donated in March 2020 when the Hamilton property was closed as a consequence of the New Zealand Government's decision to increase the COVID-19 Alert Level to Level 3 and then Level 4.

In Auckland, SkyCity also continued to support KiwiHarvest, a national food rescue charity that redistributes excess food, free of charge, to community groups and social service agencies, and the Auckland City Mission with donations of food from its Auckland property.

Composting

Food that cannot be donated from the SkyCity Auckland kitchens is collected and commercially composted offsite to be used on New Zealand soils to aid the horticulture industry. During the past financial year, through the efforts of our kitchen teams, SkyCity sent 292 tonnes of food waste to be commercially composted - bringing the total amount collected and composted since the programme began in April 2017 to 1,106 tonnes. Pleasingly, SkyCity's focus on reducing food wastage has resulted in a reduction of food waste being composted each year since the programme began.

We are currently investigating the possibility of commercially composting food waste from our SkyCity Hamilton property.

Plastics

Implementing a food waste composting system has allowed SkyCity to also benefit from commercial composting to reduce single use plastics. SkyCity continues to transition from traditional plastic to commercially compostable food and beverage packaging, such as takeaway coffee cups and lids, straws, plates, containers and cutlery. The packaging is made from rapidly replenishing plant-based material and can be disposed of in food waste bins.

During the last financial year, a three-stage single use plastic reduction strategy was developed and will be progressively implemented. The goals of the SkyCity Zero Waste Strategy are to eliminate waste sent to landfill and improve the efficiency of resource use through reduction and recycling. Stage one involves the removal of all customer facing single use plastics, such as water bottles and Styrofoam cups. Stage two is the development of a plan to remove plastic packaging from the SkyCity Auckland gift shop. The third stage involves quantifying all non-customer facing plastics, which are used by suppliers of goods to SkyCity, and developing a collaborative plan to reduce or replace these with more sustainable alternatives.

Eliminate Waste to Landfill

Over the last financial year, we have continued to consider and progress the feasibility for a waste converter for SkyCity Auckland, the largest and busiest property within the SkyCity Group. The waste converter is a zero waste to landfill option which can process nearly all waste materials (with

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the exception of construction waste and batteries) – although materials that can be composted, or that SkyCity receives a rebate from (such as cardboard), would continue to be recycled through existing avenues as would glass and HDPE plastics. The residual product from the converter has calorific value that is suitable to be made into an energy source or a building material (similar to MDF).

The key objectives of the converter are to achieve zero waste to landfill, reduce associated costs of disposing waste to landfill and to ensure that the end product will be recycled in New Zealand.

If achievable, SkyCity Auckland would be the first casino in the world to achieve a zero waste to landfill status.

In Adelaide, SkyCity has engaged new service supplier, SUEZ, to assist SkyCity Adelaide in achieving zero waste to landfill. SUEZ offers recycling and commercial food composting solutions with the remaining dry general waste being diverted to SUEZ-ResourceCo (a joint venture between SUEZ and ResourceCo). The SUEZ-ResourceCo facility processes commercial, industrial and construction waste into Processed Engineered Fuel (PEF) which is then used as a fuel source by Adelaide Brighton Cement instead of using traditional fossil fuels. PEF is used to power cement kilns, reducing carbon emissions by 30%. SUEZ-ResourceCo has the capacity to convert up to 350,000 tonnes of raw material per annum into 180,000 tonnes of PEF, and reducing carbon emissions by 30%.

Climate Change and Emissions

Although SkyCity is not, through its usual day-to-day operations, a major emitter of greenhouse gases, we recognise the role that we need to play in reducing our impacts. We are committed to progressing initiatives to reduce emissions and taking action to combat climate change.

As part of SkyCity's commitment to climate action, we have measured, audited and verified SkyCity's carbon footprint for FY15–FY20 through the Certified Emissions Measurement and Reduction Scheme programme operated by Toitū Envirocare, a Government-owned environmental certifications body in New Zealand.

SkyCity has submitted to the Science Based Targets (SBT) initiative, a partnership between CDP (formerly Carbon Disclosure Project), the United Nations Global Compact, the World Resources Institute and the World Wildlife Fund, to set science-based reduction targets from our FY15 base year. Targets are science-based when in line with the level of decarbonisation required to keep global temperature increase well below 2˚C. As part of this, SkyCity has committed to reduce absolute scope one and scope two Green House Gas (GHG) emissions by 38% by 2030 and by 73% by 2050 (from a 2014-2015 base year) and that 67% of SkyCity's suppliers, by spend covering purchased goods and services and capital goods, will set science-based scope one and scope two targets by the year 2023. SkyCity was the first hospitality business in Oceania to set science-based targets to help keep the rise in global temperature to well below 2˚C.

Achievements

Over the last financial year:

- SkyCity Auckland hosted the Sustainable Business Network's EMBARK conference in July 2019, a one-day event dedicated to connecting organisations with low emissions solutions products, providers and services;

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We were among the first major New Zealand companies to go carbon neutral

- we placed copies of Paul Hawken's renowned climate change book 'Drawdown - The Most Comprehensive Plan Ever Proposed to Reverse Global Warming' in all SkyCity hotel rooms to raise awareness among customers of the importance of climate change and the things people can do to reverse it. Paul Hawken is an American environmentalist, entrepreneur, author and activist who has dedicated his life to environmental sustainability and changing the relationship between business and the environment, and the founder of Project Drawdown, a non-profit dedicated to researching when and how global warming can be reversed;
- all the external lights on the Sky Tower were switched to low wattage LED, supporting SkyCity's climate change commitment to reduce carbon emissions from the Sky Tower lighting by 10%. Following the upgrade, the number of external lights on the Sky Tower has doubled, with 60 LED lights at the top of the Sky Tower and 96 LED lights at the base – truly lighting up Auckland's skyline;
- at our Auckland site, the contracted limousine fleet of diesel vehicles was replaced with more fuel-efficient vehicles, reducing running costs by 35% and reducing emissions by 25% over the previous petrol solution;
- SkyCity joined the Energy Efficiency and Conservation Authority's Gen Less programme, a platform to inspire New Zealand businesses and consumers to live a climate-friendly lifestyle. The Energy Efficiency and Conservation Authority is a New Zealand Government agency that works to improve the energy efficiency of New Zealand homes and businesses and encourage the uptake of renewable energy; and
- a number of initiatives led by the Property Services team at our Auckland site, including continuous commissioning and finetuning of the Building Management System (BMS) and the B-Tune programme (building tune), have cumulatively generated significant reductions in SkyCity Auckland's use of utilities reducing our overall carbon emissions and spend on electricity, gas and water.

Fire at the New Zealand International Convention Centre

SkyCity acknowledges the impacts of the October 2019 fire at the under construction New Zealand International Convention Centre on the local environment.

In the months following the fire, SkyCity investigated methods to measure the carbon emissions originating from the fire, however no suitable model was found to be available to satisfactorily complete the calculation.

While there was an increase in measurable particulates in the air quality indices for the Auckland Central City while the fire was active, these levels returned to normal once the fire was extinguished.

Watercare pumped approximately 8 million litres of water from the basement of the building into wastewater drains for treatment at its Māngere Wastewater Treatment Plant to reduce the amount of water (used to fight the fire) from going into stormwater drains and directly into the Auckland Harbour. Auckland Council ecotoxicology testing 10 days after the fire showed no long term impacts for marine life and water quality in Auckland City as a result of the water used to fight the fire travelling through stormwater drains to the Auckland Harbour. While there were concerns around contaminants in sediments in the Auckland Harbour, SkyCity understands that the bulk of these sediments either have been, or will be, dredged and safely disposed of in connection with works being undertaken for the America's Cup.

Climate Change Strategy

In February 2019, SkyCity announced a climate change strategy that would see SkyCity's

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New Zealand sites become carbon neutral by 30 September 2019, with SkyCity's Adelaide site achieving carbon neutrality by 30 September 2020. As part of this strategy, a SkyCity Green Fund was established – funded by an internal carbon levy paid by each of SkyCity's Auckland, Hamilton, Queenstown and Adelaide sites relative to each site's emissions. The levy is an internal charge of $25 per tonne of carbon, in line with the New Zealand Government's price of carbon under the Emissions Trading Scheme. Funds from the levy are used to offset SkyCity's carbon footprint to net zero by investing in emission reduction projects selected by Toitū Envirocare. The SkyCity Green Fund also accrues and invests in projects identified and developed by SkyCity employees to reduce SkyCity's carbon emissions in accordance with its science-based targets set in 2019.

SkyCity employees have the opportunity to measure and offset their own household carbon footprints, with SkyCity matching their offset dollar-for-dollar by payment into the SkyCity Green Fund.

Pleasingly, SkyCity was among the first major New Zealand companies to go carbon neutral and was certified carbonzero by Toitū Envirocare in New Zealand in October 2019. SkyCity paid $86,000 to offset the equivalent of 12,866 tonnes of carbon (measured in FY19). The carbon credits purchased through Toitū Envirocare are generated by international projects, which will fund 48,000 solar household cookers for rural communities in China and help build wind farm capacity in India to replace fossil fuel alternatives.

The New Zealand International Convention Centre, currently under development in Auckland, will operate as a carbon neutral venue following completion of construction and is expected to be the only one of its kind in the Asia Pacific region. The New Zealand International Convention Centre has also adopted a sustainability management plan and will participate in globally recognised, independent verification programmes, including the Leadership in Energy and Environmental Design's (LEED) Green Building Rating System. The New Zealand International Convention Centre aims to achieve a certified status following the assessment of the sustainable nature by which the centre has been designed, built and delivered.

How does SkyCity become carbonzero?

1. We work out where our emissions come from
2. We work with Toitū Envirocare to confirm our footprint
3. Our emissions have been offset and certified

TOITŪ CARBON ZERO

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As planned, the Adelaide site will also become carbon neutral, alongside SkyCity's New Zealand sites, when the emissions generated during the year ended 30 June 2020 (5,518 tonnes of carbon) are offset by purchasing carbon credits through Toitū Envirocare in September 2020.

Reduction in Water Use

In response to the severe drought being experienced in the Auckland region this year, which has resulted in mandatory water use restrictions in Auckland City since May 2020 (for the first time in 25 years), initiatives to reduce water use have been implemented at our Auckland site, including:

- washing buildings and windows using buckets of water rather than hoses;
- reusing water for other outdoor cleaning tasks;
- using dishwashers only when full and turning off taps in the kitchens;
- making staff and hotel guests aware of the water restrictions; and
- restrictions on cooling tower usage.

As a consequence of these measures, a good reduction in water use has been achieved.

Climate Change Governance and Risks

SkyCity's climate change strategy is overseen by the Board's Sustainability Committee. A management-led Climate Change Committee is responsible for working with wider operational management to execute the strategy.

In November 2019, the Climate Change Response (Zero Carbon) Amendment Act 2019 (New Zealand) was passed and came into force. The Act amends the Climate Change Response Act 2002 (New Zealand) and provides a framework by which New Zealand can develop and implement clear and stable climate change policies that contribute to the global effort under the Paris Agreement to limit the global average temperature increase to 1.5˚C above pre-industrial levels and allow New Zealand to prepare for, and adapt to, the effects of climate change. The Act provides for a transitional period to 2021 to develop and implement:

- the first National Climate Change Risk Assessment for New Zealand;
- a provisional national emissions budget for 2021–2025; and
- policies for climate change adaptation and mitigation.

These documents will be a critical resource for SkyCity to take its climate change strategy and planning to the next stage.

SkyCity is also a signatory to the Climate Leaders Coalition, a group representing a variety of businesses from different industries which contribute to nearly half of New Zealand's emissions. The group's goal is to help New Zealand transition to a low emissions economy and, in doing so, create a positive future for New Zealanders, business and the economy. Members of the Climate Leaders Coalition have signed a joint Climate Change Statement, which commits their companies to action and is the group's first step in their drive for positive change. By signing the statement, each of the business leaders have committed to:

- measuring their greenhouse gas emissions and publicly reporting on them;
- setting a public emissions reduction target consistent with keeping within 2˚C of warming;
- working with their suppliers to reduce their greenhouse gas emissions;
- supporting the Paris Agreement and New Zealand's commitment to it; and
- supporting the introduction of a climate commission and carbon budgets enshrined in law.

The Climate Leaders Coalition recognises the role that business can play in bringing about change and demonstrates the significant leadership direction being taken by businesses on the issue of climate change.

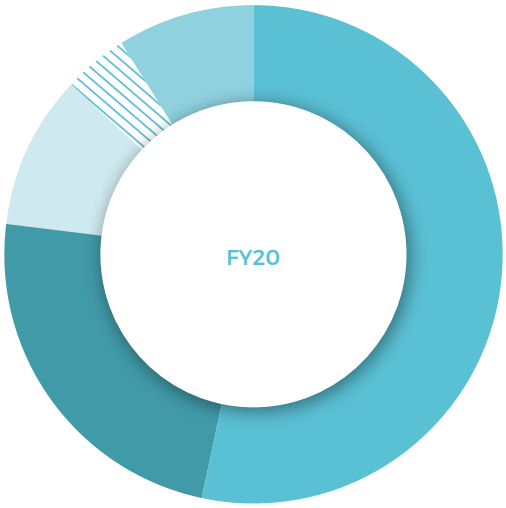
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SkyCity Climate Related Risks

Nature of Risk	Description and Impact	
Physical risks	Rise in global temperatures	Increased load on air conditioning, increased power outages, increased reliance on generators, increased fire risk in Adelaide and a reduced ski season in Queenstown
	Increase in violent weather events, including cyclone, sea surge, tornado	Damage to property, business interruption, undrinkable water, gas leaks, power outages, increased reliance on generators, reduced visitation/ tourism and the need for new infrastructure to be more resilient
	Rise in sea levels	Salt intrusion in soils impacting supply chain
Market and reputational risks and opportunities	• Shift in consumer preferences, increasing societal pressure to participate in green economy and the stigma of not participating • Potential for banks to increase cost of funds for non-green entities • Increasing long term focus by investors in green funds, which could impact SkyCity's share price • Increased challenges with tourism around New Zealand (erratic weather) increases the opportunity for an indoor "proxy" experience • Potential for New Zealand to become a more attractive tourism destination for its "green" status	
Policy and legal risks	• Increase in compliance and reporting costs associated with measuring, demonstrating and actioning new requirements • Change in policy and regulations (new building construction, building fit outs and remedial work to maintain building warrant of fitness)	
Economic risks and opportunities	• General increase in cost of doing business (through an emissions trading scheme and/or value chain risk), including fuel, water, waste water, electricity, gas, transportation, taxes, waste disposal, certain goods and services, and insurance • Prohibition of non-green consumables, which may cost more or less than alternative green consumables • Change in infrastructure and furniture, fixtures, and equipment (FFE) costs (green standards, energy efficiency, electric vehicles and other green technology) • SkyCity will be considering carbon in future investment and divestment opportunities	

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FY20 Carbon Footprint Inventory



- Electricity **53%** ▼ (FY19 – 54%)
- Gas **24%** ▲ (FY19 – 23%)
- Flights **10%** ▼ (FY19 – 15%)
- Waste **4%** ▼ (FY19 – 6%)
- Other **9%** ▲ (FY19 – 2%)

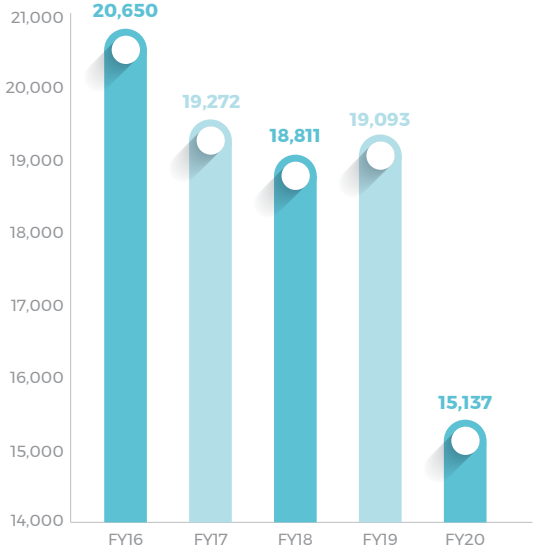
FY16–FY20 Performance

The following tables summarise SkyCity's key environmental performance data for FY16–FY20.

SkyCity has continued efforts to reduce its carbon footprint – with Scope 1 and 2 emissions combined reducing by 24.6% since FY16 and emissions from waste reducing by 56%, in part due to the mandated property closures and travel restrictions during FY20 (in response to the COVID-19 pandemic).

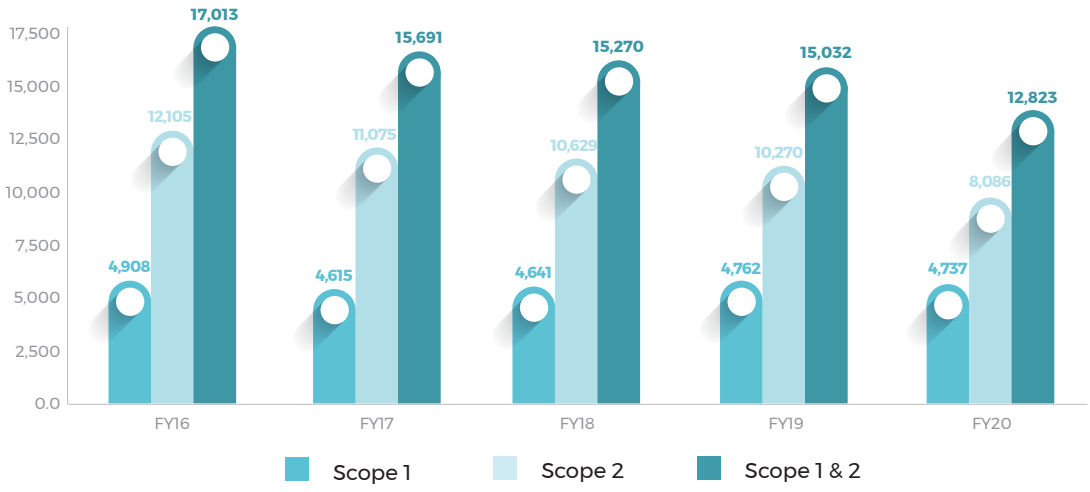
The increase in absolute carbon from FY18 to FY19 was due to increased air travel across the Group, which SkyCity reduced in FY20 through better utilisation of Skype for Business and economy class flights and due to COVID-19 related international border restrictions.

Total Emissions (Scope 1, 2 and 3) (Tonnes CO2e)



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Scope 1 and 2 Emissions (Tonnes CO2e)



Scope 3 Emissions (Tonnes CO2e)



Scope Definitions

Through the Toitū carbonreduce certification (formerly the Certified Emissions Measurement and Reduction Scheme) operated by Toitū Envirocare, SkyCity must report all Scope 1, Scope 2 and Scope 3 emissions (unless deemed de minimis), where:

- Scope 1 emissions are direct emissions from sources owned or controlled by SkyCity – for example, gas (LPG and natural), fuel combustion from company vehicles, rental cars and leased fleet, and refrigerant and air conditioning systems;
- Scope 2 emissions are indirect emissions from electricity purchased by SkyCity; and
- Scope 3 emissions are indirect emissions from sources not owned or controlled by SkyCity but resulting from SkyCity's activities – for example, travel (including short and long haul air travel), waste sent to landfill and freight/couriers (for items exceeding 2kg).

Independent Limited Assurance Statement

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Building a better working world

Independent Limited Assurance Statement to the Management and Directors of SkyCity Entertainment Group Limited

Our Conclusion

Ernst & Young ('EY', 'we') was engaged by SkyCity Entertainment Group Limited ("SkyCity") to undertake limited assurance as defined by the International Standards on Assurance Engagements, over disclosures associated with selected sustainability performance data ('sustainability performance data') using criteria applied by SkyCity ('criteria') included in SkyCity's Annual Report for the year ended 30 June 2020. Based on our procedures, nothing came to our attention that caused us to believe that the agreed sustainability performance data detailed in the table below has not been prepared and presented fairly, in all material respects, in accordance with the criteria defined below.

What our review covered

We reviewed the sustainability performance data in SkyCity's Annual report disclosures included in its Annual Report for the year ended 30 June 2020 as detailed in the table below.

Subject matter	Report page
Customer exclusions issued at SkyCity casinos in FY20	76
Gender pay gap (%) for Australia and New Zealand staff	87
Workforce diversity statistics	91
Total Recordable Injury Frequency Rate (TRIFR) % change FY19-20	82
% change in number of hazard identification reports FY19-20	82
Contributions by SkyCity casinos to the SkyCity Community Trusts	97
NZ food and beverage spend from Ecovadis programme suppliers	105
Total procurement spend on food and beverage from Australia and New Zealand-based suppliers and % of total FY20 spend excluding construction	106
% reduction in waste to landfill volume (tonnes) FY16-Fy20	112

Criteria applied by SkyCity

The criteria for our assurance engagement included the Global Reporting Initiative (GRI) Standards and SkyCity's own published criteria, as detailed within the SkyCity Annual Report for the year ended 30 June 2020 available at: https://www.skycityentertainmentgroup.com.

Key responsibilities

EY's responsibility and independence

Our responsibility was to express a limited assurance conclusion on SkyCity's selected sustainability performance data metrics based on our procedures.

We have complied with the relevant ethical requirements relating to assurance engagements, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with the Professional and Ethical Standard 3 (Amended), Ernst & Young Limited maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

SkyCity's responsibility

SkyCity's management ("management") was responsible for selecting the Criteria, and preparing and fairly presenting the sustainability performance data metrics in accordance with that Criteria. This responsibility includes establishing and maintaining internal controls, adequate records and making estimates that are reasonable in the circumstances.

Our approach to conducting the engagement

We conducted this engagement in accordance with the International Standard on Assurance Engagements ISAE (NZ) 3000: *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and the terms of reference for this engagement as agreed with SkyCity on 5 July 2020.

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Building a better working world

Summary of procedures performed

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the sustainability performance data and related information, and applying analytical and other review procedures.

Our procedures included, but were not limited to:

- Conducting interviews with personnel to understand the business and reporting process
- Conducting interviews with key personnel to understand the process for collecting, collating, and reporting the sustainability performance data during the reporting period
- Undertaking analytical review procedures to support the reasonableness of the data
- Identifying and testing assumptions supporting the calculations
- Testing, on a sample basis, underlying source information to check the accuracy of the data
- Performing recalculations of performance data metrics to confirm quantities stated were replicable
- Reviewing the appropriateness of presentation of disclosures.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Limited Assurance

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

Use of our Assurance Statement

We disclaim any assumption of responsibility for any reliance on this assurance report to any persons other than management and the Directors of SkyCity or for any purpose other than that for which it was prepared.

Ernst & Young Limited



Graeme Bennett
Partner - Assurance

01 September 2020



Committed to maintaining the highest standards

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Corporate Governance Statement and Other Disclosures

SkyCity Entertainment Group Limited is committed to maintaining the highest standards of corporate behaviour and responsibility and has adopted governance policies and procedures reflecting this.

In establishing its governance policies and procedures, the SkyCity Board has adopted eleven governance parameters as the cornerstone principles of its corporate governance charter as set out in the company's Board Charter (available in the Governance section of the company's website at www.skycityentertainmentgroup.com).

As a New Zealand company listed on the New Zealand and Australian stock exchanges, these cornerstone principles, detailed below and on the following pages, reflect the Listing Rules and Corporate Governance Code of NZX Limited (NZX), the Listing Rules of ASX Limited (ASX), the Corporate Governance Principles and Recommendations (Fourth Edition) of the ASX Corporate Governance Council, and the New Zealand Financial Markets Authority's Corporate Governance Principles and Guidelines.

SkyCity is listed as a 'Foreign Exempt Listing' on the ASX. The ASX Foreign Exempt Listing category is based on a principle of substituted compliance recognising that, for secondary listings, the primary regulatory role and oversight rest with the home exchange and the supervisory regulator in that jurisdiction. As a company with ASX Foreign Exempt Listing status, SkyCity is not required to comply with ASX Listing Rule 4.10, which requires entities to include certain prescribed information in their annual reports, or the Corporate Governance Principles and Recommendations (Fourth Edition) of the ASX Corporate Governance Council. Notwithstanding, SkyCity has taken into account ASX Listing Rule 4.10 when preparing this annual report and considers its corporate governance practices and principles have substantially reflected the recommendations set by the ASX Corporate Governance Council, in addition to all the corporate governance principles set out in the NZX's Corporate Governance Code, during the financial year ended 30 June 2020. In addition, as mentioned above, the cornerstone principles set out in SkyCity's Board Charter (available in the Governance section of the company's website at www.skycityentertainmentgroup.com) continue to reflect the principles in the Corporate Governance Principles and Recommendations (Fourth Edition) of the ASX Corporate Governance Council.

1. Roles and Responsibilities of the Board and Management

SkyCity's procedures are designed to:

- enable the Board to provide strategic guidance for the company and effective oversight of management;
- clarify the respective roles and responsibilities of Board members and senior executives in order to facilitate Board and management accountability to both the company and its shareholders; and
- ensure a balance of authority so that no single individual has unfettered powers.

The Board Charter details the Board's role and responsibilities. The Board establishes the company's objectives, the major strategies for achieving those objectives and the overall policy framework within which the business of the company is conducted, and monitors management's performance with respect to these matters.

The Board is also responsible for ensuring that the company's assets are maintained under effective stewardship, that decision-making authorities within the organisation are clearly defined, that the letter and intent of all applicable company and casino laws and regulations are complied with, and that the company is well managed for the benefit of its shareholders and other stakeholders.

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Specific responsibilities of the Board include:

- oversight of the company, including its control and accountability procedures and systems;
- appointment, performance, and removal of the Chief Executive Officer;
- confirmation of the appointment and removal of the senior executive group (being the direct reports to the Chief Executive Officer);
- setting the remuneration of the Chief Executive Officer and approval of the remuneration of the senior executive group;
- approval of the corporate strategy and objectives and oversight of the adequacy of the company's resources required to achieve the strategic objectives;
- approval of, and monitoring of actual results against, the annual business plan and budget (including the capital expenditure plan);
- review and ratification of the company's systems of risk management and internal compliance and control, codes of conduct and legal compliance; and
- approval and monitoring of the progress of capital expenditures, capital management initiatives, acquisitions and divestments.

The Board has responsibility for the affairs and activities of the company, which in practice is achieved through delegation to the Chief Executive Officer and others (including SkyCity appointed directors on subsidiary company boards) who are charged with the day-to-day leadership and management of the company. The Board maintains a formal set of delegated authorities that details the extent to which employees can commit the company. These delegated authorities are approved by the Board and are subject to annual review by the Board.

The Chief Executive Officer also has the responsibility to manage and oversee the interfaces between the company and the public and to act as the principal representative of the company.

Each director and senior executive has a written agreement with the company setting out their terms of appointment and responsibilities.

2. Structure the Board to Add Value

Board effectiveness requires the efficient discharge of the duties imposed on the directors by law and the addition of value to the company.

To achieve this, the SkyCity Board is structured to:

- have a sound understanding of, and competence to deal with, the current and emerging issues of the business;
- effectively review and challenge the performance of management and exercise independent judgement; and
- assist in the selection of candidates to stand for election by shareholders at annual meetings.

Board Composition and Skills Matrix

The Board ensures that it is of an effective composition and size to adequately discharge its responsibilities and duties and to add value to the company's decision-making.

In order to meet these requirements, the Board membership comprises a range of skills and experience to ensure that it has a proper understanding of and competence to deal with the current and emerging issues of the business, to effectively review and challenge the performance of management, and to exercise independent judgement.

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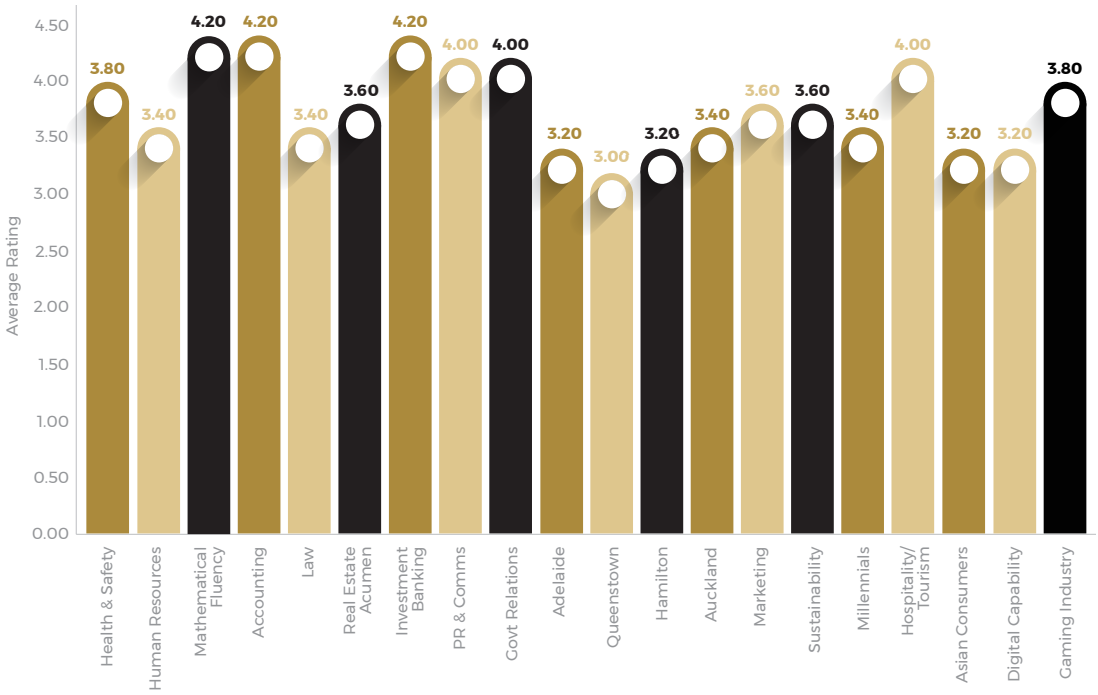
The areas of expertise and experience determined by the Board as being the key competencies required to meet these objectives were most recently agreed by the Board in May 2018 and include:

- gaming industry experience and understanding;
- understanding of Asia and Asian consumers;
- local market knowledge of Auckland;
- local market knowledge of Adelaide;
- government relations;
- public relations and communications;
- investment banking;
- property and real estate acumen;
- hospitality industry experience and understanding;
- law;
- finance and accounting;
- mathematical fluency;
- human resources;
- occupational health and safety;
- marketing;
- digital capability and exposure;
- sustainability; and
- millennial understanding.

In June 2019, Board members completed a self-assessment survey to identify the Board's overall competency in relation to the above areas of expertise and experience. The results of the survey are set out in the table below – where 1 indicates lower competency and 5 indicates higher competency. Details of individual expertise and experience of the directors are set out on pages 53–55 of this annual report.

Where there is an identified gap in expertise and/or experience, the Board seeks to address that gap through learning and personal development, the use of independent expert advisors in specific areas of perceived need when necessary, or by the appointment of a director or directors with the relevant expertise and experience.

Director Competencies



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Appointment

The Board has established the Governance and Nominations Committee to:

- identify and recommend to the Board suitable persons for nomination as members of the Board and its committees (taking into account such factors as experience, qualifications, judgement, and the ability to work with other directors);
- annually review the overall composition and structure of the Board and its committee memberships and, if appropriate, the removal of a director from the Board and/or its committees;
- monitor the succession and rotation of Board and committee members;
- monitor the outside directorships and other business interests of directors with a view to ensuring independence/no conflicts of interest, and director capability and time availability to effectively undertake the requirements of their SkyCity Board and committee positions;
- monitor related parties, conflicts of interest, and independence issues;
- ensure that potential candidates understand the role of the Board and the time commitment involved when acting as a member of the Board;
- oversee the evaluation of the Board; and
- review the Board's succession planning.

External consultants are engaged to access a wide base of potential candidates and to review the suitability of candidates for appointment.

The procedures for the appointment and removal of directors are prescribed in the company's constitution, which, amongst other things, requires all potential directors to have satisfied the extensive probity requirements of each jurisdiction in which the Group holds gaming licences.

Subject to satisfaction of the probity requirements, the Board may appoint directors to fill casual vacancies that occur or to add persons to the Board up to the maximum number (currently 10) prescribed by the constitution. If the Board appoints a new director during the year, that person will stand for election by shareholders at the next annual meeting. Shareholders are provided with relevant information on any candidate standing for election in the company's notice of meeting.

Directors are appointed under the company's Terms of Appointment and Reference for Directors and Board Charter (both available in the Governance section of the company's website at www.skycityentertainmentgroup.com) for a term of three years and subject to re-election by shareholders in accordance with the rotation requirements of NZX and ASX and as prescribed in the company's constitution.

Director Independence

The Board Charter and the company's constitution require that the Board contains a majority of its number who are independent directors. SkyCity also supports the separation of the role of Board chair from the Chief Executive Officer position. The Board Charter requires the Board chair and (where appointed) deputy chair to be independent directors and prohibits the company's Chief Executive Officer from filling either of these roles.

Directors are required to ensure all relationships and appointments bearing on their independence are disclosed to the Governance and Nominations Committee on a timely basis. In determining the independence of directors, the Board has adopted the definition of independence set out in the NZX Main Board Listing Rules and has taken into account the independence guidelines as recommended in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Fourth Edition) (ASX Independence Guidelines).

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At its June 2020 meeting, the Board reviewed the status of each director in accordance with the definition of independence set out in the NZX Main Board Listing Rules and taking into account the ASX Independence Guidelines and determined that all current non-executive directors were independent at the balance date having regard to the factors described in the NZX Corporate Governance Code and ASX Independence Guidelines that may impact director independence.

Access to Information and Advice

New directors participate in an individual induction programme, tailored to meet their particular information requirements.

Directors receive regular reports and comprehensive information on the company's operations before each Board and committee meeting and have unrestricted access to any other information they require. Senior management is also available at and outside each meeting to address queries.

Directors are expected to maintain an up-to-date knowledge of the company's business operations and of the industry sectors within which the company operates. Directors are provided with updates on industry developments and undertake training and regular visits to the company's key operations. The Board also undertakes periodic educational trips (as a group and/or individually) to observe and receive briefings from other companies in the gaming and entertainment industries. The most recent group educational Board trip was to the United States and Canada in March 2019.

Directors are entitled to obtain independent professional advice (at the expense of the company) on any matter relating to their responsibilities as a director or with respect to any aspect of the company's affairs, provided they have previously notified the Board chair of their intention to do so.

Indemnities and Insurance

The company provides a deed of indemnity in favour of each director and member of senior management and provides professional indemnity insurance cover for directors and executives acting in good faith in the conduct of the company's affairs.

Board Committees

The Board has four formally appointed standing committees – the Audit and Risk Committee, Governance and Nominations Committee, People and Culture Committee and Sustainability Committee.

The members of each of these committees are non-executive directors and the non-executive directors of the Board appoint the chair of each committee.

Each of these committees operates under a formal charter document as agreed by the Board. Each charter sets out the role and responsibilities of the relevant committee and is available in the Governance section of the company's website at www.skycityentertainmentgroup.com.

Each committee charter and the performance of each committee are subject to formal review by the Board on an annual basis.

From time to time, the Board creates specific sub-committees to deal with a particular matter or matters and/or to have certain decision-making authority as the Board may elect to delegate to that sub-committee. As at 30 June 2020, the Board had established a sub-committee to oversee the New Zealand International Convention Centre and Horizon Hotel development and a separate sub-committee to oversee the SkyCity Adelaide expansion project.

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Board and Committee Membership

The following table lists the members and chair of the SkyCity Board and each of its four formally appointed standing committees as at 30 June 2020 and as at the date of this annual report.

Biographical details of individual directors, and their respective qualifications and experience, are set out on pages 53–55 of this annual report.

BOARD		Appointment to Office
Chair	Rob Campbell	25 June 2017
Deputy Chair	Bruce Carter	12 October 2010
Members	Sue Suckling	9 May 2011
	Jennifer Owen	5 December 2016
	Murray Jordan	5 December 2016

AUDIT AND RISK COMMITTEE	
Chair	Bruce Carter
Members	Rob Campbell
	Jennifer Owen

PEOPLE AND CULTURE COMMITTEE	
Chair	Murray Jordan
Members	Rob Campbell
	Jennifer Owen

SUSTAINABILITY COMMITTEE	
Chair	Sue Suckling
Members	Rob Campbell
	Bruce Carter

GOVERNANCE AND NOMINATIONS COMMITTEE	
Chair	Rob Campbell
Members	Bruce Carter
	Sue Suckling
	Jennifer Owen
	Murray Jordan

Board and Committee Meeting Attendance

The following table shows director attendance at Board meetings and committee member attendance at committee meetings (both scheduled and unscheduled) during the financial year ended 30 June 2020.

	BOARD	AUDIT AND RISK	PEOPLE AND CULTURE	GOVERNANCE AND NOMINATIONS	SUSTAINABILITY
TOTAL NUMBER OF MEETINGS	**20[1]**	**7**	**6**	**1**	**4**
Rob Campbell	20	7	6	1	4
Bruce Carter[2]	20	7	–	1	3
Sue Suckling	19	–	–	1	4
Jennifer Owen	20	7	6	1	–
Murray Jordan	20	–	6	1	–
Richard Didsbury[3]	3	–	–	–	1

(1) The Board met weekly during the period from 17 March - 9 June 2020 in response to the COVID-19 pandemic.
(2) Bruce Carter was appointed a member of the Sustainability Committee effective from 12 November 2019.
(3) Richard Didsbury retired as a director effective from 11 November 2019.

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3. Integrity and Ethical Behaviour

For SkyCity, it is important to be a good corporate citizen, whilst operating a sustainable and successful business model.

SkyCity expects its Board, management and employees to act in accordance with the company's values, policies and legal obligations and actively promotes ethical and responsible behaviour and decision-making by:

- clarifying and promoting observance of its guiding values; and
- clarifying the standards of ethical behaviour required of company directors and key executives (that is, officers and employees who have the opportunity to materially influence the integrity, strategy and operations of the business and its financial performance) and encouraging the observance of those standards.

Training and information on the company's values, policies and legal obligations are provided to all employees on induction and periodically throughout their time at SkyCity.

Sustainability

To help the company define its responsibilities and the effectiveness of its activities, SkyCity maintains operational supervision of its sustainability activities through management as well as governance-level oversight through the Board's Sustainability Committee. This Committee directs the company's commitment to care activities and is responsible for developing and maintaining SkyCity's sustainability policies.

The Sustainability Committee focuses on the agreed pillars of the company's sustainability strategy, which are described in further detail on pages 63–119 of this annual report together with details of SkyCity's sustainability activities.

Code of Conduct

The Sustainability Committee is responsible for monitoring the organisational integrity of business operations to ensure the maintenance of a high standard of ethical behaviour. This includes ensuring that SkyCity operates in compliance with its Code of Conduct (available in the Governance section of the company's website at www.skycityentertainmentgroup.com), which sets out the guiding principles of its relationships with stakeholder groups such as regulators, shareholders, suppliers, customers, community groups and employees.

Compliance with the Code of Conduct is monitored through education and notification by individuals who become aware of any breach. In addition, all senior managers are required annually to provide a confirmation to the company that to the best of their knowledge all business matters undertaken within their areas of responsibility have been conducted in accordance with the Code of Conduct. The most recent annual confirmations were provided by senior managers in August 2020.

Trading in Securities

The company maintains a Securities Trading Policy (available in the Governance section of the company's website at www.skycityentertainmentgroup.com) for directors and employees that sets out guidelines in respect of trading in, or giving recommendations concerning, the company's securities, including derivatives of such listed securities.

Details of any securities trading by directors or executives who are subject to the company's Securities Trading Policy are notified to the Board.

In addition, directors and officers of the company must comply with the disclosure obligations under subpart 6 of the New Zealand Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules and formally disclose their SkyCity shareholdings and other securities holdings to the NZX and, consequently, ASX within prescribed timeframes.

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Conflicts of Interest

SkyCity expects its directors and employees to avoid conflicts of interest in their decisions and to avoid any direct or indirect interest, investment, association, or relationship which is likely to, or appears to, interfere with the exercise of their independent judgement.

Where conflicts of interest may arise (or where potential conflicts of interest may arise), directors must formally advise the company or, in the case of an employee, their manager about any matter relating to that conflict (or potential conflict) of interest.

Gaming Prohibition

Directors and employees are not permitted to participate in any gaming or wagering activity at any SkyCity land-based property.

4. Safeguard the Integrity of the Company's Financial Reporting

The Board is responsible for ensuring that effective policies and procedures are in place to provide confidence in the integrity of the company's financial reporting.

The Audit and Risk Committee has responsibility for oversight of the quality, reliability, and accuracy of the company's internal and external financial statements, the quality of the company's external result presentations, its internal control environment and risk management programmes, and for its relationships with its internal and external auditors.

The Audit and Risk Committee and the Board undertake sufficient inquiry of the company's management and the company's internal and external auditors in order to enable them to be satisfied as to the validity and accuracy of the company's financial reporting. The Chief Executive Officer and the Chief Financial Officer are required to confirm in writing that the annual and interim financial statements present a true and fair view of the company's financial condition and results of operations, and comply with relevant accounting standards.

The Audit and Risk Committee oversees the independence of the company's internal and external auditors and monitors the scope and quantum of work undertaken and fees paid to the auditors for non-audit services.

The Committee has adopted an External Audit Independence Policy that sets out the framework for assessing and maintaining audit independence. The Committee has formally reviewed the independence status of PricewaterhouseCoopers and is satisfied that its objectivity and independence is not compromised as a consequence of non-audit work undertaken for the company.

PricewaterhouseCoopers has confirmed to the Committee that it is not aware of any matters that could affect its independence in performing its duties as auditor of the company.

Fees paid to PricewaterhouseCoopers during the financial year ended 30 June 2020 are set out in note 7 to the financial statements. Fees for audit and other assurance work for the financial year ended 30 June 2020 represented 80% of total PricewaterhouseCoopers fees.

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5. Timely and Balanced Disclosure

The Board is committed to ensuring timely and balanced disclosure of all material matters concerning the company to ensure compliance with the letter and intent of the NZX and ASX Listing Rules such that:

- all investors have equal and timely access to material information concerning the company, including its financial situation, performance, ownership and governance; and
- company announcements are factual and comprehensive.

SkyCity believes high standards of reporting and disclosure are essential for proper accountability between SkyCity and its investors, employees and stakeholders.

The company is committed to promoting investor confidence by providing timely and balanced disclosure of all material matters relating to SkyCity and its subsidiaries (SkyCity Group). The company maintains a Market Disclosure Policy (available in the Governance section of the company's website at www.skycityentertainmentgroup.com) for directors and employees that sets out guidelines in respect of the company's continuous disclosure obligations.

The Policy is designed to ensure that SkyCity:

- satisfies the requirements of the New Zealand Financial Markets Conduct Act 2013, Australian Corporations Act 2001, NZX Main Board Listing Rules and ASX Listing Rules;
- meets its disclosure obligations in a way that allows all interested parties equal opportunity to access information;
- meets stakeholders' expectations for equal, timely, balanced and meaningful disclosure; and
- provides guidance on the processes to ensure compliance.

The company is also committed to presenting its financial and key operational performance results in a clear, effective, balanced and timely manner to the stock exchanges on which the company's securities are listed, and to its shareholders, analysts and other market commentators, and ensures that such information is available on the company's website.

The company's annual report (including this annual report) is prepared by the General Counsel for the SkyCity Entertainment Group with input from the Chief Executive Officer and other senior management who bear responsibility for the topics covered in the annual report with a view to ensuring the contents are materially accurate, balanced and provide investors sufficient information about SkyCity and its performance over the relevant financial year. The Board also contributes to and approves the contents of the annual report.

Jo Wong, General Counsel, is Company Secretary and the Disclosure Officer for SkyCity Entertainment Group Limited and is responsible for bringing to the attention of the Board any matter relevant to the company's disclosure obligations. The Company Secretary is also accountable directly to the Board, through the chair of the Board, on all matters to do with the proper functioning of the Board.

6. Respect and Facilitate the Rights of Shareholders

The company's shareholder communications strategy is designed to facilitate the effective exercise of shareholder rights by:

- communicating effectively with shareholders;
- providing shareholders with ready access to balanced and understandable information about the company and corporate proposals; and
- facilitating participation by shareholders in general meetings of the company.

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The company achieves this by:

- ensuring that information about the company (including its corporate governance framework, media releases, current and past annual reports, dividend histories and notices of meeting) is available to all shareholders in the Investor Centre and Governance sections of the company's website at www.skycityentertainmentgroup.com;
- posting stock exchange announcements in the Investor Centre section of the company's website promptly after they have been disclosed to the market;
- giving shareholders the option to receive communications from, and send communications to, the company and its security registry, Computershare, electronically;
- engaging in a programme of regular interactions with institutional investors, shareholder associations and proxy advisers;
- promoting two-way interaction with shareholders, by encouraging shareholders to attend general meetings of the company;
- making appropriate time available at such meetings for shareholders to ask questions of directors and management. Each year, in the company's notice of meeting, shareholders are invited to submit questions to the company prior to the annual meeting to enable the company to aggregate the main themes of the questions asked and respond to them at the annual meeting. Representatives of the company's external auditors are also invited to attend the company's annual meeting to answer any shareholder questions concerning their audit and external audit report; and
- ensuring that continuous disclosure obligations are understood and complied with throughout the SkyCity Group.

7. Recognise and Manage Risk

The company maintains a risk management framework for the identification, assessment, monitoring and management of risk to the company's business.

SkyCity maintains an independent, centrally managed Group Risk function which evaluates and reports on risks and controls across the Group. Management is required to report to the Audit and Risk Committee and Board on the effectiveness of the company's management of its material business risks at least annually.

The Audit and Risk Committee approves the assurance plan, with results and performance of the organisation's risk and controls regularly reviewed by both the Committee and the external auditors. The Chief Executive Officer and the Chief Financial Officer are required to confirm in writing to the Audit and Risk Committee at least annually that the statement in respect of the integrity of the company's financial statements referred to above is founded on a sound system of risk management and internal control which aligns to the policies of the Board, and that the company's risk management and internal control systems are operating efficiently and effectively in all material respects. The most recent confirmations were provided by the Chief Executive Officer and Chief Financial Officer in September 2020.

The company maintains business continuity, material damage and liability insurance cover to ensure that the earnings of the business are well protected from adverse circumstances.

SkyCity's ability to create and preserve value for its shareholders requires the successful execution of its business strategy. Risks influencing its ability to do this, including SkyCity's material exposure to economic, environmental and social sustainability risks, if any, and how it manages or intends to manage those risks, are outlined on pages 45–51 of this annual report.

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8. Performance Evaluation

Evaluation of the Board and its Committees

The Board and committee charters require an evaluation of the Board's and its committees' performance on an annual basis. The Governance and Nominations Committee determines and oversees the process for evaluation, which includes assessment of the role and responsibilities, performance, composition, structure, training and membership requirements of the Board and its committees.

The annual evaluation of the Board's and its committees' performance is generally carried out in the form of a self-evaluation questionnaire completed by each of the directors and select management. From time to time, an independently facilitated evaluation process may be carried out, in addition to or in substitution of the self-evaluation process, for the purpose of evaluating the performance of the Board and its committees.

In June 2019, the Board agreed to participate in an independently facilitated evaluation process by a specialist facilitator with significant experience in board evaluations. As part of the evaluation process, the facilitator held structured interviews on a one-on-one basis with each director and relevant senior managers and attended the Board's October 2019 meeting to conduct a structured assessment of Board dynamics, contribution, and effectiveness. The facilitator's insights on Board and individual director strengths and opportunities for enhanced performance and development were then discussed at the Board's December 2019 meeting with the facilitator in attendance.

Evaluation of Senior Management

The Board undertakes the performance review of the Chief Executive Officer and reviews the performance outcomes of those reporting directly to that position in accordance with the company's performance review procedures.

In the case of the Chief Executive Officer, the review generally involves a formal response/feedback process at both the half year and full year. In the case of each senior executive, the review involves a formal response/feedback process between the Chief Executive Officer and each senior executive.

9. Remunerate Fairly and Responsibly

The guiding principles that underpin SkyCity's remuneration policies are to:

- be market competitive at all levels to ensure the company can attract and retain the best available talent;
- be performance-oriented so that remuneration practices recognise and reward high levels of performance and to avoid an entitlement culture;
- provide a significant at-risk component of total remuneration which drives performance to achieve company goals and strategy;
- manage remuneration within levels of cost efficiency and affordability; and
- align remuneration for senior managers with the interests of shareholders.

SkyCity's remuneration strategy and policies are based on a "pay for performance" philosophy. The People and Culture Committee has reviewed the structure of SkyCity's incentive schemes to ensure they are competitive and effective to enable the company to attract and retain the leadership and talent required to drive business strategy and financial performance in the interests of shareholders. Any subsequent change to the company's remuneration strategy and/or policies will continue to reflect SkyCity's "pay for performance" philosophy and drive shareholder value.

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Remuneration Report

As Chair of the People and Culture Committee of the Board, I am pleased to present our remuneration report for the financial year ended 30 June 2020.

This remuneration report outlines SkyCity's remuneration frameworks and plans, including detailed information on group executives and non-executive director remuneration and outcomes for the financial year ended 30 June 2020.

In light of the economic impact of the COVID-19 pandemic, group executives' salaries will be frozen for the financial year ending 30 June 2021. In addition, the company will not be seeking shareholder approval to increase the non-executive director fee pool at the 2020 annual meeting on 16 October 2020 (noting the non-executive director fee pool was last increased by shareholders at the 2018 annual meeting and, prior to that, at the 2014 annual meeting).

Despite the challenges in FY20, SkyCity continues to make great progress across its diversity and inclusion programme. The gender pay gap for the New Zealand business reduced to 7.5% from 8.2%, in part as a result of our targeted wage programme '$20 by 2020', and SkyCity's gender balance has remained consistent across the top four levels of the organisation with 49% being female. SkyCity continues to make investment in building the capability of all leaders in understanding and leveraging diversity of thought through our Diversity and Inclusion Leadership Conference, the SkyCity Inclusion Council and the SkyCity Emerging Leaders Programme.

As the financial gateway for the SkyCity Performance Incentive Plan and the SkyCity Short Term Incentive Plan was not met this year, and taking into account a number of factors that have contributed to a very difficult year, no awards were made under either plan in relation to the financial year ended 30 June 2020.



The format of this remuneration report differs from previous years. Details of the various employee incentive plans are now available in the Remuneration Policy Statement in the Governance section of the company's website at www.skycityentertainmentgroup.com or can be obtained by contacting the Company Secretary. In addition, and with the aim of greater transparency and disclosure, the Board has elected to provide details regarding total remuneration paid to the Chief Operating Officer and Chief Financial Officer.

I hope you find the new format of our remuneration report useful and, as always, I welcome your feedback.



Murray Jordan
Chair
People and Culture Committee

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Non-Executive Directors Fees

This section details the fees paid to non-executive directors.

The company's Policy on Non-Executive Director Remuneration (available in the Governance section of the company's website at www.skycityentertainmentgroup.com or by contacting the Company Secretary) sets out a framework for SkyCity to attract and retain qualified, highly capable directors from a pan-Australasian talent pool for the purpose of driving value and maintaining the highest standards of corporate governance on behalf of shareholders.

In addition to directors' fees, non-executive directors may also receive remuneration for additional services provided to the company outside of their capacities as directors of the company at the discretion of the Board and subject to the maximum remuneration amount which has been approved by the shareholders of the company. Shareholders at the annual meeting determine the total remuneration available to the company's non-executive directors.

At the 2018 annual meeting, shareholders approved, effective from 1 July 2018, a total remuneration amount for non-executive directors of $1,440,000 per annum (plus GST, if any).

The following table outlines the approved non-executive directors' fees (exclusive of GST, if any) for the Board and its committees as at 30 June 2020:

	POSITION	FEES (PER FINANCIAL YEAR)
Board	Chair	$280,000
	Deputy Chair	$160,000
	Non-Executive Director	$128,500
Audit and Risk Committee	Chair	$35,000
	Member	$15,000
People and Culture Committee	Chair	$35,000
	Member	$15,000
Sustainability Committee	Chair	$35,000
	Member	$15,000

All non-executive directors are members of the Governance and Nominations Committee and receive no additional fees for this committee.

The Board chair does not receive separate fees for the Board committees that he sits on.

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Non-Executive Director Fees for the Year Ended 30 June 2020

Remuneration paid to, and other benefits received by, non-executive directors for services in their capacity as directors of the company during the financial year ended 30 June 2020 are as listed below:

	BOARD AND COMMITTEE FEES	OTHER
Rob Campbell		
2020	**$245,000.00[1]**	
2019	$280,000.00	
Bruce Carter		
2020	**$178,333.40[1]**	
2019	$195,000.00	
Sue Suckling		
2020	**$143,062.50[1]**	**$3,429.70[2]**
2019	$163,500.00	$2,586.37[2]
Jennifer Owen		
2020	**$138,687.50[1]**	**$14,850.00[4]**
2019	$153,983.87	
Murray Jordan		
2020	**$143,062.50[1]**	**$4,050.00[5]**
2019	$163,500.00	$11,700.00[6]
Richard Didsbury[3]		
2020	**$51,819.45**	
2019	$143,600.00	$16,800[7]

The figures shown are gross amounts and exclude GST where applicable.

(1) Non-executive directors elected to waive 50% of their Board and committee fees for the final quarter of the financial year ended 30 June 2020.

(2) Being premiums paid to SkyCity's health insurance provider during the period for the relevant director, who received the benefit of a health insurance plan that SkyCity offers to all of its employees (either at no cost or at a discounted rate).

(3) Richard Didsbury retired as a director effective from 11 November 2019.

(4) Being fees payable for consultancy services provided by Jennifer Owen in relation to the SkyCity Adelaide expansion project, which were provided as additional services outside of her capacity as a director of the company. This includes fees for consultancy services provided in FY19 but paid in FY20.

(5) Being fees payable for consultancy services provided by Murray Jordan in relation to the New Zealand International Convention Centre development, which were provided as additional services outside of his capacity as a director of the company.

(6) Being fees payable for consultancy services provided by Murray Jordan in relation to the New Zealand International Convention Centre development and the SkyCity Adelaide expansion project, which were provided as additional services outside of his capacity as a director of the company.

(7) Being fees payable for consultancy services provided by Richard Didsbury in relation to the New Zealand International Convention Centre development, which were provided as additional services outside of his capacity as a director of the company.

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In addition to remuneration paid for services in their capacity as directors of the company, SkyCity meets the expenses incurred by directors in relation to company matters, which are incidental to the performance of their duties, including travel.

Share Ownership in SkyCity

To further align non-executive directors' interests with those of shareholders, each non-executive director is encouraged, over a period of two years from appointment, to build up and retain shares in the company (purchased on market by each non-executive director) equivalent to at least one year of their base non-executive director fees. Following this initial two-year period, non-executive directors are then encouraged to acquire 15% of their base director fees per year.

Remuneration of Employees

This section details the company's approach to remuneration frameworks, outcomes and performance of SkyCity's Chief Executive Officer, other group executives and employees for the financial year ended 30 June 2020.

Chief Executive Officer and Other Group Executives

Remuneration components are offered in the context of a total remuneration package, measured on a 'total cost to the company' basis. The remuneration arrangements for each group executive comprise both fixed and variable remuneration where the fixed portion comprises a base salary, a KiwiSaver/superannuation contribution and a limited number of other benefits and the variable portion comprises both short term incentive at-risk remuneration (STI) and long term incentive at-risk remuneration (LTI).

The Board determines appropriate levels of fixed remuneration taking into account recommendations from the People and Culture Committee. The STI component is based on performance against both key financial and non-financial measures and all STI bonuses are at the ultimate discretion of the Board.

The disclosures on the following pages of this annual report reflect the total rewards earned by, although not necessarily paid to, group executives for the financial year ended 30 June 2020 as the Board believes this approach more appropriately describes executive pay and performance. Accordingly, the following disclosures include the STI and LTI components earned by group executives in respect of the financial year ended 30 June 2020.

Fixed Remuneration

The company endeavours to set fixed remuneration at levels that are relative to similar positions in the broader Australasian market and, for casino-specific positions, account is taken of salaries within the sector.

Fixed remuneration is reviewed annually for each group executive and, when appropriate, the People and Culture Committee approves remuneration increases for group executives.

Short Term Incentive Remuneration

To drive outstanding company and individual performance, SkyCity introduced the Performance Incentive Plan (PIP) for the Chief Executive Officer, other group executives and senior managers in 2018.

The PIP:

- recognises and rewards short and longer term performance by providing participants an opportunity to be further aligned with shareholders' interests by earning, subject to the company achieving its financial performance gateway, an incentive award which is delivered in cash and deferred equity awards (in the form of restricted share rights in the company); and
- provides participants the opportunity to earn a cash payment under a STI scheme and acquire restricted share rights under a deferred STI scheme.

STI Scheme Component of PIP

STI awards will be delivered in cash at the end of the financial year following the completion of the external audit of the company's year-end results, where the maximum award under the STI is 150% of the target award.

Deferred STI Component of PIP

The deferred STI scheme under the PIP offers participants, subject to the relevant STI performance conditions being met, the opportunity to acquire restricted share rights of an amount

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equivalent to between 10% and 50% of their base salary at no cost. Restricted share rights (if any) issued to a participant on a STI cash payment date (Declaration Date) will only vest if that participant remains an employee up to and until:

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

However, if a participant's deferred STI entitlement in any financial year is to restricted share rights having a value of $10,000 or less (calculated using the volume-weighted average sale price of SkyCity shares used to determine the number of restricted share rights to be issued to the participant), the restricted share rights will not be split out equally into two separate tranches, but will instead comprise one tranche and (subject to the vesting criteria being satisfied) vest to the participant on the first anniversary of the Declaration Date.

Upon vesting, a participant will be allocated one ordinary share in the company for each restricted share right that vests as soon as practicable after the relevant anniversary of the Declaration Date. Subject to complying with the Company's Securities Trading Policy and Code of Business Practice, participants are free to sell, transfer or otherwise deal with shares issued to them under the PIP (subject to minimum shareholding requirements for the Chief Executive Officer and other group executives).

The intention of the deferred STI component under the PIP is to act both as a retention and an engagement tool. The maximum award under the deferred STI scheme is 150% of the target award.

Any unvested restricted share rights will be forfeited if a participant ceases to be employed by SkyCity (or a company in the SkyCity Group) before the relevant Declaration Date, although the Board has discretion to determine otherwise such as where a participant ceases to be an employee due to injury, permanent disability, ill health or redundancy or dies. In the case of selective group executives however, if he/she ceases employment for any reason (other than as a result of the termination of their employment by SkyCity for cause, including for serious misconduct) prior to vesting of any restricted share rights, and they have been employed by SkyCity for at least three years as at the date of cessation of his/her employment, then he/she will continue to be eligible to have shares transferred to him/her on the first and second anniversaries (as applicable) of the Declaration Date as if their employment had not ceased, at the discretion of the Board. As a rule, a group executive will not be eligible to the extent they are terminated for cause, breach the terms of their employment agreement or for underperformance.

Participants do not have the right to receive any dividends in respect of restricted share rights. However, if any restricted share rights vest and shares are issued or transferred to a participant, then that participant may receive (at the Board's sole discretion) a cash payment equivalent to the cash dividends declared and paid by the company in respect of SkyCity shares from the date of issue of such restricted share rights to the date such shares are issued or transferred to that participant. The cash payment will not include any imputation credits, franking credits or similar benefits in respect of such dividends.

In the event that a genuine error is made by, or on behalf of, the Board or the company in determining any entitlement under the PIP, including where the company's financial statements are subsequently required to be restated, the Board may seek to recover from a participant the value of any benefits erroneously awarded to a participant under the PIP.

Restricted share rights issued under the PIP may not be transferred, assigned or disposed of and participants may not create any interest in favour of any third party over the restricted share rights (except with Board approval).

For the financial year ended 30 June 2020, no cash or restricted share rights will be granted under the PIP as the financial gateway was not achieved.

For the financial year ending 30 June 2021, 424 employees will be invited in October 2020 to participate in the PIP for the opportunity to earn a cash payment under the STI scheme – 94 of whom also have the opportunity to acquire restricted share rights under the deferred STI scheme.

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Long Term Incentive Remuneration

Two LTI plans were in operation during the financial year ended 30 June 2020 for the company's most senior employees, including the group executives. These plans were the SkyCity Senior Executive Long Term Incentive Scheme and the 2018 SkyCity Executive Long Term Incentive Plan. Copies of the plan documents and rules are available on the Governance section of the company's website at www.skycityentertainmentgroup.com.

In the financial year ended 30 June 2020, grants were made to the Chief Executive Officer and other group executives under the 2018 SkyCity Executive Long Term Incentive Plan.

To further align the group executives' interests with those of shareholders, each group executive is encouraged, over a period of five years, to build up and retain shares in the company (acquired under the PIP and/or 2018 SkyCity Executive Long Term Incentive Plan) equivalent to at least one year of their base salary.

2018 SkyCity Executive Long Term Incentive Plan

The 2018 SkyCity Executive Long Term Incentive Plan provides participants with financial assistance by way of an interest-free loan by a subsidiary of the company to acquire shares in the company. A trustee holds legal title to the relevant shares on behalf of those participants for a restrictive period of three years until the following performance hurdles are tested:

- 50% of the shares are allocated to an absolute total shareholder return (TSR) tranche which includes a cost of equity premium;
- the remaining 50% of the shares are allocated equally to each of an NZX comparator group tranche, an ASX comparator group tranche and a competitor comparator group tranche; and
- performance is assessed three years after the issue of the shares, with no retesting dates in the event the performance hurdles are not satisfied as at that date.

In order to determine whether any shares will vest in a participant following the three-year restrictive period for those shares, each tranche is measured against the performance hurdle for that tranche on the performance testing date for those shares, where the performance hurdle for each of the tranches is:

- for the absolute TSR tranche, a comparison of SkyCity's TSR over the restrictive period against the cost of equity for the SkyCity Group over the restrictive period as determined by the Board;
- for the NZX comparator group tranche, a comparison of SkyCity's TSR over the restrictive period against the TSR of each of the constituent entities of the NZX 50 index (as at the grant date, other than SkyCity) over the same period;
- for the ASX comparator group tranche, a comparison of SkyCity's TSR over the restrictive period against the TSR of each of the constituent entities of the ASX 200 index (as at the grant date, other than SkyCity) over the same period; and
- for the competitor comparator group tranche, a comparison of SkyCity's TSR over the restrictive period against the TSR of each of Crown Resorts Limited and The Star Entertainment Group Limited over the same period.

As at 30 June 2020, a total of 918,673 shares were issued under the 2018 SkyCity Executive Long Term Incentive Plan and held by the Public Trust on behalf of eight participants. The shares vest in a participant only when performance hurdles set by the Board of directors are met.

The maximum award under the 2018 SkyCity Executive Long Term Incentive Plan is 100% of the relevant grant allocation.

The transfer of shares to participants at the end of the three-year restrictive period is dependent on satisfaction of the performance conditions and continued employment with SkyCity. If a participant resigns or is dismissed for misconduct or poor performance before the end of the restrictive

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period, any unvested shares will be forfeited, unless SkyCity terminates the employment of a group executive without cause, a group executive ceases employment as a result of a material change to the terms and conditions of his/her employment which results in a diminution of that group executive's role, status and responsibility in the period of 12 months immediately preceding a performance testing date or a group executive dies or ceases to be an employee due to medical incapacity or permanent disability.

However, to support long term decision-making, execution of strategy and to encourage strong succession planning by the Chief Executive Officer, the Chief Executive Officer will continue to be eligible to have shares transferred to him, at the Board's discretion, if he ceases employment with SkyCity for any reason (other than as a result of the termination of employment by SkyCity for cause, including for serious misconduct) during the restrictive period and the performance conditions are satisfied – in this situation, the performance conditions will be tested on the performance testing date as if his employment had not ceased.

In the event that a genuine error is made by, or on behalf of, the Board or the company in determining a participant's entitlement under the 2018 SkyCity Executive Long Term Incentive Plan, including where the company's or a third party's financial statements are subsequently required to be restated, the Board may seek to recover from a participant the value of any shares erroneously determined to have vested to that participant.

Until the restrictive period for the relevant shares has ended and the relevant loan on those shares is repaid, a participant may not sell those shares or use them as security for another loan.

From time to time as directed by SkyCity, the Public Trust acquires shares in the company on-market for the purposes of the company's long term incentive employee plans, including the SkyCity Senior Executive Long Term Incentive Plan and the 2018 SkyCity Executive Long Term Incentive Plan. As at 30 June 2020, the Public Trust held a total of 5,155,841 shares – 2,149,556 of which were allocated and held on behalf of eligible participants and 3,006,285 of which were unallocated and held on behalf of future participants.

Fixed Remuneration of Salaried Employees

All salaried roles within SkyCity are sized using a recognised methodology to measure the impact, accountability and complexity of each role as it contributes to the organisation. Remuneration data is obtained from several sources to determine remuneration ranges by job band or level to ensure competitiveness at both base salary and total remuneration levels.

Individual remuneration is set within the appropriate range considering such matters as individual performance, scarcity/availability of resource/skill, internal relativities and specific business needs. This process ensures internal equity between roles and allows comparison with the overall market. Remuneration ranges are reviewed annually to reflect market movements.

Chief Executive Officer's Remuneration

Graeme Stephens' employment agreement (a copy of which is available in the Governance section of the company's website at www.skycityentertainmentgroup.com) is dated 4 November 2016 and reflects standard conditions that are appropriate for a senior executive of a listed Australasian company. Subsequent amendments are also available online.

Mr Stephens' employment agreement may be terminated by:

- either Mr Stephens or the company by giving six months' notice in writing;
- the company without notice in the case of serious misconduct, serious breach (including substantial non-performance) or other cause justifying summary dismissal; or
- the company immediately if the SkyCity Board forms the view that substantial incompatibility and/or irreconcilable differences have developed with Mr Stephens or the Board otherwise wishes to terminate his employment when he is not at fault (including a redundancy situation or medical incapacity).

All entitlements payable to Mr Stephens on termination of his employment are outlined in his employment agreement.

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The total remuneration earned by Mr Stephens for duties relating to the Chief Executive Officer position for the financial years ended 30 June 2018, 30 June 2019 and 30 June 2020 is outlined in the following table:

	FIXED ANNUAL REMUNERATION					PIP OUTCOME				
	BASE SALARY	SALARY AND ANNUAL LEAVE SACRIFICE[1]	KIWISAVER	OTHER BENEFITS	SUBTOTAL	CASH STI	DEFERRED STI	LTI GRANT	SUBTOTAL	TOTAL REMUNERATION
2020	$1,519,673	$151,967	$42,363	$10,592	$1,420,661	$0	$0	$1,063,771[2]	$1,063,771	$2,484,432
2019	$1,489,875	$0	$44,374	$4,433	$1,538,682	$595,950	$744,938[3]	$1,042,912[4]	$2,383,800	$3,922,482
2018	$1,450,000	$0	$43,500	$5,302	$1,498,802	$0	$1,015,000[5]	$1,250,000[6]	$2,265,000	$3,763,802

(1) These funds were sacrificed to the SkyCity Employee Hardship Fund as detailed on page 83 of this annual report.
(2) Calculated on the basis of 273,112 SkyCity shares allocated to Mr Stephens under the 2018 SkyCity Executive Long Term Incentive Plan in August 2019.
(3) Calculated on the basis of 195,872 restricted share rights granted to Mr Stephens under the PIP in August 2019. The restricted share rights will vest in two tranches, with the first tranche vesting in September 2020 and the second tranche vesting in September 2021.
(4) Calculated on the basis of 246,726 SkyCity shares allocated to Mr Stephens under the 2018 SkyCity Executive Long Term Incentive Plan in August 2018.
(5) Calculated on the basis of 251,238 restricted share rights granted to Mr Stephens under the Restricted Share Rights Plan in September 2018, which vested in July 2020.
(6) Calculated on the basis of 320,883 SkyCity shares allocated to Mr Stephens under the SkyCity Senior Executive Long Term Incentive Plan in August 2017.

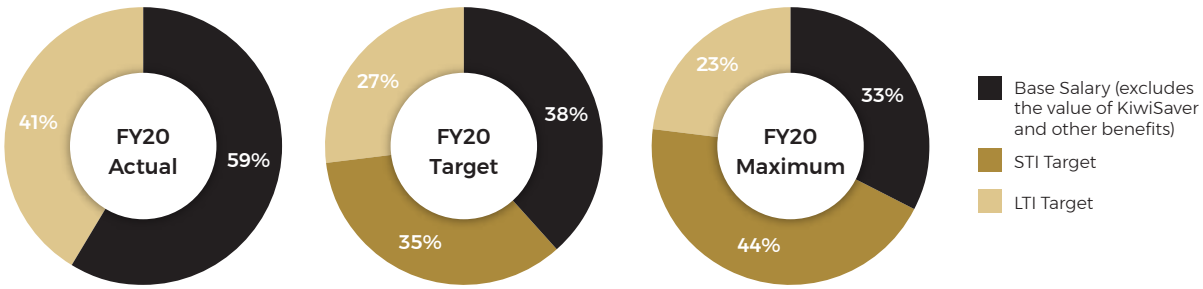
Equity Based Incentives Vested in FY20

None of Mr Stephens' equity-based incentives vested in the financial year ended 30 June 2020.

251,238 SkyCity shares were issued to Mr Stephens on 1 July 2020 pursuant to the terms of the Restricted Share Rights Plan.

The first testing date relating to shares allocated to Mr Stephens under the Senior Executive Long Term Incentive Scheme on 23 August 2017 was on 23 August 2020, with no shares vesting to Mr Stephens.

The graph below shows the mix of remuneration that was earned by Mr Stephens for his performance over the financial year ended 30 June 2020, alongside graphs illustrating the target and maximum remuneration mixes:



Pay Gap

Mr Stephens' base salary remuneration ratio to the median annualised employee base salary is 28.

STI Outcome

For the financial year ended 30 June 2020, no cash or restricted share rights will be granted to Mr Stephens under the PIP as the financial gateway was not achieved.

LTI Grant

Mr Stephens was granted an allocation of 273,112 shares in the company equal to $1,063,771 under the 2018 SkyCity Executive Long Term Incentive Plan in August 2019.

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Other Group Executives' Remuneration

The total remuneration earned by the Chief Operating Officer, Michael Ahearne, for the financial year ended 30 June 2020 is outlined in the following table:

	FIXED ANNUAL REMUNERATION					PIP OUTCOME				
	BASE SALARY	SALARY AND ANNUAL LEAVE SACRIFICE[1]	KIWISAVER	OTHER BENEFITS	SUBTOTAL	CASH STI	DEFERRED STI	LTI GRANT	SUBTOTAL	TOTAL REMUNERATION
2020	$1,024,750	$102,475	$26,057	$10,417	$958,749	$0	$0	$204,951[2]	$204,951	$1,163,700

The total remuneration earned by the Chief Financial Officer, Rob Hamilton, for the financial year ended 30 June 2020 is outlined in the following table:

	FIXED ANNUAL REMUNERATION					PIP OUTCOME				
	BASE SALARY	SALARY AND ANNUAL LEAVE SACRIFICE[1]	KIWISAVER	OTHER BENEFITS	SUBTOTAL	CASH STI	DEFERRED STI	LTI GRANT	SUBTOTAL	TOTAL REMUNERATION
2020	$831,470	$83,147	$21,316	$10,803	$780,442	$0	$0	$166,293[3]	$166,294	$946,735

(1) These funds were sacrificed to the SkyCity Employee Hardship Fund as detailed on page 83 of this annual report.
(2) Calculated on the basis of 52,619 SkyCity shares allocated to Mr Ahearne under the 2018 SkyCity Executive Long Term Incentive Plan in August 2019.
(3) Calculated on the basis of 42,694 SkyCity shares allocated to Mr Hamilton under the 2018 SkyCity Executive Long Term Incentive Plan in August 2019.

Equity Based Incentives Vested in FY20 for the Chief Operating Officer

35,000 SkyCity shares were issued to Mr Ahearne on 27 November 2019 pursuant to the terms of his employment agreement dated 18 November 2017.

49,066 SkyCity shares were issued to Mr Ahearne on 1 July 2020 pursuant to the terms of the Restricted Share Rights Plan.

Equity Based Incentives Vested in FY20 for the Chief Financial Officer

The final testing date relating to shares allocated to Mr Hamilton under the Senior Executive Long Term Incentive Scheme on 26 August 2015 was on 26 August 2019, with no shares vesting to Mr Hamilton. All unvested shares were accordingly forfeited in accordance with the terms of the SkyCity Senior Executive Long Term Incentive Plan.

80,614 SkyCity shares were issued to Mr Hamilton on 1 July 2020 pursuant to the terms of the Restricted Share Rights Plan.

The first testing date relating to shares allocated to Mr Hamilton under the Senior Executive Long Term Incentive Scheme on 23 August 2017 was on 23 August 2020, with no shares vesting to Mr Hamilton.

The final testing date relating to shares allocated to Mr Hamilton under the Senior Executive Long Term Incentive Scheme on 24 August 2016 was on 24 August 2020, with no shares vesting to Mr Hamilton. All unvested shares will accordingly be forfeited in accordance with the terms of the SkyCity Senior Executive Long Term Incentive Plan.

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Group Executive Shareholdings

The following table summarises the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer's acquisitions and disposals of relevant interests in SkyCity shares during the period to 30 June 2020 and relevant interests in SkyCity shares as at 30 June 2020:

GROUP EXECUTIVE	NATURE OF RELEVANT INTEREST	NATURE OF SECURITY	DATE OF TRANSACTION DURING PERIOD	CONSIDERATION (PER SECURITY)	ACQUIRED/ (DISPOSED)	TOTAL SECURITIES HELD AS AT 30 JUNE 2020
Graeme Stephens Chief Executive Officer	Beneficially owned	Shares	23/08/2019	3.94	(325,000)	0
	Beneficially owned[1]	Shares (LTI 2017)	N/A			320,883
	Beneficially owned[1]	Shares (LTI 2018)	N/A			246,726
	Beneficially owned[1]	Shares (LTI 2019)	30/08/2019	$3.8950	273,112	273,112
						840,721
Michael Ahearne Chief Operating Officer	Beneficially owned	Shares	27/11/2019	Nil[2]	35,000	35,000
	Beneficially owned[1]	Shares (LTI 2018)	N/A			43,754
	Beneficially owned[1]	Shares (LTI 2019)	30/08/2019	$3.8950	52,619	52,619
						131,373
Rob Hamilton Chief Financial Officer	Beneficially owned	Shares	N/A			63,374
	Beneficially owned[1]	Shares (LTI 2015)	24/09/2019	Nil[3]	(70,000)	0
	Beneficially owned[1]	Shares (LTI 2016)	N/A			70,000
	Beneficially owned[1]	Shares (LTI 2017)	N/A			70,000
	Beneficially owned[1]	Shares (LTI 2018)	N/A			38,570
	Beneficially owned[1]	Shares (LTI 2019)	30/08/2019	$3.8950	42,694	42,694
						284,638

(1) Shares held by the Public Trust.
(2) Nil in accordance with the terms of the Chief Operating Officer's employment agreement.
(3) The balance of shares has been forfeited in accordance with the terms of the 2009 SkyCity Executive Long Term Incentive Plan.

LTI Vesting Calculations

During the financial year ended 30 June 2020, the following LTI vesting calculations were completed:

- August 2015 LTI: the third (and final) test was completed with no shares vesting. All unvested shares were accordingly forfeited in accordance with the terms of the SkyCity Senior Executive Long Term Incentive Plan. No shares vested to executives in respect of the 2015 allocation; and
- August 2016 LTI: the first and second tests were completed with no shares vesting. The third (and final) test was completed during August 2020 with no shares vesting. All unvested shares will accordingly be forfeited in accordance with the terms of the SkyCity Senior Executive Long Term Incentive Plan. No shares vested to executives in respect of the 2016 allocation.

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Employee Remuneration

The numbers of employees or former employees of the company and its subsidiaries, not being directors of the company, who received remuneration and other benefits in their capacity as employees, the value of which was in excess of $100,000 and was paid to those employees during the financial year ended 30 June 2020, are listed in the table below.

For the purposes of the table, remuneration includes, where applicable (if any): (a) salary; (b) short term cash bonuses; (c) health insurance premiums and other health benefits; (d) the value of shares expected to vest under the 2019 SkyCity Performance Incentive Plan; (e) the value of share rights expensed during the year (including PAYE and PAYG on vested share rights, but excluding accrued PAYE and PAYG on unvested share rights) under the SkyCity Senior Executive Long Term Incentive Plan and the 2018 SkyCity Executive Long Term Incentive Plan; (f) the value of commencement shares expensed during the year; (g) sign-on cash payments; and (h) settlement payments and payments in lieu of notice with respect to certain employees upon their departure from the company.

REMUNERATION	NUMBER OF EMPLOYEES
$100,000-$109,999	89
$110,000-$119,999	57
$120,000-$129,999	64
$130,000-$139,999	30
$140,000-$149,999	31
$150,000-$159,999	18
$160,000-$169,999	14
$170,000-$179,999	12
$180,000-$189,999	11
$190,000-$199,999	19
$200,000-$209,999	16
$210,000-$219,999	13
$220,000-$229,999	12
$230,000-$239,999	10
$240,000-$249,999	4
$250,000-$259,999	4
$260,000-$269,999	4
$270,000-$279,999	5
$300,000-$309,999	1
$310,000-$319,999	3
$320,000-$329,999	1
$330,000-$339,999	2
$350,000-$359,999	1

REMUNERATION	NUMBER OF EMPLOYEES
$360,000-$369,999	2
$370,000-$379,999	2
$390,000-$399,999	1
$410,000-$419,999	2
$430,000-$439,999	2
$440,000-$449,999	1
$450,000-$459,999	1
$570,000-$579,999	1
$600,000-$609,999	1
$650,000-$659,999	1
$660,000-$669,999	2
$690,000-$699,999	1
$720,000-$729,999	1
$730,000-$739,999	1
$760,000-$769,999	1
$770,000-$779,999	1
$810,000-$819,999	1
$840,000-$849,999	1
$1,030,000-$1,039,999	1
$1,050,000-$1,059,999	1
$1,410,000-$1,419,999	1
$1,690,000-$1,699,999	1
$3,180,000-$3,189,999	1
TOTAL	**449**

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Twenty Largest Registered Shareholders as at 1 August 2020

	NUMBER OF SHARES	% OF SHARES
1. HSBC Custody Nominees (Australia) Limited	137,576,780	18.097%
2. JP Morgan Nominees Australia Limited	79,722,766	10.487%
3. HSBC Nominees (New Zealand) Limited – NZCSD	44,365,094	5.836%
4. Accident Compensation Corporation – NZCSD	43,885,498	5.773%
5. Citicorp Nominees Pty Limited	42,817,823	5.632%
6. Citibank Nominees (New Zealand) Limited – NZCSD	40,841,912	5.372%
7. HSBC Nominees (New Zealand) Limited A/C State Street – NZCSD	31,474,586	4.14%
8. JPMorgan Chase Bank NA NZ Branch – Segregated Clients Acct – NZCSD	23,470,685	3.087%
9. BNP Paribas Noms Pty Ltd	21,405,119	2.816%
10. BNP Paribas Nominees Pty Ltd	19,954,863	2.625%
11. ANZ Custodial Services New Zealand Limited – NZCSD	14,686,488	1.932%
12. BNP Paribas Nominees (NZ) Limited – NZCSD	13,408,250	1.764%
13. New Zealand Depository Nominee Limited	11,616,795	1.528%
14. Citicorp Nominees Pty Limited	10,017,024	1.318%
15. HSBC Nominees A/C NZ Superannuation Fund Nominees Limited – NZCSD	9,441,124	1.242%
16. BNP Paribas Nominees (NZ) Limited – NZCSD	8,905,204	1.171%
17. National Nominees Limited	8,346,807	1.098%
18. ANZ Wholesale Australasian Share Fund – NZCSD	8,216,900	1.081%
19. Masfen Securities Limited	5,750,986	0.757%
20. UBS Nominees Pty Limited	5,629,253	0.74%
Total	**581,533,957**	**76.496%**

Total ordinary shares on issue as at 1 August 2020 were 760,205,209 of which 1,178,582 were held in aggregate by Public Trust on behalf of eligible and future participants pursuant to the SkyCity Senior Executive Long Term Incentive Plan and 2018 SkyCity Executive Long Term Incentive Plan.

The ordinary shares are quoted on both the NZX Main Board and ASX under the ticker code 'SKC'.

No shares were held by the company directly as treasury stock.

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Distribution of Ordinary Shares and Registered Shareholdings as at 1 August 2020

	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES	PERCENTAGE OF TOTAL ORDINARY SHARES IN THE COMPANY
1–1,000	4,895	1,932,108	0.25%
1,001–5,000	6,851	18,720,463	2.46%
5,001–10,000	2,774	19,749,257	2.6%
10,001–100,000	2,870	69,855,822	9.19%
> 100,000	153	649,947,559	85.5%
Total	**17,543**	**760,205,209**	**100%**

As at 1 August 2020, there were 1,855 shareholders (with a total of 166,234 shares) holding less than a marketable parcel of shares under the ASX Listing Rules, based on the closing share price of A$2.28.

The ASX Listing Rules define a marketable parcel of shares as a parcel of shares of not less than A$500.

Substantial Security Holders

The following persons had given notice as at 30 June 2020, in accordance with subpart 5 of Part 5 of the New Zealand Financial Markets Conduct Act 2013, that they were substantial security holders in the company and held a relevant interest in the number of ordinary shares shown below.

	DATE OF SUBSTANTIAL SECURITY NOTICE	RELEVANT INTEREST IN NUMBER OF SHARES	% OF SHARES HELD AT DATE OF NOTICE
The Vanguard Group, Inc	19/12/2018	36,018,413	5.278%
Investors Mutual Limited	07/02/2020	47,644,678	7.14%
Commonwealth Bank of Australia	11/02/2020	54,447,148	8.161%
Lazard Asset Management Pacific Co	05/05/2020	48,914,000	7.331%
Sumitomo Mitsui Trust Holdings, Inc	14/05/2020	59,079,433	8.85%
BlackRock, Inc	23/06/2020	34,282,378	5.138%
Accident Compensation Corporation	30/06/2020	45,188,797	6.113%

Substantial security holder notices received since 30 June 2020 can be viewed at www.nzx.com/companies/SKC/announcements.

The total number of listed voting securities of SkyCity Entertainment Group Limited as at 30 June 2020 was 739,196,806.

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Bonds

On 28 September 2015, the company issued 125 million unsubordinated, unsecured, redeemable, fixed rate, seven year bonds at an issue price of $1 per bond. The bonds pay a fixed rate of interest of 4.65% per annum until the maturity date and are quoted on the NZX Debt Market under the ticker code 'SKC040'.

On 17 June 2020, SkyCity announced its intention to redeem all the bonds on 28 September 2020 (before the 28 September 2022 maturity date) as part of a comprehensive funding plan to strengthen the company's balance sheet and secure additional liquidity in response to uncertainty around the impacts of COVID-19. The redemption payment of $1.0280 per bond will be paid on 28 September 2020 to registered holders of the bonds on the record date of 18 September 2020. The final day of trading for the bonds will be 16 September 2020 (prior to the bonds being suspended at the close of business on that date) and the final quotation date for the bonds will be 28 September 2020.

