THE STAR

ASX Announcement

23 August 2017

FULL YEAR RESULTS ANNOUNCEMENT AND ACCOUNTS

The Star Entertainment Group Limited (***The Star Entertainment Group***) provides the following documents in accordance with ASX Listing Rule 4.2A:

1. Media Release; and
2. Directors' Report and Financial Report for the year ended 30 June 2017.

Final Dividend

The Directors have declared a final dividend of 8.5 cents per share, fully franked at the company tax rate of 30%, to be paid on 26 September 2017.

The Record Date for the purpose of entitlement to the final dividend will be 29 August 2017.

Dividend Reinvestment Plan

The Star Entertainment Group's Dividend Reinvestment Plan (***DRP***) will operate for the final dividend. There will be no discount and no underwriting applicable to the DRP. The price at which shares will be issued under the DRP for the final dividend is the daily volume weighted average market price of The Star Entertainment Group shares sold in the ordinary course of trading on the Australian Securities Exchange over a period of ten trading days beginning on the fourth trading day after the Record Date.

Shareholders who may participate in the DRP are those with a registered address in Australia or New Zealand. To participate in the DRP for the final dividend, DRP elections must be received by The Star Entertainment Group's share registry (Link Market Services Limited) by the end of the business day following the Record Date (i.e. by 30 August 2017).

Information regarding the DRP can be found on The Star Entertainment Group's website at www.starentertainmentgroup.com.au.

THE STAR

ASX AND MEDIA RELEASE

Wednesday, 23 August 2017

THE STAR ENTERTAINMENT GROUP (ASX:SGR) FY2017 RESULTS[1]

The Star Entertainment Group Limited (ASX: SGR) (Group) today announced record statutory earnings and 23% increase in total dividends:

- **Significant investment in core business delivering against long-term strategy**
- **Strong 2H revenue growth in Sydney and the Gold Coast as new investments commissioned**
- **Effective international diversification into global VIP Rebate and Premium Mass**
- **Continued cost discipline and efficiency improvements**

Highlights:

- Statutory NPAT of $264.4 million up 36.0% on pcp[2], supported by 2H FY2017 domestic revenue growth and high win rate in International VIP Rebate
- Normalised[3] NPAT of $214.5 million down 11.1% on pcp[4] impacted by lower turnover in the International VIP Rebate business as a result of disruption to the North Asia market
- FY2017 represented further progress of the Group's strategy of investing in the core business
    - 1H FY2017 – major capital works progressed, loyalty program relaunched, investment in new capability
    - 2H FY2017 – solid domestic revenue growth as customers responded to completed investments in Sydney up 6.0% on pcp and the Gold Coast up 9.9% on pcp
- International VIP Rebate diversification effective as business front money up 3.4% on pcp. Statutory International VIP Rebate business revenue up 7.3% on pcp supported by a high win rate of 1.59%[5]. Continued effective credit processes and collections
- Record statutory results support increased final fully franked dividend of 8.5 cents per share up 13.3% on pcp. Total fully franked dividend of 16.0 cents per share up 23.1% on pcp
- Strong balance sheet maintained (1.3 times Net Debt[6]/ Statutory FY2017 EBITDA) supporting growth plans
- Strategic initiatives and capital works to deliver future earnings progressing on schedule

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[1] This release should be read in conjunction with The Star Entertainment Group Limited's FY2017 Results Presentation and Directors' Report and Financial Report for the year ended 30 June 2017.
[2] Prior comparable period.
[3] Normalised results reflect the underlying performance of the business as they remove the inherent win rate volatility of the International VIP Rebate business. Normalised results are adjusted using an average win rate of 1.35% of turnover, unless otherwise stated, and are before significant items.
[4] After equity accounted investments loss of $0.7 million, before significant items loss of $12.8 million.
[5] The International VIP Rebate business win rate of 1.59% excludes the Premium Mass business (1.58% including Premium Mass).
[6] Net debt is shown as interest bearing liabilities less cash and cash equivalents less net position of derivative financial instruments. Derivative financial instruments reflect the position of currency swaps entered into for the USPP debt and interest rate hedges.

Chairman John O'Neill AO said: "FY2017 saw further advancement in the Group's strategy of investing in our core domestic assets and diversifying our international business. The gaming and non-gaming offerings at our Sydney and Gold Coast properties have been improved following the completion of major capital works. Initial responses from our customers to the enhanced and new assets have been pleasing. The Board has declared a final dividend of 8.5 cents per share, up 13.3% versus the pcp, taking total dividends for FY2017 to 16.0 cents per share, up 23.1% versus the pcp and reflecting a 50% payout ratio.

"In delivering against strategic priorities, there has also been significant progress in our desire to leverage the opportunities that exist today and long-term for Australia in the tourism sector. In a landscape where international visitation – most notably from Asia – continues to rise substantially, we are expanding and enhancing all our properties.

"Together with our Destination Brisbane Consortium (DBC) partners, Chow Tai Fook Enterprises (CTF) and Far East Consortium (FEC), the Group took possession of 13 hectares in the Brisbane CBD in January 2017 to progress development of the Queen's Wharf Brisbane integrated resort. Demolition works are on schedule, with foundations work to commence in early CY2018.

"In December 2016, the Queensland Government approved the application to construct a new approximately $400 million, 700 key hotel and apartment tower that the Group will develop together with our partners CTF and FEC in the ongoing transformation of The Star Gold Coast. Construction is planned to commence in early CY2018, subject to the completion of a successful apartment pre-sales program. Completion of this tower is expected in CY2021, with potential for a further four towers, subject to market conditions. Further, we completed the acquisition of the beachfront resort, The Sheraton Grand Mirage Gold Coast, with CTF and FEC in 2H FY2017, complementing our South East Queensland integrated resorts and enhancing their appeal to a broad range of domestic and international visitors.

"At The Star Sydney, the Group, CTF and FEC continue to progress the development application in relation to a proposed approximately $500 million, 400 key tower, to include The Ritz-Carlton Hotel and apartments."

Group performance overview

Statutory gross revenue increased in FY2017 versus the pcp, partly due to an above average win rate in the International VIP Rebate business (1.59% versus 1.20% in FY2016). Normalised gross revenue declined in FY2017 versus the pcp, impacted by lower International VIP Rebate business volumes, disruption from capital works and a softer macro-economic environment.

Operating expenses[7] of $970.8 million (up 1.0% on pcp) reflecting increased domestic gaming volumes, ongoing investment in marketing, loyalty program relaunch, wage indexation and continuing effective cost management.

Statutory EBITDA increased 19.9% to $586.2 million on pcp (normalised EBITDA decreased 7.4% to $515.1 million). Gearing levels remain conservative at 1.3 times 30 June 2017 Net Debt to statutory FY2017 EBITDA, positioning the Group well to continue executing on its growth projects.

Sydney

Statutory gross revenue increased in FY2017 versus the pcp largely due to solid domestic revenue growth in 2H FY2017 on pcp as customers responded positively to completed gaming and non-gaming offerings. Normalised gross revenue declined due to lower International VIP Rebate business volumes. EBITDA (excluding significant items) increased 32.6% to $401.1 million over the year (normalised declined 16.0% to $320.6 million).

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[7] Operating expenses exclude gaming taxes, levies and commissions, and significant items.

Electronic gaming market share for Q1-Q3 FY2017 was flat at 9.1% versus the pcp. Market share in 3Q FY2017[8] increased to 9.6% as disruption eased, slot machine availability returned, and investments were progressed.

Managing Director and Chief Executive Officer, Matt Bekier said: "The improving momentum of our Sydney property in 2H FY2017 was pleasing, as guests responded to the upgraded offerings with the completion of major capital works, including the Astral Tower upgrade, a MGF refresh, and the opening of the Vantage Room and Latitude Bar. The investment in gaming and non-gaming offerings aligns with our long-term strategy to deliver a differentiated value proposition."

Queensland (Gold Coast and Brisbane)

Statutory and normalised gross revenue increased in FY2017 versus the pcp, due to increased International VIP Rebate business revenue. Gold Coast domestic revenues improved 9.9% in 2H FY2017 versus the pcp as major non-gaming capital works were progressed. Brisbane domestic revenues were impacted by competitor investments. EBITDA (excluding significant items) increased 6.6% to $198.6 million (normalised up 11.5% to $194.5 million).

Mr Bekier said: "FY2017 continued the transformation of our Gold Coast property, with the completed refurbishment of all hotel rooms and opening of two new restaurants in 1H FY2017 supporting solid revenue growth in 2H FY2017 post-disruption. Management is focused on stabilising and reversing Brisbane revenue trends through a range of initiatives."

International VIP Rebate business

Results for the International VIP Rebate business are included in the property performance overviews above.