Twenty Largest Registered Bondholders as at 1 August 2020

	NUMBER OF BONDS	% OF BONDS
1. FNZ Custodians Limited	14,798,000	11.838%
2. Forsyth Barr Custodians Limited	14,666,000	11.733%
3. Custodial Services Limited	9,374,000	7.499%
4. Investment Custodial Services Limited	8,502,000	6.802%
5. Custodial Services Limited	7,274,000	5.819%
6. ANZ Custodial Services New Zealand Limited – NZCSD	5,931,000	4.745%
7. Custodial Services Limited	5,686,000	4.549%
8. Citibank Nominees (New Zealand) Limited – NZCSD	5,235,000	4.188%
9. Custodial Services Limited	2,718,000	2.174%
10. Forsyth Barr Custodians Limited	2,417,000	1.934%
11. Custodial Services Limited	2,323,000	1.858%
12. JBWere (NZ) Nominees Limited	2,320,000	1.856%
13. Tappenden Holdings Limited	2,000,000	1.6%
14. Tea Custodians Limited Client Property Trust Account – NZCSD	1,916,000	1.533%
15. Custodial Services Limited	1,412,000	1.13%
16. BNP Paribas Nominees (NZ) Limited – NZCSD	1,363,000	1.09%
17. FNZ Custodians Limited	1,287,000	1.03%
18. ANZ Bank New Zealand Limited – NZCSD	1,271,000	1.017%
19. Investment Custodial Services Limited	750,000	0.6%
20. Liang Zhang & Yingrui Li	500,000	0.4%
Total	**91,743,000**	**73.395%**

Distribution of Bonds and Registered Holdings as at 1 August 2020

	NUMBER OF BONDHOLDERS	NUMBER OF BONDS	PERCENTAGE OF TOTAL BONDS ISSUED
1,000–5,000	69	345,000	0.28%
5,001–10,000	189	1,827,000	1.46%
10,001–100,000	640	21,910,000	17.53%
> 100,000	65	100,918,000	80.73%
Total	**963**	**125,000,000**	**100%**

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Directors' Disclosures

Disclosure of Directors' Interests

Section 140(1) of the New Zealand Companies Act 1993 requires a director of a company to disclose certain interests. Under subsection (2), a director can make disclosure by giving a general notice in writing to the company of a position held by a director in another named company or entity.

The following are particulars included in the company's Interests Register as at 30 June 2020 (notices given by directors during the financial year ended 30 June 2020 are marked with an asterisk):

Rob Campbell (Chair)	
New Zealand Rural Land Company Limited	Chair*
NZ Equity Partners	Investment Committee Member*
Paua Wealth Management Limited	Advisory Board Member*
Precinct Properties New Zealand Limited	Director and Shareholder
RC Custodian Limited	Director
Summerset Group Holdings Limited	Chair and Shareholder
Tourism Holdings Limited	Chair and Shareholder
Tutanekai Investments Limited	Director and Shareholder
Ultrafast Fibre Limited	Chair*
WEL Networks Limited	Chair

Bruce Carter (Deputy Chair)	
AIG Australia Limited	Director*
ASC Pty Limited	Chair
Aventus Capital Limited	Chair
Badge Management Pty Limited	Director
Bank of Queensland Limited	Director
Burnside Village Pty Limited	Director*
Chapman Capital Partners Pty Limited	Director
Cobbadah Pty Ltd	Director
COVID-19 Business Advisory Committee	Chair*
Eudunda Farmers Limited	Director
RSC Nominees Pty Limited	Director*
Sage Automation Pty Ltd	Director*
Sage Group Holdings Ltd	Director*
Scissor Holdings Pty Limited T/A One Rail Australia	Chair*

Sue Suckling	
Brannigans Consulting Limited	Chair
Insurance & Financial Services Ombudsman Scheme Commission	Chair
Jacobsen Holdings Limited	Chair
Jade Software Corporation Limited	Chair
Rubix Limited	Chair*
Soltians Group (including Zag Limited)	Chair*
Sue Suckling Holdings Limited	Managing Director

Jennifer Owen	
Aspire Child Care (Mascot) Pty Ltd	Director
Owen Gaming Research	Principal

Murray Jordan	
Chorus Limited	Director
Foodstuffs' Members Protection Trust	Trustee
Metcash Limited	Director
Real Clarity Limited	Director and Shareholder
Southern Cross Benefits Limited	Director*
Southern Cross Health Trust	Trustee*
Southern Cross Hospitals Limited	Director*
Southern Cross Medical Care Society	Director*
Starship Foundation	Trustee
Stevenson Group Limited	Director
The Foodstuffs Co-operative Perpetuation Trust	Trustee

The following details included in the Interests Register as at 30 June 2019, or entered during the financial year ended 30 June 2020, have been removed during the financial year ended 30 June 2020:

- Rob Campbell is no longer a director of King Tide Asset Management Limited;
- Rob Campbell became Chair of Ultrafast Fibre Limited (previously a director);
- Bruce Carter is no longer a representative of the Management Committee of Genesee & Wyoming Australia Holdings Limited Partnership or a director of Genesee and Wyoming Inc; and
- Sue Suckling is no longer Chair of Blinc Innovation Limited.

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Directors' and Senior Managers' Indemnities

Indemnities have been given to directors and senior managers of the company and its subsidiaries to cover acts or omissions of those persons in carrying out their duties and responsibilities as directors and senior managers.

Disclosure of Directors' Interests in Share Transactions

Directors disclosed, pursuant to section 148 of the New Zealand Companies Act 1993, the following acquisitions and disposals of relevant interests in SkyCity shares during the period to 30 June 2020:

	DATE OF ACQUISITION/ DISPOSAL DURING PERIOD	CONSIDERATION	SHARES ACQUIRED/(DISPOSED)
Rob Campbell	23/08/2019	$3.9573 per share	17,200[1]
Murray Jordan	02/09/2019	$3.8448 per share	39,014[2]

(1) Shares held by FNZ Custodians Limited on behalf of Tutanekai Investments Limited.
(2) Shares held by the trustees of Endeavour Trust.

Disclosure of Directors' Interests in Shares

Directors disclosed the following relevant interests in SkyCity shares as at 30 June 2020:

	SHARES BENEFICIALLY HELD
Rob Campbell	70,928[1]
Bruce Carter	64,618[2]
Sue Suckling	39,941[3]
Jennifer Owen	35,000[4]
Murray Jordan	73,698[5]

(1) Shares held by FNZ Custodians Limited on behalf of Tutanekai Investments Limited.
(2) Shares held by Tarquay Pty Limited on trust for Tarquay Superannuation Fund.
(3) Shares held by the trustees of The Sue Suckling Family Trust.
(4) Shares held by the trustee of the Owen & Paull Retirement Fund.
(5) Shares held by the trustees of Endeavour Trust.

Company Disclosures

STOCK EXCHANGE LISTINGS

SkyCity Entertainment Group Limited is a listed issuer with ordinary shares quoted on both the NZX Main Board and ASX (in each case, under the ticker code 'SKC') and bonds quoted on the NZX Debt Market (under the ticker code 'SKC040').

SkyCity Entertainment Group Limited has been designated as 'Non-Standard' by the NZX due to the nature of the company's constitution. In particular, the constitution places restrictions on the transfer of shares in the company in certain circumstances and provides that votes and other rights attached to shares may be disregarded and shares may be sold if these restrictions are breached, as more particularly described on pages 151–152 of this annual report.

SkyCity is listed as a 'Foreign Exempt Listing' on the ASX.

SKYCITY ENTERTAINMENT GROUP LIMITED

The following persons held office as directors of SkyCity Entertainment Group Limited as at 30 June 2020:

Rob Campbell (Chair)
Bruce Carter (Deputy Chair)
Sue Suckling
Jennifer Owen
Murray Jordan

Richard Didsbury ceased to hold office as a director of SkyCity Entertainment Group Limited effective from 11 November 2019.

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SUBSIDIARIES

Subsidiary Companies

The following persons held office as directors of subsidiaries of SkyCity Entertainment Group Limited as at 30 June 2020:

New Zealand Subsidiaries	
Directors	Graeme Stephens, Jo Wong
Companies	Cashel Asset Management Limited New Zealand International Convention Centre Limited Horizon Tourism (New Zealand) Limited Lets Play Live Media Limited Otago Casinos Limited Queenstown Casinos Limited Sky Tower Limited SkyCity Action Management Limited SkyCity Auckland Holdings Limited SkyCity Auckland Limited SkyCity Casino Management Limited SkyCity Development Limited SkyCity Enterprises Limited SkyCity Hamilton Limited SkyCity Holdings Limited SkyCity International Holdings Limited SkyCity Investments Australia Limited SkyCity Investments Queenstown Limited SkyCity Management Limited SkyCity Precinct Limited SkyCity Projects Limited SkyCity Properties Limited SkyCity Properties Albert St Limited SkyCity Properties Victoria St Limited SkyCity Ventures Limited TNZ Esports Limited

Overseas Subsidiaries	
Directors	Graeme Stephens, Jo Wong
Companies	Horizon Tourism Limited SkyCity Investment Holdings Limited
Directors	Graeme Stephens, Jo Wong, Bruce Carter, David Christian
Companies	LPL Media Pty Limited SkyCity Adelaide Pty Limited SkyCity Australia Finance Pty Limited SkyCity Australia Pty Limited SkyCity Treasury Australia Pty Limited
Directors	Steve Salmon, Joe Borg
Company	SkyCity Malta Limited
Directors	Steve Salmon, WH Management Limited
Company	SkyCity Malta Holdings Limited
Directors	Steve Salmon, Michael Ahearne
Company	SkyCity Management (UK) Limited

For the financial year ended 30 June 2020, SkyCity paid director's fees of:

- €12,000 (plus VAT) to WH Partners for professional services provided by Joe Borg in relation to his directorship of SkyCity Malta Limited; and
- €6,000 (plus VAT) to WH Management Limited for professional services provided in relation to its directorship of SkyCity Malta Holdings Limited.

No director's fees were paid to, or received by, any other director of a subsidiary company during the financial year ended 30 June 2020.

Waivers from the New Zealand and Australian Stock Exchanges

The following waivers from the NZX and ASX Listing Rules were either granted and published by NZX or ASX (as the case may be) within, or relied upon by the company during, the 12-month period preceding the balance date:

- on 17 September 2019, NZX granted SkyCity a waiver from NZX Listing Rule 8.1.5 (which provides that no benefit or right attaching to a quoted financial product may be cancelled or varied by reason only of a transfer of that quoted financial product) to the extent that that rule would otherwise prevent SkyCity from suspending voting rights or requiring a transfer of shares in accordance with the provisions set out in the company's constitution. Further details of those provisions are set out on pages 151–152 of this annual report. The waiver was granted following the introduction of new NZX Listing Rules on 1 January 2019 and effectively re-documents prior decisions of NZX Regulation in respect of the same matters; and
- a class waiver and ruling issued by NZX dated 19 March 2020, which amended, on a temporary basis until 31 October 2020, the definition of a Share Purchase Plan under the NZX Listing Rules to increase the cap per registered holder for issues under a Share Purchase Plan from $15,000 to $50,000 and the total cap from 5% to 30% of equity securities of that class at the time of offer.

All other waivers granted prior to the 12-month period preceding the balance date had ceased to have effect or were not relied upon during the period.

SkyCity has also relied on a class waiver and ruling issued by NZX dated 3 April 2020 in relation to NZX Listing Rules 3.5.1, 3.5.3, 3.6.1 and 3.12.1, which, in light of the challenges posed by COVID-19,

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provides issuers with up to an additional 30 days to prepare and release results announcements (including preliminary interim and full year financial statements).

Voting Rights Attached to Securities

Each share gives the holder a right to attend and vote at a meeting of shareholders. Holders have the right to cast one vote per share on a poll of any resolution put to the shareholders.

There are no voting rights attached to SkyCity's debt securities although bondholders are welcome to attend the annual meeting of shareholders. However, as noted on page 147 of this annual report, on 17 June 2020, SkyCity announced its intention to redeem all the bonds on 28 September 2020 (before the 28 September 2022 maturity date) as part of a comprehensive funding plan to strengthen the company's balance sheet and secure additional liquidity in response to uncertainty around the impacts of COVID-19 and, accordingly, there will be no bondholders as at the date of the company's 2020 annual meeting on 16 October 2020.

Limitations on Acquisitions of Ordinary Shares

The company's constitution contains various provisions which are included to take into account the application of the:

- Gambling Act 2003 (New Zealand);
- Casino Act 1997 (South Australia); and
- legislation providing for the establishment, operation and regulation of casinos in any other jurisdiction in which SkyCity or any of its subsidiaries may hold a casino licence.

SkyCity needs to ensure when it participates in gaming activities that:

- it has the power under its constitution to take such action as may be necessary to ensure that its suitability to do so in a particular jurisdiction is not affected by the identity or actions (including share dealings) of a shareholder; and
- there are appropriate protections to ensure that persons do not gain positions of significant influence or control over SkyCity or its business activities without obtaining any necessary statutory or regulatory approvals in those jurisdictions.

Accordingly, the constitution contains the following provisions restricting the acquisition of shares in the company to achieve this.

Clause 11.12 of the constitution provides that if a transfer of shares results in the transferee, and the persons associated with that transferee:

- holding more than 5% of the shares in SkyCity; or
- increasing their combined holding further beyond 5% if:
  - they already hold more than 5% of the shares in SkyCity; and
  - the transferee has not been approved by the relevant regulatory authority as an associated casino person of any casino licence holder,

then the votes attaching to all shares held by the transferee and the persons associated with that transferee are suspended unless and until either:

- each regulatory authority advises that approval is not needed; or
- any regulatory authority which determines that its approval is required approves the transferee, together with the persons associated with that transferee, as an associated casino person of any applicable casino licence holder; or
- the Board of the company is satisfied that registration of the proposed transfer will not prejudice any casino licence; or
- the transferee and the persons associated with that transferee dispose of such number of SkyCity shares as will result in their combined holding falling below 5% or, if the regulatory authorities approve in respect of the transferee and the persons associated with that transferee a higher percentage, the lowest such percentage approved by the regulatory authorities.

If a regulatory authority does not grant its approval to the proposed transfer, SkyCity may sell such number of the shares held by the transferee and by any persons associated with that transferee, as may be necessary to reduce their combined shareholding to a level that will not result in the transferee and the persons associated with that transferee being an associated person of that casino licence holder.

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The power of sale can only be exercised if SkyCity has given one month's notice to the transferee of its intention to exercise that power and the transferee has not, during that one-month period, transferred the requisite number of shares in SkyCity to a person who is not associated with the transferees.

During the financial year ended 30 June 2020, the Board considered all such transfers and was satisfied in each case that the registration of the relevant transfer would not prejudice any casino licence.

Donations

Donations of $104,244 were made by the company during the financial year ended 30 June 2020 ($57,421 during the financial year ended 30 June 2019).

Other Legislation and Requirements

General limitations on the acquisition of securities imposed by the jurisdiction in which SkyCity is incorporated (ie. New Zealand law) are outlined in the following paragraphs.

Other than the provisions included in the company's constitution, the only significant restrictions or limitations in relation to the acquisition of securities are those imposed by New Zealand laws relating to takeover, overseas investment and competition.

The New Zealand Takeovers Code creates a general rule under which the acquisition of more than 20% of the voting rights in SkyCity, or the increase of an existing holding of 20% or more of the voting rights in SkyCity, can only occur in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, a partial takeover offer in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances), or compulsory acquisition if a shareholder holds 90% or more of the shares in the company.

The New Zealand Overseas Investment Act 2005 and the Overseas Investment Regulations 2005 regulate certain investments in New Zealand by overseas persons. In general terms, the consent of the New Zealand Overseas Investment Office is likely to be required when an 'overseas person' acquires shares or an interest in shares in SkyCity Entertainment Group Limited that amount to 25% or more of the shares issued by the company or, if the overseas person already holds 25% or more, the acquisition increases that holding.

The New Zealand Commerce Act 1986 is likely to prevent a person from acquiring shares in SkyCity if the acquisition would have, or would be likely to have, the effect of substantially lessening competition in a market.

Escrow and Buy Back Arrangements

SkyCity Entertainment Group Limited has no securities subject to an escrow arrangement.

From time to time, the Public Trust acquires shares in the company on-market for the purposes of the company's long term incentive employee plans as detailed in the Director and Employee Remuneration section in this annual report. In addition, SkyCity (or a nominee or agent of SkyCity) may, from time to time, acquire existing shares in the company to satisfy its obligations to participating shareholders under the company's Dividend Reinvestment Plan established in February 2011.

Credit Rating

As at the date of this annual report, SkyCity Entertainment Group Limited has a Standard & Poor's BBB– rating (negative outlook).



The Federal Street dining precinct at SkyCity Auckland.

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Our financial performance

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Financial Statements for the Year Ended 30 June 2020

These financial statements were signed on 2 September 2020 on behalf of the Board of directors of SkyCity Entertainment Group Limited by:



Rob Campbell
Chair

Bruce Carter
Deputy Chair and Chair of the Audit and Risk Committee

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Independent auditor's report

To the shareholders of SkyCity Entertainment Group Limited

We have audited the financial statements on pages 164 to 223 which comprise:

- the balance sheet as at 30 June 2020;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the accompanying financial statements of SkyCity Entertainment Group Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2020, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other non-audit services for the Group in the areas of tax compliance, tax advisory, and the licensing of a software tool for subsidiary statutory financial statement preparation. Our firm also carries out other assurance and agreed upon procedure services in relation to: compliance with banking and USPP covenants; the allocation of Community Trust revenue; the Group's application for the COVID-19 wage subsidy extension scheme; and the reconciliation of normalised results to reported results. The provision of these other services has not impaired our independence as auditor of the Group.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	How our audit addressed the key audit matter
Accounting for the NZICC fire As disclosed in notes 1(a), 1(h) and 6 to the financial statements, on 22 October 2019, there was a significant fire at the construction site of the New Zealand International Convention Centre (NZICC). The fire caused extensive damage to the NZICC and relatively minor damage to the Horizon Hotel. Several accounting implications have arisen as a result and the Group (also referred to throughout as SkyCity), aided by their independent technical accounting experts, have had to exercise considerable professional judgement in determining the appropriate accounting treatment. The most significant judgements and estimates have been disclosed within note 1(a) of the financial statements. The accounting treatment of the insurance recovery for the damage is dependent on the relationship between SkyCity, the insurers and Fletcher Construction Company Limited (FCC). It is the Group's view that SkyCity is the principal in the insurance relationship and therefore receives, and has control over, all insurance proceeds. The Group has considered the credit standing of the insurers and concluded that the insurance receivable recognised is fully recoverable. The extent of damage and insurance recovery has been estimated by an independent external expert engaged by the Group. As a result, an insurance recovery of $336.7 million has been recognised as NZICC fire related income and $193.9 million of capitalised work in progress has been derecognised, offset by the release from the deferred licence value liability of $165.8 million. Expert investigation in respect of the damage sustained and remediation works required remains ongoing and as a result, the estimates are highly sensitive and are based on limited information. The most significant assumptions, and associated risk to the overall damage assessment and related insurance recovery, relate to: the extent of damage to the structural steel which is still under validation; the percentage of contingency included in the estimates; and the timeline for remediation.	We have performed a detailed assessment of the accounting implications of the fire, with the involvement of our technical accounting specialists, by: • Reviewing the New Zealand International Convention Centre Project and Licensing Agreement, Building Works Insurance contract and Project Specific Contract Works Policy to assess all the relevant facts and circumstances relevant to the technical accounting implications; • Reviewing management's analysis and the independent technical accounting advice they received; • Reviewing legal advice which supports the assessment that SkyCity is the principal in the insurance relationship; and • Assessing the resulting accounting treatment against the relevant accounting standard, considering any counterfactual information and scenarios. We obtained management's expert's independent assessment of the extent of damage and insurance recovery. We engaged our own in-house real estate experts to assist in our assessment and challenge of the valuation methodologies and assumptions used by management's expert. In conjunction with our experts, we: • Considered whether the reports on a whole, and the key components included within, are consistent with what we would expect; • Noted the fact that the baseline figures upon which the extent of damage and insurance recovery have been estimated remain subject to a material level of uncertainty given the limited information available; and • Noted that if the integrity of the structural steel is compromised this would result in a material difference to the resulting write-off of capitalised work in progress, release from the deferred licence value liability and insurance recovery income and receivable.

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Description of the key audit matter	How our audit addressed the key audit matter
There is significant estimation uncertainty inherent in the balances recorded, and the amounts recognised in the income statement pertaining to the accounting implications of the fire. During the year, the Crown 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 and completion is expected before this date.	Additionally, we have: • Assessed the professional competence, independence and objectivity of the Group's damage and insurance recovery estimate expert and technical accounting expert; • Checked the mathematical accuracy of the underlying calculations of the fire related adjustments; • Assessed the recoverability of the insurance recoveries recognised giving consideration to the credit risk of the respective insurers; • Reviewed the extension agreement for the long stop date included in the New Zealand International Convention Centre Project and Licensing Agreement; and • Considered the adequacy of the related financial statement disclosures.
Capital structure and funding liquidity, including the impact of COVID-19 As at 30 June 2020 the Group's net debt was $583.7 million (30 June 2019: $503.5 million). The Group's borrowings comprise a syndicated bank facility, United States Private Placements (USPP) and a retail bond. As disclosed in the financial statements, certain facilities expire within 12 months after 30 June 2020. Refer to notes 1(a), 1(h), 12, 13 and 14 of the financial statements. Management's updated forecast scenarios, to account for the impacts of COVID-19 on the business, indicated that it was reasonably possible that breaches in financial covenants in respect of the debt facilities could occur on the test date of 31 December 2020. The Group has subsequently received covenant waivers for the 31 December 2020 test period from their banking and USPP partners. To address funding liquidity concerns, the Group announced and executed a $230.0 million equity raise, comprising a $180.0 million institutional placement (executed in June 2020) and a $50.0 million share purchase plan (executed in July 2020). Subsequent to year end, the Group also has: • Obtained an Amendment and Waiver from its banking partners to extend the maturity of two tranches, add an additional tranche of $60.0 million and provide further covenant relief for testing periods up to and including 30 June 2021; • Obtained Waiver Letters from its USPP partners to provide covenant relief for testing periods up to and including 30 June 2021; and	We have performed the following audit procedures: • Reviewed agreements with the Group's banking and USPP partners to understand the revised arrangements and actions the Group has taken, including renegotiation of existing debt facilities, establishment of new debt facilities and agreeing waivers from meeting financial loan covenants in future periods; • Reviewed documentation relating to the equity raise which occurred prior and subsequent to balance date and tested the receipt of funds and issue of shares; • Reperformed the Group's calculation of forecast compliance with financial covenants at each compliance date within the next 12 months (31 December 2020 and 30 June 2021); • Assessed and challenged the reasonableness of the forecast cash flows to assess the level of forecasting risk, including management's consideration of the impact of COVID-19 on the business; • Performed additional sensitivities on the forecast cash flows and considered possible alternate scenarios, taking into consideration the uncertainty of the current environment, including the impact of COVID-19; and • Considered the appropriateness of the Group's disclosures.

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Description of the key audit matter	How our audit addressed the key audit matter
• Entered into a new $100.0 million revolving credit facility maturing on 31 December 2021. Given the impact of COVID-19 and the significant changes to the capital and funding structure, both prior and subsequent to 30 June 2020, we considered this to be a key audit matter.	
Impairment considerations in respect of goodwill and other intangible assets, including the impact of COVID-19 At 30 June 2020, the carrying amount of goodwill and casino licences totalled $589.5 million (30 June 2019: $746.7 million). This is after an impairment charge of $160.6 million that has been recorded against the Adelaide casino licence (30 June 2019: nil impairment). Refer to note 24 of the financial statements. Accounting standards require an entity to assess at the end of each reporting period whether there is any indication that an asset may be impaired. There is also a requirement to perform an annual impairment assessment of goodwill and other indefinite life intangible assets. The Group performed an impairment assessment for the Auckland and Hamilton cash generating units (CGUs), both of which include indefinite life intangible assets. An assessment of the value in use using discounted cash flow forecast (DCF) models was made for each of these CGUs. In addition, an impairment assessment was also prepared in relation to the Adelaide CGU which includes a finite life intangible asset, the Adelaide casino licence. This was prepared as the Group considered there to be indications that the CGU may be impaired, including the impact of the COVID-19 global pandemic on the business. The Group prepared a DCF model under the Fair Value less Costs of Disposal (FVLCOD) method and engaged Deloitte (management's valuation expert) to perform an independent valuation of the Adelaide CGU. In preparing the DCFs, management made a number of key assumptions that impact the CGUs' recoverable value. This is a key focus of our audit due to the inherent judgement in assessing impairments, including the impact of COVID-19 on the assumptions that the Group's assessment is based on. The most significant of these judgements are disclosed in note 24. In relation to the Auckland and Hamilton CGUs, the recoverable amount exceeds the carrying amount and no impairment has been recorded.	For the Auckland and Hamilton CGUs, we performed the following audit procedures: • Compared the forecast cash flows used for FY21 to the Board approved business plan; • Understood the process undertaken by management to prepare the forecast; • Considered and challenged key assumptions, in particular those underpinning the earnings before interest, tax, depreciation and amortisation (EBITDA) margin and the potential impacts of COVID-19; • Engaged our auditor's valuation expert to assess management's valuation conclusion and key assumptions, including the pre tax discount rates and terminal growth rates, based on their experience and external evidence; • Compared historical performance against budget, investigated material differences and considered the impact on future cash flow forecasts; and • Performed a sensitivity analysis on the forecast cash flows to determine whether a reasonably possible change in assumptions could lead to an impairment. For the Adelaide CGU, we performed the following audit procedures: • Compared the forecast cash flows used for FY21 to the Board approved business plan; • Considered the five year forecast included in management's expert's valuation, as adopted by the Board; • Understood the process undertaken by management to prepare the forecast; • Compared historical performance against budget, investigated material differences and considered the impact on future cash flow forecasts; • Considered and challenged key assumptions including the impacts of COVID-19, and the key drivers of EBITDA growth and overall business performance, with reference to external evidence where possible;

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Description of the key audit matter	How our audit addressed the key audit matter
In relation to the Adelaide CGU, an impairment of $160.6 million was recorded which broadly represents the difference between the mid point of the valuation range (determined by management's valuation expert under the FVLCOD method and adopted by the Directors) and the CGU's carrying value at 30 June 2020.	• Engaged our auditor's valuation expert to: – Review and challenge key assumptions, including the discount and terminal growth rates based on their experience and external market evidence; – Assess the reasonableness of the 2% cost of disposal assumption applied under the FVLCOD method based on their experience and industry knowledge; and – Evaluate the final conclusions reached with reference to external market evidence. • In conjunction with our auditor's valuation expert, we assessed the valuation report prepared by management's valuation expert and considered key sensitivities over the model. In doing so, we met with management's valuation expert to understand and challenge their approach and assumptions; and • Understood the impacts of the Adelaide expansion currently in progress on future performance and cash flows. For all CGUs, we assessed the appropriateness of disclosures made in the financial statements including those for key assumptions and sensitivities.
Accounting for the sale of the Auckland car park concession On 19 August 2019, the Auckland Car Park Concession transaction was completed. Macquarie Principal Finance Group (Macquarie) took over the operation and management of the main site car park and an initial 600 restricted use NZICC car parks at that time. Approximately 650 further NZICC car parks were to be provided at a date no later than 31 December 2020, otherwise penalty payments would be incurred under the concession agreement. As a result of the NZICC fire, Macquarie no longer has access to the initial 600 NZICC car parks and delivery of the remaining approximately 650 NZICC car parks is likely to be delayed beyond 31 December 2020. As there is significant judgement in determining how the car parks should be grouped for the assessment of the impact of the fire on the accounting treatment of the sale, this was a key audit matter. SkyCity used independent technical accounting experts to assist in determining the accounting treatment. Refer to notes 4 and 6 of the financial statements. A net gain of $66.4 million has been recognised in the income statement which is the excess of the concession payment allocated to the unnested main site and initial 600 NZICC carparks over their determined carrying value.	We read the final agreement between SkyCity and Macquarie and independently assessed and challenged the accounting for the transaction, with the involvement of our technical accounting specialists. We read management's paper and the independent technical accounting advice they received, outlining the considerations for the appropriate grouping of the carparks under the leasing criteria and the counterfactual scenarios. We obtained management's calculation of the allocation of the carrying value and the fair value of the unnested car parks between the main site and the initial 600 NZICC carparks and the remaining 650 NZICC carparks. We specifically considered how management have treated the penalty payments and factored in judgement with regards to the expected lease commencement date. The resulting values were used to determine whether the finance lease accounting criteria has been met for the remaining 650 NZICC car parks. We tested the receipt of the concession payment and the calculation of the recognised gain, corroborating the amounts recognised in the financial statements to management's analysis, supported by the valuation of the carrying value of the car parks as previously determined and audited when the transaction was entered into during the year ended 30 June 2019.

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Description of the key audit matter	How our audit addressed the key audit matter
Material uncertainty in investment property valuations relating to COVID-19 As disclosed in note 15 of the financial statements, the Group's investment properties total $72.4 million, of which $45.3 million is measured at fair value as at 30 June 2020 (30 June 2019: $40.6 million). The remaining $27.1 million of investment property relating to the NZICC car park is held at cost as disclosed in note 15(d) of the financial statements. The valuation of the Group's investment properties held at fair value is inherently subjective and the valuations were performed by an independent registered valuer. The Group has adopted the assessed values determined by the valuer. The valuer takes into account property specific information such as the contracted tenancy agreements and rental income earned by the asset. The valuer has used the income capitalisation approach and has applied assumptions in relation to capitalisation rates and market rent, based on market data and transactional evidence, where available. These assumptions were adjusted at 30 June 2020 to recognise the estimated impact of COVID-19. As at the 30 June 2020 valuation date, the independent registered valuer included a *material valuation uncertainty* clause in their report as a result of the COVID-19 pandemic. This clause highlights the difficulties in undertaking valuations due to the absence of relevant transactional evidence that demonstrates current market pricing. Therefore, less certainty and a higher degree of caution should be attached to the point estimate valuation. This represents an increase in the estimation uncertainty in the valuation of investment properties. Because of the material valuation uncertainty we have considered the valuation of investment properties held at fair value to be a key audit matter.	Given the subjectivity involved in determining valuations for individual properties, including alternative assumptions and valuation methods, there is a range of values that could be considered reasonable. The impact of COVID-19 at 30 June 2020 has resulted in material valuation uncertainty and a wider range of possible values than at past valuation points. We considered the adequacy of the disclosures made in note 1(h) and note 15 to the financial statements, which sets out the significant assumptions. These notes explain that there is material estimation uncertainty and there has been a material impact on the valuation of investment properties. We discussed with management and obtained sufficient appropriate audit evidence to demonstrate that management's assessment of the suitability of the inclusion of the valuation in the balance sheet and disclosures made in the financial statements was appropriate. In assessing the valuation of investment properties, we performed the audit procedures outlined below: • Reviewed the valuation reports from the independent valuation expert for investment properties held at fair value; • Engaged our own in-house real estate valuation expert to assess the methodologies and critique and challenge the key assumptions used by the valuer to market evidence and current market conditions, including the appropriateness of the assumptions made for COVID-19 impacts; and • For all properties held at fair value, the carrying value was agreed to the external valuation reports, and we corresponded with the independent valuer, in conjunction with our auditor's expert, on the reports. This correspondence included the impact that COVID-19 has had on market activity and how the valuer had factored this into their key assumptions. The independent valuer and auditor's expert confirmed that the valuation approach for each property was in accordance with accounting standards and suitable for use in determining the carrying value of investment properties at 30 June 2020. We assessed the independent valuer's qualifications, expertise and their objectivity and we found no evidence to suggest that their objectivity was compromised in their performance of the valuations. We carried out audit procedures, on a sample basis, to test whether property-specific information supplied to the valuer by the Group reflected the underlying property records held by the Group.

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Our audit approach

Overview



An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall Group materiality: $8 million, which represents approximately 5% of average profit before tax from continuing operations over the past three years, excluding the net gain on the Auckland car park concession transaction, NZICC fire-related income, NZICC fire-related expenses and impairment of the Adelaide casino licence.

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

We chose to use an average of the last three years and to normalise it as described above because, in our view, it provides a more stable measure of the Group's performance.

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

- Accounting for the NZICC fire
- Capital structure and funding liquidity, including the impact of COVID-19
- Impairment considerations in respect of goodwill and other intangible assets, including the impact of COVID-19
- Accounting for the sale of the Auckland car park concession
- Material uncertainty in investment property valuations relating to COVID-19.

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which the Group operates.

The structure of the Group means the majority of the audit work for the Group is performed by the New Zealand Group audit team. Our Group audit team also included people based in Australia who supported us in executing our audit procedures and brought knowledge of the trading environment and legal and regulatory framework in Adelaide.

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Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

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

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
2 September 2020

Auckland

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Income Statement

For the year ended 30 June 2020

	NOTES	2020	2019
Continuing Operations		**$'000**	$'000
Revenue	**3**	**641,653**	802,265
Other income	5	**3,310**	20,799
Net gain on the Auckland car park concession transaction	4	**66,431**	–
Government grants	5	**29,183**	–
Share of losses from associates		**(83)**	(737)
NZICC fire related income	6(a)	**384,500**	–
NZICC fire related expenses	6(b)	**(108,090)**	–
Employee benefits expense		**(284,867)**	(289,896)
Impairment of Adelaide casino licence	24	**(160,600)**	–
Other expenses	7	**(97,134)**	(91,799)
Directors' fees		**(900)**	(1,143)
Gaming taxes		**(30,254)**	(38,117)
Direct consumables		**(54,376)**	(59,862)
Marketing and communications		**(16,045)**	(26,170)
Community contributions, levies and sponsorships		**(10,382)**	(14,330)
Fair value loss on investment property	15	**(14,055)**	(3,204)
Earnings Before Interest, Tax, Depreciation and Amortisation Expenses (EBITDA)		**348,291**	297,806
Depreciation and amortisation expense	7	**(85,446)**	(79,988)
Depreciation on right-of-use assets	10	**(1,114)**	–
Earnings Before Interest and Tax (EBIT)		**261,731**	217,818
Net finance costs	11	**(28,613)**	(10,240)
Profit Before Income Tax		**233,118**	207,578
Income tax benefit/(expense)	18	**2,152**	(46,753)
Profit from continuing operations		**235,270**	160,825
Profit/(loss) from discontinued operations	30	**118**	(16,244)
Profit for the Year Attributable to Shareholders of the Company		**235,388**	144,581
Earnings per share for Profit Attributable to the Shareholders of the Company		**CENTS**	CENTS
Basic and diluted earnings per share attributable to continuing operations	8	**35.4**	23.8
Basic and diluted earnings per share attributable to discontinued operations	8	**–**	(2.4)
Basic and diluted earnings per share	8	**35.4**	21.4

The above Income Statement should be read in conjunction with the accompanying notes.

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Statement of Comprehensive Income

For the year ended 30 June 2020

	NOTES	2020	2019
		$'000	$'000
Profit for the Year		**235,388**	144,581
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	15, 31	**5,936**	–
		5,936	–
Items that may be subsequently reclassified to profit or loss			
Foreign Currency Translation Reserve	31		
Exchange differences on translation of overseas subsidiaries		**6,285**	(11,498)
Transfer to Income Statement on disposal of discontinued operation		**–**	27,864
Cash flow Hedge Reserve	31		
Cash flow hedges – revaluations		**9,154**	3,986
Cash flow hedges – transfer to finance costs		**(5,143)**	(5,459)
Cash flow hedges – income tax		**(1,239)**	279
Cost of Hedging Reserve	31		
Cost of hedging reserve – costs incurred/revaluations		**(113)**	(195)
Cost of hedging reserve – transfer to finance costs		**462**	462
Cost of hedging reserve – income tax		**(98)**	(75)
		9,308	15,364
Other Comprehensive Income for the Year, Net of Tax		**15,244**	15,364
Total Comprehensive Income for the Year		**250,632**	159,945

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

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Balance Sheet

As at 30 June 2020

	NOTES	2020	2019
		$'000	$'000
ASSETS			
Current Assets			
Cash and bank balances	14, 26	**54,224**	41,574
Receivables and prepayments	25	**42,252**	49,293
Derivative financial instruments	32	**53,288**	85
Inventories		**6,628**	6,459
Current tax receivables		**1,989**	930
NZICC fire recoveries	6(c)	**49,571**	–
PP&E classified as held for sale	27	**11,019**	115,687
Total Current Assets		**218,971**	214,028
Non-current Assets			
Property, plant and equipment	23	**1,528,902**	1,436,257
Intangible assets	24	**649,531**	798,408
Investment in associate		**–**	1,553
Finance lease receivable	4	**10,574**	–
Derivative financial instruments	32	**23,100**	56,201
Investment properties	15	**72,400**	40,660
Deferred tax assets	19	**6,877**	4,843
Right-of-use asset	10	**51,967**	–
NZICC fire recoveries	6(d)	**227,000**	–
Total Non-current Assets		**2,570,351**	2,337,922
Total Assets		**2,789,322**	2,551,950

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Balance Sheet (continued)

As at 30 June 2020

	NOTES	2020	2019
		$'000	$'000
LIABILITIES			
Current Liabilities			
Payables and provisions	28	**221,842**	228,112
Interest bearing liabilities	13, 14	**302,509**	49,127
Current tax liabilities		**776**	14,653
Derivative financial instruments	32	**6,113**	784
Lease liabilities	10	**485**	–
Deferred licence value	16	**153,165**	–
Total Current Liabilities		**684,890**	292,676
Non-current Liabilities			
Interest bearing liabilities	12, 14	**282,731**	495,913
Non-current payables		**10,569**	1,512
Lease income in advance	22	**39,815**	–
Derivative financial instruments	32	**24,375**	30,913
Deferred tax liabilities	20	**45,175**	70,160
Lease liabilities	10	**52,188**	–
Deferred licence value	17	**214,972**	504,804
Total Non-current Liabilities		**669,825**	1,103,302
Total Liabilities		**1,354,715**	1,395,978
Net Assets		**1,434,607**	1,155,972
EQUITY			
Share capital	29	**1,288,287**	1,126,996
Reserves	31	**(33,321)**	(48,565)
Retained earnings		**179,641**	77,541
Total Equity		**1,434,607**	1,155,972

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

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Statement of Changes in Equity

For the year ended 30 June 2020

	NOTES	SHARE CAPITAL	RESERVES	RETAINED EARNINGS	TOTAL EQUITY
		$'000	$'000	$'000	$'000
Balance as at 1 July 2018		1,152,260	(63,929)	69,695	1,158,026
Adjustment on adoption of IFRS15		–	–	(1,046)	(1,046)
Restated balance at the beginning of the year		1,152,260	(63,929)	68,649	1,156,980
Total comprehensive income		–	15,364	144,581	159,945
Dividends paid	9	–	–	(135,689)	(135,689)
Shares issued under Dividend Reinvestment Plan	29	8,591	–	–	8,591
Share rights issued for employee service	29	4,540	–	–	4,540
Net movement in treasury shares	29	397	–	–	397
Buy back and cancellation of shares	29	(38,792)	–	–	(38,792)
Balance as at 30 June 2019		1,126,996	(48,565)	77,541	1,155,972
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 paid	9	–	–	(133,288)	(133,288)
Equity raising	29	177,160	–	–	177,160
Share rights issued for employee service	29	3,698	–	–	3,698
Net movement in treasury shares	29	436	–	–	436
Buy back and cancellation of shares	29	(20,003)	–	–	(20,003)
Balance as at 30 June 2020		1,288,287	(33,321)	179,641	1,434,607

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

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Statement of Cash Flows

For the year ended 30 June 2020

	NOTES	2020	2019
		$'000	$'000
Cash Flows from Operating Activities			
Receipts from customers		**655,470**	860,352
Payments to suppliers and employees		**(480,613)**	(498,602)
Government grants		**27,354**	–
		202,211	361,750
Gaming taxes and levies paid		**(40,988)**	(58,800)
Income taxes paid		**(41,057)**	(50,626)
Net Cash Inflow from Operating Activities	39	**120,166**	252,324
Cash Flows from Investing Activities			
Disposal of business		**–**	197,065
Cash and bank balances disposed as part of discontinued operations		**–**	(12,204)
Disposal of Federal Street car park		**–**	40,000
Net purchase of property, plant and equipment		**(324,625)**	(303,651)
Payments for investment property		**(2,252)**	(8,564)
Auckland car park concession disposal		**128,946**	–
Payments for intangible assets		**(20,515)**	(29,129)
NZICC fire related income		**106,000**	–
NZICC fire related costs		**(26,638)**	–
Lease income received in advance		**39,815**	–
Net Cash Outflow from Investing Activities		**(99,269)**	(116,483)
Cash Flows from Financing Activities			
Issue of new share capital		**177,160**	–
Cash flows associated with derivatives		**(2,327)**	3,540
New borrowings		**45,814**	28,000
Repayment of borrowings		**(34,127)**	–
Net issue of treasury shares		**–**	397
Dividends paid to company shareholders	9	**(133,288)**	(127,098)
Interest paid		**(41,444)**	(37,787)
Buy back of shares		**(19,566)**	(37,274)
Repayment of lease liabilities		**(469)**	–
Net Cash Outflow from Financing Activities		**(8,247)**	(170,222)
Net Increase/(Decrease) in Cash and Bank Balances		**12,650**	(34,381)
Cash and bank balances at the beginning of the year		**41,574**	75,955
Cash and Bank Balances at the End of the Year	14, 26	**54,224**	41,574

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

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1 Summary of Significant Accounting Policies

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.

These consolidated financial statements were approved for issue by the Board of Directors on 2 September 2020.

(a) Basis of Preparation

The financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice (GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as applicable to for-profit entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

The Group is designated as a for-profit entity for financial reporting purposes.

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2020 and the results of all subsidiaries for the year then ended.

Going Concern

There are inherent uncertainties in both New Zealand and Australia relating to COVID-19, the impact of continued border closures and the extent of the deterioration in general economic conditions. Accordingly, the Directors consider it appropriate to take a cautious outlook for the prospects of SkyCity's businesses. The Directors are of the view that these factors will continue to have a negative impact on the Group's earnings in the near term compared to previous expectations.

In response, the Group has taken the following measures to ensure the business has adequate liquidity available and to ensure SkyCity continues to be a going concern:

- introduced cost control measures such as reducing the New Zealand workforce by approximately 25% to right-size the business to the expected new level of customer demand;
- cancelled or deferred some capital and operating spend;
- applied for and received the New Zealand Government wage subsidy and the Australian JobKeeper payment;
- raised $230 million of additional equity in June and July 2020;
- restructured bank debt to increase available facilities and extend maturities;
- obtained covenant waivers and amendments from banks and USPP noteholders; and
- announced the early redemption of the New Zealand bonds in September 2020 to avoid the risk of breaching financial covenants associated with the bonds.

Notwithstanding the uncertainties around forecasting earnings in the COVID-19 environment, the directors have concluded there are no material uncertainties related to SkyCity being a going concern. Accordingly, the directors have concluded that it is appropriate that these financial statements continue to be prepared on a going concern basis.

The Group has a negative working capital balance of $466 million, largely as a result of the classification of some debt as current liabilities and transfer of Adelaide's deferred licence value from non-current to current liabilities. The Group has significant available undrawn committed banking facilities totalling $405 million as at 30 June 2020 (refer to note 12) and has the ability to fully pay all debts as they fall due.

Statutory Base

SkyCity Entertainment Group Limited is a company registered under the Companies Act 1993 and is a FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules.

Measurement Basis

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities and investment properties at fair value through profit or loss.

Non-GAAP Financial Information

The Group's standard profit measure prepared under New Zealand Generally Accepted Accounting

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Practice (GAAP) is profit for the year, or net profit after tax. 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.

Critical Accounting Estimates and Judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the company to exercise its judgement in the process of applying the Group's accounting policies.

Impairment Tests

Judgement is used in the determination of the recoverable amount of goodwill and indefinite useful life casino licences.

The Group tests annually whether goodwill and indefinite useful life licences have suffered any impairment, in accordance with the accounting policy stated in note 24. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates.

There is sufficient headroom between the value in use calculations and the carrying value of the related cash generating units' assets that significant changes in the assumptions used would not require an impairment.

Professional judgement has been made to treat the entire Auckland precinct as a single cash generating unit given the close and interconnected relationship of the cash flows across all of SkyCity's Auckland businesses.

Impairment testing has also been completed on the Adelaide casino licence (an amortising asset). Judgement was used to determine the valuation and resulting impairment charge. The assessment was prepared using a fair value less costs of disposal approach and is discussed further in note 24.

New Zealand International Convention Centre Matters

Judgement has been used in determining the appropriate accounting consequences of the New Zealand International Convention Centre (NZICC) fire, including the following:

- the nature of the contractual relationships between the Group, Fletcher Construction Company Limited (FCC) and the insurers;
- the extent of the damage resulting from the fire, including an initial assessment of the extent of damage to the structural steel;
- the estimated cost of rebuilding the damaged portion of the impacted buildings;
- timing of the remediation work; and
- likelihood of recovery by the Group for the costs associated with the fire.

These are discussed further in note 6.

Judgement has been used in determining the appropriate accounting for liquidated damages arising from delays in the construction of the NZICC and Horizon Hotel (note 37) and the closure of the Nelson Street car park access tunnel (note 6).

Auckland Car Park Concession Transaction

Judgement has been used in determining the accounting treatment as a finance lease of a significant part of the Auckland car park concession (which was sold during the period). The determination of the finance lease accounting required the use of estimates including determining the fair value of the car parks immediately before the transaction, the fair value of exclusive use car parks and the calculation of the carrying value of the existing car park assets. Further details are provided in note 4.

Investment Properties – Valuations

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Group engaged an independent valuation expert to assess fair values as at 30 June 2020 for the investment properties. The valuer notes in their valuations of investment property that there is currently material valuation uncertainty as a result of COVID-19. Further details are provided in note 15.

COVID-19 Impacts

Judgement has been used in determining the appropriate accounting consequences of the impacts of COVID-19 on a number of account balances. These impacts are discussed further in note 1(h).

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(b) Principles of Consolidation

(i) Subsidiaries

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

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

(c) Foreign Currency Translation

(i) Functional and Presentation Currency

Items included in the financial statements of each Group Company's operations are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that operation (functional currency). The consolidated financial statements are presented in New Zealand dollars which is the Group's presentation currency.

(ii) Transactions and Balances

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

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

(iii) Foreign Operations

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

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

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

(d) Goods and Services Tax (GST)

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

(e) Statement of Cash Flows

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

(f) New Accounting Standards Adopted in the Year

Other than the adoption of NZ IFRS 16 Leases, 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 prior year.

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NZ IFRS 16, Leases

With effect from 1 July 2019, the Group adopted NZ IFRS 16 Leases. The effect of this was to create as at 1 July 2019 Right-Of-Use Assets of $50.8 million and recognise Lease Liabilities of $50.8 million (calculated based on a weighted average incremental borrowing rate of 5.87%).

The impact on the FY20 Income Statement was to:

- reduce operating expenses by approximately $3.6 million;
- increase depreciation by approximately $1.1 million;
- increase finance costs by approximately $3.1 million;
- reduce Net Profit After Taxation by approximately $0.5m; and
- lease payments are no longer part of operating cash flows but are included within financing cash flows.

The above has no cash effect to the Group and the change is for financial reporting purposes only.

The Group adopted the simplified transition approach under NZ IFRS 16 in the year ended 30 June 2020 and did not restate comparative amounts for 2019.

	$'000
Measurement of Lease Liabilities	
Operating lease commitments disclosed as at 30 June 2019	358,263
Discounted using the incremental borrowing rates	50,821
Lease liability recognised as at 1 July 2019	50,821
Of which are:	
Current lease liabilities	707
Non-current lease liabilities	50,114
	50,821

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

There are no new standards, amendments and interpretations to existing standards that have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2020 or later periods that would have a material impact.

(h) Significant Transactions During the Year

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 relatively minor 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 expert does not yet have sufficient information to complete a full assessment.

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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. Insurance proceeds for other costs incurred (business interruption costs, site preparation and clearing costs, payments under the Auckland car park concession agreement and other ongoing costs as a result of the fire) are recognised as income when the costs are incurred.	6
NZICC Fire Related Expenses	Damaged/destroyed components have been recognised as an expense, partially offset by a transfer from the deferred licence value. Other costs as a result of the fire are expensed as incurred.	6
Cost Capitalisation	Capitalisation of borrowing costs and some internal costs associated with the NZICC and Horizon Hotel has been suspended.	6
Property, Plant and Equipment	Damaged/destroyed components of both buildings have been derecognised.	23
Deferred Licence Value	Partial release of the deferred licence value for the NZICC based on the percentage of the building damaged.	17
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. Insurance proceeds to cover the cost of site clean-up and preparation have been recognised as the underlying costs are incurred.	6
Liquidated Damages	Recognition of liquidated damages for the closure of the Nelson Street car park access tunnel.	6
Auckland Car Park Concession	Accounting treatment for the previously announced sale of the Auckland car park concession has been updated to reflect the delays to completion of the NZICC car park.	4
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.	

The accounting impact of the NZICC fire is discussed in detail in note 6.

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Partial Lease of the Existing Auckland Convention Centre

With effect from 31 October 2019, portions of the existing Auckland convention centre have been leased to All Blacks Experience Limited and Weta Workshop Limited. As a result, this portion of the existing convention centre has been reclassified as Investment Property. Immediately before reclassification, this portion of the building was revalued.

This has resulted in the following adjustments as at 31 October 2019:

- a reduction in Property, Plant and Equipment of $10.5 million (refer note 23);
- an increase in Investment Properties of $16.4 million (refer note 15); and
- an increase in the Asset Revaluation Reserve of $5.9 million (refer note 31).

A further revaluation was completed as at 30 June 2020 which resulted in a fair value loss of $5.3 million.

Auckland Car Park Concession Transaction

On 4 April 2019, the Group announced it had entered into a binding, conditional agreement to sell a long term concession to 2048 over the Auckland car parks to Macquarie Principal Finance Group (Macquarie) for $220.0 million, to be paid upfront in a lump sum on completion.

The Auckland car park concession transaction was completed on 19 August 2019 and is discussed in note 4.

Share Buy Back

In February 2019, the Group announced an on market share buy back of up to 5.0% of its total shares during 2019. During the year ended 30 June 2020, the Group purchased and cancelled $20.0 million of shares. Since the announcement in February 2019, a total amount of $58.7 million of shares have been purchased and cancelled. The effect of this is shown in note 29.

Liquidated Damages

Included within the FCC construction contracts for the NZICC and Horizon Hotel is the right to liquidated damages if certain milestones are not met.

As at 30 June 2020, SkyCity had withheld $39.5 million from payments to FCC for liquidated damages. This is treated as a contingent asset and further details are provided in note 37.

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. On 23 March 2020, SkyCity closed all its New Zealand and Adelaide properties. The New Zealand properties reopened on 14 May 2020, with the exception of Wharf Casino in Queenstown which currently remains closed. SkyCity Adelaide reopened on 29 June 2020 as part of the South Australian Government's three-stage approach to easing the COVID-19 restrictions.

A number of decisions and actions have had to be taken to mitigate the impacts of these events:

- significant operational effort has gone into closing and reopening SkyCity's properties with rigorous health and safety measures in place;
- SkyCity rapidly restructured its New Zealand workforce, downsizing it by around 25% to ensure SkyCity continued to be sustainable as a smaller domestically focused business;
- SkyCity implemented other cost and capital saving initiatives; and
- SkyCity undertook an equity raising, arranged new bank facilities and secured covenant waivers to ensure that it has sufficient liquidity and funding capacity.

These actions mean that SkyCity is now well positioned to manage ongoing future risks associated with COVID-19. SkyCity has also been aided by government responses in the form of wage subsidies and other assistance measures. SkyCity's core domestic gaming business is resilient and has rapidly returned to being cash positive and profitable. Other businesses that are more reliant on international visitors (including international VIP gaming, hotels and restaurants) are likely to fully recover only when international borders reopen.

Development work on the SkyCity Adelaide expansion and hotel projects and associated master planning projects was able to continue over the period due to construction being deemed as an essential service in Australia. Work recommenced in late May 2020 on the NZICC and Horizon Hotel projects following the move to Alert Level 3 of the COVID-19 Alert system in New Zealand. The Horizon Hotel is now expected to be delivered during 2021 and the NZICC is now expected to be completed during 2023.

The equity raising completed in July 2020 ensures that the major projects under construction remain fully funded and that SkyCity is also able to continue with smaller projects that will enhance operations. Following the equity raising and the arrangement of new bank facilities, SkyCity now has significant liquidity available should the COVID-19 situation worsen. Dividends are currently suspended as a requirement of the covenant waivers and amendments.

A summary of the accounting impacts of COVID-19 on the Group is set out below:

ITEM	COVID-19 IMPACTS	NOTE
Closure of SkyCity's Land-based Casinos	New Zealand casinos closed on 23 March 2020 and, with the exception of Wharf Casino, reopened on 14 May 2020. SkyCity Adelaide closed on 23 March 2020 and reopened on 29 June 2020.	
Reduction in Revenues	The closure of SkyCity's casinos has significantly reduced revenues. To highlight the extent of the reduced revenues, total revenues in the relevant comparative periods (New Zealand properties: 23 March 2019 to 13 May 2019; SkyCity Adelaide: 23 March 2019 to 28 June 2019; and International Business 1 March 2019 to 30 June 2019 (reflecting the period of international travel restrictions)) are estimated at approximately $170 million.	3
Government Grants	The Group has applied for, and received, the New Zealand Government wage subsidy and the Australian JobKeeper payment. Total payments relating to the year ended 30 June 2020 were $29.2 million.	5
Employment Costs	Over the period of closure, New Zealand salaried staff who continued to work received their full salary (less any voluntary contribution to a staff hardship fund). Salaried staff were requested to take annual leave over the lockdown period if they were not able to work. New Zealand waged and casual employees who were unable to work received 80% of their average earnings. They were able to top this up to 100% of their average earnings by taking paid leave. New Zealand waged employees who were able to work received their normal pay. Over the period of closure, around 90% of Australian staff were fully stood down and the remaining 10% of employees were partially stood down on reduced hours. 80% of Australian staff were eligible for the JobKeeper payment.	
Receivables	As a result of payment difficulties for a small number of customers, a provision against International Business debtors of $5.7 million has been included within the Income Statement.	25
Investment Properties	There has been a decline in the fair value of investment properties due to the expected reaction of the property market to COVID-19. The valuer has also 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. The valuer has recommended frequent reviews of the valuations for changes in the underlying assumptions.	15

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ITEM	COVID-19 IMPACTS	NOTE
Property, Plant and Equipment	Various capital projects have been delayed, placed on hold or terminated. Costs of delays have been included in the carrying value of Property, Plant and Equipment. Costs incurred to date on terminated projects have been written off in the current year.	23
Intangible Assets	An impairment of the Adelaide casino licence has been recognised in the current year. In the absence of COVID-19 it was very likely that an impairment of the Adelaide casino licence would still have been required. However, COVID-19 has increased the size of the impairment recognised. The impacts of COVID-19 have also reduced the valuation surpluses associated with the Auckland and Hamilton intangible assets (although these continue to be strongly positive).	24
Tax Expense and Deferred Tax Liabilities	During the year, the New Zealand Government reintroduced depreciation on industrial and commercial buildings for tax purposes. The change applies from 1 July 2020 and the Group has elected to use the 2% diminishing value basis depreciation rate. As a result, the tax base of the Group's buildings as at 30 June 2020 increased by $86.1 million. The resulting difference between the accounting carrying value and the reinstated tax base gave rise to a reduction in deferred tax liabilities and a reduction in tax expense of $24.1 million.	18, 20
Funding Plan	A comprehensive funding plan was announced on 17 June 2020 to strengthen the Group's balance sheet and secure additional liquidity in response to uncertainty around future impacts of COVID-19: • raised $230 million of additional equity in June and July 2020; • restructured bank debt to increase available facilities and extend maturities; • obtained covenant waivers and amendments from banks and USPP noteholders; • announced the early redemption of the New Zealand bonds in September 2020 to avoid the risk of breaching financial covenants associated with the bonds; and • suspended dividends for the period of covenant waivers/relief.	12, 29

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2 Segment Information

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).

Prior period disclosures have been adjusted to treat the NZICC as part of the Auckland segment to align with the current period.

(a) Primary Reporting Format – Business Segments

	SKYCITY AUCKLAND	OTHER NZ OPERATIONS	SKYCITY ADELAIDE	SKYCITY DARWIN	INTERNATIONAL BUSINESS	CORPORATE /GROUP	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2020							
Gaming revenue	312,282	51,554	90,995	–	75,948*	–	530,779
Online revenue	–	4,521	–	–	–	–	4,521
Non-gaming revenue	138,680	11,166	27,151	–	8	1,144	178,149
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							233,118
Plus: Discontinued operations before tax (note 30)							118
Profit before income tax from continuing operations							233,236
Segment assets	1,738,081	100,891	617,139	–	–	333,211	2,789,322
Net additions to non-current assets (other than financial assets and deferred tax)	147,380	9,573	229,369	–	–	19,692	406,014

*Includes rebates and complimentary play.
**Equivalent to A$150 million.

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	SKYCITY AUCKLAND	OTHER NZ OPERATIONS	SKYCITY ADELAIDE	SKYCITY DARWIN	INTERNATIONAL BUSINESS	CORPORATE /GROUP	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2019							
Gaming revenue	378,061	56,533	124,801	60,699	122,580	–	742,674
Non-gaming revenue	189,862	9,922	21,101	22,402	36	–	243,323
Total revenue	567,923	66,455	145,902	83,101	122,616	–	985,997
Shares of net profits/(losses) of associates	–	(737)	–	–	–	–	(737)
Expenses	(290,153)	(37,160)	(123,566)	(62,679)	(119,610)	(33,848)	(667,016)
Depreciation and amortisation	(47,436)	(5,390)	(17,687)	(4,711)	–	(9,474)	(84,698)
Segment profit/(loss) (EBIT)	230,334	23,168	4,649	15,711	3,006	(43,322)	233,546
Net finance costs (including discontinued operations)							(10,212)
Profit before income tax							223,334
Less: Discontinued operations before tax (note 30)							(15,756)
Profit before income tax from continuing operations							207,578
Segment assets	1,647,453	101,584	548,778	–	–	254,135	2,551,950
Net additions to non-current assets (other than financial assets and deferred tax)	261,636	20,490	73,075	3,933	–	30,183	389,317

(b) Secondary Reporting Format – Geographical Segments

	TOTAL REVENUE		NON-CURRENT ASSETS EXCLUDING FINANCIAL INSTRUMENTS AND DEFERRED TAX ASSETS	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
New Zealand	**1,021,158**	749,699	**1,951,348**	1,736,037
Australia	**143,222**	236,298	**589,026**	540,841
	1,164,380	985,997	**2,540,374**	2,276,878

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(c) Description of Segments

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer (CEO) that are used to assess performance and allocate resources.

The Group is organised into the following main operating segments:

SkyCity Auckland

SkyCity Auckland includes casino operations, hotels and convention, food and beverage, car parking, Sky Tower, investment properties and a number of other related activities, and excludes International Business operations.

The Group's interest in the NZICC is also included here.

Other New Zealand Operations

Other operations include SkyCity Hamilton, SkyCity Queenstown, SkyCity Wharf, Lets Play Live Media, SkyCity Online Casino and associates.

SkyCity Adelaide

SkyCity Adelaide includes casino operations and food and beverage, and excludes International Business operations.

SkyCity Darwin

In 2019, SkyCity Darwin has been treated as a discontinued operation within the financial statements. For internal management reporting purposes, SkyCity Darwin continued to be reported to the CEO on the same basis as previously and therefore the segment information note has been prepared on a consistent basis with prior periods.

International Business

The International Business segment is made up of gaming operations for international customers sourced mainly from Asia. The revenue is generated at SkyCity's Auckland, Darwin (2019 only), Adelaide, Queenstown and Hamilton properties. The results of the segment includes rebates and complimentary play. No assets are allocated to this segment.

Corporate/Group

Includes head office functions and funding entities and is not considered an operating segment.

3 Revenue

Accounting Policy

Gaming revenue represents 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 revenue includes hotel and convention, food and beverage, Sky Tower, car parking and other revenues. These are recognised when the goods are provided or services are rendered.

	2020	2019
	$'000	$'000
Gaming	**491,477**	601,696
Non-gaming	**145,655**	200,569
Online	**4,521**	–
Total revenue	**641,653**	802,265

The Group also provides complimentary hotel accommodation, food and beverage and other promotions to certain groups of customers and it is not practical to separate the related revenues from gaming revenues. Retail values of such complimentary items amounted to $19.5 million (2019: $30.9 million).

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	NOTES	2020	2019
		$'000	$'000
Reconciliation to the segment note			
Total revenue	3	**641,653**	802,265
Other income	5	**3,310**	20,799
Government grants	5	**29,183**	–
International Business rebates		**39,303**	80,269
Darwin – discontinued operations		**–**	82,664
Gain on sale of Auckland car park concession	4	**66,431**	–
NZICC fire income	6	**384,500**	–
Total revenue as per segment note		**1,164,380**	985,997

4 Auckland Car Park Concession Transaction

	2020	2019
	$'000	$'000
Net gain on sale of the Auckland car park concession transaction	**66,431**	–
	66,431	–

On 4 April 2019, the Group announced it had entered into a binding, conditional agreement to sell a long term concession to 2048 over the Auckland car parks to Macquarie for $220.0 million, to be paid upfront in a lump sum on completion.

The agreement:

- gives Macquarie the right to undertake the operations and management of the approximately 3,200 car parks under the existing Auckland casino/hotel complex and the NZICC currently under construction, with all economic benefit of ownership passed to Macquarie for the concession period;
- provides SkyCity with exclusive access to 450 car parks, which will be used for VIP customers, to be paid for by SkyCity irrespective of use (these are known as the "nested car parks"); and
- provides SkyCity with non exclusive access to further car parks at agreed rates on a pay per use basis (these are known as the "unnested car parks"), which will also be available to the public.

On 19 August 2019, the Auckland car park concession transaction was completed and SkyCity received $220.0 million. Macquarie took over the main site car park and the initial 600 NZICC car parks and was to be provided with approximately 650 further NZICC car parks no later than 31 December 2020.

Nested Car Parks

The Group has determined that it retains the significant risks and rewards of ownership of these car parks and therefore this part of the concession payment should be accounted for as a financial liability.

As a result of this determination, on settlement of the transaction, $45.8 million of the $220.0 million concession payment was treated as a financial liability.

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Main Site and Initial 600 NZICC Unnested Car Parks

The Group has determined, based on an evaluation of the terms and conditions of the arrangement, including the proportion of the $220.0 million concession payment relating to these car parks amounting to substantially all of the fair value of these car parks, that substantially all the significant risks and rewards of ownership of these unnested car parks passed to the concession holder on 19 August 2019. Therefore, this part of the concession payment has been accounted for as a finance lease (note 13).

As a result of this determination, as at 19 August 2019:

- the current carrying value of these car parks of $96.6 million was derecognised;
- a finance lease receivable of $133.2 million for these car parks was recognised and immediately settled in cash by the upfront payment;
- a finance lease receivable of $9.9 million was recognised for the residual value of these car parks (the value beyond the period of the concession term);
- an adjustment to the Deferred Licence Value liability associated with the NZICC of $24.2 million was recognised in the Income Statement (note 17); and
- a resulting gain of $66.4 million was recognised in the Income Statement.

In determining the carrying value, judgement was required to distinguish the value of the unnested car parks from the value of the Auckland casino/hotel asset. Judgement was also required to determine the carrying value of the initial 600 NZICC car parks.

Remaining Approximately 650 Further NZICC Unnested Car Parks

As detailed in the NZICC fire note 6, the Group is unable to determine when these car parks will be provided to Macquarie.

A final determination as to whether the lease relating to the approximately 650 car parks is an operating lease or finance lease will be made when the car parks are finally provided to Macquarie. If this date is after 31 December 2020 (as expected), delay payments to Macquarie that are required to be made from that date will be deducted from the $39.8 million allocation of the concession payment for the purposes of making the lease determination.

As a result, the Group is treating $39.8 million of the $220.0 million concession payment as lease income received in advance.

Given the delay in providing these car parks to Macquarie, this part of the concession is likely to be treated as an operating lease and these car parks will be treated as an investment property. In the current year $27.1 million of costs associated with these car parks have been transferred from Property, Plant and Equipment (note 23) to investment properties (note 15).

Comparison to 30 June 2019 Financial Statements

The accounting outlined above for the Auckland car park concession transaction differs from that disclosed in the 30 June 2019 financial statements as a result of the NZICC fire. Refer to note 6 for more details.

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5 Other Income

	2020	2019
	$'000	$'000
Net gain on disposal of property, plant and equipment	**348**	18,453
Dividend income	**9**	8
Rental income from investment properties	**2,953**	2,338
Government grants	**29,183**	–
	32,493	20,799

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.

SkyCity made two claims for this subsidy in the year ended 30 June 2020:

- $15.4 million primarily relating to waged staff covering the period 30 March to 19 June 2020; and
- $6.4 million primarily relating to salaried staff covering the period 20 April to 10 July 2020 (this has been allocated between this financial year and the year ending 30 June 2021).

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, which will be accounted for in the 2021 financial statements.

Adelaide

The Australian Government introduced the JobKeeper Payment plan which is effective until 30 September 2020. 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. In the current financial year, SkyCity has received or accrued $8.3 million (A$7.8 million).

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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 relatively minor 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 expert does not yet have sufficient information to complete a full assessment.

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. 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.

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

Cessation of Capitalisation of Borrowing Costs and Some Internal Costs

With effect from 22 October 2019, interest capitalisation on both the NZICC and Horizon Hotel developments has ceased. From 1 July 2019 to 22 October 2019, $9.6 million of interest was capitalised. No decision has been made as to when interest capitalisation will recommence.

Accounting Treatment for the Previously Announced Auckland Car Park Concession Transaction

The impact of the planned Auckland car park concession transaction was disclosed in note 2(a) of the 30 June 2019 financial statements.

On 19 August 2019, the Auckland car park concession transaction was completed and SkyCity received $220 million. Macquarie took possession of the main site car park and an initial 600 NZICC car parks at that time, and was to be provided with approximately 650 further NZICC car parks no later than 31 December 2020. The use of the 600 NZICC car parks was restricted to use by SkyCity staff and contractors while NZICC construction was ongoing, as a condition of the NZICC Building Works Contract with the Contractor, and this restriction was also included in the car park concession agreement.

If the additional approximately 650 further NZICC car parks are not delivered by 31 December 2020, daily delay payments are required to be made by SkyCity to Macquarie.

As a result of the fire, Macquarie no longer has access to the initial 600 NZICC car parks and delivery of the remaining approximately 650 NZICC car parks is likely to be delayed beyond 31 December 2020.

For the purpose of analysing the impact of the fire on the sale of the Auckland car park concession, it is necessary to split the car parks up as follows:

- **nested car parks, being 450 car parks that are available exclusively to SkyCity (referred to as "nested car parks")**

  There is no change to the accounting for the nested car parks and these continue to be treated as a financing arrangement as set out in the Group's 30 June 2019 financial statements.

- **main site unnested and initial 600 NZICC car parks**

  There is no change to the accounting for the main site unnested and initial 600 NZICC car parks and these continue to be treated as a finance lease as set out in the Group's 30 June 2019 financial statements.

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- **remaining approximately 650 further NZICC car parks**

  The status of these car parks has changed as a result of the fire and expected delays to handover and these will now likely be accounted for as a future operating lease when handed over to Macquarie – this is discussed further below.

Professional judgement was required in determining the appropriate split of the car parks for assessment of the impacts of the fire. It is the Group's view that the main site unnested and initial 600 NZICC car parks already passed to Macquarie should be considered together. During the concession agreement negotiations all parts were considered together and were viewed as being inter-related for pricing and other purposes. These car parks were also considered together for demand management purposes, including how SkyCity staff and contractors use and access the available car parks across both sites.

Accounting Treatment of the Remaining Approximately 650 NZICC Car Parks

In the Group's 30 June 2019 financial statements (which did not envision the fire or a significant delay in the delivery of the car parks to Macquarie), it was assumed that all parts of the car park, except the nested car parks, would be a finance lease at their lease commencement date. As a result, the Property, Plant and Equipment balances relating to the car parks were transferred to "PP&E classified as held for sale".

For these car parks, the lease from SkyCity to Macquarie has not yet started – this will happen on the date they are handed over to Macquarie. Prior to this date, the portion of the car park concession agreement payment relating to these car parks ($39.8 million), is treated as lease income in advance (refer note 22).

Determination as to whether the lease is an operating lease or finance lease is made as at the date the car parks are provided to Macquarie, being the lease commencement date. If this date is after 31 December 2020 (as expected), delay payments to Macquarie from 31 December 2020 until the final handover date are deducted from the car park concession agreement payment for the purposes of making the lease determination.

As a result, the following adjustments to the 30 June 2019 classifications have been recorded in the 30 June 2020 financial statements:

- reclassify $56.8 million of assets from PP&E Classified as Held for Sale to Property, Plant and Equipment (debit Property, Plant and Equipment, credit Assets Classified as Held for Sale); and
- reclassify $25.6 million of liabilities from PP&E Classified as Held for Sale to Deferred Licence Value liability, being the portion of Deferred Licence Value liability expected to be allocated to the car park assets on completion (debit PP&E Classified as Held for Sale, credit Deferred Licence Value liability).

(a) Income

	2020	2019
	$'000	$'000
Other income		
Contract works insurance recovery	**336,702**	–
Other insurance recoveries	**37,456**	–
Liquidated damages (Nelson Street car park access)	**10,342**	–
	384,500	–

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NZICC fire related income consists of:

Insurance Recovery for Damage to the NZICC and Horizon Hotel ($336.7 million)

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

While the insurers have acknowledged the fire event and confirmed the 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 $375.0 million. For the Horizon Hotel, reconstruction costs have been estimated at $6.0 million. Based on this information, the Group has assumed an insurance recovery for both buildings of $336.0 million, being the lower end of the NZICC range and Horizon Hotel estimate. The Group considers recovery of this amount to be virtually certain. Prior to 30 June 2020, the insurers made an initial payment of $105.0 million, meaning that the Group has therefore recognised a further receivable of $231.0 million.

These initial 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 $336.0 million may change materially.

Other Insurance Recoveries ($37.5 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 (such as staff parking) as a result of the fire.

The additional expenses are recognised when incurred (debit Income Statement, credit Cash/Liabilities) and any recovery of these items is recognised when recovery is virtually certain (debit Receivables, credit Income Statement). In the year ended 30 June 2020, the Group estimates that the additional costs incurred and lost gross profit totalled $46.4 million. An initial recovery of $37.5 million has been accrued for these items and the balance of $8.9 million has been included as a contingent asset (refer note 37).

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.

Recovery of Liquidated Damages for Access to the Nelson Street Car Park Access Tunnel ($10.3 million)

A further recovery from the Contractor for liquidated damages for the closure of the Nelson Street car park entrance/exit tunnel is available under the NZICC Building Works Contract. Based on the dates the tunnel was closed (22 October 2019 to 20 December 2019), a recovery of $10.3 million is virtually certain and has been recognised as NZICC fire related income in the Income Statement and a receivable for the uncollected balance from FCC has been recognised in the Balance Sheet (debit Receivables, credit Income Statement).

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(b) Expenses

	2020	2019
	$'000	$'000
Write-off of NZICC and Horizon Hotel capitalised work-in-progress	**193,868**	–
Release from Deferred Licence Value liability	**(165,785)**	–
NZICC obligation	**43,047**	–
Other recoverable costs	**34,213**	–
Non recoverable costs	**2,747**	–
	108,090	–

NZICC fire related expenses consist of:

Write-off of NZICC and Horizon Hotel Capitalised Work-in-Progress ($193.9 million)

Under the accounting standards, an insurance event, such as the NZICC fire, is treated as a disposal of the damaged asset and the purchase of a new replacement asset for fully replaced component parts. As a result the carrying value of the damaged/destroyed parts of the NZICC and Horizon Hotel are written off to the Income Statement (debit Income Statement and credit Property, Plant and Equipment)

Based on updated estimates provided by RLB, the Group has estimated that approximately 52% of the NZICC and 5% of the Horizon Hotel construction work to date has been destroyed and will need to be replaced. As a result, approximately $193.9 million of costs previously capitalised as a work in progress in Property, Plant and Equipment have been written off (refer note 23).

This initial 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 $193.9 million may increase or decrease materially.

Future costs (external and internal) related to the replacement of the derecognised asset components will be capitalised as incurred as a new asset (debit Capital Work in Progress (part of Property, Plant and Equipment), credit Cash/Liabilities).

Release from Deferred Licence Value Liability ($165.8 million reduction in write-off)

In 2016, SkyCity accounted for the granting of the NZICC Auckland casino licence enhancements and recognised a Deferred Licence Value liability of $405.0 million. Based on the Group's accounting policy adopted in 2014 (at the time of recognising the Adelaide casino licence enhancements), this amount was to be accounted for as a reduction in the carrying value of the NZICC upon completion.

The Deferred Licence Value would normally be allocated against each component asset of the NZICC upon completion, and therefore when derecognising some components (as detailed above) there is also a requirement under the Group's accounting policy to release a portion of the Deferred Licence Value liability.

The amount of the release has been estimated at $165.8 million based on the latest estimated percentage of damage to the NZICC. This represents 43.5% of the remaining Deferred Licence Value liability (the NZICC was estimated to be 83% complete prior to the fire, so 43.5% is therefore 52% (being the estimated extent of damage noted above) of 83%).

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 17 for details of the Deferred Licence Value liability release.

NZICC Obligation ($43.0 million)

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 $43.0 million based on a proportionate allocation of the expected total insurance proceeds relating to the damage.

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 $43.0 million liability may change materially.

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Other Recoverable Costs ($34.2 million)

The Group and Contractor have incurred costs relating to site preparation and cleaning. These costs are recoverable from the insurers and a matching amount is included in NZICC fire income.

Non Recoverable Costs ($2.7 million)

These are additional costs incurred by the Group in relation to the NZICC fire where recovery from the insurers or Contractor is not virtually certain. A claim will be made for these costs against the Contractor and recovery of these costs is included within contingent assets (refer note 37).

(c) Current Assets

	2020	2019
	$'000	$'000
Insurance recoveries for damages to the NZICC and Horizon Hotel	**336,702**	–
Other insurance recoveries	**37,456**	–
Recovery of liquidated damages	**8,413**	–
Payments received from the Insurers	**(106,000)**	–
Transfer to non-current receivables (refer note below)	**(227,000)**	–
	49,571	–

In addition to the $49.6 million of current NZICC recoveries, there are also non-current recoveries of $227.0 million (refer below). NZICC recoveries (current plus non-current) total $276.6 million.

NZICC recoveries relate to:

Insurance Recovery for Damage to the NZICC and Horizon Hotel ($336.7 million)

The Group has recognised insurance recoveries of $336.7 million related to the damage to the NZICC ($330.0 million), Horizon Hotel ($6.0 million) and various ICT equipment ($0.7 million).

The cost of remediating the NZICC was assessed by SkyCity's experts at between $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 $375.0 million amount includes a 35% contingency.

Other Insurance Recoveries ($37.5 million)

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

Recovery of Liquidated Damages for Access to the Nelson Street Car Park Access Tunnel ($8.4 million)

The NZICC Building Works Contract with FCC includes the right for SkyCity to receive liquidated damages while the Nelson Street car park access tunnel is closed. The tunnel was closed from 22 October 2019 to 20 December 2019 and, based on the Building Works Contract, SkyCity is entitled to receive $10.3 million of liquidated damages from FCC.

To date, the Group has withheld $1.9 million for these liquidated damages from payments due to the Contractor. The remaining balance collectable is $8.4 million.

SkyCity believes recovery of this amount is virtually certain and has recognised $10.3 million within NZICC fire related income (refer note 6(b)).

Payments Received from the Insurers ($106.0 million)

Prior to 30 June 2020, the Group received an initial $105.0 million payment from the insurers towards site preparation, cleaning costs and the cost of remediation. To 30 June 2020, $34.2 million of this prepayment has been spent on damage assessment, site preparation and cleaning.

The Group has also received an initial $1.0 million payment from insurers towards its business interruption claim.

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(d) Non-current Assets

	2020	2019
	$'000	$'000
Insurance recoveries for damages to the NZICC and Horizon Hotel	**227,000**	–
	227,000	–

Refer note 6(c). The split between current and non-current is based on estimated cash flows associated with the anticipated timing of the reconstruction.

7 Expenses

	2020	2019
	$'000	$'000
Other Expenses		
Utilities, insurance and rates	**21,949**	21,863
Onerous contract expense (relating to the Wharf Casino lease (note 10))	**958**	–
Other property expenses	**12,096**	12,124
Other items	**55,246**	52,216
Expenses relating to short term leases and leases of low value assets	**1,203**	4,351
Provision for bad and doubtful debts	**5,682**	1,245
	97,134	91,799
Depreciation and Amortisation (excluding right of use assets)		
Depreciation	**67,459**	66,739
Casino licence amortisation (Adelaide)	**5,507**	5,556
Computer software amortisation	**12,480**	7,693
	85,446	79,988

Provision for Bad and Doubtful Debts

In the current year the Group has recognised an expense of $5.7 million (2019: $1.2 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.

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Auditor's Fees

During the year the following fees were paid, or are payable, for services provided by the auditor of the parent entity and its related practices.

The Group employs PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important and auditor independence is not impaired. These assignments are principally tax advice and tax compliance. For other work, the Group's External Audit Independence Policy requires that advisers other than PricewaterhouseCoopers should be engaged wherever practicable.

Tax advisory services relates to ad-hoc queries covering a range of tax related matters.

Agreed upon procedures are in relation to the Group's Community Trust allocation of revenue, assessment of the application of revenue under the wage subsidy scheme and assessment of the normalisation of revenue disclosed in the annual report. Other assurance services are in relation to compliance with banking and debt covenants.

	2020	2019
	$'000	$'000
(a) Assurance and Agreed upon Procedure Services		
Audit and review of financial statements		
PwC New Zealand	**755**	684
PwC Australia	**74**	74
PwC Hong Kong	**23**	17
PwC Malta	**42**	–
Total audit and review fees	**894**	775
Performed by PwC New Zealand		
Other assurance services	**20**	24
Agreed upon procedures	**28**	14
Total remuneration for other assurance services and agreed upon procedures	**48**	38
Total remuneration for assurance and agreed upon services	**942**	813
(b) Other Services		
Performed by PwC New Zealand		
Tax compliance services	**1**	–
Tax advisory services	**78**	266
Executive remuneration	**–**	142
Provision of software tool for subsidiary statutory financial statement preparation	**12**	27
Performed by PwC Australia		
Tax compliance services	**50**	59
Tax advisory services	**63**	226
Performed by PwC Hong Kong		
Tax advisory services	**26**	8
Total remuneration for other services	**230**	728
Total fees expense	**1,172**	1,541

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8 Earnings Per Share

Accounting Policy

(i) Basic Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

There are no dilutive potential ordinary shares and therefore basic and diluted earnings per share are the same.

	2020	2019
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share (including shares issued on 9 July 2020 – refer note 29)	**664,946,279**	675,772,802

9 Dividends

Accounting Policy

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

	2020	2019
	$'000	$'000
Prior year final dividend	**66,867**	67,751
Current year interim dividend	**66,421**	67,938
Total dividends provided for or paid	**133,288**	135,689
Cents per share		
Prior year final dividend (per share)	**10.0**	10.0
Current year interim dividend (per share)	**10.0**	10.0

The directors have not declared a final dividend in respect of the year ended 30 June 2020.

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10 Leases – SkyCity as the Lessee

Accounting Policy

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate; and
- payments to be made under reasonably certain extension options.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

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

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

A small number of immaterial, short term leases have not been included in the calculation of lease liabilities or right-of-use assets.

The balance sheet shows the following amounts relating to leases:

	2020
	$'000
Right-of-use assets net book value	
SkyCity Auckland subsoil	**3,095**
SkyCity Auckland pedestrian airbridge	**2,006**
SkyCity Auckland services airbridge	**312**
Stratton House – Queenstown	**2,367**
Adelaide Railway Building and extension	**44,187**
	51,967
Lease liabilities	
Current	**485**
Non-current	**52,188**
	52,673

In the previous year, under NZ IAS 17 Leases, the Group had operating leases which were not recognised on the Balance Sheet. For the current year, opening balances of right-of-use assets and lease liabilities reflect accounting for the operating leases under NZ IFRS 16 Leases for the first time.

(a) Amounts Recognised in the Income Statement

	2020
	$'000
Depreciation charge of right-of-use assets	
Right-of-use assets	**1,114**
	1,114
Interest expense on lease liabilities	
Interest expense on lease liabilities (part of net finance costs)	**3,088**
	3,088

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(b) The Group's Leasing Activities and How These are Accounted for

The Group has a small number of long term leases relating to airbridges, subsoil access rights and the Adelaide Railway Building.

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

Until the current financial year, leases of Property, Plant and Equipment were classified as operating leases. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk; and
- makes adjustments specific to the lease (eg. term, country, currency and security).

Lease payments are allocated between principal and finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short term or low value leases that are not material are recognised on a straight-line basis as an expense in the Income Statement.

(c) Extension and Termination Options

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

(d) SkyCity Wharf Lease

Given the financial performance of SkyCity Wharf, the lease agreement has been treated as an onerous contract. As a result, the future costs of the lease to termination (6 September 2021) of $1.0 million have been recognised in the year ended 30 June 2020.

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11 Net Finance Costs

	2020	2019
	$'000	$'000
Finance costs	**45,419**	41,598
Foreign exchange gains	**(195)**	(316)
Interest income	**(1,060)**	(723)
Debt restructuring costs (refer note 12)	**7,506**	–
Capitalised interest (refer Property, Plant and Equipment note 23)	**(23,057)**	(30,319)
Net finance costs	**28,613**	10,240

12 Non-current Liabilities – Interest Bearing Liabilities

Accounting Policy

Interest bearing liabilities are recognised initially at fair value, net of transaction costs incurred. Interest bearing liabilities are subsequently carried at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method, apart from:

- the interest margin on US dollar denominated USPP notes maturing in March 2025 is accounted for under NZ IFRS 9 as a fair value hedge. The carrying values of the borrowings are adjusted for fair value changes attributable to the risk being hedged; and
- as at 30 June 2020, the New Zealand bonds are carried at the cost of early redemption (refer note 12(c)).

	2020	2019
	$'000	$'000
Unsecured Interest Bearing Liabilities		
Car park concession (main site nested car parks)	**42,802**	–
United States private placement notes	**241,420**	373,091
New Zealand bonds	**–**	125,000
Deferred funding expenses	**(1,491)**	(2,178)
Total Non-current Interest Bearing Liabilities	**282,731**	495,913

(a) United States Private Placement (USPP) Notes

As at 30 June 2020 (and 30 June 2019), SkyCity had outstanding:

- US$100.0 million maturing 15 March 2021;
- US$100.0 million maturing 17 March 2025; and
- A$65.4 million maturing 15 March 2028.

Movements in the carrying value of the outstanding balance in the current year relate to maturity of NZ$21.1 million of notes on 15 March 2020 plus movements in exchange rates and interest rates.

The US dollar USPP notes have been hedged to New Zealand dollars or Australian dollars by way of cross currency interest rate swaps to eliminate foreign exchange exposure to the US dollar. The offsetting changes in the value of the cross currency interest rate swaps are included within derivative financial instruments in note 32.

Fair value of USPP debt is estimated at NZ$429.4 million compared to a carrying value of

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NZ$397.0 million. Fair value has been calculated based on the present value of future principal and interest cash flows, using market interest rates and credit margins at balance date. Fair value is calculated using inputs other than quoted prices that are observable for the liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This is a level 2 valuation.

Recognising the potential for breaches of financial covenants at 31 December 2020 and 30 June 2021, due to the impact of COVID-19, amendments and waivers to the financial covenants as at these dates were agreed with USPP investors in June 2020. All financial covenants were met at 30 June 2020.

(b) Syndicated Bank Facility

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

As at 30 June 2020, SkyCity had in place revolving credit facilities of:

- NZ$120.0 million maturing 15 March 2021; and
- A$280.0 million maturing 31 March 2022.

Subsequent to Balance Date

Consistent with the funding plan announced on 17 June 2020, in July 2020 the syndicated bank facility was restructured and extended to the following:

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

Recognising the potential for breaches of financial covenants at 31 December 2020 and 30 June 2021, directly as a result of the impact of COVID-19, the restructuring and extension of the bank facilities incorporated waivers and amendments to the financial covenants for these periods. All financial covenants were met at 30 June 2020.

(c) New Zealand Bond

$125 million of unsubordinated, unsecured, redeemable fixed rate bonds were issued on 28 September 2015 with a maturity of seven years.

In June 2020, SkyCity notified bond holders of its intention to exercise its right to redeem the bonds early. The bonds will be redeemed on 28 September 2020 at $1.028 per bond, equating to a total redemption cost of $128.5 million. Consequently, the bonds are classified as current liabilities at 30 June 2020 and carried at the redemption amount.

(d) Auckland Car Park Concession

Incorporated in the Auckland car park concession is an interest-bearing liability of $46.2 million relating to the main site nested car parks. This liability will be amortised to nil over the life of the contract with the movements recognised in interest income.

(e) Negative Pledge Deeds

A negative pledge deed has been executed in relation to each of the funding facilities – bank facilities, USPP notes and New Zealand bonds. In each deed are requirements for minimum guarantee group participation as well as financial covenants. All requirements of the negative pledge deeds have been met as at 30 June 2020.

(f) CBA Revolving Credit Facility

Subsequent to Balance Date

Consistent with the funding plan announced on 17 June 2020, in July 2020 a NZ$100.0 million revolving credit facility was established with the Commonwealth Bank of Australia, maturing 31 December 2021.

(g) Weighted Average Interest Rate

	2020		2019	
	Weighted average interest rate	**Balance**	Weighted average interest rate	Balance
	%	**$'000**	%	$'000
Interest bearing liabilities*	**6.39%**	**586,731**	6.56%	547,218

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

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13 Current Liabilities – Interest Bearing Liabilities

Accounting Policy

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

	2020	2019
	$'000	$'000
Unsecured Interest Bearing Liabilities		
Syndicated bank facility	**15,000**	28,000
United States private placement notes	**155,618**	21,127
New Zealand bonds	**128,500**	–
Car park concession (main site nested car parks)	**3,391**	–
Total current interest-bearing borrowings	**302,509**	49,127

Refer note 12(a) for details concerning the US private placement notes, note 12(b) for details concerning the syndicated bank facility, note 12(c) for details concerning the New Zealand bonds and note 12(d) for details concerning the car park concession.

14 Net Debt Reconciliation

	CASH AND BANK BALANCES	BORROWINGS DUE WITHIN 1 YEAR	BORROWINGS DUE AFTER 1 YEAR	TOTAL
	$'000	$'000	$'000	**$'000**
Net debt as at 1 July 2018	(75,955)	–	508,453	**432,498**
Movement in cash and cash equivalents	34,381	–	–	**34,381**
Revaluation of USPP notes	–	–	7,560	**7,560**
Amortisation of deferred funding expenses	–	–	1,027	**1,027**
Net movement in bank drawings	–	28,000	–	**28,000**
Reclassification	–	21,127	(21,127)	**-**
Initial recognition of lease liabilities	–	–	–	**-**
Net debt as at 30 June 2019	(41,574)	49,127	495,913	**503,466**
Movement in cash and cash equivalents	(12,650)	–	–	**(12,650)**
Recognition of car park concession liability	–	3,391	42,802	**46,193**
Revaluation of NZ bonds	–	3,500	–	**3,500**
Revaluation of USPP notes	–	6,230	17,716	**23,946**
Repayment of USPP notes	–	(21,127)	–	**(21,127)**
Amortisation of deferred funding expenses	–	–	687	**687**
Net movement in bank drawings	–	(13,000)	–	**(13,000)**
Reclassification	–	274,388	(274,388)	**-**
Initial recognition of lease liabilities	–	485	50,336	**50,821**
Increase in lease liabilities	–	–	1,852	**1,852**
Net debt as at 30 June 2020	(54,224)	302,994	334,918	**583,688**

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15 Non-current Assets – Investment Properties

Accounting Policy

Investment property, principally comprising freehold office buildings, is held for long term rental yields and is not occupied by the Group. Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices in less active markets or discounted cash flow projections. Changes in fair values are recorded in the Income Statement.

	2020	2019
	$'000	$'000
Balance at the beginning of the year	**40,660**	35,300
Acquisitions	**2,252**	8,564
Net (loss) from fair value adjustment	**(14,055)**	(3,204)
Transfer from property, plant and equipment – existing convention centre	**16,420**	–
Transfer from property, plant and equipment – NZICC car parks	**27,123**	–
Closing balance at 30 June	**72,400**	40,660

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

	2020	2019
	$'000	$'000
Rental income	**2,953**	2,338
Direct operating expenses from property that generated rental income	**(1,594)**	(819)
Net (loss) from fair value adjustment	**(14,055)**	(3,204)
	(12,696)	(1,685)

(b) Valuation Basis

Investment properties were valued on 30 June 2020 by Bower Valuations Limited and Extensor Advisory Limited, Registered Valuers and Members of the New Zealand Institute of Valuers and the Property Institute of New Zealand, at a total value of $45.3 million (excluding the NZICC car parks). The valuer has recent experience in the location and category of the investment being valued. The basis of the valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in arm's length transactions, based on current prices in an active market for similar properties in the same locations and conditions and subject to similar leases.

The following were the significant assumptions used in the 30 June 2020 valuation of the existing convention centre:

- capitalisation rate of 9.73%; and
- passing yield calculated as net rent divided by fair value of 7.00%.

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The following were the significant assumptions used in the 30 June 2020 valuation of other investment properties:

- capitalisation rate of 7.53% (2019: 5.0%); and
- passing yield calculated as net rent divided by fair value of 5.82% (2019: 4.4%).

The valuations are sensitive to movements in these assumptions, adverse changes in the assumptions will result in a lower valuation.

Due to the uncertainty related to COVID-19 that has led to a reduction in the number of real estate transactions and has impacted the availability of market data as at 30 June 2020, the independent valuations as at 30 June 2020 have been reported on the basis of 'material valuation uncertainty', meaning less certainty and a higher degree of caution should be applied to the valuations. The opinion of value has been determined at the valuation date based on a certain set of assumptions used by the valuers, however these could change in a short period of time due to subsequent changes in the property market when transactional activity resumes.

(c) Transfer from Property, Plant and Equipment – Existing Convention Centre

With effect from 31 October 2019, portions of the existing Auckland convention centre have been leased to All Blacks Experience Limited and Weta Workshop Limited. As a result, this portion of the convention centre has been reclassified as an Investment Property ($16.4 million).

Immediately before reclassification this portion of the convention centre was revalued and the resulting uplift in value of $5.9 million has been transferred to the Asset Revaluation Reserve (note 31).

The portion of the Auckland convention centre was valued by Bower Valuations Limited and Extensor Advisory Limited, Registered Valuers and Members of the New Zealand Institute of Valuers and the Property Institute of New Zealand, as at 31 October 2019 at a total value of $16.4 million.

The valuer has recent experience in the location and category of the investment being valued. The basis of the valuation is fair value being the amounts for which the property could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. The valuation was completed on the footing that the rental payments have commenced and there is a hypothetical subdivision to create a separate legal title which could be sold.

The following were the significant assumptions used in the valuation:

- capitalisation rate of 7.99%; and
- passing yield calculated as net rent divided by fair value of 5.48%.

(d) Transfer from Property, Plant and Equipment – NZICC Car Park

As detailed in note 4, 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 $27.1 million has been transferred from Property, Plant and Equipment (note 23) to Investment Properties.

It is the Group's policy to carry investment properties at fair value in accordance with NZ IAS 40 Investment Property (NZ IAS 40).

NZ IAS 40 allows an investment property under construction to be carried at cost if it is not possible to reliably measure fair value during construction but will be possible on completion. Given the impact of the NZICC fire, it is the directors' view that it is not currently possible to reliably measure fair value. As a result, this investment property will continue to be carried at cost until such time as fair value can be reliably determined.

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16 Current Liabilities – Deferred Licence Value

Accounting Policy

Regulatory reforms granted which are specific to the Group are initially recognised at their fair value where there is a reasonable assurance that the reforms will be received and the Group will comply with all conditions attached.

Regulatory reforms are recognised as an intangible asset (note 24) and included within the value of casino licences in accordance with NZ IAS 20. Where a regulatory reform is related to Property, Plant and Equipment, once constructed the carrying value of that Property, Plant and Equipment is reduced by the value of the regulatory reforms. Prior to completion of the related Property, Plant and Equipment, the value of the regulatory reforms is accounted for as a deferred licence value.

	2020	2019
	$'000	$'000
SkyCity Adelaide	**153,165**	–
	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$350.0 million casino expansion and hotel development project and the deferred licence value liability relates to this requirement.

This balance is now current as it will be transferred to Property, Plant and Equipment in the next 12 months.

17 Non-current Liabilities – Deferred Licence Value

	AUCKLAND	ADELAIDE	TOTAL
2020	$'000	$'000	**$'000**
Opening balance	355,179	149,625	**504,804**
Exchange rate movement	–	3,540	**3,540**
Transferred to current liabilities (note 16)	–	(153,165)	**(153,165)**
Adjustment to PP&E classified as held for sale (note 6)	25,578	–	**25,578**
Impact of NZICC Fire (note 6)	(165,785)	–	**(165,785)**
Closing balance	214,972	–	**214,972**
2019			
Opening balance	405,000	155,835	**560,835**
Exchange rate movement	–	(6,210)	**(6,210)**
Transferred to PP&E classified as held for sale (note 27)	(49,821)	–	**(49,821)**
Closing balance	355,179	149,625	**504,804**

SkyCity Auckland

On 5 July 2013, SkyCity and the Crown entered into the New Zealand International Convention Centre Project and Licensing Agreement (the NZICC Agreement). The NZICC Agreement modified the Auckland casino licence and required SkyCity to develop the NZICC. The SkyCity Auckland Deferred Licence Value liability relates to that requirement.

As detailed in note 6, it was initially expected that all NZICC car parks included in the sale of the Auckland car park concession would be treated as part of a finance lease. As a result of this assumption, in 2019 $49.8 million of the deferred licence value was transferred to PP&E classified as held for sale. Following the NZICC fire, it was determined that approximately 650 of the NZICC car parks were unlikely to be part of a finance lease. Therefore, in 2020, $25.6 million of the 2019 transfer was reversed to give an ultimate net transfer of $24.2 million.

Following the NZICC fire, the damaged portion of the NZICC was disposed (refer note 6). As a result of this disposal, $165.8 million of the SkyCity Auckland Deferred Licence Value liability has been released to the Income Statement.

The $165.8 million release is based on an initial assessment of the damage from the NZICC fire (refer note 6) and may materially change as further information becomes available.

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18 Income Tax (Benefit)/Expense

Accounting Policy

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

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

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

	2020	2019
	$'000	$'000
(a) Income Tax (Benefit)/Expense		
Current tax	**26,115**	60,616
Deferred tax	**(28,267)**	(13,863)
Income tax (benefit)/expense	**(2,152)**	46,753
(b) Numerical Reconciliation of Income Tax (Benefit)/Expense to Prima Facie Tax Payable		
Profit from continuing operations before income tax expense	**233,118**	207,578
Prima facie income tax @ 28%	**65,273**	58,122
Tax effects of:		
Expenses not deductible for tax purposes	**2,210**	2,361
Foreign exchange rate differences	**(53)**	(3)
Share of partnership expenditure	**–**	(1,920)
Differences in overseas tax rates	**(3,402)**	1,116
Asset held for sale	**(411)**	(11,509)
Capital gain - Federal Street car park	**–**	(6,211)
Prior period adjustments (including ATO settlement)	**243**	3,888
NZICC fire capital income/expenses	**(73,955)**	–
Auckland car park concession proceeds	**(20,062)**	–
Adelaide casino licence impairment	**48,188**	–
Fair value adjustments	**3,955**	897
Reinstatement of New Zealand tax building depreciation	**(24,145)**	–
Other	**7**	12
Income tax (benefit)/expense	**(2,152)**	46,753

The weighted average applicable tax rate was -0.9% (2019: 22.5%). 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; and
- reinstatement of New Zealand tax building depreciation.

Excluding these items the weighted average tax rate would have been 27.4% (2019: 22.1%).

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19 Deferred Tax Assets

	2020	2019
	$'000	$'000
The balance comprises temporary differences attributable to:		
Provisions and accruals	**5,316**	5,303
Depreciation	**(7,723)**	(4,365)
Foreign exchange variances	**166**	1,713
Cash flow hedges	**653**	1,846
Lease accounting	**185**	–
Tax losses	**8,280**	346
Net deferred tax assets	**6,877**	4,843
Movements:		
Balance at beginning of the year	**4,843**	–
Transferred from deferred tax liabilities	**–**	(1,097)
Foreign exchange differences	**89**	84
Transferred to discontinued operations	**–**	5,088
Charged to the Income Statement (note 18)	**3,157**	2,651
Tax credited directly to other comprehensive income (note 31)	**(1,212)**	(1,883)
Closing balance at 30 June	**6,877**	4,843

Deferred tax assets relate to the Australian operations.

20 Deferred Tax Liabilities

	2020	2019
	$'000	$'000
The balance comprises temporary differences attributable to:		
Provisions and accruals	**(14,972)**	(11,664)
Depreciation	**64,702**	89,958
Lease accounting	**(28)**	–
Cash flow hedges	**(7,355)**	(7,480)
Other	**2,828**	(654)
Net deferred tax liabilities	**45,175**	70,160
Movements:		
Balance at beginning of the year	**70,160**	84,547
Transferred to deferred tax assets	**–**	(1,097)
(Credited)/charged to the Income Statement (note 18)	**(25,110)**	(11,212)
Tax debited/(credited) directly to other comprehensive income (note 31)	**125**	(2,101)
Foreign exchange differences	**–**	23
Closing balance at 30 June	**45,175**	70,160

Deferred tax liabilities relate to the New Zealand operations.

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21 Imputation and Franking Credits

	2020	2019
	$'000	$'000
Balances available for use in subsequent reporting periods		
Imputation credit account (New Zealand)	**21,347**	46,926
Franking credit account (Australia) (A$'000)	**13,951**	15,176

As required by relevant tax legislation, the imputation credit account had a credit balance as at 31 March 2020.

22 Non-current Liabilities – Lease Income in Advance

	2020	2019
	$'000	$'000
Lease income in advance	**39,815**	–
	39,815	–

As detailed in note 6, the approximately 650 further NZICC car parks to be delivered as part of the Auckland car park concession transaction have been determined to be an operating lease.

The $220.0 million concession payment has been allocated between the 450 nested car parks and the unnested car parks based on their respective fair values. The payment for the unnested car parks (refer note 6) was further allocated based on the number of car parks. At 19 August 2019, $39.8 million was allocated to these approximately 650 further NZICC car parks and was recognised as a lease payment in advance.

23 Property, Plant and Equipment

Accounting Policy

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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	LAND	BUILDINGS AND FITOUT	PLANT, EQUIPMENT AND MOTOR VEHICLES	FIXTURES AND FITTINGS	CAPITAL WORK IN PROGRESS	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2018						
Cost	180,974	985,155	443,233	137,689	511,992	2,259,043
Accumulated depreciation	–	(348,275)	(319,153)	(93,005)	–	(760,433)
Net book amount	180,974	636,880	124,080	44,684	511,992	1,498,610
Year Ended 30 June 2019						
Opening net book amount	180,974	636,880	124,080	44,684	511,992	1,498,610
Exchange differences	(1,095)	(6,864)	(1,564)	(435)	(4,085)	(14,043)
Net additions/transfers	56,828	12,000	31,704	5,925	244,836	351,293
Disposals	(17,661)	(122,977)	(17,172)	(4,916)	(253)	(162,979)
Assets classified as held for sale	(8,729)	(45,428)	(710)	–	(110,641)	(165,508)
Depreciation charge*	–	(22,658)	(37,551)	(10,907)	–	(71,116)
Closing net book amount	210,317	450,953	98,787	34,351	641,849	1,436,257
At 30 June 2019						
Cost	210,317	775,739	371,060	123,996	641,849	2,122,961
Accumulated depreciation	–	(324,786)	(272,273)	(89,645)	–	(686,704)
Net book amount	210,317	450,953	98,787	34,351	641,849	1,436,257
Year Ended 30 June 2020						
Opening net book amount	210,317	450,953	98,787	34,351	641,849	1,436,257
Exchange differences	–	959	421	90	4,123	5,593
Net additions/transfers	1,421	41,162	25,461	3,681	257,460	329,185
Transfer to investment properties – existing convention centre (note 15)	–	(10,484)	–	–	–	(10,484)
Transfer to investment properties – NZICC car parks (note 15)	–	–	–	–	(27,123)	(27,123)
Reversal of 2019 assets classified as held for sale (note 6)	–	–	–	–	56,801	56,801
NZICC fire disposal (note 6)	–	–	–	–	(193,868)	(193,868)
Depreciation charge	–	(25,126)	(33,017)	(9,316)	–	(67,459)
Closing net book amount	211,738	457,464	91,652	28,806	739,242	1,528,902
At 30 June 2020						
Cost	211,738	783,956	391,221	126,345	739,242	2,252,502
Accumulated depreciation	–	(326,492)	(299,569)	(97,539)	–	(723,600)
Net book amount	211,738	457,464	91,652	28,806	739,242	1,528,902

*FY19 depreciation charge above includes depreciation on both continuing and discontinued operations.

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(a) Capitalised Borrowing Costs

Borrowing costs of $23.1 million have been capitalised in the current year relating to capital projects (2019: $30.3 million) using the Group's weighted average cost of debt of 6.36% across the year (2019: 6.11%).

(b) Encumbrances

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

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

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

24 Intangible Assets

Accounting Policy

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill on acquisitions of businesses is included in Intangible Assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash generating units for the purpose of impairment testing.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Casino Licences

The Group's casino licences that have a finite useful life are carried at cost less accumulated amortisation. Amortisation of these casino licences is calculated on a straight line basis so as to expense the cost of the licences over their legal life.

The casino licences that have been determined to have an indefinite useful life for amortisation purposes are not amortised but are reviewed for impairment on an annual basis. The casino licences that have been determined to have a finite life for amortisation purposes are reviewed for impairment if there are indicators of impairment.

Judgement is exercised in determining whether a casino licence has a finite or indefinite useful life. Consideration is given to the terms and conditions of the relevant licence and in particular the renewal terms.

(iii) Regulatory Reforms Associated with Casino Licences

Regulatory reforms granted which are specific to the Group are initially recognised at their fair value where there is a reasonable assurance that the reforms will be received and the Group will comply with all conditions attached.

Regulatory reforms are recognised as an intangible asset and included within the value of casino licences in accordance with NZ IAS 20. Where a regulatory reform is related to Property, Plant and Equipment, once constructed the carrying value of that Property, Plant and Equipment is reduced by the value of the regulatory reforms. Prior to completion of the related Property, Plant and Equipment, the value of the regulatory reforms is accounted for as deferred licence value.

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(iv) Acquired Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life (three to 15 years) on a straight line basis.

(v) Amortisation

FY19 amortisation charge below includes amortisation on both continuing and discontinued operations.

	GOODWILL	CASINO LICENCES	COMPUTER SOFTWARE	TOTAL
	$'000	$'000	$'000	**$'000**
At 1 July 2018				
Cost	35,786	821,364	102,842	**959,992**
Accumulated amortisation	–	(57,705)	(70,454)	**(128,159)**
Net book amount	35,786	763,659	32,388	**831,833**
Movements in the Year Ended 30 June 2019				
Exchange differences	–	(14,117)	(138)	**(14,255)**
Additions	–	–	29,461	**29,461**
Transferred to disposal group classified as held for sale	–	(33,094)	(1,955)	**(35,049)**
Amortisation charge	–	(5,556)	(8,026)	**(13,582)**
Closing net book amount	35,786	710,892	51,730	**798,408**
At 30 June 2019				
Cost	35,786	768,618	127,311	**931,715**
Accumulated amortisation	–	(57,726)	(75,581)	**(133,307)**
Net book amount	35,786	710,892	51,730	**798,408**
Movements in the Year Ended 30 June 2020				
Exchange differences	–	7,052	68	**7,120**
Additions	1,908	–	20,682	**22,590**
Impairment of Adelaide casino licence	–	(160,600)*	–	**(160,600)***
Amortisation charge	–	(5,507)	(12,480)	**(17,987)**
Closing net book amount	37,694	551,837	60,000	**649,531**
At 30 June 2020				
Cost	37,694	777,118	147,798	**962,610**
Accumulated amortisation	–	(225,281)	(87,798)	**(313,079)**
Net book amount	37,694	551,837	60,000	**649,531**

*Equivalent to A$150 million.

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CASINO LICENCE	CONTRACT TERM
SkyCity Auckland Casino (indefinite useful life)	SkyCity Auckland Limited holds a casino premises licence for the Auckland premises. The initial licence was granted in 1996 for nil consideration, and hence there was no associated initial carrying value. Pursuant to the terms of the New Zealand International Convention Centre Project and Licensing Agreement between Her Majesty the Queen in Right of New Zealand and the Company dated 5 July 2013 (NZICC Agreement), the initial term of the licence was extended to 30 June 2048. The licence can be renewed for further periods of 15 years pursuant to section 138 of the Gambling Act 2003 (NZ). In addition to the licence extension, the casino premises licence was amended to (a) permit the implementation of account based cashless gaming and ticket in ticket out (TITO) gaming systems; (b) permit an increase in the number of gaming machines, gaming tables and automated table games; and (c) implement various other operational improvements. Under the NZICC Agreement, the Company has agreed to construct the NZICC for a total cost of at least $430.0 million. The reforms (a to c above) are exclusive to the Group and were recorded at fair value based on the estimated incremental benefit over the life of the reforms. The fair value was determined using a discounted cashflow model falling within level 3 of the fair value hierarchy over the life of the reforms. The asset is not amortised but is reviewed for impairment annually. The carrying amount of the casino licence is $405.0 million (FY19: $405.0 million).
SkyCity Adelaide (finite useful life)	The casino and associated operations are carried out by SkyCity Adelaide Pty Limited under a casino licence (the Approved Licensing Agreement (ALA)) dated October 1999 (as amended). Unless terminated earlier, the expiry date of the ALA is 30 June 2085. The term of the ALA can be renewed for a further fixed term pursuant to section 9 of the Casino Act 1997 (SA). The carrying value of the casino licence is amortised over the life of the ALA. The casino licence and associated regulatory reforms asset is amortised over 20 years or 71 years depending on whether the incremental benefit is associated with the exclusivity period or the full licence period. Due to the impairment of the Adelaide casino licence, the carrying value of the casino licence is A$133.0 million (FY19: A$288.3 million) (NZ$142.4 million and NZ$301.5 million respectively).
SkyCity Hamilton Casino (indefinite useful life)	SkyCity Hamilton Limited holds a casino premises licence for the Hamilton premises. The casino premises licence is for an initial 25 year term from 19 September 2002. The licence can be renewed for further periods of 15 years pursuant to section 138 of the Gambling Act 2003 (NZ). As the licence was initially granted for nil consideration, there is no associated carrying value.
SkyCity Queenstown Casino (indefinite useful life)	Queenstown Casinos Limited holds a casino premises licence for the Queenstown premises. The casino premises licence is for an initial 25 year term from 7 December 2000. The licence can be renewed for further periods of 15 years pursuant to section 138 of the Gambling Act 2003 (NZ). As the licence was initially granted for nil consideration, there is no associated carrying value.

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CASINO LICENCE	CONTRACT TERM
SkyCity Wharf Casino (Queenstown) (indefinite useful life)	Otago Casinos Limited holds a casino premises licence for the Queenstown Wharf premises. The casino premises licence is for an initial 25 year term from 11 September 1999. The licence can be renewed for further periods of 15 years pursuant to section 138 of the Gambling Act 2003 (NZ). The carrying value of the casino licence, which arose on SkyCity's acquisition of Otago Casinos Limited, is $4.4 million (FY19: $4.4 million). The asset is not amortised but is reviewed for impairment annually.

(a) Impairment Tests for Intangibles with Indefinite Lives

	SKYCITY AUCKLAND	OTAGO CASINOS LIMITED*	SKYCITY HAMILTON*	TOTAL
	$'000	$'000	$'000	$'000
2020				
Goodwill	–	–	35,786	35,786
Casino Licence	405,000	4,391	–	409,391
Total	405,000	4,391	35,786	445,177
2019				
Goodwill	–	–	35,786	35,786
Casino Licence	405,000	4,391	–	409,391
Total	405,000	4,391	35,786	445,177

Other than Otago Casinos Limited, the recoverable amount of a cash generating unit is determined based on value in use calculations. These calculations use cash flow projections approved by directors which include cash flows in relation to the International Business where those cash flows relate to the relevant cash generating unit. There is a significant surplus between the calculated value in use and the carrying value for each cash generating unit. The value of the Wharf (Otago Casinos Limited) casino licence is the potential ability to utilise the licence to enhance the Group's gaming offering.

*SkyCity Hamilton and Otago Casinos Limited are included within the 'Other New Zealand Operations' segment in note 2.

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

	EBITDA MARGIN		TERMINAL GROWTH RATE		PRETAX DISCOUNT RATE	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000
SkyCity Auckland	**36.0%**	40.0%	**2.0%**	2.0%	**11.0%**	11.6%
SkyCity Hamilton	**41.4%**	43.5%	**2.0%**	2.0%	**11.0%**	11.6%

These assumptions are consistent with past experience adjusted for economic indicators. The discount rates are pre-tax and reflect specific risks relating to the relevant operating segment. The estimated impacts of COVID-19 have been factored into these assumptions.

There is sufficient headroom between the value in use calculations and the carrying value of the related cash generating units' assets that significant changes in the assumptions used would not require an impairment.

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(c) Adelaide Casino Licence Impairment Charge

In the current year, the Group has impaired the Adelaide casino licence by A$150.0 million (NZ$160.6 million). The recoverable amount has been determined using the fair value less cost of disposal approach using Level 3 of the fair value measurement hierarchy.

The impairment has arisen due to revised expectations regarding the time frame for SkyCity Adelaide to achieve its long term potential earnings following completion of the expansion project. The reduced earnings outlook for SkyCity Adelaide has been exacerbated in the short-to-medium term by the recent and expected ongoing impacts of COVID-19, including an expectation that International Business activity may take some years to recover.

The Group engaged Deloitte to prepare an independent valuation for the Adelaide cash generating unit for the purposes of determining the impairment amount. A key input into the valuation was the five-year forecast for SkyCity Adelaide which had been adopted by the Board. Deloitte calculated a valuation range which was used to assess impairment and resulted in an impairment range of A$125.0 million to A$173.0 million. Directors have adopted an impairment of A$150 million, which is approximately the mid-point of the impairment range.

The independent valuation was based on the following key assumptions:

- compound annual EBITDA growth rate from FY19 to FY25 = 21.1%;
- terminal growth rate = 2%;
- terminal capex amount = 75% of tangible asset depreciation; and
- discount rate = 10.8%.

The directors have reviewed and adopted these assumptions and the Deloitte valuation.

EBITDA Growth

Determining an appropriate growth rate is made difficult by the impact of COVID-19 on the FY20 results and its expected impact on FY21 results and is further complicated by the opening of the Adelaide expansion expected between October and December 2020. A significant initial EBITDA uplift is expected from the Adelaide expansion, further growth is expected for the next few years before levelling off from FY26 onwards. Growth has been estimated factoring in the expected increase in gaming machine market share, the expected increase in premium and VIP gaming activity, the positive impact of the new hotel and restaurants attracting additional visitors, the positive impact of recent and current developments in the surrounding precinct (including a new car park building) and other known factors.

The impairment amount is sensitive to changes in the EBITDA growth and information on this sensitivity is provided below.

Terminal Growth Rate

The directors and Deloitte have assessed the terminal growth rate at 2% based on long term inflation rates and a continued focus on cost efficiencies.

The impairment amount is sensitive to changes in the terminal growth rate and information on this sensitivity is provided below.

Terminal Capex

Terminal capex has been based on the experience at SkyCity's other casino locations and benchmarking against other casino companies.

The impairment amount is sensitive to changes in the terminal capex amount and information on this sensitivity is provided below.

Discount Rate

The discount rate has been independently calculated by Deloitte and reflects the valuation of SkyCity Adelaide on a standalone basis and future uncertainty regarding performance after opening the expansion.

The discount rate represents the current market assessment of the risks specific to Adelaide, taking into account the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates including COVID-19.

The impairment amount is sensitive to changes in the discount rate and information on this sensitivity is provided below.

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Valuation Sensitivities

The impact of COVID-19 on the Group has already been wide-ranging and significant. Given the pending opening of the Adelaide expansion and the unknown future impact of COVID-19, there is a heightened level of uncertainty at present which makes accurate forecasts of the future particularly challenging.

The sensitivities below illustrate the impact on the impairment assessment of changes in the key assumptions:

- (decrease)increase of 5% in the initial five-year EBITDA = increase(decrease) to the impairment of around $27 million;
- (decrease)increase of 0.5% in terminal growth rate (1.5% to 2.5%) = increase(decrease) to the impairment of around $20 million;
- (increase)decrease of $2.5 million in terminal capex = increase(decrease) to the impairment of around $18 million; and
- (increase)decrease of 0.5% in the discount rate (10.3% to 11.3%) = increase(decrease) to the impairment of around $24 million.

The valuation assumes no repeat of the previous COVID-19 lockdown in Adelaide, which is a key judgement and assumption. For illustrative purposes only, directors have estimated the potential valuation impact of a three-month lockdown of a similar nature to the previous lockdown, commencing 1 October 2020, to be an increase in the impairment of approximately A$18 million. The actual valuation impact of a renewed lockdown (if any) would depend on the length of the lockdown, the nature of the lockdown restrictions and the Federal and State Government responses. Therefore, the valuation impact of a lockdown (if any) may differ significantly from this estimate.

Annual Impairment Review

The Group will complete an annual impairment review of the Adelaide casino licence going forward. Increases in the fair value less costs of disposal or reductions in the carrying value of the Adelaide business could result in a partial reversal of the impairment charge. Decreases in the fair value less costs of disposal may result in an additional impairment charge.

25 Receivables and Prepayments

Accounting Policy

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for doubtful debts.

	2020	2019
	$'000	$'000
Net trade receivables		
Trade receivables (gross)	**50,069**	51,307
Provision for doubtful receivables	**(20,509)**	(15,147)
Trade receivables (net)	**29,560**	36,160
Sundry receivables and prepayments	**12,692**	13,133
Total receivables and prepayments	**42,252**	49,293

Due to the short term nature of these receivables, their carrying value is assumed to be equal to their fair value.

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26 Cash and Bank Balances

	2020	2019
	$'000	$'000
Cash at bank	**26,047**	7,256
Cash in house	**28,177**	34,318
Total cash and bank balances	**54,224**	41,574

27 PP&E Classified as Held for Sale

Accounting Policy

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

	2020	2019
	$'000	$'000
Land	**8,936**	8,729
Buildings	**2,080**	104,041
Plant and equipment	**3**	2,917
Total	**11,019**	115,687

Assets held for sale consist of the Darwin Little Mindil site ($11.0 million (30 June 2019: $10.8 million)). Prior period assets held for sale included the Auckland car park concession (30 June 2019: $104.9 million) (note 4).

28 Payables and Provisions

Accounting Policy

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short term nature.

	2020	2019
	$'000	$'000
Trade payables	**19,364**	26,489
Deferred income	**2,302**	1,779
Accrued expenses	**76,366**	117,448
Employee benefits	**40,427**	42,896
NZICC payables (note 6)	**43,047**	–
Onerous contract provision	**836**	–
Liquidated damages (note 37)	**39,500**	39,500
Total payables and provisions	**221,842**	228,112

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29 Share Capital

	2020	2019	2020	2019
	Shares	Shares	**$'000**	$'000
Opening balance of ordinary shares issued	**672,351,166**	680,342,108	**1,126,996**	1,152,260
Share rights issued for employee services	**-**	-	**3,698**	4,540
Share buy back and cancellation	**(5,154,360)**	(10,095,373)	**(20,003)**	(38,792)
Net issue of treasury shares	**-**	-	**436**	397
Equity raising	**72,000,000**	-	**177,160**	-
Shares issued under dividend reinvestment plan	**-**	2,104,431	**-**	8,591
	739,196,806	672,351,166	**1,288,287**	1,126,996

All ordinary shares rank equally with one vote attached to each fully-paid ordinary share.

Included within the number of shares is 5,155,841 treasury shares (2019: 5,190,841) held by the Company. The movement in treasury shares during the year related to the issuance of shares under the employee incentive plans and purchases of shares by an external trustee as part of the executive long term incentive plan (refer note 34). Treasury shares may be used to issue shares under the Company's employee incentive plans or upon the exercise of share rights/options.

Equity Raising

On 17 June 2020, the Company announced a $180.0 million institutional share placement and a $50.0 million share purchase plan.

Institutional Share Placement

The institutional share placement was completed on 24 June 2020 (before the balance date).

The institutional share placement involved the issue of 72,000,000 new shares at $2.50 per share raising $180.0 million. Costs associated with the placement of $2.8 million (including brokerage and legal and other fees) were deducted from the share proceeds.

Share Purchase Plan

Subsequent to Balance Date

The share purchase plan was completed on 9 July 2020 (after the balance date) and is therefore not included within the above table. The share purchase plan involved the issue of 21,008,403 new shares at $2.38 per share raising $50.0 million.

30 Discontinued Operations

Sale of Darwin Operations

On 8 November 2018, SkyCity announced the sale of the Darwin business to Delaware North. A sale and purchase agreement for A$188.0 million was signed subject to regulatory approval and other minor matters. All conditions were satisfied and the disposal was completed on 4 April 2019.

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31 Reserves

	2020	2019
	$'000	$'000
Asset revaluation reserve	**5,936**	–
Hedging reserve - cash flow hedges	**(19,913)**	(22,685)
Foreign currency translation reserve	**(17,802)**	(24,087)
Cost of hedging reserve	**(1,542)**	(1,793)
Total reserves	**(33,321)**	(48,565)
Movements		
Asset Revaluation Reserve		
Opening balance	**–**	–
Revaluation on transfer from property, plant and equipment	**5,936**	–
Closing balance	**5,936**	–
Hedging Reserve - Cash Flow Hedges		
Opening balance	**(22,685)**	(21,491)
Revaluation	**9,154**	3,986
Transfer to net profit - finance costs (net)	**(5,143)**	(5,459)
Deferred tax	**(1,239)**	279
Closing balance	**(19,913)**	(22,685)
Foreign Currency Translation Reserve		
Opening balance	**(24,087)**	(40,453)
Exchange difference on translation of overseas subsidiaries	**6,285**	(11,498)
Transfer to Income Statement on disposal of discontinued operations	**–**	27,864
Closing balance	**(17,802)**	(24,087)
Cost of Hedging Reserve		
Opening balance	**(1,793)**	(1,985)
Revaluations	**(113)**	729
Transfer to finance costs	**462**	(462)
Deferred tax	**(98)**	(75)
Closing balance	**(1,542)**	(1,793)

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32 Derivative Financial Instruments

Accounting Policy

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

(1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or

(2) hedges of exposures to variability in cash flows associated with recognised assets or liabilities or highly probable forecast transactions (cash flow hedges).

Fair Value Hedge

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

Cash Flow Hedge

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

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

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

Derivatives that do not Qualify for Hedge Accounting

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

	2020	2019	2020	2019
	$'000 Notional Value	$'000 Notional Value	**$'000 Fair Value**	$'000 Fair Value
Current Assets				
Cross currency interest rate swaps – cash flow hedges	**108,220**	–	**53,218**	–
Forward foreign exchange contracts	**2,152**	6,798	**70**	85
Total current derivative financial instrument assets	**110,372**	6,798	**53,288**	85
Non-current Assets				
Cross-currency interest rate swaps - cash flow hedges*	**155,618**	255,106	**23,100**	56,201
Total non-current derivative financial instrument assets	**155,618**	255,106	**23,100**	56,201
Current Liabilities				
Forward foreign currency contracts	**133,932**	75,459	**192**	784
Interest rate swaps – cash flow hedges	**194,223**	–	**5,921**	–
Total current derivative financial instrument liabilities	**328,155**	75,459	**6,113**	784
Non-current Liabilities				
Interest rate swaps - cash flow hedges	**210,000**	401,721	**24,375**	30,913
Total non-current derivative financial instrument liabilities	**210,000**	401,721	**24,375**	30,913
Total net derivative financial instruments			**45,900**	24,589

*A component of the interest margin in US$100.0 million of these CCIRS is treated as a fair value hedge.

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33 Financial Risk Management

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

Risk management is carried out by a central treasury department under a formal Treasury Policy approved by the Board of Directors. The Treasury Policy sets out written principles for overall risk management, as well as policies covering specific areas such as currency risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess funds. The Treasury Policy sets conservative limits for allowable risk exposures which are formally reviewed regularly.

(a) Market Risk

(i) Currency Risk

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

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

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

(ii) Interest Rate Risk

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

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

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

(iii) Summarised Sensitivity Analysis

SkyCity manages its interest rate and foreign exchange rate exposure to minimise the impact of fluctuations in the market. The residual exposure is not considered material or significant.

(b) Credit Risk

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

Financial instruments (other than International Business discussed below) that potentially create a credit exposure can only be entered into with counterparties that are explicitly approved by the Board. Maximum credit limits for each of these parties are approved on the basis of long term credit rating (Standard & Poor's or Moody's). A minimum long term rating of A+ (S&P) or A1 (Moody's) is required to approve individual counterparties.

The maximum credit risk of any financial instrument at any time is the fair value where that instrument is an asset. All derivatives are carried at fair value in the balance sheet. Trade receivables are presented net of an allowance for estimated doubtful receivables.

International Business activity is managed in accordance with accepted industry practice. Settlement risk associated with International Business customers is minimised through credit checking and a formal review and approval process.

The Group has a significant receivable from the NZICC insurers (note 6). The lead insurer is a subsidiary of a leading global firm and has an AA- insurer financial strength rating given by S&P Global Ratings.

Other than the NZICC fire insurance receivable, there are no other significant concentrations of credit risk in the Group.

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(c) Liquidity Risk

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

Maturities of Committed Funding Facilities

Debt maturities are detailed in note 12.

	LESS THAN 6 MONTHS	6-12 MONTHS	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS	TOTAL
	$'000	$'000	$'000	$'000	$'000	**$'000**
30 June 2020						
Bank facility	–	120,000	299,786	–		**419,786**
US Private Placement	–	155,618	–	171,414	70,005	**397,037**
NZ Bond	128,500	–	–	–	–	**128,500**
Car park concession liability	–	–	–	–	46,193	**46,193**
Lease liabilities	240	245	507	1,668	50,013	**52,673**
Total committed debt facilities	128,740	275,863	300,293	173,082	166,211	**1,044,189**
Total drawn debt	128,740	170,863	507	173,082	166,211	**639,403**
Future contracted interest on drawn debt	10,829	6,589	9,635	27,145	9,579	**63,777**
Future interest of lease liabilities	1,317	1,306	2,578	7,443	301,989	**314,633**
Future contracted interest on CCIRS/IRS	3,620	2,162	4,088	7,644	1,093	**18,607**
Total drawn debt and derivatives	144,506	180,920	16,808	215,314	478,872	**1,036,420**
30 June 2019						
Bank facility	–	200,000	120,000	292,856	–	**612,856**
US Private Placement	–	21,127	149,388	–	223,704	**394,219**
NZ Bond	–	–	–	125,000	–	**125,000**
Total committed debt facilities	–	221,127	269,388	417,856	223,704	**1,132,075**
Total drawn debt	–	49,127	149,388	125,000	223,704	**547,219**
Future contracted interest on drawn debt	12,012	11,816	21,183	35,200	16,951	**97,162**
Future contracted interest on CCIRS/IRS	3,839	3,797	4,478	8,819	1,907	**22,840**
Total drawn debt and derivatives	15,851	64,740	175,049	169,019	242,562	**667,221**

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(d) Fair Value Estimation

The financial instruments are measured in the balance sheet at fair value by level of the fair value measurement hierarchy:

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

Other than the New Zealand bonds, which are listed on the NZDX and therefore level 1, all SkyCity financial instruments, which includes cross-currency interest rate swaps, interest rate swaps and forward foreign currency contracts, are valued using level 2 in the above fair value measurement hierarchy.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Investment Properties are valued using level 3 in the above fair value measurement hierarchy.

Specific valuation techniques used to value financial instruments include:

- the fair value of interest rate swaps and cross currency interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

Further details on derivatives are provided in note 32.

(e) Capital Risk Management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximise returns for shareholders and benefits for other stakeholders over the long term.

In order to optimise its capital structure, the Group manages actual and forecast operational cash flows, capital expenditure and equity distributions.

The Group primarily manages capital on the basis of gearing measured as a ratio of net debt (debt at hedged exchange rates less cash at bank) to normalised EBITDA and interest coverage (normalised EBITDA relative to net interest cost).

The primary ratios were as follows at 30 June:

	2020	2019
Gearing ratio	**2.7 x**	1.5 x
Interest coverage	**4.5 x**	8.4 x

These ratios have been significantly distorted by the impact of the NZICC fire, sale of the Auckland car park concession and the COVID-19 lockdown.

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34 Share-Based Payments

Accounting Policy

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

Current Plans

Executive Long Term Incentive Plan (LTI Plan)

Under the LTI Plan, executives purchase ordinary SkyCity shares funded by an interest-free loan from the Group. The shares purchased by the executives are held by a trustee company with executives entitled to exercise the voting rights attached to the shares and receive dividends, the proceeds of which are used to repay the interest-free loan.

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

At 30 June 2020, the interest free loans relating to the LTI Plan total $7,918,365 (2019: $7,760,214).

2018 Chief Operating Officer Commencement Shares (COO Plan)

Under the terms of his employment agreement dated 18 November 2017, the COO was issued 35,000 ordinary SkyCity shares on 27 November 2019. There were no performance targets associated with these shares (other than continued employment during the period from his commencement date to November 2019) and no right to dividends prior to the issuance of the shares.

2018 SkyCity Restricted Share Rights Plan (2018 RSR Plan)

The 2018 Short Term Incentive Plan was replaced with the 2018 RSR Plan for 116 staff, with restricted share rights issued to staff after the finalisation of the Group's results. Each right conferred a right to receive one ordinary SkyCity share, which, unless otherwise agreed by the SkyCity Board, would only vest if the relevant employee remained continuously employed by SkyCity (or a company within the Group) from the date of issue until the vesting date on 1 July 2020.

Performance Incentive Plan (PIP)

The 2018 RSR Plan was replaced in 2019 with the PIP which includes both cash (the short term incentive scheme component of the PIP) and deferred equity components (the deferred short term incentive component of the PIP).

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

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

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

These restricted share rights will be issued to staff after the finalisation of the Group's results.

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Outstanding Share Rights

Movements in the number of share rights outstanding are as follows:

GRANT DATE	EXPIRY DATE	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	EXPIRED DURING THE YEAR	BALANCE AT END OF THE YEAR
		Number	Number	Number	Number	Number
2020						
LTI Plan						
26/08/15	28/08/19	360,000	–	–	(360,000)	–
24/08/16	24/08/20	395,000	–	–	(15,000)	380,000
23/08/17	23/08/21	865,883	–	–	(15,000)	850,883
22/08/18	22/08/21	434,035	–	–	–	434,035
28/08/19	28/08/22	–	508,207	–	(23,569)	484,638
COO Plan						
18/11/17	18/11/19	35,000	–	(35,000)	–	–
2018 RSR Plan						
11/09/18	01/07/20	1,859,641	–	–	(50,933)	1,808,708
PIP						
06/09/19	06/09/20	–	508,296	–	(4,552)	503,744
10/09/19	10/09/20	–	23,047	–	–	23,047
06/09/19	06/09/21	–	498,004	–	(25,713)	472,291
10/09/19	10/09/21	–	8,720	–	–	8,720
Total		**3,949,559**	**1,546,274**	**(35,000)**	**(494,767)**	**4,966,066**
2019						
LTI Plan						
27/08/14	27/08/18	555,000	–	–	(555,000)	–
26/08/15	28/08/19	380,000	–	–	(20,000)	360,000
24/08/16	24/08/20	415,000	–	–	(20,000)	395,000
23/08/17	23/08/21	910,883	–	–	(45,000)	865,883
22/08/18	22/08/21	–	434,035	–	–	434,035
CEO Plan						
04/11/16	03/11/18	325,000	–	(325,000)	–	–
COO Plan						
18/11/17	18/11/19	35,000	–	–	–	35,000
2018 RSR Plan						
11/09/18	01/07/20	–	1,898,564	–	(38,923)	1,859,641
Total		**2,620,883**	**2,332,599**	**(325,000)**	**(678,923)**	**3,949,559**

The weighted average remaining contractual life of rights outstanding at the end of the period was 0.65 years (2019: 1.42 years).

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Fair Values

Fair Value of Share Rights Granted

The assessed fair value at grant date of the rights granted on 28 August 2019 was $1.14 (22 August 2018 was $1.17). This was calculated using the single index model by Ernst & Young Transaction Advisory Services Limited.

The valuation inputs for the rights granted on 28 August 2019 included:

(a) rights are granted for no consideration;

(b) exercise price: nil (2019: nil); and

(c) share price at grant date: $3.90 (2019: $4.34).

The expected price volatility is derived by analysing the historic volatility over a recent historical period similar to the term of the right.

Fair Value of Chief Operating Officer Commencement Shares

The assessed fair value at grant date of the commencement shares at 18 November 2017 was $2.68. This was calculated using the European call option model by Ernst & Young Transaction Advisory Services Limited.

The valuation inputs for the commencement shares on 18 November 2017 included:

(a) no consideration;

(b) exercise price: nil;

(c) share price at grant date: $3.57; and

(d) no right to dividends.

The expected price volatility is derived by analysing the historic volatility over a recent historical period similar to the term of the commencement shares.

Fair Value of SkyCity Restricted Share Rights

The assessed fair value of each right was determined by Ernst & Young Transaction Advisory Services Limited at $3.02.

Fair Value of SkyCity Deferred Share Rights

No rights will be issued in respect of the year ended 30 June 2020. The assessed fair value of each 2019 right was determined by Ernst & Young Transaction Advisory Services Limited. Rights vesting one year after year end were valued at $3.68 and rights vesting two years after year end were valued at $3.33.

Expenses Arising from Share-Based Payment Transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2020	2019
	$'000	$'000
Rights issued under Share Rights Plans	**3,698**	4,540

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35 Related Party Transactions

(a) Key Management Personnel Compensation

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

	SHORT TERM BENEFITS	SHARE-BASED PAYMENTS	TOTAL
	$'000	$'000	$'000
2020	7,372	2,045	9,417
2019	8,993	2,311	11,304

(b) Other Transactions with Key Management Personnel or Entities Related to Them

Certain directors and management have relevant interests in a number of companies with which SkyCity has transactions in the normal course of business. A number of SkyCity directors are also non-executive directors of other companies, and a register of directors' interests is maintained. Any transactions undertaken with these entities have been entered into in the normal course of business.

Certain directors and management hold shares in SkyCity and receive dividends in the normal course of business.

Certain directors provided additional consultancy services to the Group outside of their capacity as directors. Consultancy fees paid to directors during the year amounted to $18,900 (FY19: $28,500).

(c) Subsidiaries

Interests in subsidiaries are set out in note 36.

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36 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following significant subsidiaries in accordance with the accounting policy described in note 1(b):

NAME OF ENTITY	PRINCIPAL PLACE OF BUSINESS	CLASS OF SHARES	EQUITY HOLDING	
			2020 %	2019 %
Cashel Asset Management Limited	New Zealand	Ordinary	100%	100%
Horizon Tourism New Zealand Limited (formerly SkyCity Wellington Limited)	New Zealand	Ordinary	100%	100%
Lets Play Live Media Limited	New Zealand	Ordinary	100%	–
New Zealand International Convention Centre Limited	New Zealand	Ordinary	100%	100%
Otago Casinos Limited	New Zealand	Ordinary	100%	100%
Queenstown Casinos Limited	New Zealand	Ordinary	100%	100%
Sky Tower Limited	New Zealand	Ordinary	100%	100%
SkyCity Action Management Limited	New Zealand	Ordinary	100%	100%
SkyCity Auckland Holdings Limited	New Zealand	Ordinary	100%	100%
SkyCity Auckland Limited	New Zealand	Ordinary	100%	100%
SkyCity Casino Management Limited	New Zealand	Ordinary	100%	100%
SkyCity Development Limited	New Zealand	Ordinary	100%	–
SkyCity Enterprises Limited	New Zealand	Ordinary	100%	–
SkyCity Hamilton Limited	New Zealand	Ordinary	100%	100%
SkyCity Holdings Limited	New Zealand	Ordinary	100%	–
SkyCity International Holdings Limited	New Zealand	Ordinary	100%	100%
SkyCity Investments Australia Limited	New Zealand	Ordinary	100%	100%
SkyCity Investments Queenstown Limited	New Zealand	Ordinary	100%	100%
SkyCity Management Limited	New Zealand	Ordinary	100%	100%
SkyCity Precinct Limited	New Zealand	Ordinary	100%	–
SkyCity Projects Limited	New Zealand	Ordinary	100%	–
SkyCity Properties Limited	New Zealand	Ordinary	100%	100%
SkyCity Properties Albert St Limited	New Zealand	Ordinary	100%	100%
SkyCity Properties Victoria St Limited	New Zealand	Ordinary	100%	100%
SkyCity Ventures Limited	New Zealand	Ordinary	100%	–
TNZ Esports Limited	New Zealand	Ordinary	100%	–
LPL Media Pty Limited	Australia	Ordinary	100%	–
SkyCity Adelaide Pty Limited	Australia	Ordinary	100%	100%
SkyCity Australia Finance Pty Limited	Australia	Ordinary	100%	100%
SkyCity Australian Limited Partnership	Australia	Ordinary	100%	100%
SkyCity Australia Pty Limited	Australia	Ordinary	100%	100%
SkyCity Treasury Australia Pty Limited	Australia	Ordinary	100%	100%
Horizon Tourism Limited	Hong Kong	Ordinary	100%	100%
SkyCity Investment Holdings Limited	Hong Kong	Ordinary	100%	100%
SkyCity Malta Holdings Limited	Malta	Ordinary	100%	100%
SkyCity Malta Limited	Malta	Ordinary	100%	100%
SkyCity Management (UK) Limited	United Kingdom	Ordinary	100%	100%

All wholly-owned subsidiary companies have balance dates of 30 June.

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37 Contingencies

(a) Contingent Liabilities

The possibility exists for the Group to receive third party claims in respect of 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 (30 June 2019: nil).

(b) Contingent Assets

Included within the 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 (2019: $39.5 million) from payments to FCC for liquidated damages. The amounts withheld have been recognised as part of current liabilities (refer note 28) as ultimate recovery is not able to be considered virtually certain due to the fact that SkyCity's right to retain these liquidated damages is disputed by FCC. Costs incurred by SkyCity due to the delays in the NZICC and Horizon Hotel project are expected to be partially covered by the liquidated damages.

As detailed in note 6, the Group intends to seek recovery from FCC for losses associated with the NZICC fire to the extent that they are not covered by the insurers. These losses may include insurance excesses, payments to Macquarie under the Auckland car park concession agreement and other items. To date, the Group has identified $8.9 million of costs that may not be covered by insurance. These have not yet been recognised as income as recovery is not considered virtually certain at this time.

There are no other significant contingent assets at year end (2019: nil).

38 Commitments

(a) Capital Commitments

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

	2020	2019
	$'000	$'000
Property, plant and equipment	**440,342**	257,735

The majority of the capital commitments relate to the construction of the NZICC, Horizon Hotel and the SkyCity Adelaide expansion.

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 $375.0 million for the NZICC and $6.0 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, however these costs are expected to be fully covered by insurance. Further information is included in note 6.

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

	2020	2019
	$'000	$'000
Profit for the year	**235,388**	144,581
Depreciation and amortisation (including discontinued operations)	**86,559**	84,698
Net finance costs	**28,613**	10,240
Current period employee share expense	**3,697**	4,540
Gain on sale of fixed assets	**(66,779)**	(18,453)
Fair value adjustment to investment property	**14,055**	3,204
NZICC fire related income	**(384,500)**	–
NZICC fire related costs	**108,090**	–
Adelaide casino licence impairment	**160,600***	–
Share of profits/(losses) of associates	**83**	737
Transfer from Foreign Currency Translation Reserve	**–**	27,864
Change in operating assets and liabilities		
Change in receivables and prepayments	**7,041**	(25,914)
Change in inventories	**(169)**	1,111
Change in deferred tax asset	**(2,748)**	(4,843)
Change in payables	**(6,270)**	34,387
Change in deferred tax liability	**(24,271)**	(9,299)
Change in tax receivable – current	**(1,059)**	3,869
Change in non current payables	**9,057**	(1,776)
Change in tax payable – current	**(13,877)**	7,277
Working capital relating to discontinued operations	**–**	11,415
Investing and financing items included in working capital movements	**(33,344)**	(21,314)
Net cash inflow from operating activities	**120,166**	252,324

*Equivalent to A$150 million.

40 Events Occurring after the Balance Sheet Date

(a) Funding plan

On 17 June 2020, SkyCity announced a funding plan to provide additional financial flexibility in response to COVID-19 (note 1(h)). That plan included a $230 million equity raising and additional debt facilities.

As detailed in note 12, in July 2020 the existing bank facility was restructured and extended, a new revolving credit facility was established and funding covenant waivers obtained.

As detailed in note 29, in July 2020 the second part of the equity raising (the share purchase plan) was completed and a further $50.0 million raised.

(b) COVID-19

On 13 July 2020, SkyCity applied for the extended New Zealand wage subsidy and received $9.5 million.

On 12 August 2020, 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. On 31 August 2020, the Auckland region moved to Alert Level 2, consistent with the rest of New Zealand. From 12 – 30 August 2020, the vast majority of SkyCity Auckland's operations were closed, including all gaming areas. From 12 August 2020, SkyCity Hamilton and SkyCity Queenstown, and SkyCity Auckland from 31 August 2020, have operated in compliance with the New Zealand Government's requirements for social gatherings, contact tracing and hygiene. Following the initial COVID-19 outbreak, 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.

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Reconciliation of Normalised Results to Reported Results

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

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

This objective is achieved by:

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

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

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

Non-GAAP information is prepared in accordance with the company's Non-GAAP Financial Information Policy, which is reviewed and approved by the SkyCity Board at each reporting period. The Non-GAAP Financial Information Policy was applied consistently in respect of the financial statements for the financial years ended 30 June 2019 and 30 June 2020.

The differences between the company's FY20 and FY19 reported and normalised information is summarised in the table below:

	FY20				FY19			
	Revenue $m	EBITDA $m	EBIT $m	NPAT $m	Revenue $m	EBITDA $m	EBIT $m	NPAT $m
Reported	**1,125.0***	**348.3**	**261.7**	**235.4**	822.3	297.8	217.8	144.6
International Business revenue adjustment	**39.3**	**–**	**–**	**–**	80.3	–	–	–
Gaming GST	**73.4**	**–**	**–**	**–**	95.2	–	–	–
International Business at theoretical win rate	**(7.3)**	**0.1**	**0.1**	**0.2**	49.9	38.7	38.7	27.8
Gain on sale – Auckland car parks	**(66.4)**	**(66.4)**	**(66.4)**	**(66.4)**	(17.4)	(17.4)	(17.4)	(17.7)
Revaluation of Auckland properties	**–**	**14.1**	**14.1**	**14.1**	–	3.2	3.2	3.2
Significant tax events	**–**	**–**	**–**	**–**	–	–	–	(9.5)
NZICC fire impacts	**(384.5)**	**(269.4)**	**(269.4)**	**(268.5)**	–	–	–	–
Labour restructure	**–**	**13.5**	**13.5**	**9.7**	–	–	–	–
Funding plan costs	**–**	**–**	**–**	**5.4**	–	–	–	–
Deferred tax liability reversal	**–**	**–**	**–**	**(24.1)**	–	–	–	–
Adelaide casino licence impairment	**–**	**160.6****	**160.6****	**160.6****	–	–	–	–
Sale of Darwin	**–**	**–**	**–**	**–**	(0.4)	–	–	16.2
Normalised	**779.5**	**200.7**	**114.2**	**66.3**	1,029.8	322.2	242.4	164.6

*This is a summation of the first six lines on the face of the Income Statement.
**Equivalent to A$150 million.

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Adjustment	Discussion
Treat International Business commissions as an expense rather than reduction in revenue which reduces both reported revenue and operating expenses within International Business (by $39.3 million in FY20 and $80.3 million in FY19)	• This adjustment adds back International Business 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 $73.4 million in FY20 and $95.2 million in FY19)	• 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 New Zealand 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 International Business vs. actual win rate of 1.47% (FY20) and 1.00% (FY19)	• This adjustment recalculates gaming win from International Business to the theoretical win rate. The vast majority of International Business play is Baccarat. Statistically, over the long term the casino expects to win 1.35% of all bets taken on Baccarat. However, in any particular reporting period the actual results of play will vary depending on "luck" • The 1.35% win rate is used by all publicly listed New Zealand and Australian casino companies in addition to casino companies in Asia and the United States • In order to understand the long term results within International Business there is the need to eliminate the inherent volatility or "luck" factor
Eliminate gain ($66.4 million) arising from Auckland car park concession sale (completed in August 2019) and the FY19 gain ($17.4 million) on sale of Federal Street car park (sold in April 2019)	• The FY20 reported results include a significant gain relating to the Auckland car park concession sale which settled in August 2019 • The FY19 reported results include a significant gain relating to the sale of the Federal Street car park which settled in April 2019 • The adjustment reverses these gains
Reverse impact of revaluation (reduction of $14.1 million) of Auckland investment properties (FY19 $3.2 million)	• SkyCity has a number of investment properties in Auckland. In accordance with the appropriate accounting standard, these investment properties will be revalued by an independent expert every year and the carrying value adjusted within the Group's financial statements • This adjustment reverses the decline in value of these properties • The revaluation is non-cash and unrelated to the operations of the Group • This adjustment will be made each year to determine the Group's normalised results

Adjustment	Discussion
Eliminate net gain ($268.5 million after 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 relatively minor 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 – these are explained further on page 184 and in SkyCity's financial statements which have been released to the NZX and ASX • At this point in time, a full assessment of the damage is not available, nor is an agreed reconstruction timeline available. As a result, the financial statements include a number of significant judgements and estimates to determine the appropriate accounting. These judgements and estimates will continue to be reviewed as new information becomes available • The NZICC fire (and associated accounting impact) is a significant, one-off event that has impacted the comparability of the FY20 result with the prior year
Labour restructure (FY20 $9.7 million after tax) and funding plan costs (FY20 $5.4 million after tax)	• As part of its response to COVID-19, SkyCity undertook a labour restructure and implemented a new funding plan • This adjustment eliminates the costs associated with those actions
Deferred tax liability reversal, $24.1 million	• As part of its response to COVID-19, the New Zealand Government reinstated tax depreciation for commercial properties, this resulted in a non-cash accounting reduction in the FY20 tax expense • This adjustment eliminates this one-off reduction to tax expense
Adelaide casino licence impairment $160.6 million (A$150 million)	• In the current year, the Group has impaired the Adelaide casino licence by A$150.0 million (NZ$160.6 million) • The impairment has arisen due to revised expectations regarding the time frame for SkyCity Adelaide to achieve its long term potential earnings following completion of the expansion project. The reduced earnings outlook for SkyCity Adelaide has been exacerbated in the short-to-medium term by the recent and expected ongoing impacts of COVID-19, including an expectation that International Business activity may take some years to recover • This adjustment eliminates this non-cash expense

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Adjustment	Discussion
FY19 only Adjustments	
Eliminate significant tax events (net $9.5 million decrease to normalised NPAT)	During FY19, SkyCity had a number of significant tax events which have impacted the reported effective tax rate. **ATO Tax Review** As part of the Australian Tax Office's (ATO) Streamlined Assurance Review of SkyCity's Australian operations, SkyCity and the ATO agreed to settle differences of opinion on the treatment of certain financing arrangements. As a result of this settlement, SkyCity made a A$3.5 million payment to the ATO. This payment relates to historical items only and does not change SkyCity's future tax payments or tax expense. **Auckland Car Park Concession Sale Deferred Tax** The deferred tax consequences of the Auckland car park concession sale were recognised in FY19 – this was a $11.5 million reduction in tax expense. **Share of Partnership Expenditure – Tax Election** In the current year, SkyCity made a New Zealand tax election for the SkyCity Australian Limited Partnership. This resulted in a one-off benefit of $1.9 million in the FY19 tax expense. **Summary** This adjustment eliminates the net reduction (from the above items) in tax expense for the purpose of the normalised results.
Eliminate Darwin operations from normalised results	• During FY19, SkyCity sold its Darwin operations • Darwin has been fully excluded from FY19 normalised results to enable appropriate comparisons with FY20

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GRI Content Index

General Standard Disclosures

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	102-6	Markets served	Annual Report 2020: About SkyCity	29–43		
	102-7	Scale of organisation				
		i. Total number of employees	Annual Report 2020: Diversity Snapshot	18–19		Yes
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	102-8	Information on employees and other workers	Annual Report 2020: Our People	18–19 79–91	Note 1	Yes

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	102-11	Precautionary principle or approach	SkyCity Ethical Sourcing Code	102		
	102-12	External initiatives	Annual Report 2020: Our Sustainability	63–64		
			Annual Report 2020: Our People	79–89		Yes
			Annual Report 2020: Our Environment	111–119		Yes
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Ethics and Integrity	102-16	Values, principles, standards and norms of behaviour	SkyCity Code of Conduct	www.skycityentertainmentgroup.com		
Governance	102-18	Governance structure	Annual Report 2020: Our Senior Leadership Team	60		
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	102-41	Collective bargaining agreements	Annual Report 2020: Our People	91		
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	102-51	Date of most recent report	Annual Report 2020: About this Annual Report	9		
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	102-54	Claims of reporting in accordance with the GRI standards	Annual Report 2020: About this Annual Report	9		

Limitations:

Note 1 – The reporting on GRI 102-8 on employees and other workers does not include 'activities performed by workers who are not employees' and 'significant variations in numbers reported'.

Specific Standard Disclosures

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	GRI 103	Emissions management approach	Annual Report 2020: Our Environment	111–119		
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	GRI 403-2	Types and rates of injury	Annual Report 2020: Our Risk Profile and Management	50		Yes
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	GRI 404-2	Employee programmes	Annual Report 2020: Our People	79–89		
	GRI 103	Diversity, inclusion and belonging management approach	Annual Report 2020: Our People	85–89		
	GRI 405-1	Governance and employee diversity	Annual Report 2020: Our People	85–89		Yes
			SkyCity Diversity and Inclusion Policy	www.skycityentertainmentgroup.com		
Host Responsibly	GRI 103	Customer health and safety management approach	Annual Report 2020: Our Risk Profile and Management	50–51		
			Annual Report 2020: Our Customers	69–77		
	GRI 416-1	Assessment of health and safety of products and services	Annual Report 2020: Our Risk Profile and Management	50–51		
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	GRI 416-2	Non-compliance incidents related to health and safety of products and services	Annual Report 2020: Our Customers	69–77		
	GRI 103	Socio-economic compliance management approach	Annual Report 2020: Our Customers	69–77		
	GRI 419-1	Non-compliance with socio-economic laws and regulations	Annual Report 2020: Our Customers	69–77	Note 1	

Limitations:

Note 1 – The reporting of GRI 419-1 on Non-compliance with Socio-Economic Laws and Regulations does not include economic laws and regulations.

Glossary

Casino Win	the amount lost or spent by players, calculated as Turnover minus amounts awarded to players
EBIT	earnings before interest and tax
EBITDA	earnings before interest, tax, depreciation and amortisation
GAAP	generally accepted accounting principles
Hold or Win Rate	casino win expressed as a percentage of turnover
Normalised EBITDA	earnings before interest, tax, depreciation and amortisation adjusted to take into account a theoretical win rate of 1.35% on International Business play and other adjustments and calculated in accordance with SkyCity's Non-GAAP Financial Information Policy
Normalised NPAT	net profit after tax adjusted to take into account a theoretical win rate of 1.35% on International Business play and other adjustments and calculated in accordance with SkyCity's Non-GAAP Financial Information Policy
Normalised Revenue	revenue adjusted to take into account a theoretical win rate of 1.35% on International Business play and other adjustments and calculated in accordance with SkyCity's Non-GAAP Financial Information Policy
Normalised Win Rate	the expected long term average hold
NPAT	net profit after tax
Reported EBITDA	earnings before interest, tax, depreciation and amortisation calculated in accordance with GAAP in New Zealand
Reported NPAT	net profit after tax calculated in accordance with GAAP in New Zealand
Reported Revenue	revenue calculated in accordance with GAAP in New Zealand
RevPar	revenue per available room
Turnover	total amount wagered by players

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SKY CITY

Annual Report
Year Ended 30 June 2020





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ANNUAL MEETING

Due to the ongoing impacts of COVID-19, the 2020 SkyCity Annual Meeting will be held virtually via an online platform on 16 October 2020 commencing at 1.00pm (New Zealand time). Instructions and further details on how shareholders can participate in the virtual Annual Meeting will be included in the Notice of Meeting.

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Chair's Review

The 2020 financial year was a tough one for SkyCity and its stakeholders. The external events which impacted the year are well known and the financial performance of the company reflects those events. It also reflects a great deal of skill, energy and support from our stakeholders across the board to react to those events. We have maintained a strong asset, people, and capital base and barring further negative external events SkyCity will recover and grow.

The accounting and financial report on a year with these shock events is inevitably complex. In this report, and in our wider commentary on the business, we endeavour to provide clear information and guidance to enable investors and other stakeholders to genuinely understand the past, current and future of SkyCity.

The key events of the year, though well known to all readers of this annual report, may be summarised for the record as:

- the ongoing delay to completion of the New Zealand International Convention Centre and Horizon Hotel project was deeply exacerbated by the fire. The immediate impact of the fire was effectively managed by our people, as was the return to operations across the Auckland site. The reestablishment of work and a path to completion have also been difficult tasks with effective progress made;
- COVID-19 halted our business at every location. Our people have effectively managed operations during restrictive periods and with greater operating freedom when pandemic regulations allowed. But our operations and results across the Group will continue to reflect a more difficult environment for some time;
- we have had no option, despite much appreciated Government support for our people during the COVID-19 crisis, but to substantively restructure our business to meet this more difficult environment;



- in the course of this, we have prudently restructured our funding, including raising new equity to manage ongoing commitments and operating risk;
- the important SkyCity Adelaide expansion project has moved towards substantive completion effectively within the planned time and budget. While this is an impressive facility, its economic performance will not meet the original expectations when it was launched in 2018. Accordingly, we have been required to impair the investment to reflect a realistic current value; and
- we have successfully launched an online casino business which is already a good contributor to the Group financially and provides a good base for participation in this growing part of the casino business globally.

Obviously from such a momentous year there are learnings. For the SkyCity Board, the important immediate learnings are:

- to recognise the resilience of the core gaming business in each area where we hold a licence and to ensure that we maintain our presence, quality of service, financial control and host responsibility/harm management processes at the highest level;
- the importance of maintaining a strong balance sheet and operating the business to provide sustainable returns to investors;
- to keep a strong focus on disciplined capital allocation and not to make allocations which do not fully reflect an appropriate return adjusted for the risks involved; and
- to conduct the business holistically within the terms of the sustainability framework for SkyCity which is detailed elsewhere in this annual report.

A few comments on the outlook for the current financial year, comments which must reflect a high degree of uncertainty given the global environment:

- SkyCity can operate under current trading conditions, but at present we do not have an operating model which can optimise the business to previous levels without a recovery in the economy and international tourism, including our International Business and convention travel. So, while on our current outlook we can expect continuity and some growth, there is something of a holding position across several aspects of our business; and
- this means that, in this period, the SkyCity Board and management are fully directed towards efficient completion of committed projects, improving the quality and efficiency of operating our existing facilities, and being well prepared equally to react to further adverse external events and to take any genuine opportunities which arise in the markets where we are present.

I wish to thank my fellow directors for their assiduous attention to their duties over this difficult time, our management team for their skill and commitment in meeting some most unusual challenges with aplomb, our people working in the business (including those who have had to leave in the restructuring) for what they have contributed to keeping us all going and able to continue with confidence, and to our external stakeholders for responding supportively. Finally, to those vital people who make it all work – our customers in the casinos in person or online, in our hotels and meeting rooms, in our restaurants, bars, Sky Tower and other facilities – our warm appreciation and ongoing welcome.



Rob Campbell
Chair, SkyCity Entertainment Group

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Chief Executive Officer's Review

The year under review has been extremely complex and challenging for SkyCity. It commenced with good momentum with our operations trading at record levels (at a revenue level) until October 2019, when a significant fire broke out on the roof of the New Zealand International Convention Centre site. Fire and emergency crews battled over several days to bring the fire under control with the fire causing significant disruption to the Auckland CBD, including an unprecedented three-day closure of the entire SkyCity Auckland precinct. The SkyCity Board and management team were still focused on dealing with the impacts of the fire when the COVID-19 pandemic emerged in early 2020, culminating in the mandated closure of SkyCity's properties in New Zealand and Adelaide on 23 March 2020 following announcements by the New Zealand and Australian Governments.



We were able to reopen our New Zealand properties on 14 May 2020 (with the exception of Wharf Casino in Queenstown which currently remains closed), albeit initially with reduced operating hours and subject to restrictions on mass gatherings and physical distancing requirements. Our Adelaide property was able to reopen on 29 June 2020 as part of the South Australian Government's three-stage approach to easing the COVID-19 restrictions. Then, from 12–30 August 2020, our Auckland casino and entertainment facilities were closed again and physical distancing and hygiene requirements were reinstated at our Hamilton and Queenstown properties when the COVID-19 Alert Level increased to Alert Level 3 in Auckland and to Alert Level 2 for the rest of New Zealand following a new outbreak in the Auckland community.

An unprecedented number of significant strategic decisions and actions have had to be taken to mitigate the impacts of these events:

- significant operational effort has gone into closing and reopening our properties with rigorous health and safety measures in place;
- we rapidly restructured our New Zealand workforce, downsizing it by around 25% to ensure SkyCity is positioned to be sustainable as a smaller domestically focused business; and
- we executed a capital raising and debt restructure to ensure that SkyCity has sufficient liquidity and funding capacity.

These actions mean that SkyCity is well positioned to deal with the foreseeable future. We have also been aided by Government responses in the form of wage subsidies and other assistance measures. Our core domestic gaming business is resilient and has returned to being cash positive and profitable. The other aspects of our business that are more reliant on international visitors (including VIP gaming, hotels and restaurants) will clearly only fully recover when country borders reopen. Our domestic businesses have recovered more quickly than anticipated when open and, if we can sustain this, the business is not under threat and can wait it out until the world recovers.

Fortunately, development work on the SkyCity Adelaide expansion and hotel projects and associated master planning projects was able to continue over the period – these projects continue to progress very well and remain on-budget and on-time, with the SkyCity Adelaide expansion and Eos by SkyCity, the new 120-room luxury hotel, due to open before the end of 2020. Work recommenced in late May 2020 on the New Zealand International Convention Centre and Horizon Hotel projects following the move to Alert Level 3 of the COVID-19 Alert system in New Zealand and we now expect Horizon Hotel to be delivered during 2021 and the New Zealand International Convention Centre to be completed during 2023.

The capital raising announced in June 2020 ensures that our major construction projects remain fully funded and that we are also able to continue with smaller projects that will enhance operations. The $230 million equity raising was well supported and underpinned the restructure of our debt facilities, enabling us to obtain covenant relief through to 30 June 2021, securing extensions to bank facilities due to mature in that period and additional debt facilities. We now have "buffer" facilities of liquidity available to draw down should the COVID-19 situation worsen, but at present this is not required. Dividends are currently suspended, but this will be reviewed against market and trading conditions during the financial year ending 30 June 2021.

A positive feature of the year has been the launch of SkyCity Online Casino, which operates out of Malta but provides an attractive online entertainment offering to New Zealanders. This business ramped up significantly from March 2020 and has now grown into a profitable operation despite the very low key and conservative approach taken in comparison to other offshore online businesses targeting New Zealanders. We observed a slight reduction in online gaming revenue following the reopening of the New Zealand properties in May 2020, but saw an increase in activity during the recent closure in Auckland in August 2020 with customer registrations currently over 35,000. We continue to prepare for a regulated online industry in New Zealand and are supportive of Government initiatives in this regard.

The result for the financial year ended 30 June 2020 is complicated by strategic actions taken in 2019 and 2020, the New Zealand International Convention Centre fire and COVID-19 related issues. Comparability between the FY19 and FY20 periods is impacted by COVID-19 related property closures and the sale of the long term concession over the SkyCity Auckland car parks (completed in early FY20). In determining normalised earnings relative to reported earnings, various adjustments have been made, including the New Zealand International Convention Centre fire impact, a number of COVID-19 related adjustments and a A$150 million impairment of the SkyCity Adelaide casino licence.

Our domestic businesses have been performing stronger than expectations when open in New Zealand and South Australia, although the outlook remains unpredictable as we adjust to new social and economic settings. We reasonably expect that, in the short to medium term, weaker economies, lower personal disposable income and changed entertainment habits, as well as longer term travel restrictions, will result in SkyCity being a smaller, domestically focused business. International Business should recover once travel restrictions are lifted, but the parts of our business driven by corporate travel and by tourism, such as our hotels and the Sky Tower, will take longer to recover.

SkyCity's strategic plan is focused on managing the post COVID-19 recovery and completing its major projects in Adelaide and Auckland, which will underpin medium term earnings and cash flow growth.

We are also able to continue with the many initiatives that we have underway under our sustainability pillars. Minimising harm to our customers remains our core focus and we have made a number of investments into technology over the past year, significantly improving the tools that we have. We will be investing further into digital technology to improve our customer experience. We have the challenge of rebuilding employee culture after the significant restructure and we are very focused on that as well as furthering initiatives relating to workplace flexibility and diversity. We have made good progress in refocusing our SkyCity Community Trusts in New Zealand on initiatives that will enhance the employability, wellbeing and advancement of youth and we have upweighted strategies to ensure our supply chain is ethical and supports local business. We have followed through on our commitment to go carbon neutral in Australia as planned (having gone neutral in New Zealand last year) and we are well advanced with solutions to reduce waste to landfill. The COVID-19 crisis has reinforced how important business profitability is as an underpin to any sustainability initiatives – something that perhaps we took for granted historically, but have now included as a critical element of being sustainable in the short and long term.

The past financial year has been incredibly challenging and stressful for the entire SkyCity family. We have had to make some significant, tough decisions to ensure that our business survives and continues to provide a great place to work and precincts enjoyed by thousands of our customers. The Board has been intimately involved with the executive team in making these decisions, but we would not be as well positioned were it not for the enormous amount of hard work and effort made by the wider teams at corporate and property levels. The energy, selfless commitment and willingness to keep stepping up the effort to deal with multiple challenges is a humbling reflection of the company culture and I would like to thank everyone for their unwavering support in these unprecedented times.



Graeme Stephens
Chief Executive Officer

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SkyCity is investing A$330 million to transform SkyCity Adelaide into a world-class entertainment hub – the new 12-storey building features a sweeping, curved golden façade, a luxury 120-room hotel, restaurants and bars, conference and event facilities, a spa and wellness centre and expanded gaming experiences.

About this Annual Report

This annual report is a review of SkyCity Entertainment Group Limited (SkyCity or the company and, together with its subsidiaries, the Group) and its subsidiary companies' performance for the financial year ended 30 June 2020. Where appropriate, information is also provided in relation to activities that have occurred after 30 June 2020, but prior to publication of this annual report.

This annual report has been prepared in accordance with the Listing Rules and Corporate Governance Code of NZX Limited, the New Zealand Companies Act 1993 and the New Zealand Financial Markets Conduct Act 2013 and (although SkyCity is not required to comply with ASX Listing Rule 4.10, which requires entities to include certain prescribed information in their annual reports, as it has a 'Foreign Exempt Listing' status on ASX Limited) substantially reflects the Listing Rules of ASX Limited and the Corporate Governance Principles and Recommendations (Fourth Edition) of the ASX Corporate Governance Council.

This annual report has also been prepared with due consideration of the International Integrated Reporting Council's International Integrated Reporting Framework. Integrated reporting applies principles and concepts that are focused on bringing greater cohesion and efficiency to the reporting process and adopting 'integrated thinking' as a way of breaking down internal silos and reducing duplication.

The non-financial information in this annual report has been informed by the principles and disclosures of the Global Reporting Initiative's (GRI) Sustainability Reporting Standards. Ernst & Young has undertaken limited assurance (in accordance with the International Standard on Assurance Engagements (New Zealand)) over disclosures associated with selected performance data included in the Sustainability section included in this annual report. A GRI reference index based on the GRI Sustainability Reporting Standards is included on pages 228–231 of this annual report.

The financial statements have been prepared in accordance with the International Financial Reporting Standards. This annual report includes both reported and normalised financial information. Our objective in providing normalised financial information is to provide data that is useful to the investment community in understanding the underlying operations of the SkyCity Group – the intention being to provide information which is representative of SkyCity's underlying performance (as a potential indicator of future performance), can be compared across years and can assist with comparison between publicly listed casino companies in New Zealand and Australia. This objective is achieved by:

- eliminating the inherent volatility (or 'luck' factor) from International Business, which has variable turnover and actual win percentage period to period;
- eliminating structural differences in the business between periods; and
- eliminating known different treatments with other New Zealand and Australian publicly listed casino companies.

Normalised numbers are a non-GAAP financial measure. A reconciliation of reported and normalised earnings and a description of the differences are provided on pages 224–227 of this annual report.

Certain totals, subtotals and percentages stated in this annual report may not agree throughout due to rounding.

Unless otherwise stated, all dollar amounts in this annual report are expressed in New Zealand dollars.

An electronic copy of this annual report is available in the Investor Centre section of the company's website at www.skycityentertainmentgroup.com.

This annual report is dated 3 September 2020 and is signed on behalf of the SkyCity Board by:

Rob Campbell
Chair

Bruce Carter
Deputy Chair

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Year in Review

2019

JULY
- Rollout of a refreshed SkyCity brand and logo across the New Zealand properties – with the new logo reflecting the sum of many parts of SkyCity's business and paying homage to the stars of the Southern Hemisphere

AUGUST
- SkyCity Online Casino launched in partnership with international iGaming company Gaming Innovation Group Inc
- Sale of long term concession over SkyCity Auckland car parks completed
- Launched new customer websites, and new apps for customers and SkyCity Premier Rewards members, in New Zealand

SEPTEMBER
- SkyCity announced as the 'Official Hotels and Entertainment Partner' for the Emirates Team New Zealand defence of the 36th America's Cup in March 2021

OCTOBER
- A significant fire broke out on the roof of the New Zealand International Convention Centre (under construction) resulting in significant disruption to the Auckland CBD, a three-day closure of the SkyCity Auckland precinct and significant delay to the completion dates for the New Zealand International Convention Centre and adjacent Horizon Hotel

NOVEMBER
- Construction commenced on the All Blacks Experience, an exciting new venture between New Zealand Rugby and Ngāi Tahu Tourism, in the Federal Street precinct at SkyCity Auckland
- Six SkyCity Auckland restaurants included in the prestigious Cuisine Good Food Awards list for 2019 in New Zealand. The Grill was also awarded two hats and Depot, Gusto at the Grand and MASU by Nic Watt were each awarded one hat
- SkyCity Entertainment Group named a finalist in the Most Improved Performance category in the 2019 Deloitte Top 200 Awards

DECEMBER
- New external LED lightbulbs installed on the Sky Tower, supporting SkyCity's climate change commitment to reduce carbon emissions from lighting the Sky Tower by 10%
- SkyCity joined the New Zealand Government's Energy Efficiency and Conservation Authority's Gen Less programme, which empowers New Zealand businesses and individuals to live a climate-friendly lifestyle by lowering energy consumption

2020

JANUARY
- The Guardsman, a new bar and restaurant, opened at SkyCity Adelaide following a A$6 million restoration of the Adelaide Railway Station's former Great Dining Hall. The new venue pays homage to the Railway Station's rich heritage and features a grand central bar, open kitchen and a coffee front

FEBRUARY
- Fundraising activities across the Auckland, Adelaide and Hamilton properties raised over $55,000 for the South Australia Country Fire Service Foundation to acknowledge and support the devastating Australian bushfires

MARCH
- Completed a $5.5 million refurbishment of EIGHT, a VIP table game area, and a $6 million refurbishment of our International Business 'Horizon' gaming suites in Auckland
- All SkyCity properties closed on 23 March 2020 following announcements by the Australian and New Zealand Governments mandating their immediate closure in response to COVID-19

APRIL
- Changes implemented in response to COVID-19, including significantly reducing capital expenditure and minimising operating costs, including an immediate restructure of the management team and salaried employee base in New Zealand
- Eos by SkyCity announced as the name of the new 120-room luxury hotel being developed as part of the A$330 million SkyCity Adelaide expansion project, with the first guests expected to be welcomed in late 2020

MAY
- The SkyCity Auckland, Hamilton and Queenstown properties (excluding Wharf Casino) reopened on 14 May 2020 following the New Zealand Government's decision to move to Alert Level 2
- SkyCity moved forward to further reduce its New Zealand workforce and commenced consultation on a proposal to reduce its rostered (waged) staff due to the expected significant impact of COVID-19 on its operating environment and financial outlook

JUNE
- Launched a $230 million equity raising as part of a comprehensive funding plan to strengthen SkyCity's balance sheet in response to uncertainty around the impacts of COVID-19. In conjunction with the equity raising, SkyCity also secured the support of existing lenders by way of covenant waivers/relief, extensions to $170 million of upcoming debt maturities and $160 million in additional debt facilities
- S&P Global Ratings affirmed SkyCity Entertainment Group Limited's long term issuer credit rating and its debt issue ratings as BBB- (Negative Outlook)
- Restructure of the rostered (waged) workforce in New Zealand completed
- Awarded a Silver Award in the 2020 Australasian Reporting Awards and a Silver Award in the 2020 Australasian Sustainability Reporting Awards for SkyCity's 2019 annual report
- SkyCity Adelaide reopened on 29 June 2020 as part of the South Australian Government's three-stage approach to easing the COVID-19 restrictions

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Creating Value

Our Business

As at 30 June 2020

3,817 staff

5 properties across New Zealand and Australia

1 online casino

GAMING

5 land-based casino licences

273 table games

3,204 electronic gaming machines

307 automated table games

HOSPITALITY

19 restaurants

14 bars

HOTELS

635 hotel rooms

SKY TOWER

328 metres tall

FY20 REVENUE BY BUSINESS ACTIVITY

	Reported	Normalised
	%	%
Local Gaming	71%	67%
International Business	6%	10%
Hotel & Conventions	7%	6%
Food & Beverage	12%	10%
Other	4%	7%

FY20 Outputs & Financial Results

FY20 revenue and annual visitation

GAMING

$496.0 million including online (reported)

$601.3 million* including online (normalised)

1.9 million visits from loyalty card members to our land-based casinos**

HOSPITALITY

$76.8 million

3.5 million restaurant/bar covers

HOTELS

$34.6 million

158,377 rooms occupied

SKY TOWER

$14.9 million

410,321 visits

$125.5 million in taxes to **Governments** (including GST, gaming tax and income tax)

$295.8 million in remuneration and benefits to **staff**

$66.4 million of dividends declared in relation to FY20 period for **shareholders**

$10.4 million in **community contributions, levies and sponsorships**

$204.5 million to **suppliers**

$347 million of **capital invested**

$41.4 million in interest paid to **lenders**

*Includes gaming GST.
**Calculated by reference to customers who used their SkyCity Premier Rewards cards to game, where one visit records a customer's patronage on a day irrespective of how many times they used their card on that day.