International VIP Rebate business front money was up 3.4% on pcp. Front money in 2H FY2017 was up 2.5% on pcp reflecting strong growth in ex North Asian VIP business. Turnover of $39.7 billion was down 19.9% on pcp, impacted by the high win rate of 1.59% in the period (1.20% in pcp) and disruption to the North Asia market. Turns declined to 11.4 times (14.8 times in pcp) impacted by the high win rate.

Statutory International VIP Rebate business revenues increased 7.3% to $639.6 million on pcp (normalised revenue decreased 18.6% to $544.7 million). Collections remain well managed, with receivables past due not impaired at 30 June 2017 of $33 million flat on 30 June 2016.

Mr Bekier said: "Our strategy of diversifying international revenues and providing a more compelling high-end tourism proposition for VIP and Premium Mass customers is showing signs of good growth. We are also expanding our source markets and sales teams to cover a broader international footprint – with Premium Mass guests visiting from 13 countries in FY2017 – and we continue to assess the North Asian VIP business. Pleasingly, collections remained strong reflecting continuing effective credit processes."

Capital Management update

The Group completed a restructure of the 2011 US Private Placement notes and related hedges in August 2018. The restructure was completed to extend the Group's debt maturity profile, reduce financing costs on a like-for-like basis and lower the refinancing requirements of the Group. The successful outcome of the tender and new issue reflects the strong credit position of the Group.

Following strong support from existing noteholders for the restructure, the Group's average drawn debt maturity increases to 5.2 years (from 2.3 years at 30 June 2017) with total available facilities increased to $1,200 million (from $1,080 million). The extended debt maturity profile more

[8] Q4 FY2017 market data not available at the date of this release.

appropriately matches the Group's long term assets and supports the current capital investment program underway.

The Group estimates that its average blended cost of debt on all USPP notes following the new issue will be approximately 5%, down from over 9% on the existing notes. Underlying USPP interest expense is expected to reduce by approximately $17 million as a result of the restructure[9]. Excluding the one-off items FY2018 net finance costs are expected to be $40 to $45 million, reflecting the investment being made into the Group's assets as well as reduced capitalised interest as capital works on the Gold Coast are completed. The Group expects to incur a one-off loss of $30 to $34 million post-tax in FY2018 associated with the restructure of the notes and related hedges.

Trading update and outlook for FY2018

Trading levels in early 1H FY2018 are exhibiting domestic gaming volume growth on pcp, driven by Sydney and the Gold Coast. Revenues have been impacted by lower domestic table hold rates, which can fluctuate over relatively short periods of time.

Capital expenditure in FY2017 was $420 million, with similar expectations for FY2018, excluding up to $100 million in equity contributions to DBC for the Queen's Wharf development and to Destination Gold Coast Consortium for the first joint venture tower at The Star Gold Coast.

Mr Bekier said: "The Group continues to focus on executing its strategy of pursuing capital expansion opportunities while improving operational results, including the opening of the new 6 star hotel at The Star Gold Coast with its signature gaming and food and beverage offerings in advance of the April 2018 Commonwealth Games."

The FY2018 result may be impacted by several factors (which may be material in nature) including general macro-economic conditions, potential hold and win rate volatility in the private gaming room and International VIP Rebate business, level of debt or provisions, success of the Group's marketing programs and any uncertainty related to the regulatory environment.

For more information:

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[9] Pro-forma full year reduction in expense, excluding one-off loss, calculated relative to the case that the 2011 Notes and related hedges stayed in place to maturity, based on the 2011 principle of A$430 million.

The Star Entertainment Group – Full year results to 30 June 2017

Key financials – Statutory		**Variance to pcp**
Revenue	$2,432.2 million	Up 3.2%
EBITDA	$586.2 million	Up 19.9%
EBIT	$421.7 million	Up 29.8%
NPAT	$264.4 million	Up 36.0%
Basic Earnings Per Share	32.0 cents	Up 36.0%
Key financials – Normalised[10] (Underlying), at 1.35% Win Rate		**Variance to pcp**
Revenue	$2,337.3 million	Down 3.9%
- Sydney	$1,595.5 million	Down 8.5%
- Queensland	$741.8 million	Up 7.9%
EBITDA	$515.1 million	Down 7.4%
- Sydney	$320.6 million	Down 16.0%
- Queensland	$194.5 million	Up 11.5%
EBIT	$350.6 million	Down 10.6%
- Sydney	$220.4 million	Down 21.3%
- Queensland	$130.2 million	Up 15.9%
NPAT	$214.5 million	Down 11.1%
Dividend per share		
Final dividend per share (fully franked)	8.5 cents	
Full year dividends per share (fully franked)	16.0 cents	
Balance sheet		
Gross Debt	$1,045 million	
Net Debt	$787 million	
Net Debt/ EBITDA (statutory)	1.3 times (based on statutory FY2017 EBITDA)	

[10] Normalised results reflect the underlying performance of the business as they remove the inherent win rate volatility of the International VIP Rebate business. Normalised results are adjusted using an average win rate of 1.35% of turnover, unless otherwise stated. Normalised EBITDA and EBIT are before equity accounted investments loss of $0.7 million and significant items loss of $12.8 million. Normalised NPAT is after equity accounted investments but before significant items.

THE STAR ENTERTAINMENT GROUP LIMITED

The Star Entertainment Group Limited

A.C.N 149 629 023

ASX Code: SGR

and its controlled entities

Directors', Remuneration and Financial Report

For the year ended 30 June 2017

Contents

Directors' Report

for the year ended 30 June 2017

The Directors of The Star Entertainment Group Limited (the ***Company***) submit their report for the consolidated entity comprising the Company and its controlled entities (collectively referred to as the ***Group***) in respect of the financial year ended 30 June 2017.

1. Directors

The names and titles of the Company's Directors in office during the financial year ended 30 June 2017 and until the date of this report are set out below. Directors were in office for this entire period.

Directors

John O'Neill AO	Chairman and Non-Executive Director
Matt Bekier	Managing Director and Chief Executive Officer
Gerard Bradley	Non-Executive Director
Greg Hayes	Non-Executive Director
Katie Lahey AM	Non-Executive Director
Sally Pitkin	Non-Executive Director
Richard Sheppard	Non-Executive Director

2. Operating and Financial Review

The Operating and Financial Review for the year ended 30 June 2017 has been designed to provide shareholders with a clear and concise overview of the Group's operations, financial position, business strategies and prospects. The review also discusses the impact of key transactions, events that have taken place during the reporting period and material business risks faced by the Group, to allow shareholders to make an informed assessment of the results and future prospects of the Company. The review complements the Financial Report and has been prepared in accordance with the guidance set out in ASIC's Regulatory Guide 247.

2.1. Principal activities

The principal activities of the Group are the management of integrated resorts with gaming, entertainment and hospitality services.

The Star Entertainment Group Limited owns and operates The Star Sydney (***Sydney***), The Star Gold Coast (***Gold Coast***) and Treasury Brisbane (***Brisbane***). The Group also manages the Gold Coast Convention and Exhibition Centre on behalf of the Queensland Government and invests in a number of strategic joint ventures.

2.2. Business strategies

The key strategic priorities for the Group as initially outlined in the Company's 2014 Annual Report are to:

- Create "world class casino resorts with local spirit";
- Manage planned capital expenditure programs in Queensland and Sydney to deliver value and returns for shareholders;
- Increase the volume of high-value visitation from local, domestic and international markets;
- Grow the domestic and International VIP Rebate business;
- Improve customer experience, including providing customers with tailored product and service offerings; and
- Maximise value from technology, including further enhancing gaming and loyalty experiences and delivering integrated and new IT platforms.

The Group has continued to make good progress on all these key strategic priorities during the year, with:

- Financial performance improved across all properties;
- Balance sheet strength maintained;
- Rebranding of Jupiters to The Star Gold Coast;
- Relaunch of The Star Club loyalty program and improved customer service;
- Leadership in place supplemented by strengthened functional capability;
- Completion of a number of capital projects, including full refurbishment of Sydney and Gold Coast hotels, expansion of main gaming floor (***MGF***) in Sydney and additional food and beverage offerings in Gold Coast;
- Continuing the focus on international diversification, across global VIP and Premium Mass markets; and
- Invested in new joint venture with Chow Tai Fook Enterprises Limited (***CTF***) and Far East Consortium International Limited (***FEC***) that acquired the Sheraton Grand Mirage, Gold Coast.

In FY2018, the focus will be on the following key strategic priorities:

- Improve earnings across the Group through continued focus on domestic gaming and operating efficiency;
- Deliver on the next stage of the capital development programs, in particular the completion of the new 6 star hotel in Gold Coast;
- Progress planning approvals for joint venture developments with CTF and FEC in Sydney and Gold Coast;
- Continue diversification of the Group's international revenue base into global VIP and Premium Mass markets; and
- Continue the drive to differentiate the value proposition at each of our properties, through brand, loyalty, customer service, and food and beverage offerings.