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FY20 Outcomes & Impacts

Our sustainability vision recognises that, to be a sustainable business, we must be a responsible business actively protecting and promoting the people we serve and the places we share, whilst creating value for our shareholders. SkyCity's sustainability initiatives are therefore focused on doing good for our customers, our employees, our communities, our suppliers, our environment and our shareholders.

OUR CUSTOMERS

Significant investment in additional host responsibility measures to improve our ability to detect excluded persons and continuous play, including the introduction of facial recognition technology across all SkyCity land-based casinos, which has led to a significant increase in the detection of excluded persons returning to a SkyCity casino in breach of their exclusion orders during the period.

43 cameras
installed across SkyCity casinos for facial recognition during FY20

1,757 ▲ customers
identified in breach of their exclusion orders during FY20
FY19 – 874

As at 30 June 2020

21,327 customers
have downloaded the new SkyCity app (launched in August 2019)

OUR PEOPLE

Establishment of a $1 million SkyCity Employee Hardship Fund, from funds contributed by the Senior Leadership Team and other senior executives across the business via voluntary salary reductions and voluntary contributions by other staff members, to assist employees impacted by COVID-19.

Downsized our New Zealand workforce by around
25% ▼
in response to COVID-19

ZERO
fatalities or serious injuries

8% ▼ reduction
in Total Recordable Incident Frequency Rate (TRIFR) from FY19 baseline

72% ▲ increase
in hazard identification reports from FY19 baseline

SkyCity's sustainability strategy is linked to seven of the 17 United Nations Sustainable Development Goals (a set of goals to end poverty, protect the planet, and ensure prosperity for all as part of a new sustainable development agenda) – Good Health and Well-being (Goal 3), Quality Education (Goal 4), Gender Equality (Goal 5), Decent Work and Economic Growth (Goal 8), Responsible Consumption and Production (Goal 12), Climate Action (Goal 13) and Partnerships to Achieve the Goal (Goal 17).

A full description of the Sustainable Development Goals is available at www.un.org/sustainabledevelopment. SkyCity recognises that, for the Goals to be achieved, everyone needs to do their part and business and industry play an important role. We are committed to playing our part in helping to achieve the Goals.

OUR COMMUNITIES

Contributed a total of $3.7 million to the four New Zealand SkyCity Community Trusts for distribution to communities in the Auckland, Waikato, and Queenstown Lakes regions. In addition to company tax, SkyCity paid over $33 million in gaming tax and problem gaming levies derived from SkyCity's gaming operations.

$3.7 million
paid to the SkyCity Community Trusts
FY19 – $4 million

$33.1 million
paid in gaming taxes and problem gaming levies
FY19 – $43.1 million

OUR SUPPLIERS

SkyCity has approximately 800 key ongoing significant suppliers across the SkyCity Group, with a substantial number of these being in the food and beverage sector.

Over
$530 million
paid to suppliers of goods and services during FY20 (including capital expenditure)
FY19 – over $450 million

OUR ENVIRONMENT

SkyCity was among the first major New Zealand companies to go carbon neutral and was certified carbonzero by Toitū Envirocare in New Zealand in October 2019 having paid $86,000 to offset the equivalent of 12,866 tonnes of carbon (measured in FY19).

The carbon credits purchased through Toitū Envirocare are generated by international projects, which will fund 48,000 solar household cookers for rural communities in China and help build wind farm capacity in India to replace fossil fuel alternatives.

Certified carbonzero in New Zealand by offsetting in FY20 the equivalent of
12,866 tonnes CO2e

15,137 tonnes CO2e
total carbon footprint
FY19 – 19,093 tonnes CO2e

Sky Tower lighting upgraded to LED resulting in a
10% energy saving

OUR SHAREHOLDERS

10 cents
total dividend per share (fully imputed)
FY19 – 20 cents per share

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) has confirmed that SkyCity Entertainment Group has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series.

Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

FTSE4Good

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Performance

FY20 Highlights

SkyCity's financial result for the financial year ended 30 June 2020 has been significantly impacted by the New Zealand International Convention Centre fire and COVID-19 pandemic that emerged in New Zealand and Australia in early 2020, with normalised EBITDA and NPAT for the Group for the period to 30 June 2020 negatively impacted but at the top-end of the guidance range provided at the time of our equity raising in June 2020.

Our reported results were up significantly over the prior year however due to accounting for the New Zealand International Convention Centre fire and the gain from the sale of the long term concession of the SkyCity Auckland car park, partially offset by a A$150 million impairment of the Adelaide casino licence.

Pleasingly, our domestic business (which has historically accounted for over 85% of Group EBITDA) has demonstrated its resilience and traded well ahead of expectations when open and fully operational following the property closures in March 2020.

The key features of the FY20 result are:

EBITDA

Reported
$348.3 million

Normalised
$200.7 million

NPAT

Reported
$235.4 million

Normalised
$66.3 million

DIVIDEND

Interim dividend* (fully imputed) of
10 cents per share

EQUITY RAISING

$230 million
equity raising launched in June 2020 and successfully completed during June and July 2020

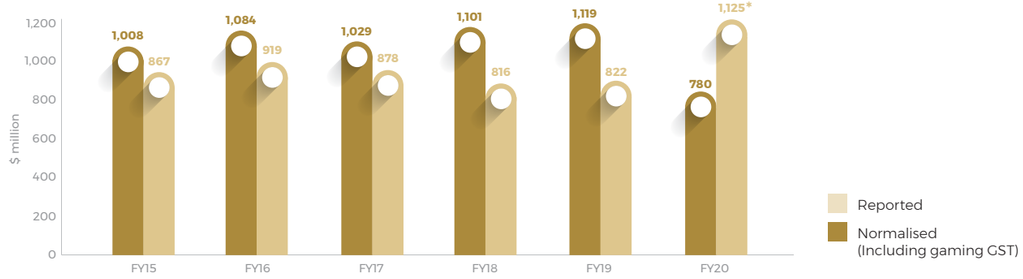
SKYCITY ONLINE CASINO

Over
35,000 customer registrations
SkyCity Online Casino has grown rapidly since its launch in August 2019 despite operational constraints, with significant growth in its customer base over the period – with over 35,000 customer registrations as at 31 August 2020 – and the business being profitable since April 2020

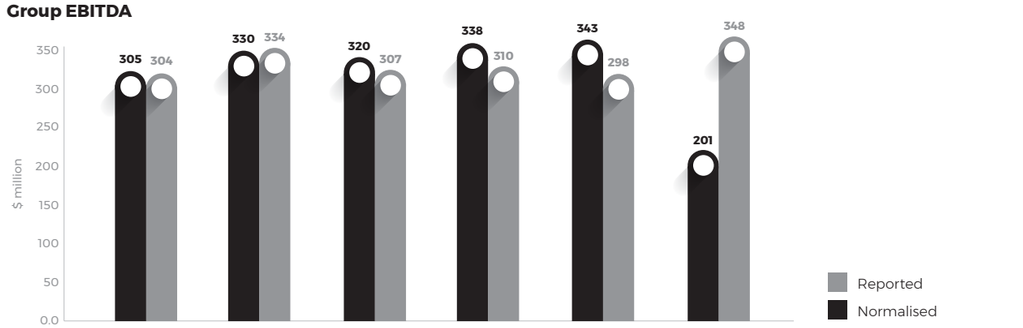
*A final dividend was not declared for FY20 due to restrictions in the covenant waivers/relief secured as part of the funding plan announced by the company in June 2020.

Our Performance History

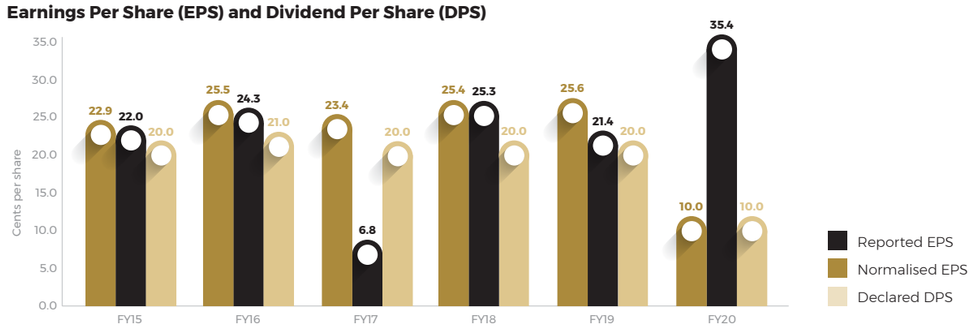
Group Revenue



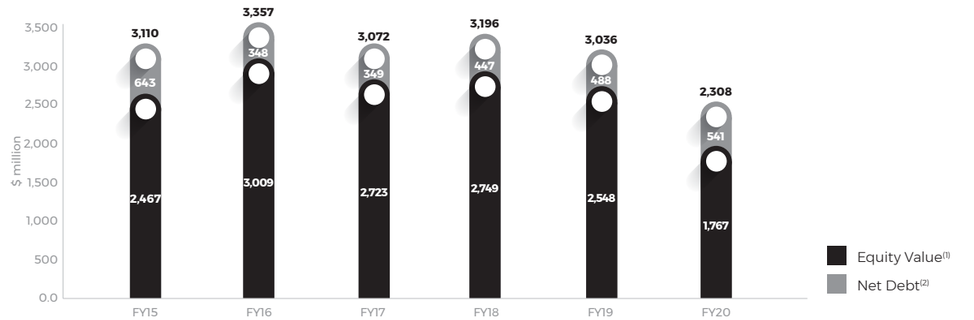
Group EBITDA



Earnings Per Share (EPS) and Dividend Per Share (DPS)



Enterprise Value



(1) Based on the share price and number of shares on issue as at 30 June in each financial year.
(2) Gross hedged debt less cash at bank as at 30 June in each financial year.

*This is a summation of the first six lines on the face of the Income Statement.

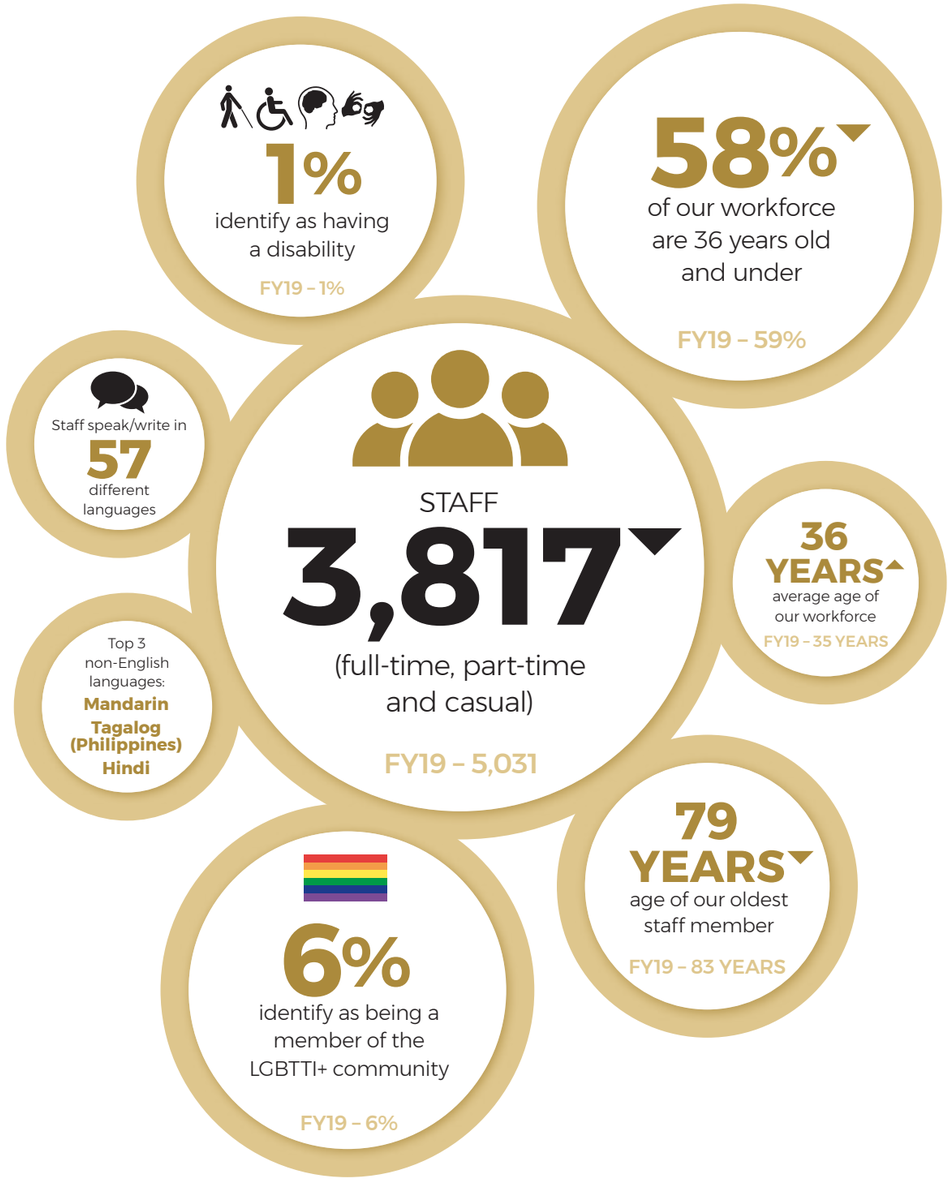
Note: FY19 and prior year results include the Darwin operations.

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Diversity Snapshot

SkyCity is a major employer with over 3,800 staff. We employ a diverse range of people at all skill levels and aim to create an environment where people are at the centre, are motivated to work hard, progress in their careers and are empowered to grow and achieve.

The following graphic shows the diverse makeup of our workforce as at 30 June 2020 and, where relevant, as a comparison against our workforce numbers as at 30 June 2019.



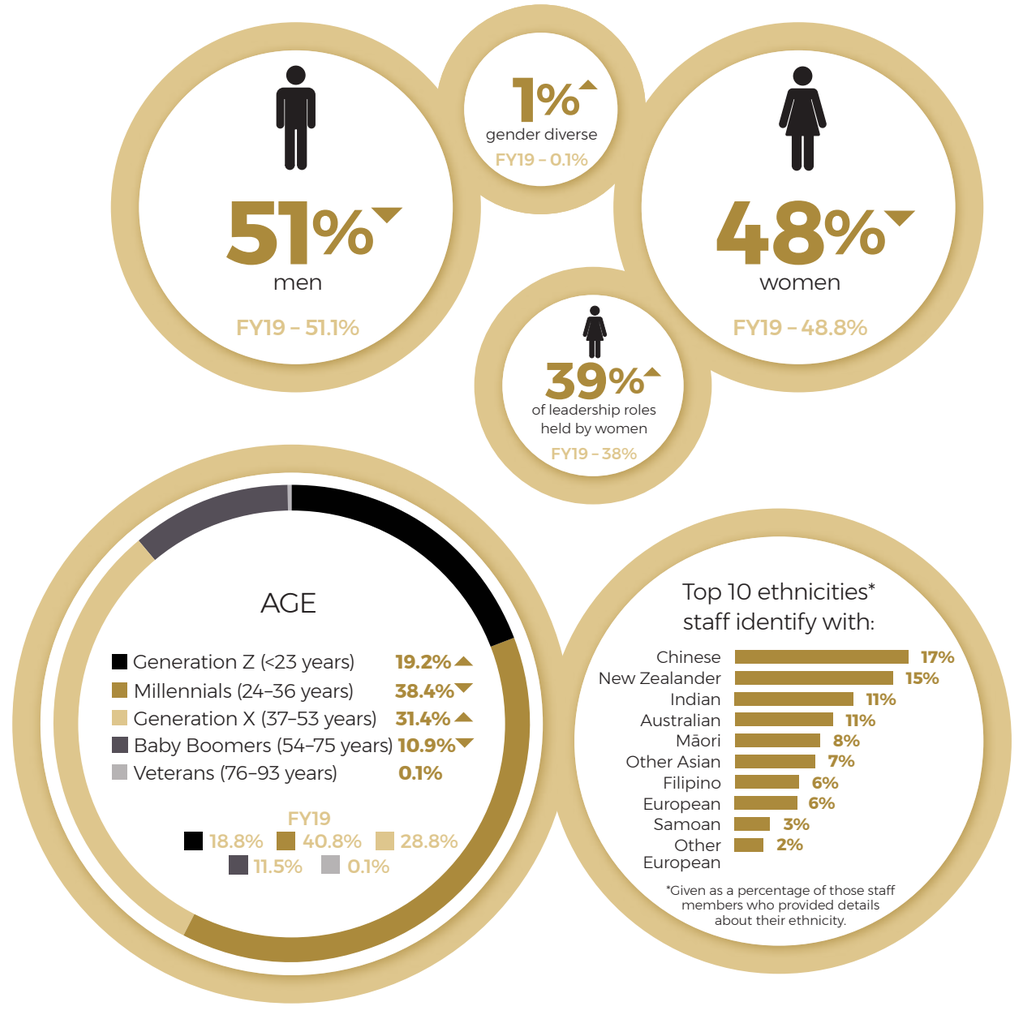
The gender composition of SkyCity's directors, officers, senior executives and total workforce as at 30 June 2020 and, comparatively as at 30 June 2019, is set out below:

	Female		Male		
2020	Number	%	Number	%	Total
Directors	2	40%	3	60%	5
Officers	3	43%	4	57%	7
Senior Executives	4	40%	6	60%	10
Total Workforce	**1,832**	**48%**	**1,980**	**52%**	**3,812**

	Female		Male		
2019	Number	%	Number	%	Total
Directors	2	33%	4	67%	6
Officers	3	38%	5	62%	8
Senior Executives	4	36%	7	64%	11
Total Workforce	**2,456**	**49%**	**2,569**	**51%**	**5,025**

In the above tables:

- 'officers' are the Chief Executive Officer and those directly reporting to the Chief Executive Officer, other than the Executive Assistant;
- 'senior executives' are, with the exception of the Chief Executive Officer, those who hold a strategic position (as determined by the People and Culture Committee from time to time) and are noted as a 'senior executive' in the SkyCity Board Charter; and
- the 'total workforce' number does not include those who identify as gender diverse and those who elected not to identify as being female, male or gender diverse.



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Communities need good businesses

By creating value for others, we create value for SkyCity.

Group Strategy

In 2018, we announced a refreshed Group medium term strategy which has a clear focus on the creation of both sustainable shareholder returns and enhanced social and sustainability initiatives critical to the long term viability and success of SkyCity.

Key considerations when setting the strategy in 2018 were:

- profitability of our business is roughly 80% from New Zealand and 20% from Australia. Shareholders are comfortable with the relatively low country risk and regulatory environments that these jurisdictions offer and we are likely to remain focused on this region for the foreseeable future;
- our business is predominantly gaming-led, with roughly 80% currently coming from the casino component. The long term, exclusive nature of our land-based casino licences provides a solid underpin to the risk profile of the business. We have strategically evaluated our existing casino licences to ensure we are maximising the potential within them and have identified further opportunity for growth;
- there are unlikely to be many (if any) new land-based casino licence opportunities in our jurisdictions of operation, so growth (other than organic growth) will have to come from other lines of business. The balance of our business essentially derives from hotels and restaurants. Our restaurants are relatively low margin and exist primarily to service our gaming, hotel and conventions customers and to ensure that our destinations remain relevant in their communities. Our hotels are higher margin businesses and there is an opportunity to scale up our portfolio and expertise;
- we are cognisant of a strategic need to remain abreast of developments in the online and digital space and, where appropriate, to ensure that we take up opportunities that will ensure we continue to offer a relevant form of entertainment;
- a review of our existing precincts to ensure that we are maximising opportunities has highlighted areas of potential investment into premium gaming spaces, hotels (as highlighted above) and entertainment to ensure our destinations remain relevant to customer demand. Where necessary, we are prepared to acquire property to ensure we are future-proofed;
- we have two major projects in progress which still require significant investment to complete over the next few years. While we are very comfortable with our ability to service and repay the debt funding for these projects, we currently have limited debt capacity for other expansionary projects or initiatives in the short term. Any funding requirements for new initiatives will be raised through sale of non-core assets and/or partnering using a “capital lighter” approach; and
- the relatively high dividend yield that SkyCity offers is valued by shareholders and should be preserved and recognised when looking at any future funding requirements.

Despite the challenges presented by the COVID-19 global pandemic, SkyCity’s Group strategy remains relevant today with an immediate focus on managing the post COVID-19 recovery and completing the major projects in Adelaide and Auckland which will underpin medium term earnings and cash flow growth. The investments we make generate wide-ranging benefits for our communities and through the New Zealand International Convention Centre and Horizon Hotel project in Auckland, plus the casino expansion and ‘Eos by SkyCity’ hotel development in Adelaide, we will support the economic and tourism recoveries in both communities.

Given the uncertainty still facing the business however, it is unlikely that any large, new, capital intensive developments will be advanced. The balance sheet capacity and liquidity buffers will be preserved to protect against possible trading downside scenarios and potential future COVID-19 related closures. Consequently, hotel development and property master planning and development initiatives are currently on hold although still continue to be refined.

SkyCity has historically delivered a relatively high dividend yield for shareholders – however, dividends are currently suspended due to covenant waivers/relief secured as part of the funding plan announced in June 2020. SkyCity will be reviewing its dividend policy over the coming months with the aim of resuming dividend payments later in 2021.

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Our **Vision**

To be the leader in gaming, entertainment and hospitality in our communities

Our **Business Goals**



Improve our operating performance



Optimise our existing portfolio



Grow and diversify our business

Our **Character & Culture Goals**



Offer a great and safe place to work



Always put customers first



Be responsible leaders in our communities

This section provides a summary of SkyCity's performance and strategic positioning to create value during the financial year ended 30 June 2020 and our priorities for the year ahead.

FY20 Performance – Our Business Goals

Improve our Operating Performance

During the year in review, SkyCity faced significant challenges arising from the fire at the New Zealand International Convention Centre and the impacts of COVID-19. We were able to move quickly to right size our operations for our expected future demand environment and to stand up our operations on reopening. Following implementation of the labour restructure in New Zealand during the period, SkyCity expects to deliver $50 million in annualised cost savings and a more flexible and resilient operating model going forward to be able to effectively manage an uncertain domestic and international environment.

The benefits of investment in new gaming product, product management and changes to floor layout continue to be realised across the Group, particularly in Auckland, as is our ongoing investment in premium/VIP gaming. SkyCity continues to leverage complementary assets to drive gaming visitation (ie. hotels, car parking and casino food and beverage) and focus on targeted and tactical marketing as a cost-effective tool for driving profitable visitation. The strong performance of our gaming machine business when open post property closures has been particularly pleasing given its importance to Group earnings and value.

We continue to make good progress on our ICT investment and digital capability. We have delivered significant change to critical ICT infrastructure and are now at a point where we can focus on initiatives to enhance the customer experience, centred around web and mobile, customer relationship management and data analytics.

Optimise our Existing Portfolio

We have progressed a number of key initiatives to optimise our existing portfolio over the year in review.

Excellent progress has been made on the SkyCity Adelaide expansion project during the year. The project is progressing well and is due to open before the end of 2020. In addition, the significant master planning works for the existing SkyCity Adelaide business within the Railway Station building remain on track to complete in time for the expansion opening. We expect to open the facilities in a staged manner, reflecting customer demand, with a focus initially on local and interstate customers (given expected ongoing international border closures). Significant focus is being given to preparing SkyCity Adelaide for operationalisation to ensure a smooth handover and ensure we can hit the ground running from opening. We are currently in the process of hiring up to 700 new employees who will be required when the expansion is fully operational and expect to implement new regulatory reforms (banknote acceptors, ticket-in ticket-out (TITO) technology on the main gaming floor and a multi-protocol gaming system) from October 2020, following completion of the South Australian Government's regulatory review. Walker Corporation, which is developing Festival Plaza and a 1,500-space car park (adjacent to SkyCity Adelaide), is progressing satisfactorily, but slightly behind schedule, and we now expect the car park to be handed over towards the end of FY21. SkyCity still expects to deliver the project in-line with its A$330 million budget and that the project will transform SkyCity Adelaide into a world-class entertainment complex. As previously flagged, SkyCity has booked a A$150 million impairment of SkyCity Adelaide's carrying value due to the revised timeframe to achieve long term potential earnings post expansion, exacerbated by the impact of COVID-19 – this is a non-cash item which reduces intangible asset value (casino licence) and does not impact debt covenant calculations.

The fire at the New Zealand International Convention Centre (NZICC) site during October 2019, coupled with disruptions to construction activity as a consequence of COVID-19 restrictions, has resulted in further significant delays to the project. At this stage, we expect Horizon Hotel to be completed during 2021 and the NZICC during 2023, with the possibility of hosting conferences by late 2023 or early 2024. We expect the 600 car parks damaged by the fire to be returned by the end of FY21 and the balance of the car parks (650 spaces) alongside completion of the NZICC. Despite the impacts of the fire and COVID-19 on the project timetable and delivery, we remain comfortable with our contractual position – Fletcher Construction is required to complete the project and, during May 2020, we secured a two-year extension to the long stop date to complete the NZICC (to 2 January 2025) with the New Zealand Government.

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As previously reported, appropriate project insurance is responding to the NZICC and Horizon Hotel reinstatement, with the first tranche of the insurance proceeds (totalling $105 million) received. We expect the total cost to reinstate the NZICC and Horizon Hotel to be fully covered by insurance and, accordingly, there are no changes to previous guidance for the total project costs to SkyCity (of around $750 million). Whilst the further delays on the project are regrettable, the long term investment thesis for the project remains intact – the NZICC will support long term growth in tourism expenditure and be a significant demand driver for our Auckland precinct, in addition to having secured an exclusive casino licence for our key property out to 2048.

Beyond the major projects, master planning and development opportunities in Auckland, Hamilton and Queenstown continue to be refined – however, major decisions are currently paused due to COVID-19, balance sheet constraints for the foreseeable future and an uncertain outlook for our tourism-related businesses. Significant long term option value remains embedded in our Auckland precinct (including 2,500sqm of land able to be developed) and a potential hotel opportunity in Hamilton, whilst currently 'on hold', is a complementary asset which would support long term growth of the property. We continue to evaluate future options for our Queenstown properties given their reliance on VIP gaming and international tourists. A range of other smaller projects were completed during the year in review – most notably, the major refurbishment and expansion of premium gaming facilities in Auckland and upgrades to Marble Hall and associated facilities at SkyCity Adelaide, which included the opening of The Guardsman, a South Australian themed restaurant and bar in the historic Railway Station building.

We are continuing to progress further opportunities to release capital from property assets and restructure over the medium term, which includes exploring an internal restructuring of our operations and property assets. A potential opportunity exists to establish standalone funding structures and unlock unrecognised value in property assets (with an estimated fair value of $2 billion of land and buildings owned as at 30 June 2020) – with our intention to separately report our operations and property assets once the internal restructure is complete. We continue to evaluate the potential sale of certain non-core assets, such as the AA Centre (SkyCity HQ) in Auckland once current building works and leasing are completed.

SkyCity remains focused on effective capital discipline and, following announcement of our funding plan which included a $230 million equity raising successfully executed during June and July 2020, our balance sheet is in a strong position to deliver on our medium term strategic plan. Following the equity raising, we have sufficient liquidity to fund our major projects in Adelaide and Auckland and to respond to a range of downside scenarios, including a longer and more protracted recovery in New Zealand and Australia and/or further COVID-19 disruptions. Our balance sheet capacity for future growth projects and/or capital management will be reviewed when we are no longer in reliance on covenant waivers/relief secured as part of the funding plan and the domestic and international environment becomes more certain. We remain committed to our BBB- (negative outlook) credit rating which S&P Global Ratings re-affirmed following the equity raising and well positioned to raise further debt capital if required in the future.

Grow and Diversify our Business

We launched SkyCity Online Casino, an offshore online casino, in August 2019 with Gaming Innovation Group (GiG) via a Malta-based subsidiary. The site, which offers high quality host responsibility and a brand name New Zealanders can trust, has seen strong growth during FY20 with over 25,000 customer registrations by year-end (over 35,000 as at the end of August 2020) and the business trading profitably from April 2020. GiG provides SkyCity with a full-suite online casino solution, which includes a technical platform, gaming content, managed services and front-end development. SkyCity supports future regulation of the New Zealand online casino market, including introducing an appropriate licensing regime for operators and imposing taxes and host responsibility requirements. Following a public consultation commenced during 2019, the Department of Internal Affairs (the New Zealand gambling regulator) is developing a policy framework for potential regulation. While ultimately a regulated online gaming market in New Zealand remains the preferred solution for SkyCity, the launch of SkyCity Online Casino is an important step on the journey of pursuing opportunities to grow and diversify our earnings, addressing a fast growing industry which is highly complementary to our land-based activities and offering customers a multi-channel gaming experience.

SkyCity's strategy for growing its hotel business remains focused on the successful delivery of Eos by SkyCity and the Horizon Hotel in Auckland over the next 12–18 months. Longer term hotel development opportunities on existing precincts continue to be refined, but major decisions are currently paused due to COVID-19.

As an entertainment and hospitality provider, SkyCity is challenged to stay relevant in relation to new forms of entertainment. In addition to our foray into online gaming, by late 2020, the existing SkyCity Auckland Convention Centre will become home to the All Blacks Experience and Weta Workshop, both providing unique, interactive customer experiences. Federal Street will become Auckland's leading entertainment zone ensuring the long term relevance of our precinct and appeal to a broad range of demographics.

SkyCity also continues to monitor and evaluate regional merger and acquisition opportunities in its industry, noting that inorganic growth opportunities are likely to emerge as a consequence of the impact of COVID-19 on the casino industry and both the domestic and global economies.

FY20 Performance – Our Character and Culture Goals

At SkyCity, we need to continually focus on protecting and enhancing our social licence to operate. Following good progress during FY18 and FY19, we have continued to invest in key sustainability initiatives, particularly in the areas of diversity and inclusion. We continue to actively promote women into leadership positions and are proud of the gender and cultural diversity we have across the business. We are also committed to providing safe, fun and progressive environments for our customers, suppliers and staff. We continue to deliver on our Group health and safety strategy, which is centred around preventing harm and building awareness, particularly in response to the risks posed by COVID-19 in our communities. We remain focused on youth development and supporting our most vulnerable staff. We continue to meaningfully reduce our gender pay gap across the New Zealand businesses and the final instalment of our '$20 by 2020' wage initiative is scheduled to be implemented in New Zealand by the end of 2020.

Being a responsible member of our community remains a key aspect of our sustainability framework and Group strategic plan. In the year in review, we achieved carbon neutral status across our New Zealand operations, launched allocations for our employee-led SkyCity Green Fund (which will invest in projects globally to offset emissions) and implemented initiatives to reduce waste to landfill and water usage. We have refocused the SkyCity Community Trusts to ensure targeted allocations and contributions go to those causes most worthy within our communities. The establishment of the SkyCity Employee Hardship Fund in April 2020, totalling $1 million, has assisted staff facing financial difficulties as a consequence of the impacts of COVID-19.

At SkyCity, we are proud of, and rely on, our culture of compliance, which encourages people to focus on doing the right thing by themselves, their teammates, the company and stakeholders. To ensure our future success across various financial, social and human capitals, it is important to continue conducting our business holistically within the terms of our sustainability framework.

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Outlook for FY21

Assuming there is no adverse change to the current COVID-19 outlook in New Zealand and South Australia, we expect Group normalised EBITDA to be above FY20, but still below pre-COVID-19 and FY19 levels.

We expect the domestic businesses to continue to perform well when open (although we remain well prepared for the possibility of further closures), but are planning for negligible International Business and international tourism activity due to ongoing international border closures. At a property/unit level:

- Auckland performance is expected to return to trends observed prior to the second property closure in August 2020, driven by a resilient domestic gaming performance and cost savings, offset by weaker performance from non-gaming businesses;
- Hamilton is expected to deliver good performance versus the prior comparable period – predominantly domestic business underpinned by positive gaming machine activity and cost savings;
- Queenstown is expected to be adversely impacted by continuing international border restrictions;
- the Adelaide expansion is expected to open in phases during FY21 (depending on the operating environment due to COVID-19) and we expect EBITDA to be broadly consistent with FY19 levels;
- negligible International Business turnover is expected, with fixed operating costs for International Business of around $750,000 per month; and
- SkyCity Online Casino is expected to deliver a more meaningful contribution.

SkyCity's dividend policy is to be reviewed during 1H21. We are not currently able to pay an interim dividend due to reliance on covenant waiver/relief (for the December 2020 testing period) secured as part of the funding plan announced in June 2020, but are expecting to pay a final dividend for FY21 in September or October 2021 if there are no significant adverse changes to the current COVID-19 status in New Zealand and South Australia.

Our Business Goals	FY21 Priorities
Improve our operating performance	• Manage COVID-19 recovery following reopening of properties • Maintain a flexible operating model to respond to COVID-19 restrictions • Increased focus on customer experience management (CXM) and data analytics • Continue growth in core Auckland gaming business • Implement new information and communications technology (ICT) systems, including data management, Internet Protocol television (IPTV) and facial recognition • Continue to pursue operating efficiencies and cost savings
Optimise our existing portfolio	• Complete SkyCity Adelaide expansion project by the end of 2020 and leverage benefits • Manage reinstatement of the New Zealand International Convention Centre and Horizon Hotel project following the fire and impacts of COVID-19 • Enhance Auckland main gaming floor customer experience, including new bar and food court • Enhance Auckland VIP gaming experience, including launching BLACK – a new gaming area for our VIP customers • Refine development opportunities in Auckland, Hamilton and Queenstown • Explore potential sale of non-core assets, such as the AA Centre (SkyCity HQ) in Auckland

Our Business Goals	FY21 Priorities
Grow and diversify our business	• Progress opportunity to address online casino market in New Zealand • Monitor and evaluate regional merger and acquisition opportunities in our industry • Support opening of new entertainment attractions, All Blacks Experience and Weta Workshop, in Auckland
Our Character and Culture Goals	**FY21 Priorities**
Offer a great and safe place to work	• Focus on maintaining staff resilience, morale and motivation • Maintain a cohesive management team focused on strengthening the SkyCity culture • Continuous improvement in health and safety performance • Continue to promote awareness of mental health risks • Zero work-related fatalities on our sites and/or sites where SkyCity has primary control or management responsibilities • Deliver employment opportunities for youth through our Project Nikau programme • Maintain labour practices commensurate with an employer of choice • Undertake safety engagement activities that promote active and visible safety leadership
Always put customers first	• Maintain best practice host responsibility standards across all properties • Enhance our facial recognition systems • Build foundations for a new customer data platform to provide more relevant insights and communications • Continue to improve the performance of the SkyCity Premier Rewards loyalty programme and customer experiences across each property
Be responsible leaders in our communities	• Maintain leading position on diversity and inclusion through active engagement on issues and with stakeholder groups • Measure and reduce SkyCity's carbon footprint and retain carbon neutral status • Successfully allocate funds from the SkyCity Employee Hardship Fund to support staff impacted by COVID-19 • Commence allocations to projects nominated by the employee-led SkyCity Green Fund • Implement initiatives to reduce waste to landfill and water usage

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Delivering memorable entertainment experiences

About SkyCity

SkyCity is New Zealand's largest tourism, leisure and entertainment company and is dual listed on the New Zealand and Australian stock exchanges.

As one of three major publicly listed casino operators in Australasia, SkyCity operates integrated entertainment complexes in New Zealand (in Auckland, Hamilton and Queenstown) and in Adelaide, Australia – each featuring casino gaming facilities and premium restaurants and bars, which appeal to both domestic and international visitors alike.

SkyCity also offers award-winning hotel accommodation in Auckland at The Grand by SkyCity and SkyCity Hotel. SkyCity's hotel offering will shortly be complemented by Eos by SkyCity, a new 120-room luxury hotel due to open in Adelaide, South Australia, before the end of 2020 and Horizon Hotel, a new 300-room 5-star hotel now expected to be completed in Auckland during 2021 (having been impacted by the significant fire that broke out at the New Zealand International Convention Centre in October 2019 and the COVID-19 pandemic).

In August 2019, SkyCity launched SkyCity Online Casino, an offshore online gaming business for New Zealanders, as a logical extension of its land-based casino operations. Whilst the business is still very much in its infancy, SkyCity is encouraged by SkyCity Online Casino's performance since launch. As at 31 August 2020, there were over 35,000 registered SkyCity Online Casino customers.

SkyCity employs over 3,800 staff across its operations in New Zealand and Australia across more than 180 job types, with around 2,500 staff based at its flagship property in Auckland.



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OUR HISTORY AT A GLANCE

2020
- COVID-19 pandemic temporarily closes all SkyCity properties in New Zealand and Adelaide, South Australia

2019
- SkyCity sells SkyCity Darwin
- SkyCity Online Casino launches offshore
- SkyCity sells long term concession (licence to operate) over SkyCity Auckland car parks to Macquarie Principal Finance Group
- A significant fire broke out at the New Zealand International Convention Centre (under construction)

2018
- Construction commences on the SkyCity Adelaide expansion project

2016
- The first sod was turned on the New Zealand International Convention Centre/Horizon Hotel site

2013
- SkyCity acquires SkyCity Wharf in Queenstown

2012
- SkyCity acquires full ownership of SkyCity Queenstown

2005
- SkyCity acquires full ownership of SkyCity Hamilton

2004
- SkyCity acquires SkyCity Darwin

2002
- SkyCity Hamilton opens

2000
- SkyCity Queenstown opens
- SkyCity acquires SkyCity Adelaide

1999
- SkyCity lists on the Australian stock exchange

1998
- Harrah's management contract ends and SkyCity becomes a New Zealand-managed operation

1997
- Sky Tower opens in Auckland

1996
- SkyCity opens its flagship SkyCity Auckland complex with Harrah's Entertainment (now Caesars Entertainment), the largest casino entertainment operator in the United States, as the operator
- SkyCity lists on the New Zealand stock exchange

1994
- Construction of the SkyCity Auckland complex commences



Auckland

Property	SkyCity Auckland, New Zealand
General Manager	 Michael Ahearne, Chief Operating Officer
Opened	1996
Casino Venue Licence	Runs until 2048*
Facilities	• Casino • Hotels • Food and beverage • Entertainment • esports broadcasting studio • Out-catering • Car parking • Sky Tower • Theatre • Telecommunications and broadcasting facilities
Licensed Gaming Product	• 1,877 electronic gaming machines • 150 table games • 240 automated table games
Workforce	~2,500 staff
FY20 Revenue	$451.0 million** (reported) $497.3 million (normalised)

*The casino venue licence can be renewed for a further period of 15 years pursuant to sections 134–138 of the New Zealand Gambling Act 2003.
**Excludes New Zealand International Convention Centre fire income and the sale of the Auckland car park concession.

Located in the heart of Auckland's CBD, SkyCity Auckland is the flagship property of the SkyCity Entertainment Group and features a casino, two award-winning hotels – The Grand by SkyCity and SkyCity Hotel, bars and restaurants, a 700-seat theatre and the iconic Sky Tower.

Opened in 1997, the 328-metre tall Sky Tower has been an icon of Auckland's skyline for over 20 years and attracts over 500,000 visitors each year. As the tallest free-standing structure in the Southern Hemisphere, visitors can enjoy breathtaking views right across Auckland from the Sky Tower's two observation decks or while dining in one of three restaurants in the Sky Tower, including Auckland's only 360-degree revolving restaurant. At the very top of the Sky Tower, a 93-metre communications mast accommodating VHF, UHF, AM and FM broadcasting and telecommunications antennas provides telecommunications and broadcasting facilities to the telecommunications industry. The Sky Tower is also home to New Zealand's only esports broadcasting studio.

SkyCity is currently investing more than $700 million within the SkyCity Auckland precinct with the development of the New Zealand International Convention Centre, an adjacent laneway, over 1,250 additional car parking spaces and the new 300-room, 5-star Horizon Hotel. This development was originally expected to be completed in 2019 – however, due to initial delays by the contractor, the significant fire that broke out at the New Zealand International Convention Centre in October 2019 and the subsequent impacts of the COVID-19 pandemic that emerged in early 2020,

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Horizon Hotel is now expected to be completed during 2021 and the New Zealand International Convention Centre and adjacent laneway are expected to be completed during 2023.

The New Zealand International Convention Centre will be New Zealand's premier convention centre enabling New Zealand to attract major international conferences as well as having capability for sporting events, theatre and musical performances. The centre is designed to be a welcoming, open building complemented by a fresh new streetscape for local, national and international visitors alike to enjoy. Two of the largest pieces of public art ever created in New Zealand, commissioned by SkyCity from New Zealand artists Sara Hughes and Peata Larkin, will adorn the exterior of the New Zealand International Convention Centre and span a total of 5,760sqm.

The 5-star Horizon Hotel will bring 300 new high-end rooms to the Auckland CBD and will be uniquely connected via an air bridge over Hobson Street to three city centre blocks across the New Zealand International Convention Centre and SkyCity Auckland's entertainment precinct. It will also be located directly above a new retail and dining laneway that will connect Nelson and Hobson Streets, and adjacent to Federal Street's award-winning restaurants and bars.

During the last financial year, SkyCity completed a $5.5 million refurbishment of EIGHT, a VIP table game area located on Level 8 of the SkyCity Auckland main site. A new $22 million BLACK and Ultra VIP gaming machine area on Level 9 of the SkyCity Auckland main site was scheduled to open in April 2020 but, due to COVID-19 related delays, will now open later this year. These new areas will provide an unrivalled VIP offering and experience to our domestic VIP customers.

Two new attractions are expected to open at SkyCity Auckland before the end of 2020. The All Blacks Experience is a joint venture between New Zealand Rugby and Ngāi Tahu Tourism and will provide visitors with a state-of-the-art, interactive experience showcasing the All Blacks. Through the use of innovation and technology, it will provide a full sensory, interactive, and immersive experience for all New Zealanders and visitors to celebrate New Zealand's rugby heritage, achievements and culture – bringing together the stories of our rugby legends, the drama and excitement of test match rugby, and the mastery and legacy of the All Blacks. Academy Award-winning design and effects company Weta Workshop will open an immersive attraction to complement its behind-the-scenes tours at their Miramar headquarters in Wellington.

Over the last financial year, we have also continued to evaluate our master plan for the SkyCity Auckland complex with ongoing concept development and feasibility analysis to explore opportunities for further accommodation, food and beverage, new gaming spaces and entertainment offerings. Our vision is for SkyCity Auckland to be a customer-centred destination with an ecosystem of mutually beneficial places – buildings, experiences and public spaces. As part of this broader master planning programme, SkyCity has acquired over $100 million of property around the SkyCity Auckland precinct over recent years – with the SkyCity Auckland footprint now spanning the majority of three blocks in the Auckland CBD (~3.5 hectares) with ~295,000sqm of gross floor area. In light of the COVID-19 pandemic, it is unlikely that any significant commitments will be made in the short term until there is greater certainty of the domestic and international economic environments.

FY20 PERFORMANCE

SkyCity Auckland delivered a robust performance in FY20 despite significant external events impacting the business. Good momentum was achieved prior to the fire at the New Zealand International Convention Centre and impact of COVID-19, including record local gaming activity for the eight months to 29 February 2020.

The property achieved positive performance from reopening in mid-May 2020 until the further mandated closure on 12 August 2020 (in response to an isolated COVID-19 outbreak in the greater Auckland area), particularly from gaming machines, despite reduced capacity and limited marketing and promotional activity. The non-gaming businesses performed satisfactorily, particularly the hotels. Local gaming activity during the period from 1 June – 11 August 2020 returned to pre-COVID-19 levels.



The new BLACK gaming machine area at SkyCity Auckland will cater for our domestic VIP customers.

FY20 ACHIEVEMENTS

Metro	The Sugar Club and Huami were both named in Metro Magazine's 2019 Top 50 Bars (August 2019)
	East Day Spa, located in The Grand by SkyCity, was named New Zealand's Best Hotel Spa at the 2019 World Spa Awards (October 2019)
Cuisine Good Food Awards 2019	Six SkyCity Auckland signature restaurants, The Grill, Gusto at the Grand, MASU by Nic Watt, Depot, Federal Delicatessen and Huami, were named in the prestigious 2019 Cuisine Good Food Awards list, with The Grill receiving two hats and each of Depot, Gusto at the Grand and MASU by Nic Watt receiving one hat (November 2019)
tripadvisor	The Sky Tower was named by TripAdvisor as #1 of 203 things to do in Auckland Central

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Hamilton

Property	SkyCity Hamilton, New Zealand
General Manager	 Michelle Baillie
Opened	2002 Increased ownership from 70% to 100% in 2005
Casino Venue Licence	Runs until 2027*
Facilities	• Casino • Food and beverage • Entertainment • Conventions • Car parking • Tenpin bowling
Licensed Gaming Product	• 339 electronic gaming machines • 23 table games
Workforce	~300 staff
FY20 Revenue	$52.3 million (reported) $58.8 million (normalised)

*The casino venue licence can be renewed for a further period of 15 years pursuant to sections 134–138 of the New Zealand Gambling Act 2003.

Situated within Hamilton's historic Chief Post Office, in a building designed to maximise a superb riverside location on the banks of the Waikato River, SkyCity Hamilton features a casino, bars and restaurants, a conference centre and Hamilton's only tenpin bowling alley.

The SkyCity Hamilton business has been on a transformational journey over recent years with the opening of a new food and beverage development in 2015, the addition of a modern tenpin bowling alley, Bowl and Social, in 2016 and the addition of X-Golf, a virtual golf simulator, and a new café in 2019. A new Baccarat lounge was opened on the casino floor in mid-July 2020.

Over the last financial year, we continued to progress our master plan for the SkyCity Hamilton complex to explore further opportunities to leverage the property's riverbank location, including a potential hotel development and additional food and beverage and entertainment offerings, and to explore opportunities to optimise the product mix at SkyCity Hamilton in response to customer demand for electronic gaming machines (which are capacity constrained over weekends) in preference to tables, which are underutilised. The hotel feasibility also relies on hosting out of town gaming customers over the weekend, so the extra gaming machine product is necessary to satisfy this potential increase in demand.

In December 2018, SkyCity applied to the New Zealand Gambling Commission to deploy 60 additional electronic gaming machines at SkyCity Hamilton in substitution of three existing Blackjack table games. The Commission received 242 separate submissions from the general public as well as submissions from Hamilton City Council, the Ministry of Health, Waikato District Health Board, Problem Gambling Foundation, Mapu Maia, Salvation Army Oasis, the Department of Internal Affairs, Anglican Action Mission Trust



SkyCity Hamilton

and Christchurch Casino Limited. A public hearing took place in Hamilton from 19 – 26 November 2019 at which the Commission heard both factual and expert evidence, and detailed legal submissions from the seven parties authorised to appear and be heard. In June 2020, the Commission released its decision declining the application on the basis that the proposed amendments to the licence conditions involved an opportunities substitution which was not proportionate in terms of the provisions in the New Zealand Gambling Act 2003. SkyCity is currently considering whether to make another application to the Commission for a lesser number of electronic gaming machines.

The hotel development and feasibility analysis are currently on hold until there is greater certainty of the domestic and international economic environments.

FY20 PERFORMANCE

SkyCity Hamilton achieved a solid performance during FY20 despite the impact of COVID-19 and related property closure. EBITDA was only slightly down on the prior year on a like-for-like basis and record local gaming activity was achieved in the eight months to 29 February 2020, underpinned by strong activity from gaming machines, despite being capacity constrained during peak periods.

The property has achieved strong performance since reopening from mid-May 2020, with gaming machine revenue above pre-COVID-19 levels and a positive response from key customers to marketing and promotional activity.

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The Guardsman at SkyCity Adelaide.


Eos by SkyCity will be Adelaide's most luxurious hotel when it opens.

Adelaide

Property	SkyCity Adelaide, Australia
General Manager	 David Christian
Acquired	2000
Licensing Agreement	Runs until 2085*
Facilities	• Casino • Hotel (due to open before the end of 2020) • Food and beverage • Entertainment
Licensed Gaming Product	• 828 electronic gaming machines (allowance for 1,500) • 82 table games (allowance for 200) • 67 automated table games (allowance for 300)
Workforce	~1,000 staff
FY20 Revenue	A$112.3 million (reported) A$121 million (normalised)

*The Approved Licensing Agreement between the Minister for Business Services and Consumers and SkyCity Adelaide Pty Limited provides SkyCity Adelaide with exclusive rights to provide casino gaming (except for interactive gambling) in South Australia until 30 June 2035.

Located in the historic Railway Station building on the banks of the Torrens River, SkyCity Adelaide is South Australia's only casino destination.

In January 2020, after being overlooked for more than a decade, the former Overland Dining Hall in the Railway Station building was transformed into a new, all-hours bar and restaurant 'The Guardsman' following a A$6 million restoration. The new venue pays homage to the Railway Station's rich heritage, featuring a grand central bar, open kitchen and a coffee front.

SkyCity is currently investing A$330 million to transform SkyCity Adelaide into a world-class integrated entertainment hub on the Festival Plaza forecourt adjacent to the Adelaide Festival Centre and Adelaide Convention Centre and near the Adelaide Oval. Designed by The Buchan Group in association with Hecker Guthrie Walter Brooke, and built by Hansen Yuncken, the new development is scheduled to open before the end of 2020 and will include a 120-room luxury hotel – Eos by SkyCity, wellness centre with a day spa, pool, sauna and gym, VIP gaming facilities, function and conference facility for up to 650 guests, two new bars (including a rooftop bar) and four additional signature restaurants.

Eos by SkyCity will be Adelaide's most luxurious hotel, with rooms ranging from 50sqm – 230sqm and opulently appointed to meet the growing demand for quality hotel rooms from both domestic and international visitors.

As part of the transformation, the existing SkyCity Adelaide business, housed in the iconic Adelaide Railway Station building, is also being revitalised and restored to improve the layout and experience for customers, including:

- 5,000sqm of new carpet throughout the building;

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SKYCITY ADELAIDE EXPANSION

Investment of

A$330 million

Up to an additional

700 new positions

required to operate the new development in full operation

- repainting Marble Hall, the former grand domed waiting room in the Railway Station building, for the first time since SkyCity Adelaide opened in 1985;
- restoration of heritage features and installation of lighting features in Marble Hall;
- creation of The District at SkyCity – a new live entertainment space on Level 1, which will feature Australia's first fully functional microbrewery (operated by Pirate Life) within a casino;
- refurbishment and extension of the Baccarat Pavilion;
- a restoration of Chandelier Bar; and
- construction of a new Central Café on the Ground Floor.

A new three-storey glass atrium will connect the heritage and new buildings.

Up to 700 additional ongoing roles, including front and back of house roles, will be required to operate the new development. Recruitment for some roles has already commenced and will continue through to mid-2021.

The South Australian Government's broader review of gambling regulation in South Australia was completed over the last financial year and, on 12 December 2019, State Parliament passed legislation to significantly reform the regulation of gambling in South Australia. As part of these reforms, SkyCity Adelaide will be permitted to introduce ticket-in ticket-out (TITO) technology on the main gaming floor and banknote acceptors. To implement the reforms, amendments will need to be made to the regulations under each of the gambling acts, changes made to the Advertising and Responsible Gambling Codes of Practice, and new gambling administration guidelines and community impact assessment guidelines developed. Consumer and Business Services will also need to update its systems and operations in support of these reforms and is aiming to commence all of the reforms by the end of 2020. SkyCity Adelaide can commence operating TITO on the main gaming floor and banknote acceptors from October 2020.

FY20 PERFORMANCE

SkyCity Adelaide achieved progressive improvement in performance during FY20 prior to the disruption from COVID-19, with stable local gaming activity to 29 February 2020, casino visitation up slightly from the prior comparable period and a three-year high in gaming machine market share (8%) achieved in December 2019.

SkyCity Adelaide was closed for the duration of 4Q20 due to the South Australian Government's COVID-19 restrictions, with the majority of staff being stood-down over the period. The property experienced minimal International Business activity during 2H20 due to international travel restrictions.

Queenstown

Property	SkyCity Queenstown and SkyCity Wharf, New Zealand
General Manager	 Jono Browne
Opened/Acquired	Opened Queenstown in 2000 and increased ownership from 60% to 100% in 2012 Acquired Wharf in 2013
Casino Venue Licence	Runs until 2025* for Queenstown Runs until 2024* for Wharf
Facilities	• Casino • Food and beverage • Entertainment • Conventions
Licensed Gaming Product	• 86 electronic gaming machines (Queenstown) • 12 table games (Queenstown) • 74 electronic gaming machines (Wharf) • 6 table games (Wharf)
Workforce	~60 staff
FY20 Revenue	$9.9 million (reported) $11.1 million (normalised)

*The casino venue licence can be renewed for a further period of 15 years pursuant to sections 134–138 of the New Zealand Gambling Act 2003.

SkyCity's two Queenstown casinos, SkyCity Queenstown and SkyCity Wharf, are located in central Queenstown, surrounded by the majestic Southern Alps.

Whilst the larger SkyCity Queenstown property reopened on 14 May 2020 following the announcement by the New Zealand Government that New Zealand would move to COVID-19 Alert Level 2 from 11.59pm on 13 May 2020, the smaller SkyCity Wharf property has remained closed since initially closing on 23 March 2020 (when the New Zealand Government announced that the COVID-19 Alert Level had increased to Alert Level 3 and its intention to move to Level 4 within the next 48 hours) as the ongoing border restrictions continue to have a detrimental effect on the local Queenstown economy in particular, which is largely dependent on tourism.

As Queenstown is an attractive destination for SkyCity's International Business customers, SkyCity continues to explore options to create an improved VIP/premium facility in Queenstown. In June 2019, SkyCity purchased land on the shores of Lake Wakatipu in Queenstown with the intention of using that land to develop a 5-star hotel to complement its existing entertainment facilities in Queenstown and further attract international visitors to Queenstown.

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SkyCity Queenstown

However, the COVID-19 pandemic and its impacts on the Queenstown economy in particular have caused the company to review its strategy in Queenstown. SkyCity continues to explore its options to create an improved VIP/premium facility, including investigating the regulatory framework to achieve any proposed development.

FY20 PERFORMANCE

The impact of COVID-19 on international visitors to Queenstown during 2H20 offset strong local gaming performance in 1H20. The property experienced minimal International Business activity during 2H20 due to international travel restrictions.

As noted above, SkyCity Wharf closed on 23 March 2020 and remains closed pending review and consideration of all available options.

SkyCity Queenstown achieved positive gaming machine performance post reopening in mid-May 2020.

International Business

General Manager	 Stewart Neish Group General Manager – International Business
Facilities	Premium gaming facilities at SkyCity Auckland, SkyCity Adelaide and SkyCity Queenstown
FY20 Revenue	$38.0 million (reported) $78.9 million (normalised)

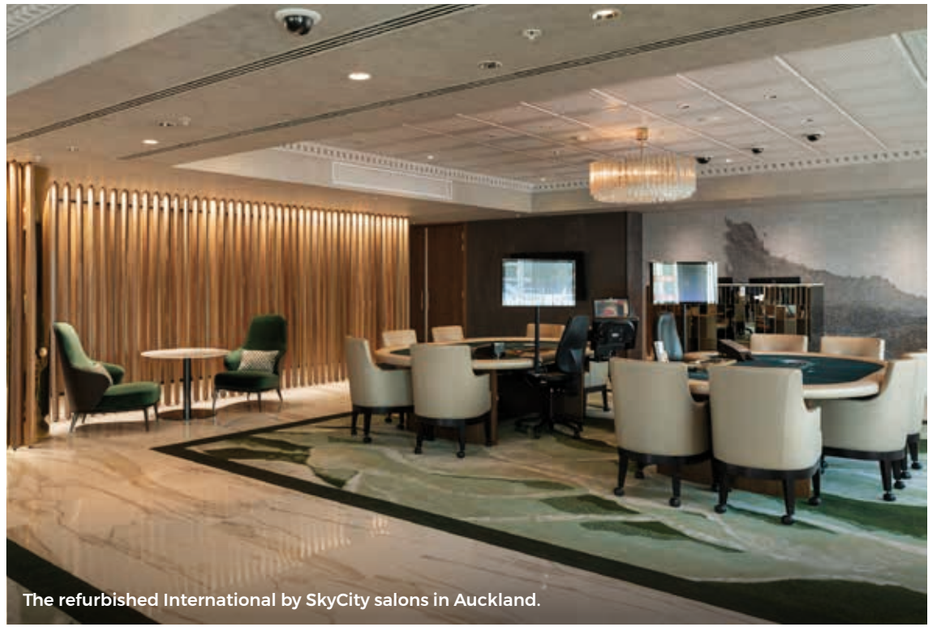
SkyCity's International Business division caters for high-net worth international players and junkets who visit casinos as part of their leisure activities.

The flagship SkyCity Auckland property features several premium gaming spaces, including VIP gaming salons in The Grand by SkyCity and 1,800sqm of luxury high-end gaming space above the SkyCity Hotel.

Located above the SkyCity Hotel, the Horizon Suites and salons were rebranded the 'International by SkyCity' salons and upgraded as part of a $6 million refurbishment in 2020 – featuring four luxurious gaming salons for exclusive use and four private accommodation suites. Each salon has its own private dining facilities, bar and massage chairs, as well as its own lounge area and outdoor balcony. Gaming dealers are available on request for customers, who enjoy the full range of gaming options offered at SkyCity Auckland in their own private salon.


The refurbished International by SkyCity salons in Auckland.

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The refurbished International by SkyCity salons in Auckland.

As part of the A$330 million SkyCity Adelaide expansion project due to open before the end of 2020, SkyCity is constructing additional VIP luxury gaming facilities to complement the existing premium gaming salon opened in Adelaide in 2015. Given expected ongoing international border restrictions as a result of the COVID-19 pandemic, the new facilities will initially cater for local and interstate customers.

Despite the impacts of COVID-19, there remains potential for further growth in International Business over the medium to long term due primarily to the attractiveness of New Zealand as a tourist destination, good connectivity and the new VIP luxury gaming facilities at SkyCity Adelaide. SkyCity remains committed to International Business and expects it to recover once international border restrictions are eased/lifted. SkyCity intends to continue to invest prudently in International Business to enhance sustainable shareholder returns.

The bulk of SkyCity's business is stable and low risk, originating from local/domestic players. The International Business provides incremental growth, but due to its inherent volatility, is likely to be maintained as a relatively small, but important, contributor to overall Group profit over the long term.

FY20 PERFORMANCE

International Business achieved significantly weaker volumes and normalised earnings in FY20 versus a record prior comparable period due to the impact of COVID-19 on visitation from Asia from January 2020, and the closure of international borders from late March 2020.

The ongoing fixed operating costs required to support the business, despite no revenue generation, in 4Q20 negatively impacted margins in addition to lower volumes in 1H20. FY20 reported EBITDA was slightly above the prior comparable period due to a higher win rate (1.47% vs 1.00%) offsetting lower turnover over the period.

Whilst SkyCity maintains a conservative approach to credit, there was an increase in the provision for bad and doubtful debts in International Business in FY20 due to COVID-19 related payment issues.

Online

General Manager	 Steve Salmon, Online Director
Facilities	Online casino
FY20 Revenue	$4.5 million (reported) $4.5 million (normalised)

Launched in August 2019, SkyCity Online Casino provides New Zealanders with an offshore online casino platform, featuring over 1,300 online games.

SkyCity Online Casino is operated out of Malta by international iGaming company Gaming Innovation Group Inc (GiG) on behalf of SkyCity Malta Limited, an independently operated subsidiary of the SkyCity Entertainment Group, and managed by an Online Director based in Europe.

GiG provides a full-suite online casino solution, including a technical platform, gaming content, managed services and front-end development.

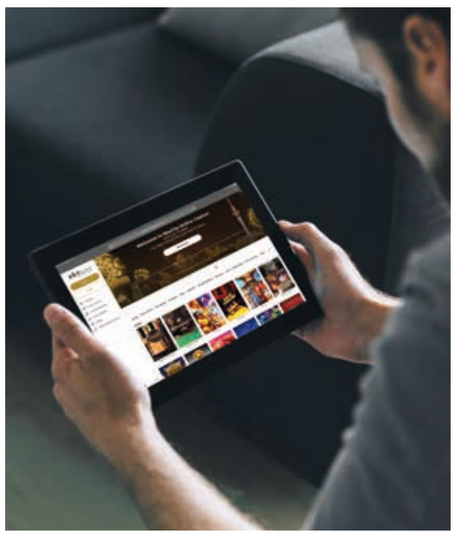
Whilst a regulated online gaming market remains the preferred solution in New Zealand, the launch of SkyCity Online Casino is another step on SkyCity's journey of pursuing opportunities to grow and diversify its earnings, accessing a fast growing industry that is highly complementary to its land-based activities and offering customers a multi-channel gaming experience. SkyCity remains supportive of regulating the New Zealand online casino market, including introducing an appropriate licensing regime for operators and imposing taxes and mandatory host responsibility requirements.

FY20 PERFORMANCE

SkyCity Online Casino experienced strong growth in customer registrations, first-time depositors and gaming revenue during the period, despite operational constraints.

During the COVID-19 mandated closure of SkyCity's land-based New Zealand casinos from 23 March – 14 May 2020, SkyCity Online Casino saw significant growth in its customer base with around 15,000 new customer registrations over the period. As at 30 June 2020, there were over 25,000 customer registrations and, as at 31 August 2020, there were over 35,000 customer registrations.

SkyCity Online Casino has been profitable every month from April 2020 with margins in-line with expectations. There has been a slight reduction in gaming revenue following the reopening of the New Zealand properties, but an increase in activity during the second closure in Auckland in August 2020. Overall, we expect SkyCity Online Casino to become a more meaningful part of Group earnings from FY21.



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Protecting the value of our business

Delivering strong and sustainable earnings across the SkyCity Group.

Risk Profile and Management

SkyCity operates in a dynamic and challenging environment with risks and opportunities both locally and internationally.

The SkyCity Board is ultimately responsible for the governance of the Group's risk management, which includes formulating the Group's risk appetite and setting and monitoring risk tolerance.

The company maintains a risk management framework for the identification, assessment, monitoring and management of risk to the company's business. As part of this framework, SkyCity maintains an independent, centrally managed Group Risk function which evaluates and reports on risks and controls across the Group. The Group Risk team collates, assesses and monitors the risks the Group faces by way of a Top Risk Profile, which is updated regularly. The Top Risk Profile is a current view of the most significant emerging or potential risks facing the Group, as well as a summary of how those risks are being mitigated or prepared for, and is a critical input to strategic planning, insurance renewal, investment and resource prioritisation, and assurance planning.

Management reports to the Audit and Risk Committee and SkyCity Board on the effectiveness of the company's management of its material business risks at least annually.

SkyCity's ability to create and preserve value for its shareholders requires the successful execution of its business strategy. Risks influencing its ability to do this, including SkyCity's material exposure to economic, environmental and social sustainability risks, if any, and how it manages or intends to manage those risks, are outlined below.

Material Exposure	Risk Management
Pandemic Preparedness and Business Continuity	
As with any large, distributed business, SkyCity must be prepared for a wide range of events that have the potential to cause significant disruption and/or temporary closure of one or more of its sites. The COVID-19 pandemic and related actions taken in response by the New Zealand, Australian and other Governments (including national lockdowns and border controls/travel restrictions) and the effects of the pandemic on global and domestic economies have had, and are likely to continue to have, a material adverse effect on SkyCity, its financial performance and outlook, liquidity and/or share price.	To mitigate this risk, SkyCity maintains a comprehensive business continuity framework, which supports preparedness and response to a wide range of critical events, including a natural disaster, a fire, an emergency incident and a pandemic. The business continuity framework is subject to ongoing: • monitoring to ensure management readiness and capability, including undertaking simulated crisis response drills on a regular basis to test management readiness and capability; and • improvement to enhance resilience. Due to the strength of the business continuity framework, the SkyCity Board and management worked well in responding to and managing two significant challenges over the past financial year which materially impacted SkyCity's business and operations – the fire that broke out at the New Zealand International Convention Centre in October 2019 and the impacts of the global COVID-19 pandemic that emerged in early 2020.

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Material Exposure	Risk Management
Highly Regulated Industry	
SkyCity operates in the casino industry, which is highly regulated. The regulatory framework is subject to change from time to time, which may impact the environment in which SkyCity operates and the costs of operating its business. Potential examples of such changes include unfavourable changes to gaming and/or smoking legislation and regulations, licence conditions and gaming taxes and levies. There may also be increased focus on regulatory oversight of land-based casino operators and on SkyCity's social licence to operate following COVID-19 (including in respect of host responsibility and anti-money laundering obligations). Any such additional focus may add increased complexity to the business and adversely impact SkyCity's operations and the costs of operating its business. In addition, there is ongoing pressure to keep improving SkyCity's standards.	The risk of regulatory change is mitigated by maintaining frequent engagement with the governments and regulators in each jurisdiction in which SkyCity operates and with industry stakeholders. Targeted initiatives are undertaken as and when required based on the likelihood of the risk occurring and the impact it would have on SkyCity's business. SkyCity also maintains a robust compliance culture and framework to ensure compliance with licence conditions and applicable legislation and regulations. The Audit and Risk Committee has responsibility for ensuring compliance with anti-money laundering requirements in New Zealand and Australia and discusses, as a standing agenda item at each scheduled Audit and Risk Committee meeting, matters relating to the Group's anti-money laundering obligations. The Group General Manager Regulatory Affairs and Anti-Money Laundering also attends each Audit and Risk Committee meeting to report to the Audit and Risk Committee on matters of interest. Within the business, a specialist Anti-Money Laundering team oversees the Group's ongoing compliance with anti-money laundering requirements and, during the past financial year, a management-led Anti-Money Laundering Senior Management Group (chaired by the General Counsel and Company Secretary) was established to provide enhanced governance for anti-money laundering related matters across the Group. The Sustainability Committee is responsible for overseeing and monitoring the company's host responsibility and responsible gambling programme and initiatives and monitoring licensing and regulatory compliance in respect of such matters. At each scheduled Sustainability Committee meeting, progress against host responsibility and responsible gambling measures and targets is reported and discussed as a standing agenda item. Within the business, a Host Responsibility Governance Group (chaired by the Chief Operating Officer) meets monthly to discuss and review host responsibility matters that have arisen or may arise in the future across the SkyCity Group.

Material Exposure	Risk Management
Liquidity and Solvency Risk	
SkyCity's ability to achieve its business objectives is dependent on it being able to effectively manage its liquidity and solvency throughout a period of no and/or significantly diminished revenue and earnings. There is significant complexity related to managing those matters, including as a consequence of a number of matters being outside of SkyCity's control. Such unexpected matters could result in SkyCity's financial position and future performance being adversely impacted. SkyCity's ability to demonstrate fiscal resilience during these times is critical to maintaining long term investor and regulatory confidence.	SkyCity manages liquidity risk by continuously monitoring forecast and actual cash flows and maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties and maturities. SkyCity also maintains close and transparent relationships with its lenders (including banks and United States private placement noteholders). In June 2020, SkyCity announced a comprehensive funding plan to strengthen its balance sheet and secure additional liquidity in response to the uncertainty around the impacts of COVID-19. The funding plan was successfully implemented in June and July 2020 and ensures SkyCity has an appropriate level of equity capital for the medium to long term and sufficient liquidity to fund its committed investment in its two major projects in Auckland and Adelaide. Given the cautious economic outlook and that significant risk and uncertainty still exists around COVID-19, SkyCity continues to adopt a conservative approach to capital management.
Loss of Casino Licence	
SkyCity's Auckland property contributes a significant portion of SkyCity's EBITDA. This concentration of earnings means that the performance of SkyCity is heavily dependent upon the Auckland property. A significant disruption to SkyCity's Auckland operations, which may arise through the suspension, cancellation or expiry of the Auckland casino licence, would have a significant negative impact on SkyCity. The suspension, cancellation or expiry of any of SkyCity's other casino licences would also have a negative impact on SkyCity.	SkyCity has mitigated this risk by securing an extension of the Auckland casino licence to 30 June 2048. The SkyCity Adelaide casino licence currently runs until 30 June 2085 and extensions to the Hamilton and Queenstown casino licences are intended to be sought in accordance with the renewal provisions of the Gambling Act 2003 (New Zealand) in due course. In addition, SkyCity mitigates the risk by maintaining a robust compliance culture and framework to ensure compliance with licence conditions and gaming legislation and regulations, and maintaining engagement with the governments and regulators, in each jurisdiction in which SkyCity operates. SkyCity has an excellent history of compliance over 20 years and is committed to working cooperatively with its regulators on matters of concern.

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Material Exposure	Risk Management
Economic and Business Volatility	
The general economic conditions in the markets that SkyCity operates in, in addition to volatility in certain parts of the business, can significantly influence the financial performance of the company.	To mitigate these risks, SkyCity continually monitors its external environment, including the geo-political and global economic landscape, and has a robust liquidity management framework. SkyCity also continually reviews the optimal mix for its business activities to ensure it has a balanced portfolio reflecting its risk appetite.
Customer and Innovation Risk	
SkyCity recognises that it is important to consider evolving customer demographics and preferences in both its gaming and non-gaming operations, including new offerings, technologies and innovation.	To ensure SkyCity remains relevant to its customers, key strategic projects are currently being progressed, with a focus on emerging industry trends and opportunities for leveraging new technology and demographic changes. In August 2019, SkyCity launched SkyCity Online Casino, an offshore online gaming business, via a Maltese subsidiary company as a logical extension of its land-based casino operations. Whilst the business is still very much in its infancy, SkyCity is encouraged by SkyCity Online Casino's performance over the past financial year. In July 2019, SkyCity acquired full ownership of Let's Play Live Media Limited, New Zealand's leading broadcaster and operator of esports tournaments. New forms of entertainment are also set to open at SkyCity Auckland before the end of 2020, including: • the All Blacks Experience, a joint venture between New Zealand Rugby and Ngāi Tahu Tourism, which will provide visitors with a state-of-the-art, interactive experience that will showcase the All Blacks; and • Academy Award-winning design and effects company Weta Workshop is developing an immersive attraction to complement its behind-the-scenes tours at their Miramar headquarters in Wellington. Master planning also continues to be progressed for each of the SkyCity sites to explore opportunities for further accommodation, food and beverage, new gaming spaces and entertainment offerings. However, in light of the COVID-19 pandemic, it is unlikely that any significant funding commitments will be made in the short term until there is greater certainty that the COVID-19 crisis no longer poses a threat.

Material Exposure	Risk Management
Technology Risk	
Technology represents a critical platform to SkyCity's business – not only for facilitating/enabling its operations, but also mitigating cyber threats and ensuring compliance with regulatory and licence requirements. SkyCity's operations are dependent on a number of key systems. There is a risk that the security of critical systems may be compromised and/or information is accessed without authorisation, deleted or corrupted, which could impact SkyCity's ability to operate critical systems and result in costs to resolve or repair, potential downtime of operations, potential breaches of privacy and/or reputational impacts.	To mitigate technology risk, SkyCity has invested in a significant programme over recent years to improve technology systems, infrastructure, capability and data management, and to improve cyber resilience. SkyCity continues to invest in these areas as required. In addition, there is also significant focus on technology project governance, risk management and assurance. A management-led Privacy and Cybersecurity Steering Committee has been established to, amongst other things: • govern the development of SkyCity's privacy and cybersecurity strategy and programme; • prioritise mitigation initiatives against the cybersecurity risk matrix; • prioritise the operational initiatives to lift SkyCity's security posture; and • review and respond to major cyber and privacy incidents and oversee the proposed measures to prevent recurrence. Penetration testing is undertaken regularly to test system resilience and identify any security vulnerabilities that could be exploited. Simulated phishing emails are also regularly sent within the organisation to raise security awareness amongst employees.
Development and Project Risk (including Return from Major Projects)	
With two significant growth projects underway, the New Zealand International Convention Centre and Horizon Hotel development in Auckland and the SkyCity Adelaide expansion project, as well as master planning across the Group, SkyCity recognises that robust project management is critical to successful delivery of these projects.	SkyCity has established strong governance and oversight frameworks for both current and future major growth projects, including the establishment of a dedicated Board sub-committee to oversee the New Zealand International Convention Centre and Horizon Hotel development and a separate dedicated Board sub-committee to oversee the SkyCity Adelaide expansion project. SkyCity also ensures robust governance over capital allocation and shareholder returns. The COVID-19 pandemic has significant implications for return on capital invested in major projects. For example, the ongoing closure of international borders over the short to medium term is expected to impact visitation and occupancy for the SkyCity Adelaide expansion project.

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Material Exposure	Risk Management
Health and Safety Risk SkyCity has Health and Safety Risk Registers in place that classify risks into two key categories – high consequence/low frequency (being critical risks) and low consequence/high frequency risks. Due to the hospitality and retail focus of SkyCity's business, a high percentage of the company's health and safety risk falls into the low consequence/high frequency category, which includes risks such as slips and trips, cuts and manual task related injuries.	**General** To mitigate critical risks (which include working at heights, confined spaces, electrical, moving plant, fire and explosion), SkyCity has in place extensive safe systems of work to effectively control the potential for an incident. Ongoing safety assurance activities seek to test these controls and, where appropriate, strengthen critical risk controls ensuring SkyCity keeps its people and visitors safe. SkyCity has harm prevention programmes in place which are aimed at reducing minor injuries and promoting wellness amongst SkyCity's employees and contractors. SkyCity's New Zealand properties are tertiary accredited under the Accident Compensation Corporation (ACC) Accredited Employers Programme and its Adelaide site is a registered self-insured employer. The company undertakes assurance activities to maintain certifications and continually improve its health and safety performance. **Significant Emergencies** There were two significant emergencies during the financial year ended 30 June 2020 which required a significant health and safety response and tested SkyCity's emergency preparedness. The fire at the New Zealand International Convention Centre development in October 2019 caused significant disruption to the Auckland CBD. Whilst the fire did not occur directly within the SkyCity Auckland main site, the smoke emitted from the fire entered SkyCity Auckland's premises and systems and necessitated an extensive clean-up operation across the SkyCity Auckland precinct. The SkyCity Health and Safety team partnered with occupational hygienists and professional maintenance and cleaning services to facilitate a safe reopening. SkyCity is committed to delivering robust health and safety standards to manage the ongoing risks associated with COVID-19 and has developed and implemented a COVID-19 Health Management Framework for its business operations. The framework has been shared with Government authorities across New Zealand and South Australia. SkyCity's New Zealand properties were amongst the first casino operations in the world to reopen during the global pandemic with robust health management strategies in place. Both New Zealand and Australia have achieved relative success in ensuring a low level of infection and mortality compared to many other countries around the world. However, the ongoing health and safety risks of COVID-19 have significantly altered the commercial landscape for SkyCity's land-based properties in both jurisdictions.

Given the nature of SkyCity's operations, SkyCity does not have a material exposure to environmental risks in its usual day-to-day operations. SkyCity nonetheless recognises the criticality of climate related risks to its operations. Further details on these risks and SkyCity's approach to climate change risk management and reporting are outlined on page 117 of this annual report.

Our COVID-19 Health Management Framework

The health of SkyCity's employees, contractors, visitors and guests is paramount. Our COVID-19 Health Management Framework outlines a comprehensive strategy for managing risks associated with COVID-19.

Operational Control Standard

Our standard outlines our mandatory risk controls, which have been developed based on guidance from the relevant health authorities in Australia and New Zealand:



Entry requirements



Guest and employee screening



Hand hygiene



Physical distancing



Education and information



Cleaning



Contact tracing

COVID-19 Risk Register

We have taken a risk based approach – analysing our business activities and putting in place controls that are reasonably practicable. We will continue to review and seek continuous improvement in our controls.



Operational Control Procedures

Focused on the workplace specific requirements for gaming areas across our precincts.



COVID-19 Safety Plans

Focused on re-entry risks to ensure our people are safe when returning to work after periods of absence.



COVID-19 Resourcing

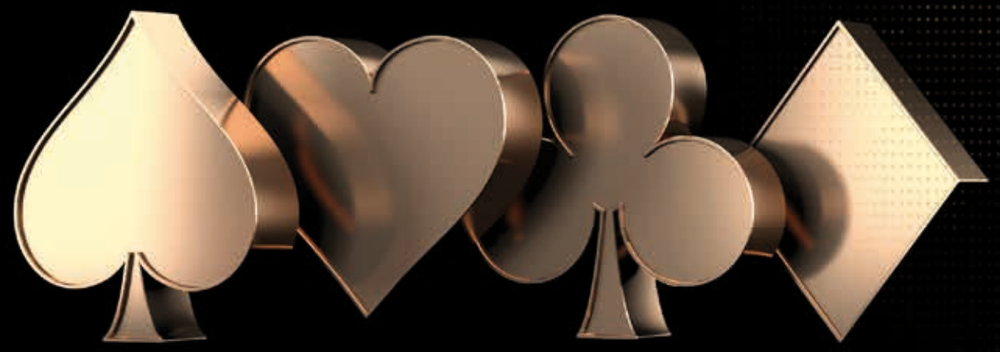
Ensuring we have the right levels of health and safety advice and equipment supported by a team of health professionals.



COVID-19 Assurance

Focused on reviewing the implemented mandatory controls to ensure we have the best levels of implementation.

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Sound governance and strong leadership

Our Board



ROB CAMPBELL

Chair

Member of the Audit and Risk Committee
Member of the People and Culture Committee
Member of the Sustainability Committee
Chair of the Governance and Nominations Committee

Appointed a director of SkyCity in June 2017 and Chair of the SkyCity Board in January 2018

Rob is currently the Chair of Summerset Group Holdings Limited, Tourism Holdings Limited, Ultrafast Fibre Limited, New Zealand Rural Land Company Limited, Ara Ake Limited and WEL Networks Limited and a director of Precinct Properties New Zealand Limited. Rob has over 30 years' experience in capital markets and is a director of, or advisor to, a range of investment fund and private equity groups in New Zealand, Australia, Hong Kong and the United States of America.

Rob holds a Bachelor of Arts with First Class Honours in Economic History and Political Science and a Masters of Philosophy in Economics.



BRUCE CARTER

Deputy Chair

Chair of the Audit and Risk Committee
Member of the Sustainability Committee
Member of the Governance and Nominations Committee

Appointed a director of SkyCity in October 2010

Based in Adelaide, Australia, Bruce is currently Chair of ASC Pty Limited (Australian Submarine Corporation), Aventus Capital Limited, the COVID-19 Business Advisory Committee and Scissor Holdings Pty Ltd trading as One Rail Australia, and a director of AIG Australia Limited, Bank of Queensland Limited as well as a number of private companies and government bodies.

Bruce was one of the founding partners of Ferrier Hodgson in Adelaide. He was formerly a partner at Ernst & Young and has more than 30 years' experience in corporate restructuring and insolvency.

Bruce is a Fellow of Chartered Accountants Australia and New Zealand.

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SUE SUCKLING

Director

Chair of the Sustainability Committee
Member of the Governance and Nominations Committee
Appointed a director of SkyCity in May 2011

Sue Suckling is an independent director and consultant with over 25 years in commercial corporate governance. She is recognised for her leadership in the technology innovation space and her deep governance experience.

Sue is currently the Chair of the Insurance & Financial Services Ombudsman Scheme Commission, Jacobsen Holdings Limited, Brannigans Consulting Limited, Rubix Limited, Soltians Limited, Jade Software Corporation Limited and Zag Limited. Previous governance roles include chairing NIWA, the New Zealand Qualifications Authority and AgriQuality Limited, and as a director of Restaurant Brands Limited, Westpac Investments Limited and the New Zealand Dairy Board. She was awarded an OBE for her contribution to New Zealand business.

Sue is a Chartered Fellow of the New Zealand Institute of Directors and a Companion of the Royal Society of New Zealand.



JENNIFER OWEN

Director

Member of the Audit and Risk Committee
Member of the People and Culture Committee
Member of the Governance and Nominations Committee
Appointed a director of SkyCity in December 2016

Jennifer Owen has more than 30 years' experience in the areas of accountancy, audit, finance, treasury and equities research. She has specific specialist knowledge of the New Zealand and Australian gaming and entertainment sectors through her previous roles as Director of Equities Research at Citigroup Global Markets, with a specialist focus on the Australasian gaming sector, and as Equities Research Analyst at Macquarie Group focusing on the tourism/leisure sector, and a wide network within the gaming industry and has a strong understanding of industry and investor issues.

Jennifer is currently a Principal of Owen Gaming Research, an independent research firm specialising in the gaming and wagering markets, and a director of Aspire Child Care (Mascot) Pty Limited.

Jennifer holds a Bachelor of Business from the Queensland Institute of Technology and a Masters in Business Administration from the University of Queensland, is a graduate of the Australian Institute of Company Directors' Diploma course and is a member of Chartered Accountants Australia and New Zealand.



MURRAY JORDAN

Director

Chair of the People and Culture Committee
Member of the Governance and Nominations Committee
Appointed a director of SkyCity in December 2016

Murray Jordan is currently a director of Chorus Limited, Metcash Limited, Stevenson Group Limited, Southern Cross Benefits Limited, Southern Cross Hospitals Limited and the Southern Cross Medical Care Society. He is also a trustee of Southern Cross Health Trust, Starship Foundation, Foodstuffs' Members Protection Trust and The Foodstuffs Co-operative Perpetuation Trust.

Prior to embarking on a governance career in 2015, he held various senior management roles at Foodstuffs Limited from 2004 to 2015, including Managing Director of Foodstuffs North Island and Managing Director and General Manager Retail, Sales and Performance of Foodstuffs Auckland Limited. In 2013, he led the merger of the Auckland and Wellington businesses of Foodstuffs to create what is now known as Foodstuffs North Island and established and oversaw the integration programme.

His early career was in the property sector, including as General Manager of Telecom NZ's property business and General Manager of AMP Capital Investors NZ Limited's property portfolio. Murray has a Masters degree in Property Administration from the University of Auckland.

Our Senior Leadership Team

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From left to right:
Simon Jamieson, Jo Wong, Rob Hamilton and Glen McLatchie

From left to right:
Graeme Stephens, Liza McNally, Michael Ahearne and Claire Walker

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GRAEME STEPHENS

Chief Executive Officer

Graeme joined SkyCity as Chief Executive Officer in May 2017, bringing with him significant expertise in the gaming, hospitality, and leisure industries.

Prior to joining SkyCity, Graeme was Chief Executive Officer of Sun International, a casino, resorts and entertainment company listed on the Johannesburg Stock Exchange. Under his leadership, the company rebalanced its portfolio, diversified into growth areas in both South Africa and Latin America, redeveloped its flagship resort in Sun City and built a new casino resort near Pretoria.

An accountant by profession and with more than 10 years' experience in banking and corporate finance, Graeme was appointed Senior Vice President of New Business Development at Kerzner International in 2003 and was responsible for a number of global hospitality projects before joining Sun International in 2011.

ROB HAMILTON

Chief Financial Officer

Rob joined SkyCity as Chief Financial Officer in October 2014 and is responsible for the financial management of SkyCity, including reporting, treasury, risk management and corporate development. He also oversees SkyCity's International Business and Information and Communications Technology function and helps to drive the strategic direction of the SkyCity Group.

Rob is a respected member of the finance community with more than 20 years' experience at First NZ Capital (now Jarden), where he led the investment banking team. He is currently a non-executive director of Tourism Holdings Limited, on the Board of Trustees for Auckland Grammar School and a trustee of the SkyCity Auckland Community Trust.

Rob was a finalist in the Chief Financial Officer of the Year category in the 2019 Deloitte Top 200 Awards in New Zealand.

Rob holds Bachelor degrees in Commerce and Science.

MICHAEL AHEARNE

Chief Operating Officer

Michael joined SkyCity in December 2017 as Chief Operating Officer and is responsible for overseeing the operations and driving value across SkyCity's five properties in New Zealand and Australia. He is also responsible for SkyCity's online gaming strategy, including the establishment of SkyCity Online Casino in 2019.

Michael has significant global experience in the gaming industry across both land-based and online casinos, as well as retail and online sports betting. Prior to joining SkyCity, Michael held a number of senior commercial, operational and product leadership roles at Paddy Power Betfair, one of the world's leaders in sports betting and gaming. Prior to this, Michael enjoyed a 13-year career in the Australasian gaming and entertainment sector – 10 years of which were spent at The Star Casino, Sydney, where he held a variety of senior management positions and, following that, three years as Chief Operating Officer for Aristocrat in the Australia and New Zealand regions.

Michael is a qualified accountant and holds an MBA from the University of Technology, Sydney.

CLAIRE WALKER

Chief People and Culture Officer

Claire was appointed in August 2016, bringing more than 20 years' experience in human resource management gained across a number of different sectors, and holds the position of Chief People and Culture Officer. She is responsible for leading the development and implementation of best practice people and culture strategy across the SkyCity Group and has executive responsibility for sustainability at SkyCity.

Prior to joining SkyCity in 2016, Claire was Chief People Officer at Sanford Limited where she established the human resources function and led the sustainability and integrated reporting activities for the organisation and, prior to that, Claire led the human resources and employee relations function for the SkyCity Auckland business. Claire has also held senior human resource roles with Carter Holt Harvey and Downer after several years working in the education sector.

Claire holds a governance role on the advisory board of the Sustainable Business Council in New Zealand.

JO WONG

General Counsel and Company Secretary

Jo joined SkyCity as Senior Legal Counsel in January 2009 and was appointed as General Counsel and Company Secretary in September 2016. She is responsible for SkyCity's legal, company secretarial, regulatory affairs and anti-money laundering functions and is designated as SkyCity's Chief Privacy Officer.

Jo has more than 20 years' experience in both private practice and in-house legal roles. Before joining SkyCity in 2009, she held General Counsel and Group Corporate Counsel roles in the New Zealand financial services industry and was a Senior Solicitor at Russell McVeagh, one of the leading law firms in New Zealand.

Jo was a finalist in the In-House Lawyer of the Year category in the 2019 New Zealand Law Awards and was recognised in New Zealand Lawyer's inaugural In-House Leaders 2019 list as one of 25 leading lawyers across New Zealand.

Jo is a graduate of the 2017 Global Women Breakthrough Leaders Programme, is a member of New Zealand Asian Leaders and holds a Bachelor of Laws and a Bachelor of Arts (Criminology and Japanese) from Victoria University of Wellington.

SIMON JAMIESON

General Manager NZICC

Since joining SkyCity in September 2007, Simon has held a number of roles, including General Manager SkyCity Adelaide, General Manager Hotels SkyCity Auckland and Acting General Manager SkyCity Auckland.

As General Manager NZICC, Simon oversees the development of SkyCity's New Zealand International Convention Centre and Horizon Hotel project in Auckland. He is also responsible for health and safety at SkyCity.

With more than 30 years' experience in large-scale hospitality businesses, Simon brings a wealth of commercial experience and tourism know-how to the SkyCity business.

LIZA MCNALLY

Chief Marketing Officer

Liza joined SkyCity in January 2018 as Chief Marketing Officer and has 25 years of marketing expertise working in Australia and New Zealand. In addition to managing Group Communications, Liza is responsible for championing the digital customer experience across the SkyCity Group.

Liza's background includes senior marketing and sales positions within media, entertainment and telecommunications organisations. Prior to joining SkyCity, Liza was Chief Marketing Officer at New Zealand Media & Entertainment (NZME).

Liza is currently a non-executive director of AFL New Zealand and a trustee of the Auckland Farmers Santa Parade. Liza holds a Bachelor of Commerce (Hons Marketing) from Deakin University, Australia.

GLEN MCLATCHIE

Chief Information Officer

Glen joined SkyCity in 2016 as Chief Information Officer and is responsible for lifting the digital capability of the organisation to be able to respond to future innovation initiatives and growth strategies.

Prior to joining SkyCity, Glen was General Manager ICT with Meridian Energy where he transformed and modernised their aging technology footprint and digital capability. He has 25 years of technology experience from across several industries globally, having worked in and out of the UK, France, USA, Australia, Malaysia, India, China and the Middle East.

Glen is a board member of Auckland charity Big Brothers Big Sisters and an advisory board member of Cyber Research NZ. Glen holds a Master of Information Systems from Swinburne University of Technology, Australia, and a Bachelor of Business Studies from Massey University, New Zealand.

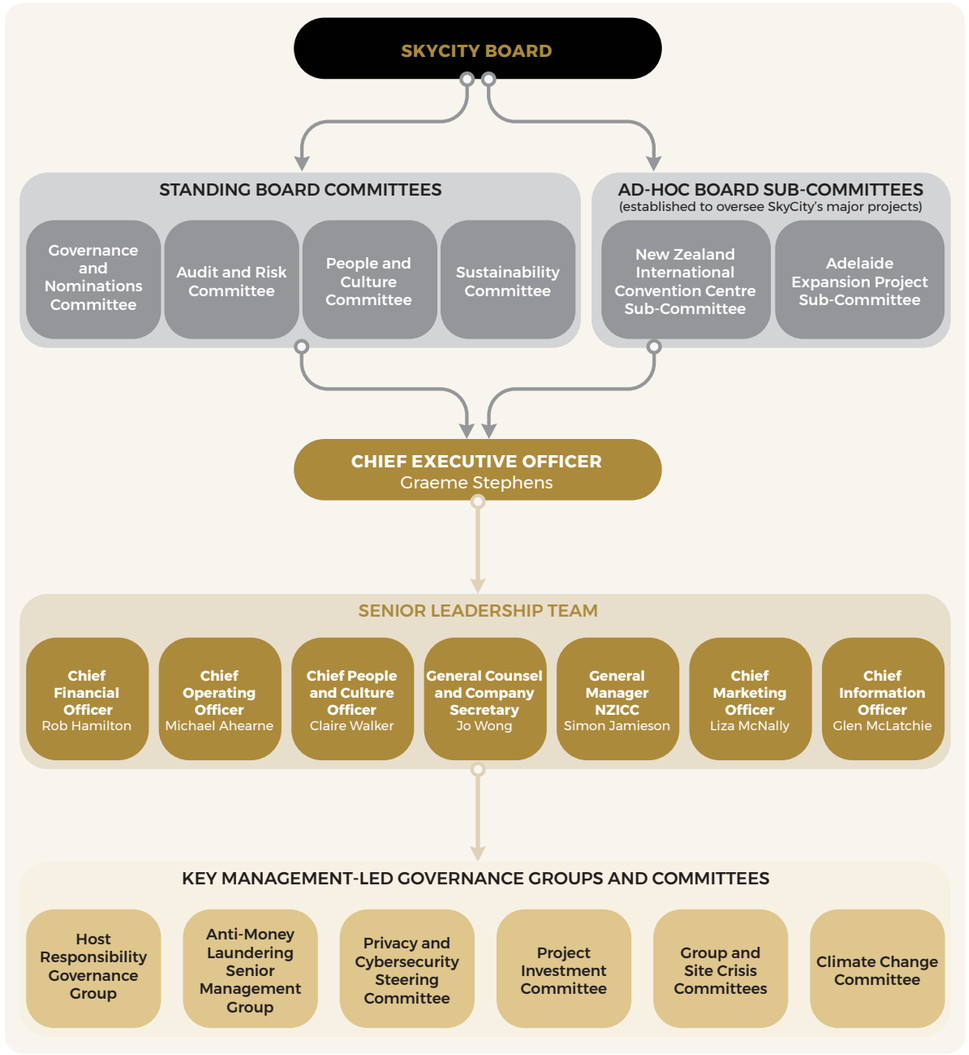
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BOARD AND SENIOR LEADERSHIP TEAM ORGANISATIONAL CHART

SkyCity is committed to maintaining the highest standards of corporate behaviour and responsibility and has adopted governance policies and procedures reflecting this. Our corporate governance framework ensures Board accountability to shareholders and provides for an appropriate delegation of responsibilities to the Chief Executive Officer and Senior Leadership Team.

The SkyCity Board has responsibility for the affairs and activities of the company, which in practice is achieved through delegation to the Chief Executive Officer and Senior Leadership Team who are charged with the day-to-day leadership and management of the company.

Further information on SkyCity's corporate governance framework is set out on pages 123–133 of this annual report. SkyCity's constitution and relevant charters and policies are available in the Governance section of the company's website at www.skycityentertainmentgroup.com.



The BLACK gaming area at SkyCity Auckland is due to open later this year and will provide an unrivalled VIP offering and experience to our domestic VIP customers.

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Being a responsible corporate citizen

We are committed to maintaining the highest levels of sustainability objectives and practices.

Sustainability

At SkyCity, we recognise that sustainability is critical to all levels of our business and operations. Part of being a responsible business is understanding the impacts arising from our operations. The aim of this understanding is to enable positive impacts to be fostered and negative impacts to be at the very least mitigated and ideally abated. This is particularly true when there is potential for harm to either people or the environment.

At SkyCity, we need to continually focus on our social licence to operate – as, in the casino industry, we have to try harder than most to justify our place in society. SkyCity is committed to maintaining the highest levels of sustainability objectives and practices, with priority given to minimising the impacts associated with problem gambling as an area of primary focus.

Our sustainability initiatives are focused on doing good for our customers, our employees, our communities, our suppliers and our environment. Our objective is to ensure that our strategic decisions strengthen the communities we operate in and provide environments and opportunities for our customers, suppliers and staff to enjoy, to be entertained and to be safe.

Setting Our Framework

In 2016, after engaging with both internal and external stakeholders on which sustainability issues were most relevant to SkyCity's business, SkyCity adopted its first set of sustainability goals, priority actions and targets and developed a materiality matrix to identify a set of priority impact areas and issues for the business. These were subsequently refined in 2018 to incorporate global trends and local market conditions in our approach to, and assessment of, risks and opportunities, culminating in a refreshed set of sustainability pillars.

In early 2020, we commenced a review of our materiality matrix to prioritise the issues most important to our business and stakeholders and to ensure the issues were appropriately weighted in our sustainability strategy. From a long list of potentially material issues identified via a desktop review, the following issues (grouped under our existing sustainability pillars) were identified by internal and external stakeholders as material to SkyCity's business:

OUR CUSTOMERS

- Responsible hosting
- Customer experience
- Cybersecurity and data privacy
- Regulatory risk

OUR PEOPLE

- Employee engagement
- Health, safety and wellbeing
- Organisational culture
- Diversity, inclusion and belonging

OUR COMMUNITIES

- Community investment
- Community and Iwi engagement

OUR SUPPLIERS

- Ethical sourcing

OUR ENVIRONMENT

- Climate change

ISSUES IMPACTING MULTIPLE PILLARS

- Business continuity
- Return on investment
- Theft and fraud
- Operational efficiency
- Sustainable portfolio

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Despite the challenges presented by the COVID-19 global pandemic, SkyCity's current sustainability strategy and strategic pillar goals, plans and priorities (as validated by the feedback from our stakeholders as part of the materiality review in 2020) remain relevant today. We have learnt through the COVID-19 pandemic that we cannot take for granted that the core business will generate profit. Recognising that to be a sustainable business we must be a responsible business actively protecting and promoting the people we serve and the places we share whilst creating value for our shareholders, SkyCity's sustainability strategy has this year been amended to also incorporate financial performance alongside social and environmental performance.

Our new 'Our Shareholders' pillar recognises that SkyCity must create value for its shareholders while maintaining its social licence to operate. The priority issues relevant to this pillar are business continuity, improving SkyCity's operating performance, optimising SkyCity's existing portfolio, and growing and diversifying SkyCity's business. The objectives for this pillar are to:

- strengthen and maintain good relationships with all stakeholders, including shareholders and debt providers;
- grow gaming visitation and spend and develop complementary activities that drive gaming;
- achieve operating efficiencies which protect and grow margins;
- develop digital businesses and leverage investment in technology;
- ensure capital allocation balances short term returns and long term sustainability;
- ensure ownership of assets balances strategic control and return on capital; and
- monitor and evaluate regional merger and acquisition opportunities in our industry.

We continue to focus on embedding our sustainability pillars into all levels of the organisation and in the way SkyCity operates. The material issues identified have influenced our focus on managing SkyCity's risks and have informed our sustainability strategy and priorities, which underpin our reporting on our non-financial performance.

Our Sustainability Committee

The Sustainability Committee is a dedicated Board committee that assists the SkyCity Board to contribute to SkyCity's vision and strategic plan by ensuring that the company's sustainability strategy is best practice and supports the highest level of sustainability objectives, with priority given to minimising the impacts associated with problem gambling as an area of primary focus.

The responsibilities of the Sustainability Committee include reviewing and recommending to the Board the sustainability strategy, principles, policies and practices of the company to ensure alignment with the company's strategic objectives and performance, and reviewing and reporting to the Board on the company's impacts associated with SkyCity's sustainability pillars.

The guiding principles that underpin SkyCity's sustainability activities and the role, responsibilities, composition, structure and membership of the Sustainability Committee are set out in the Sustainability Committee Charter (available in the Governance section of the company's website at www.skycityentertainmentgroup.com), which is reviewed and approved by the Board on an annual basis.

The Board and Sustainability Committee maintain operational supervision of SkyCity's sustainability activities through clearly defined policy and effective management. Claire Walker, SkyCity's Chief People and Culture Officer, has executive responsibility for SkyCity's sustainability activities with key operational personnel within the business having day-to-day responsibility for the activities.

Our Pillars

The following pages outline our priorities, objectives and activities for each of the sustainability pillars – 'Our Customers', 'Our People', 'Our Communities', 'Our Suppliers' and 'Our Environment', outline the activities undertaken to support our sustainability strategy, and provide a summary of our achievement against our priorities for the financial year ended 30 June 2020. Commentary on the new 'Our Shareholders' pillar is provided in an overarching way throughout the entirety of our financial and non-financial disclosures.

The areas identified as priority issues are those considered highly material for SkyCity's business and for our stakeholders. Our objectives and activities set out what we intend to do both in our business and our communities. They are intended to challenge the business and staff and provide a dedicated framework for measuring progress over the coming years. We are committed to measuring performance on each goal, through specific key performance indicators, which will ensure the business strives to keep pace with internal and external expectations.

We Welcome Your Feedback

If you have any feedback or questions in relation to SkyCity's sustainability framework and/or reporting, please contact SkyCity at sustainability@skycity.co.nz.

Our Sustainability Vision

To be a sustainable business, we must be a responsible business actively protecting and promoting the people we serve and the places we share, whilst creating value for our shareholders.



PEOPLE

Inspire our people

Create a great place to work where people are empowered to grow and achieve

Great, safe place to work

PLACE

Protect our environments

Respect and protect our physical environments for future generations

Sustainable success

PROFIT

Create sustainable value

Ensure business continuity through operational efficiency, sustainable investment and customer focus

Reliable return on investment

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CUSTOMERS | Always put customers first | Be responsible leaders in our community

Ensure safe and enjoyable experiences for our customers, employees and communities

Our Priorities	Our Plan	Material Issues
Leading host responsibility	· Maintain industry-leading harm minimisation practices · Host Responsibility Programme performance and problem gambling indicators · Industry benchmarking of SkyCity's Host Responsibility Programmes · Leverage technology to enhance the identification of actual or potential problem gamblers and act on that information	• **Responsible hosting** • **Customer experience** • **Cybersecurity and data privacy** • **Regulatory risk**
Customer experience and engagement	· Employee Host Responsibility training completion rates · Accelerate customer experience and engagement through improved data, digital and loyalty capability	**Sustainable Development Goals**
Community awareness of harm minimisation practices	· Increase in community knowledge and understanding of SkyCity's harm minimisation practices · Customer data security and privacy practices	

SUPPLIERS | Be responsible leaders in our communities

Source ethically and locally

Our Priorities	Our Plan	Material Issues
Low carbon supply chain	· Encourage suppliers to set science-based targets and strive to achieve zero carbon by 2050	
Buy local and seasonal	· Serve meals from a sustainable supply chain to employees and customers · Source animal products responsibly (eg. free range eggs) · Track and report on local vs international procurement spend · Support supplier diversity (indigenous economy) and working conditions	• **Ethical sourcing**
Connect to the circular economy	· Remove single-use plastics from our supply chain	
Progress initiatives to eliminate modern slavery	· In accordance with the Modern Slavery Act 2019 (Cth), develop a modern slavery statement by 31 December 2020	**Sustainable Development Goals**
Ethical supply chain	· Progressively work towards an end-to-end understanding of our supply chain, ensuring that all suppliers meet the standards of our Ethical Sourcing Code	

ENVIRONMENT | Be responsible leaders in our communities | Offer a great and safe place to work

Active commitment to reducing our environmental footprint

Our Priorities	Our Plan	Material Issues
Climate change/ emissions reduction	· Measure, report and offset SkyCity's carbon emissions	• **Climate change**
Reducing waste	· Reduction of waste and diversion from landfill	**Sustainable Development Goals**
Employee activation	· Employee-led Green Fund	
Reduction in water use	· Implement initiatives to reduce water use	

COMMUNITY | Be responsible leaders in our communities

Serve a social purpose by investing in our local economies and communities

Our Priorities	Our Plan	Material Issues
Economic contribution	· Measure and evaluate SkyCity's economic contribution to the communities in which we operate, through local procurement spend	• **Community investment** • **Community and Iwi engagement**
Building communities by developing people	· In collaboration with the SkyCity Community Trusts, make a positive impact on youth development, employment and career paths	
Investing in our communities through the SkyCity Community Trusts in New Zealand	· Community based partnerships that achieve sustainable social change · Report on community outcomes through narrative and case studies accompanied by quantitative results	**Sustainable Development Goals**
Developing deeper connections with Iwi and indigenous peoples	· Build SkyCity's confidence and capability to engage authentically with Māori and indigenous peoples	

PEOPLE | Offer a great and safe place to work

A great place to work where our people are empowered to grow and achieve

Our Priorities	Our Plan	Material Issues
Employee engagement	· Employee engagement pulse checks	• **Employee engagement** • **Meaningful career and development pathways** • **Diversity, inclusion and belonging** • **Health, safety and wellbeing**
Meaningful career and development pathways	· Internal promotions and development opportunities	
Diversity, inclusion and belonging	· Leverage the competitive advantage SkyCity's diverse workforce provides · Ethnicity and gender reporting, including gender equality of pay, and representation	**Sustainable Development Goals**
Health, safety and wellbeing	· Health, safety and wellbeing scorecards	

SHAREHOLDERS | Improve our operating performance | Optimise our existing portfolio | Grow and diversify our business | Always put customers first

Create value and maintain our social licence to operate

Our Priorities	Our Plan	Material Issues
Business continuity	· Strengthen and maintain good relationships with all stakeholders, including shareholders and debt providers	• **Business continuity** • **Return on investment** • **Operational efficiency** • **Sustainable portfolio** • **Regulatory risk**
Improve operating performance	· Grow gaming visitation and spend and develop complementary activities that drive gaming	
Optimise existing portfolio	· Achieve operating efficiencies which protect and grow margins	
Grow and diversify our business	· Develop digital businesses and leverage investment in technology · Capital allocation balances short term returns and long term sustainability · Ownership of assets balances strategic control and return on capital · Monitor and evaluate regional merger and acquisition opportunities in our industry	



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Be responsible hosts

Ensure safe and enjoyable experiences for our customers, employees and communities.

Our Customers

At our core, SkyCity is a provider of casino entertainment. The promotion of responsible gaming and safe consumption of alcohol are therefore topics at the heart of our business.

We take our responsibilities to minimise risk and harm from problem gambling very seriously.

Priority Issues

- Leading host responsibility
- Customer experience and engagement
- Community awareness of harm minimisation practices

Key Stakeholders

- Customers (existing and potential)
- Department of Internal Affairs
- Gambling Commission
- Office of Liquor and Gambling Commissioner
- Consumer and Business Services
- Government Ministers, agencies and officials, including the Ministry of Health
- Treatment service providers and public health providers, including Asian Family Services, Problem Gambling Foundation, Salvation Army, Raukura Hauora o Tainui and Hāpai Te Hauora
- Australasian Gaming Council
- Police
- Local councils

FY20 Performance Highlights

- Deployed facial recognition technology across all SkyCity's land-based casinos to assist in identifying excluded customers
- Commenced operation of a predictive algorithm risk model at the SkyCity Hamilton casino to assist in identifying players who may be at risk from gambling harm by analysing loyalty data
- Implemented 'Live View' system technology at the SkyCity Auckland and SkyCity Hamilton casinos to assist in identifying continuous play on electronic gaming machines
- Increased host responsibility training for SkyCity Auckland Customer Service Ambassadors – a front line customer service team whose role is to engage and build rapport with customers with an emphasis on host responsibility
- The SkyCity Auckland and SkyCity Hamilton casinos participated in Gambling Harm Awareness Week in New Zealand – with treatment and public health stakeholders stationed within the casino environs to create awareness of problem gambling and access to support and treatment networks

FY20 Key Challenges

- Remains challenging to identify and prevent excluded persons from re-entering and remaining within our land-based casinos
- Maintaining effectiveness, relevancy and consistency in harm minimisation best practice is an ongoing challenge
- Alignment of host responsibility and harm minimisation practice and culture across the SkyCity Group remains challenging due to differences from site to site, such as size, scale and staffing structure

FY21 Focus Areas

- Review and refresh the delivery of host responsibility training to staff, including development of a new coaching and education programme for front line staff to improve capability around identifying uncarded and excluded players
- Maintain leading and best practice host responsibility by leveraging available technology solutions
- Increase and upweight host responsibility team/resourcing

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Our challenge is to ensure that our business provides entertaining and profitable, yet safe and responsible, experiences and environments

Leading and Best Practice Host Responsibility

When done responsibly, gambling can be a fun and enjoyable entertainment activity. However, it can also have harmful effects on some individuals, their families and their communities. Our challenge is therefore to ensure that our business provides entertaining and profitable, yet safe and responsible, experiences and environments.

This section largely focuses on SkyCity's approach to host responsibility across its land-based casinos. Due to limitations in the New Zealand Gambling Act 2003, SkyCity launched its online gaming site, SkyCity Online Casino, offshore in August 2019 via its Maltese subsidiary, SkyCity Malta Limited, in partnership with international iGaming company Gaming Innovation Group Inc (GiG). GiG provides a full-suite online casino solution, which includes a technical platform, gaming content, managed services, front-end development and best-in-class host responsibility procedures. SkyCity Malta Limited has tailored the host responsibility tools available from its offshore platform to align wherever possible with SkyCity's land-based practices and, in some cases, has developed new processes specifically applicable to the New Zealand market such as the casino age restriction and contact information for support services. Further details of SkyCity Online Casino's host responsibility practices are available at www.skycityentertainmentgroup.com/our-commitment/responsible-gambling for all customers and staff.

Commitment to Host Responsibility

At SkyCity, we place great importance on host responsibility throughout every part of the organisation.

The Sustainability Committee is a dedicated Board committee that assists the SkyCity Board to contribute to SkyCity's vision and strategic plan by ensuring that the company's sustainability strategy is best practice and supports the highest level of sustainability objectives, with priority given to minimising the impacts associated with problem gambling as an area of primary focus. The Sustainability Committee is responsible for overseeing and monitoring the company's host responsibility and responsible gambling programme and initiatives and monitoring licensing and regulatory compliance in respect of such matters. At each scheduled Sustainability Committee meeting, progress against host responsibility and responsible gambling measures and targets is reported and discussed as a standing agenda item.

Within the business, a Host Responsibility Governance Group meets monthly to discuss and review host responsibility matters that have arisen or may arise in the future across the SkyCity Group. Membership of the Governance Group includes the Chief Operating Officer, General Counsel and Company Secretary, Group Regulatory Manager, Group Risk Manager, the General Managers for Auckland, Hamilton, Queenstown and Adelaide, and Host Responsibility representatives. The principal objectives of the Governance Group are to:

- provide collective guidance to SkyCity management on host responsibility matters of interest;
- enable senior management to discuss any relevant topics and to receive advice, support and ongoing learnings in a confidential environment;
- expose senior management personnel to host responsibility topics that may have bearing or impact on SkyCity's regulatory environs, customers, their site/jurisdiction of operation or its employees; and
- develop initiatives that will collectively benefit SkyCity customers and shareholders by way of discussion, provision or endorsement of responsible gambling and/or harm prevention components.

We are immensely proud of the culture of care we have developed within our casinos and continue to focus on ways to ensure that this culture of care is maintained

A robust Host Responsibility Programme is in place at each of our physical sites, and within SkyCity Online Casino, to prevent and minimise harm from problem gambling.

All SkyCity Board members and staff receive training in problem gambling awareness. A dedicated team of experienced host responsibility specialists is employed at each of SkyCity's land-based casinos and, through our partnership with Gaming Innovation Group plc, an experienced harm minimisation team is in place for SkyCity Online Casino. Additionally, at our largest and busiest Auckland site, a team of Customer Service Ambassadors is trained to interact with our customers and report any concerns to our specialist Host Responsibility team so preventative action can be taken, where required.

An outline of SkyCity's commitment to host responsibility and detailed individual site-related information, including the Host Responsibility Programme for each site and SkyCity Online Casino, is available at www.skycityentertainmentgroup.com/our-commitment/responsible-gambling.

Maintaining Leading and Best Practice Host Responsibility

We are immensely proud of the culture of care we have developed within our casinos and continue to focus on ways to ensure that this culture of care is maintained and that we have the highest standard of host responsibility best practice.

Over the past financial year, we implemented additional host responsibility measures to improve our ability to detect excluded persons and continuous play, including:

- the introduction of facial recognition technology across all our land-based casinos in New Zealand and Adelaide, South Australia, in November 2019 to assist in identifying excluded customers;
- the introduction of 'Live View' system technology at the SkyCity Auckland and SkyCity Hamilton casinos to assist in identifying uncarded continuous play on electronic gaming machines;
- upgrading the 'Carpark Assist' technology at SkyCity Auckland casino to ensure alerts relating to vehicles of interest are sent to mobile devices to improve response times;
- increased host responsibility training for Customer Service Ambassadors; and
- more regular and dedicated physical sweeps of gaming areas by SkyCity personnel.

In addition, we continued to undertake internal mystery shopping training exercises to test the robustness of our host responsibility practices.

Prior to the introduction of facial recognition technology in November 2019, SkyCity was largely reliant on its casino staff and Security and Surveillance teams using photographs to recognise excluded people. The introduction of facial recognition technology and other technological solutions (such as 'Live View' system technology at the SkyCity Auckland and SkyCity Hamilton casinos) significantly bolsters and assists SkyCity's ongoing efforts to detect and prevent excluded customers from re-entering its casinos and to detect continuous presence and play – however, despite our best efforts and host responsibility measures and initiatives, some individuals may nonetheless find ways to elude staff.

In a dynamic casino environment, maintaining effectiveness, relevancy and consistency in harm minimisation best practice is an ongoing challenge. In response to that challenge, SkyCity continues to explore available technology solutions, seek expert advice, consult stakeholder groups and source a range of research material.

SkyCity has regular and robust dialogue with its regulators, including the Department of Internal Affairs in New Zealand, through which SkyCity is always challenged to do better in respect of its host responsibility practices and the effectiveness of its Host Responsibility Programmes. This dialogue has driven some of the host responsibility measures outlined above and will continue to drive initiatives in the future.

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Independent Evaluation

In connection with SkyCity's application to the New Zealand Gambling Commission to replace three table games at the SkyCity Hamilton casino with 60 electronic gaming machines, in 2019, we commissioned Dr Mark Griffiths to provide an independent report in relation to the application, which, amongst other things, expressed his opinion on the overall host responsibility regime in place at the SkyCity Hamilton casino.

Dr Griffiths is a chartered psychologist specialising in the field of behavioural addictions, including gambling disorder and gaming addiction, a Distinguished Professor of Behavioural Addiction at the School of Social Sciences at Nottingham Trent University and the Director of the International Gaming Research Unit at Nottingham Trent University. He is internationally known for his work into gambling and gaming addictions, and has been researching, teaching and writing in this area for 32 years.

Dr Griffiths assessed SkyCity Hamilton casino's responsible gaming policies and procedures against a model best-in-class responsible gaming strategy that he developed. It was envisaged that SkyCity's responsible gaming strategy would achieve the following objectives:

- minimise the likelihood of a 'vulnerable player' developing a gambling problem whilst playing games within SkyCity's gaming environment;
- encourage well-informed and rational gambling behaviour among SkyCity's clientele;
- provide support for clientele who develop problems and/or who show distress as a result of playing on SkyCity games within their gaming platforms;
- protect vulnerable groups from either gambling online within the gaming platform in the first place (for example, excluding underaged players), or minimise the harm to problem gamblers who continue to gamble;
- contribute towards the ongoing understanding of gambling problems;
- develop an amicable relationship with the local community and other stakeholders (eg. treatment providers, educational programmes, research community, faith groups, etc); and
- promote a positive reputation that accurately reflects the integrity of SkyCity as a responsible gaming operator.

Following his assessment (which included an onsite review in September 2019), Dr Griffiths found that all seven of these objectives were met by SkyCity and that he was "highly impressed with the measures that are in place for player protection and harm minimisation, as well as the measures implemented to promote responsible gambling among its clientele as outlined in the Host Responsibility Programme".

Dr Griffiths commented that, based on all the information that he had been provided with and on the basis of his onsite visit to the SkyCity Hamilton casino, SkyCity's host responsibility regime was one of the best that he had seen compared with casinos he had been to in other jurisdictions including those he had personally visited in the UK, Australia, USA, Canada, Macao, Singapore, Argentina, Uruguay, Holland, Austria, Switzerland, Greece, Hungary, Albania, Slovenia, Italy, Poland, Belgium, Finland, Sweden, and Malta.

While Dr Griffiths' report was provided in respect of SkyCity Hamilton's Host Responsibility Programme, that Programme is largely similar to the Host Responsibility Programme in place at each of SkyCity's other land-based casinos.

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We continue to focus on ways to ensure that we have the highest standard of host responsibility best practice

Embracing Technology

Facial Recognition

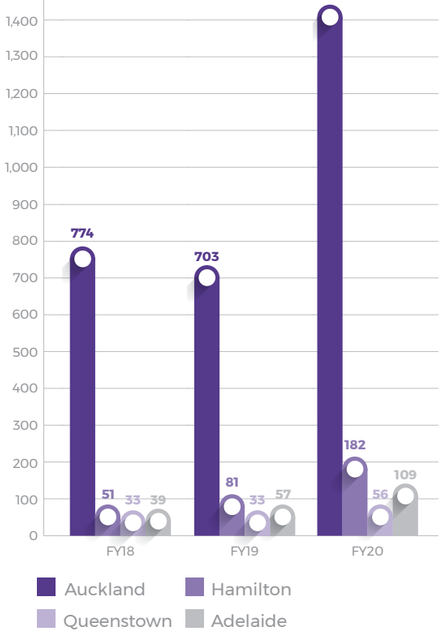
After trialling different available technology solutions from late 2018, SkyCity successfully implemented a full facial recognition technology solution across all its land-based casinos in November 2019. This technology assists SkyCity to recognise customers who have been excluded from re-entering its casinos by notifying SkyCity personnel when an individual matching an image from SkyCity's database of excluded patrons re-enters a SkyCity gambling area.

Prior to the introduction of facial recognition technology in November 2019, staff recall was the primary mechanism for identifying excluded persons returning to the casino in breach of their exclusion orders. Initial indications are that the new technology is proving to be useful in assisting SkyCity to identify excluded customers from re-entering SkyCity's casinos, with a marked increase in the number of excluded persons identified returning to a SkyCity casino in breach of their exclusion orders during the financial year ended 30 June 2020 in comparison to preceding periods.

While there is no guarantee that facial recognition technology will be effective in each and every case, the technology nonetheless significantly bolsters SkyCity's ongoing efforts to deter, detect and prevent excluded customers from re-entering SkyCity's casinos.

In July 2020, we commenced a trial at the SkyCity Hamilton casino using facial recognition technology in conjunction with up to 26 additional cameras within the casino as a further means of identifying customers who remain onsite for extended periods. If the results of the trial indicate that this initiative may be beneficial to SkyCity's ability to detect continuous presence, SkyCity will evaluate its application at its other land-based casinos.

Number of Excluded Persons Identified Returning to a SkyCity Property in Breach of an Exclusion Order



Predicative Algorithm

Since 2014, SkyCity has operated a predictive algorithm risk model created by Focal Research at SkyCity's largest and busiest casino in Auckland, which analyses loyalty data as a tool to identify players who may be at risk from gambling harm. The algorithm was upgraded in May 2019 and again in June 2020 with the addition of Focal Research's 'ALeRT BETTOR Protection System' software to enhance and improve SkyCity's ability to identify potential at-risk gamblers. The ALeRT BETTOR Protection System software uses routinely stored customer data to create complex models for identifying and managing high-risk play (the algorithm) that otherwise may not be outwardly visible to operators or customers.

In June 2020, the algorithm (including the ALeRT BETTOR Protection System software) was rolled out and implemented at the SkyCity Hamilton casino.

Consistency of Responsible Gaming Culture and Practice

The alignment of excellent host responsibility and harm minimisation practice and culture across the SkyCity Group remains challenging due to differences from site to site, such as size, scale and staffing structure. There are also market and customer differences that impact our approach to staff training and programme design, in addition to unique cultural distinctions to consider. Furthermore, our sites across New Zealand and in South Australia each have different regulatory environments in which to operate.

These differences mean that while SkyCity's Host Responsibility Programmes have similarities, they are often carried out quite differently. However, problem gambling is an addiction and the possibility of harm from this type of behaviour manifests itself in the same way regardless of jurisdiction or location. That is why SkyCity endeavours to lead in this area and employ best practice prevention methods across the business.

A key strategic focus across the SkyCity Group for minimising gambling harm is prevention. Robust prevention initiatives can be developed and implemented across the Group with few or no regulatory or local procedural constraints. By adopting a prevention approach, we can increase our ability to identify and respond early to new or emerging concerns that may lead to problem gambling related issues for our customers.

We are committed to carrying out regular reviews of each of our Host Responsibility Programmes to ensure alignment of our practices across our sites.

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We offer extensive information to customers about exclusion options and referral details to problem gambling support services

Customer Experience and Engagement

SkyCity promotes a range of tools in order to facilitate responsible gambling – however, exclusion is an equally important host responsibility offering for those who may be vulnerable to problem gambling.

Our casinos offer extensive information to customers about exclusion options and referral details to problem gambling support services, including gambling helplines and face-to-face counselling organisations.

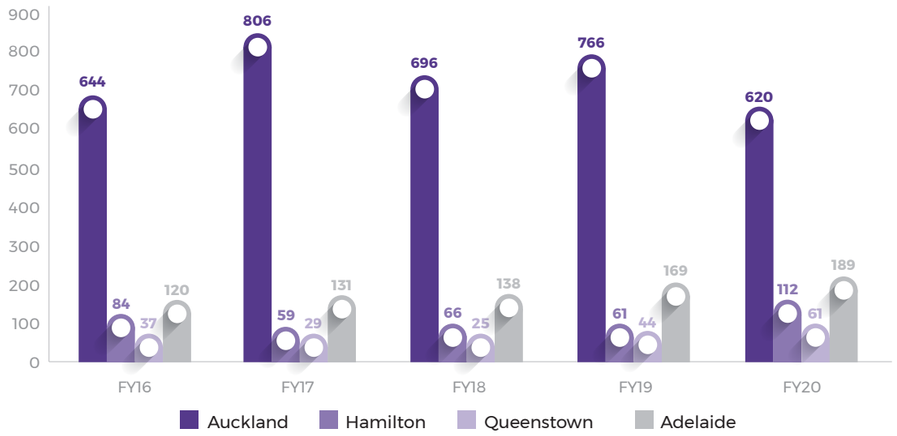
In New Zealand, customers can choose to exclude themselves from all SkyCity casinos in New Zealand for a period of up to two years. In some cases, SkyCity itself makes the decision to exclude a customer as a means to prevent risk of harm occurring, or as a means to stop further harm through a customer's gambling at SkyCity's casinos.

In Adelaide, all exclusions are referred to Consumer Business Services (the South Australian Government's regulator) who has overall management of exclusions.

With the size of our customer base and premises, it can be a challenge to identify individuals immediately and, despite our best efforts and measures, some individuals may nonetheless find ways to elude staff and re-enter a SkyCity casino.

The following graph summarises the number of exclusions issued by each of the SkyCity properties over the 2016–2020 financial years:

Exclusions at SkyCity Properties



Community Knowledge

Given that a material issue to our stakeholders, internal and external, is responsible gambling, we aim to foster good relationships with problem gambling stakeholders.

As part of this approach, we provide tours of our facilities and literature to treatment providers to assist them in understanding our gaming environments and Host Responsibility Programmes. We also partner with local experts and support agencies to ensure we have up-to-date resources in place for harm minimisation and prevention.

The objective is to improve information sharing and collaboration between stakeholders in order to advance SkyCity's harm minimisation approach. This collaborative approach ensures that knowledge about problem gambling is shared between SkyCity and the relevant stakeholders, who will work together to minimise harm.

During the past financial year, we continued to engage with community stakeholders, both at their request and through more formal bi-monthly Host Responsibility Community Liaison Group meetings in Auckland attended by treatment service providers, public health providers and Government agencies.

In September 2019, SkyCity also participated in Gambling Harm Awareness Week in New Zealand, partnering with treatment services and stakeholders to promote support and harm minimisation initiatives with customers within our SkyCity Auckland and SkyCity Hamilton casinos.

We also include treatment providers in our internal host responsibility training programmes wherever possible.

Would You Like a Helping Hand?

HOST RESPONSIBILITY

At SkyCity, we take our responsibilities as a host very seriously - the safety and wellbeing of our customers is a top priority.

Gambling can be fun for most people. However, for some, losing control of their gambling can happen quickly (or over time) without recognising the early warning signs that there may be a problem developing and can cause harm, including financial problems, emotional distress and relationship difficulties.

The negative consequences of problem gambling can affect the gambler, their family or friends, their employer and/or the community at large.

It is important to recognise early warning signs, such as guilt or remorse after a gambling session or overspending money and/or time.

SkyCity is committed to promoting responsible gaming behaviour. But problems can arise for a small percentage of players. If you or someone you care about shows the signs and symptoms of problem gambling, help is at hand.

The signs and symptoms of problem gambling include:

- gambling makes home life unhappy;
- feeling sad or unhappy after gambling;
- trying to win back losses;
- gambling to escape worry or trouble;
- changing sleeping or eating habits due to gambling;
- borrowing to finance gambling;
- considering committing or actually committing an illegal act to finance gambling; and/or
- considering harming yourself as a result of gambling.

Call the Gambling Helpline (free and confidential 24 hours) 0800 654 655 or text 8006.

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Inspire our people

A great place to work where our people are empowered to grow and achieve.

Our People

As a major employer with over 3,800 staff, we know that taking care of our people is the key to creating a great place to work.

We are committed to providing our employees with sustainable career paths at SkyCity and want our staff to grow their careers with us.

Priority Issues

- Employee engagement
- Meaningful career and development pathways
- Diversity, inclusion and belonging
- Health, safety and wellbeing

Key Stakeholders

- Employees (existing, former and potential)
- Union representatives
- Ministry of Business, Innovation and Employment
- Ministry of Social Development
- Ministry of Health
- Department of Education, Skills and Employment
- Accident Compensation Corporation
- WorkSafe NZ
- SafeWork SA
- ReturnToWorkSA
- Immigration New Zealand
- Women's Refuge
- Women in Gaming and Hospitality Australasia
- Gender Tick
- Rainbow Tick
- Southern Cross Healthcare

FY20 Performance Highlights

- Launched 'SkyCity FLEX', a new flexible working framework
- Held the SkyCity Diversity and Inclusion Conference, attended by 170 people leaders from across the SkyCity business
- Sponsored the 2019 Rainbow Excellence Awards
- Awarded the 2019 Rainbow Tick Training and Development Award for SkyCity's Transition Support Framework, a transgender employee framework and tool kit
- Finalist in the 'Employer of Choice' category at the 2019 New Zealand Tourism Awards
- Announced as a Platinum winner in the 'Best Learning and Development Project – Leadership Capability' category at the 2019 LearnX Asia Pacific Awards for SkyCity's Tahuna Te Ahi programme
- Launched refreshed employee values
- Developed and implemented employee pulse surveys
- Continued to focus on improving our health and safety performance against our four health and safety goals set out in our Group Health and Safety Strategy for 2019-2021

FY20 Key Challenges

- Better representation of women at more senior levels
- Downsized our New Zealand workforce by around 25% in response to the COVID-19 pandemic
- The COVID-19 global pandemic created an emerging risk relating to health and wellness requiring support for our employees in dealing with anxiety and stress

FY21 Focus Areas

- Continue the momentum on closing the gender pay gap
- Implement the final stage of SkyCity's '$20 by 2020' wage initiative in New Zealand – a commitment to pay a $20-an-hour minimum wage (announced by SkyCity in March 2018)
- Establish a new SkyCity Diversity and Inclusion Advisory Panel to provide a minority perspective on diversity and inclusion issues
- Continue to promote awareness of mental health issues and to evaluate the impact on psychosocial risks

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Our vision is to be a centre of expertise that delivers high value learning and development solutions for staff

At SkyCity, we aim to create an environment where our people are at the centre and ensure that our staff can work safely, are motivated to work hard, progress in their careers, and have the tools and knowledge they need to look after both themselves and our customers.

Employee Engagement, Meaningful Career and Development Pathways

With a large and diverse workforce, SkyCity is recognised for taking a lead in staff development and care. Our vision is to be a centre of expertise that delivers high value learning and development solutions for staff which contribute to the achievement of our business priorities.

We have an advanced set of priorities and programmes in place across our sites to achieve our goal of being a great place to work where our people are empowered to grow and to achieve. To ensure that these programmes remain effective and relevant, we regularly review the effectiveness of the programmes, in terms of both interest and sustained impact, and make refinements as required. New programmes are also trialled and introduced where appropriate. We regularly seek advice from staff on how to remove barriers to participation (such as release time) and introduce better incentives for participation.

Tahuna Te Ahi – Ignite the Fire

Recognising the special standing of Māori as tangata whenua and the indigenous people of Aotearoa, SkyCity launched Tahuna Te Ahi, a tailored programme developed by New Zealand company Indigenous Growth Limited, for our New Zealand-based employees in 2018. The programme provides accelerated leadership development specifically for Māori employees in addition to implementing initiatives which elevate the standing of Māori at SkyCity more broadly. The programme connects people to indigenous values and culture while at the same time giving them the tools to incorporate their culture into a business environment.

SkyCity was awarded the 2018 Deloitte Top 200 Diversity & Inclusion Leadership Award for the programme in November 2018 and was named as a Platinum winner in the 'Best Learning & Development Project – Leadership Capability' category at the 2019 LearnX Asia Pacific Awards for the programme in June 2019.

15 employees commenced the Tahuna Te Ahi programme during the last financial year.

SkyCity Values Refresh

Following the rollout of a refreshed company vision and business, character and culture goals, we commenced a process to refresh SkyCity's values, using a consultative process across all sites which unearthed the core values shared by SkyCity employees when they operate at their best.

The refreshed values are people centric, simple and tell the story of the behaviours and actions people need to practice to enable themselves, their teams and SkyCity to succeed. We have integrated the values into our performance and development framework, MyPATH.



You bring your best to play a unique role at SkyCity



You're part of a team built on passion, respect and equality



We're all about entertainment and making every experience the best for guests

Health, Safety and Wellbeing

At SkyCity, our people are paramount to the success of our business. Ensuring we take care of our people at work allows them to provide our guests with a safe and enjoyable experience. Our health and safety mission is to prevent harm and build wellness.

Health and Safety

Each property within the SkyCity Group must demonstrate compliance with our Group Health and Safety policy and standards for safety. We also conduct internal audits annually and external audits as required for registration and certification. Findings from these audits are monitored and tracked for continuous improvement.

In 2018, SkyCity adopted a new Group Health and Safety Strategy for 2019–2021 which centres around the mission "Prevent Harm and Build Wellness" and four goals:

- **Industry leading safety culture** – we will create a positive safety culture for our workers and guests with a strong emphasis on genuine and visible leadership and active engagement of our workers;
- **Effective risk management** – we will focus on our critical risks, ensuring we have sufficient risk mitigation strategies in place to prevent fatal or serious harm;
- **Sustainable systems and processes** – we will create a contemporary and resilient approach to the management and improvement of health and safety; and
- **Health and wellbeing** – we will adopt a risk-based approach to health and wellbeing, including programmes to reduce physical and psychosocial risks to our workers.

The strategy also addresses the New Zealand Government's key goals of its New Zealand Health and Safety at Work Strategy 2018–2028.

Employee Wellbeing

SkyCity has programmes in place to promote healthy behaviours and personal responsibility for mental and physical health. The programmes aim to promote healthy lifestyles, increase physical activity, reduce absenteeism and improve productivity.

We continue to evaluate the impact on psychosocial risks as part of our Group Health and Safety Strategy. During the last financial year, we promoted awareness of mental health risks aligning with Mental Health Awareness Week in New Zealand and R U OK? Day in Australia. During Mental Health Awareness Week, the Auckland Sky Tower was lit purple and green, the colours of the Mental Health Foundation, to show support to those with experience of mental illness, as well as their family and friends.

In January 2020, the COVID-19 global pandemic created an emerging risk relating to health and wellness. In response, SkyCity established a specialist Health and Hygiene team to provide staff with up-to-date information on the global pandemic, support in dealing with anxiety and stress relating to the pandemic, and training and awareness on health management relating to the pandemic.

Following periods of lockdown, we also focused on physical and mental health work conditioning. These programmes were aimed at creating physical and mental resilience of our operational workers to minimise the risk of harm, resulting in low rates of injury and illness following the reopening of our properties.

Additionally, during the last financial year, SkyCity commenced a pilot programme to provide health services across our Auckland property. The pilot programme is focused on personal health checks and coaching of our frontline employees.

As part of SkyCity's wellness programme, all SkyCity employees across the Group are also invited to receive their flu vaccinations for free. This service is offered annually to employees onsite at the beginning of the flu season to ensure all staff have easy access to the vaccinations. This year, due to the impact of COVID-19 and the resulting temporary closure of all SkyCity sites, employees were provided with flu vaccination vouchers which were redeemable at local pharmacies.

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FY20 Health and Safety Scorecard

Indicator	Target	FY20 Performance
Safety Success Indicator 1	Zero fatalities or serious injuries	✓ Achieved – no fatalities or serious injuries
Safety Success Indicator 2	Reduce Total Recordable Incident Frequency Rate (TRIFR) by 10% from the FY19 baseline	Not achieved – reduced by 8%*
Safety Success Indicator 3	Increase hazard identification reports by 20% from the FY19 baseline	✓ Achieved – increased by 72%

*The final TRIFR result was significantly impacted by the COVID-19 closures, which significantly reduced the total number of hours worked. For the six months to 31 December 2019, there was a 17.6% reduction in TRIFR against the prior period.

GOAL 1 – Industry Leading Safety Culture

Highlights

Carried out a safety culture review within the SkyCity Auckland Logistics department, which led to the rollout of a targeted initiative to increase safety engagement and leadership within the department. This has resulted in a significant increase in hazards reported within the department – thereby allowing mitigation strategies to be developed to lower workplace incidents

Implementation of Group standards for leadership focusing on individual objectives that include participation and engagement targets

GOAL 2 – Effective Risk Management

Highlights

Continued to invest in strengthening our critical risk controls across the SkyCity Group, focusing on achieving zero fatalities (Safety Success Indicator 1)

Focused on safety in design of new facilities to mitigate our risks in the design phase

Implemented new emergency preparedness initiatives, including fire training simulations to increase preparedness in the event of a fire

Continued implementation of a Construction Safety Assurance Programme to ensure our contractors keep their people safe on construction projects at SkyCity

GOAL 3 – Sustainable Systems and Processes

Highlights

SkyCity Adelaide's self-insurance licence was successfully renewed for a further five-year period following ReturnToWorkSA's (the organisation responsible for providing work injury insurance and regulating the South Australian Return to Work scheme) audit of SkyCity Adelaide's health and safety systems

Successfully implemented a new hazard reporting system using technology to drive a greater understanding of our risks, resulting in a significant improvement in the quantity of hazards reported

GOAL 4 – Health and Wellbeing

Highlights

A significant increase in the number of employees electing to participate in our health vaccination programme with a focus on influenza vaccinations

Commenced a Health Check Programme aimed at increasing awareness on personal health whilst providing practical strategies

Significant focus on the implementation of infectious disease prevention strategies for employees, contractors and guests

We established a $1 million SkyCity Employee Hardship Fund in response to the impacts of the COVID-19 pandemic on our people

Staff Support Programmes

SkyCity has a range of services designed to assist employees who may need a helping hand.

At our Auckland and Hamilton sites, the Connect Centre offers confidential help and advice for SkyCity employees – for work issues and situations outside of work. They offer advice about practical and effective ways to handle difficult or sensitive issues. Where needed, they can also assist employees in working with agencies outside of SkyCity who may be able to help.

The Group-wide Employee Assistance Programme (EAP) is a supportive and confidential programme designed to assist SkyCity employees who may have problems that affect them at work – advice and support is available 24 hours a day, seven days a week, from trained professional counsellors who can help staff with their problems.

SkyCity also provides emergency financial assistance for employees suffering financial hardship. This help can include budgeting advice, and last resort financial help through a 'SMILE' loan to New Zealand-based staff who qualify for support.

Employee Hardship Fund

Like many other businesses, the COVID-19 pandemic has adversely impacted SkyCity's business and operations and necessitated significant changes across the SkyCity business from March/April 2020, including significantly reducing capital expenditure, minimising operating costs and restructuring SkyCity's workforce.

In April 2020, the SkyCity Employee Hardship Fund was established to initially assist SkyCity's departing employees in New Zealand who found themselves in financial difficulties that could not fully be addressed by their redundancy payments. The Fund was established using funds contributed by the Senior Leadership Team and other senior executives across the business via voluntary reductions in their salaries from 1 April – 30 June 2020 and from voluntarily contributions by other staff members.

As at 31 August 2020, a total of $209,142 had been granted (with no obligation for repayment) to 95 affected employees.

SkyCity also provided support to departing staff beyond financial assistance - collaborating with essential service providers in the healthcare and grocery sectors (where employment demand increased) to set up the Keep New Zealand Working job portal and providing free independent services, such as out-placement assistance, counselling support and budgeting advice.

In a further step to support individuals displaced from employment in the tourism sector due to the COVID-19 pandemic, SkyCity partnered with Go with Tourism (an initiative launched by Auckland Tourism, Events and Economic Development with the aim of growing interest in careers in tourism through an online portal connecting employers with potential employees) to support the 'We're Here to Help' campaign. The 'We're Here to Help' campaign was launched in April 2020 and repurposed the online portal to provide support to displaced workers with coaching, career guidance and connecting them with new employment opportunities. SkyCity saw an opportunity to provide urgent and vital support to a key industry partner by seconding members of the SkyCity Auckland Human Resources team to join the Go with Tourism team, delivering over 800 calls of personalised support between May and July 2020.

Healthcare

SkyCity understands that healthcare can be expensive and sometimes difficult to access for members of the workforce. We therefore offer permanent, full-time employees in our New Zealand sites health insurance via our healthcare provider Southern Cross Healthcare. SkyCity fully subsidises the RegularCare plan, which provides shared cover for surgical treatment, recovery, support, imaging and diagnostic tests and day-to-day treatment. Employees are also able to add their family members to the insurance plan at an additional cost.

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A Winning Career at SkyCity

Roiroi Paotama has been with SkyCity Auckland for over 16 years and began as a Wardrobe Attendant. Today Roiroi leads a team of 19 as Wardrobe Supervisor, supporting our people across the Auckland business with their garment requirements – from design and purchase to internal customer service.

"When I applied for the Attendant job, there was one part-time vacancy and two of us applied for the position, so they hired both of us and offered us a day each. I ended up working four to five days on the graveyard shift in my first three months. I was so happy!

In 2011, an opportunity became available for the Wardrobe Supervisor role and, though I didn't have much confidence that I would get it, I put my hand up and applied. I thought my interview didn't go well at all, but I knew I had experience in the department and sound computer skills and enjoyed working there. Fortunately, they saw something in me, and I got the job and was promoted.

In my time at SkyCity, I've had so many opportunities to learn and grow. As a Wardrobe Attendant, I completed a number of small courses from Excel Tips and Techniques to Creating Winning Moments and Problem Solving for Team Members. When I was promoted, I completed further courses such as Recruitment and Selection, Time Management, and Learning to Lead.

These courses helped me to understand my job as an Attendant and then as a Supervisor.

However, two programmes have really helped me and my development. The first was The University of Auckland New Start programme in 2014. I never ever considered going to university (I hardly went to school!) so I felt very nervous and uncomfortable in this environment, but I went so I could prove to myself that I could do it. I passed the course and was over the moon!

The second programme was Growing Pasifika Niu Leaders which I completed in 2017/2018. Again, I felt nervous and uncomfortable, but I attended and enjoyed it. I learned so much about myself, my culture and how I can bring all of this to work as a leader in a business setting. One of the things I can happily do now with confidence is public speaking – something I wouldn't have done without this course.

SkyCity is a company that supports its people to aim high and go for it no matter what your personal challenges are and I'm very grateful for the opportunities I've had. I didn't have much confidence in myself when I first started, but I've made a career here. I'm thankful to the many people who believed in me and supported me over the years. This is one of the things I love about working at SkyCity, the people and the opportunities!"

We value and respect the contributions, ideas and experiences of people from all backgrounds and are committed to an inclusive workplace that enhances and promotes workplace diversity across the business

Diversity, Inclusion and Belonging

We have a strong representation of minority groups at SkyCity who are often underrepresented at leadership levels in the workforce. Encouraging diversity of thought in our workforce, and in leadership roles in particular, allows us to strategically reflect our diverse customer base and draw people with different backgrounds to our business. We believe this diversity of thought offers an opportunity to enhance SkyCity's competitive advantage and provide long term sustainable business success.

We value and respect the contributions, ideas and experiences of people from all backgrounds and are committed to an inclusive workplace that enhances and promotes workplace diversity across the business. We are committed to providing opportunities and initiatives that assist all to reach their potential, and regularly benchmark and report on our diversity position, policy and objectives.

SkyCity's Diversity and Inclusion Policy (available in the Governance section of the company's website at www.skycityentertainmentgroup.com) provides a framework for the company's current and future diversity and inclusion initiatives. Each year, the SkyCity Board sets measurable objectives to promote diversity and inclusion. The measurable objectives set by the Board for the financial year ending 30 June 2021 are to:

- continue to ensure strong female candidates are identified in the recruitment process for all Board and senior executive roles;
- maintain a gender balance across the population of employees who make up the top four levels of the organisation hierarchy;
- continue to review gender pay equality and deliver an organisation-wide programme that removes any risk of bias or inequality;
- leverage and grow diverse talent pools to develop a more ethnically diverse leadership population;
- maintain certification with specialist organisations who represent minority groups within the SkyCity workforce (for example Rainbow Tick) to reiterate our commitment to and support of these minority groups' interests;
- build the capability of all leaders in understanding and leveraging diversity of thought through ensuring appropriate learning and development solutions are delivered;
- identify and appoint an advisory panel to provide informed perspectives and guidance to the Chief Executive Officer and Inclusion Council on diversity and inclusion matters; and
- continue to provide support and education to employees and managers to promote mental health awareness and wellbeing.

We downsized our workforce in New Zealand by around 25% in April/June 2020 due to the expected significant impact of COVID-19 on our operating environment and financial outlook. When approaching the labour restructure, we were cognisant of our diversity and inclusion objectives and initiatives and to ensure that the restructure did not adversely impact our commitment in these areas. As part of the restructure process, we ran a desktop analysis of the redundancies to ensure no bias in the process with no significant concerns identified. Post restructure, there has been no significant impact on gender and/or ethnic representation in our workforce.

Inclusion Council

In 2019, a SkyCity Inclusion Council was established to support the embedding of an authentic and inclusive culture within SkyCity Auckland. The Council is made up of Employee Resource Groups whose purpose is to bring to life SkyCity's diversity and inclusion objectives. The Employee Resource Groups sit on a forum to discuss priorities and proposed actions with senior leadership on a quarterly basis.

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The five core Employee Resource Groups are Women in Leadership, NZ Asian Leaders, SkyCity Pride, Pasifika Leaders and Te Roopu Māori ō SkyCity. The leaders of the Employee Resource Groups bring together their respective communities, confirming their priorities and work together to drive initiatives that impact the groups they represent.

In the last financial year, the Employee Resource Groups have worked together across several initiatives, including Te Roopu Māori ō SkyCity's celebration of Te Wiki o te Reo (Māori Language Week) in September 2019. The celebration included a number of activations, including Taonga Pūoro, a performance and storytelling experience about the different Māori instruments, open to SkyCity employees, friends and family.

Diversity and Inclusion Leadership Conference

In October 2019, SkyCity held the SkyCity Diversity and Inclusion Leadership Conference, with 170 people leaders from across SkyCity in attendance. There were a number of external thought leaders who spoke on diversity and inclusion, with the intent of the conference to engage people leaders on diversity and inclusion in their roles as leaders within SkyCity and provide tools for creating more inclusive teams.

Supporting Our Rainbow Community

SkyCity has maintained a Rainbow Tick for its Auckland and Hamilton properties for a fifth year, and our Queenstown site was awarded the Pride Pledge in 2020. Being a Rainbow Tick employer means SkyCity has been acknowledged as being a safe, supportive and welcoming workplace where employees can bring their whole selves to work without fear of discrimination or disadvantage – no matter what their gender identity or sexual orientation.

SkyCity is committed to continually improving and working with the feedback received from Rainbow Tick to find ways we can further support our SkyCity rainbow community.

Our Adelaide site maintained its Pride in Diversity programme membership, which reiterates our commitment to our lesbian, gay, bi-sexual, trans-sexual and intersex Australian-based staff.

SkyCity Queenstown has been a supporter of the Winter Pride event in Queenstown for many years and signed up to the Pride Pledge in June 2018. The Pride Pledge was started in Queenstown to raise the visibility of safe spaces within the Queenstown community after the Winter Pride festival organisers realised that, although the town had an inclusive heart, it was very difficult for the rainbow community to see any visible signs that they were welcome and included.

Gender Tick

In April 2019, SkyCity was awarded the Gender Tick in recognition of its commitment to providing a fair workplace for all employees. The Gender Tick was reconfirmed in June 2020.

Gender Tick is a New Zealand-based accreditation for businesses to demonstrate their commitment to gender equality in the workplace. The programme assesses organisations across five key indicators, including gender inclusive culture, flexibility and leave, women in leadership, gender pay equality and ensuring a safe workplace.

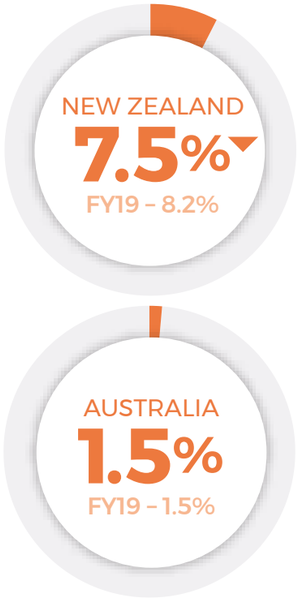
Pay Equality

SkyCity continues to monitor and report on remuneration outcomes by gender to ensure pay equality.

In the last financial year, SkyCity conducted gender pay equality analysis for like positions (being positions with similar degrees of know-how, problem solving and accountability). This analysis identified that there are no indications of gender bias across similar positions.

We remain focused on increasing the representation of women in senior roles across the business through a gender balanced talent pipeline. These initiatives, in addition to a strategy deployed over the past two years to lift the hourly wage rate of SkyCity's lowest paid staff, has contributed to a meaningful reduction to SkyCity's gender pay gap in New Zealand and the maintenance of a low gender pay gap in Australia.

The following graph illustrates the SkyCity gender pay gap as at 30 June 2020:



Percentage difference between median hourly rate for women compared to the median hourly rate for men as at 30 June 2020. Includes permanent and temporary employees.

The New Zealand national gender pay gap is 9.3% (August 2019).

SkyCity Flexible Working Framework

In May 2020, as part of SkyCity's diversity and inclusion strategy, we launched the 'SkyCity FLEX' framework following a review of processes and policies in relation to working flexibly. Employee experiences and input throughout the COVID-19 pandemic and lockdown period further highlighted a demand for employees to access flexible working arrangements.

As a largely customer facing business, we recognise that flexible working may not be appropriate or achievable for all individuals, teams and departments – however, the new framework encourages innovation in considering what may work for both our employees and customers. The framework provides guidance on both 'Location Flex' and 'Schedule Flex', with the requirement that any flexible working arrangement must meet the needs of all stakeholders - customers, employees, teams and SkyCity.

Women in Gaming and Hospitality Australasia

SkyCity is a Platinum Partner of Women in Gaming and Hospitality Australasia. SkyCity's partnership broadened the industry body's reach into New Zealand and Adelaide.

Women in Gaming and Hospitality Australasia is dedicated to achieving an inclusive industry and promoting gender equitable outcomes in the workplace. Its purpose is to achieve an inclusive industry and promote positive outcomes for women in the gaming, hospitality and gaming related industries by encouraging the development and success of women through education, mentorship and networking opportunities and providing tools and support for organisations wishing to develop or enhance their gender diversity and inclusion initiatives – all of which aligns strongly with SkyCity's values.

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Performance Against FY20 Board Diversity and Inclusion Objectives

SkyCity performed well against the measurable objectives set by the Board to promote diversity and inclusion for the financial year ended 30 June 2020.

Objective	Progress Made
Continue to ensure strong female candidates are identified in the recruitment process for all Board and senior executive roles	✓ Recruitment briefs for the Board recruitment process during the past financial year explicitly specified that SkyCity required female candidates to be identified wherever possible. ✓ Recruitment briefs for the senior leadership recruitment process explicitly specified that SkyCity require female candidates to be identified wherever possible. ✓ The Chief Executive Officer personally approved all appointments made at levels two to four of the organisational hierarchy (level one being the Chief Executive Officer), asking for an explanation as to why a female candidate had not been identified where the preferred candidate was male.
Maintain a gender balance across the population of employees who make up the top four levels of the organisation hierarchy	✓ During the past financial year, gender balance has been maintained across the top four levels of the organisational hierarchy with 49% of employees being female and 51% being male, demonstrating an equal gender representation in our talent pipeline.
Continue to review gender pay equality and deliver an organisation-wide programme that removes any risk of bias or inequality	✓ SkyCity continues to monitor and report on remuneration outcomes by gender to ensure pay equality. The annual salary review resulted in an average increase for female salaried employees of 2.41% and an average increase for male salaried employees of 2.21%. ✓ SkyCity also conducted gender pay equality analysis for like positions, positions with similar degrees of know-how, problem solving and accountability. This analysis identified that there are no indications of gender bias across like for like positions. ✓ While our analysis has identified no evidence of a gender driven pay gap for like positions, we remain focused on increasing the representation of women in senior roles across the business through a gender balanced talent pipeline. ✓ SkyCity's overall gender pay gap in New Zealand decreased to 7.5% (at 30 June 2020) from 8.2% (at 30 June 2019). ✓ SkyCity's overall gender pay gap in Australia remained at 1.5% (at 30 June 2020).
Maintain Rainbow Tick certification for our New Zealand sites and partner with Pride in Diversity Australia to reiterate our commitment to our lesbian, gay, bi-sexual, transgender, takatapui and intersex staff	✓ Rainbow Tick certification was achieved for our Auckland and Hamilton sites, and our Queenstown site was awarded the Pride Pledge. ✓ Our Adelaide site maintained its Pride in Diversity membership and participated in the Australian Workplace Equality Index survey.
Leverage diverse talent pools to develop a more ethnically diverse leadership population	✓ Several initiatives were delivered during the past financial year with the objective of developing a more ethnically diverse leadership population: • SkyCity continued to offer its Māori leadership programme, Tahuna te Ahi, in partnership with Indigenous Growth Limited; • SkyCity continued as a major partner of TupuToa, hosting three summer interns for three months within our corporate business; and • SkyCity continued its sponsorship of the New Zealand Asian Leaders Forum. ✓ In addition, of the participants in SkyCity's Emerging Leadership Programme, 36% identified as Asian and 14% identified as either Māori or Pasifika.
Build the capability of all leaders in understanding and leveraging diversity of thought through ensuring appropriate learning and development solutions are delivered	✓ SkyCity held a Diversity and Inclusion Leadership Conference with 170 people leaders in attendance. The conference was intended to broadly educate SkyCity people leaders on diversity and inclusion, through a range of expert speakers who offered diverse perspectives and tools for creating more inclusive teams. ✓ The SkyCity Inclusion Council continued to encourage employee led initiatives and provide strong executive visibility and sponsorship. Five core groups continue to be represented including Women in Leadership, NZ Asian Leaders, SkyCity Pride, Pasifika Leaders and Te Roopu Māori ō SkyCity. ✓ The SkyCity Emerging Leaders Programme has a highly integrated approach to diversity and inclusion, from the selection of participants to the collaborative and experiential modules which focus on exploring bias.
Continue to provide support and education to employees and managers to promote mental health awareness	✓ SkyCity Adelaide became a Healthy Minds Accredited Workplace due to its continued work and dedication to building workplace practices which encourage strong employee wellbeing. All new employees complete the Seven Secrets to a Healthy Mind Programme as part of their onboarding. ✓ An online Healthy Minds Seminar is available to all employees across our Australian and New Zealand sites. ✓ SkyCity partnered with the Smile Initiative to deliver online learning to employees through the COVID-19 pandemic. The Smile Initiative is a social enterprise started by a collective of mental health clinicians who aim to empower businesses and employees to create a psychologically safe work environment.

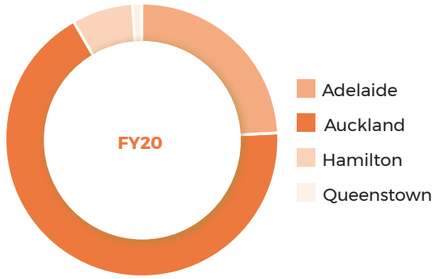
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Our Staff Numbers

Worked Full-Time Equivalent (FTE)* by Site

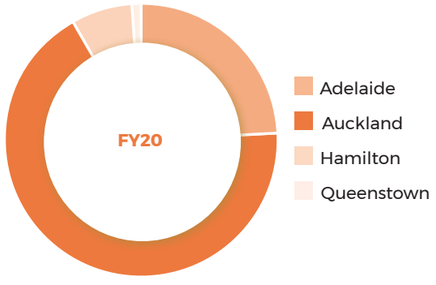
Site	Number of Employees		%	
	FY20	FY19	**FY20**	FY19
Adelaide	**616**	575	**24%**	18%
Auckland	**1,696**	2,426	**67%**	73%
Hamilton	**179**	242	**7%**	7%
Queenstown	**38**	75	**2%**	2%
Total	**2,529**	3,318	**100%**	100%

*The FTE calculation is based on actual hours worked by staff, not contracted hours. This definition provides a more accurate assessment of full-time equivalent staff.



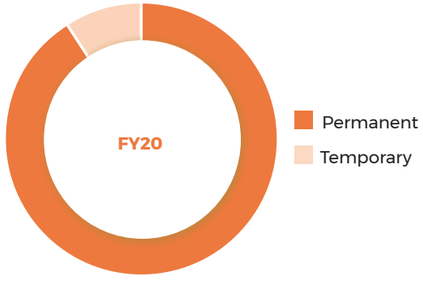
Total Headcount for Group

Site	Number of Staff		%	
	FY20	FY19	**FY20**	FY19
Adelaide	**1,059**	997	**28%**	20%
Auckland	**2,414**	3,625	**63%**	72%
Hamilton	**290**	320	**8%**	6%
Queenstown	**54**	89	**1%**	2%
Group Total	**3,817**	5,031	**100%**	100%



Employment Contract Type for Group

Contract Type	Number of Employees		%	
	FY20	FY19	**FY20**	FY19
Permanent	**3,462**	4,642	**91%**	92%
Temporary	**355**	389	**9%**	8%
Group Total	**3,817**	5,031	**100%**	100%



Employment Contract Type by Gender

Contract type	Female		Gender Diverse		Male		Group Total	
	FY20	FY19	**FY20**	FY19	**FY20**	FY19	**FY20**	FY19
Permanent	**91%**	94%	**100%**	100%	**90%**	91%	**91%**	92%
Temporary	**9%**	6%	**0%**	0%	**10%**	9%	**9%**	8%

Employment Contract Type by Site

Contract type	Adelaide		Auckland		Hamilton		Queenstown	
	FY20	FY19	**FY20**	FY19	**FY20**	FY19	**FY20**	FY19
Permanent	**72%**	72%	**98%**	97%	**99%**	99%	**100%**	100%
Temporary	**28%**	28%	**2%**	3%	**1%**	1%	**0%**	0%

Employment Type by Gender

Contract type	Female		Gender Diverse		Male		Group Total	
	FY20	FY19	**FY20**	FY19	**FY20**	FY19	**FY20**	FY19
Full-Time	**54%**	52%	**25%**	17%	**62%**	62%	**58%**	57%
On Demand	**20%**	19%	**50%**	50%	**17%**	18%	**19%**	19%
Part-Time	**26%**	29%	**25%**	33%	**21%**	20%	**23%**	24%

Employees in Collective Agreements by Site

Contract type	Adelaide		Auckland		Hamilton		Queenstown		Group Total*	
	FY20	FY19	**FY20**	FY19	**FY20**	FY19	**FY20**	FY19	**FY20**	FY19
Yes	**74%**	75%	**26%**	25%	**4%**	7%	**0%**	0%	**37%**	33%
No	**26%**	25%	**74%**	75%	**96%**	93%	**100%**	100%	**63%**	67%

*Group total percentages are weighted proportionately based on site Worked FTE.

Employee Absenteeism**

Contract type	Adelaide		Auckland		Hamilton		Queenstown		Group Total***	
	FY20	FY19	**FY20**	FY19	**FY20**	FY19	**FY20**	FY19	**FY20**	FY19
Absenteeism	**3.08%**	3.62%	**3.95%**	3.98%	**3.09%**	3.60%	**1.83%**	2.18%	**3.70%**	3.76%

**As a percentage of scheduled days.
***Group total percentages are weighted proportionately based on site Worked FTE.

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Grow our communities

Serve a social purpose by investing in our local economies and communities.

Our Communities

Our aim is to create value in our business and in the communities in which we operate.

We understand that to do this we need to engage meaningfully with our communities, listen to their critical needs and expectations, and respond through developing meaningful community partnerships and by taking action to address key issues in our operations.

Priority Issues

- Economic contribution
- Building communities by developing people
- Investing in our communities
- Developing deeper connections with Iwi and indigenous peoples

Key Stakeholders

- Community groups
- Sponsorship partners, including Emirates Team New Zealand, Leukaemia & Blood Cancer New Zealand and Variety – The Children's Charity
- Community partnerships
- Recipients of SkyCity Community Trust grants
- Philanthropy New Zealand
- Local Iwi
- Ministry of Social Development
- Te Puni Kōkiri
- TupuToa
- First Foundation

FY20 Performance Highlights

- Helped to raise more than $325,000 for Leukaemia & Blood Cancer New Zealand through the Step Up Sky Tower Stair Challenge
- Contributed a total of $3.7 million to the four New Zealand SkyCity Community Trusts for distribution to communities in the Auckland, Waikato, and Queenstown Lakes regions – of which $1.9 million was distributed in the financial year ended 30 June 2020, including $1 million in an extraordinary grant round by the SkyCity Auckland Community Trust to four organisations focused on reducing the impact of the COVID-19 pandemic in their communities
- Welcomed the 50th young person into Project Nikau, SkyCity's youth employment programme focused on offering employment, training and a career path to young people from disadvantaged backgrounds
- Continued our sponsorship of First Foundation, the Gateways Programme and TupuToa as part of SkyCity's ongoing commitment to youth employment

FY20 Key Challenges

- Increase public perception of SkyCity as a good corporate citizen

FY21 Focus Areas

- Support our Project Nikau rangatahi to develop their career paths at SkyCity
- Further our collaboration with the SkyCity Community Trusts on youth development, wellbeing and advancement

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We helped raise more than $325,000 for Leukaemia & Blood Cancer New Zealand through the Step Up Sky Tower Stair Challenge

SkyCity is a cornerstone of each of the communities in which it operates. We understand that our scope for influence and change is huge, and SkyCity invests in and works to develop our communities in a variety of ways.

Engaging with our stakeholders helps us to understand community attitudes toward SkyCity, the communities' expectations of us, and how stakeholders believe SkyCity should create value. SkyCity engages with stakeholders in a variety of ways, both formal and informal, in each of the communities in which it operates. These actions range from legally required engagement with regulators and problem gambling service providers for example, to less formal feedback mechanisms such as social media, customer surveys and public perception monitoring.

Whilst it is easy for organisations to talk about inputs and outputs, such as how much money or 'in-kind' contributions are given to charity, the number of charities receiving support, or how many hours staff spend on volunteering for community projects, it is a more challenging exercise to determine the outcomes and impacts of those activities. We want to ensure that there is genuine and measurable social impact from our SkyCity Community Trusts and other charitable giving. We continue to review and assess our community investments and partnerships in a more holistic and strategic way, to ensure that they are aligned to our unique business assets and are ultimately delivering both social and business value.

Economic Contribution

Sourcing Locally

SkyCity is committed to sourcing locally.

One of the intentions outlined in the SkyCity Group Procurement Policy is to source and procure locally made and supplied products from Australasian owned and operated businesses as a preference wherever possible.

In the financial year ended 30 June 2020, SkyCity spent approximately $150 million on operational goods and services, the bulk of which was spent with local suppliers – with over $35 million on food and beverage items across New Zealand and Australia.

Partnerships

Emirates Team New Zealand

In September 2019, SkyCity was announced as the 'Official Hotels and Entertainment Partner' for the Emirates Team New Zealand defence of the 36th America's Cup in March 2021. Through the partnership, Emirates Team New Zealand and their guests will have access to SkyCity's range of premium accommodation and world-class food and beverage services and SkyCity will provide on-water and onshore hospitality for Emirates Team New Zealand at their waterfront base within the America's Cup Village in Auckland. The SkyCity logo will be featured alongside the other major sponsors on the team's AC75 race yacht when Emirates Team New Zealand launch their new boat for the first time.

Come summer 2021, the festivities will continue from the Viaduct with a fan trail to Federal Street in the SkyCity Auckland precinct, where SkyCity will host an Emirates Team New Zealand Fan Zone and exclusive events at its popular food and beverage outlets. SkyCity's precincts in Hamilton and Queenstown will also join in the celebration with their own fan zones and race screenings.

SkyCity is thrilled to be partnering with Emirates Team New Zealand for the 36th America's Cup, a major event for Auckland and in the New Zealand events calendar.

Leukaemia & Blood Cancer New Zealand

During May each year, firefighters from communities across New Zealand join forces again to raise money for Leukaemia & Blood Cancer New Zealand (the national charity dedicated to supporting patients and their families living with blood cancers and related blood conditions) in the Firefighter Sky Tower Stair Challenge, with each participant climbing the 1,103 steps of the Sky Tower wearing 25 kilograms of gear. Due to the impact of COVID-19, the 16th Firefighter Sky Tower Stair Challenge is now scheduled to take place on 21 November 2020.



SkyCity is partnering with Emirates Team New Zealand for the 36th America's Cup.

SkyCity is proud to have Leukaemia & Blood Cancer New Zealand as a charity partner and to have worked together to raise more than $325,000 during the last financial year through the Step Up Sky Tower Stair Challenge.

To acknowledge the considerable efforts of the fire and emergency services teams that assisted with the significant fire at the New Zealand International Convention Centre in October 2019, all revenue generated from Sky Tower admissions on 17 November 2019 ($31,317) was donated to Leukaemia & Blood Cancer New Zealand.

Variety – The Children's Charity

SkyCity has continued its 20-year partnership with Variety – The Children's Charity through delivering Variety Bingo in Auckland, Adelaide and Hamilton. The eighth annual SkyCity Variety of Chefs campaign scheduled for July 2020 was unfortunately postponed due to the impact of COVID-19.

We are really proud of the partnership we have with Variety, and the support we can provide to continue the important work they do in our communities.

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Over

$60 million

awarded in grants to community groups and organisations in New Zealand since 1996

Community Outcomes, Strategy and Progress

Building Communities by Developing People

During the 2018 financial year, after engaging with employees from across the SkyCity Group and community representatives (including the youth development, family support and financial capability sectors), SkyCity developed a new community development and investment strategy centred around a thematic approach of 'Building Communities by Developing People'. This approach recognises that SkyCity can provide employment opportunities for unskilled, unemployed youth at risk of poor employment outcomes within each of the communities within which it operates – we can provide employment, training and a career path.

During the 2019 financial year, SkyCity finalised the operational strategy across the SkyCity Group to deliver this new strategy with the launch of Project Nikau, a youth employment programme with a focus on developing work-ready skills.

SkyCity worked in collaboration with the Ministry of Social Development and a community-based provider to design a work ready programme – with the first cohort of 15 cadets joining the SkyCity Auckland pilot programme in June 2019. The second cohort of 15 cadets joined in September 2019 and the third cohort of 20 young people joined in February 2020.

SkyCity has designed and implemented a wraparound youth mentoring support for each cohort and, in partnership with Te Puni Kōkiri, has co-designed individualised learning and development plans for each cadet.

In addition, through collaboration with the SkyCity Auckland Community Trust, greater social impact has been achieved in the areas of youth advancement and development through the Trust's prioritisation of initiatives that support youth development, wellbeing and employability.

SkyCity committed to our third First Foundation Scholarship in 2020. Applications were open to dependents from the SkyCity employee network in New Zealand and were managed by the First Foundation, where strict criteria had to be met to ensure eligibility. The scholarship supports an academically talented student, from a low decile school and low-income family, through tertiary study.

We continue as a major partner of TupuToa, an organisation focused on ensuring corporate New Zealand is representative of the country, by developing and empowering young Māori and Pasifika peoples and building the cultural capability of their partners. In the last financial year, SkyCity hosted three summer interns for three months within its corporate teams.

Developing Deeper Connections with Māori

Iwi Māori relationships have been initiated to support and guide Project Nikau, SkyCity's youth employment programme. Our partnership with Te Puni Kōkiri has enabled young Māori to access cadetships which support their transition into employment with SkyCity.

Through SkyCity's Inclusion Council, Te Roopu Māori ō SkyCity (an internal Employee Resource Group) has been established to support authentic engagement with Māori staff. In addition, SkyCity formally engaged an experienced and licensed Māori translator to build our capability across our New Zealand sites.

Investing in our Communities

SkyCity Community Trusts

Established to provide funds for community and charitable purposes, the SkyCity Community Trusts are one of the vehicles SkyCity uses to 'put something back' into the New Zealand communities in which the company operates. The SkyCity Auckland Community Trust, SkyCity Hamilton Community Trust, SkyCity Queenstown Casino Community Trust and SkyCity Wharf Casino Community Trust aim to help local and regional organisations carry out community assistance and development work, focusing on supporting families to thrive and communities to prosper, with a specific focus on youth development.

Over the last financial year, SkyCity contributed a total of $3.7 million to the four SkyCity Community Trusts for distribution to community groups and organisations in the Auckland, Waikato and Queenstown Lakes regions - of which $1.9 million was distributed by the Trusts in the financial year ended 30 June 2020. Included in the grants made during the last financial year, the SkyCity Auckland Community Trust ran an extraordinary grant round in April 2020 which saw $1 million in funds granted to four organisations, all of which had strong COVID-19 response plans, focused on reducing the impact of the pandemic within their communities.

Since establishing the first SkyCity Auckland Community Trust in 1996, SkyCity has awarded more than 4,880 grants totalling over $60 million to various community groups and organisations in New Zealand, large and small, through the four SkyCity Community Trusts.

Whānau Ora Auckland and Northland COVID-19 Response

The economic and social impacts of the COVID-19 pandemic have directly affected communities, families and individuals in numerous ways. Our most vulnerable communities, including Māori and Pasifika, have been significantly impacted by unemployment, negative health outcomes, accessibility to health services and social inequities.

During the COVID-19 Alert Level 4 lockdown in New Zealand in April 2020, the SkyCity Auckland Community Trust took a proactive approach to supporting our vulnerable communities and, in line with good philanthropic practice, made the decision to provide a rapid response and 'act with impact' – running an extraordinary grant round which saw $1 million in funds granted to four organisations in the Greater Auckland and Northland region – Te Pou Matakana - Whānau Ora Commissioning Agency (Te Pae Herenga Auckland collective), Pasifika Futures Whānau Ora Commissioning Agency (Auckland collective), Te Manawaroa o Ngāti Hine (Ngāti Hine and community collective) and Te Kahu o Taonui (Iwi collective).

The four recipients and their partner organisations collectively covered the Greater Auckland and Northland regions delivering food packages, hygiene parcels and providing wrap around social services to over 10,000 families. The grants were used to support frontline services through the purchasing of hygiene items, food and supplementary items such as winter clothing, blankets and heaters, which were then distributed by the partner organisations. In the Far North, communities were also dealing with water shortages, and the grants allowed for several water tanks to be refilled.

The grants enabled the partner organisations to connect and support whānau and communities. While the most at risk were identified as Māori and Pasifika, a 'no letter box missed' and whānau ora approach meant that all communities benefitted from the grants.

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Meet our SkyCity Community Trustees

An independent review of the SkyCity Community Trusts was completed in July 2019 to align the Trusts with governance, grant making and philanthropic best practice. The overarching recommendation arising from the review was to create greater alignment of the SkyCity Community Trusts to each other, their communities and to SkyCity's corporate social responsibility objectives. To achieve the overarching recommendation, a number of subsequent recommendations were suggested, including establishing a contestable process for all trustee appointments across the four SkyCity Community Trusts, developing a trustee skills and attributes matrix to identify gaps in knowledge, skill and experience within the makeup of the Trusts, and establishing a Transitional Chair role to have oversight of the Trusts and assist in the alignment of the governance with the operations of the Trusts.

A contestable process was subsequently implemented across the four SkyCity Community Trusts, with 16 new trustees being appointed in February 2020. A Transitional Chair, Kate Cherrington, was also appointed in February 2020 to commence the implementation of the recommendations of the review for the funding rounds across the four SkyCity Community Trusts. A new Programmes and Relationship Advisor role was also established to engage with community organisations and provide advice and information relating to the Trusts' funding, including processing funding applications and supporting recipients to deliver on their desired outcomes, undertaking assessments and providing recommendations to Trustees to support funding decisions.

Biographical details of individual trustees, and their respective qualifications and experience, are set out on the Community Trusts section of the company's website at www.skycityentertainmentgroup.com/our-commitment/community-trusts.



Kate Cherrington
Chair of the SkyCity Community Trusts
(Ngāti Hine, Ngāti Wai, Kapotai, Ngā Puhi, Ngāi Pākehā)

Kate is an associate with The Centre for Social Impact based alongside Foundation North in Auckland. She works across education, community strategy and advancement projects in Aotearoa and specialises in working with groups with a kaupapa Māori focus in education and community strategy, and advancement projects.