The Directors have excluded from this report any further information on the likely developments in the operations of the Group and the expected results of those operations in future financial years, as the Directors have reasonable grounds to believe that to include such information will be likely to result in unreasonable prejudice to the Group.

2.3. Group performance

Gross revenue of $2,432.2 million was up 3.2% on the prior comparable period (***pcp***), partly due to an above average win rate in the International VIP Rebate business and offset by disruption from capital works and a softer macro-economic environment. Normalised[1] revenues decreased 3.9% for the period to $2,337.3 million, down from $2,431.0 million in the pcp, impacted by lower International VIP Rebate business volumes.

Operating costs remain well managed, up 1.0%, reflecting increased domestic gaming volumes, ongoing investment in marketing, loyalty program relaunch and wage indexation. Significant operating expense items ($12.8 million) relate to costs relating to the unutilised aircraft. There were no significant items within the prior period.

Earnings before interest, tax, depreciation and amortisation (***EBITDA***) of $586.2 million was up 19.9% on the pcp. Normalised EBITDA (excluding significant items) of $515.1 million was down 7.4% on the pcp. Normalised EBITDA margin of 22.0% is down from 22.9% in the pcp as a result of higher average gaming taxes in Sydney.

Depreciation and amortisation expense of $164.5 million was flat on the pcp. Finance costs of $41.7 million were down 9.0% on the pcp.

Net profit after tax (***NPAT***) was $264.4 million, up 36.0% on the pcp. Normalised NPAT, excluding significant items, was $214.5 million, down 11.1% on the pcp.

Basic Earnings per Share (***EPS***) was 32.0 cents, up 36.0% on the pcp. Diluted EPS was 31.9 cents, 23.6 cents in the pcp. A final dividend of 8.5 cents fully franked was declared, totalling 16.0 cents per share for the year, up 23.1% on the pcp and reflecting a payout ratio of 50.0% of statutory NPAT for the year ended 30 June 2017.

2.4. Group financial position

The Group's net assets increased by 4.1% compared with the previous year.

Receivables remain well managed, with receivables past due not impaired less than one year comprising over 95% of the total. Net receivables past due not impaired greater than 30 days of $33.3 million, flat on the pcp, reflecting new debts being offset by collections during the period.

Net debt[2] was $787.5 million (30 June 2016: $473.8 million) with $200.5 million in undrawn facilities and an average drawn debt maturity of 2.3 years. Gearing levels remain conservative at 1.3 times FY2017 net debt to actual EBITDA, positioning the Group well to continue executing on its growth projects. Operating cash flow before interest and tax was $567.9 million (30 June 2016: $477.4 million). EBITDA to cash conversion ratio of 97% (30 June 2016: 98%).

Trade and other payables of $324.5 million were up 23.9% from June 2016 as a result of higher gaming related payables, representing players' funds deposited and chips in circulation at 30 June 2017.

[1] Normalised results reflect the underlying performance of the business as they remove the inherent volatility of the International VIP Rebate business. Normalised results are adjusted using an average win rate of 1.35% of actual turnover.

[2] Net debt is shown as interest bearing liabilities, less cash and cash equivalents, less net position of derivative financial instruments. Derivative financial instruments reflect the position of currency swaps and interest rate hedges entered into for the USPP debt.

2.5. Segment operations

The Group comprises the following three operating segments:

- Sydney;
- Gold Coast; and
- Brisbane.

Refer to note A1 for more details of the financial performance of the Company’s operating segments. The activities and drivers of the results for these operations are discussed below.

Sydney

Gross revenue was $1,685.8 million, up 1.8% on the pcp and EBITDA was $401.1 million, up 32.6% on the pcp. Normalised EBITDA was $320.6 million, down 16.0% on the pcp.

Normalised gross revenue in Sydney was $1,595.5 million, down 8.5% on the pcp. Revenue decreased due to lower International VIP Rebate business volumes, partially offset by solid domestic revenue growth in the second half of the year. Domestic gross gaming revenue was up 4.4% on the pcp, with growth across both tables and slots, up 5.7% and 1.8% respectively. Electronic gaming machine market share of 9.1% for Q1-Q3 FY2017 consistent with the pcp. Non-gaming cash revenue was down 4.5% on the pcp due to disruption from capital works in the first half of the year.

Taxes, levies, rebates and commissions of $670.6 million were down 8.8% on the pcp as a result of lower International VIP Rebate business volumes, partially offset by higher average non-rebate gaming taxes. Sydney’s average non-rebate tax rate was 32.6%, up from 31.9% in the pcp (top marginal tax rate of 50.0% in both years). Operating expenditure of $614.1 million was down 0.8% on the pcp as continued cost control offset the investments in loyalty, marketing, wage indexation and higher domestic gaming volumes. Normalised EBITDA margin of 20.1% was down from 21.9% on the pcp.

The Sydney property is one of the main partners to the Sydney Festival, a Leadership Partner of City of Sydney's Chinese New Year Festival and a sponsor of the Sydney Swans and New South Wales Rugby League (NSW Blues). The Sydney property also contributed to various charities during the period, including Barnardos Australia and Taronga Conservation Society Australia.

Queensland (Gold Coast and Brisbane)

Gross revenue was $746.4 million, up 6.5% on the pcp and EBITDA was $198.6 million, up 6.6% on the pcp. Normalised EBITDA was $194.5 million, up 11.5% on the pcp.

Normalised gross revenue in Queensland was $741.8 million, up 7.9% on the pcp. Queensland experienced an increase in revenue performance due to increased International VIP Rebate business revenue. The domestic gaming business was down 2.2% on the pcp, with decline in both tables and slots, down 1.4% and 2.8% respectively. Non-gaming revenue was up 7.1% on the pcp. Taxes, levies, rebates and commissions were up 10.6% on the pcp, driven by increased International VIP Rebate business gaming in the period. Operating expenses of $356.7 million across the Queensland properties were up 4.3% on the pcp. Normalised EBITDA margin of 26.2% was up from 25.4% on the pcp.

The Gold Coast property is the First Official Partner of the Gold Coast 2018 Commonwealth Games.

The Brisbane property was a sponsor of the Brisbane Festival and Queensland Rugby League (Queensland Maroons) during the year.

The Queensland properties also contribute to various charities and not-for-profit organisations including Ronald McDonald House and Surf Life Saving Queensland.

International VIP Rebate business

The results of the International VIP Rebate business are included in the segment performance overviews above. The International VIP Rebate business turnover was $39.7 billion, down 19.9% on the pcp. The actual win rate of 1.59% was above both the win rate for the pcp of 1.20% and the normalised rate of 1.35%. Normalised International VIP Rebate business revenue was $544.7 million, down 18.6% on the pcp, compared to statutory revenue of $639.6 million (up 7.3% on the pcp).

2.6. Significant changes in the state of affairs and future developments

Other than those stated within this report, there were no significant changes in the state of affairs of the Group during the financial year. The section below discusses the impact of key transactions and events that have taken place during the reporting period.

Sydney

Sydney's casino licence continues until 2093 and includes exclusivity arrangements with the New South Wales Government until November 2019.

The Group has previously disclosed a proposed investment of up to $1 billion (subject to various approvals) which includes a new tower to be developed with joint venture partners CTF and FEC. The capacity of the property is proposed to be expanded to approximately 1,000 hotel rooms and residences (including The Ritz Carlton hotel and luxury residences), with signature gaming experiences including new and refurbished premium gaming rooms and gaming salons, and over 50 food and beverage offerings. The Group's share of capital expenditure is expected to be approximately $667 million (prior to the sale of any apartments).

Capital expenditure in the year was approximately $180 million, including the completion of the Vantage Room, Latitude Bar, carpark upgrade, Astral Tower upgrade and MGF refurbishment. The redevelopment of the Astral Residences, Astral Lobby and Porte Cochere and Sovereign Room expansion continues.

Gold Coast

The Group holds a perpetual casino licence to operate The Star Gold Coast. The Group owns Broadbeach Island on which the casino is located. The Group has previously disclosed a major redevelopment of the property of up to $845 million capital spend (subject to various approvals), including a $400 million new 6 star hotel with joint venture partners CTF and FEC. The capacity of the property is proposed to be expanded to approximately 1,400 hotel rooms and residences with signature gaming facilities, over 20 restaurants and bars, and substantial resort facilities and attractions. The Group's share of capital expenditure is expected to be approximately $578 million (prior to the sale of any apartments).

Progress on the redevelopment project includes the completion of the hotel rooms upgrade, Atrium Bar refurbishment, new restaurants and MGF refurbishment. Capital expenditure in the year was approximately $210 million, including construction costs for the new 6 star hotel, refurbishment of the Atrium Bar and upgrades to hotel rooms.

The Group continues to manage the Gold Coast Convention and Exhibition Centre adjacent to the casino.

Brisbane

In November 2015, contractual close was reached between the Queensland Government and Destination Brisbane Consortium (***DBC***) on the Queen's Wharf Brisbane development. DBC's integrated resort ownership structure requires capital to be contributed 50% by the Group and 25% each by CTF and FEC. The Group will act as the operator under a long dated casino management agreement.

The Group holds a perpetual casino licence in Queensland that is attached to the lease of the current Treasury site that expires in 2070. Upon opening of the integrated resort, the Group's casino licence will be surrendered and DBC will be granted a casino licence for 99 years including an exclusivity period of 25 years.

CTF and FEC will each contribute 50% of the capital to undertake the residential and related components of the broader Queen's Wharf Brisbane development. The Group is not a party to the residential development joint venture.

Initial work on the integrated resort is on schedule and on budget, with demolition works underway and foundation work expected to commence in early 2018.

2.7. Risk management

The Group takes a structured approach to identifying, evaluating and managing those risks which have the potential to affect achievement of strategic objectives. The commentary relating to Principle 7 in the Group's Corporate Governance Statement describes the Group's risk management framework which is based on ISO31000, the international standard on risk management. The Corporate Governance Statement can be viewed on the Group's website.

Details of the Group's major risks and associated mitigation strategies are set out below. The mitigation strategies are designed to reduce the likelihood of the risk occurring and/or to minimise the adverse consequences of the risk should it happen. However, some risks are affected by factors external to, and beyond the control of, the Group.

Risk and description	Mitigation strategy
Competitive Position The potential effect of increased competition in the Group's key markets of Sydney, Brisbane and the Gold Coast	The Group's vision is to be Australia's leading integrated resort company. The Group is making substantial investments in developing new or improved venue facilities in all key markets, diversifying revenue sources and in improving the customer service capabilities of employees.
Realising value from capital projects The ability to generate adequate returns from the financial capital invested in capital projects.	The Group has implemented a comprehensive project management framework and employed a number of appropriately skilled and experienced project managers to reduce the risk of delays in completion and/or overruns in costs of capital projects. The Group has also developed plans to market and promote its portfolio of attractive resort facilities to achieve the level of customer patronage required to deliver the expected returns on investment.
Human capital management The ability to attract, recruit and retain the right people for key leadership and operational roles.	The Group has in place a variety of avenues to attract, recruit and develop high performing and high potential employees, including an in-house talent acquisition team. The Group runs a number of training and development programs to provide employees with career development opportunities, and annually conducts an employee engagement survey to monitor for emerging issues which might affect the ability to retain talented employees. The Group's diversity and inclusion programs are widely recognised as being among the best in the industry.
Effective management of key stakeholders The ability to engage with key stakeholders to satisfy their competing interests without compromising the Group's operations or achievement of the Group's strategic objectives.	The Group has developed strong communication lines with a variety of stakeholder groups, including State governments in New South Wales and Queensland, regulators in both States, investors, media and unions. The Group has also developed strategic partnerships with a number of local community groups and charitable organisations.
Geo-political and regulatory changes The potential effect of political or regulatory changes in Australia affecting the operation of casinos, or the potential effect of changes in the administration of laws in foreign countries affecting the ability of foreign nationals to travel to and/or bring funds to Australia.	The Group continuously monitors for potential legislative changes or changes in relevant government policy in the States and countries in which it conducts business operations. The Group also makes representations to governments and industry groups to promote effective, appropriate and consistent regulatory and policy outcomes.
Data and systems security and reliability The ability to protect the integrity of confidential business or customer data which is collected, used, stored, and disposed of in the course of business operations, and the ability to maintain the security and operating reliability of key business systems.	The Group has a dedicated IT security function which continuously tests and monitors our technology systems to detect and block viruses and other threats to the security of our data. Employees are regularly trained on the importance of maintaining effective cyber security and data privacy processes.

Risk and description	Mitigation strategy
Major business disruption events The ability to anticipate, prevent, respond to and recover from events which have the potential to prevent the continued operation of one of our resort facilities, or which inhibit the ability of guests being able to visit one of our resort facilities for a sustained period of time.	The Group's business continuity framework enables early identification of material risks to the continued operation of a resort facility. The framework is supported by a suite of emergency response, crisis management, and disaster recovery plans that are regularly tested and updated.
People health and safety The ability to operate the Group's resort facilities without affecting the safety, security and wellbeing of our guests and employees.	The Group takes a risk based approach to managing workplace health and safety. Critical safety risks have been identified with mitigation plans in place. Dedicated workplace health and safety and injury management specialists are employed at each resort facility. To assist in maintaining the safety and security of our guests and employees, each resort facility employs a substantial number of security and surveillance personnel to provide support in monitoring existential threats and managing potential incidents on a real time basis.
Financial management The ability to maintain financial performance and a strong balance sheet which enables the Group to fund future growth opportunities on commercially acceptable terms.	The Group annually establishes a financial budget and 5 year plan which underpin the setting of performance targets incorporated in management incentive plans. Financial performance is continuously monitored for any variations from annual financial budgets and market expectations. The Group's core business produces strong cashflow, allowing the Group to maintain low to moderate levels of debt while allowing shareholders to be paid dividends.
Corporate governance The ability to maintain a strong and effective governance structure which supports a culture of transparency, accountability, and compliance.	The Group has a well-defined governance framework which identifies the roles and responsibilities of the Board, the Board Committees and senior management. The Group also has a complementary set of key policies, compliance with which is monitored on an ongoing basis. The Group operates an integrated "3 lines of defence" model to identify and manage key risks and to provide assurance that critical controls are effective in managing those risks.

2.8. Environmental regulation and performance

The Group is committed to sustainability leadership in the entertainment sector and reducing resource consumption across its operations. In 2016 the Group set out a five-year Sustainability Strategy, 'Our Bright Future', focused on building business capacity and delivering continuous improvement in the management of environmental, social and governance issues (***ESG***). The Sustainability Strategy is aligned to the business strategy and groups ESG objectives and targets into four key pillars:

- we strive to be Australia's leading integrated resort company;
- we actively support guest wellbeing;
- we attract, develop and retain talented teams; and
- we develop and operate world class properties.

The Sustainability Strategy is underpinned by a structured materiality assessment process that was first conducted in 2016 over a three month period to identify potential material issues and ESG risks relevant to the business and industry.

To support the delivery of the Sustainability Strategy and to ensure the Group manages the resource consumption from an expanding portfolio, an energy and water project pipeline has been established to ensure projects are implemented each year that deliver cost and environmental benefits. The Group has now implemented over twenty four projects, delivering environmental and financial savings of over $1.4 million in the last two financial years. To ensure energy and water efficiency is achieved in refurbishment and development projects, the Group's Sustainable Design Guidelines have been applied to achieve greener building outcomes by specifying energy efficient technologies and best practice water and waste management.

During the year, the Group attained the global leadership position of the Casino and Gaming Industry in the Dow Jones Sustainability Index. The Group also attained its first National Australian Built Environment Rating System (NABERS) rating for its office located at 60 Union St, Pyrmont, New South Wales, achieving a result of 5 out of a possible 6 Stars for energy efficiency.

The Company is registered under the National Greenhouse Energy Reporting System (NGERS) and reports all energy consumption and greenhouse gas emissions to the Federal Government every year. The Company's Environmental Management Policy, Sustainability Strategy, Materiality Assessment and Sustainable Design Guidelines can be found on the Company's website. Sustainability performance and progress against the Sustainability Strategy is reported to the People, Culture and Social Responsibility Committee regularly.

3. Earnings per share (EPS)

Basic EPS for the financial year was 32.0 cents (2016: 23.6 cents), 36.0% up on the pcp as a result of the improved operational performance across the Group. Diluted EPS was 31.9 cents (2016: 23.6 cents). EPS is disclosed in note F3 of the Financial Report.

4. Dividends

4.1. Dividend payout

An interim dividend of 7.5 cents per share (fully franked) was paid on 22 March 2017.

A final dividend per share of 8.5 cents (fully franked) was declared, totalling 16.0 cents per share for the year, up 23.1% on the pcp and reflecting a payout ratio of 50.0% of statutory NPAT for the year ended 30 June 2017.