Kate is also a trustee of Miria marae in Waiomio and serves on Te Manawatoopu the working group for Te Maara a Hineamaru, the governance for Te Runanga o Ngāti Hine. She is a Council member with NorthTec (Northland Polytechnic) in Whangarei, trustee of Te Putea Whakatupu and provides support to current young Iwi leaders in the Advancement of Māori Opportunity (AMO) network across Aotearoa.

Kate has professional experience in philanthropic strategy and community capacity support, education management, programme and policy development, quality assurance management, Māori language programme development, and wānanga development in New Zealand. She is a facilitator in the Indigenous Leaders Interactive System™ (ILIS), a structured dialogue tool to assist community groups across the world in planning for success and solving complex issues. She has been a teacher in Te Kōhanga Reo, a Māori cultural ambassador and a performer in the traditional Māori performing arts.

Trustees of the SkyCity Auckland Community Trust



Back (from left to right) – Donald Mann, Te Arepa Morehu and Wi Pere Mita
Front (from left to right) – Pru Etcheverry, Marama Royal, Veisinia Maka and Rosie Nathan
Absent – Kate Cherrington, Sue Suckling and Rob Hamilton

Trustees of the SkyCity Hamilton Trust



Back (from left to right) – Ken Williamson, Lehi Duncan and Aisha Ross
Front (from left to right) – Michelle Baillie, Amanda Hema, Manaaki Nepia and Kawena Jones
Absent – Kate Cherrington

Trustees of the SkyCity Queenstown Casino Community and SkyCity Wharf Casino Community Trusts



Back (from left to right) – Jono Browne and Bill Moran
Front (from left to right) – Darren Rewi, Joanne Conroy and Hetty Van Hale
Absent – Kate Cherrington and Vickie Hill



Sourcing responsibly

Source ethically and locally.

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Our Suppliers

We can leverage our relationships with other organisations to promote positive outcomes in areas of impact such as anti-corruption, responsible political advocacy, fair competition and promoting social and environmental responsibility in our supply chain.

Priority Issues

- Ethical supply chain
- Low carbon supply chain
- Buy local and seasonal
- Connect to the circular economy
- Progress initiatives to eliminate modern slavery

Key Stakeholders

- Suppliers (existing and potential)
- EcoVadis

FY20 Performance Highlights

- Agreed and commenced delivery of a 24-month Ethical and Responsible Sourcing Strategy Roadmap
- Presented SkyCity's ethical sourcing strategy to the New Zealand Climate Leaders Collation in October 2019
- Finalist in the 2020 New Zealand CFO Awards for 'Finance Team Contribution to ESG Initiatives'
- Announced our commitment to only use cage free eggs across our New Zealand sites by September 2020 (delayed due to COVID-19)
- Focused on utilising local suppliers for the SkyCity Adelaide expansion project
- Developed a Modern Slavery Statement
- Implemented technology to enable greater analysis of procurement spend

FY20 Key Challenges

- The scope and geographic spread of our supply chain, and also the wide variety of suppliers we engage with, creates challenges for embedding our Ethical Sourcing Code and ensuring our suppliers are doing more than acknowledging their commitments
- Delays to the EcoVadis assessment/audit for suppliers due to the impacts of COVID-19

FY21 Focus Areas

- Focus on maximising our systems to track progress on increasing our local supply chain and obtaining a clearer picture of our suppliers' supply chains
- Exclusive use of cage free eggs across all New Zealand sites

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800 key suppliers

across the SkyCity Group

Over

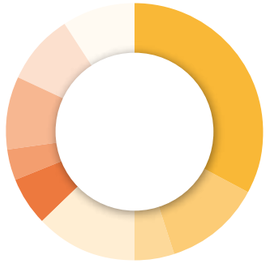
$530 million

spent on goods and services (including capital expenditure)

SkyCity has approximately 800 key ongoing significant suppliers across the SkyCity Group, with a substantial number of these being in the food and beverage sector. As a major purchaser of goods and services (we spent over $530 million with a vast array of suppliers of goods and services in the financial year ended 30 June 2020), SkyCity has a significant opportunity to use its purchasing power to drive sustainability.

Our approach is to focus on the areas in which we can have the biggest impact in terms of minimising our carbon footprint and with respect to key vendors at high ongoing expenditure levels. These areas include food, beverage, property and marketing portfolios in particular.

Approximately $150 million of the total spend (of over $530 million) relates to operational goods and services – a breakdown of which is shown in the graph below:



Food, Beverage & Retail	33%
Marketing	12%
Repairs & Maintenance	5%
Utilities, Rates & Rent	13%
Operating Consumables	6%
Travel & Entertainment	4%
Professional Fees & Insurance	9%
ICT	9%
Other Expenses	9%

SkyCity engages local contractors wherever possible for its construction projects who, in turn, procure local products, materials and subcontractors where feasible.

Many of the gaming products and equipment required by SkyCity for its casino operations are not able to be manufactured or sourced locally. In sourcing these items internationally, SkyCity's focus is on procuring such items from ethical suppliers.

Ethical and Sustainable Sourcing Practices

Ethical Sourcing Code

In 2016, we adopted an Ethical Sourcing Code to improve our indirect impact on society and the environment by carefully selecting and working with our suppliers to ensure sustainable procurement. The Code outlines our alignment with the ten principles of the United Nations Global Compact, which are derived from the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention against Corruption.

Whilst it is not a compliance measure in itself, SkyCity requests its suppliers to acknowledge our commitment to the principles of the Ethical Sourcing Code. Through distribution of our Ethical Sourcing Code, we aim to encourage our suppliers to improve their practices and to assist them in doing so, hence improving the quality of life of the people we touch indirectly and contributing to the protection of the environment.

In the last financial year, we have worked to embed the Ethical Sourcing Code into our stakeholder relationships as one of the key tools to drive change. In addition, we have strengthened our understanding of the role SkyCity can play in progressing initiatives to eliminate modern slavery and developed a new Modern Slavery Statement.

Ethical and Responsible Sourcing Strategy

In November 2018, SkyCity engaged sustainability consulting firm, Proxima, to help formulate a Group-wide strategy. Their brief was to assist SkyCity, using their specialist knowledge of sustainable sourcing practices and understanding of global best practice, to establish a roadmap to improve the sustainability performance of all SkyCity's procurement activities (focusing initially on food and beverage), identify priority procurement challenges to focus on in the short term and define strategic goals and associated metrics.

Following consultation with key internal stakeholders, a new ethical and responsible sourcing strategy was adopted in February 2019. This strategy seeks to minimise negative impacts linked to our operational footprint and to make a positive contribution to the business, people and communities that make up our supply chain. As a significant player in Australasia's hospitality industry, SkyCity has an opportunity to promote responsible sourcing practices.

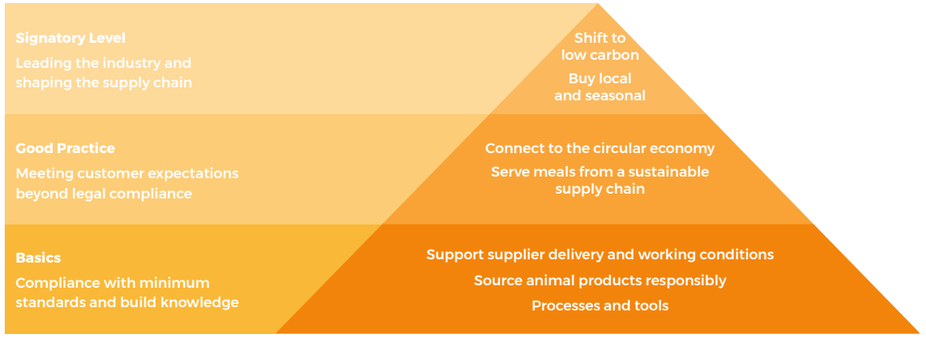
SkyCity's ethical sourcing strategy focus areas are outlined in the diagram below.

The focus areas represent the impact and activity areas that SkyCity believes to be the most relevant to the business and supply chain. Each focus area is located within an ambition level which represents the level of positive impact that SkyCity seeks to achieve.

In 'Basics' focus areas, SkyCity aims to establish a combination of minimum standards for the supply chain and pilot initiatives to gain knowledge. In 'Good Practice' focus areas, SkyCity aims to focus on specific product and service categories where these focus areas are most significant. Finally, 'Signatory Level' focus areas are where SkyCity intends to implement initiatives broadly across the SkyCity Group, thereby helping to positively influence its entire supply chain.

Whilst we have made good progress in both our ethical sourcing objectives and local sourcing over the past financial year, we recognise that more focus and attention is required to achieve our objectives. To this end, during the past financial year, we developed and embedded into the business a 24-month Ethical and Responsible Sourcing Strategy Roadmap. Pleasingly, SkyCity has set a target date of September 2020 for the exclusive use of cage free eggs across all SkyCity's New Zealand sites. While this project was delayed by several months due to the COVID-19 pandemic, we are committed to this important step.

We are committed to increasing the clarity around our goals, priorities and metrics for this pillar.



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SkyCity has zero tolerance towards modern slavery

Modern Slavery Act

The Modern Slavery Act 2018 (Cth) came into force in Australia on 1 January 2019 and requires reporting entities to disclose the risks of modern slavery practices in the operations and supply chains of the reporting entity, and any entities that the reporting entity owns or controls. The Modern Slavery Act applies to SkyCity Entertainment Group Limited, being an entity based, or operating, in Australia having an annual consolidated revenue of more than A$100 million.

The term modern slavery is used to describe situations where coercion, threats or deception are used to exploit victims and undermine or deprive them of their freedom, and includes practices such as trafficking in persons, slavery, servitude, forced marriage and forced labour.

Our Position

SkyCity is fully supportive of the Modern Slavery Act and its intention to eliminate modern slavery in all its forms, including trafficking in persons, slavery, servitude, forced marriage and forced labour.

Our Policy

SkyCity has zero tolerance towards modern slavery. We are committed to implementing and enforcing effective systems and controls to seek to ensure that modern slavery is not taking place anywhere in our business or supply chains.

SkyCity operates primarily in New Zealand and Australia with limited supply chains and, as such, we believe that our exposure to the risks of modern slavery is low. However, we still recognise that there is scope for modern slavery to occur and our modern slavery statement sets out the steps we have taken to minimise this risk.

SkyCity always aims to obtain a clear picture of a potential supplier's supply chain to ensure that it will align with SkyCity's high expectations around ethical procurement practices. All new suppliers are asked about their supply practices prior to becoming an approved supplier. SkyCity has several policies, practices and procedures in place to assist in conducting supply chain due diligence which, in turn, enables SkyCity to take significant measures to mitigate the risks of modern slavery.

SkyCity's existing significant suppliers in New Zealand all undertook (or had previously undertaken) a Sustainable Supply Chain Assessment during the reporting period. An assessment involves the supplier filling out an online questionnaire in relation to their supply chain and providing evidence to support their actions and policies across specific criterion. Once a supplier completes an assessment, they receive a rating scorecard that shows areas where they are achieving good practice in their supply chain and areas where they may need to improve. These ratings are measured against an industry-tailored set of environmental, social and governance criteria. From FY21, these processes will be implemented for our Adelaide property.

By having its suppliers complete an assessment, SkyCity is able to identify critical risks in a supplier's provision of goods and services (including potential modern slavery risks) and can begin a dialogue with such suppliers with a view to improving and managing these risks over time.

76% ($21 million) of SkyCity's annual food and beverage procurement spend in New Zealand is captured by the EcoVadis assessment/audit process

Supply Chain Transparency and Traceability

Sustainable Supply Chain

In September 2017, we commenced a sustainable supply chain assessment pilot initiative with 129 of our key suppliers in New Zealand. As part of this, we engaged an external provider, EcoVadis, to audit and rate our suppliers against an industry-tailored set of environmental, social and governance criteria and our suppliers were invited to complete a questionnaire and provide supporting evidence. Each supplier who completes the assessment then receives a rating scorecard that shows areas where they are achieving good practice and areas where they may need to improve.

Participation in the EcoVadis assessment/audit process was initially encouraged – however, as supplier participation is central to SkyCity's ability to quantify its impact on the supply chain and execute its strategy for this pillar, the EcoVadis assessment/audit was made mandatory for SkyCity's significant existing suppliers and new suppliers during the 2019 financial year. Unfortunately, during the last financial year, we paused the EcoVadis assessment/audit for suppliers due to the impacts of COVID-19, but continue to actively use the information collected to date to improve the performance of existing suppliers.

As at 30 June 2020, 79 New Zealand-based suppliers representing over $46 million of our total annual procurement spend had completed the EcoVadis assessment/audit process. Of SkyCity's annual food and beverage procurement spend in New Zealand, 76% ($21 million) is captured under the EcoVadis process – an increase from 70% in the 2019 financial year.

We continue to focus on obtaining a clearer picture of our suppliers' supply chains to ensure they align with our Ethical Sourcing Code and new suppliers are asked about their supply practices prior to becoming an approved supplier of the company. However, the scope and geographic spread of our supply chain, and also the wide variety of suppliers we engage with, creates challenges for embedding the Ethical Sourcing Code and ensuring our suppliers are doing more than acknowledging their commitments. Our suppliers are very diverse, ranging from small localised family businesses to global multinationals. In some cases, our suppliers are very small operators and they have few resources to provide detailed information about their policies and sustainability and governance approaches. In other cases, we have had long-standing agreements with suppliers, but have not engaged with them before on sustainability issues. As we manage these issues more closely, we will have the opportunity to deepen our engagement with our suppliers on the Ethical Sourcing Code. A key way that we will do that into the future is to undertake supplier sustainability assessments and audits.

Local Suppliers

As part of a major information technology upgrade implemented in April 2019, SkyCity now categorises items in more detail, including location of the supplier. This enables SkyCity to modify procurement practices where required to support the intention outlined in SkyCity's Group Procurement Policy - to source and procure locally made and supplied products from Australasian owned and operated businesses as a preference wherever possible.

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Over

$35 million

spent on food and beverage items across New Zealand and Adelaide in FY20

The policy drives greater rigour in the onboarding of new suppliers and has an emphasis on supplier consolidation and ethical sourcing with SkyCity choosing the best mix of suppliers to meet its business requirements.

Our primary focus is procuring from businesses operating in the same countries in which SkyCity operates, thus supporting local economies even where, in some instances, goods are imported. Our secondary focus is procuring local products and produce from businesses that are geographically close to our businesses.

In the financial year ended 30 June 2020, SkyCity spent over $35 million on food and beverage items across New Zealand and Adelaide. This equates to over 23% of our spend when excluding major capital construction projects. We will be continuing to work with our food and beverage suppliers to gain more understanding as to where our products are being sourced to ensure a local focus where practical.

Adelaide Expansion Project

The SkyCity Adelaide expansion project has provided an opportunity to demonstrate our focus on locally sourced products and local suppliers.

Iconic South Australian Fashion Designer Liza Emanuele was commissioned to design new uniforms for SkyCity Adelaide's venues and has created more than 90 unique looks inspired by the best of South Australia, blended with the glamour, personality and sense of fun from each SkyCity venue. Uniforms will be updated for all staff across the new development and current heritage building to ensure the style is consistent across the precinct.

In partnership with local craft brewery Pirate Life, The District at SkyCity (a new live entertainment area on Level 1 in the existing heritage building) will feature a new Pirate Life 500-litre microbrewery when it opens later this year – Australia's first fully functional microbrewery within a casino. Pirate Life was founded in Adelaide in 2014 by Michael Cameron, Jack Cameron and Jared Proudfoot. The immediate success of the business attracted the attention of leading brewers CUB, with Pirate Life joining the CUB family in November 2017, before expanding into a brewhouse in Port Adelaide in 2019.

Following a A$6 million restoration, The Guardsman opened in January 2020 in the former Overland Dining Hall in the SkyCity Adelaide Railway Station building. The new venue pays homage to the Railway Station's rich heritage, featuring a grand central bar, open kitchen and a coffee front. Award-winning South Australian architects and interior designers Studio Gram spearheaded The Guardsman's design, with the typography and signage developed by Adelaide's Tristan Kerr of Uppercase Studio. The grand central bar and open kitchen showcase some of South Australia's well-known food and beverage producers and features an exclusive offering of South Australian beers, with more than 20 local South Australian beers available on tap, including Coopers, Pirate Life, Prancing Pony and Mismatch. South Australia's world-renowned wine regions feature in the almost entirely local wine list and local spirits include 23rd Street Distillery and Adelaide Hills Distillery. The menu uses almost entirely South Australian suppliers and produce, with signature dishes including some of South Australia's finest seafood, including Fleurieu Peninsula squid, Spencer Gulf prawns, Eyre Peninsula kingfish and Coffin Bay oysters. Desserts are inspired by South Australian food icons, including the 'Berliner' and The Guardsman's take on the FruChoc.

Local products have been selected wherever possible for Eos by SkyCity, the new 120-room luxury hotel. In alignment with our sustainability commitments, all single use plastic has been substituted with recycled cardboard packaging for items such as in-room slippers. We also intend to introduce a sustainable replacement to plastic room keys to operate in parallel to the keyless entry technology in development for use on guests' mobile phones. In-room amenities at Eos by SkyCity will include Grown Alchemist products, a high-end natural Australian beauty brand. Minibar snacks and beverages include products from South Australian based Steven ter Horst and 23rd Street Distillery along with locally grown or sourced almonds and dried fruits. Hotel suites and public areas will feature an array of local South Australian artwork, photography and sculptures, including works by Alice Blanch, Mark Tipple, Peter Syndicas and Danny Fotopoulos. The Eos by SkyCity spa will also feature Australian made iKOU organic skincare products.



Pirate Life's Jack Cameron, Michael Cameron and Jared Proudfoot with SkyCity Adelaide General Manager David Christian.

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"We're so proud to be championed by SkyCity who sponsor our beehives in Victoria Park, turning our honey into desserts as an awareness-raising tool for pollinator and ecosystem health in the city." - For the Love of Bees

Sourcing Locally

In Auckland, SkyCity has partnered with For the Love of Bees, sponsoring one of the beehives at Victoria Park, an inner-city Auckland park. SkyCity Auckland's Orbit 360˚ Dining restaurant uses the honey from this hive to create a special 'For the Love of Bees' dessert. For each dessert sold, SkyCity contributes $1 towards For the Love of Bees, which is used to support the hives, beekeepers and the flowers needed to support the hives.

For the Love of Bees is a charitable trust and a collaborative city centre project seeking to make Auckland the world's most bee-friendly city through education, events and activations – all based around a collection of living beehives at Victoria Park.



For each 'For the Love of Bees' dessert sold, SkyCity contributes $1 towards For the Love of Bees, which is used to support the hives, beekeepers and the flowers needed to support the hives.

Using Local Ingredients

We operate significant food and beverage operations across the SkyCity Group – from catering a simple breakfast offering through to large corporate events and weddings. We support our local businesses by sourcing through them whenever possible.

Here's a glimpse of the local produce SkyCity sourced and utilised in FY20.

Auckland, New Zealand

745,140 whole eggs

19,684kg of local butter

193,610 litres of milk and cream

42,200kg of flour

122,473kg of beef

Adelaide, South Australia

5,786 litres of milk

77,976 oysters (6,498 dozen)

86,500 litres of tap beer

5,586kg of beef



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Protect the environment

Active commitment to reducing our environmental footprint.

Our Environment

We are dedicated to growing in a sustainable manner with a commitment to environmental sustainability as a foundation for successful economic, social and cultural development.

Priority Issues

- Climate change/emissions reduction
- Reducing waste
- Reducing water use
- Employee activation

Key Stakeholders

- Kaivolution
- Auckland City Mission
- Toitū Envirocare
- Sustainable Business Network
- Climate Leaders Coalition
- Energy Efficiency and Conservation Authority
- SUEZ-ResourceCo

FY20 Performance Highlights

- Establishment of an employee-led Green Fund Committee, which oversaw the selection of emissions reduction projects to be funded by the SkyCity Green Fund
- 138,000 single use plastic bottles removed from The Grand by SkyCity and SkyCity Hotel in New Zealand, and replaced with glass alternatives
- 400,000 plastic straws and 100,000 single use plastic bottles removed from our Adelaide site
- Since 2018, 1,000,000 plastic straws have been removed from our New Zealand sites (equivalent to a two-tonne carbon reduction)
- Sky Tower lighting upgraded to LED resulting in a 10% energy saving on lighting circuits
- Achieved a saving of 96 tonnes of carbon at the Auckland site with assistance from the B-Tune programme

FY20 Key Challenges

- Unable to source a suitable model to satisfactorily calculate the impacts of the fire at the New Zealand International Convention Centre construction site in October 2019, which resulted in a spike in measurable particulates in the air quality indices for the Auckland Central City while the fire was active
- Increasing recycling rates and diverting more waste from landfill
- Introducing food waste composting across all SkyCity properties

FY21 Focus Areas

- Achieve carbon zero status for the SkyCity Group (by way of offset through Toitū Envirocare)
- Deliver a zero waste technology solution for the SkyCity Auckland site
- Continue our focus on reducing water use across our New Zealand sites

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We have reduced our waste sent to landfill by 38% since 2016

Working within the limits of the natural environment will allow current and future generations to benefit from its resources to ensure continual economic and social prosperity, which we believe results in business continuity and positive impacts on staff and stakeholder wellbeing.

Reducing Waste

Since 2016, SkyCity has reduced its waste sent to landfill by 38%, in part due to the mandated property closures during FY20 (in response to the COVID-19 pandemic).

Food Donations

Since March 2015, SkyCity has partnered with Kaivolution, a Go Eco Climate Action Project in Hamilton that rescues edible and useable kai (food) that would have otherwise gone to waste or landfill and redistributes it as free kai to registered community groups and charities. During the past financial year, the SkyCity Hamilton property donated around 2,300kgs of food to Kaivolution – an increase from the prior year and approximately half of which was donated in March 2020 when the Hamilton property was closed as a consequence of the New Zealand Government's decision to increase the COVID-19 Alert Level to Level 3 and then Level 4.

In Auckland, SkyCity also continued to support KiwiHarvest, a national food rescue charity that redistributes excess food, free of charge, to community groups and social service agencies, and the Auckland City Mission with donations of food from its Auckland property.

Composting

Food that cannot be donated from the SkyCity Auckland kitchens is collected and commercially composted offsite to be used on New Zealand soils to aid the horticulture industry. During the past financial year, through the efforts of our kitchen teams, SkyCity sent 292 tonnes of food waste to be commercially composted - bringing the total amount collected and composted since the programme began in April 2017 to 1,106 tonnes. Pleasingly, SkyCity's focus on reducing food wastage has resulted in a reduction of food waste being composted each year since the programme began.

We are currently investigating the possibility of commercially composting food waste from our SkyCity Hamilton property.

Plastics

Implementing a food waste composting system has allowed SkyCity to also benefit from commercial composting to reduce single use plastics. SkyCity continues to transition from traditional plastic to commercially compostable food and beverage packaging, such as takeaway coffee cups and lids, straws, plates, containers and cutlery. The packaging is made from rapidly replenishing plant-based material and can be disposed of in food waste bins.

During the last financial year, a three-stage single use plastic reduction strategy was developed and will be progressively implemented. The goals of the SkyCity Zero Waste Strategy are to eliminate waste sent to landfill and improve the efficiency of resource use through reduction and recycling. Stage one involves the removal of all customer facing single use plastics, such as water bottles and Styrofoam cups. Stage two is the development of a plan to remove plastic packaging from the SkyCity Auckland gift shop. The third stage involves quantifying all non-customer facing plastics, which are used by suppliers of goods to SkyCity, and developing a collaborative plan to reduce or replace these with more sustainable alternatives.

Eliminate Waste to Landfill

Over the last financial year, we have continued to consider and progress the feasibility for a waste converter for SkyCity Auckland, the largest and busiest property within the SkyCity Group. The waste converter is a zero waste to landfill option which can process nearly all waste materials (with the exception of construction waste and batteries) – although materials that can be composted, or that SkyCity receives a rebate from (such as cardboard), would continue to be recycled through existing avenues as would glass and HDPE plastics. The residual product from the converter has calorific value that is suitable to be made into an energy source or a building material (similar to MDF).

The key objectives of the converter are to achieve zero waste to landfill, reduce associated costs of disposing waste to landfill and to ensure that the end product will be recycled in New Zealand.

If achievable, SkyCity Auckland would be the first casino in the world to achieve a zero waste to landfill status.

In Adelaide, SkyCity has engaged new service supplier, SUEZ, to assist SkyCity Adelaide in achieving zero waste to landfill. SUEZ offers recycling and commercial food composting solutions with the remaining dry general waste being diverted to SUEZ-ResourceCo (a joint venture between SUEZ and ResourceCo). The SUEZ-ResourceCo facility processes commercial, industrial and construction waste into Processed Engineered Fuel (PEF) which is then used as a fuel source by Adelaide Brighton Cement instead of using traditional fossil fuels. PEF is used to power cement kilns, reducing carbon emissions by 30%. SUEZ-ResourceCo has the capacity to convert up to 350,000 tonnes of raw material per annum into 180,000 tonnes of PEF, and reducing carbon emissions by 30%.

Climate Change and Emissions

Although SkyCity is not, through its usual day-to-day operations, a major emitter of greenhouse gases, we recognise the role that we need to play in reducing our impacts. We are committed to progressing initiatives to reduce emissions and taking action to combat climate change.

As part of SkyCity's commitment to climate action, we have measured, audited and verified SkyCity's carbon footprint for FY15–FY20 through the Certified Emissions Measurement and Reduction Scheme programme operated by Toitū Envirocare, a Government-owned environmental certifications body in New Zealand.

SkyCity has submitted to the Science Based Targets (SBT) initiative, a partnership between CDP (formerly Carbon Disclosure Project), the United Nations Global Compact, the World Resources Institute and the World Wildlife Fund, to set science-based reduction targets from our FY15 base year. Targets are science-based when in line with the level of decarbonisation required to keep global temperature increase well below 2˚C. As part of this, SkyCity has committed to reduce absolute scope one and scope two Green House Gas (GHG) emissions by 38% by 2030 and by 73% by 2050 (from a 2014-2015 base year) and that 67% of SkyCity's suppliers, by spend covering purchased goods and services and capital goods, will set science-based scope one and scope two targets by the year 2023. SkyCity was the first hospitality business in Oceania to set science-based targets to help keep the rise in global temperature to well below 2˚C.

Achievements

Over the last financial year:

- SkyCity Auckland hosted the Sustainable Business Network's EMBARK conference in July 2019, a one-day event dedicated to connecting organisations with low emissions solutions products, providers and services;

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We were among the first major New Zealand companies to go carbon neutral

- we placed copies of Paul Hawken's renowned climate change book 'Drawdown - The Most Comprehensive Plan Ever Proposed to Reverse Global Warming' in all SkyCity hotel rooms to raise awareness among customers of the importance of climate change and the things people can do to reverse it. Paul Hawken is an American environmentalist, entrepreneur, author and activist who has dedicated his life to environmental sustainability and changing the relationship between business and the environment, and the founder of Project Drawdown, a non-profit dedicated to researching when and how global warming can be reversed;
- all the external lights on the Sky Tower were switched to low wattage LED, supporting SkyCity's climate change commitment to reduce carbon emissions from the Sky Tower lighting by 10%. Following the upgrade, the number of external lights on the Sky Tower has doubled, with 60 LED lights at the top of the Sky Tower and 96 LED lights at the base – truly lighting up Auckland's skyline;
- at our Auckland site, the contracted limousine fleet of diesel vehicles was replaced with more fuel-efficient vehicles, reducing running costs by 35% and reducing emissions by 25% over the previous petrol solution;
- SkyCity joined the Energy Efficiency and Conservation Authority's Gen Less programme, a platform to inspire New Zealand businesses and consumers to live a climate-friendly lifestyle. The Energy Efficiency and Conservation Authority is a New Zealand Government agency that works to improve the energy efficiency of New Zealand homes and businesses and encourage the uptake of renewable energy; and
- a number of initiatives led by the Property Services team at our Auckland site, including continuous commissioning and finetuning of the Building Management System (BMS) and the B-Tune programme (building tune), have cumulatively generated significant reductions in SkyCity Auckland's use of utilities reducing our overall carbon emissions and spend on electricity, gas and water.

Fire at the New Zealand International Convention Centre

SkyCity acknowledges the impacts of the October 2019 fire at the under construction New Zealand International Convention Centre on the local environment.

In the months following the fire, SkyCity investigated methods to measure the carbon emissions originating from the fire, however no suitable model was found to be available to satisfactorily complete the calculation.

While there was an increase in measurable particulates in the air quality indices for the Auckland Central City while the fire was active, these levels returned to normal once the fire was extinguished.

Watercare pumped approximately 8 million litres of water from the basement of the building into wastewater drains for treatment at its Māngere Wastewater Treatment Plant to reduce the amount of water (used to fight the fire) from going into stormwater drains and directly into the Auckland Harbour. Auckland Council ecotoxicology testing 10 days after the fire showed no long term impacts for marine life and water quality in Auckland City as a result of the water used to fight the fire travelling through stormwater drains to the Auckland Harbour. While there were concerns around contaminants in sediments in the Auckland Harbour, SkyCity understands that the bulk of these sediments either have been, or will be, dredged and safely disposed of in connection with works being undertaken for the America's Cup.

Climate Change Strategy

In February 2019, SkyCity announced a climate change strategy that would see SkyCity's New Zealand sites become carbon neutral by 30 September 2019, with SkyCity's Adelaide site achieving carbon neutrality by 30 September 2020. As part of this strategy, a SkyCity Green Fund was established – funded by an internal carbon levy paid by each of SkyCity's Auckland, Hamilton, Queenstown and Adelaide sites relative to each site's emissions. The levy is an internal charge of $25 per tonne of carbon, in line with the New Zealand Government's price of carbon under the Emissions Trading Scheme. Funds from the levy are used to offset SkyCity's carbon footprint to net zero by investing in emission reduction projects selected by Toitū Envirocare. The SkyCity Green Fund also accrues and invests in projects identified and developed by SkyCity employees to reduce SkyCity's carbon emissions in accordance with its science-based targets set in 2019.

SkyCity employees have the opportunity to measure and offset their own household carbon footprints, with SkyCity matching their offset dollar-for-dollar by payment into the SkyCity Green Fund.

Pleasingly, SkyCity was among the first major New Zealand companies to go carbon neutral and was certified carbonzero by Toitū Envirocare in New Zealand in October 2019. SkyCity paid $86,000 to offset the equivalent of 12,866 tonnes of carbon (measured in FY19). The carbon credits purchased through Toitū Envirocare are generated by international projects, which will fund 48,000 solar household cookers for rural communities in China and help build wind farm capacity in India to replace fossil fuel alternatives.

The New Zealand International Convention Centre, currently under development in Auckland, will operate as a carbon neutral venue following completion of construction and is expected to be the only one of its kind in the Asia Pacific region. The New Zealand International Convention Centre has also adopted a sustainability management plan and will participate in globally recognised, independent verification programmes, including the Leadership in Energy and Environmental Design's (LEED) Green Building Rating System. The New Zealand International Convention Centre aims to achieve a certified status following the assessment of the sustainable nature by which the centre has been designed, built and delivered.

How does SkyCity become carbonzero?



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As planned, the Adelaide site will also become carbon neutral, alongside SkyCity's New Zealand sites, when the emissions generated during the year ended 30 June 2020 (5,518 tonnes of carbon) are offset by purchasing carbon credits through Toitū Envirocare in September 2020.

Reduction in Water Use

In response to the severe drought being experienced in the Auckland region this year, which has resulted in mandatory water use restrictions in Auckland City since May 2020 (for the first time in 25 years), initiatives to reduce water use have been implemented at our Auckland site, including:

- washing buildings and windows using buckets of water rather than hoses;
- reusing water for other outdoor cleaning tasks;
- using dishwashers only when full and turning off taps in the kitchens;
- making staff and hotel guests aware of the water restrictions; and
- restrictions on cooling tower usage.

As a consequence of these measures, a good reduction in water use has been achieved.

Climate Change Governance and Risks

SkyCity's climate change strategy is overseen by the Board's Sustainability Committee. A management-led Climate Change Committee is responsible for working with wider operational management to execute the strategy.

In November 2019, the Climate Change Response (Zero Carbon) Amendment Act 2019 (New Zealand) was passed and came into force. The Act amends the Climate Change Response Act 2002 (New Zealand) and provides a framework by which New Zealand can develop and implement clear and stable climate change policies that contribute to the global effort under the Paris Agreement to limit the global average temperature increase to 1.5˚C above pre-industrial levels and allow New Zealand to prepare for, and adapt to, the effects of climate change. The Act provides for a transitional period to 2021 to develop and implement:

- the first National Climate Change Risk Assessment for New Zealand;
- a provisional national emissions budget for 2021–2025; and
- policies for climate change adaptation and mitigation.

These documents will be a critical resource for SkyCity to take its climate change strategy and planning to the next stage.

SkyCity is also a signatory to the Climate Leaders Coalition, a group representing a variety of businesses from different industries which contribute to nearly half of New Zealand's emissions. The group's goal is to help New Zealand transition to a low emissions economy and, in doing so, create a positive future for New Zealanders, business and the economy. Members of the Climate Leaders Coalition have signed a joint Climate Change Statement, which commits their companies to action and is the group's first step in their drive for positive change. By signing the statement, each of the business leaders have committed to:

- measuring their greenhouse gas emissions and publicly reporting on them;
- setting a public emissions reduction target consistent with keeping within 2˚C of warming;
- working with their suppliers to reduce their greenhouse gas emissions;
- supporting the Paris Agreement and New Zealand's commitment to it; and
- supporting the introduction of a climate commission and carbon budgets enshrined in law.

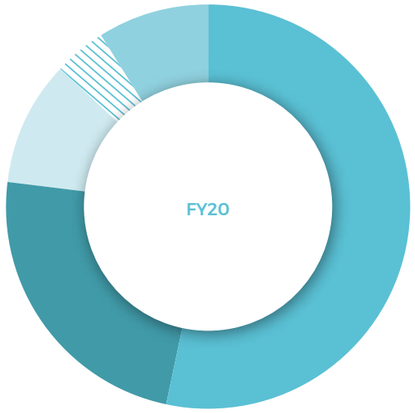
The Climate Leaders Coalition recognises the role that business can play in bringing about change and demonstrates the significant leadership direction being taken by businesses on the issue of climate change.

SkyCity Climate Related Risks

Nature of Risk	Description and Impact	
Physical risks	Rise in global temperatures	Increased load on air conditioning, increased power outages, increased reliance on generators, increased fire risk in Adelaide and a reduced ski season in Queenstown
	Increase in violent weather events, including cyclone, sea surge, tornado	Damage to property, business interruption, undrinkable water, gas leaks, power outages, increased reliance on generators, reduced visitation/ tourism and the need for new infrastructure to be more resilient
	Rise in sea levels	Salt intrusion in soils impacting supply chain
Market and reputational risks and opportunities	• Shift in consumer preferences, increasing societal pressure to participate in green economy and the stigma of not participating • Potential for banks to increase cost of funds for non-green entities • Increasing long term focus by investors in green funds, which could impact SkyCity's share price • Increased challenges with tourism around New Zealand (erratic weather) increases the opportunity for an indoor "proxy" experience • Potential for New Zealand to become a more attractive tourism destination for its "green" status	
Policy and legal risks	• Increase in compliance and reporting costs associated with measuring, demonstrating and actioning new requirements • Change in policy and regulations (new building construction, building fit outs and remedial work to maintain building warrant of fitness)	
Economic risks and opportunities	• General increase in cost of doing business (through an emissions trading scheme and/or value chain risk), including fuel, water, waste water, electricity, gas, transportation, taxes, waste disposal, certain goods and services, and insurance • Prohibition of non-green consumables, which may cost more or less than alternative green consumables • Change in infrastructure and furniture, fixtures, and equipment (FFE) costs (green standards, energy efficiency, electric vehicles and other green technology) • SkyCity will be considering carbon in future investment and divestment opportunities	

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FY20 Carbon Footprint Inventory



- Electricity **53%** ▼ (FY19 – 54%)
- Gas **24%** ▲ (FY19 – 23%)
- Flights **10%** ▼ (FY19 – 15%)
- Waste **4%** ▼ (FY19 – 6%)
- Other **9%** ▲ (FY19 – 2%)

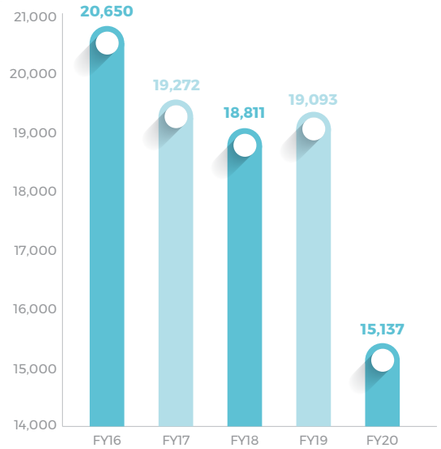
FY16–FY20 Performance

The following tables summarise SkyCity's key environmental performance data for FY16–FY20.

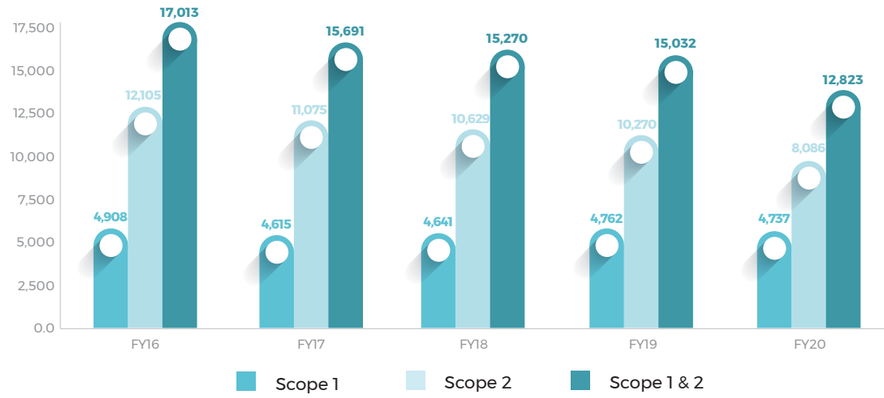
SkyCity has continued efforts to reduce its carbon footprint – with Scope 1 and 2 emissions combined reducing by 24.6% since FY16 and emissions from waste reducing by 56%, in part due to the mandated property closures and travel restrictions during FY20 (in response to the COVID-19 pandemic).

The increase in absolute carbon from FY18 to FY19 was due to increased air travel across the Group, which SkyCity reduced in FY20 through better utilisation of Skype for Business and economy class flights and due to COVID-19 related international border restrictions.

Total Emissions (Scope 1, 2 and 3) (Tonnes CO2e)



Scope 1 and 2 Emissions (Tonnes CO2e)



Scope 3 Emissions (Tonnes CO2e)



Scope Definitions

Through the Toitū carbonreduce certification (formerly the Certified Emissions Measurement and Reduction Scheme) operated by Toitū Envirocare, SkyCity must report all Scope 1, Scope 2 and Scope 3 emissions (unless deemed de minimis), where:

- Scope 1 emissions are direct emissions from sources owned or controlled by SkyCity – for example, gas (LPG and natural), fuel combustion from company vehicles, rental cars and leased fleet, and refrigerant and air conditioning systems;
- Scope 2 emissions are indirect emissions from electricity purchased by SkyCity; and
- Scope 3 emissions are indirect emissions from sources not owned or controlled by SkyCity but resulting from SkyCity's activities – for example, travel (including short and long haul air travel), waste sent to landfill and freight/couriers (for items exceeding 2kg).

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Independent Limited Assurance Statement

Building a better working world

Independent Limited Assurance Statement to the Management and Directors of SkyCity Entertainment Group Limited

Our Conclusion

Ernst & Young ('EY', 'we') was engaged by SkyCity Entertainment Group Limited ("SkyCity") to undertake limited assurance as defined by the International Standards on Assurance Engagements, over disclosures associated with selected sustainability performance data ('sustainability performance data') using criteria applied by SkyCity ('criteria') included in SkyCity's Annual Report for the year ended 30 June 2020. Based on our procedures, nothing came to our attention that caused us to believe that the agreed sustainability performance data detailed in the table below has not been prepared and presented fairly, in all material respects, in accordance with the criteria defined below.

What our review covered

We reviewed the sustainability performance data in SkyCity's Annual report disclosures included in its Annual Report for the year ended 30 June 2020 as detailed in the table below.

Subject matter	Report page
Customer exclusions issued at SkyCity casinos in FY20	76
Gender pay gap (%) for Australia and New Zealand staff	87
Workforce diversity statistics	91
Total Recordable Injury Frequency Rate (TRIFR) % change FY19-20	82
% change in number of hazard identification reports FY19-20	82
Contributions by SkyCity casinos to the SkyCity Community Trusts	97
NZ food and beverage spend from Ecovadis programme suppliers	105
Total procurement spend on food and beverage from Australia and New Zealand-based suppliers and % of total FY20 spend excluding construction	106
% reduction in waste to landfill volume (tonnes) FY16-Fy20	112

Criteria applied by SkyCity

The criteria for our assurance engagement included the Global Reporting Initiative (GRI) Standards and SkyCity's own published criteria, as detailed within the SkyCity Annual Report for the year ended 30 June 2020 available at: https://www.skycityentertainmentgroup.com.

Key responsibilities

EY's responsibility and independence

Our responsibility was to express a limited assurance conclusion on SkyCity's selected sustainability performance data metrics based on our procedures.

We have complied with the relevant ethical requirements relating to assurance engagements, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with the Professional and Ethical Standard 3 (Amended), Ernst & Young Limited maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

SkyCity's responsibility

SkyCity's management ("management") was responsible for selecting the Criteria, and preparing and fairly presenting the sustainability performance data metrics in accordance with that Criteria. This responsibility includes establishing and maintaining internal controls, adequate records and making estimates that are reasonable in the circumstances.

Our approach to conducting the engagement

We conducted this engagement in accordance with the International Standard on Assurance Engagements ISAE (NZ) 3000: *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and the terms of reference for this engagement as agreed with SkyCity on 5 July 2020.

Building a better working world

Summary of procedures performed

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the sustainability performance data and related information, and applying analytical and other review procedures.

Our procedures included, but were not limited to:

- Conducting interviews with personnel to understand the business and reporting process
- Conducting interviews with key personnel to understand the process for collecting, collating, and reporting the sustainability performance data during the reporting period
- Undertaking analytical review procedures to support the reasonableness of the data
- Identifying and testing assumptions supporting the calculations
- Testing, on a sample basis, underlying source information to check the accuracy of the data
- Performing recalculations of performance data metrics to confirm quantities stated were replicable
- Reviewing the appropriateness of presentation of disclosures.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Limited Assurance

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

Use of our Assurance Statement

We disclaim any assumption of responsibility for any reliance on this assurance report to any persons other than management and the Directors of SkyCity or for any purpose other than that for which it was prepared.

Ernst & Young Limited

Graeme Bennett
Partner - Assurance

01 September 2020



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Committed to maintaining the highest standards

Corporate Governance Statement and Other Disclosures

SkyCity Entertainment Group Limited is committed to maintaining the highest standards of corporate behaviour and responsibility and has adopted governance policies and procedures reflecting this.

In establishing its governance policies and procedures, the SkyCity Board has adopted eleven governance parameters as the cornerstone principles of its corporate governance charter as set out in the company's Board Charter (available in the Governance section of the company's website at www.skycityentertainmentgroup.com).

As a New Zealand company listed on the New Zealand and Australian stock exchanges, these cornerstone principles, detailed below and on the following pages, reflect the Listing Rules and Corporate Governance Code of NZX Limited (NZX), the Listing Rules of ASX Limited (ASX), the Corporate Governance Principles and Recommendations (Fourth Edition) of the ASX Corporate Governance Council, and the New Zealand Financial Markets Authority's Corporate Governance Principles and Guidelines.

SkyCity is listed as a 'Foreign Exempt Listing' on the ASX. The ASX Foreign Exempt Listing category is based on a principle of substituted compliance recognising that, for secondary listings, the primary regulatory role and oversight rest with the home exchange and the supervisory regulator in that jurisdiction. As a company with ASX Foreign Exempt Listing status, SkyCity is not required to comply with ASX Listing Rule 4.10, which requires entities to include certain prescribed information in their annual reports, or the Corporate Governance Principles and Recommendations (Fourth Edition) of the ASX Corporate Governance Council. Notwithstanding, SkyCity has taken into account ASX Listing Rule 4.10 when preparing this annual report and considers its corporate governance practices and principles have substantially reflected the recommendations set by the ASX Corporate Governance Council, in addition to all the corporate governance principles set out in the NZX's Corporate Governance Code, during the financial year ended 30 June 2020. In addition, as mentioned above, the cornerstone principles set out in SkyCity's Board Charter (available in the Governance section of the company's website at www.skycityentertainmentgroup.com) continue to reflect the principles in the Corporate Governance Principles and Recommendations (Fourth Edition) of the ASX Corporate Governance Council.

1. Roles and Responsibilities of the Board and Management

SkyCity's procedures are designed to:

- enable the Board to provide strategic guidance for the company and effective oversight of management;
- clarify the respective roles and responsibilities of Board members and senior executives in order to facilitate Board and management accountability to both the company and its shareholders; and
- ensure a balance of authority so that no single individual has unfettered powers.

The Board Charter details the Board's role and responsibilities. The Board establishes the company's objectives, the major strategies for achieving those objectives and the overall policy framework within which the business of the company is conducted, and monitors management's performance with respect to these matters.

The Board is also responsible for ensuring that the company's assets are maintained under effective stewardship, that decision-making authorities within the organisation are clearly defined, that the letter and intent of all applicable company and casino laws and regulations are complied with, and that the company is well managed for the benefit of its shareholders and other stakeholders.

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Specific responsibilities of the Board include:

- oversight of the company, including its control and accountability procedures and systems;
- appointment, performance, and removal of the Chief Executive Officer;
- confirmation of the appointment and removal of the senior executive group (being the direct reports to the Chief Executive Officer);
- setting the remuneration of the Chief Executive Officer and approval of the remuneration of the senior executive group;
- approval of the corporate strategy and objectives and oversight of the adequacy of the company's resources required to achieve the strategic objectives;
- approval of, and monitoring of actual results against, the annual business plan and budget (including the capital expenditure plan);
- review and ratification of the company's systems of risk management and internal compliance and control, codes of conduct and legal compliance; and
- approval and monitoring of the progress of capital expenditures, capital management initiatives, acquisitions and divestments.

The Board has responsibility for the affairs and activities of the company, which in practice is achieved through delegation to the Chief Executive Officer and others (including SkyCity appointed directors on subsidiary company boards) who are charged with the day-to-day leadership and management of the company. The Board maintains a formal set of delegated authorities that details the extent to which employees can commit the company. These delegated authorities are approved by the Board and are subject to annual review by the Board.

The Chief Executive Officer also has the responsibility to manage and oversee the interfaces between the company and the public and to act as the principal representative of the company.

Each director and senior executive has a written agreement with the company setting out their terms of appointment and responsibilities.

2. Structure the Board to Add Value

Board effectiveness requires the efficient discharge of the duties imposed on the directors by law and the addition of value to the company.

To achieve this, the SkyCity Board is structured to:

- have a sound understanding of, and competence to deal with, the current and emerging issues of the business;
- effectively review and challenge the performance of management and exercise independent judgement; and
- assist in the selection of candidates to stand for election by shareholders at annual meetings.

Board Composition and Skills Matrix

The Board ensures that it is of an effective composition and size to adequately discharge its responsibilities and duties and to add value to the company's decision-making.

In order to meet these requirements, the Board membership comprises a range of skills and experience to ensure that it has a proper understanding of and competence to deal with the current and emerging issues of the business, to effectively review and challenge the performance of management, and to exercise independent judgement.

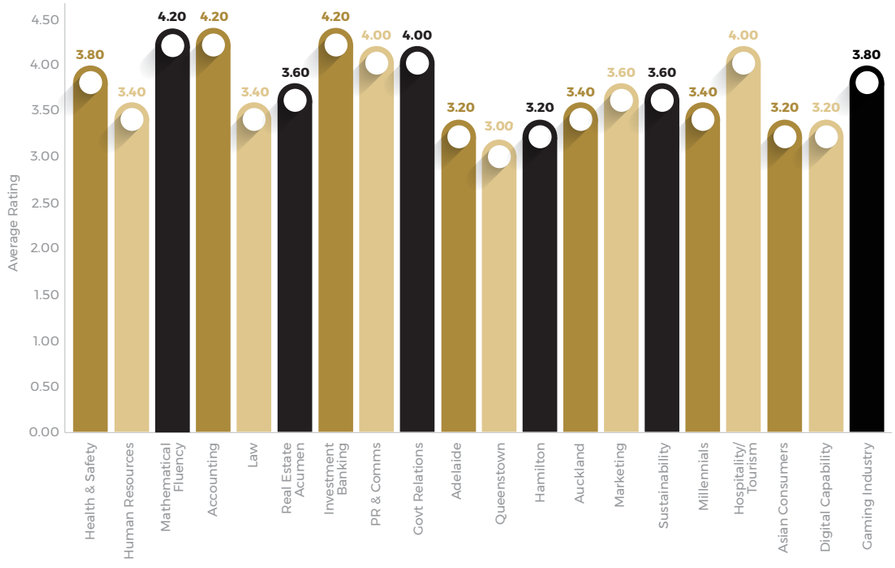
The areas of expertise and experience determined by the Board as being the key competencies required to meet these objectives were most recently agreed by the Board in May 2018 and include:

- gaming industry experience and understanding;
- understanding of Asia and Asian consumers;
- local market knowledge of Auckland;
- local market knowledge of Adelaide;
- government relations;
- public relations and communications;
- investment banking;
- property and real estate acumen;
- hospitality industry experience and understanding;
- law;
- finance and accounting;
- mathematical fluency;
- human resources;
- occupational health and safety;
- marketing;
- digital capability and exposure;
- sustainability; and
- millennial understanding.

In June 2019, Board members completed a self-assessment survey to identify the Board's overall competency in relation to the above areas of expertise and experience. The results of the survey are set out in the table below – where 1 indicates lower competency and 5 indicates higher competency. Details of individual expertise and experience of the directors are set out on pages 53–55 of this annual report.

Where there is an identified gap in expertise and/or experience, the Board seeks to address that gap through learning and personal development, the use of independent expert advisors in specific areas of perceived need when necessary, or by the appointment of a director or directors with the relevant expertise and experience.

Director Competencies



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Appointment

The Board has established the Governance and Nominations Committee to:

- identify and recommend to the Board suitable persons for nomination as members of the Board and its committees (taking into account such factors as experience, qualifications, judgement, and the ability to work with other directors);
- annually review the overall composition and structure of the Board and its committee memberships and, if appropriate, the removal of a director from the Board and/or its committees;
- monitor the succession and rotation of Board and committee members;
- monitor the outside directorships and other business interests of directors with a view to ensuring independence/no conflicts of interest, and director capability and time availability to effectively undertake the requirements of their SkyCity Board and committee positions;
- monitor related parties, conflicts of interest, and independence issues;
- ensure that potential candidates understand the role of the Board and the time commitment involved when acting as a member of the Board;
- oversee the evaluation of the Board; and
- review the Board's succession planning.

External consultants are engaged to access a wide base of potential candidates and to review the suitability of candidates for appointment.

The procedures for the appointment and removal of directors are prescribed in the company's constitution, which, amongst other things, requires all potential directors to have satisfied the extensive probity requirements of each jurisdiction in which the Group holds gaming licences.

Subject to satisfaction of the probity requirements, the Board may appoint directors to fill casual vacancies that occur or to add persons to the Board up to the maximum number (currently 10) prescribed by the constitution. If the Board appoints a new director during the year, that person will stand for election by shareholders at the next annual meeting. Shareholders are provided with relevant information on any candidate standing for election in the company's notice of meeting.

Directors are appointed under the company's Terms of Appointment and Reference for Directors and Board Charter (both available in the Governance section of the company's website at www.skycityentertainmentgroup.com) for a term of three years and subject to re-election by shareholders in accordance with the rotation requirements of NZX and ASX and as prescribed in the company's constitution.

Director Independence

The Board Charter and the company's constitution require that the Board contains a majority of its number who are independent directors. SkyCity also supports the separation of the role of Board chair from the Chief Executive Officer position. The Board Charter requires the Board chair and (where appointed) deputy chair to be independent directors and prohibits the company's Chief Executive Officer from filling either of these roles.

Directors are required to ensure all relationships and appointments bearing on their independence are disclosed to the Governance and Nominations Committee on a timely basis. In determining the independence of directors, the Board has adopted the definition of independence set out in the NZX Main Board Listing Rules and has taken into account the independence guidelines as recommended in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Fourth Edition) (ASX Independence Guidelines).

At its June 2020 meeting, the Board reviewed the status of each director in accordance with the definition of independence set out in the NZX Main Board Listing Rules and taking into account the ASX Independence Guidelines and determined that all current non-executive directors were independent at the balance date having regard to the factors described in the NZX Corporate Governance Code and ASX Independence Guidelines that may impact director independence.

Access to Information and Advice

New directors participate in an individual induction programme, tailored to meet their particular information requirements.

Directors receive regular reports and comprehensive information on the company's operations before each Board and committee meeting and have unrestricted access to any other information they require. Senior management is also available at and outside each meeting to address queries.

Directors are expected to maintain an up-to-date knowledge of the company's business operations and of the industry sectors within which the company operates. Directors are provided with updates on industry developments and undertake training and regular visits to the company's key operations. The Board also undertakes periodic educational trips (as a group and/or individually) to observe and receive briefings from other companies in the gaming and entertainment industries. The most recent group educational Board trip was to the United States and Canada in March 2019.

Directors are entitled to obtain independent professional advice (at the expense of the company) on any matter relating to their responsibilities as a director or with respect to any aspect of the company's affairs, provided they have previously notified the Board chair of their intention to do so.

Indemnities and Insurance

The company provides a deed of indemnity in favour of each director and member of senior management and provides professional indemnity insurance cover for directors and executives acting in good faith in the conduct of the company's affairs.

Board Committees

The Board has four formally appointed standing committees – the Audit and Risk Committee, Governance and Nominations Committee, People and Culture Committee and Sustainability Committee.

The members of each of these committees are non-executive directors and the non-executive directors of the Board appoint the chair of each committee.

Each of these committees operates under a formal charter document as agreed by the Board. Each charter sets out the role and responsibilities of the relevant committee and is available in the Governance section of the company's website at www.skycityentertainmentgroup.com.

Each committee charter and the performance of each committee are subject to formal review by the Board on an annual basis.

From time to time, the Board creates specific sub-committees to deal with a particular matter or matters and/or to have certain decision-making authority as the Board may elect to delegate to that sub-committee. As at 30 June 2020, the Board had established a sub-committee to oversee the New Zealand International Convention Centre and Horizon Hotel development and a separate sub-committee to oversee the SkyCity Adelaide expansion project.

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Board and Committee Membership

The following table lists the members and chair of the SkyCity Board and each of its four formally appointed standing committees as at 30 June 2020 and as at the date of this annual report.

Biographical details of individual directors, and their respective qualifications and experience, are set out on pages 53–55 of this annual report.

BOARD		Appointment to Office
Chair	Rob Campbell	25 June 2017
Deputy Chair	Bruce Carter	12 October 2010
Members	Sue Suckling	9 May 2011
	Jennifer Owen	5 December 2016
	Murray Jordan	5 December 2016

AUDIT AND RISK COMMITTEE	
Chair	Bruce Carter
Members	Rob Campbell
	Jennifer Owen

PEOPLE AND CULTURE COMMITTEE	
Chair	Murray Jordan
Members	Rob Campbell
	Jennifer Owen

SUSTAINABILITY COMMITTEE	
Chair	Sue Suckling
Members	Rob Campbell
	Bruce Carter

GOVERNANCE AND NOMINATIONS COMMITTEE	
Chair	Rob Campbell
Members	Bruce Carter
	Sue Suckling
	Jennifer Owen
	Murray Jordan

Board and Committee Meeting Attendance

The following table shows director attendance at Board meetings and committee member attendance at committee meetings (both scheduled and unscheduled) during the financial year ended 30 June 2020.

	BOARD	AUDIT AND RISK	PEOPLE AND CULTURE	GOVERNANCE AND NOMINATIONS	SUSTAINABILITY
TOTAL NUMBER OF MEETINGS	**20**[1]	**7**	**6**	**1**	**4**
Rob Campbell	20	7	6	1	4
Bruce Carter[2]	20	7	–	1	3
Sue Suckling	19	–	–	1	4
Jennifer Owen	20	7	6	1	–
Murray Jordan	20	–	6	1	–
Richard Didsbury[3]	3	–	–	–	1

(1) The Board met weekly during the period from 17 March - 9 June 2020 in response to the COVID-19 pandemic.
(2) Bruce Carter was appointed a member of the Sustainability Committee effective from 12 November 2019.
(3) Richard Didsbury retired as a director effective from 11 November 2019.

3. Integrity and Ethical Behaviour

For SkyCity, it is important to be a good corporate citizen, whilst operating a sustainable and successful business model.

SkyCity expects its Board, management and employees to act in accordance with the company's values, policies and legal obligations and actively promotes ethical and responsible behaviour and decision-making by:

- clarifying and promoting observance of its guiding values; and
- clarifying the standards of ethical behaviour required of company directors and key executives (that is, officers and employees who have the opportunity to materially influence the integrity, strategy and operations of the business and its financial performance) and encouraging the observance of those standards.

Training and information on the company's values, policies and legal obligations are provided to all employees on induction and periodically throughout their time at SkyCity.

Sustainability

To help the company define its responsibilities and the effectiveness of its activities, SkyCity maintains operational supervision of its sustainability activities through management as well as governance-level oversight through the Board's Sustainability Committee. This Committee directs the company's commitment to care activities and is responsible for developing and maintaining SkyCity's sustainability policies.

The Sustainability Committee focuses on the agreed pillars of the company's sustainability strategy, which are described in further detail on pages 63–119 of this annual report together with details of SkyCity's sustainability activities.

Code of Conduct

The Sustainability Committee is responsible for monitoring the organisational integrity of business operations to ensure the maintenance of a high standard of ethical behaviour. This includes ensuring that SkyCity operates in compliance with its Code of Conduct (available in the Governance section of the company's website at www.skycityentertainmentgroup.com), which sets out the guiding principles of its relationships with stakeholder groups such as regulators, shareholders, suppliers, customers, community groups and employees.

Compliance with the Code of Conduct is monitored through education and notification by individuals who become aware of any breach. In addition, all senior managers are required annually to provide a confirmation to the company that to the best of their knowledge all business matters undertaken within their areas of responsibility have been conducted in accordance with the Code of Conduct. The most recent annual confirmations were provided by senior managers in August 2020.

Trading in Securities

The company maintains a Securities Trading Policy (available in the Governance section of the company's website at www.skycityentertainmentgroup.com) for directors and employees that sets out guidelines in respect of trading in, or giving recommendations concerning, the company's securities, including derivatives of such listed securities.

Details of any securities trading by directors or executives who are subject to the company's Securities Trading Policy are notified to the Board.

In addition, directors and officers of the company must comply with the disclosure obligations under subpart 6 of the New Zealand Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules and formally disclose their SkyCity shareholdings and other securities holdings to the NZX and, consequently, ASX within prescribed timeframes.

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Conflicts of Interest

SkyCity expects its directors and employees to avoid conflicts of interest in their decisions and to avoid any direct or indirect interest, investment, association, or relationship which is likely to, or appears to, interfere with the exercise of their independent judgement.

Where conflicts of interest may arise (or where potential conflicts of interest may arise), directors must formally advise the company or, in the case of an employee, their manager about any matter relating to that conflict (or potential conflict) of interest.

Gaming Prohibition

Directors and employees are not permitted to participate in any gaming or wagering activity at any SkyCity land-based property.

4. Safeguard the Integrity of the Company's Financial Reporting

The Board is responsible for ensuring that effective policies and procedures are in place to provide confidence in the integrity of the company's financial reporting.

The Audit and Risk Committee has responsibility for oversight of the quality, reliability, and accuracy of the company's internal and external financial statements, the quality of the company's external result presentations, its internal control environment and risk management programmes, and for its relationships with its internal and external auditors.

The Audit and Risk Committee and the Board undertake sufficient inquiry of the company's management and the company's internal and external auditors in order to enable them to be satisfied as to the validity and accuracy of the company's financial reporting. The Chief Executive Officer and the Chief Financial Officer are required to confirm in writing that the annual and interim financial statements present a true and fair view of the company's financial condition and results of operations, and comply with relevant accounting standards.

The Audit and Risk Committee oversees the independence of the company's internal and external auditors and monitors the scope and quantum of work undertaken and fees paid to the auditors for non-audit services.

The Committee has adopted an External Audit Independence Policy that sets out the framework for assessing and maintaining audit independence. The Committee has formally reviewed the independence status of PricewaterhouseCoopers and is satisfied that its objectivity and independence is not compromised as a consequence of non-audit work undertaken for the company.

PricewaterhouseCoopers has confirmed to the Committee that it is not aware of any matters that could affect its independence in performing its duties as auditor of the company.

Fees paid to PricewaterhouseCoopers during the financial year ended 30 June 2020 are set out in note 7 to the financial statements. Fees for audit and other assurance work for the financial year ended 30 June 2020 represented 80% of total PricewaterhouseCoopers fees.

5. Timely and Balanced Disclosure

The Board is committed to ensuring timely and balanced disclosure of all material matters concerning the company to ensure compliance with the letter and intent of the NZX and ASX Listing Rules such that:

- all investors have equal and timely access to material information concerning the company, including its financial situation, performance, ownership and governance; and
- company announcements are factual and comprehensive.

SkyCity believes high standards of reporting and disclosure are essential for proper accountability between SkyCity and its investors, employees and stakeholders.

The company is committed to promoting investor confidence by providing timely and balanced disclosure of all material matters relating to SkyCity and its subsidiaries (SkyCity Group). The company maintains a Market Disclosure Policy (available in the Governance section of the company's website at www.skycityentertainmentgroup.com) for directors and employees that sets out guidelines in respect of the company's continuous disclosure obligations.

The Policy is designed to ensure that SkyCity:

- satisfies the requirements of the New Zealand Financial Markets Conduct Act 2013, Australian Corporations Act 2001, NZX Main Board Listing Rules and ASX Listing Rules;
- meets its disclosure obligations in a way that allows all interested parties equal opportunity to access information;
- meets stakeholders' expectations for equal, timely, balanced and meaningful disclosure; and
- provides guidance on the processes to ensure compliance.

The company is also committed to presenting its financial and key operational performance results in a clear, effective, balanced and timely manner to the stock exchanges on which the company's securities are listed, and to its shareholders, analysts and other market commentators, and ensures that such information is available on the company's website.

The company's annual report (including this annual report) is prepared by the General Counsel for the SkyCity Entertainment Group with input from the Chief Executive Officer and other senior management who bear responsibility for the topics covered in the annual report with a view to ensuring the contents are materially accurate, balanced and provide investors sufficient information about SkyCity and its performance over the relevant financial year. The Board also contributes to and approves the contents of the annual report.

Jo Wong, General Counsel, is Company Secretary and the Disclosure Officer for SkyCity Entertainment Group Limited and is responsible for bringing to the attention of the Board any matter relevant to the company's disclosure obligations. The Company Secretary is also accountable directly to the Board, through the chair of the Board, on all matters to do with the proper functioning of the Board.

6. Respect and Facilitate the Rights of Shareholders

The company's shareholder communications strategy is designed to facilitate the effective exercise of shareholder rights by:

- communicating effectively with shareholders;
- providing shareholders with ready access to balanced and understandable information about the company and corporate proposals; and
- facilitating participation by shareholders in general meetings of the company.

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The company achieves this by:

- ensuring that information about the company (including its corporate governance framework, media releases, current and past annual reports, dividend histories and notices of meeting) is available to all shareholders in the Investor Centre and Governance sections of the company's website at www.skycityentertainmentgroup.com;
- posting stock exchange announcements in the Investor Centre section of the company's website promptly after they have been disclosed to the market;
- giving shareholders the option to receive communications from, and send communications to, the company and its security registry, Computershare, electronically;
- engaging in a programme of regular interactions with institutional investors, shareholder associations and proxy advisers;
- promoting two-way interaction with shareholders, by encouraging shareholders to attend general meetings of the company;
- making appropriate time available at such meetings for shareholders to ask questions of directors and management. Each year, in the company's notice of meeting, shareholders are invited to submit questions to the company prior to the annual meeting to enable the company to aggregate the main themes of the questions asked and respond to them at the annual meeting. Representatives of the company's external auditors are also invited to attend the company's annual meeting to answer any shareholder questions concerning their audit and external audit report; and
- ensuring that continuous disclosure obligations are understood and complied with throughout the SkyCity Group.

7. Recognise and Manage Risk

The company maintains a risk management framework for the identification, assessment, monitoring and management of risk to the company's business.

SkyCity maintains an independent, centrally managed Group Risk function which evaluates and reports on risks and controls across the Group. Management is required to report to the Audit and Risk Committee and Board on the effectiveness of the company's management of its material business risks at least annually.

The Audit and Risk Committee approves the assurance plan, with results and performance of the organisation's risk and controls regularly reviewed by both the Committee and the external auditors. The Chief Executive Officer and the Chief Financial Officer are required to confirm in writing to the Audit and Risk Committee at least annually that the statement in respect of the integrity of the company's financial statements referred to above is founded on a sound system of risk management and internal control which aligns to the policies of the Board, and that the company's risk management and internal control systems are operating efficiently and effectively in all material respects. The most recent confirmations were provided by the Chief Executive Officer and Chief Financial Officer in September 2020.

The company maintains business continuity, material damage and liability insurance cover to ensure that the earnings of the business are well protected from adverse circumstances.

SkyCity's ability to create and preserve value for its shareholders requires the successful execution of its business strategy. Risks influencing its ability to do this, including SkyCity's material exposure to economic, environmental and social sustainability risks, if any, and how it manages or intends to manage those risks, are outlined on pages 45–51 of this annual report.

8. Performance Evaluation

Evaluation of the Board and its Committees

The Board and committee charters require an evaluation of the Board's and its committees' performance on an annual basis. The Governance and Nominations Committee determines and oversees the process for evaluation, which includes assessment of the role and responsibilities, performance, composition, structure, training and membership requirements of the Board and its committees.

The annual evaluation of the Board's and its committees' performance is generally carried out in the form of a self-evaluation questionnaire completed by each of the directors and select management. From time to time, an independently facilitated evaluation process may be carried out, in addition to or in substitution of the self-evaluation process, for the purpose of evaluating the performance of the Board and its committees.

In June 2019, the Board agreed to participate in an independently facilitated evaluation process by a specialist facilitator with significant experience in board evaluations. As part of the evaluation process, the facilitator held structured interviews on a one-on-one basis with each director and relevant senior managers and attended the Board's October 2019 meeting to conduct a structured assessment of Board dynamics, contribution, and effectiveness. The facilitator's insights on Board and individual director strengths and opportunities for enhanced performance and development were then discussed at the Board's December 2019 meeting with the facilitator in attendance.

Evaluation of Senior Management

The Board undertakes the performance review of the Chief Executive Officer and reviews the performance outcomes of those reporting directly to that position in accordance with the company's performance review procedures.

In the case of the Chief Executive Officer, the review generally involves a formal response/feedback process at both the half year and full year. In the case of each senior executive, the review involves a formal response/feedback process between the Chief Executive Officer and each senior executive.

9. Remunerate Fairly and Responsibly

The guiding principles that underpin SkyCity's remuneration policies are to:

- be market competitive at all levels to ensure the company can attract and retain the best available talent;
- be performance-oriented so that remuneration practices recognise and reward high levels of performance and to avoid an entitlement culture;
- provide a significant at-risk component of total remuneration which drives performance to achieve company goals and strategy;
- manage remuneration within levels of cost efficiency and affordability; and
- align remuneration for senior managers with the interests of shareholders.

SkyCity's remuneration strategy and policies are based on a "pay for performance" philosophy. The People and Culture Committee has reviewed the structure of SkyCity's incentive schemes to ensure they are competitive and effective to enable the company to attract and retain the leadership and talent required to drive business strategy and financial performance in the interests of shareholders. Any subsequent change to the company's remuneration strategy and/or policies will continue to reflect SkyCity's "pay for performance" philosophy and drive shareholder value.

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Remuneration Report

As Chair of the People and Culture Committee of the Board, I am pleased to present our remuneration report for the financial year ended 30 June 2020.

This remuneration report outlines SkyCity's remuneration frameworks and plans, including detailed information on group executives and non-executive director remuneration and outcomes for the financial year ended 30 June 2020.

In light of the economic impact of the COVID-19 pandemic, group executives' salaries will be frozen for the financial year ending 30 June 2021. In addition, the company will not be seeking shareholder approval to increase the non-executive director fee pool at the 2020 annual meeting on 16 October 2020 (noting the non-executive director fee pool was last increased by shareholders at the 2018 annual meeting and, prior to that, at the 2014 annual meeting).

Despite the challenges in FY20, SkyCity continues to make great progress across its diversity and inclusion programme. The gender pay gap for the New Zealand business reduced to 7.5% from 8.2%, in part as a result of our targeted wage programme '$20 by 2020', and SkyCity's gender balance has remained consistent across the top four levels of the organisation with 49% being female. SkyCity continues to make investment in building the capability of all leaders in understanding and leveraging diversity of thought through our Diversity and Inclusion Leadership Conference, the SkyCity Inclusion Council and the SkyCity Emerging Leaders Programme.

As the financial gateway for the SkyCity Performance Incentive Plan and the SkyCity Short Term Incentive Plan was not met this year, and taking into account a number of factors that have contributed to a very difficult year, no awards were made under either plan in relation to the financial year ended 30 June 2020.



The format of this remuneration report differs from previous years. Details of the various employee incentive plans are now available in the Remuneration Policy Statement in the Governance section of the company's website at www.skycityentertainmentgroup.com or can be obtained by contacting the Company Secretary. In addition, and with the aim of greater transparency and disclosure, the Board has elected to provide details regarding total remuneration paid to the Chief Operating Officer and Chief Financial Officer.

I hope you find the new format of our remuneration report useful and, as always, I welcome your feedback.



Murray Jordan
Chair
People and Culture Committee

Non-Executive Directors Fees

This section details the fees paid to non-executive directors.

The company's Policy on Non-Executive Director Remuneration (available in the Governance section of the company's website at www.skycityentertainmentgroup.com or by contacting the Company Secretary) sets out a framework for SkyCity to attract and retain qualified, highly capable directors from a pan-Australasian talent pool for the purpose of driving value and maintaining the highest standards of corporate governance on behalf of shareholders.

In addition to directors' fees, non-executive directors may also receive remuneration for additional services provided to the company outside of their capacities as directors of the company at the discretion of the Board and subject to the maximum remuneration amount which has been approved by the shareholders of the company. Shareholders at the annual meeting determine the total remuneration available to the company's non-executive directors.

At the 2018 annual meeting, shareholders approved, effective from 1 July 2018, a total remuneration amount for non-executive directors of $1,440,000 per annum (plus GST, if any).

The following table outlines the approved non-executive directors' fees (exclusive of GST, if any) for the Board and its committees as at 30 June 2020:

	POSITION	FEES (PER FINANCIAL YEAR)
Board	Chair	$280,000
	Deputy Chair	$160,000
	Non-Executive Director	$128,500
Audit and Risk Committee	Chair	$35,000
	Member	$15,000
People and Culture Committee	Chair	$35,000
	Member	$15,000
Sustainability Committee	Chair	$35,000
	Member	$15,000

All non-executive directors are members of the Governance and Nominations Committee and receive no additional fees for this committee.

The Board chair does not receive separate fees for the Board committees that he sits on.

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Non-Executive Director Fees for the Year Ended 30 June 2020

Remuneration paid to, and other benefits received by, non-executive directors for services in their capacity as directors of the company during the financial year ended 30 June 2020 are as listed below:

	BOARD AND COMMITTEE FEES	OTHER
Rob Campbell		
2020	**$245,000.00[1]**	
2019	$280,000.00	
Bruce Carter		
2020	**$178,333.40[1]**	
2019	$195,000.00	
Sue Suckling		
2020	**$143,062.50[1]**	**$3,429.70[2]**
2019	$163,500.00	$2,586.37[2]
Jennifer Owen		
2020	**$138,687.50[1]**	**$14,850.00[4]**
2019	$153,983.87	
Murray Jordan		
2020	**$143,062.50[1]**	**$4,050.00[5]**
2019	$163,500.00	$11,700.00[6]
Richard Didsbury[3]		
2020	**$51,819.45**	
2019	$143,600.00	$16,800[7]

The figures shown are gross amounts and exclude GST where applicable.

(1) Non-executive directors elected to waive 50% of their Board and committee fees for the final quarter of the financial year ended 30 June 2020.

(2) Being premiums paid to SkyCity's health insurance provider during the period for the relevant director, who received the benefit of a health insurance plan that SkyCity offers to all of its employees (either at no cost or at a discounted rate).

(3) Richard Didsbury retired as a director effective from 11 November 2019.

(4) Being fees payable for consultancy services provided by Jennifer Owen in relation to the SkyCity Adelaide expansion project, which were provided as additional services outside of her capacity as a director of the company. This includes fees for consultancy services provided in FY19 but paid in FY20.

(5) Being fees payable for consultancy services provided by Murray Jordan in relation to the New Zealand International Convention Centre development, which were provided as additional services outside of his capacity as a director of the company.

(6) Being fees payable for consultancy services provided by Murray Jordan in relation to the New Zealand International Convention Centre development and the SkyCity Adelaide expansion project, which were provided as additional services outside of his capacity as a director of the company.

(7) Being fees payable for consultancy services provided by Richard Didsbury in relation to the New Zealand International Convention Centre development, which were provided as additional services outside of his capacity as a director of the company.

In addition to remuneration paid for services in their capacity as directors of the company, SkyCity meets the expenses incurred by directors in relation to company matters, which are incidental to the performance of their duties, including travel.

Share Ownership in SkyCity

To further align non-executive directors' interests with those of shareholders, each non-executive director is encouraged, over a period of two years from appointment, to build up and retain shares in the company (purchased on market by each non-executive director) equivalent to at least one year of their base non-executive director fees. Following this initial two-year period, non-executive directors are then encouraged to acquire 15% of their base director fees per year.

Remuneration of Employees

This section details the company's approach to remuneration frameworks, outcomes and performance of SkyCity's Chief Executive Officer, other group executives and employees for the financial year ended 30 June 2020.

Chief Executive Officer and Other Group Executives

Remuneration components are offered in the context of a total remuneration package, measured on a 'total cost to the company' basis. The remuneration arrangements for each group executive comprise both fixed and variable remuneration where the fixed portion comprises a base salary, a KiwiSaver/superannuation contribution and a limited number of other benefits and the variable portion comprises both short term incentive at-risk remuneration (STI) and long term incentive at-risk remuneration (LTI).

The Board determines appropriate levels of fixed remuneration taking into account recommendations from the People and Culture Committee. The STI component is based on performance against both key financial and non-financial measures and all STI bonuses are at the ultimate discretion of the Board.

The disclosures on the following pages of this annual report reflect the total rewards earned by, although not necessarily paid to, group executives for the financial year ended 30 June 2020 as the Board believes this approach more appropriately describes executive pay and performance. Accordingly, the following disclosures include the STI and LTI components earned by group executives in respect of the financial year ended 30 June 2020.

Fixed Remuneration

The company endeavours to set fixed remuneration at levels that are relative to similar positions in the broader Australasian market and, for casino-specific positions, account is taken of salaries within the sector.

Fixed remuneration is reviewed annually for each group executive and, when appropriate, the People and Culture Committee approves remuneration increases for group executives.

Short Term Incentive Remuneration

To drive outstanding company and individual performance, SkyCity introduced the Performance Incentive Plan (PIP) for the Chief Executive Officer, other group executives and senior managers in 2018.

The PIP:

- recognises and rewards short and longer term performance by providing participants an opportunity to be further aligned with shareholders' interests by earning, subject to the company achieving its financial performance gateway, an incentive award which is delivered in cash and deferred equity awards (in the form of restricted share rights in the company); and
- provides participants the opportunity to earn a cash payment under a STI scheme and acquire restricted share rights under a deferred STI scheme.

STI Scheme Component of PIP

STI awards will be delivered in cash at the end of the financial year following the completion of the external audit of the company's year-end results, where the maximum award under the STI is 150% of the target award.

Deferred STI Component of PIP

The deferred STI scheme under the PIP offers participants, subject to the relevant STI performance conditions being met, the opportunity to acquire restricted share rights of an amount

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equivalent to between 10% and 50% of their base salary at no cost. Restricted share rights (if any) issued to a participant on a STI cash payment date (Declaration Date) will only vest if that participant remains an employee up to and until:

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

However, if a participant's deferred STI entitlement in any financial year is to restricted share rights having a value of $10,000 or less (calculated using the volume-weighted average sale price of SkyCity shares used to determine the number of restricted share rights to be issued to the participant), the restricted share rights will not be split out equally into two separate tranches, but will instead comprise one tranche and (subject to the vesting criteria being satisfied) vest to the participant on the first anniversary of the Declaration Date.

Upon vesting, a participant will be allocated one ordinary share in the company for each restricted share right that vests as soon as practicable after the relevant anniversary of the Declaration Date. Subject to complying with the Company's Securities Trading Policy and Code of Business Practice, participants are free to sell, transfer or otherwise deal with shares issued to them under the PIP (subject to minimum shareholding requirements for the Chief Executive Officer and other group executives).

The intention of the deferred STI component under the PIP is to act both as a retention and an engagement tool. The maximum award under the deferred STI scheme is 150% of the target award.

Any unvested restricted share rights will be forfeited if a participant ceases to be employed by SkyCity (or a company in the SkyCity Group) before the relevant Declaration Date, although the Board has discretion to determine otherwise such as where a participant ceases to be an employee due to injury, permanent disability, ill health or redundancy or dies. In the case of selective group executives however, if he/she ceases employment for any reason (other than as a result of the termination of their employment by SkyCity for cause, including for serious misconduct) prior to vesting of any restricted share rights, and they have been employed by SkyCity for at least three years as at the date of cessation of his/her employment, then he/she will continue to be eligible to have shares transferred to him/her on the first and second anniversaries (as applicable) of the Declaration Date as if their employment had not ceased, at the discretion of the Board. As a rule, a group executive will not be eligible to the extent they are terminated for cause, breach the terms of their employment agreement or for underperformance.

Participants do not have the right to receive any dividends in respect of restricted share rights. However, if any restricted share rights vest and shares are issued or transferred to a participant, then that participant may receive (at the Board's sole discretion) a cash payment equivalent to the cash dividends declared and paid by the company in respect of SkyCity shares from the date of issue of such restricted share rights to the date such shares are issued or transferred to that participant. The cash payment will not include any imputation credits, franking credits or similar benefits in respect of such dividends.

In the event that a genuine error is made by, or on behalf of, the Board or the company in determining any entitlement under the PIP, including where the company's financial statements are subsequently required to be restated, the Board may seek to recover from a participant the value of any benefits erroneously awarded to a participant under the PIP.

Restricted share rights issued under the PIP may not be transferred, assigned or disposed of and participants may not create any interest in favour of any third party over the restricted share rights (except with Board approval).

For the financial year ended 30 June 2020, no cash or restricted share rights will be granted under the PIP as the financial gateway was not achieved.

For the financial year ending 30 June 2021, 424 employees will be invited in October 2020 to participate in the PIP for the opportunity to earn a cash payment under the STI scheme – 94 of whom also have the opportunity to acquire restricted share rights under the deferred STI scheme.

Long Term Incentive Remuneration

Two LTI plans were in operation during the financial year ended 30 June 2020 for the company's most senior employees, including the group executives. These plans were the SkyCity Senior Executive Long Term Incentive Scheme and the 2018 SkyCity Executive Long Term Incentive Plan. Copies of the plan documents and rules are available on the Governance section of the company's website at www.skycityentertainmentgroup.com.

In the financial year ended 30 June 2020, grants were made to the Chief Executive Officer and other group executives under the 2018 SkyCity Executive Long Term Incentive Plan.

To further align the group executives' interests with those of shareholders, each group executive is encouraged, over a period of five years, to build up and retain shares in the company (acquired under the PIP and/or 2018 SkyCity Executive Long Term Incentive Plan) equivalent to at least one year of their base salary.

2018 SkyCity Executive Long Term Incentive Plan

The 2018 SkyCity Executive Long Term Incentive Plan provides participants with financial assistance by way of an interest-free loan by a subsidiary of the company to acquire shares in the company. A trustee holds legal title to the relevant shares on behalf of those participants for a restrictive period of three years until the following performance hurdles are tested:

- 50% of the shares are allocated to an absolute total shareholder return (TSR) tranche which includes a cost of equity premium;
- the remaining 50% of the shares are allocated equally to each of an NZX comparator group tranche, an ASX comparator group tranche and a competitor comparator group tranche; and
- performance is assessed three years after the issue of the shares, with no retesting dates in the event the performance hurdles are not satisfied as at that date.

In order to determine whether any shares will vest in a participant following the three-year restrictive period for those shares, each tranche is measured against the performance hurdle for that tranche on the performance testing date for those shares, where the performance hurdle for each of the tranches is:

- for the absolute TSR tranche, a comparison of SkyCity's TSR over the restrictive period against the cost of equity for the SkyCity Group over the restrictive period as determined by the Board;
- for the NZX comparator group tranche, a comparison of SkyCity's TSR over the restrictive period against the TSR of each of the constituent entities of the NZX 50 index (as at the grant date, other than SkyCity) over the same period;
- for the ASX comparator group tranche, a comparison of SkyCity's TSR over the restrictive period against the TSR of each of the constituent entities of the ASX 200 index (as at the grant date, other than SkyCity) over the same period; and
- for the competitor comparator group tranche, a comparison of SkyCity's TSR over the restrictive period against the TSR of each of Crown Resorts Limited and The Star Entertainment Group Limited over the same period.

As at 30 June 2020, a total of 918,673 shares were issued under the 2018 SkyCity Executive Long Term Incentive Plan and held by the Public Trust on behalf of eight participants. The shares vest in a participant only when performance hurdles set by the Board of directors are met.

The maximum award under the 2018 SkyCity Executive Long Term Incentive Plan is 100% of the relevant grant allocation.

The transfer of shares to participants at the end of the three-year restrictive period is dependent on satisfaction of the performance conditions and continued employment with SkyCity. If a participant resigns or is dismissed for misconduct or poor performance before the end of the restrictive

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period, any unvested shares will be forfeited, unless SkyCity terminates the employment of a group executive without cause, a group executive ceases employment as a result of a material change to the terms and conditions of his/her employment which results in a diminution of that group executive's role, status and responsibility in the period of 12 months immediately preceding a performance testing date or a group executive dies or ceases to be an employee due to medical incapacity or permanent disability.

However, to support long term decision-making, execution of strategy and to encourage strong succession planning by the Chief Executive Officer, the Chief Executive Officer will continue to be eligible to have shares transferred to him, at the Board's discretion, if he ceases employment with SkyCity for any reason (other than as a result of the termination of employment by SkyCity for cause, including for serious misconduct) during the restrictive period and the performance conditions are satisfied – in this situation, the performance conditions will be tested on the performance testing date as if his employment had not ceased.

In the event that a genuine error is made by, or on behalf of, the Board or the company in determining a participant's entitlement under the 2018 SkyCity Executive Long Term Incentive Plan, including where the company's or a third party's financial statements are subsequently required to be restated, the Board may seek to recover from a participant the value of any shares erroneously determined to have vested to that participant.