4.2. Dividend Reinvestment Plan (DRP)

The Company's DRP is in operation for the final dividend. The last date for receipt of election notices to enable participation for the final dividend is 30 August 2017. The price at which shares are allocated under the DRP is the daily volume weighted average market price of the Company's shares sold in the ordinary course of trading on the ASX over a period of 10 trading days beginning on (and including) the fourth trading day after the Record Date (29 August 2017). Shares allocated under the DRP will rank equally with the Company's existing fully paid ordinary shares.

5. Significant events after the end of the financial year

On 23 August 2017, the Group completed a tender and reissue offer in relation to 73% of the Group's US Private Placement (***USPP***) borrowings. This was undertaken to extend the Group's tenor on average drawn debt maturity by 3 years to 5.2 years, reduce finance costs on a like for like basis and lower refinancing requirements for the Group. The Group estimates that its average blended cost of debt on all USPP notes following the new issue will be approximately 5% (down from over 9% on previous notes). The transaction is expected to result in a one-off loss in the range of $30-$34 million (after tax) relating to the crystallisation of an existing obligation for the related out of the money interest rate swaps and other costs. This one-off loss will be recognised as a significant item in the FY2018 Financial Report. Further detail can be found in the ASX Announcement - *The Star announces placement of long-term notes* (dated 23 August 2017).

Other than those events that have already been disclosed in this report or elsewhere in the Financial Report, there have been no other significant events occurring after 30 June 2017 and up to the date of this report that have materially affected or may materially affect the Group's operations, the results of those operations or the Group's state of affairs.

6. Directors' qualifications, experience and special responsibilities

The details of the Company's Directors in office during the financial year and until the date of this report (except as otherwise stated) are set out below.

Current Directors	
John O'Neill AO	**Chairman** (from 8 June 2012)**; Non-Executive Director** (from 28 March 2011) *Diploma of Law; Foundation Fellow of the Australian Institute of Company Directors* **Experience:** John O'Neill was formerly Managing Director and Chief Executive Officer of Australian Rugby Union Limited, Chief Executive Officer of Football Federation Australia, Managing Director and Chief Executive Officer of the State Bank of New South Wales, and Chairman of the Australian Wool Exchange Limited. Mr O'Neill was also formerly a Director of Tabcorp Holdings Limited and Rugby World Cup Limited. Mr O'Neill was also the inaugural Chairman of Events New South Wales, which flowed from the independent reviews he conducted into events strategy, convention and exhibition space, and tourism on behalf of the New South Wales Government. Mr O'Neill is currently a member of the Advisory Council of China Matters. **Special Responsibilities:** Mr O'Neill is Chairman of the Board and an ex-officio member of all Board committees. **Directorships of other Australian listed companies held during the last 3 years:** Nil
Matt Bekier	**Managing Director and Chief Executive Officer** (from 11 April 2014) **Executive Director** (from 2 March 2011) *Master of Economics and Commerce; PhD in Finance* **Experience:** Matt Bekier is a member of the Board of the Australasian Gaming Council. Mr Bekier was previously Chief Financial Officer and Executive Director of the Company and also previously Chief Financial Officer of Tabcorp Holdings Limited from late 2005 and until the demerger of the Company and its controlled entities in June 2011. Prior to his role at Tabcorp, Mr Bekier previously held various roles with McKinsey & Company. **Special Responsibilities:** Nil **Directorships of other Australian listed companies held during the last 3 years:** Nil

Current Directors	
Gerard Bradley	**Non-Executive Director** (from 30 May 2013) *Bachelor of Commerce; Diploma of Advanced Accounting; Fellow of the Institute of Chartered Accountants; Fellow of CPA Australia; Fellow of the Australian Institute of Company Directors; Fellow of the Australian Institute of Managers and Leaders* **Experience:** Gerard Bradley is the Chairman of Queensland Treasury Corporation and related companies, having served for 14 years as Under Treasurer and Under Secretary of the Queensland Treasury Department. He has extensive experience in public sector finance in both the Queensland and South Australian Treasury Departments. Mr Bradley has previously served as Chairman of the Board of Trustees at QSuper. His previous non-executive board memberships also include Funds SA, Queensland Investment Corporation, Suncorp (Insurance & Finance), Queensland Water Infrastructure Pty Ltd, and South Bank Corporation. Mr Bradley is currently a Director of the Winston Churchill Memorial Trust. **Special Responsibilities:** • Chair of the Risk and Compliance Committee • Member of the Audit Committee • Member of the Investment and Capital Expenditure Review Committee • Member of the Remuneration Committee **Directorships of other Australian listed companies held during the last 3 years:** Pinnacle Investment Management Group Limited (1 September 2016 to present)
Greg Hayes	**Non-Executive Director** (from 24 April 2015) *Master of Applied Finance; Graduate Diploma in Accounting; Bachelor of Arts; Advanced Management Programme (Harvard Business School, Massachusetts); Member of Institute of Chartered Accountants* **Experience:** Greg Hayes is an experienced executive and director having worked across a range of industries including energy, infrastructure and logistics. Mr Hayes brings to the Board skills and experience in the areas of strategy, finance, mergers and acquisitions, and strategic risk management, in particular in listed companies with global operations. He is currently a Director of Precision Group, Aurrum Holdings Pty Ltd and Home Investment Consortium Company Pty Ltd. Mr Hayes was previously Chief Financial Officer and Executive Director of Brambles Limited, Chief Executive Officer & Group Managing Director of Tenix Pty Ltd, Chief Financial Officer and later interim CEO of the Australian Gaslight Company (AGL), Chief Financial Officer Australia and New Zealand of Westfield Holdings, and Executive General Manager, Finance of Southcorp Limited. **Special Responsibilities:** • Chair of the Audit Committee • Member of the Investment and Capital Expenditure Review Committee • Member of the Risk and Compliance Committee **Directorships of other Australian listed companies held during the last 3 years:** • Incitec Pivot Limited (1 October 2014 to present)

Directors' Report
for the year ended 30 June 2017

Current Directors	
Katie Lahey AM	**Non-Executive Director** (from 1 March 2013) *Bachelor of Arts (First Class Honours); Master of Business Administration* **Experience:** Katie Lahey has extensive experience in the retail, tourism and entertainment sectors and previously held chief executive roles in the public and private sectors. Ms Lahey is currently the Chair of Tourism & Transport Forum and Executive Chairman Australasia for Korn Ferry International. She is also a member of the Australian Brandenburg Orchestra Board. Ms Lahey was previously the Chair of Carnival Australia and a member of the boards of David Jones Limited, Australia Council Major Performing Arts, Hills Motorway Limited, Australia Post and Garvan Research Foundation. **Special Responsibilities:** • Chair of the People, Culture and Social Responsibility Committee • Member of the Remuneration Committee • Member of the Risk and Compliance Committee **Directorships of other Australian listed companies held during the last 3 years:** Nil
Sally Pitkin	**Non-Executive Director** (from 19 December 2014) *Doctor of Philosophy (Governance); Master of Laws; Bachelor of Laws; Fellow of the Australian Institute of Company Directors* **Experience:** Sally Pitkin is a Queensland based company director and lawyer with extensive corporate experience and over 20 years' experience as a non-executive director and board member across a wide range of industries in the private and public sectors. Dr Pitkin is the President of the Queensland Division, and a member of the National Board of the Australian Institute of Company Directors. Dr Pitkin was previously a Non-Executive Director of Aristocrat Leisure Limited. **Special Responsibilities:** • Chair of the Remuneration Committee • Member of the Audit Committee • Member of the People, Culture and Social Responsibility Committee **Directorships of other Australian listed companies held during the last 3 years:** • Super Retail Group Limited (1 July 2010 to present) • Billabong International Limited (28 February 2012 to 15 August 2016) • IPH Limited (23 September 2014 to present) • Link Administration Holdings Limited (23 September 2015 to present)

Current Directors	
Richard Sheppard	**Non-Executive Director** (from 1 March 2013) *Bachelor of Economics (First Class Honours); Fellow of the Australian Institute of Company Directors* **Experience:** Richard Sheppard has had an extensive executive career in the banking and finance sector including an executive career with Macquarie Group Limited spanning more than 30 years. Mr Sheppard was previously the Managing Director and Chief Executive Officer of Macquarie Bank Limited and chaired the boards of a number of Macquarie's listed entities. He has also served as Chairman of the Commonwealth Government's Financial Sector Advisory Council. Mr Sheppard is currently the Chairman and a Non-Executive Director of Dexus Property Group and a Non-Executive Director of Snowy Hydro Limited. He is also a Director of The Bradman Foundation. **Special Responsibilities:** • Chair of the Investment and Capital Expenditure Review Committee • Member of the Audit Committee • Member of the Risk and Compliance Committee **Directorships of other Australian listed companies held during the last 3 years:** • Dexus Property Group (1 January 2012 to present)

7. Directors' interests in securities

At the date of this report (except as otherwise stated), the Directors had the following relevant interests in the securities of the Company:

Name	Ordinary Shares	Performance Rights
Current		
John O'Neill AO	54,348	Nil
Matt Bekier	649,562	1,350,622
Gerard Bradley	25,000	Nil
Greg Hayes	10,000	Nil
Katie Lahey AM	27,080	Nil
Sally Pitkin	45,900	Nil
Richard Sheppard	80,000	Nil

8. Company Secretary

Paula Martin holds the position of Group General Counsel and Company Secretary. She holds a Bachelor of Business (Int. Bus.) and a Bachelor of Laws and a Graduate Diploma in Applied Corporate Governance. She has extensive commercial legal experience having worked with King & Wood Mallesons (formerly Mallesons Stephen Jaques) prior to joining the Company. Ms Martin is a member of the Queensland Law Society, Association of Corporate Counsel (Australia) and the Governance Institute of Australia.

Directors' Report

for the year ended 30 June 2017

9. Board and Committee meeting attendance

During the financial year ended 30 June 2017, the Company held 13 meetings of the Board of Directors (including 4 unscheduled meetings which were attended by a majority of Directors). The numbers of Board and Committee meetings attended by each of the Directors during the year are set out in the table below.

	Board of Directors		Audit Committee		Risk and Compliance Committee		Remuneration Committee		People, Culture & Social Responsibility Committee		Investment & Capital Expenditure Review Committee	
Directors	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
John O'Neill AO	13	13	5	5	4	4	4	4	4	4	5	5
Matt Bekier (i)	13	13	-	-	-	-	-	-	-	-	-	-
Gerard Bradley	13	13	5	5	4	4	4	4	-	-	5	5
Greg Hayes	12	13	5	5	3	4	-	-	-	-	4	5
Katie Lahey AM	12	13	-	-	4	4	4	4	4	4	-	-
Sally Pitkin	13	13	5	5	-	-	4	4	4	4	-	-
Richard Sheppard	13	13	5	5	4	4	-	-	-	-	5	5

A - Number of meetings attended as a Director or Committee member

B - Maximum number of meetings available for attendance as a Committee member

(i) The Managing Director and Chief Executive Officer is not a member of any Board Committee but may attend Board Committee meetings upon invitation, however this attendance is not recorded here

Details of the functions and memberships of the Committees of the Board and the terms of reference for each Board Committee are available from the Corporate Governance section of the Company's website.

10. Indemnification and insurance of Directors and Officers

The Directors and Officers of the Company are indemnified against liabilities pursuant to agreements with the Company. The Company has entered into insurance contracts with third party insurance providers, in accordance with normal commercial practices. Under the terms of the insurance contracts, the nature of the liabilities insured against and the amount of premiums paid are confidential.

11. Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the end of the financial year.

12. Non-audit services

Ernst & Young, the external auditor to the Company and the Group, provided non-audit services to the Company during the financial year ended 30 June 2017. The Directors are satisfied that the provision of non-audit services during this period was compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001 (Cth).* The nature and scope of each type of non-audit service provided did not compromise auditor independence. These statements are made in accordance with advice provided by the Audit Committee.

The Audit Committee reviews the activities of the independent external auditor and reviews the auditor's performance on an annual basis.

Limited authority is delegated to the Company's Group Chief Financial Officer for the pre-approval of audit and non-audit services proposed by the external auditor, limited to $50,000 per engagement and capped at 40% of the relevant year's audit fee. Delegated authority is only exercised in relation to services that are not in conflict with the role of statutory auditors, where management does not consider the services to impair the independence of the external auditor and the external auditor has confirmed that the services would not impair their independence. Any other non-audit related work to be undertaken by the external auditor must be approved by the Chair of the Audit Committee.

Further details relating to the Audit Committee and the engagement of auditors are available in the Corporate Governance Statement.

Ernst & Young, acting as the Company's external auditor, received or is due to receive the following amounts in relation to the provision of non-audit services to the Company:

Directors' Report
for the year ended 30 June 2017

Description of services	**$000**
Other assurance related services in relation to the Company and any other entity in the consolidated group	-
Other non-audit services including taxation services	272.0
Total of all non-audit and other services	272.0

Amounts paid or payable by the Company for audit and non-audit services are disclosed in note F11 of the Financial Report.

13. Rounding of amounts
The Star Entertainment Group Limited is a company of the kind specified in the Australian Securities and Investments Commission's *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. In accordance with that Instrument, amounts in the Financial Report and the Directors' Report have been rounded to the nearest hundred thousand dollars unless specifically stated to be otherwise.

14. Auditor's independence declaration
Attached is a copy of the auditor's independence declaration provided under section 307C of the *Corporations Act 2001 (Cth)* in relation to the audit of the Financial Report for the year ended 30 June 2017. The auditor's independence declaration forms part of this Directors' Report.

This report has been signed in accordance with a resolution of Directors.

John O'Neill AO
Chairman
Sydney
23 August 2017

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of The Star Entertainment Group

As lead auditor for the audit of The Star Entertainment Group for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of The Star Entertainment Group and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

John Robinson
Partner
23 August 2017

THE STAR ENTERTAINMENT GROUP LIMITED

The Star Entertainment Group Limited

A.C.N. 149 629 023

ASX Code: SGR

and its controlled entities

Remuneration Report (audited)

for the year ended 30 June 2017

Remuneration Report (unaudited)

For the year ended 30 June 2017

Introduction from the Remuneration Committee Chair

Dear Shareholder,

*On behalf of the Board, I am pleased to present the Remuneration Report for the year ended 30 June 2017 (**FY17**). This report is prepared on a consistent basis to the previous year for ease of reference.*

2016 Annual General Meeting (AGM)

The FY16 Remuneration Report received positive shareholder support at the 2016 AGM, with 98.16% of votes in favour of the resolution.

*At the 2016 AGM, shareholders approved a grant to the Managing Director and Chief Executive Officer of performance share rights under the Long Term Performance Plan (**LTPP**). His total at risk remuneration now accounts for more than 70% of total annual reward, with more than 55% delivered through deferred equity.*

*Shareholders also approved an increase to the Non-Executive Directors' (**NED**) fee pool cap from $2 million to $2.5 million per annum to provide future flexibility to increase the size of the Board.*

FY17 Performance and Incentive Outcomes

*The Group delivered Net Profit after Tax (NPAT) of $264.4 million, 36.0% above the pcp. Normalised NPAT (excluding significant items) of $214.5 million was 11.1% below the pcp and below the target set by the Board at the beginning of the performance period for the Short Term Performance Plan (**STPP**). The Group delivered satisfactory non-financial performance as measured against the Guest Satisfaction and Safety targets that were set by the Board for FY17. Total dividends paid to shareholders in FY17 were 16 cents per share, up 23.1% on the pcp.*

As the financial performance gateway under the STPP was not met for FY17, no incentives accrued to Executives in FY17.

*The FY13 award under the Long Term Performance Plan (**LTPP**) was tested for vesting during the period and did not vest. Total Shareholder Return (**TSR**) of 54.5% was below the 50^{th} percentile of the competitor peer group and below the threshold required for vesting.*

Future events

*The FY14 LTPP is due to be tested for vesting in October 2017. This is the first LTPP award that comprises 50% Earnings per Share (**EPS**) and 50% Relative Total Shareholder Return (**rTSR)** hurdles.*

The Board is presently undertaking a review of the LTPP performance metrics for alignment with the Group's key strategic priorities.

Further advice on these matters is expected to be provided at the upcoming 2017 Annual General Meeting.

We thank you for your support in FY17 and welcome your feedback on our Remuneration Report.

Yours sincerely,

Sally Pitkin

Remuneration Committee Chair

Remuneration Report (audited)

For the year ended 30 June 2017

Summary for FY17

Remuneration Reviews	In accordance with the Reward Strategy, the Company annually assesses the remuneration levels and mix for Executives to identify where adjustments are appropriate based on market benchmarking against relevant peer groups. The Company considers companies with a market capitalisation within the range of 70%-160% of The Star Entertainment Group's market capitalisation and appropriate gaming and entertainment peers. Following the remuneration review completed in September 2016, Executives received adjustments to their remuneration as detailed in Table 7.
Short Term Performance Plan (*STPP*)	Payments under the STPP only accrue if the financial performance gateway for Normalised Net Profit After Tax (***NPAT***) for the Group is met. As the financial performance for FY17 was below the threshold of $245.4 million, set by the Board at the commencement of performance period, no incentives accrued to Executives in FY17. Figure 3 shows the link between pay and performance and the alignment of short term incentive outcomes to the performance of the Group.
Long Term Performance Plan (*LTPP*)	Performance rights relating to the FY13 LTPP were tested in September 2016. The TSR performance of the Group was 54.5%, with a percentile ranking of 46.77. As this was below the 50^{th} percentile required for vesting, no awards were realised under the LTPP for FY13. The FY14 LTPP grant is due for testing on 1 October 2017 and comprises an EPS and TSR performance hurdle. The LTPP performance hurdles are being reviewed by the Board for alignment to the Group's key strategic priorities.
Non-Executive Director fees	The resolution to increase the Non-Executive Directors' fee pool from $2.0 million to $2.5 million was approved by shareholders at the 2016 Annual General Meeting. The increased fee pool provides future flexibility to increase the size of the Board, and to ensure the Company maintains the ability to attract and retain high calibre Non-Executive Directors with the appropriate qualifications, skills, experience and diversity to oversee the Company's business and strategic direction. Whilst the fee pool was increased by $0.5 million, total increases to NED fees in FY17 was $0.073 million to align Committee fees with the appropriate benchmark. The unutilised fee pool is $0.875 million.