Until the restrictive period for the relevant shares has ended and the relevant loan on those shares is repaid, a participant may not sell those shares or use them as security for another loan.

From time to time as directed by SkyCity, the Public Trust acquires shares in the company on-market for the purposes of the company's long term incentive employee plans, including the SkyCity Senior Executive Long Term Incentive Plan and the 2018 SkyCity Executive Long Term Incentive Plan. As at 30 June 2020, the Public Trust held a total of 5,155,841 shares – 2,149,556 of which were allocated and held on behalf of eligible participants and 3,006,285 of which were unallocated and held on behalf of future participants.

Fixed Remuneration of Salaried Employees

All salaried roles within SkyCity are sized using a recognised methodology to measure the impact, accountability and complexity of each role as it contributes to the organisation. Remuneration data is obtained from several sources to determine remuneration ranges by job band or level to ensure competitiveness at both base salary and total remuneration levels.

Individual remuneration is set within the appropriate range considering such matters as individual performance, scarcity/availability of resource/skill, internal relativities and specific business needs. This process ensures internal equity between roles and allows comparison with the overall market. Remuneration ranges are reviewed annually to reflect market movements.

Chief Executive Officer's Remuneration

Graeme Stephens' employment agreement (a copy of which is available in the Governance section of the company's website at www.skycityentertainmentgroup.com) is dated 4 November 2016 and reflects standard conditions that are appropriate for a senior executive of a listed Australasian company. Subsequent amendments are also available online.

Mr Stephens' employment agreement may be terminated by:

- either Mr Stephens or the company by giving six months' notice in writing;
- the company without notice in the case of serious misconduct, serious breach (including substantial non-performance) or other cause justifying summary dismissal; or
- the company immediately if the SkyCity Board forms the view that substantial incompatibility and/or irreconcilable differences have developed with Mr Stephens or the Board otherwise wishes to terminate his employment when he is not at fault (including a redundancy situation or medical incapacity).

All entitlements payable to Mr Stephens on termination of his employment are outlined in his employment agreement.

The total remuneration earned by Mr Stephens for duties relating to the Chief Executive Officer position for the financial years ended 30 June 2018, 30 June 2019 and 30 June 2020 is outlined in the following table:

	FIXED ANNUAL REMUNERATION					PIP OUTCOME				
	BASE SALARY	SALARY AND ANNUAL LEAVE SACRIFICE[1]	KIWISAVER	OTHER BENEFITS	SUBTOTAL	CASH STI	DEFERRED STI	LTI GRANT	SUBTOTAL	TOTAL REMUNERATION
2020	$1,519,673	$151,967	$42,363	$10,592	$1,420,661	$0	$0	$1,063,771[2]	$1,063,771	$2,484,432
2019	$1,489,875	$0	$44,374	$4,433	$1,538,682	$595,950	$744,938[5]	$1,042,912[4]	$2,383,800	$3,922,482
2018	$1,450,000	$0	$43,500	$5,302	$1,498,802	$0	$1,015,000[5]	$1,250,000[6]	$2,265,000	$3,763,802

(1) These funds were sacrificed to the SkyCity Employee Hardship Fund as detailed on page 83 of this annual report.
(2) Calculated on the basis of 273,112 SkyCity shares allocated to Mr Stephens under the 2018 SkyCity Executive Long Term Incentive Plan in August 2019.
(3) Calculated on the basis of 195,872 restricted share rights granted to Mr Stephens under the PIP in August 2019. The restricted share rights will vest in two tranches, with the first tranche vesting in September 2020 and the second tranche vesting in September 2021.
(4) Calculated on the basis of 246,726 SkyCity shares allocated to Mr Stephens under the 2018 SkyCity Executive Long Term Incentive Plan in August 2018.
(5) Calculated on the basis of 251,238 restricted share rights granted to Mr Stephens under the Restricted Share Rights Plan in September 2018, which vested in July 2020.
(6) Calculated on the basis of 320,883 SkyCity shares allocated to Mr Stephens under the SkyCity Senior Executive Long Term Incentive Plan in August 2017.

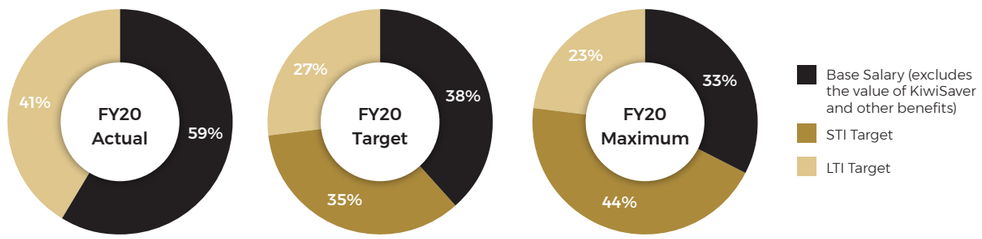
Equity Based Incentives Vested in FY20

None of Mr Stephens' equity-based incentives vested in the financial year ended 30 June 2020.

251,238 SkyCity shares were issued to Mr Stephens on 1 July 2020 pursuant to the terms of the Restricted Share Rights Plan.

The first testing date relating to shares allocated to Mr Stephens under the Senior Executive Long Term Incentive Scheme on 23 August 2017 was on 23 August 2020, with no shares vesting to Mr Stephens.

The graph below shows the mix of remuneration that was earned by Mr Stephens for his performance over the financial year ended 30 June 2020, alongside graphs illustrating the target and maximum remuneration mixes:



Pay Gap

Mr Stephens' base salary remuneration ratio to the median annualised employee base salary is 28.

STI Outcome

For the financial year ended 30 June 2020, no cash or restricted share rights will be granted to Mr Stephens under the PIP as the financial gateway was not achieved.

LTI Grant

Mr Stephens was granted an allocation of 273,112 shares in the company equal to $1,063,771 under the 2018 SkyCity Executive Long Term Incentive Plan in August 2019.

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Other Group Executives' Remuneration

The total remuneration earned by the Chief Operating Officer, Michael Ahearne, for the financial year ended 30 June 2020 is outlined in the following table:

	FIXED ANNUAL REMUNERATION					PIP OUTCOME				
	BASE SALARY	SALARY AND ANNUAL LEAVE SACRIFICE[1]	KIWISAVER	OTHER BENEFITS	SUBTOTAL	CASH STI	DEFERRED STI	LTI GRANT	SUBTOTAL	TOTAL REMUNERATION
2020	$1,024,750	$102,475	$26,057	$10,417	$958,749	$0	$0	$204,951[2]	$204,951	$1,163,700

The total remuneration earned by the Chief Financial Officer, Rob Hamilton, for the financial year ended 30 June 2020 is outlined in the following table:

	FIXED ANNUAL REMUNERATION					PIP OUTCOME				
	BASE SALARY	SALARY AND ANNUAL LEAVE SACRIFICE[1]	KIWISAVER	OTHER BENEFITS	SUBTOTAL	CASH STI	DEFERRED STI	LTI GRANT	SUBTOTAL	TOTAL REMUNERATION
2020	$831,470	$83,147	$21,316	$10,803	$780,442	$0	$0	$166,293[3]	$166,294	$946,735

(1) These funds were sacrificed to the SkyCity Employee Hardship Fund as detailed on page 83 of this annual report.
(2) Calculated on the basis of 52,619 SkyCity shares allocated to Mr Ahearne under the 2018 SkyCity Executive Long Term Incentive Plan in August 2019.
(3) Calculated on the basis of 42,694 SkyCity shares allocated to Mr Hamilton under the 2018 SkyCity Executive Long Term Incentive Plan in August 2019.

Equity Based Incentives Vested in FY20 for the Chief Operating Officer

35,000 SkyCity shares were issued to Mr Ahearne on 27 November 2019 pursuant to the terms of his employment agreement dated 18 November 2017.

49,066 SkyCity shares were issued to Mr Ahearne on 1 July 2020 pursuant to the terms of the Restricted Share Rights Plan.

Equity Based Incentives Vested in FY20 for the Chief Financial Officer

The final testing date relating to shares allocated to Mr Hamilton under the Senior Executive Long Term Incentive Scheme on 26 August 2015 was on 26 August 2019, with no shares vesting to Mr Hamilton. All unvested shares were accordingly forfeited in accordance with the terms of the SkyCity Senior Executive Long Term Incentive Plan.

80,614 SkyCity shares were issued to Mr Hamilton on 1 July 2020 pursuant to the terms of the Restricted Share Rights Plan.

The first testing date relating to shares allocated to Mr Hamilton under the Senior Executive Long Term Incentive Scheme on 23 August 2017 was on 23 August 2020, with no shares vesting to Mr Hamilton.

The final testing date relating to shares allocated to Mr Hamilton under the Senior Executive Long Term Incentive Scheme on 24 August 2016 was on 24 August 2020, with no shares vesting to Mr Hamilton. All unvested shares will accordingly be forfeited in accordance with the terms of the SkyCity Senior Executive Long Term Incentive Plan.

Group Executive Shareholdings

The following table summarises the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer's acquisitions and disposals of relevant interests in SkyCity shares during the period to 30 June 2020 and relevant interests in SkyCity shares as at 30 June 2020:

GROUP EXECUTIVE	NATURE OF RELEVANT INTEREST	NATURE OF SECURITY	DATE OF TRANSACTION DURING PERIOD	CONSIDERATION (PER SECURITY)	ACQUIRED/ (DISPOSED)	TOTAL SECURITIES HELD AS AT 30 JUNE 2020
Graeme Stephens Chief Executive Officer	Beneficially owned	Shares	23/08/2019	3.94	(325,000)	0
	Beneficially owned[1]	Shares (LTI 2017)	N/A			320,883
	Beneficially owned[1]	Shares (LTI 2018)	N/A			246,726
	Beneficially owned[1]	Shares (LTI 2019)	30/08/2019	$3.8950	273,112	273,112
						840,721
Michael Ahearne Chief Operating Officer	Beneficially owned	Shares	27/11/2019	Nil[2]	35,000	35,000
	Beneficially owned[1]	Shares (LTI 2018)	N/A			43,754
	Beneficially owned[1]	Shares (LTI 2019)	30/08/2019	$3.8950	52,619	52,619
						131,373
Rob Hamilton Chief Financial Officer	Beneficially owned	Shares	N/A			63,374
	Beneficially owned[1]	Shares (LTI 2015)	24/09/2019	Nil[3]	(70,000)	0
	Beneficially owned[1]	Shares (LTI 2016)	N/A			70,000
	Beneficially owned[1]	Shares (LTI 2017)	N/A			70,000
	Beneficially owned[1]	Shares (LTI 2018)	N/A			38,570
	Beneficially owned[1]	Shares (LTI 2019)	30/08/2019	$3.8950	42,694	42,694
						284,638

(1) Shares held by the Public Trust.
(2) Nil in accordance with the terms of the Chief Operating Officer's employment agreement.
(3) The balance of shares has been forfeited in accordance with the terms of the 2009 SkyCity Executive Long Term Incentive Plan.

LTI Vesting Calculations

During the financial year ended 30 June 2020, the following LTI vesting calculations were completed:

- August 2015 LTI: the third (and final) test was completed with no shares vesting. All unvested shares were accordingly forfeited in accordance with the terms of the SkyCity Senior Executive Long Term Incentive Plan. No shares vested to executives in respect of the 2015 allocation; and
- August 2016 LTI: the first and second tests were completed with no shares vesting. The third (and final) test was completed during August 2020 with no shares vesting. All unvested shares will accordingly be forfeited in accordance with the terms of the SkyCity Senior Executive Long Term Incentive Plan. No shares vested to executives in respect of the 2016 allocation.

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Employee Remuneration

The numbers of employees or former employees of the company and its subsidiaries, not being directors of the company, who received remuneration and other benefits in their capacity as employees, the value of which was in excess of $100,000 and was paid to those employees during the financial year ended 30 June 2020, are listed in the table below.

For the purposes of the table, remuneration includes, where applicable (if any): (a) salary; (b) short term cash bonuses; (c) health insurance premiums and other health benefits; (d) the value of shares expected to vest under the 2019 SkyCity Performance Incentive Plan; (e) the value of share rights expensed during the year (including PAYE and PAYG on vested share rights, but excluding accrued PAYE and PAYG on unvested share rights) under the SkyCity Senior Executive Long Term Incentive Plan and the 2018 SkyCity Executive Long Term Incentive Plan; (f) the value of commencement shares expensed during the year; (g) sign-on cash payments; and (h) settlement payments and payments in lieu of notice with respect to certain employees upon their departure from the company.

REMUNERATION	NUMBER OF EMPLOYEES
$100,000–$109,999	89
$110,000–$119,999	57
$120,000–$129,999	64
$130,000–$139,999	30
$140,000–$149,999	31
$150,000–$159,999	18
$160,000–$169,999	14
$170,000–$179,999	12
$180,000–$189,999	11
$190,000–$199,999	19
$200,000–$209,999	16
$210,000–$219,999	13
$220,000–$229,999	12
$230,000–$239,999	10
$240,000–$249,999	4
$250,000–$259,999	4
$260,000–$269,999	4
$270,000–$279,999	5
$300,000–$309,999	1
$310,000–$319,999	3
$320,000–$329,999	1
$330,000–$339,999	2
$350,000–$359,999	1

REMUNERATION	NUMBER OF EMPLOYEES
$360,000–$369,999	2
$370,000–$379,999	2
$390,000–$399,999	1
$410,000–$419,999	2
$430,000–$439,999	2
$440,000–$449,999	1
$450,000–$459,999	1
$570,000–$579,999	1
$600,000–$609,999	1
$650,000–$659,999	1
$660,000–$669,999	2
$690,000–$699,999	1
$720,000–$729,999	1
$730,000–$739,999	1
$760,000–$769,999	1
$770,000–$779,999	1
$810,000–$819,999	1
$840,000–$849,999	1
$1,030,000–$1,039,999	1
$1,050,000–$1,059,999	1
$1,410,000–$1,419,999	1
$1,690,000–$1,699,999	1
$3,180,000–$3,189,999	1
TOTAL	**449**

Twenty Largest Registered Shareholders as at 1 August 2020

	NUMBER OF SHARES	% OF SHARES
1. HSBC Custody Nominees (Australia) Limited	137,576,780	18.097%
2. JP Morgan Nominees Australia Limited	79,722,766	10.487%
3. HSBC Nominees (New Zealand) Limited – NZCSD	44,365,094	5.836%
4. Accident Compensation Corporation – NZCSD	43,885,498	5.773%
5. Citicorp Nominees Pty Limited	42,817,823	5.632%
6. Citibank Nominees (New Zealand) Limited – NZCSD	40,841,912	5.372%
7. HSBC Nominees (New Zealand) Limited A/C State Street – NZCSD	31,474,586	4.14%
8. JPMorgan Chase Bank NA NZ Branch – Segregated Clients Acct – NZCSD	23,470,685	3.087%
9. BNP Paribas Noms Pty Ltd	21,405,119	2.816%
10. BNP Paribas Nominees Pty Ltd	19,954,863	2.625%
11. ANZ Custodial Services New Zealand Limited – NZCSD	14,686,488	1.932%
12. BNP Paribas Nominees (NZ) Limited – NZCSD	13,408,250	1.764%
13. New Zealand Depository Nominee Limited	11,616,795	1.528%
14. Citicorp Nominees Pty Limited	10,017,024	1.318%
15. HSBC Nominees A/C NZ Superannuation Fund Nominees Limited – NZCSD	9,441,124	1.242%
16. BNP Paribas Nominees (NZ) Limited – NZCSD	8,905,204	1.171%
17. National Nominees Limited	8,346,807	1.098%
18. ANZ Wholesale Australasian Share Fund – NZCSD	8,216,900	1.081%
19. Masfen Securities Limited	5,750,986	0.757%
20. UBS Nominees Pty Limited	5,629,253	0.74%
Total	**581,533,957**	**76.496%**

Total ordinary shares on issue as at 1 August 2020 were 760,205,209 of which 1,178,582 were held in aggregate by Public Trust on behalf of eligible and future participants pursuant to the SkyCity Senior Executive Long Term Incentive Plan and 2018 SkyCity Executive Long Term Incentive Plan.

The ordinary shares are quoted on both the NZX Main Board and ASX under the ticker code 'SKC'.

No shares were held by the company directly as treasury stock.

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Distribution of Ordinary Shares and Registered Shareholdings as at 1 August 2020

	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES	PERCENTAGE OF TOTAL ORDINARY SHARES IN THE COMPANY
1–1,000	4,895	1,932,108	0.25%
1,001–5,000	6,851	18,720,463	2.46%
5,001–10,000	2,774	19,749,257	2.6%
10,001–100,000	2,870	69,855,822	9.19%
> 100,000	153	649,947,559	85.5%
Total	**17,543**	**760,205,209**	**100%**

As at 1 August 2020, there were 1,855 shareholders (with a total of 166,234 shares) holding less than a marketable parcel of shares under the ASX Listing Rules, based on the closing share price of A$2.28.

The ASX Listing Rules define a marketable parcel of shares as a parcel of shares of not less than A$500.

Substantial Security Holders

The following persons had given notice as at 30 June 2020, in accordance with subpart 5 of Part 5 of the New Zealand Financial Markets Conduct Act 2013, that they were substantial security holders in the company and held a relevant interest in the number of ordinary shares shown below.

	DATE OF SUBSTANTIAL SECURITY NOTICE	RELEVANT INTEREST IN NUMBER OF SHARES	% OF SHARES HELD AT DATE OF NOTICE
The Vanguard Group, Inc	19/12/2018	36,018,413	5.278%
Investors Mutual Limited	07/02/2020	47,644,678	7.14%
Commonwealth Bank of Australia	11/02/2020	54,447,148	8.161%
Lazard Asset Management Pacific Co	05/05/2020	48,914,000	7.331%
Sumitomo Mitsui Trust Holdings, Inc	14/05/2020	59,079,433	8.85%
BlackRock, Inc	23/06/2020	34,282,378	5.138%
Accident Compensation Corporation	30/06/2020	45,188,797	6.113%

Substantial security holder notices received since 30 June 2020 can be viewed at www.nzx.com/companies/SKC/announcements.

The total number of listed voting securities of SkyCity Entertainment Group Limited as at 30 June 2020 was 739,196,806.

Bonds

On 28 September 2015, the company issued 125 million unsubordinated, unsecured, redeemable, fixed rate, seven year bonds at an issue price of $1 per bond. The bonds pay a fixed rate of interest of 4.65% per annum until the maturity date and are quoted on the NZX Debt Market under the ticker code 'SKC040'.

On 17 June 2020, SkyCity announced its intention to redeem all the bonds on 28 September 2020 (before the 28 September 2022 maturity date) as part of a comprehensive funding plan to strengthen the company's balance sheet and secure additional liquidity in response to uncertainty around the impacts of COVID-19. The redemption payment of $1.0280 per bond will be paid on 28 September 2020 to registered holders of the bonds on the record date of 18 September 2020. The final day of trading for the bonds will be 16 September 2020 (prior to the bonds being suspended at the close of business on that date) and the final quotation date for the bonds will be 28 September 2020.

Twenty Largest Registered Bondholders as at 1 August 2020

	NUMBER OF BONDS	% OF BONDS
1. FNZ Custodians Limited	14,798,000	11.838%
2. Forsyth Barr Custodians Limited	14,666,000	11.733%
3. Custodial Services Limited	9,374,000	7.499%
4. Investment Custodial Services Limited	8,502,000	6.802%
5. Custodial Services Limited	7,274,000	5.819%
6. ANZ Custodial Services New Zealand Limited – NZCSD	5,931,000	4.745%
7. Custodial Services Limited	5,686,000	4.549%
8. Citibank Nominees (New Zealand) Limited – NZCSD	5,235,000	4.188%
9. Custodial Services Limited	2,718,000	2.174%
10. Forsyth Barr Custodians Limited	2,417,000	1.934%
11. Custodial Services Limited	2,323,000	1.858%
12. JBWere (NZ) Nominees Limited	2,320,000	1.856%
13. Tappenden Holdings Limited	2,000,000	1.6%
14. Tea Custodians Limited Client Property Trust Account – NZCSD	1,916,000	1.533%
15. Custodial Services Limited	1,412,000	1.13%
16. BNP Paribas Nominees (NZ) Limited – NZCSD	1,363,000	1.09%
17. FNZ Custodians Limited	1,287,000	1.03%
18. ANZ Bank New Zealand Limited – NZCSD	1,271,000	1.017%
19. Investment Custodial Services Limited	750,000	0.6%
20. Liang Zhang & Yingrui Li	500,000	0.4%
Total	**91,743,000**	**73.395%**

Distribution of Bonds and Registered Holdings as at 1 August 2020

	NUMBER OF BONDHOLDERS	NUMBER OF BONDS	PERCENTAGE OF TOTAL BONDS ISSUED
1,000–5,000	69	345,000	0.28%
5,001–10,000	189	1,827,000	1.46%
10,001–100,000	640	21,910,000	17.53%
> 100,000	65	100,918,000	80.73%
Total	**963**	**125,000,000**	**100%**

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Directors' Disclosures

Disclosure of Directors' Interests

Section 140(1) of the New Zealand Companies Act 1993 requires a director of a company to disclose certain interests. Under subsection (2), a director can make disclosure by giving a general notice in writing to the company of a position held by a director in another named company or entity.

The following are particulars included in the company's Interests Register as at 30 June 2020 (notices given by directors during the financial year ended 30 June 2020 are marked with an asterisk):

Rob Campbell (Chair)	
New Zealand Rural Land Company Limited	Chair*
NZ Equity Partners	Investment Committee Member*
Paua Wealth Management Limited	Advisory Board Member*
Precinct Properties New Zealand Limited	Director and Shareholder
RC Custodian Limited	Director
Summerset Group Holdings Limited	Chair and Shareholder
Tourism Holdings Limited	Chair and Shareholder
Tutanekai Investments Limited	Director and Shareholder
Ultrafast Fibre Limited	Chair*
WEL Networks Limited	Chair

Bruce Carter (Deputy Chair)	
AIG Australia Limited	Director*
ASC Pty Limited	Chair
Aventus Capital Limited	Chair
Badge Management Pty Limited	Director
Bank of Queensland Limited	Director
Burnside Village Pty Limited	Director*
Chapman Capital Partners Pty Limited	Director
Cobbadah Pty Ltd	Director
COVID-19 Business Advisory Committee	Chair*
Eudunda Farmers Limited	Director
RSC Nominees Pty Limited	Director*
Sage Automation Pty Ltd	Director*
Sage Group Holdings Ltd	Director*
Scissor Holdings Pty Limited T/A One Rail Australia	Chair*

Sue Suckling	
Brannigans Consulting Limited	Chair
Insurance & Financial Services Ombudsman Scheme Commission	Chair
Jacobsen Holdings Limited	Chair
Jade Software Corporation Limited	Chair
Rubix Limited	Chair*
Soltians Group (including Zag Limited)	Chair*
Sue Suckling Holdings Limited	Managing Director

Jennifer Owen	
Aspire Child Care (Mascot) Pty Ltd	Director
Owen Gaming Research	Principal

Murray Jordan	
Chorus Limited	Director
Foodstuffs' Members Protection Trust	Trustee
Metcash Limited	Director
Real Clarity Limited	Director and Shareholder
Southern Cross Benefits Limited	Director*
Southern Cross Health Trust	Trustee*
Southern Cross Hospitals Limited	Director*
Southern Cross Medical Care Society	Director*
Starship Foundation	Trustee
Stevenson Group Limited	Director
The Foodstuffs Co-operative Perpetuation Trust	Trustee

The following details included in the Interests Register as at 30 June 2019, or entered during the financial year ended 30 June 2020, have been removed during the financial year ended 30 June 2020:

- Rob Campbell is no longer a director of King Tide Asset Management Limited;
- Rob Campbell became Chair of Ultrafast Fibre Limited (previously a director);
- Bruce Carter is no longer a representative of the Management Committee of Genesee & Wyoming Australia Holdings Limited Partnership or a director of Genesee and Wyoming Inc; and
- Sue Suckling is no longer Chair of Blinc Innovation Limited.

Directors' and Senior Managers' Indemnities

Indemnities have been given to directors and senior managers of the company and its subsidiaries to cover acts or omissions of those persons in carrying out their duties and responsibilities as directors and senior managers.

Disclosure of Directors' Interests in Share Transactions

Directors disclosed, pursuant to section 148 of the New Zealand Companies Act 1993, the following acquisitions and disposals of relevant interests in SkyCity shares during the period to 30 June 2020:

	DATE OF ACQUISITION/ DISPOSAL DURING PERIOD	CONSIDERATION	SHARES ACQUIRED/(DISPOSED)
Rob Campbell	23/08/2019	$3.9573 per share	17,200[1]
Murray Jordan	02/09/2019	$3.8448 per share	39,014[2]

(1) Shares held by FNZ Custodians Limited on behalf of Tutanekai Investments Limited.
(2) Shares held by the trustees of Endeavour Trust.

Disclosure of Directors' Interests in Shares

Directors disclosed the following relevant interests in SkyCity shares as at 30 June 2020:

	SHARES BENEFICIALLY HELD
Rob Campbell	70,928[1]
Bruce Carter	64,618[2]
Sue Suckling	39,941[3]
Jennifer Owen	35,000[4]
Murray Jordan	73,698[5]

(1) Shares held by FNZ Custodians Limited on behalf of Tutanekai Investments Limited.
(2) Shares held by Tarquay Pty Limited on trust for Tarquay Superannuation Fund.
(3) Shares held by the trustees of The Sue Suckling Family Trust.
(4) Shares held by the trustee of the Owen & Paull Retirement Fund.
(5) Shares held by the trustees of Endeavour Trust.

Company Disclosures

STOCK EXCHANGE LISTINGS

SkyCity Entertainment Group Limited is a listed issuer with ordinary shares quoted on both the NZX Main Board and ASX (in each case, under the ticker code 'SKC') and bonds quoted on the NZX Debt Market (under the ticker code 'SKC040').

SkyCity Entertainment Group Limited has been designated as 'Non-Standard' by the NZX due to the nature of the company's constitution. In particular, the constitution places restrictions on the transfer of shares in the company in certain circumstances and provides that votes and other rights attached to shares may be disregarded and shares may be sold if these restrictions are breached, as more particularly described on pages 151–152 of this annual report.

SkyCity is listed as a 'Foreign Exempt Listing' on the ASX.

SKYCITY ENTERTAINMENT GROUP LIMITED

The following persons held office as directors of SkyCity Entertainment Group Limited as at 30 June 2020:

Rob Campbell (Chair)
Bruce Carter (Deputy Chair)
Sue Suckling
Jennifer Owen
Murray Jordan

Richard Didsbury ceased to hold office as a director of SkyCity Entertainment Group Limited effective from 11 November 2019.

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SUBSIDIARIES

Subsidiary Companies

The following persons held office as directors of subsidiaries of SkyCity Entertainment Group Limited as at 30 June 2020:

New Zealand Subsidiaries	
Directors	Graeme Stephens, Jo Wong
Companies	Cashel Asset Management Limited New Zealand International Convention Centre Limited Horizon Tourism (New Zealand) Limited Lets Play Live Media Limited Otago Casinos Limited Queenstown Casinos Limited Sky Tower Limited SkyCity Action Management Limited SkyCity Auckland Holdings Limited SkyCity Auckland Limited SkyCity Casino Management Limited SkyCity Development Limited SkyCity Enterprises Limited SkyCity Hamilton Limited SkyCity Holdings Limited SkyCity International Holdings Limited SkyCity Investments Australia Limited SkyCity Investments Queenstown Limited SkyCity Management Limited SkyCity Precinct Limited SkyCity Projects Limited SkyCity Properties Limited SkyCity Properties Albert St Limited SkyCity Properties Victoria St Limited SkyCity Ventures Limited TNZ Esports Limited

Overseas Subsidiaries	
Directors	Graeme Stephens, Jo Wong
Companies	Horizon Tourism Limited SkyCity Investment Holdings Limited
Directors	Graeme Stephens, Jo Wong, Bruce Carter, David Christian
Companies	LPL Media Pty Limited SkyCity Adelaide Pty Limited SkyCity Australia Finance Pty Limited SkyCity Australia Pty Limited SkyCity Treasury Australia Pty Limited
Directors	Steve Salmon, Joe Borg
Company	SkyCity Malta Limited
Directors	Steve Salmon, WH Management Limited
Company	SkyCity Malta Holdings Limited
Directors	Steve Salmon, Michael Ahearne
Company	SkyCity Management (UK) Limited

For the financial year ended 30 June 2020, SkyCity paid director's fees of:

- €12,000 (plus VAT) to WH Partners for professional services provided by Joe Borg in relation to his directorship of SkyCity Malta Limited; and
- €6,000 (plus VAT) to WH Management Limited for professional services provided in relation to its directorship of SkyCity Malta Holdings Limited.

No director's fees were paid to, or received by, any other director of a subsidiary company during the financial year ended 30 June 2020.

Waivers from the New Zealand and Australian Stock Exchanges

The following waivers from the NZX and ASX Listing Rules were either granted and published by NZX or ASX (as the case may be) within, or relied upon by the company during, the 12-month period preceding the balance date:

- on 17 September 2019, NZX granted SkyCity a waiver from NZX Listing Rule 8.1.5 (which provides that no benefit or right attaching to a quoted financial product may be cancelled or varied by reason only of a transfer of that quoted financial product) to the extent that that rule would otherwise prevent SkyCity from suspending voting rights or requiring a transfer of shares in accordance with the provisions set out in the company's constitution. Further details of those provisions are set out on pages 151–152 of this annual report. The waiver was granted following the introduction of new NZX Listing Rules on 1 January 2019 and effectively re-documents prior decisions of NZX Regulation in respect of the same matters; and
- a class waiver and ruling issued by NZX dated 19 March 2020, which amended, on a temporary basis until 31 October 2020, the definition of a Share Purchase Plan under the NZX Listing Rules to increase the cap per registered holder for issues under a Share Purchase Plan from $15,000 to $50,000 and the total cap from 5% to 30% of equity securities of that class at the time of offer.

All other waivers granted prior to the 12-month period preceding the balance date had ceased to have effect or were not relied upon during the period.

SkyCity has also relied on a class waiver and ruling issued by NZX dated 3 April 2020 in relation to NZX Listing Rules 3.5.1, 3.5.3, 3.6.1 and 3.12.1, which, in light of the challenges posed by COVID-19, provides issuers with up to an additional 30 days to prepare and release results announcements (including preliminary interim and full year financial statements).

Voting Rights Attached to Securities

Each share gives the holder a right to attend and vote at a meeting of shareholders. Holders have the right to cast one vote per share on a poll of any resolution put to the shareholders.

There are no voting rights attached to SkyCity's debt securities although bondholders are welcome to attend the annual meeting of shareholders. However, as noted on page 147 of this annual report, on 17 June 2020, SkyCity announced its intention to redeem all the bonds on 28 September 2020 (before the 28 September 2022 maturity date) as part of a comprehensive funding plan to strengthen the company's balance sheet and secure additional liquidity in response to uncertainty around the impacts of COVID-19 and, accordingly, there will be no bondholders as at the date of the company's 2020 annual meeting on 16 October 2020.

Limitations on Acquisitions of Ordinary Shares

The company's constitution contains various provisions which are included to take into account the application of the:

- Gambling Act 2003 (New Zealand);
- Casino Act 1997 (South Australia); and
- legislation providing for the establishment, operation and regulation of casinos in any other jurisdiction in which SkyCity or any of its subsidiaries may hold a casino licence.

SkyCity needs to ensure when it participates in gaming activities that:

- it has the power under its constitution to take such action as may be necessary to ensure that its suitability to do so in a particular jurisdiction is not affected by the identity or actions (including share dealings) of a shareholder; and
- there are appropriate protections to ensure that persons do not gain positions of significant influence or control over SkyCity or its business activities without obtaining any necessary statutory or regulatory approvals in those jurisdictions.

Accordingly, the constitution contains the following provisions restricting the acquisition of shares in the company to achieve this.

Clause 11.12 of the constitution provides that if a transfer of shares results in the transferee, and the persons associated with that transferee:

- holding more than 5% of the shares in SkyCity; or
- increasing their combined holding further beyond 5% if:
  - they already hold more than 5% of the shares in SkyCity; and
  - the transferee has not been approved by the relevant regulatory authority as an associated casino person of any casino licence holder,

then the votes attaching to all shares held by the transferee and the persons associated with that transferee are suspended unless and until either:

- each regulatory authority advises that approval is not needed; or
- any regulatory authority which determines that its approval is required approves the transferee, together with the persons associated with that transferee, as an associated casino person of any applicable casino licence holder; or
- the Board of the company is satisfied that registration of the proposed transfer will not prejudice any casino licence; or
- the transferee and the persons associated with that transferee dispose of such number of SkyCity shares as will result in their combined holding falling below 5% or, if the regulatory authorities approve in respect of the transferee and the persons associated with that transferee a higher percentage, the lowest such percentage approved by the regulatory authorities.

If a regulatory authority does not grant its approval to the proposed transfer, SkyCity may sell such number of the shares held by the transferee and by any persons associated with that transferee, as may be necessary to reduce their combined shareholding to a level that will not result in the transferee and the persons associated with that transferee being an associated person of that casino licence holder.

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The power of sale can only be exercised if SkyCity has given one month's notice to the transferee of its intention to exercise that power and the transferee has not, during that one-month period, transferred the requisite number of shares in SkyCity to a person who is not associated with the transferees.

During the financial year ended 30 June 2020, the Board considered all such transfers and was satisfied in each case that the registration of the relevant transfer would not prejudice any casino licence.

Donations

Donations of $104,244 were made by the company during the financial year ended 30 June 2020 ($57,421 during the financial year ended 30 June 2019).

Other Legislation and Requirements

General limitations on the acquisition of securities imposed by the jurisdiction in which SkyCity is incorporated (ie. New Zealand law) are outlined in the following paragraphs.

Other than the provisions included in the company's constitution, the only significant restrictions or limitations in relation to the acquisition of securities are those imposed by New Zealand laws relating to takeover, overseas investment and competition.

The New Zealand Takeovers Code creates a general rule under which the acquisition of more than 20% of the voting rights in SkyCity, or the increase of an existing holding of 20% or more of the voting rights in SkyCity, can only occur in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, a partial takeover offer in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances), or compulsory acquisition if a shareholder holds 90% or more of the shares in the company.

The New Zealand Overseas Investment Act 2005 and the Overseas Investment Regulations 2005 regulate certain investments in New Zealand by overseas persons. In general terms, the consent of the New Zealand Overseas Investment Office is likely to be required when an 'overseas person' acquires shares or an interest in shares in SkyCity Entertainment Group Limited that amount to 25% or more of the shares issued by the company or, if the overseas person already holds 25% or more, the acquisition increases that holding.

The New Zealand Commerce Act 1986 is likely to prevent a person from acquiring shares in SkyCity if the acquisition would have, or would be likely to have, the effect of substantially lessening competition in a market.

Escrow and Buy Back Arrangements

SkyCity Entertainment Group Limited has no securities subject to an escrow arrangement.

From time to time, the Public Trust acquires shares in the company on-market for the purposes of the company's long term incentive employee plans as detailed in the Director and Employee Remuneration section in this annual report. In addition, SkyCity (or a nominee or agent of SkyCity) may, from time to time, acquire existing shares in the company to satisfy its obligations to participating shareholders under the company's Dividend Reinvestment Plan established in February 2011.

Credit Rating

As at the date of this annual report, SkyCity Entertainment Group Limited has a Standard & Poor's BBB- rating (negative outlook).



The Federal Street dining precinct at SkyCity Auckland.

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Our financial performance

Financial Statements for the Year Ended 30 June 2020

These financial statements were signed on 2 September 2020 on behalf of the Board of directors of SkyCity Entertainment Group Limited by:

Rob Campbell
Chair

Bruce Carter
Deputy Chair and Chair of the Audit and Risk Committee

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Independent auditor's report

To the shareholders of SkyCity Entertainment Group Limited

We have audited the financial statements on pages 164 to 223 which comprise:

- the balance sheet as at 30 June 2020;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the accompanying financial statements of SkyCity Entertainment Group Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2020, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other non-audit services for the Group in the areas of tax compliance, tax advisory, and the licensing of a software tool for subsidiary statutory financial statement preparation. Our firm also carries out other assurance and agreed upon procedure services in relation to: compliance with banking and USPP covenants; the allocation of Community Trust revenue; the Group's application for the COVID-19 wage subsidy extension scheme; and the reconciliation of normalised results to reported results. The provision of these other services has not impaired our independence as auditor of the Group.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	How our audit addressed the key audit matter
Accounting for the NZICC fire As disclosed in notes 1(a), 1(h) and 6 to the financial statements, on 22 October 2019, there was a significant fire at the construction site of the New Zealand International Convention Centre (NZICC). The fire caused extensive damage to the NZICC and relatively minor damage to the Horizon Hotel. Several accounting implications have arisen as a result and the Group (also referred to throughout as SkyCity), aided by their independent technical accounting experts, have had to exercise considerable professional judgement in determining the appropriate accounting treatment. The most significant judgements and estimates have been disclosed within note 1(a) of the financial statements. The accounting treatment of the insurance recovery for the damage is dependent on the relationship between SkyCity, the insurers and Fletcher Construction Company Limited (FCC). It is the Group's view that SkyCity is the principal in the insurance relationship and therefore receives, and has control over, all insurance proceeds. The Group has considered the credit standing of the insurers and concluded that the insurance receivable recognised is fully recoverable. The extent of damage and insurance recovery has been estimated by an independent external expert engaged by the Group. As a result, an insurance recovery of $336.7 million has been recognised as NZICC fire related income and $193.9 million of capitalised work in progress has been derecognised, offset by the release from the deferred licence value liability of $165.8 million. Expert investigation in respect of the damage sustained and remediation works required remains ongoing and as a result, the estimates are highly sensitive and are based on limited information. The most significant assumptions, and associated risk to the overall damage assessment and related insurance recovery, relate to: the extent of damage to the structural steel which is still under validation; the percentage of contingency included in the estimates; and the timeline for remediation.	We have performed a detailed assessment of the accounting implications of the fire, with the involvement of our technical accounting specialists, by: • Reviewing the New Zealand International Convention Centre Project and Licensing Agreement, Building Works Insurance contract and Project Specific Contract Works Policy to assess all the relevant facts and circumstances relevant to the technical accounting implications; • Reviewing management's analysis and the independent technical accounting advice they received; • Reviewing legal advice which supports the assessment that SkyCity is the principal in the insurance relationship; and • Assessing the resulting accounting treatment against the relevant accounting standard, considering any counterfactual information and scenarios. We obtained management's expert's independent assessment of the extent of damage and insurance recovery. We engaged our own in-house real estate experts to assist in our assessment and challenge of the valuation methodologies and assumptions used by management's expert. In conjunction with our experts, we: • Considered whether the reports on a whole, and the key components included within, are consistent with what we would expect; • Noted the fact that the baseline figures upon which the extent of damage and insurance recovery have been estimated remain subject to a material level of uncertainty given the limited information available; and • Noted that if the integrity of the structural steel is compromised this would result in a material difference to the resulting write-off of capitalised work in progress, release from the deferred licence value liability and insurance recovery income and receivable.

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Description of the key audit matter	How our audit addressed the key audit matter
There is significant estimation uncertainty inherent in the balances recorded, and the amounts recognised in the income statement pertaining to the accounting implications of the fire. During the year, the Crown 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 and completion is expected before this date.	Additionally, we have: • Assessed the professional competence, independence and objectivity of the Group's damage and insurance recovery estimate expert and technical accounting expert; • Checked the mathematical accuracy of the underlying calculations of the fire related adjustments; • Assessed the recoverability of the insurance recoveries recognised giving consideration to the credit risk of the respective insurers; • Reviewed the extension agreement for the long stop date included in the New Zealand International Convention Centre Project and Licensing Agreement; and • Considered the adequacy of the related financial statement disclosures.
Capital structure and funding liquidity, including the impact of COVID-19 As at 30 June 2020 the Group's net debt was $583.7 million (30 June 2019: $503.5 million). The Group's borrowings comprise a syndicated bank facility, United States Private Placements (USPP) and a retail bond. As disclosed in the financial statements, certain facilities expire within 12 months after 30 June 2020. Refer to notes 1(a), 1(h), 12, 13 and 14 of the financial statements. Management's updated forecast scenarios, to account for the impacts of COVID-19 on the business, indicated that it was reasonably possible that breaches in financial covenants in respect of the debt facilities could occur on the test date of 31 December 2020. The Group has subsequently received covenant waivers for the 31 December 2020 test period from their banking and USPP partners. To address funding liquidity concerns, the Group announced and executed a $230.0 million equity raise, comprising a $180.0 million institutional placement (executed in June 2020) and a $50.0 million share purchase plan (executed in July 2020). Subsequent to year end, the Group also has: • Obtained an Amendment and Waiver from its banking partners to extend the maturity of two tranches, add an additional tranche of $60.0 million and provide further covenant relief for testing periods up to and including 30 June 2021; • Obtained Waiver Letters from its USPP partners to provide covenant relief for testing periods up to and including 30 June 2021; and	We have performed the following audit procedures: • Reviewed agreements with the Group's banking and USPP partners to understand the revised arrangements and actions the Group has taken, including renegotiation of existing debt facilities, establishment of new debt facilities and agreeing waivers from meeting financial loan covenants in future periods; • Reviewed documentation relating to the equity raise which occurred prior and subsequent to balance date and tested the receipt of funds and issue of shares; • Reperformed the Group's calculation of forecast compliance with financial covenants at each compliance date within the next 12 months (31 December 2020 and 30 June 2021); • Assessed and challenged the reasonableness of the forecast cash flows to assess the level of forecasting risk, including management's consideration of the impact of COVID-19 on the business; • Performed additional sensitivities on the forecast cash flows and considered possible alternate scenarios, taking into consideration the uncertainty of the current environment, including the impact of COVID-19; and • Considered the appropriateness of the Group's disclosures.

Description of the key audit matter	How our audit addressed the key audit matter
• Entered into a new $100.0 million revolving credit facility maturing on 31 December 2021. Given the impact of COVID-19 and the significant changes to the capital and funding structure, both prior and subsequent to 30 June 2020, we considered this to be a key audit matter.	
Impairment considerations in respect of goodwill and other intangible assets, including the impact of COVID-19 At 30 June 2020, the carrying amount of goodwill and casino licences totalled $589.5 million (30 June 2019: $746.7 million). This is after an impairment charge of $160.6 million that has been recorded against the Adelaide casino licence (30 June 2019: nil impairment). Refer to note 24 of the financial statements. Accounting standards require an entity to assess at the end of each reporting period whether there is any indication that an asset may be impaired. There is also a requirement to perform an annual impairment assessment of goodwill and other indefinite life intangible assets. The Group performed an impairment assessment for the Auckland and Hamilton cash generating units (CGUs), both of which include indefinite life intangible assets. An assessment of the value in use using discounted cash flow forecast (DCF) models was made for each of these CGUs. In addition, an impairment assessment was also prepared in relation to the Adelaide CGU which includes a finite life intangible asset, the Adelaide casino licence. This was prepared as the Group considered there to be indications that the CGU may be impaired, including the impact of the COVID-19 global pandemic on the business. The Group prepared a DCF model under the Fair Value less Costs of Disposal (FVLCOD) method and engaged Deloitte (management's valuation expert) to perform an independent valuation of the Adelaide CGU. In preparing the DCFs, management made a number of key assumptions that impact the CGUs' recoverable value. This is a key focus of our audit due to the inherent judgement in assessing impairments, including the impact of COVID-19 on the assumptions that the Group's assessment is based on. The most significant of these judgements are disclosed in note 24. In relation to the Auckland and Hamilton CGUs, the recoverable amount exceeds the carrying amount and no impairment has been recorded.	For the Auckland and Hamilton CGUs, we performed the following audit procedures: • Compared the forecast cash flows used for FY21 to the Board approved business plan; • Understood the process undertaken by management to prepare the forecast; • Considered and challenged key assumptions, in particular those underpinning the earnings before interest, tax, depreciation and amortisation (EBITDA) margin and the potential impacts of COVID-19; • Engaged our auditor's valuation expert to assess management's valuation conclusion and key assumptions, including the pre tax discount rates and terminal growth rates, based on their experience and external evidence; • Compared historical performance against budget, investigated material differences and considered the impact on future cash flow forecasts; and • Performed a sensitivity analysis on the forecast cash flows to determine whether a reasonably possible change in assumptions could lead to an impairment. For the Adelaide CGU, we performed the following audit procedures: • Compared the forecast cash flows used for FY21 to the Board approved business plan; • Considered the five year forecast included in management's expert's valuation, as adopted by the Board; • Understood the process undertaken by management to prepare the forecast; • Compared historical performance against budget, investigated material differences and considered the impact on future cash flow forecasts; • Considered and challenged key assumptions including the impacts of COVID-19, and the key drivers of EBITDA growth and overall business performance, with reference to external evidence where possible;

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Description of the key audit matter	How our audit addressed the key audit matter
In relation to the Adelaide CGU, an impairment of $160.6 million was recorded which broadly represents the difference between the mid point of the valuation range (determined by management's valuation expert under the FVLCOD method and adopted by the Directors) and the CGU's carrying value at 30 June 2020.	• Engaged our auditor's valuation expert to: – Review and challenge key assumptions, including the discount and terminal growth rates based on their experience and external market evidence; – Assess the reasonableness of the 2% cost of disposal assumption applied under the FVLCOD method based on their experience and industry knowledge; and – Evaluate the final conclusions reached with reference to external market evidence. • In conjunction with our auditor's valuation expert, we assessed the valuation report prepared by management's valuation expert and considered key sensitivities over the model. In doing so, we met with management's valuation expert to understand and challenge their approach and assumptions; and • Understood the impacts of the Adelaide expansion currently in progress on future performance and cash flows. For all CGUs, we assessed the appropriateness of disclosures made in the financial statements including those for key assumptions and sensitivities.
Accounting for the sale of the Auckland car park concession On 19 August 2019, the Auckland Car Park Concession transaction was completed. Macquarie Principal Finance Group (Macquarie) took over the operation and management of the main site car park and an initial 600 restricted use NZICC car parks at that time. Approximately 650 further NZICC car parks were to be provided at a date no later than 31 December 2020, otherwise penalty payments would be incurred under the concession agreement. As a result of the NZICC fire, Macquarie no longer has access to the initial 600 NZICC car parks and delivery of the remaining approximately 650 NZICC car parks is likely to be delayed beyond 31 December 2020. As there is significant judgement in determining how the car parks should be grouped for the assessment of the impact of the fire on the accounting treatment of the sale, this was a key audit matter. SkyCity used independent technical accounting experts to assist in determining the accounting treatment. Refer to notes 4 and 6 of the financial statements. A net gain of $66.4 million has been recognised in the income statement which is the excess of the concession payment allocated to the unnested main site and initial 600 NZICC carparks over their determined carrying value.	We read the final agreement between SkyCity and Macquarie and independently assessed and challenged the accounting for the transaction, with the involvement of our technical accounting specialists. We read management's paper and the independent technical accounting advice they received, outlining the considerations for the appropriate grouping of the carparks under the leasing criteria and the counterfactual scenarios. We obtained management's calculation of the allocation of the carrying value and the fair value of the unnested car parks between the main site and the initial 600 NZICC carparks and the remaining 650 NZICC carparks. We specifically considered how management have treated the penalty payments and factored in judgement with regards to the expected lease commencement date. The resulting values were used to determine whether the finance lease accounting criteria has been met for the remaining 650 NZICC car parks. We tested the receipt of the concession payment and the calculation of the recognised gain, corroborating the amounts recognised in the financial statements to management's analysis, supported by the valuation of the carrying value of the car parks as previously determined and audited when the transaction was entered into during the year ended 30 June 2019.

Description of the key audit matter	How our audit addressed the key audit matter
Material uncertainty in investment property valuations relating to COVID-19 As disclosed in note 15 of the financial statements, the Group's investment properties total $72.4 million, of which $45.3 million is measured at fair value as at 30 June 2020 (30 June 2019: $40.6 million). The remaining $27.1 million of investment property relating to the NZICC car park is held at cost as disclosed in note 15(d) of the financial statements. The valuation of the Group's investment properties held at fair value is inherently subjective and the valuations were performed by an independent registered valuer. The Group has adopted the assessed values determined by the valuer. The valuer takes into account property specific information such as the contracted tenancy agreements and rental income earned by the asset. The valuer has used the income capitalisation approach and has applied assumptions in relation to capitalisation rates and market rent, based on market data and transactional evidence, where available. These assumptions were adjusted at 30 June 2020 to recognise the estimated impact of COVID-19. As at the 30 June 2020 valuation date, the independent registered valuer included a *material valuation uncertainty* clause in their report as a result of the COVID-19 pandemic. This clause highlights the difficulties in undertaking valuations due to the absence of relevant transactional evidence that demonstrates current market pricing. Therefore, less certainty and a higher degree of caution should be attached to the point estimate valuation. This represents an increase in the estimation uncertainty in the valuation of investment properties. Because of the material valuation uncertainty we have considered the valuation of investment properties held at fair value to be a key audit matter.	Given the subjectivity involved in determining valuations for individual properties, including alternative assumptions and valuation methods, there is a range of values that could be considered reasonable. The impact of COVID-19 at 30 June 2020 has resulted in material valuation uncertainty and a wider range of possible values than at past valuation points. We considered the adequacy of the disclosures made in note 1(h) and note 15 to the financial statements, which sets out the significant assumptions. These notes explain that there is material estimation uncertainty and there has been a material impact on the valuation of investment properties. We discussed with management and obtained sufficient appropriate audit evidence to demonstrate that management's assessment of the suitability of the inclusion of the valuation in the balance sheet and disclosures made in the financial statements was appropriate. In assessing the valuation of investment properties, we performed the audit procedures outlined below: • Reviewed the valuation reports from the independent valuation expert for investment properties held at fair value; • Engaged our own in-house real estate valuation expert to assess the methodologies and critique and challenge the key assumptions used by the valuer to market evidence and current market conditions, including the appropriateness of the assumptions made for COVID-19 impacts; and • For all properties held at fair value, the carrying value was agreed to the external valuation reports, and we corresponded with the independent valuer, in conjunction with our auditor's expert, on the reports. This correspondence included the impact that COVID-19 has had on market activity and how the valuer had factored this into their key assumptions. The independent valuer and auditor's expert confirmed that the valuation approach for each property was in accordance with accounting standards and suitable for use in determining the carrying value of investment properties at 30 June 2020. We assessed the independent valuer's qualifications, expertise and their objectivity and we found no evidence to suggest that their objectivity was compromised in their performance of the valuations. We carried out audit procedures, on a sample basis, to test whether property-specific information supplied to the valuer by the Group reflected the underlying property records held by the Group.

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Our audit approach

Overview

An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall Group materiality: $8 million, which represents approximately 5% of average profit before tax from continuing operations over the past three years, excluding the net gain on the Auckland car park concession transaction, NZICC fire-related income, NZICC fire-related expenses and impairment of the Adelaide casino licence.



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

We chose to use an average of the last three years and to normalise it as described above because, in our view, it provides a more stable measure of the Group's performance.

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

- Accounting for the NZICC fire
- Capital structure and funding liquidity, including the impact of COVID-19
- Impairment considerations in respect of goodwill and other intangible assets, including the impact of COVID-19
- Accounting for the sale of the Auckland car park concession
- Material uncertainty in investment property valuations relating to COVID-19.

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which the Group operates.

The structure of the Group means the majority of the audit work for the Group is performed by the New Zealand Group audit team. Our Group audit team also included people based in Australia who supported us in executing our audit procedures and brought knowledge of the trading environment and legal and regulatory framework in Adelaide.

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

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

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

Chartered Accountants
2 September 2020

Auckland

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Income Statement

For the year ended 30 June 2020

	NOTES	2020	2019
Continuing Operations		**$'000**	$'000
Revenue	3	**641,653**	802,265
Other income	5	**3,310**	20,799
Net gain on the Auckland car park concession transaction	4	**66,431**	–
Government grants	5	**29,183**	–
Share of losses from associates		**(83)**	(737)
NZICC fire related income	6(a)	**384,500**	–
NZICC fire related expenses	6(b)	**(108,090)**	–
Employee benefits expense		**(284,867)**	(289,896)
Impairment of Adelaide casino licence	24	**(160,600)**	–
Other expenses	7	**(97,134)**	(91,799)
Directors' fees		**(900)**	(1,143)
Gaming taxes		**(30,254)**	(38,117)
Direct consumables		**(54,376)**	(59,862)
Marketing and communications		**(16,045)**	(26,170)
Community contributions, levies and sponsorships		**(10,382)**	(14,330)
Fair value loss on investment property	15	**(14,055)**	(3,204)
Earnings Before Interest, Tax, Depreciation and Amortisation Expenses (EBITDA)		**348,291**	297,806
Depreciation and amortisation expense	7	**(85,446)**	(79,988)
Depreciation on right-of-use assets	10	**(1,114)**	–
Earnings Before Interest and Tax (EBIT)		**261,731**	217,818
Net finance costs	11	**(28,613)**	(10,240)
Profit Before Income Tax		**233,118**	207,578
Income tax benefit/(expense)	18	**2,152**	(46,753)
Profit from continuing operations		**235,270**	160,825
Profit/(loss) from discontinued operations	30	**118**	(16,244)
Profit for the Year Attributable to Shareholders of the Company		**235,388**	144,581
Earnings per share for Profit Attributable to the Shareholders of the Company		**CENTS**	CENTS
Basic and diluted earnings per share attributable to continuing operations	8	**35.4**	23.8
Basic and diluted earnings per share attributable to discontinued operations	8	**-**	(2.4)
Basic and diluted earnings per share	8	**35.4**	21.4

The above Income Statement should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income

For the year ended 30 June 2020

	NOTES	2020	2019
		$'000	$'000
Profit for the Year		**235,388**	144,581
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	15, 31	**5,936**	–
		5,936	–
Items that may be subsequently reclassified to profit or loss			
Foreign Currency Translation Reserve	31		
Exchange differences on translation of overseas subsidiaries		**6,285**	(11,498)
Transfer to Income Statement on disposal of discontinued operation		**–**	27,864
Cash flow Hedge Reserve	31		
Cash flow hedges – revaluations		**9,154**	3,986
Cash flow hedges – transfer to finance costs		**(5,143)**	(5,459)
Cash flow hedges – income tax		**(1,239)**	279
Cost of Hedging Reserve	31		
Cost of hedging reserve – costs incurred/revaluations		**(113)**	(195)
Cost of hedging reserve – transfer to finance costs		**462**	462
Cost of hedging reserve – income tax		**(98)**	(75)
		9,308	15,364
Other Comprehensive Income for the Year, Net of Tax		**15,244**	15,364
Total Comprehensive Income for the Year		**250,632**	159,945

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

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Balance Sheet

As at 30 June 2020

	NOTES	2020	2019
		$'000	$'000
ASSETS			
Current Assets			
Cash and bank balances	14, 26	**54,224**	41,574
Receivables and prepayments	25	**42,252**	49,293
Derivative financial instruments	32	**53,288**	85
Inventories		**6,628**	6,459
Current tax receivables		**1,989**	930
NZICC fire recoveries	6(c)	**49,571**	–
PP&E classified as held for sale	27	**11,019**	115,687
Total Current Assets		**218,971**	214,028
Non-current Assets			
Property, plant and equipment	23	**1,528,902**	1,436,257
Intangible assets	24	**649,531**	798,408
Investment in associate		**–**	1,553
Finance lease receivable	4	**10,574**	–
Derivative financial instruments	32	**23,100**	56,201
Investment properties	15	**72,400**	40,660
Deferred tax assets	19	**6,877**	4,843
Right-of-use asset	10	**51,967**	–
NZICC fire recoveries	6(d)	**227,000**	–
Total Non-current Assets		**2,570,351**	2,337,922
Total Assets		**2,789,322**	2,551,950

Balance Sheet (continued)

As at 30 June 2020

	NOTES	2020	2019
		$'000	$'000
LIABILITIES			
Current Liabilities			
Payables and provisions	28	**221,842**	228,112
Interest bearing liabilities	13, 14	**302,509**	49,127
Current tax liabilities		**776**	14,653
Derivative financial instruments	32	**6,113**	784
Lease liabilities	10	**485**	–
Deferred licence value	16	**153,165**	–
Total Current Liabilities		**684,890**	292,676
Non-current Liabilities			
Interest bearing liabilities	12, 14	**282,731**	495,913
Non-current payables		**10,569**	1,512
Lease income in advance	22	**39,815**	–
Derivative financial instruments	32	**24,375**	30,913
Deferred tax liabilities	20	**45,175**	70,160
Lease liabilities	10	**52,188**	–
Deferred licence value	17	**214,972**	504,804
Total Non-current Liabilities		**669,825**	1,103,302
Total Liabilities		**1,354,715**	1,395,978
Net Assets		**1,434,607**	1,155,972
EQUITY			
Share capital	29	**1,288,287**	1,126,996
Reserves	31	**(33,321)**	(48,565)
Retained earnings		**179,641**	77,541
Total Equity		**1,434,607**	1,155,972

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

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Statement of Changes in Equity

For the year ended 30 June 2020

	NOTES	SHARE CAPITAL	RESERVES	RETAINED EARNINGS	TOTAL EQUITY
		$'000	$'000	$'000	$'000
Balance as at 1 July 2018		1,152,260	(63,929)	69,695	1,158,026
Adjustment on adoption of IFRS15		–	–	(1,046)	(1,046)
Restated balance at the beginning of the year		1,152,260	(63,929)	68,649	1,156,980
Total comprehensive income		–	15,364	144,581	159,945
Dividends paid	9	–	–	(135,689)	(135,689)
Shares issued under Dividend Reinvestment Plan	29	8,591	–	–	8,591
Share rights issued for employee service	29	4,540	–	–	4,540
Net movement in treasury shares	29	397	–	–	397
Buy back and cancellation of shares	29	(38,792)	–	–	(38,792)
Balance as at 30 June 2019		1,126,996	(48,565)	77,541	1,155,972
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 paid	9	–	–	(133,288)	(133,288)
Equity raising	29	177,160	–	–	177,160
Share rights issued for employee service	29	3,698	–	–	3,698
Net movement in treasury shares	29	436	–	–	436
Buy back and cancellation of shares	29	(20,003)	–	–	(20,003)
Balance as at 30 June 2020		1,288,287	(33,321)	179,641	1,434,607

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

Statement of Cash Flows

For the year ended 30 June 2020

	NOTES	2020	2019
		$'000	$'000
Cash Flows from Operating Activities			
Receipts from customers		**655,470**	860,352
Payments to suppliers and employees		**(480,613)**	(498,602)
Government grants		**27,354**	–
		202,211	361,750
Gaming taxes and levies paid		**(40,988)**	(58,800)
Income taxes paid		**(41,057)**	(50,626)
Net Cash Inflow from Operating Activities	39	**120,166**	252,324
Cash Flows from Investing Activities			
Disposal of business		**–**	197,065
Cash and bank balances disposed as part of discontinued operations		**–**	(12,204)
Disposal of Federal Street car park		**–**	40,000
Net purchase of property, plant and equipment		**(324,625)**	(303,651)
Payments for investment property		**(2,252)**	(8,564)
Auckland car park concession disposal		**128,946**	–
Payments for intangible assets		**(20,515)**	(29,129)
NZICC fire related income		**106,000**	–
NZICC fire related costs		**(26,638)**	–
Lease income received in advance		**39,815**	–
Net Cash Outflow from Investing Activities		**(99,269)**	(116,483)
Cash Flows from Financing Activities			
Issue of new share capital		**177,160**	–
Cash flows associated with derivatives		**(2,327)**	3,540
New borrowings		**45,814**	28,000
Repayment of borrowings		**(34,127)**	–
Net issue of treasury shares		**–**	397
Dividends paid to company shareholders	9	**(133,288)**	(127,098)
Interest paid		**(41,444)**	(37,787)
Buy back of shares		**(19,566)**	(37,274)
Repayment of lease liabilities		**(469)**	–
Net Cash Outflow from Financing Activities		**(8,247)**	(170,222)
Net Increase/(Decrease) in Cash and Bank Balances		**12,650**	(34,381)
Cash and bank balances at the beginning of the year		**41,574**	75,955
Cash and Bank Balances at the End of the Year	14, 26	**54,224**	41,574

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

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1 Summary of Significant Accounting Policies

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.

These consolidated financial statements were approved for issue by the Board of Directors on 2 September 2020.

(a) Basis of Preparation

The financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice (GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as applicable to for-profit entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

The Group is designated as a for-profit entity for financial reporting purposes.

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2020 and the results of all subsidiaries for the year then ended.

Going Concern

There are inherent uncertainties in both New Zealand and Australia relating to COVID-19, the impact of continued border closures and the extent of the deterioration in general economic conditions. Accordingly, the Directors consider it appropriate to take a cautious outlook for the prospects of SkyCity's businesses. The Directors are of the view that these factors will continue to have a negative impact on the Group's earnings in the near term compared to previous expectations.

In response, the Group has taken the following measures to ensure the business has adequate liquidity available and to ensure SkyCity continues to be a going concern:

- introduced cost control measures such as reducing the New Zealand workforce by approximately 25% to right-size the business to the expected new level of customer demand;
- cancelled or deferred some capital and operating spend;
- applied for and received the New Zealand Government wage subsidy and the Australian JobKeeper payment;
- raised $230 million of additional equity in June and July 2020;
- restructured bank debt to increase available facilities and extend maturities;
- obtained covenant waivers and amendments from banks and USPP noteholders; and
- announced the early redemption of the New Zealand bonds in September 2020 to avoid the risk of breaching financial covenants associated with the bonds.

Notwithstanding the uncertainties around forecasting earnings in the COVID-19 environment, the directors have concluded there are no material uncertainties related to SkyCity being a going concern. Accordingly, the directors have concluded that it is appropriate that these financial statements continue to be prepared on a going concern basis.

The Group has a negative working capital balance of $466 million, largely as a result of the classification of some debt as current liabilities and transfer of Adelaide's deferred licence value from non-current to current liabilities. The Group has significant available undrawn committed banking facilities totalling $405 million as at 30 June 2020 (refer to note 12) and has the ability to fully pay all debts as they fall due.

Statutory Base

SkyCity Entertainment Group Limited is a company registered under the Companies Act 1993 and is a FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules.

Measurement Basis

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities and investment properties at fair value through profit or loss.

Non-GAAP Financial Information

The Group's standard profit measure prepared under New Zealand Generally Accepted Accounting Practice (GAAP) is profit for the year, or net profit after tax. 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.

Critical Accounting Estimates and Judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the company to exercise its judgement in the process of applying the Group's accounting policies.

Impairment Tests

Judgement is used in the determination of the recoverable amount of goodwill and indefinite useful life casino licences.

The Group tests annually whether goodwill and indefinite useful life licences have suffered any impairment, in accordance with the accounting policy stated in note 24. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates.

There is sufficient headroom between the value in use calculations and the carrying value of the related cash generating units' assets that significant changes in the assumptions used would not require an impairment.

Professional judgement has been made to treat the entire Auckland precinct as a single cash generating unit given the close and interconnected relationship of the cash flows across all of SkyCity's Auckland businesses.

Impairment testing has also been completed on the Adelaide casino licence (an amortising asset). Judgement was used to determine the valuation and resulting impairment charge. The assessment was prepared using a fair value less costs of disposal approach and is discussed further in note 24.

New Zealand International Convention Centre Matters

Judgement has been used in determining the appropriate accounting consequences of the New Zealand International Convention Centre (NZICC) fire, including the following:

- the nature of the contractual relationships between the Group, Fletcher Construction Company Limited (FCC) and the insurers;
- the extent of the damage resulting from the fire, including an initial assessment of the extent of damage to the structural steel;
- the estimated cost of rebuilding the damaged portion of the impacted buildings;
- timing of the remediation work; and
- likelihood of recovery by the Group for the costs associated with the fire.

These are discussed further in note 6.

Judgement has been used in determining the appropriate accounting for liquidated damages arising from delays in the construction of the NZICC and Horizon Hotel (note 37) and the closure of the Nelson Street car park access tunnel (note 6).

Auckland Car Park Concession Transaction

Judgement has been used in determining the accounting treatment as a finance lease of a significant part of the Auckland car park concession (which was sold during the period). The determination of the finance lease accounting required the use of estimates including determining the fair value of the car parks immediately before the transaction, the fair value of exclusive use car parks and the calculation of the carrying value of the existing car park assets. Further details are provided in note 4.

Investment Properties – Valuations

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Group engaged an independent valuation expert to assess fair values as at 30 June 2020 for the investment properties. The valuer notes in their valuations of investment property that there is currently material valuation uncertainty as a result of COVID-19. Further details are provided in note 15.

COVID-19 Impacts

Judgement has been used in determining the appropriate accounting consequences of the impacts of COVID-19 on a number of account balances. These impacts are discussed further in note 1(h).

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(b) Principles of Consolidation

(i) Subsidiaries

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

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

(c) Foreign Currency Translation

(i) Functional and Presentation Currency

Items included in the financial statements of each Group Company's operations are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that operation (functional currency). The consolidated financial statements are presented in New Zealand dollars which is the Group's presentation currency.

(ii) Transactions and Balances

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

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

(iii) Foreign Operations

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

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

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

(d) Goods and Services Tax (GST)

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

(e) Statement of Cash Flows

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

(f) New Accounting Standards Adopted in the Year

Other than the adoption of NZ IFRS 16 Leases, 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 prior year.

NZ IFRS 16, Leases

With effect from 1 July 2019, the Group adopted NZ IFRS 16 Leases. The effect of this was to create as at 1 July 2019 Right-Of-Use Assets of $50.8 million and recognise Lease Liabilities of $50.8 million (calculated based on a weighted average incremental borrowing rate of 5.87%).

The impact on the FY20 Income Statement was to:

- reduce operating expenses by approximately $3.6 million;
- increase depreciation by approximately $1.1 million;
- increase finance costs by approximately $3.1 million;
- reduce Net Profit After Taxation by approximately $0.5m; and
- lease payments are no longer part of operating cash flows but are included within financing cash flows.

The above has no cash effect to the Group and the change is for financial reporting purposes only.

The Group adopted the simplified transition approach under NZ IFRS 16 in the year ended 30 June 2020 and did not restate comparative amounts for 2019.

	$'000
Measurement of Lease Liabilities	
Operating lease commitments disclosed as at 30 June 2019	358,263
Discounted using the incremental borrowing rates	50,821
Lease liability recognised as at 1 July 2019	50,821
Of which are:	
Current lease liabilities	707
Non-current lease liabilities	50,114
	50,821

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

There are no new standards, amendments and interpretations to existing standards that have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2020 or later periods that would have a material impact.

(h) Significant Transactions During the Year

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 relatively minor 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 expert does not yet have sufficient information to complete a full assessment.

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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. Insurance proceeds for other costs incurred (business interruption costs, site preparation and clearing costs, payments under the Auckland car park concession agreement and other ongoing costs as a result of the fire) are recognised as income when the costs are incurred.	6
NZICC Fire Related Expenses	Damaged/destroyed components have been recognised as an expense, partially offset by a transfer from the deferred licence value. Other costs as a result of the fire are expensed as incurred.	6
Cost Capitalisation	Capitalisation of borrowing costs and some internal costs associated with the NZICC and Horizon Hotel has been suspended.	6
Property, Plant and Equipment	Damaged/destroyed components of both buildings have been derecognised.	23
Deferred Licence Value	Partial release of the deferred licence value for the NZICC based on the percentage of the building damaged.	17
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. Insurance proceeds to cover the cost of site clean-up and preparation have been recognised as the underlying costs are incurred.	6
Liquidated Damages	Recognition of liquidated damages for the closure of the Nelson Street car park access tunnel.	6
Auckland Car Park Concession	Accounting treatment for the previously announced sale of the Auckland car park concession has been updated to reflect the delays to completion of the NZICC car park.	4
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.	

The accounting impact of the NZICC fire is discussed in detail in note 6.

Partial Lease of the Existing Auckland Convention Centre

With effect from 31 October 2019, portions of the existing Auckland convention centre have been leased to All Blacks Experience Limited and Weta Workshop Limited. As a result, this portion of the existing convention centre has been reclassified as Investment Property. Immediately before reclassification, this portion of the building was revalued.

This has resulted in the following adjustments as at 31 October 2019:

- a reduction in Property, Plant and Equipment of $10.5 million (refer note 23);
- an increase in Investment Properties of $16.4 million (refer note 15); and
- an increase in the Asset Revaluation Reserve of $5.9 million (refer note 31).

A further revaluation was completed as at 30 June 2020 which resulted in a fair value loss of $5.3 million.

Auckland Car Park Concession Transaction

On 4 April 2019, the Group announced it had entered into a binding, conditional agreement to sell a long term concession to 2048 over the Auckland car parks to Macquarie Principal Finance Group (Macquarie) for $220.0 million, to be paid upfront in a lump sum on completion.

The Auckland car park concession transaction was completed on 19 August 2019 and is discussed in note 4.

Share Buy Back

In February 2019, the Group announced an on market share buy back of up to 5.0% of its total shares during 2019. During the year ended 30 June 2020, the Group purchased and cancelled $20.0 million of shares. Since the announcement in February 2019, a total amount of $58.7 million of shares have been purchased and cancelled. The effect of this is shown in note 29.

Liquidated Damages

Included within the FCC construction contracts for the NZICC and Horizon Hotel is the right to liquidated damages if certain milestones are not met.

As at 30 June 2020, SkyCity had withheld $39.5 million from payments to FCC for liquidated damages. This is treated as a contingent asset and further details are provided in note 37.

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. On 23 March 2020, SkyCity closed all its New Zealand and Adelaide properties. The New Zealand properties reopened on 14 May 2020, with the exception of Wharf Casino in Queenstown which currently remains closed. SkyCity Adelaide reopened on 29 June 2020 as part of the South Australian Government's three-stage approach to easing the COVID-19 restrictions.

A number of decisions and actions have had to be taken to mitigate the impacts of these events:

- significant operational effort has gone into closing and reopening SkyCity's properties with rigorous health and safety measures in place;
- SkyCity rapidly restructured its New Zealand workforce, downsizing it by around 25% to ensure SkyCity continued to be sustainable as a smaller domestically focused business;
- SkyCity implemented other cost and capital saving initiatives; and
- SkyCity undertook an equity raising, arranged new bank facilities and secured covenant waivers to ensure that it has sufficient liquidity and funding capacity.

These actions mean that SkyCity is now well positioned to manage ongoing future risks associated with COVID-19. SkyCity has also been aided by government responses in the form of wage subsidies and other assistance measures. SkyCity's core domestic gaming business is resilient and has rapidly returned to being cash positive and profitable. Other businesses that are more reliant on international visitors (including international VIP gaming, hotels and restaurants) are likely to fully recover only when international borders reopen.

Development work on the SkyCity Adelaide expansion and hotel projects and associated master planning projects was able to continue over the period due to construction being deemed as an essential service in Australia. Work recommenced in late May 2020 on the NZICC and Horizon Hotel projects following the move to Alert Level 3 of the COVID-19 Alert system in New Zealand. The Horizon Hotel is now expected to be delivered during 2021 and the NZICC is now expected to be completed during 2023.

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The equity raising completed in July 2020 ensures that the major projects under construction remain fully funded and that SkyCity is also able to continue with smaller projects that will enhance operations. Following the equity raising and the arrangement of new bank facilities, SkyCity now has significant liquidity available should the COVID-19 situation worsen. Dividends are currently suspended as a requirement of the covenant waivers and amendments.

A summary of the accounting impacts of COVID-19 on the Group is set out below:

ITEM	COVID-19 IMPACTS	NOTE
Closure of SkyCity's Land-based Casinos	New Zealand casinos closed on 23 March 2020 and, with the exception of Wharf Casino, reopened on 14 May 2020. SkyCity Adelaide closed on 23 March 2020 and reopened on 29 June 2020.	
Reduction in Revenues	The closure of SkyCity's casinos has significantly reduced revenues. To highlight the extent of the reduced revenues, total revenues in the relevant comparative periods (New Zealand properties: 23 March 2019 to 13 May 2019; SkyCity Adelaide: 23 March 2019 to 28 June 2019; and International Business 1 March 2019 to 30 June 2019 (reflecting the period of international travel restrictions)) are estimated at approximately $170 million.	3
Government Grants	The Group has applied for, and received, the New Zealand Government wage subsidy and the Australian JobKeeper payment. Total payments relating to the year ended 30 June 2020 were $29.2 million.	5
Employment Costs	Over the period of closure, New Zealand salaried staff who continued to work received their full salary (less any voluntary contribution to a staff hardship fund). Salaried staff were requested to take annual leave over the lockdown period if they were not able to work. New Zealand waged and casual employees who were unable to work received 80% of their average earnings. They were able to top this up to 100% of their average earnings by taking paid leave. New Zealand waged employees who were able to work received their normal pay. Over the period of closure, around 90% of Australian staff were fully stood down and the remaining 10% of employees were partially stood down on reduced hours. 80% of Australian staff were eligible for the JobKeeper payment.	
Receivables	As a result of payment difficulties for a small number of customers, a provision against International Business debtors of $5.7 million has been included within the Income Statement.	25
Investment Properties	There has been a decline in the fair value of investment properties due to the expected reaction of the property market to COVID-19. The valuer has also 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. The valuer has recommended frequent reviews of the valuations for changes in the underlying assumptions.	15
Property, Plant and Equipment	Various capital projects have been delayed, placed on hold or terminated. Costs of delays have been included in the carrying value of Property, Plant and Equipment. Costs incurred to date on terminated projects have been written off in the current year.	23
Intangible Assets	An impairment of the Adelaide casino licence has been recognised in the current year. In the absence of COVID-19 it was very likely that an impairment of the Adelaide casino licence would still have been required. However, COVID-19 has increased the size of the impairment recognised. The impacts of COVID-19 have also reduced the valuation surpluses associated with the Auckland and Hamilton intangible assets (although these continue to be strongly positive).	24
Tax Expense and Deferred Tax Liabilities	During the year, the New Zealand Government reintroduced depreciation on industrial and commercial buildings for tax purposes. The change applies from 1 July 2020 and the Group has elected to use the 2% diminishing value basis depreciation rate. As a result, the tax base of the Group's buildings as at 30 June 2020 increased by $86.1 million. The resulting difference between the accounting carrying value and the reinstated tax base gave rise to a reduction in deferred tax liabilities and a reduction in tax expense of $24.1 million.	18, 20
Funding Plan	A comprehensive funding plan was announced on 17 June 2020 to strengthen the Group's balance sheet and secure additional liquidity in response to uncertainty around future impacts of COVID-19: • raised $230 million of additional equity in June and July 2020; • restructured bank debt to increase available facilities and extend maturities; • obtained covenant waivers and amendments from banks and USPP noteholders; • announced the early redemption of the New Zealand bonds in September 2020 to avoid the risk of breaching financial covenants associated with the bonds; and • suspended dividends for the period of covenant waivers/relief.	12, 29

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2 Segment Information

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).

Prior period disclosures have been adjusted to treat the NZICC as part of the Auckland segment to align with the current period.

(a) Primary Reporting Format – Business Segments

	SKYCITY AUCKLAND	OTHER NZ OPERATIONS	SKYCITY ADELAIDE	SKYCITY DARWIN	INTERNATIONAL BUSINESS	CORPORATE /GROUP	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2020							
Gaming revenue	312,282	51,554	90,995	–	75,948*	–	530,779
Online revenue	–	4,521	–	–	–	–	4,521
Non-gaming revenue	138,680	11,166	27,151	–	8	1,144	178,149
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							233,118
Plus: Discontinued operations before tax (note 30)							118
Profit before income tax from continuing operations							233,236
Segment assets	1,738,081	100,891	617,139	–	–	333,211	2,789,322
Net additions to non-current assets (other than financial assets and deferred tax)	147,380	9,573	229,369	–	–	19,692	406,014

*Includes rebates and complimentary play.
**Equivalent to A$150 million.

	SKYCITY AUCKLAND	OTHER NZ OPERATIONS	SKYCITY ADELAIDE	SKYCITY DARWIN	INTERNATIONAL BUSINESS	CORPORATE /GROUP	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2019							
Gaming revenue	378,061	56,533	124,801	60,699	122,580	–	742,674
Non-gaming revenue	189,862	9,922	21,101	22,402	36	–	243,323
Total revenue	567,923	66,455	145,902	83,101	122,616	–	985,997
Shares of net profits/(losses) of associates	–	(737)	–	–	–	–	(737)
Expenses	(290,153)	(37,160)	(123,566)	(62,679)	(119,610)	(33,848)	(667,016)
Depreciation and amortisation	(47,436)	(5,390)	(17,687)	(4,711)	–	(9,474)	(84,698)
Segment profit/(loss) (EBIT)	230,334	23,168	4,649	15,711	3,006	(43,322)	233,546
Net finance costs (including discontinued operations)							(10,212)
Profit before income tax							223,334
Less: Discontinued operations before tax (note 30)							(15,756)
Profit before income tax from continuing operations							207,578
Segment assets	1,647,453	101,584	548,778	–	–	254,135	2,551,950
Net additions to non-current assets (other than financial assets and deferred tax)	261,636	20,490	73,075	3,933	–	30,183	389,317

(b) Secondary Reporting Format – Geographical Segments

	TOTAL REVENUE		NON-CURRENT ASSETS EXCLUDING FINANCIAL INSTRUMENTS AND DEFERRED TAX ASSETS	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
New Zealand	**1,021,158**	749,699	**1,951,348**	1,736,037
Australia	**143,222**	236,298	**589,026**	540,841
	1,164,380	985,997	**2,540,374**	2,276,878

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(c) Description of Segments

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer (CEO) that are used to assess performance and allocate resources.

The Group is organised into the following main operating segments:

SkyCity Auckland

SkyCity Auckland includes casino operations, hotels and convention, food and beverage, car parking, Sky Tower, investment properties and a number of other related activities, and excludes International Business operations.

The Group's interest in the NZICC is also included here.

Other New Zealand Operations

Other operations include SkyCity Hamilton, SkyCity Queenstown, SkyCity Wharf, Lets Play Live Media, SkyCity Online Casino and associates.

SkyCity Adelaide

SkyCity Adelaide includes casino operations and food and beverage, and excludes International Business operations.

SkyCity Darwin

In 2019, SkyCity Darwin has been treated as a discontinued operation within the financial statements. For internal management reporting purposes, SkyCity Darwin continued to be reported to the CEO on the same basis as previously and therefore the segment information note has been prepared on a consistent basis with prior periods.

International Business

The International Business segment is made up of gaming operations for international customers sourced mainly from Asia. The revenue is generated at SkyCity's Auckland, Darwin (2019 only), Adelaide, Queenstown and Hamilton properties. The results of the segment includes rebates and complimentary play. No assets are allocated to this segment.

Corporate/Group

Includes head office functions and funding entities and is not considered an operating segment.

3 Revenue

Accounting Policy

Gaming revenue represents 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 revenue includes hotel and convention, food and beverage, Sky Tower, car parking and other revenues. These are recognised when the goods are provided or services are rendered.

	2020	2019
	$'000	$'000
Gaming	**491,477**	601,696
Non-gaming	**145,655**	200,569
Online	**4,521**	–
Total revenue	**641,653**	802,265

The Group also provides complimentary hotel accommodation, food and beverage and other promotions to certain groups of customers and it is not practical to separate the related revenues from gaming revenues. Retail values of such complimentary items amounted to $19.5 million (2019: $30.9 million).

	NOTES	2020	2019
		$'000	$'000
Reconciliation to the segment note			
Total revenue	3	**641,653**	802,265
Other income	5	**3,310**	20,799
Government grants	5	**29,183**	–
International Business rebates		**39,303**	80,269
Darwin – discontinued operations		**–**	82,664
Gain on sale of Auckland car park concession	4	**66,431**	–
NZICC fire income	6	**384,500**	–
Total revenue as per segment note		**1,164,380**	985,997

4 Auckland Car Park Concession Transaction

	2020	2019
	$'000	$'000
Net gain on sale of the Auckland car park concession transaction	**66,431**	–
	66,431	–

On 4 April 2019, the Group announced it had entered into a binding, conditional agreement to sell a long term concession to 2048 over the Auckland car parks to Macquarie for $220.0 million, to be paid upfront in a lump sum on completion.

The agreement:

- gives Macquarie the right to undertake the operations and management of the approximately 3,200 car parks under the existing Auckland casino/hotel complex and the NZICC currently under construction, with all economic benefit of ownership passed to Macquarie for the concession period;
- provides SkyCity with exclusive access to 450 car parks, which will be used for VIP customers, to be paid for by SkyCity irrespective of use (these are known as the "nested car parks"); and
- provides SkyCity with non exclusive access to further car parks at agreed rates on a pay per use basis (these are known as the "unnested car parks"), which will also be available to the public.

On 19 August 2019, the Auckland car park concession transaction was completed and SkyCity received $220.0 million. Macquarie took over the main site car park and the initial 600 NZICC car parks and was to be provided with approximately 650 further NZICC car parks no later than 31 December 2020.

Nested Car Parks

The Group has determined that it retains the significant risks and rewards of ownership of these car parks and therefore this part of the concession payment should be accounted for as a financial liability.

As a result of this determination, on settlement of the transaction, $45.8 million of the $220.0 million concession payment was treated as a financial liability.

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Main Site and Initial 600 NZICC Unnested Car Parks

The Group has determined, based on an evaluation of the terms and conditions of the arrangement, including the proportion of the $220.0 million concession payment relating to these car parks amounting to substantially all of the fair value of these car parks, that substantially all the significant risks and rewards of ownership of these unnested car parks passed to the concession holder on 19 August 2019. Therefore, this part of the concession payment has been accounted for as a finance lease (note 13).

As a result of this determination, as at 19 August 2019:

- the current carrying value of these car parks of $96.6 million was derecognised;
- a finance lease receivable of $133.2 million for these car parks was recognised and immediately settled in cash by the upfront payment;
- a finance lease receivable of $9.9 million was recognised for the residual value of these car parks (the value beyond the period of the concession term);
- an adjustment to the Deferred Licence Value liability associated with the NZICC of $24.2 million was recognised in the Income Statement (note 17); and
- a resulting gain of $66.4 million was recognised in the Income Statement.

In determining the carrying value, judgement was required to distinguish the value of the unnested car parks from the value of the Auckland casino/hotel asset. Judgement was also required to determine the carrying value of the initial 600 NZICC car parks.

Remaining Approximately 650 Further NZICC Unnested Car Parks

As detailed in the NZICC fire note 6, the Group is unable to determine when these car parks will be provided to Macquarie.

A final determination as to whether the lease relating to the approximately 650 car parks is an operating lease or finance lease will be made when the car parks are finally provided to Macquarie. If this date is after 31 December 2020 (as expected), delay payments to Macquarie that are required to be made from that date will be deducted from the $39.8 million allocation of the concession payment for the purposes of making the lease determination.

As a result, the Group is treating $39.8 million of the $220.0 million concession payment as lease income received in advance.

Given the delay in providing these car parks to Macquarie, this part of the concession is likely to be treated as an operating lease and these car parks will be treated as an investment property. In the current year $27.1 million of costs associated with these car parks have been transferred from Property, Plant and Equipment (note 23) to investment properties (note 15).

Comparison to 30 June 2019 Financial Statements

The accounting outlined above for the Auckland car park concession transaction differs from that disclosed in the 30 June 2019 financial statements as a result of the NZICC fire. Refer to note 6 for more details.

5 Other Income

	2020	2019
	$'000	$'000
Net gain on disposal of property, plant and equipment	**348**	18,453
Dividend income	**9**	8
Rental income from investment properties	**2,953**	2,338
Government grants	**29,183**	–
	32,493	20,799

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.