This Remuneration Report is comprised of the following sections:

Contents

Remuneration Report (audited)

For the year ended 30 June 2017

The Directors of The Star Entertainment Group Limited (***The Star Entertainment Group*** or *the* ***Company***) have approved this Remuneration Report for the consolidated entity comprising the Company and its controlled entities (collectively referred to as the ***Group***) in respect of the financial year ended 30 June 2017.

This Remuneration Report outlines the remuneration arrangements for Key Management Personnel (***KMP***) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of The Star Entertainment Group Limited. This report has been prepared in accordance with the requirements of the *Corporations Act 2001(Cth)* (the ***Corporations Act***) and its regulations. The information has been audited as required by section 308(3C) of the Corporations Act where indicated.

For purposes of this report, the term *'**Executives**'* means the executive director (Managing Director and Chief Executive Officer) and senior executives (the Chief Financial Officer and the Managing Directors of The Star Sydney and Queensland properties), but excludes Non-Executive Directors ***(NEDs)***.

1. Key Management Personnel

The names and titles of the Company's KMP for the year ended 30 June 2017 are set out below. KMP were in office for the entire duration of the financial year, unless otherwise stated. There have been no changes to KMP since the end of the financial year.

Non-Executive Directors	Position
John O'Neill AO	Chairman and Non-Executive Director
Gerard Bradley	Non-Executive Director
Greg Hayes	Non-Executive Director
Katie Lahey AM	Non-Executive Director
Sally Pitkin	Non-Executive Director
Richard Sheppard	Non-Executive Director
Executives	
Matt Bekier	Managing Director and Chief Executive Officer
Chad Barton	Chief Financial Officer
Greg Hawkins	Managing Director, The Star Sydney
Geoff Hogg	Managing Director, Queensland

2. Remuneration Governance

The Remuneration Committee (the ***Committee***) considers matters relating to the remuneration of KMP as well as the remuneration policies of the Group generally. This includes reviewing and recommending to the Board, the remuneration of Executives and of the Chairman and NEDs. The main responsibilities of the Committee are outlined in the Remuneration Committee Terms of Reference, available on the corporate governance page of the Company's website: https://www.starentertainmentgroup.com.au/corporate-governance/

Under the Remuneration Committee Terms of Reference, the majority of Committee members must be independent non-executive directors and the Chair of the Committee must be an independent non-executive director. All members of the Remuneration Committee (including the Chair of the Committee) are independent non-executive directors. Details of members of the Committee and their background are included in the Directors' Report on pages 8 to 11.

Use of remuneration advisors

The Committee seeks external advice from time to time to ensure it is fully informed when making remuneration decisions. Remuneration advisors are engaged by, and report directly to, the Committee. PricewaterhouseCoopers (***PwC***) are the Group's appointed independent external remuneration consultants. No remuneration recommendations as defined by the Corporations Act were provided by PwC during FY17.

*Remuneration Report approval at 2016 Annual General Meeting (**AGM**)*

The FY16 Remuneration Report received positive shareholder support at the 2016 AGM, with 98.16% of votes in favour of the resolution.

Gender pay equity

The Group is committed to ensuring all employees are remunerated fairly and equitably. The Group conducts annual gender pay equity reviews that are presented to the Remuneration Committee. No significant gaps were identified during FY17.

3. Remuneration Strategy and Programs

The remuneration strategy at The Star Entertainment Group is designed to support a high performance culture, achieve superior performance and as a result, sustainable value for shareholders. The reward programs are designed to promote individual accountability and entrepreneurship in employees.

To achieve these objectives, the key reward principles are shaped around:

- Being market competitive in order to attract and retain high performing individuals (refer section 3.1 – fixed remuneration),
- Paying above market for superior performance behaviours (variable – at risk remuneration) that drive sustainable value for shareholders (refer section 3.2 – variable (at risk) remuneration),
- Delivering a meaningful quantum of awards in equity to create alignment with shareholders' interest and manage risk, and
- Linking remuneration components and outcomes to the achievement of the Group's strategic priorities.

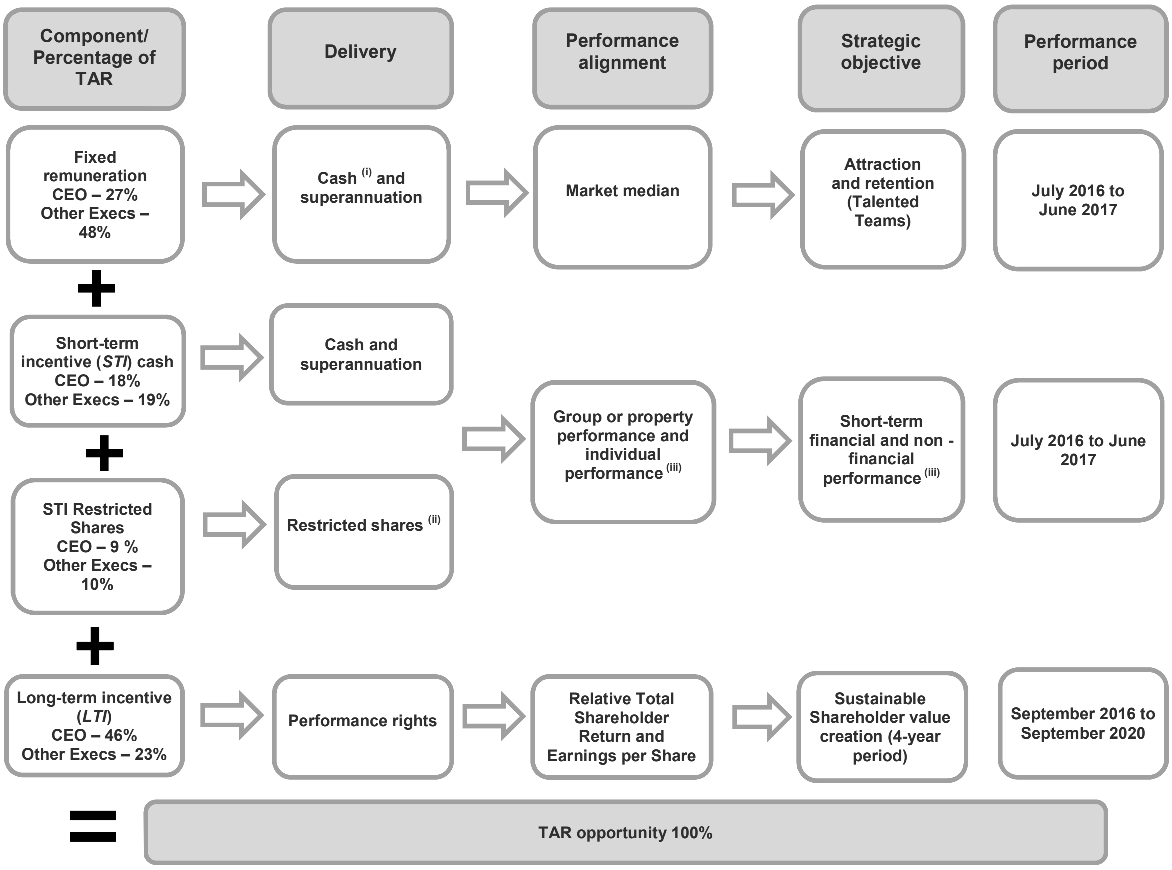
Total Annual Reward (***TAR***) is comprised of a fixed and a variable component. The variable component includes both a short term and long term incentive opportunity. The Group balances the level of fixed versus variable remuneration based on the industry's market for talent, the views of shareholders and the need for effective reward mechanisms to connect short and long-term performance against the Group's strategic priorities. Fixed remuneration and total target remuneration (fixed remuneration plus variable remuneration) is targeted at the median of the relevant market, with an opportunity to earn above median pay, up to the 75^{th} percentile, where higher levels of performance are realised.