SkyCity made two claims for this subsidy in the year ended 30 June 2020:

- $15.4 million primarily relating to waged staff covering the period 30 March to 19 June 2020; and
- $6.4 million primarily relating to salaried staff covering the period 20 April to 10 July 2020 (this has been allocated between this financial year and the year ending 30 June 2021).

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, which will be accounted for in the 2021 financial statements.

Adelaide

The Australian Government introduced the JobKeeper Payment plan which is effective until 30 September 2020. 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. In the current financial year, SkyCity has received or accrued $8.3 million (A$7.8 million).

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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 relatively minor 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 expert does not yet have sufficient information to complete a full assessment.

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. 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.

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

Cessation of Capitalisation of Borrowing Costs and Some Internal Costs

With effect from 22 October 2019, interest capitalisation on both the NZICC and Horizon Hotel developments has ceased. From 1 July 2019 to 22 October 2019, $9.6 million of interest was capitalised. No decision has been made as to when interest capitalisation will recommence.

Accounting Treatment for the Previously Announced Auckland Car Park Concession Transaction

The impact of the planned Auckland car park concession transaction was disclosed in note 2(a) of the 30 June 2019 financial statements.

On 19 August 2019, the Auckland car park concession transaction was completed and SkyCity received $220 million. Macquarie took possession of the main site car park and an initial 600 NZICC car parks at that time, and was to be provided with approximately 650 further NZICC car parks no later than 31 December 2020. The use of the 600 NZICC car parks was restricted to use by SkyCity staff and contractors while NZICC construction was ongoing, as a condition of the NZICC Building Works Contract with the Contractor, and this restriction was also included in the car park concession agreement.

If the additional approximately 650 further NZICC car parks are not delivered by 31 December 2020, daily delay payments are required to be made by SkyCity to Macquarie.

As a result of the fire, Macquarie no longer has access to the initial 600 NZICC car parks and delivery of the remaining approximately 650 NZICC car parks is likely to be delayed beyond 31 December 2020.

For the purpose of analysing the impact of the fire on the sale of the Auckland car park concession, it is necessary to split the car parks up as follows:

- **nested car parks, being 450 car parks that are available exclusively to SkyCity (referred to as "nested car parks")**

  There is no change to the accounting for the nested car parks and these continue to be treated as a financing arrangement as set out in the Group's 30 June 2019 financial statements.

- **main site unnested and initial 600 NZICC car parks**

  There is no change to the accounting for the main site unnested and initial 600 NZICC car parks and these continue to be treated as a finance lease as set out in the Group's 30 June 2019 financial statements.

- **remaining approximately 650 further NZICC car parks**

  The status of these car parks has changed as a result of the fire and expected delays to handover and these will now likely be accounted for as a future operating lease when handed over to Macquarie – this is discussed further below.

Professional judgement was required in determining the appropriate split of the car parks for assessment of the impacts of the fire. It is the Group's view that the main site unnested and initial 600 NZICC car parks already passed to Macquarie should be considered together. During the concession agreement negotiations all parts were considered together and were viewed as being inter-related for pricing and other purposes. These car parks were also considered together for demand management purposes, including how SkyCity staff and contractors use and access the available car parks across both sites.

Accounting Treatment of the Remaining Approximately 650 NZICC Car Parks

In the Group's 30 June 2019 financial statements (which did not envision the fire or a significant delay in the delivery of the car parks to Macquarie), it was assumed that all parts of the car park, except the nested car parks, would be a finance lease at their lease commencement date. As a result, the Property, Plant and Equipment balances relating to the car parks were transferred to "PP&E classified as held for sale".

For these car parks, the lease from SkyCity to Macquarie has not yet started – this will happen on the date they are handed over to Macquarie. Prior to this date, the portion of the car park concession agreement payment relating to these car parks ($39.8 million), is treated as lease income in advance (refer note 22).

Determination as to whether the lease is an operating lease or finance lease is made as at the date the car parks are provided to Macquarie, being the lease commencement date. If this date is after 31 December 2020 (as expected), delay payments to Macquarie from 31 December 2020 until the final handover date are deducted from the car park concession agreement payment for the purposes of making the lease determination.

As a result, the following adjustments to the 30 June 2019 classifications have been recorded in the 30 June 2020 financial statements:

- reclassify $56.8 million of assets from PP&E Classified as Held for Sale to Property, Plant and Equipment (debit Property, Plant and Equipment, credit Assets Classified as Held for Sale); and

- reclassify $25.6 million of liabilities from PP&E Classified as Held for Sale to Deferred Licence Value liability, being the portion of Deferred Licence Value liability expected to be allocated to the car park assets on completion (debit PP&E Classified as Held for Sale, credit Deferred Licence Value liability).

(a) Income

	2020	2019
	$'000	$'000
Other income		
Contract works insurance recovery	**336,702**	–
Other insurance recoveries	**37,456**	–
Liquidated damages (Nelson Street car park access)	**10,342**	–
	384,500	–

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NZICC fire related income consists of:

Insurance Recovery for Damage to the NZICC and Horizon Hotel ($336.7 million)

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

While the insurers have acknowledged the fire event and confirmed the 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 $375.0 million. For the Horizon Hotel, reconstruction costs have been estimated at $6.0 million. Based on this information, the Group has assumed an insurance recovery for both buildings of $336.0 million, being the lower end of the NZICC range and Horizon Hotel estimate. The Group considers recovery of this amount to be virtually certain. Prior to 30 June 2020, the insurers made an initial payment of $105.0 million, meaning that the Group has therefore recognised a further receivable of $231.0 million.

These initial 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 $336.0 million may change materially.

Other Insurance Recoveries ($37.5 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 (such as staff parking) as a result of the fire.

The additional expenses are recognised when incurred (debit Income Statement, credit Cash/Liabilities) and any recovery of these items is recognised when recovery is virtually certain (debit Receivables, credit Income Statement). In the year ended 30 June 2020, the Group estimates that the additional costs incurred and lost gross profit totalled $46.4 million. An initial recovery of $37.5 million has been accrued for these items and the balance of $8.9 million has been included as a contingent asset (refer note 37).

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.

Recovery of Liquidated Damages for Access to the Nelson Street Car Park Access Tunnel ($10.3 million)

A further recovery from the Contractor for liquidated damages for the closure of the Nelson Street car park entrance/exit tunnel is available under the NZICC Building Works Contract. Based on the dates the tunnel was closed (22 October 2019 to 20 December 2019), a recovery of $10.3 million is virtually certain and has been recognised as NZICC fire related income in the Income Statement and a receivable for the uncollected balance from FCC has been recognised in the Balance Sheet (debit Receivables, credit Income Statement).

(b) Expenses

	2020	2019
	$'000	$'000
Write-off of NZICC and Horizon Hotel capitalised work-in-progress	**193,868**	–
Release from Deferred Licence Value liability	**(165,785)**	–
NZICC obligation	**43,047**	–
Other recoverable costs	**34,213**	–
Non recoverable costs	**2,747**	–
	108,090	–

NZICC fire related expenses consist of:

Write-off of NZICC and Horizon Hotel Capitalised Work-in-Progress ($193.9 million)

Under the accounting standards, an insurance event, such as the NZICC fire, is treated as a disposal of the damaged asset and the purchase of a new replacement asset for fully replaced component parts. As a result the carrying value of the damaged/destroyed parts of the NZICC and Horizon Hotel are written off to the Income Statement (debit Income Statement and credit Property, Plant and Equipment)

Based on updated estimates provided by RLB, the Group has estimated that approximately 52% of the NZICC and 5% of the Horizon Hotel construction work to date has been destroyed and will need to be replaced. As a result, approximately $193.9 million of costs previously capitalised as a work in progress in Property, Plant and Equipment have been written off (refer note 23).

This initial 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 $193.9 million may increase or decrease materially.

Future costs (external and internal) related to the replacement of the derecognised asset components will be capitalised as incurred as a new asset (debit Capital Work in Progress (part of Property, Plant and Equipment), credit Cash/Liabilities).

Release from Deferred Licence Value Liability ($165.8 million reduction in write-off)

In 2016, SkyCity accounted for the granting of the NZICC Auckland casino licence enhancements and recognised a Deferred Licence Value liability of $405.0 million. Based on the Group's accounting policy adopted in 2014 (at the time of recognising the Adelaide casino licence enhancements), this amount was to be accounted for as a reduction in the carrying value of the NZICC upon completion.

The Deferred Licence Value would normally be allocated against each component asset of the NZICC upon completion, and therefore when derecognising some components (as detailed above) there is also a requirement under the Group's accounting policy to release a portion of the Deferred Licence Value liability.

The amount of the release has been estimated at $165.8 million based on the latest estimated percentage of damage to the NZICC. This represents 43.5% of the remaining Deferred Licence Value liability (the NZICC was estimated to be 83% complete prior to the fire, so 43.5% is therefore 52% (being the estimated extent of damage noted above) of 83%).

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 17 for details of the Deferred Licence Value liability release.

NZICC Obligation ($43.0 million)

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 $43.0 million based on a proportionate allocation of the expected total insurance proceeds relating to the damage.

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 $43.0 million liability may change materially.

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Other Recoverable Costs ($34.2 million)

The Group and Contractor have incurred costs relating to site preparation and cleaning. These costs are recoverable from the insurers and a matching amount is included in NZICC fire income.

Non Recoverable Costs ($2.7 million)

These are additional costs incurred by the Group in relation to the NZICC fire where recovery from the insurers or Contractor is not virtually certain. A claim will be made for these costs against the Contractor and recovery of these costs is included within contingent assets (refer note 37).

(c) Current Assets

	2020	2019
	$'000	$'000
Insurance recoveries for damages to the NZICC and Horizon Hotel	**336,702**	–
Other insurance recoveries	**37,456**	–
Recovery of liquidated damages	**8,413**	–
Payments received from the Insurers	**(106,000)**	–
Transfer to non-current receivables (refer note below)	**(227,000)**	–
	49,571	–

In addition to the $49.6 million of current NZICC recoveries, there are also non-current recoveries of $227.0 million (refer below). NZICC recoveries (current plus non-current) total $276.6 million.

NZICC recoveries relate to:

Insurance Recovery for Damage to the NZICC and Horizon Hotel ($336.7 million)

The Group has recognised insurance recoveries of $336.7 million related to the damage to the NZICC ($330.0 million), Horizon Hotel ($6.0 million) and various ICT equipment ($0.7 million).

The cost of remediating the NZICC was assessed by SkyCity's experts at between $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 $375.0 million amount includes a 35% contingency.

Other Insurance Recoveries ($37.5 million)

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

Recovery of Liquidated Damages for Access to the Nelson Street Car Park Access Tunnel ($8.4 million)

The NZICC Building Works Contract with FCC includes the right for SkyCity to receive liquidated damages while the Nelson Street car park access tunnel is closed. The tunnel was closed from 22 October 2019 to 20 December 2019 and, based on the Building Works Contract, SkyCity is entitled to receive $10.3 million of liquidated damages from FCC.

To date, the Group has withheld $1.9 million for these liquidated damages from payments due to the Contractor. The remaining balance collectable is $8.4 million.

SkyCity believes recovery of this amount is virtually certain and has recognised $10.3 million within NZICC fire related income (refer note 6(b)).

Payments Received from the Insurers ($106.0 million)

Prior to 30 June 2020, the Group received an initial $105.0 million payment from the insurers towards site preparation, cleaning costs and the cost of remediation. To 30 June 2020, $34.2 million of this prepayment has been spent on damage assessment, site preparation and cleaning.

The Group has also received an initial $1.0 million payment from insurers towards its business interruption claim.

(d) Non-current Assets

	2020	2019
	$'000	$'000
Insurance recoveries for damages to the NZICC and Horizon Hotel	**227,000**	–
	227,000	–

Refer note 6(c). The split between current and non-current is based on estimated cash flows associated with the anticipated timing of the reconstruction.

7 Expenses

	2020	2019
	$'000	$'000
Other Expenses		
Utilities, insurance and rates	**21,949**	21,863
Onerous contract expense (relating to the Wharf Casino lease (note 10))	**958**	–
Other property expenses	**12,096**	12,124
Other items	**55,246**	52,216
Expenses relating to short term leases and leases of low value assets	**1,203**	4,351
Provision for bad and doubtful debts	**5,682**	1,245
	97,134	91,799
Depreciation and Amortisation (excluding right of use assets)		
Depreciation	**67,459**	66,739
Casino licence amortisation (Adelaide)	**5,507**	5,556
Computer software amortisation	**12,480**	7,693
	85,446	79,988

Provision for Bad and Doubtful Debts

In the current year the Group has recognised an expense of $5.7 million (2019: $1.2 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.

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Auditor's Fees

During the year the following fees were paid, or are payable, for services provided by the auditor of the parent entity and its related practices.

The Group employs PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important and auditor independence is not impaired. These assignments are principally tax advice and tax compliance. For other work, the Group's External Audit Independence Policy requires that advisers other than PricewaterhouseCoopers should be engaged wherever practicable.

Tax advisory services relates to ad-hoc queries covering a range of tax related matters.

Agreed upon procedures are in relation to the Group's Community Trust allocation of revenue, assessment of the application of revenue under the wage subsidy scheme and assessment of the normalisation of revenue disclosed in the annual report. Other assurance services are in relation to compliance with banking and debt covenants.

	2020	2019
	$'000	$'000
(a) Assurance and Agreed upon Procedure Services		
Audit and review of financial statements		
PwC New Zealand	**755**	684
PwC Australia	**74**	74
PwC Hong Kong	**23**	17
PwC Malta	**42**	–
Total audit and review fees	**894**	775
Performed by PwC New Zealand		
Other assurance services	**20**	24
Agreed upon procedures	**28**	14
Total remuneration for other assurance services and agreed upon procedures	**48**	38
Total remuneration for assurance and agreed upon services	**942**	813
(b) Other Services		
Performed by PwC New Zealand		
Tax compliance services	**1**	–
Tax advisory services	**78**	266
Executive remuneration	**–**	142
Provision of software tool for subsidiary statutory financial statement preparation	**12**	27
Performed by PwC Australia		
Tax compliance services	**50**	59
Tax advisory services	**63**	226
Performed by PwC Hong Kong		
Tax advisory services	**26**	8
Total remuneration for other services	**230**	728
Total fees expense	**1,172**	1,541

8 Earnings Per Share

Accounting Policy

(i) Basic Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

There are no dilutive potential ordinary shares and therefore basic and diluted earnings per share are the same.

	2020	2019
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share (including shares issued on 9 July 2020 – refer note 29)	**664,946,279**	675,772,802

9 Dividends

Accounting Policy

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

	2020	2019
	$'000	$'000
Prior year final dividend	**66,867**	67,751
Current year interim dividend	**66,421**	67,938
Total dividends provided for or paid	**133,288**	135,689
Cents per share		
Prior year final dividend (per share)	**10.0**	10.0
Current year interim dividend (per share)	**10.0**	10.0

The directors have not declared a final dividend in respect of the year ended 30 June 2020.

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10 Leases – SkyCity as the Lessee

Accounting Policy

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate; and
- payments to be made under reasonably certain extension options.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

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

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

A small number of immaterial, short term leases have not been included in the calculation of lease liabilities or right-of-use assets.

The balance sheet shows the following amounts relating to leases:

	2020
	$'000
Right-of-use assets net book value	
SkyCity Auckland subsoil	**3,095**
SkyCity Auckland pedestrian airbridge	**2,006**
SkyCity Auckland services airbridge	**312**
Stratton House – Queenstown	**2,367**
Adelaide Railway Building and extension	**44,187**
	51,967
Lease liabilities	
Current	**485**
Non-current	**52,188**
	52,673

In the previous year, under NZ IAS 17 Leases, the Group had operating leases which were not recognised on the Balance Sheet. For the current year, opening balances of right-of-use assets and lease liabilities reflect accounting for the operating leases under NZ IFRS 16 Leases for the first time.

(a) Amounts Recognised in the Income Statement

	2020
	$'000
Depreciation charge of right-of-use assets	
Right-of-use assets	**1,114**
	1,114
Interest expense on lease liabilities	
Interest expense on lease liabilities (part of net finance costs)	**3,088**
	3,088

(b) The Group's Leasing Activities and How These are Accounted for

The Group has a small number of long term leases relating to airbridges, subsoil access rights and the Adelaide Railway Building.

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

Until the current financial year, leases of Property, Plant and Equipment were classified as operating leases. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk; and
- makes adjustments specific to the lease (eg. term, country, currency and security).

Lease payments are allocated between principal and finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short term or low value leases that are not material are recognised on a straight-line basis as an expense in the Income Statement.

(c) Extension and Termination Options

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

(d) SkyCity Wharf Lease

Given the financial performance of SkyCity Wharf, the lease agreement has been treated as an onerous contract. As a result, the future costs of the lease to termination (6 September 2021) of $1.0 million have been recognised in the year ended 30 June 2020.

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11 Net Finance Costs

	2020	2019
	$'000	$'000
Finance costs	**45,419**	41,598
Foreign exchange gains	**(195)**	(316)
Interest income	**(1,060)**	(723)
Debt restructuring costs (refer note 12)	**7,506**	–
Capitalised interest (refer Property, Plant and Equipment note 23)	**(23,057)**	(30,319)
Net finance costs	**28,613**	10,240

12 Non-current Liabilities – Interest Bearing Liabilities

Accounting Policy

Interest bearing liabilities are recognised initially at fair value, net of transaction costs incurred. Interest bearing liabilities are subsequently carried at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method, apart from:

- the interest margin on US dollar denominated USPP notes maturing in March 2025 is accounted for under NZ IFRS 9 as a fair value hedge. The carrying values of the borrowings are adjusted for fair value changes attributable to the risk being hedged; and
- as at 30 June 2020, the New Zealand bonds are carried at the cost of early redemption (refer note 12(c)).

	2020	2019
	$'000	$'000
Unsecured Interest Bearing Liabilities		
Car park concession (main site nested car parks)	**42,802**	–
United States private placement notes	**241,420**	373,091
New Zealand bonds	**–**	125,000
Deferred funding expenses	**(1,491)**	(2,178)
Total Non-current Interest Bearing Liabilities	**282,731**	495,913

(a) United States Private Placement (USPP) Notes

As at 30 June 2020 (and 30 June 2019), SkyCity had outstanding:

- US$100.0 million maturing 15 March 2021;
- US$100.0 million maturing 17 March 2025; and
- A$65.4 million maturing 15 March 2028.

Movements in the carrying value of the outstanding balance in the current year relate to maturity of NZ$21.1 million of notes on 15 March 2020 plus movements in exchange rates and interest rates.

The US dollar USPP notes have been hedged to New Zealand dollars or Australian dollars by way of cross currency interest rate swaps to eliminate foreign exchange exposure to the US dollar. The offsetting changes in the value of the cross currency interest rate swaps are included within derivative financial instruments in note 32.

Fair value of USPP debt is estimated at NZ$429.4 million compared to a carrying value of NZ$397.0 million. Fair value has been calculated based on the present value of future principal and interest cash flows, using market interest rates and credit margins at balance date. Fair value is calculated using inputs other than quoted prices that are observable for the liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This is a level 2 valuation.

Recognising the potential for breaches of financial covenants at 31 December 2020 and 30 June 2021, due to the impact of COVID-19, amendments and waivers to the financial covenants as at these dates were agreed with USPP investors in June 2020. All financial covenants were met at 30 June 2020.

(b) Syndicated Bank Facility

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

As at 30 June 2020, SkyCity had in place revolving credit facilities of:

- NZ$120.0 million maturing 15 March 2021; and
- A$280.0 million maturing 31 March 2022.

Subsequent to Balance Date

Consistent with the funding plan announced on 17 June 2020, in July 2020 the syndicated bank facility was restructured and extended to the following:

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

Recognising the potential for breaches of financial covenants at 31 December 2020 and 30 June 2021, directly as a result of the impact of COVID-19, the restructuring and extension of the bank facilities incorporated waivers and amendments to the financial covenants for these periods. All financial covenants were met at 30 June 2020.

(c) New Zealand Bond

$125 million of unsubordinated, unsecured, redeemable fixed rate bonds were issued on 28 September 2015 with a maturity of seven years.

In June 2020, SkyCity notified bond holders of its intention to exercise its right to redeem the bonds early. The bonds will be redeemed on 28 September 2020 at $1.028 per bond, equating to a total redemption cost of $128.5 million. Consequently, the bonds are classified as current liabilities at 30 June 2020 and carried at the redemption amount.

(d) Auckland Car Park Concession

Incorporated in the Auckland car park concession is an interest-bearing liability of $46.2 million relating to the main site nested car parks. This liability will be amortised to nil over the life of the contract with the movements recognised in interest income.

(e) Negative Pledge Deeds

A negative pledge deed has been executed in relation to each of the funding facilities – bank facilities, USPP notes and New Zealand bonds. In each deed are requirements for minimum guarantee group participation as well as financial covenants. All requirements of the negative pledge deeds have been met as at 30 June 2020.

(f) CBA Revolving Credit Facility

Subsequent to Balance Date

Consistent with the funding plan announced on 17 June 2020, in July 2020 a NZ$100.0 million revolving credit facility was established with the Commonwealth Bank of Australia, maturing 31 December 2021.

(g) Weighted Average Interest Rate

	2020		2019	
	Weighted average interest rate	**Balance**	Weighted average interest rate	Balance
	%	**$'000**	%	$'000
Interest bearing liabilities*	**6.39%**	**586,731**	6.56%	547,218

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

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13 Current Liabilities – Interest Bearing Liabilities

Accounting Policy

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

	2020	2019
	$'000	$'000
Unsecured Interest Bearing Liabilities		
Syndicated bank facility	**15,000**	28,000
United States private placement notes	**155,618**	21,127
New Zealand bonds	**128,500**	–
Car park concession (main site nested car parks)	**3,391**	–
Total current interest-bearing borrowings	**302,509**	49,127

Refer note 12(a) for details concerning the US private placement notes, note 12(b) for details concerning the syndicated bank facility, note 12(c) for details concerning the New Zealand bonds and note 12(d) for details concerning the car park concession.

14 Net Debt Reconciliation

	CASH AND BANK BALANCES	BORROWINGS DUE WITHIN 1 YEAR	BORROWINGS DUE AFTER 1 YEAR	TOTAL
	$'000	$'000	$'000	**$'000**
Net debt as at 1 July 2018	(75,955)	–	508,453	**432,498**
Movement in cash and cash equivalents	34,381	–	–	**34,381**
Revaluation of USPP notes	–	–	7,560	**7,560**
Amortisation of deferred funding expenses	–	–	1,027	**1,027**
Net movement in bank drawings	–	28,000	–	**28,000**
Reclassification	–	21,127	(21,127)	**–**
Initial recognition of lease liabilities	–	–	–	**–**
Net debt as at 30 June 2019	(41,574)	49,127	495,913	**503,466**
Movement in cash and cash equivalents	(12,650)	–	–	**(12,650)**
Recognition of car park concession liability	–	3,391	42,802	**46,193**
Revaluation of NZ bonds	–	3,500	–	**3,500**
Revaluation of USPP notes	–	6,230	17,716	**23,946**
Repayment of USPP notes	–	(21,127)	–	**(21,127)**
Amortisation of deferred funding expenses	–	–	687	**687**
Net movement in bank drawings	–	(13,000)	–	**(13,000)**
Reclassification	–	274,388	(274,388)	**–**
Initial recognition of lease liabilities	–	485	50,336	**50,821**
Increase in lease liabilities	–	–	1,852	**1,852**
Net debt as at 30 June 2020	(54,224)	302,994	334,918	**583,688**

15 Non-current Assets – Investment Properties

Accounting Policy

Investment property, principally comprising freehold office buildings, is held for long term rental yields and is not occupied by the Group. Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices in less active markets or discounted cash flow projections. Changes in fair values are recorded in the Income Statement.

	2020	2019
	$'000	$'000
Balance at the beginning of the year	**40,660**	35,300
Acquisitions	**2,252**	8,564
Net (loss) from fair value adjustment	**(14,055)**	(3,204)
Transfer from property, plant and equipment – existing convention centre	**16,420**	–
Transfer from property, plant and equipment – NZICC car parks	**27,123**	–
Closing balance at 30 June	**72,400**	40,660

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

	2020	2019
	$'000	$'000
Rental income	**2,953**	2,338
Direct operating expenses from property that generated rental income	**(1,594)**	(819)
Net (loss) from fair value adjustment	**(14,055)**	(3,204)
	(12,696)	(1,685)

(b) Valuation Basis

Investment properties were valued on 30 June 2020 by Bower Valuations Limited and Extensor Advisory Limited, Registered Valuers and Members of the New Zealand Institute of Valuers and the Property Institute of New Zealand, at a total value of $45.3 million (excluding the NZICC car parks). The valuer has recent experience in the location and category of the investment being valued. The basis of the valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in arm's length transactions, based on current prices in an active market for similar properties in the same locations and conditions and subject to similar leases.

The following were the significant assumptions used in the 30 June 2020 valuation of the existing convention centre:

- capitalisation rate of 9.73%; and
- passing yield calculated as net rent divided by fair value of 7.00%.

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The following were the significant assumptions used in the 30 June 2020 valuation of other investment properties:

- capitalisation rate of 7.53% (2019: 5.0%); and
- passing yield calculated as net rent divided by fair value of 5.82% (2019: 4.4%).

The valuations are sensitive to movements in these assumptions, adverse changes in the assumptions will result in a lower valuation.

Due to the uncertainty related to COVID-19 that has led to a reduction in the number of real estate transactions and has impacted the availability of market data as at 30 June 2020, the independent valuations as at 30 June 2020 have been reported on the basis of 'material valuation uncertainty', meaning less certainty and a higher degree of caution should be applied to the valuations. The opinion of value has been determined at the valuation date based on a certain set of assumptions used by the valuers, however these could change in a short period of time due to subsequent changes in the property market when transactional activity resumes.

(c) Transfer from Property, Plant and Equipment – Existing Convention Centre

With effect from 31 October 2019, portions of the existing Auckland convention centre have been leased to All Blacks Experience Limited and Weta Workshop Limited. As a result, this portion of the convention centre has been reclassified as an Investment Property ($16.4 million).

Immediately before reclassification this portion of the convention centre was revalued and the resulting uplift in value of $5.9 million has been transferred to the Asset Revaluation Reserve (note 31).

The portion of the Auckland convention centre was valued by Bower Valuations Limited and Extensor Advisory Limited, Registered Valuers and Members of the New Zealand Institute of Valuers and the Property Institute of New Zealand, as at 31 October 2019 at a total value of $16.4 million.

The valuer has recent experience in the location and category of the investment being valued. The basis of the valuation is fair value being the amounts for which the property could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. The valuation was completed on the footing that the rental payments have commenced and there is a hypothetical subdivision to create a separate legal title which could be sold.

The following were the significant assumptions used in the valuation:

- capitalisation rate of 7.99%; and
- passing yield calculated as net rent divided by fair value of 5.48%.

(d) Transfer from Property, Plant and Equipment – NZICC Car Park

As detailed in note 4, 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 $27.1 million has been transferred from Property, Plant and Equipment (note 23) to Investment Properties.

It is the Group's policy to carry investment properties at fair value in accordance with NZ IAS 40 Investment Property (NZ IAS 40).

NZ IAS 40 allows an investment property under construction to be carried at cost if it is not possible to reliably measure fair value during construction but will be possible on completion. Given the impact of the NZICC fire, it is the directors' view that it is not currently possible to reliably measure fair value. As a result, this investment property will continue to be carried at cost until such time as fair value can be reliably determined.

16 Current Liabilities – Deferred Licence Value

Accounting Policy

Regulatory reforms granted which are specific to the Group are initially recognised at their fair value where there is a reasonable assurance that the reforms will be received and the Group will comply with all conditions attached.

Regulatory reforms are recognised as an intangible asset (note 24) and included within the value of casino licences in accordance with NZ IAS 20. Where a regulatory reform is related to Property, Plant and Equipment, once constructed the carrying value of that Property, Plant and Equipment is reduced by the value of the regulatory reforms. Prior to completion of the related Property, Plant and Equipment, the value of the regulatory reforms is accounted for as a deferred licence value.

	2020	2019
	$'000	$'000
SkyCity Adelaide	**153,165**	–
	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$350.0 million casino expansion and hotel development project and the deferred licence value liability relates to this requirement.

This balance is now current as it will be transferred to Property, Plant and Equipment in the next 12 months.

17 Non-current Liabilities – Deferred Licence Value

	AUCKLAND	ADELAIDE	TOTAL
2020	$'000	$'000	**$'000**
Opening balance	355,179	149,625	**504,804**
Exchange rate movement	–	3,540	**3,540**
Transferred to current liabilities (note 16)	–	(153,165)	**(153,165)**
Adjustment to PP&E classified as held for sale (note 6)	25,578	–	**25,578**
Impact of NZICC Fire (note 6)	(165,785)	–	**(165,785)**
Closing balance	214,972	–	**214,972**
2019			
Opening balance	405,000	155,835	**560,835**
Exchange rate movement	–	(6,210)	**(6,210)**
Transferred to PP&E classified as held for sale (note 27)	(49,821)	–	**(49,821)**
Closing balance	355,179	149,625	**504,804**

SkyCity Auckland

On 5 July 2013, SkyCity and the Crown entered into the New Zealand International Convention Centre Project and Licensing Agreement (the NZICC Agreement). The NZICC Agreement modified the Auckland casino licence and required SkyCity to develop the NZICC. The SkyCity Auckland Deferred Licence Value liability relates to that requirement.

As detailed in note 6, it was initially expected that all NZICC car parks included in the sale of the Auckland car park concession would be treated as part of a finance lease. As a result of this assumption, in 2019 $49.8 million of the deferred licence value was transferred to PP&E classified as held for sale. Following the NZICC fire, it was determined that approximately 650 of the NZICC car parks were unlikely to be part of a finance lease. Therefore, in 2020, $25.6 million of the 2019 transfer was reversed to give an ultimate net transfer of $24.2 million.

Following the NZICC fire, the damaged portion of the NZICC was disposed (refer note 6). As a result of this disposal, $165.8 million of the SkyCity Auckland Deferred Licence Value liability has been released to the Income Statement.

The $165.8 million release is based on an initial assessment of the damage from the NZICC fire (refer note 6) and may materially change as further information becomes available.

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18 Income Tax (Benefit)/Expense

Accounting Policy

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

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

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

	2020	2019
	$'000	$'000
(a) Income Tax (Benefit)/Expense		
Current tax	**26,115**	60,616
Deferred tax	**(28,267)**	(13,863)
Income tax (benefit)/expense	**(2,152)**	46,753
(b) Numerical Reconciliation of Income Tax (Benefit)/Expense to Prima Facie Tax Payable		
Profit from continuing operations before income tax expense	**233,118**	207,578
Prima facie income tax @ 28%	**65,273**	58,122
Tax effects of:		
Expenses not deductible for tax purposes	**2,210**	2,361
Foreign exchange rate differences	**(53)**	(3)
Share of partnership expenditure	**–**	(1,920)
Differences in overseas tax rates	**(3,402)**	1,116
Asset held for sale	**(411)**	(11,509)
Capital gain - Federal Street car park	**–**	(6,211)
Prior period adjustments (including ATO settlement)	**243**	3,888
NZICC fire capital income/expenses	**(73,955)**	–
Auckland car park concession proceeds	**(20,062)**	–
Adelaide casino licence impairment	**48,188**	–
Fair value adjustments	**3,955**	897
Reinstatement of New Zealand tax building depreciation	**(24,145)**	–
Other	**7**	12
Income tax (benefit)/expense	**(2,152)**	46,753

The weighted average applicable tax rate was -0.9% (2019: 22.5%). 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; and
- reinstatement of New Zealand tax building depreciation.

Excluding these items the weighted average tax rate would have been 27.4% (2019: 22.1%).

19 Deferred Tax Assets

	2020	2019
	$'000	$'000
The balance comprises temporary differences attributable to:		
Provisions and accruals	**5,316**	5,303
Depreciation	**(7,723)**	(4,365)
Foreign exchange variances	**166**	1,713
Cash flow hedges	**653**	1,846
Lease accounting	**185**	–
Tax losses	**8,280**	346
Net deferred tax assets	**6,877**	4,843
Movements:		
Balance at beginning of the year	**4,843**	–
Transferred from deferred tax liabilities	**–**	(1,097)
Foreign exchange differences	**89**	84
Transferred to discontinued operations	**–**	5,088
Charged to the Income Statement (note 18)	**3,157**	2,651
Tax credited directly to other comprehensive income (note 31)	**(1,212)**	(1,883)
Closing balance at 30 June	**6,877**	4,843

Deferred tax assets relate to the Australian operations.

20 Deferred Tax Liabilities

	2020	2019
	$'000	$'000
The balance comprises temporary differences attributable to:		
Provisions and accruals	**(14,972)**	(11,664)
Depreciation	**64,702**	89,958
Lease accounting	**(28)**	–
Cash flow hedges	**(7,355)**	(7,480)
Other	**2,828**	(654)
Net deferred tax liabilities	**45,175**	70,160
Movements:		
Balance at beginning of the year	**70,160**	84,547
Transferred to deferred tax assets	**–**	(1,097)
(Credited)/charged to the Income Statement (note 18)	**(25,110)**	(11,212)
Tax debited/(credited) directly to other comprehensive income (note 31)	**125**	(2,101)
Foreign exchange differences	**–**	23
Closing balance at 30 June	**45,175**	70,160

Deferred tax liabilities relate to the New Zealand operations.

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21 Imputation and Franking Credits

	2020	2019
	$'000	$'000
Balances available for use in subsequent reporting periods		
Imputation credit account (New Zealand)	**21,347**	46,926
Franking credit account (Australia) (A$'000)	**13,951**	15,176

As required by relevant tax legislation, the imputation credit account had a credit balance as at 31 March 2020.

22 Non-current Liabilities – Lease Income in Advance

	2020	2019
	$'000	$'000
Lease income in advance	**39,815**	–
	39,815	–

As detailed in note 6, the approximately 650 further NZICC car parks to be delivered as part of the Auckland car park concession transaction have been determined to be an operating lease.

The $220.0 million concession payment has been allocated between the 450 nested car parks and the unnested car parks based on their respective fair values. The payment for the unnested car parks (refer note 6) was further allocated based on the number of car parks. At 19 August 2019, $39.8 million was allocated to these approximately 650 further NZICC car parks and was recognised as a lease payment in advance.

23 Property, Plant and Equipment

Accounting Policy

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

	LAND	BUILDINGS AND FITOUT	PLANT, EQUIPMENT AND MOTOR VEHICLES	FIXTURES AND FITTINGS	CAPITAL WORK IN PROGRESS	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2018						
Cost	180,974	985,155	443,233	137,689	511,992	2,259,043
Accumulated depreciation	–	(348,275)	(319,153)	(93,005)	–	(760,433)
Net book amount	180,974	636,880	124,080	44,684	511,992	1,498,610
Year Ended 30 June 2019						
Opening net book amount	180,974	636,880	124,080	44,684	511,992	1,498,610
Exchange differences	(1,095)	(6,864)	(1,564)	(435)	(4,085)	(14,043)
Net additions/transfers	56,828	12,000	31,704	5,925	244,836	351,293
Disposals	(17,661)	(122,977)	(17,172)	(4,916)	(253)	(162,979)
Assets classified as held for sale	(8,729)	(45,428)	(710)	–	(110,641)	(165,508)
Depreciation charge*	–	(22,658)	(37,551)	(10,907)	–	(71,116)
Closing net book amount	210,317	450,953	98,787	34,351	641,849	1,436,257
At 30 June 2019						
Cost	210,317	775,739	371,060	123,996	641,849	2,122,961
Accumulated depreciation	–	(324,786)	(272,273)	(89,645)	–	(686,704)
Net book amount	210,317	450,953	98,787	34,351	641,849	1,436,257
Year Ended 30 June 2020						
Opening net book amount	210,317	450,953	98,787	34,351	641,849	1,436,257
Exchange differences	–	959	421	90	4,123	5,593
Net additions/transfers	1,421	41,162	25,461	3,681	257,460	329,185
Transfer to investment properties – existing convention centre (note 15)	–	(10,484)	–	–	–	(10,484)
Transfer to investment properties – NZICC car parks (note 15)	–	–	–	–	(27,123)	(27,123)
Reversal of 2019 assets classified as held for sale (note 6)	–	–	–	–	56,801	56,801
NZICC fire disposal (note 6)	–	–	–	–	(193,868)	(193,868)
Depreciation charge	–	(25,126)	(33,017)	(9,316)	–	(67,459)
Closing net book amount	211,738	457,464	91,652	28,806	739,242	1,528,902
At 30 June 2020						
Cost	211,738	783,956	391,221	126,345	739,242	2,252,502
Accumulated depreciation	–	(326,492)	(299,569)	(97,539)	–	(723,600)
Net book amount	211,738	457,464	91,652	28,806	739,242	1,528,902

*FY19 depreciation charge above includes depreciation on both continuing and discontinued operations.

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(a) Capitalised Borrowing Costs

Borrowing costs of $23.1 million have been capitalised in the current year relating to capital projects (2019: $30.3 million) using the Group's weighted average cost of debt of 6.36% across the year (2019: 6.11%).

(b) Encumbrances

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

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

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

24 Intangible Assets

Accounting Policy

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill on acquisitions of businesses is included in Intangible Assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash generating units for the purpose of impairment testing.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Casino Licences

The Group's casino licences that have a finite useful life are carried at cost less accumulated amortisation. Amortisation of these casino licences is calculated on a straight line basis so as to expense the cost of the licences over their legal life.

The casino licences that have been determined to have an indefinite useful life for amortisation purposes are not amortised but are reviewed for impairment on an annual basis. The casino licences that have been determined to have a finite life for amortisation purposes are reviewed for impairment if there are indicators of impairment.

Judgement is exercised in determining whether a casino licence has a finite or indefinite useful life. Consideration is given to the terms and conditions of the relevant licence and in particular the renewal terms.

(iii) Regulatory Reforms Associated with Casino Licences

Regulatory reforms granted which are specific to the Group are initially recognised at their fair value where there is a reasonable assurance that the reforms will be received and the Group will comply with all conditions attached.

Regulatory reforms are recognised as an intangible asset and included within the value of casino licences in accordance with NZ IAS 20. Where a regulatory reform is related to Property, Plant and Equipment, once constructed the carrying value of that Property, Plant and Equipment is reduced by the value of the regulatory reforms. Prior to completion of the related Property, Plant and Equipment, the value of the regulatory reforms is accounted for as deferred licence value.

(iv) Acquired Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life (three to 15 years) on a straight line basis.

(v) Amortisation

FY19 amortisation charge below includes amortisation on both continuing and discontinued operations.

	GOODWILL	CASINO LICENCES	COMPUTER SOFTWARE	TOTAL
	$'000	$'000	$'000	**$'000**
At 1 July 2018				
Cost	35,786	821,364	102,842	**959,992**
Accumulated amortisation	–	(57,705)	(70,454)	**(128,159)**
Net book amount	35,786	763,659	32,388	**831,833**
Movements in the Year Ended 30 June 2019				
Exchange differences	–	(14,117)	(138)	**(14,255)**
Additions	–	–	29,461	**29,461**
Transferred to disposal group classified as held for sale	–	(33,094)	(1,955)	**(35,049)**
Amortisation charge	–	(5,556)	(8,026)	**(13,582)**
Closing net book amount	35,786	710,892	51,730	**798,408**
At 30 June 2019				
Cost	35,786	768,618	127,311	**931,715**
Accumulated amortisation	–	(57,726)	(75,581)	**(133,307)**
Net book amount	35,786	710,892	51,730	**798,408**
Movements in the Year Ended 30 June 2020				
Exchange differences	–	7,052	68	**7,120**
Additions	1,908	–	20,682	**22,590**
Impairment of Adelaide casino licence	–	(160,600)*	–	**(160,600)***
Amortisation charge	–	(5,507)	(12,480)	**(17,987)**
Closing net book amount	37,694	551,837	60,000	**649,531**
At 30 June 2020				
Cost	37,694	777,118	147,798	**962,610**
Accumulated amortisation	–	(225,281)	(87,798)	**(313,079)**
Net book amount	37,694	551,837	60,000	**649,531**

*Equivalent to A$150 million.

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CASINO LICENCE	CONTRACT TERM
SkyCity Auckland Casino (indefinite useful life)	SkyCity Auckland Limited holds a casino premises licence for the Auckland premises. The initial licence was granted in 1996 for nil consideration, and hence there was no associated initial carrying value. Pursuant to the terms of the New Zealand International Convention Centre Project and Licensing Agreement between Her Majesty the Queen in Right of New Zealand and the Company dated 5 July 2013 (NZICC Agreement), the initial term of the licence was extended to 30 June 2048. The licence can be renewed for further periods of 15 years pursuant to section 138 of the Gambling Act 2003 (NZ). In addition to the licence extension, the casino premises licence was amended to (a) permit the implementation of account based cashless gaming and ticket in ticket out (TITO) gaming systems; (b) permit an increase in the number of gaming machines, gaming tables and automated table games; and (c) implement various other operational improvements. Under the NZICC Agreement, the Company has agreed to construct the NZICC for a total cost of at least $430.0 million. The reforms (a to c above) are exclusive to the Group and were recorded at fair value based on the estimated incremental benefit over the life of the reforms. The fair value was determined using a discounted cashflow model falling within level 3 of the fair value hierarchy over the life of the reforms. The asset is not amortised but is reviewed for impairment annually. The carrying amount of the casino licence is $405.0 million (FY19: $405.0 million).
SkyCity Adelaide (finite useful life)	The casino and associated operations are carried out by SkyCity Adelaide Pty Limited under a casino licence (the Approved Licensing Agreement (ALA)) dated October 1999 (as amended). Unless terminated earlier, the expiry date of the ALA is 30 June 2085. The term of the ALA can be renewed for a further fixed term pursuant to section 9 of the Casino Act 1997 (SA). The carrying value of the casino licence is amortised over the life of the ALA. The casino licence and associated regulatory reforms asset is amortised over 20 years or 71 years depending on whether the incremental benefit is associated with the exclusivity period or the full licence period. Due to the impairment of the Adelaide casino licence, the carrying value of the casino licence is A$133.0 million (FY19: A$288.3 million) (NZ$142.4 million and NZ$301.5 million respectively).
SkyCity Hamilton Casino (indefinite useful life)	SkyCity Hamilton Limited holds a casino premises licence for the Hamilton premises. The casino premises licence is for an initial 25 year term from 19 September 2002. The licence can be renewed for further periods of 15 years pursuant to section 138 of the Gambling Act 2003 (NZ). As the licence was initially granted for nil consideration, there is no associated carrying value.
SkyCity Queenstown Casino (indefinite useful life)	Queenstown Casinos Limited holds a casino premises licence for the Queenstown premises. The casino premises licence is for an initial 25 year term from 7 December 2000. The licence can be renewed for further periods of 15 years pursuant to section 138 of the Gambling Act 2003 (NZ). As the licence was initially granted for nil consideration, there is no associated carrying value.
SkyCity Wharf Casino (Queenstown) (indefinite useful life)	Otago Casinos Limited holds a casino premises licence for the Queenstown Wharf premises. The casino premises licence is for an initial 25 year term from 11 September 1999. The licence can be renewed for further periods of 15 years pursuant to section 138 of the Gambling Act 2003 (NZ). The carrying value of the casino licence, which arose on SkyCity's acquisition of Otago Casinos Limited, is $4.4 million (FY19: $4.4 million). The asset is not amortised but is reviewed for impairment annually.

(a) Impairment Tests for Intangibles with Indefinite Lives

	SKYCITY AUCKLAND	OTAGO CASINOS LIMITED*	SKYCITY HAMILTON*	TOTAL
	$'000	$'000	$'000	$'000
2020				
Goodwill	–	–	35,786	35,786
Casino Licence	405,000	4,391	–	409,391
Total	405,000	4,391	35,786	445,177
2019				
Goodwill	–	–	35,786	35,786
Casino Licence	405,000	4,391	–	409,391
Total	405,000	4,391	35,786	445,177

Other than Otago Casinos Limited, the recoverable amount of a cash generating unit is determined based on value in use calculations. These calculations use cash flow projections approved by directors which include cash flows in relation to the International Business where those cash flows relate to the relevant cash generating unit. There is a significant surplus between the calculated value in use and the carrying value for each cash generating unit. The value of the Wharf (Otago Casinos Limited) casino licence is the potential ability to utilise the licence to enhance the Group's gaming offering.

*SkyCity Hamilton and Otago Casinos Limited are included within the 'Other New Zealand Operations' segment in note 2.

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

	EBITDA MARGIN		TERMINAL GROWTH RATE		PRETAX DISCOUNT RATE	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000
SkyCity Auckland	**36.0%**	40.0%	**2.0%**	2.0%	**11.0%**	11.6%
SkyCity Hamilton	**41.4%**	43.5%	**2.0%**	2.0%	**11.0%**	11.6%

These assumptions are consistent with past experience adjusted for economic indicators. The discount rates are pre-tax and reflect specific risks relating to the relevant operating segment. The estimated impacts of COVID-19 have been factored into these assumptions.

There is sufficient headroom between the value in use calculations and the carrying value of the related cash generating units' assets that significant changes in the assumptions used would not require an impairment.

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(c) Adelaide Casino Licence Impairment Charge

In the current year, the Group has impaired the Adelaide casino licence by A$150.0 million (NZ$160.6 million). The recoverable amount has been determined using the fair value less cost of disposal approach using Level 3 of the fair value measurement hierarchy.

The impairment has arisen due to revised expectations regarding the time frame for SkyCity Adelaide to achieve its long term potential earnings following completion of the expansion project. The reduced earnings outlook for SkyCity Adelaide has been exacerbated in the short-to-medium term by the recent and expected ongoing impacts of COVID-19, including an expectation that International Business activity may take some years to recover.

The Group engaged Deloitte to prepare an independent valuation for the Adelaide cash generating unit for the purposes of determining the impairment amount. A key input into the valuation was the five-year forecast for SkyCity Adelaide which had been adopted by the Board. Deloitte calculated a valuation range which was used to assess impairment and resulted in an impairment range of A$125.0 million to A$173.0 million. Directors have adopted an impairment of A$150 million, which is approximately the mid-point of the impairment range.

The independent valuation was based on the following key assumptions:

- compound annual EBITDA growth rate from FY19 to FY25 = 21.1%;
- terminal growth rate = 2%;
- terminal capex amount = 75% of tangible asset depreciation; and
- discount rate = 10.8%.

The directors have reviewed and adopted these assumptions and the Deloitte valuation.

EBITDA Growth

Determining an appropriate growth rate is made difficult by the impact of COVID-19 on the FY20 results and its expected impact on FY21 results and is further complicated by the opening of the Adelaide expansion expected between October and December 2020. A significant initial EBITDA uplift is expected from the Adelaide expansion, further growth is expected for the next few years before levelling off from FY26 onwards. Growth has been estimated factoring in the expected increase in gaming machine market share, the expected increase in premium and VIP gaming activity, the positive impact of the new hotel and restaurants attracting additional visitors, the positive impact of recent and current developments in the surrounding precinct (including a new car park building) and other known factors.

The impairment amount is sensitive to changes in the EBITDA growth and information on this sensitivity is provided below.

Terminal Growth Rate

The directors and Deloitte have assessed the terminal growth rate at 2% based on long term inflation rates and a continued focus on cost efficiencies.

The impairment amount is sensitive to changes in the terminal growth rate and information on this sensitivity is provided below.

Terminal Capex

Terminal capex has been based on the experience at SkyCity's other casino locations and benchmarking against other casino companies.

The impairment amount is sensitive to changes in the terminal capex amount and information on this sensitivity is provided below.

Discount Rate

The discount rate has been independently calculated by Deloitte and reflects the valuation of SkyCity Adelaide on a standalone basis and future uncertainty regarding performance after opening the expansion.

The discount rate represents the current market assessment of the risks specific to Adelaide, taking into account the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates including COVID-19.

The impairment amount is sensitive to changes in the discount rate and information on this sensitivity is provided below.

Valuation Sensitivities

The impact of COVID-19 on the Group has already been wide-ranging and significant. Given the pending opening of the Adelaide expansion and the unknown future impact of COVID-19, there is a heightened level of uncertainty at present which makes accurate forecasts of the future particularly challenging.

The sensitivities below illustrate the impact on the impairment assessment of changes in the key assumptions:

- (decrease)increase of 5% in the initial five-year EBITDA = increase(decrease) to the impairment of around $27 million;
- (decrease)increase of 0.5% in terminal growth rate (1.5% to 2.5%) = increase(decrease) to the impairment of around $20 million;
- (increase)decrease of $2.5 million in terminal capex = increase(decrease) to the impairment of around $18 million; and
- (increase)decrease of 0.5% in the discount rate (10.3% to 11.3%) = increase(decrease) to the impairment of around $24 million.

The valuation assumes no repeat of the previous COVID-19 lockdown in Adelaide, which is a key judgement and assumption. For illustrative purposes only, directors have estimated the potential valuation impact of a three-month lockdown of a similar nature to the previous lockdown, commencing 1 October 2020, to be an increase in the impairment of approximately A$18 million. The actual valuation impact of a renewed lockdown (if any) would depend on the length of the lockdown, the nature of the lockdown restrictions and the Federal and State Government responses. Therefore, the valuation impact of a lockdown (if any) may differ significantly from this estimate.

Annual Impairment Review

The Group will complete an annual impairment review of the Adelaide casino licence going forward. Increases in the fair value less costs of disposal or reductions in the carrying value of the Adelaide business could result in a partial reversal of the impairment charge. Decreases in the fair value less costs of disposal may result in an additional impairment charge.

25 Receivables and Prepayments

Accounting Policy

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for doubtful debts.

	2020	2019
	$'000	$'000
Net trade receivables		
Trade receivables (gross)	**50,069**	51,307
Provision for doubtful receivables	**(20,509)**	(15,147)
Trade receivables (net)	**29,560**	36,160
Sundry receivables and prepayments	**12,692**	13,133
Total receivables and prepayments	**42,252**	49,293

Due to the short term nature of these receivables, their carrying value is assumed to be equal to their fair value.

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26 Cash and Bank Balances

	2020	2019
	$'000	$'000
Cash at bank	**26,047**	7,256
Cash in house	**28,177**	34,318
Total cash and bank balances	**54,224**	41,574

27 PP&E Classified as Held for Sale

Accounting Policy

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

	2020	2019
	$'000	$'000
Land	**8,936**	8,729
Buildings	**2,080**	104,041
Plant and equipment	**3**	2,917
Total	**11,019**	115,687

Assets held for sale consist of the Darwin Little Mindil site ($11.0 million (30 June 2019: $10.8 million)). Prior period assets held for sale included the Auckland car park concession (30 June 2019: $104.9 million) (note 4).

28 Payables and Provisions

Accounting Policy

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short term nature.

	2020	2019
	$'000	$'000
Trade payables	**19,364**	26,489
Deferred income	**2,302**	1,779
Accrued expenses	**76,366**	117,448
Employee benefits	**40,427**	42,896
NZICC payables (note 6)	**43,047**	–
Onerous contract provision	**836**	–
Liquidated damages (note 37)	**39,500**	39,500
Total payables and provisions	**221,842**	228,112

29 Share Capital

	2020	2019	2020	2019
	Shares	Shares	**$'000**	$'000
Opening balance of ordinary shares issued	**672,351,166**	680,342,108	**1,126,996**	1,152,260
Share rights issued for employee services	**–**	–	**3,698**	4,540
Share buy back and cancellation	**(5,154,360)**	(10,095,373)	**(20,003)**	(38,792)
Net issue of treasury shares	**–**	–	**436**	397
Equity raising	**72,000,000**	–	**177,160**	–
Shares issued under dividend reinvestment plan	**–**	2,104,431	**–**	8,591
	739,196,806	672,351,166	**1,288,287**	1,126,996

All ordinary shares rank equally with one vote attached to each fully-paid ordinary share.

Included within the number of shares is 5,155,841 treasury shares (2019: 5,190,841) held by the Company. The movement in treasury shares during the year related to the issuance of shares under the employee incentive plans and purchases of shares by an external trustee as part of the executive long term incentive plan (refer note 34). Treasury shares may be used to issue shares under the Company's employee incentive plans or upon the exercise of share rights/options.

Equity Raising

On 17 June 2020, the Company announced a $180.0 million institutional share placement and a $50.0 million share purchase plan.

Institutional Share Placement

The institutional share placement was completed on 24 June 2020 (before the balance date).

The institutional share placement involved the issue of 72,000,000 new shares at $2.50 per share raising $180.0 million. Costs associated with the placement of $2.8 million (including brokerage and legal and other fees) were deducted from the share proceeds.

Share Purchase Plan

Subsequent to Balance Date

The share purchase plan was completed on 9 July 2020 (after the balance date) and is therefore not included within the above table. The share purchase plan involved the issue of 21,008,403 new shares at $2.38 per share raising $50.0 million.

30 Discontinued Operations

Sale of Darwin Operations

On 8 November 2018, SkyCity announced the sale of the Darwin business to Delaware North. A sale and purchase agreement for A$188.0 million was signed subject to regulatory approval and other minor matters. All conditions were satisfied and the disposal was completed on 4 April 2019.

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31 Reserves

	2020	2019
	$'000	$'000
Asset revaluation reserve	**5,936**	–
Hedging reserve - cash flow hedges	**(19,913)**	(22,685)
Foreign currency translation reserve	**(17,802)**	(24,087)
Cost of hedging reserve	**(1,542)**	(1,793)
Total reserves	**(33,321)**	(48,565)
Movements		
Asset Revaluation Reserve		
Opening balance	**–**	–
Revaluation on transfer from property, plant and equipment	**5,936**	–
Closing balance	**5,936**	–
Hedging Reserve - Cash Flow Hedges		
Opening balance	**(22,685)**	(21,491)
Revaluation	**9,154**	3,986
Transfer to net profit - finance costs (net)	**(5,143)**	(5,459)
Deferred tax	**(1,239)**	279
Closing balance	**(19,913)**	(22,685)
Foreign Currency Translation Reserve		
Opening balance	**(24,087)**	(40,453)
Exchange difference on translation of overseas subsidiaries	**6,285**	(11,498)
Transfer to Income Statement on disposal of discontinued operations	**–**	27,864
Closing balance	**(17,802)**	(24,087)
Cost of Hedging Reserve		
Opening balance	**(1,793)**	(1,985)
Revaluations	**(113)**	729
Transfer to finance costs	**462**	(462)
Deferred tax	**(98)**	(75)
Closing balance	**(1,542)**	(1,793)

32 Derivative Financial Instruments

Accounting Policy

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

(1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or

(2) hedges of exposures to variability in cash flows associated with recognised assets or liabilities or highly probable forecast transactions (cash flow hedges).

Fair Value Hedge

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

Cash Flow Hedge

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

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

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

Derivatives that do not Qualify for Hedge Accounting

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

	2020	2019	2020	2019
	$'000 Notional Value	$'000 Notional Value	**$'000 Fair Value**	$'000 Fair Value
Current Assets				
Cross currency interest rate swaps – cash flow hedges	**108,220**	–	**53,218**	–
Forward foreign exchange contracts	**2,152**	6,798	**70**	85
Total current derivative financial instrument assets	**110,372**	6,798	**53,288**	85
Non-current Assets				
Cross-currency interest rate swaps - cash flow hedges*	**155,618**	255,106	**23,100**	56,201
Total non-current derivative financial instrument assets	**155,618**	255,106	**23,100**	56,201
Current Liabilities				
Forward foreign currency contracts	**133,932**	75,459	**192**	784
Interest rate swaps – cash flow hedges	**194,223**	–	**5,921**	–
Total current derivative financial instrument liabilities	**328,155**	75,459	**6,113**	784
Non-current Liabilities				
Interest rate swaps - cash flow hedges	**210,000**	401,721	**24,375**	30,913
Total non-current derivative financial instrument liabilities	**210,000**	401,721	**24,375**	30,913
Total net derivative financial instruments			**45,900**	24,589

*A component of the interest margin in US$100.0 million of these CCIRS is treated as a fair value hedge.

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33 Financial Risk Management

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

Risk management is carried out by a central treasury department under a formal Treasury Policy approved by the Board of Directors. The Treasury Policy sets out written principles for overall risk management, as well as policies covering specific areas such as currency risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess funds. The Treasury Policy sets conservative limits for allowable risk exposures which are formally reviewed regularly.

(a) Market Risk

(i) Currency Risk

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

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

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

(ii) Interest Rate Risk

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

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

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

(iii) Summarised Sensitivity Analysis

SkyCity manages its interest rate and foreign exchange rate exposure to minimise the impact of fluctuations in the market. The residual exposure is not considered material or significant.

(b) Credit Risk

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

Financial instruments (other than International Business discussed below) that potentially create a credit exposure can only be entered into with counterparties that are explicitly approved by the Board. Maximum credit limits for each of these parties are approved on the basis of long term credit rating (Standard & Poor's or Moody's). A minimum long term rating of A+ (S&P) or A1 (Moody's) is required to approve individual counterparties.

The maximum credit risk of any financial instrument at any time is the fair value where that instrument is an asset. All derivatives are carried at fair value in the balance sheet. Trade receivables are presented net of an allowance for estimated doubtful receivables.

International Business activity is managed in accordance with accepted industry practice. Settlement risk associated with International Business customers is minimised through credit checking and a formal review and approval process.

The Group has a significant receivable from the NZICC insurers (note 6). The lead insurer is a subsidiary of a leading global firm and has an AA- insurer financial strength rating given by S&P Global Ratings.

Other than the NZICC fire insurance receivable, there are no other significant concentrations of credit risk in the Group.

(c) Liquidity Risk

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

Maturities of Committed Funding Facilities

Debt maturities are detailed in note 12.

	LESS THAN 6 MONTHS	6–12 MONTHS	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS	TOTAL
	$'000	$'000	$'000	$'000	$'000	**$'000**
30 June 2020						
Bank facility	–	120,000	299,786	–		**419,786**
US Private Placement	–	155,618	–	171,414	70,005	**397,037**
NZ Bond	128,500	–	–	–	–	**128,500**
Car park concession liability	–	–	–	–	46,193	**46,193**
Lease liabilities	240	245	507	1,668	50,013	**52,673**
Total committed debt facilities	128,740	275,863	300,293	173,082	166,211	**1,044,189**
Total drawn debt	128,740	170,863	507	173,082	166,211	**639,403**
Future contracted interest on drawn debt	10,829	6,589	9,635	27,145	9,579	**63,777**
Future interest of lease liabilities	1,317	1,306	2,578	7,443	301,989	**314,633**
Future contracted interest on CCIRS/IRS	3,620	2,162	4,088	7,644	1,093	**18,607**
Total drawn debt and derivatives	144,506	180,920	16,808	215,314	478,872	**1,036,420**
30 June 2019						
Bank facility	–	200,000	120,000	292,856	–	**612,856**
US Private Placement	–	21,127	149,388	–	223,704	**394,219**
NZ Bond	–	–	–	125,000	–	**125,000**
Total committed debt facilities	–	221,127	269,388	417,856	223,704	**1,132,075**
Total drawn debt	–	49,127	149,388	125,000	223,704	**547,219**
Future contracted interest on drawn debt	12,012	11,816	21,183	35,200	16,951	**97,162**
Future contracted interest on CCIRS/IRS	3,839	3,797	4,478	8,819	1,907	**22,840**
Total drawn debt and derivatives	15,851	64,740	175,049	169,019	242,562	**667,221**

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(d) Fair Value Estimation

The financial instruments are measured in the balance sheet at fair value by level of the fair value measurement hierarchy:

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

Other than the New Zealand bonds, which are listed on the NZDX and therefore level 1, all SkyCity financial instruments, which includes cross-currency interest rate swaps, interest rate swaps and forward foreign currency contracts, are valued using level 2 in the above fair value measurement hierarchy.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Investment Properties are valued using level 3 in the above fair value measurement hierarchy.

Specific valuation techniques used to value financial instruments include:

- the fair value of interest rate swaps and cross currency interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

Further details on derivatives are provided in note 32.

(e) Capital Risk Management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximise returns for shareholders and benefits for other stakeholders over the long term.

In order to optimise its capital structure, the Group manages actual and forecast operational cash flows, capital expenditure and equity distributions.

The Group primarily manages capital on the basis of gearing measured as a ratio of net debt (debt at hedged exchange rates less cash at bank) to normalised EBITDA and interest coverage (normalised EBITDA relative to net interest cost).

The primary ratios were as follows at 30 June:

	2020	2019
Gearing ratio	**2.7 x**	1.5 x
Interest coverage	**4.5 x**	8.4 x

These ratios have been significantly distorted by the impact of the NZICC fire, sale of the Auckland car park concession and the COVID-19 lockdown.

34 Share-Based Payments

Accounting Policy

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

Current Plans

Executive Long Term Incentive Plan (LTI Plan)

Under the LTI Plan, executives purchase ordinary SkyCity shares funded by an interest-free loan from the Group. The shares purchased by the executives are held by a trustee company with executives entitled to exercise the voting rights attached to the shares and receive dividends, the proceeds of which are used to repay the interest-free loan.

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

At 30 June 2020, the interest free loans relating to the LTI Plan total $7,918,365 (2019: $7,760,214).

2018 Chief Operating Officer Commencement Shares (COO Plan)

Under the terms of his employment agreement dated 18 November 2017, the COO was issued 35,000 ordinary SkyCity shares on 27 November 2019. There were no performance targets associated with these shares (other than continued employment during the period from his commencement date to November 2019) and no right to dividends prior to the issuance of the shares.

2018 SkyCity Restricted Share Rights Plan (2018 RSR Plan)

The 2018 Short Term Incentive Plan was replaced with the 2018 RSR Plan for 116 staff, with restricted share rights issued to staff after the finalisation of the Group's results. Each right conferred a right to receive one ordinary SkyCity share, which, unless otherwise agreed by the SkyCity Board, would only vest if the relevant employee remained continuously employed by SkyCity (or a company within the Group) from the date of issue until the vesting date on 1 July 2020.

Performance Incentive Plan (PIP)

The 2018 RSR Plan was replaced in 2019 with the PIP which includes both cash (the short term incentive scheme component of the PIP) and deferred equity components (the deferred short term incentive component of the PIP).

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

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

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

These restricted share rights will be issued to staff after the finalisation of the Group's results.

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Outstanding Share Rights

Movements in the number of share rights outstanding are as follows:

GRANT DATE	EXPIRY DATE	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	EXPIRED DURING THE YEAR	BALANCE AT END OF THE YEAR
		Number	Number	Number	Number	Number
2020						
LTI Plan						
26/08/15	28/08/19	360,000	–	–	(360,000)	–
24/08/16	24/08/20	395,000	–	–	(15,000)	380,000
23/08/17	23/08/21	865,883	–	–	(15,000)	850,883
22/08/18	22/08/21	434,035	–	–	–	434,035
28/08/19	28/08/22	–	508,207	–	(23,569)	484,638
COO Plan						
18/11/17	18/11/19	35,000	–	(35,000)	–	–
2018 RSR Plan						
11/09/18	01/07/20	1,859,641	–	–	(50,933)	1,808,708
PIP						
06/09/19	06/09/20	–	508,296	–	(4,552)	503,744
10/09/19	10/09/20	–	23,047	–	–	23,047
06/09/19	06/09/21	–	498,004	–	(25,713)	472,291
10/09/19	10/09/21	–	8,720	–	–	8,720
Total		**3,949,559**	**1,546,274**	**(35,000)**	**(494,767)**	**4,966,066**
2019						
LTI Plan						
27/08/14	27/08/18	555,000	–	–	(555,000)	–
26/08/15	28/08/19	380,000	–	–	(20,000)	360,000
24/08/16	24/08/20	415,000	–	–	(20,000)	395,000
23/08/17	23/08/21	910,883	–	–	(45,000)	865,883
22/08/18	22/08/21	–	434,035	–	–	434,035
CEO Plan						
04/11/16	03/11/18	325,000	–	(325,000)	–	–
COO Plan						
18/11/17	18/11/19	35,000	–	–	–	35,000
2018 RSR Plan						
11/09/18	01/07/20	–	1,898,564	–	(38,923)	1,859,641
Total		**2,620,883**	**2,332,599**	**(325,000)**	**(678,923)**	**3,949,559**

The weighted average remaining contractual life of rights outstanding at the end of the period was 0.65 years (2019: 1.42 years).

Fair Values

Fair Value of Share Rights Granted

The assessed fair value at grant date of the rights granted on 28 August 2019 was $1.14 (22 August 2018 was $1.17). This was calculated using the single index model by Ernst & Young Transaction Advisory Services Limited.

The valuation inputs for the rights granted on 28 August 2019 included:

(a) rights are granted for no consideration;

(b) exercise price: nil (2019: nil); and

(c) share price at grant date: $3.90 (2019: $4.34).

The expected price volatility is derived by analysing the historic volatility over a recent historical period similar to the term of the right.

Fair Value of Chief Operating Officer Commencement Shares

The assessed fair value at grant date of the commencement shares at 18 November 2017 was $2.68. This was calculated using the European call option model by Ernst & Young Transaction Advisory Services Limited.

The valuation inputs for the commencement shares on 18 November 2017 included:

(a) no consideration;

(b) exercise price: nil;

(c) share price at grant date: $3.57; and

(d) no right to dividends.

The expected price volatility is derived by analysing the historic volatility over a recent historical period similar to the term of the commencement shares.

Fair Value of SkyCity Restricted Share Rights

The assessed fair value of each right was determined by Ernst & Young Transaction Advisory Services Limited at $3.02.

Fair Value of SkyCity Deferred Share Rights

No rights will be issued in respect of the year ended 30 June 2020. The assessed fair value of each 2019 right was determined by Ernst & Young Transaction Advisory Services Limited. Rights vesting one year after year end were valued at $3.68 and rights vesting two years after year end were valued at $3.33.

Expenses Arising from Share-Based Payment Transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2020	2019
	$'000	$'000
Rights issued under Share Rights Plans	**3,698**	4,540

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35 Related Party Transactions

(a) Key Management Personnel Compensation

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

	SHORT TERM BENEFITS	SHARE-BASED PAYMENTS	TOTAL
	$'000	$'000	$'000
2020	7,372	2,045	9,417
2019	8,993	2,311	11,304

(b) Other Transactions with Key Management Personnel or Entities Related to Them

Certain directors and management have relevant interests in a number of companies with which SkyCity has transactions in the normal course of business. A number of SkyCity directors are also non-executive directors of other companies, and a register of directors' interests is maintained. Any transactions undertaken with these entities have been entered into in the normal course of business.

Certain directors and management hold shares in SkyCity and receive dividends in the normal course of business.

Certain directors provided additional consultancy services to the Group outside of their capacity as directors. Consultancy fees paid to directors during the year amounted to $18,900 (FY19: $28,500).

(c) Subsidiaries

Interests in subsidiaries are set out in note 36.

36 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following significant subsidiaries in accordance with the accounting policy described in note 1(b):

NAME OF ENTITY	PRINCIPAL PLACE OF BUSINESS	CLASS OF SHARES	EQUITY HOLDING	
			2020 %	2019 %
Cashel Asset Management Limited	New Zealand	Ordinary	100%	100%
Horizon Tourism New Zealand Limited (formerly SkyCity Wellington Limited)	New Zealand	Ordinary	100%	100%
Lets Play Live Media Limited	New Zealand	Ordinary	100%	–
New Zealand International Convention Centre Limited	New Zealand	Ordinary	100%	100%
Otago Casinos Limited	New Zealand	Ordinary	100%	100%
Queenstown Casinos Limited	New Zealand	Ordinary	100%	100%
Sky Tower Limited	New Zealand	Ordinary	100%	100%
SkyCity Action Management Limited	New Zealand	Ordinary	100%	100%
SkyCity Auckland Holdings Limited	New Zealand	Ordinary	100%	100%
SkyCity Auckland Limited	New Zealand	Ordinary	100%	100%
SkyCity Casino Management Limited	New Zealand	Ordinary	100%	100%
SkyCity Development Limited	New Zealand	Ordinary	100%	–
SkyCity Enterprises Limited	New Zealand	Ordinary	100%	–
SkyCity Hamilton Limited	New Zealand	Ordinary	100%	100%
SkyCity Holdings Limited	New Zealand	Ordinary	100%	–
SkyCity International Holdings Limited	New Zealand	Ordinary	100%	100%
SkyCity Investments Australia Limited	New Zealand	Ordinary	100%	100%
SkyCity Investments Queenstown Limited	New Zealand	Ordinary	100%	100%
SkyCity Management Limited	New Zealand	Ordinary	100%	100%
SkyCity Precinct Limited	New Zealand	Ordinary	100%	–
SkyCity Projects Limited	New Zealand	Ordinary	100%	–
SkyCity Properties Limited	New Zealand	Ordinary	100%	100%
SkyCity Properties Albert St Limited	New Zealand	Ordinary	100%	100%
SkyCity Properties Victoria St Limited	New Zealand	Ordinary	100%	100%
SkyCity Ventures Limited	New Zealand	Ordinary	100%	–
TNZ Esports Limited	New Zealand	Ordinary	100%	–
LPL Media Pty Limited	Australia	Ordinary	100%	–
SkyCity Adelaide Pty Limited	Australia	Ordinary	100%	100%
SkyCity Australia Finance Pty Limited	Australia	Ordinary	100%	100%
SkyCity Australian Limited Partnership	Australia	Ordinary	100%	100%
SkyCity Australia Pty Limited	Australia	Ordinary	100%	100%
SkyCity Treasury Australia Pty Limited	Australia	Ordinary	100%	100%
Horizon Tourism Limited	Hong Kong	Ordinary	100%	100%
SkyCity Investment Holdings Limited	Hong Kong	Ordinary	100%	100%
SkyCity Malta Holdings Limited	Malta	Ordinary	100%	100%
SkyCity Malta Limited	Malta	Ordinary	100%	100%
SkyCity Management (UK) Limited	United Kingdom	Ordinary	100%	100%

All wholly-owned subsidiary companies have balance dates of 30 June.

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37 Contingencies

(a) Contingent Liabilities

The possibility exists for the Group to receive third party claims in respect of 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 (30 June 2019: nil).

(b) Contingent Assets

Included within the 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 (2019: $39.5 million) from payments to FCC for liquidated damages. The amounts withheld have been recognised as part of current liabilities (refer note 28) as ultimate recovery is not able to be considered virtually certain due to the fact that SkyCity's right to retain these liquidated damages is disputed by FCC. Costs incurred by SkyCity due to the delays in the NZICC and Horizon Hotel project are expected to be partially covered by the liquidated damages.

As detailed in note 6, the Group intends to seek recovery from FCC for losses associated with the NZICC fire to the extent that they are not covered by the insurers. These losses may include insurance excesses, payments to Macquarie under the Auckland car park concession agreement and other items. To date, the Group has identified $8.9 million of costs that may not be covered by insurance. These have not yet been recognised as income as recovery is not considered virtually certain at this time.

There are no other significant contingent assets at year end (2019: nil).

38 Commitments

(a) Capital Commitments

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

	2020	2019
	$'000	$'000
Property, plant and equipment	**440,342**	257,735

The majority of the capital commitments relate to the construction of the NZICC, Horizon Hotel and the SkyCity Adelaide expansion.

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 $375.0 million for the NZICC and $6.0 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, however these costs are expected to be fully covered by insurance. Further information is included in note 6.

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

	2020	2019
	$'000	$'000
Profit for the year	**235,388**	144,581
Depreciation and amortisation (including discontinued operations)	**86,559**	84,698
Net finance costs	**28,613**	10,240
Current period employee share expense	**3,697**	4,540
Gain on sale of fixed assets	**(66,779)**	(18,453)
Fair value adjustment to investment property	**14,055**	3,204
NZICC fire related income	**(384,500)**	–
NZICC fire related costs	**108,090**	–
Adelaide casino licence impairment	**160,600***	–
Share of profits/(losses) of associates	**83**	737
Transfer from Foreign Currency Translation Reserve	**–**	27,864
Change in operating assets and liabilities		
Change in receivables and prepayments	**7,041**	(25,914)
Change in inventories	**(169)**	1,111
Change in deferred tax asset	**(2,748)**	(4,843)
Change in payables	**(6,270)**	34,387
Change in deferred tax liability	**(24,271)**	(9,299)
Change in tax receivable – current	**(1,059)**	3,869
Change in non current payables	**9,057**	(1,776)
Change in tax payable – current	**(13,877)**	7,277
Working capital relating to discontinued operations	**–**	11,415
Investing and financing items included in working capital movements	**(33,344)**	(21,314)
Net cash inflow from operating activities	**120,166**	252,324

*Equivalent to A$150 million.

40 Events Occurring after the Balance Sheet Date

(a) Funding plan

On 17 June 2020, SkyCity announced a funding plan to provide additional financial flexibility in response to COVID-19 (note 1(h)). That plan included a $230 million equity raising and additional debt facilities.

As detailed in note 12, in July 2020 the existing bank facility was restructured and extended, a new revolving credit facility was established and funding covenant waivers obtained.

As detailed in note 29, in July 2020 the second part of the equity raising (the share purchase plan) was completed and a further $50.0 million raised.

(b) COVID-19

On 13 July 2020, SkyCity applied for the extended New Zealand wage subsidy and received $9.5 million.

On 12 August 2020, 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. On 31 August 2020, the Auckland region moved to Alert Level 2, consistent with the rest of New Zealand. From 12 – 30 August 2020, the vast majority of SkyCity Auckland's operations were closed, including all gaming areas. From 12 August 2020, SkyCity Hamilton and SkyCity Queenstown, and SkyCity Auckland from 31 August 2020, have operated in compliance with the New Zealand Government's requirements for social gatherings, contact tracing and hygiene. Following the initial COVID-19 outbreak, 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.

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Reconciliation of Normalised Results to Reported Results

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

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

This objective is achieved by:

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

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

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

Non-GAAP information is prepared in accordance with the company's Non-GAAP Financial Information Policy, which is reviewed and approved by the SkyCity Board at each reporting period. The Non-GAAP Financial Information Policy was applied consistently in respect of the financial statements for the financial years ended 30 June 2019 and 30 June 2020.

The differences between the company's FY20 and FY19 reported and normalised information is summarised in the table below:

	FY20				FY19			
	Revenue $m	EBITDA $m	EBIT $m	NPAT $m	Revenue $m	EBITDA $m	EBIT $m	NPAT $m
Reported	**1,125.0***	**348.3**	**261.7**	**235.4**	822.3	297.8	217.8	144.6
International Business revenue adjustment	**39.3**	–	–	–	80.3	–	–	–
Gaming GST	**73.4**	–	–	–	95.2	–	–	–
International Business at theoretical win rate	**(7.3)**	**0.1**	**0.1**	**0.2**	49.9	38.7	38.7	27.8
Gain on sale – Auckland car parks	**(66.4)**	**(66.4)**	**(66.4)**	**(66.4)**	(17.4)	(17.4)	(17.4)	(17.7)
Revaluation of Auckland properties	–	**14.1**	**14.1**	**14.1**	–	3.2	3.2	3.2
Significant tax events	–	–	–	–	–	–	–	(9.5)
NZICC fire impacts	**(384.5)**	**(269.4)**	**(269.4)**	**(268.5)**	–	–	–	–
Labour restructure	–	**13.5**	**13.5**	**9.7**	–	–	–	–
Funding plan costs	–	–	–	**5.4**	–	–	–	–
Deferred tax liability reversal	–	–	–	**(24.1)**	–	–	–	–
Adelaide casino licence impairment	–	**160.6****	**160.6****	**160.6****	–	–	–	–
Sale of Darwin	–	–	–	–	(0.4)	–	–	16.2
Normalised	**779.5**	**200.7**	**114.2**	**66.3**	1,029.8	322.2	242.4	164.6

*This is a summation of the first six lines on the face of the Income Statement.
**Equivalent to A$150 million.

Adjustment	Discussion
Treat International Business commissions as an expense rather than reduction in revenue which reduces both reported revenue and operating expenses within International Business (by $39.3 million in FY20 and $80.3 million in FY19)	• This adjustment adds back International Business 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 $73.4 million in FY20 and $95.2 million in FY19)	• 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 New Zealand 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 International Business vs. actual win rate of 1.47% (FY20) and 1.00% (FY19)	• This adjustment recalculates gaming win from International Business to the theoretical win rate. The vast majority of International Business play is Baccarat. Statistically, over the long term the casino expects to win 1.35% of all bets taken on Baccarat. However, in any particular reporting period the actual results of play will vary depending on "luck" • The 1.35% win rate is used by all publicly listed New Zealand and Australian casino companies in addition to casino companies in Asia and the United States • In order to understand the long term results within International Business there is the need to eliminate the inherent volatility or "luck" factor
Eliminate gain ($66.4 million) arising from Auckland car park concession sale (completed in August 2019) and the FY19 gain ($17.4 million) on sale of Federal Street car park (sold in April 2019)	• The FY20 reported results include a significant gain relating to the Auckland car park concession sale which settled in August 2019 • The FY19 reported results include a significant gain relating to the sale of the Federal Street car park which settled in April 2019 • The adjustment reverses these gains
Reverse impact of revaluation (reduction of $14.1 million) of Auckland investment properties (FY19 $3.2 million)	• SkyCity has a number of investment properties in Auckland. In accordance with the appropriate accounting standard, these investment properties will be revalued by an independent expert every year and the carrying value adjusted within the Group's financial statements • This adjustment reverses the decline in value of these properties • The revaluation is non-cash and unrelated to the operations of the Group • This adjustment will be made each year to determine the Group's normalised results

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Adjustment	Discussion
Eliminate net gain ($268.5 million after 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 relatively minor 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 – these are explained further on page 184 and in SkyCity's financial statements which have been released to the NZX and ASX • At this point in time, a full assessment of the damage is not available, nor is an agreed reconstruction timeline available. As a result, the financial statements include a number of significant judgements and estimates to determine the appropriate accounting. These judgements and estimates will continue to be reviewed as new information becomes available • The NZICC fire (and associated accounting impact) is a significant, one-off event that has impacted the comparability of the FY20 result with the prior year
Labour restructure (FY20 $9.7 million after tax) and funding plan costs (FY20 $5.4 million after tax)	• As part of its response to COVID-19, SkyCity undertook a labour restructure and implemented a new funding plan • This adjustment eliminates the costs associated with those actions
Deferred tax liability reversal, $24.1 million	• As part of its response to COVID-19, the New Zealand Government reinstated tax depreciation for commercial properties, this resulted in a non-cash accounting reduction in the FY20 tax expense • This adjustment eliminates this one-off reduction to tax expense
Adelaide casino licence impairment $160.6 million (A$150 million)	• In the current year, the Group has impaired the Adelaide casino licence by A$150.0 million (NZ$160.6 million) • The impairment has arisen due to revised expectations regarding the time frame for SkyCity Adelaide to achieve its long term potential earnings following completion of the expansion project. The reduced earnings outlook for SkyCity Adelaide has been exacerbated in the short-to-medium term by the recent and expected ongoing impacts of COVID-19, including an expectation that International Business activity may take some years to recover • This adjustment eliminates this non-cash expense

Adjustment	Discussion
FY19 only Adjustments	
Eliminate significant tax events (net $9.5 million decrease to normalised NPAT)	During FY19, SkyCity had a number of significant tax events which have impacted the reported effective tax rate. **ATO Tax Review** As part of the Australian Tax Office's (ATO) Streamlined Assurance Review of SkyCity's Australian operations, SkyCity and the ATO agreed to settle differences of opinion on the treatment of certain financing arrangements. As a result of this settlement, SkyCity made a A$3.5 million payment to the ATO. This payment relates to historical items only and does not change SkyCity's future tax payments or tax expense. **Auckland Car Park Concession Sale Deferred Tax** The deferred tax consequences of the Auckland car park concession sale were recognised in FY19 – this was a $11.5 million reduction in tax expense. **Share of Partnership Expenditure – Tax Election** In the current year, SkyCity made a New Zealand tax election for the SkyCity Australian Limited Partnership. This resulted in a one-off benefit of $1.9 million in the FY19 tax expense. **Summary** This adjustment eliminates the net reduction (from the above items) in tax expense for the purpose of the normalised results.
Eliminate Darwin operations from normalised results	• During FY19, SkyCity sold its Darwin operations • Darwin has been fully excluded from FY19 normalised results to enable appropriate comparisons with FY20

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GRI Content Index

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	102-3	Location of headquarters	Annual Report 2020: About SkyCity	29		
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	102-6	Markets served	Annual Report 2020: About SkyCity	29–43		
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		i. Total number of employees	Annual Report 2020: Diversity Snapshot	18–19		Yes
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		iii. Net sales	Annual Report 2020: Income Statement	164		
		iv. Total capitalisation	Annual Report 2020: Balance Sheet	166–167		
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			Annual Report 2020: About SkyCity	29–43		
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	102-8	Information on employees and other workers	Annual Report 2020: Our People	18–19 79–91	Note 1	Yes
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	102-41	Collective bargaining agreements	Annual Report 2020: Our People	91		
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	102-50	Reporting period	Annual Report 2020	Cover Page		
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Limitations:

Note 1 – The reporting on GRI 102-8 on employees and other workers does not include 'activities performed by workers who are not employees' and 'significant variations in numbers reported'.

Specific Standard Disclosures

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	GRI 103	Emissions management approach	Annual Report 2020: Our Environment	111–119		
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	GRI 103	Diversity, inclusion and belonging management approach	Annual Report 2020: Our People	85–89		
	GRI 405-1	Governance and employee diversity	Annual Report 2020: Our People SkyCity Diversity and Inclusion Policy	85–89 www.skycityentertainmentgroup.com		Yes
Host Responsibly	GRI 103	Customer health and safety management approach	Annual Report 2020: Our Risk Profile and Management Annual Report 2020: Our Customers	50–51 69–77		
	GRI 416-1	Assessment of health and safety of products and services	Annual Report 2020: Our Risk Profile and Management Annual Report 2020: Our Customers	50–51 69–77		
	GRI 416-2	Non-compliance incidents related to health and safety of products and services	Annual Report 2020: Our Customers	69–77		
	GRI 103	Socio-economic compliance management approach	Annual Report 2020: Our Customers	69–77		
	GRI 419-1	Non-compliance with socio-economic laws and regulations	Annual Report 2020: Our Customers	69–77	Note 1	

Limitations:

Note 1 – The reporting of GRI 419-1 on Non-compliance with Socio-Economic Laws and Regulations does not include economic laws and regulations.

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Glossary

Casino Win	the amount lost or spent by players, calculated as Turnover minus amounts awarded to players
EBIT	earnings before interest and tax
EBITDA	earnings before interest, tax, depreciation and amortisation
GAAP	generally accepted accounting principles
Hold or Win Rate	casino win expressed as a percentage of turnover
Normalised EBITDA	earnings before interest, tax, depreciation and amortisation adjusted to take into account a theoretical win rate of 1.35% on International Business play and other adjustments and calculated in accordance with SkyCity's Non-GAAP Financial Information Policy
Normalised NPAT	net profit after tax adjusted to take into account a theoretical win rate of 1.35% on International Business play and other adjustments and calculated in accordance with SkyCity's Non-GAAP Financial Information Policy
Normalised Revenue	revenue adjusted to take into account a theoretical win rate of 1.35% on International Business play and other adjustments and calculated in accordance with SkyCity's Non-GAAP Financial Information Policy
Normalised Win Rate	the expected long term average hold
NPAT	net profit after tax
Reported EBITDA	earnings before interest, tax, depreciation and amortisation calculated in accordance with GAAP in New Zealand
Reported NPAT	net profit after tax calculated in accordance with GAAP in New Zealand
Reported Revenue	revenue calculated in accordance with GAAP in New Zealand
RevPar	revenue per available room
Turnover	total amount wagered by players

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