Remuneration Report (audited)

For the year ended 30 June 2017

Figure 1 illustrates the components of Executives' Total Annual Reward (***TAR***) opportunity and how these are linked to strategic objectives of the Group.

Figure 1: Components of Executive TAR Opportunity



(i) Employees may voluntarily elect to salary sacrifice for additional superannuation contributions and motor vehicle novated leases (from fixed remuneration component only).
(ii) A mandatory one-third of the Executives' short-term incentive award is deferred into restricted shares which are subject to a holding lock for a period of twelve months from the date of the award.
(iii) Table 2 provides details on the strategic priorities and the metrics used to assess performance against the strategic priorities

3.1 Fixed remuneration

The fixed remuneration received by Executives may include base salary, superannuation and non-monetary benefits. The amount of fixed remuneration an Executive receives is based on the following:

- Scope and responsibilities of the role,
- Reference to the level of remuneration paid to Executives of comparable ASX-listed organisations, determined based on similar market capitalisation (range 70% to 160% of The Star Entertainment Group's market capitalisation) and industry peers, and
- Level of international and domestic gaming knowledge, skills and experience of the individual.

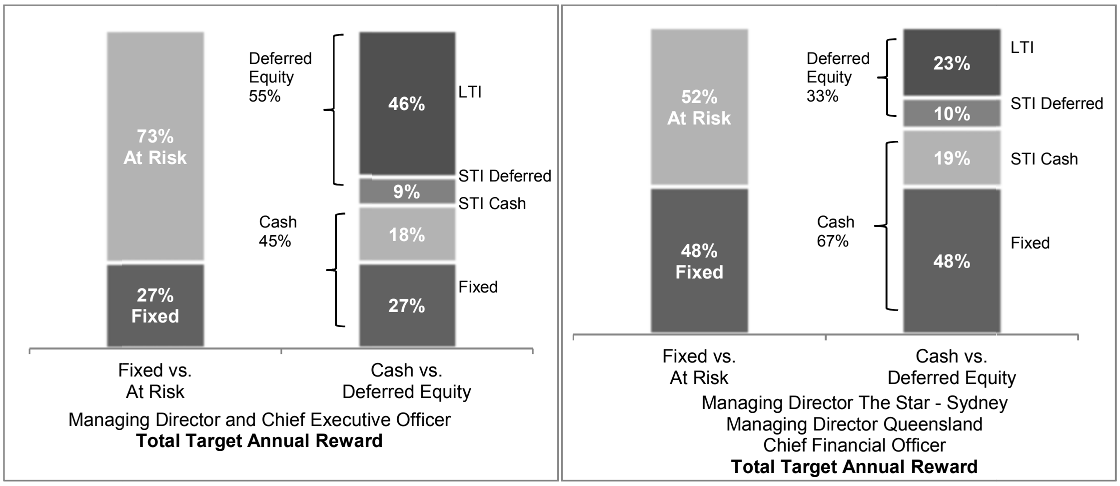
Fixed remuneration is reviewed annually, and the policy is to target fixed remuneration at the median of the market. Fixed remuneration may deviate from the market median depending on the individual capabilities and other business factors.

3.2 Variable (at risk) remuneration

The Star Entertainment Group has two variable reward programs designed to drive performance and execution of the Board approved business plan to ultimately deliver superior returns and long-term value creation for shareholders. They are the Short Term Performance Plan (***STPP***) and the Long Term Performance Plan (***LTPP***). Further details of these two programs are set out in section 3.3 and 3.5 respectively.

Figure 2 illustrates the remuneration mix for the Managing Director and Chief Executive Officer and senior executives (the Chief Financial Officer and the Managing Directors of The Star Sydney and the Queensland properties) respectively.

Figure 2: Remuneration mix for FY17



3.3 Short Term Performance Plan Design

The STPP is designed to reward Executives for execution of the Group's strategy during the performance period.

Payments only accrue under the plan if the Group achieves its financial performance gateway, thereby aligning to shareholder interests and achieving a direct link between pay and performance (refer Figure 3). Payments are further moderated based on satisfactory performance against key non financial performance indicators. Individual payments are performance based and assessed using a weighted balanced scorecard approach (refer Figure 4).

As the Group did not achieve the financial performance gateway for FY17, no incentives accrued to Executives under the STPP in FY17.

The number of employees invited to participate in the STPP was approximately 692 (increased from 451 for FY16).

Table 1 sets out the key features of the STPP, all of which are consistent with the prior year.

Table 1: Key design features of the STPP

Purpose	To reward Executives for execution of the Group's strategy during the performance period.
Gateway	The minimum level of financial performance required before any incentives accrue under the STPP is referred to as the gateway. The gateway hurdle is 95% of the budgeted Normalised[1] NPAT of the Group as approved by the Board. This gateway applies to all Executives and other participants in the plan. The Board may use its discretion to make payments to reward for significant non-financial performance.
Pool size	The pool size is determined by the Board through an assessment of Group performance, including: 1. Financial performance (Normalised NPAT) 0% of target pool vests at below 95% of budgeted NPAT 50% of target pool vests at 95% of budgeted NPAT 100% of target pool vests at 100% of budgeted NPAT 150% of target pool vests at 110% of budgeted NPAT 2. Non-financial performance measures and strategic priorities (Guest Service and Safety).
Incentive opportunity levels	Opportunities are based on the Executive's incentive target in their employment contract (refer Table 7) The payment range available is 0%-150% of the Executive's incentive target.
Payment calculation	Individual performance is determined by using a weighted scorecard of measures (Figure 4) to arrive at a performance rating. Performance ratings link to payment ranges as follows: 5 = Outstanding (125 – 150% of target) 4 = Exceeds (100 – 125% of target) 3 = Meets (75 – 100% of target) 2 = Meets some (0 – 75% of target) 1 = Did not meet (0% of target) An Executive's individual STI award is based on the following calculation: Fixed Remuneration x Individual Target STI % x Group Performance Multiplier % (0-150%) x Individual Performance Multiplier % (0-150%) = Individual STI award (capped at 150% x target) Payments are capped at 150% of the Executive's STPP target. Where performance and/or behaviours have been deemed unsatisfactory, no incentives are awarded.
Delivery of payments (including deferrals)	Two-thirds of payments are delivered in cash in September. One-third of all payments are held in restricted shares for a period of twelve months from the date of the award. These shares are forfeited in the event that the Executive voluntarily terminates from the Group. Executives are entitled to receive dividends and have voting rights during the restriction period, however they are unable to vote on remuneration resolutions at the AGM.
Clawback	Incentives may be clawed back where there has been a material misrepresentation of the financial outcomes on which the payment had been assessed and/or the Executive's actions have been found to be fraudulent, dishonest or in breach of the Group's Code of Conduct (e.g. misconduct). This provision may extend up to the prior three financial years of STPP payments.

[1] *Normalised results reflect the underlying performance of the business as they remove the inherent volatility of the International VIP Rebate business and exclude significant items that are considered by their nature and size unusual or not in the ordinary course of business. This methodology has been consistently applied since FY12.*

3.4 Reward Outcomes under STPP

In determining whether any incentives are being paid and the size of the incentive pool, the Board considers both financial and non-financial performance against targets.

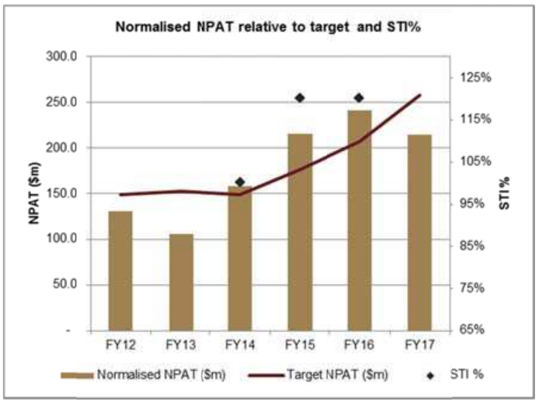
- **Financial performance**

The financial performance measure driving the size of the STPP pool is Normalised NPAT of the Group.

Figure 3 shows the Company's reported Normalised NPAT relative to target over the last six financial years and the percentage of STIs awarded relative to the 'on target' amount.

As the financial performance gateway of $245.4 million (i.e. 95% of Target NPAT) was not met for FY17, no incentives accrued to Executives.

Figure 3: Normalised NPAT relative to target and percentage STI paid



No awards were made in FY12, FY13 and FY17, as targets were not achieved

- **STPP pool moderating measures**

The two non-financial measures considered when determining the size of the STPP pool are Guest Satisfaction and Safety (TRIFR)^.

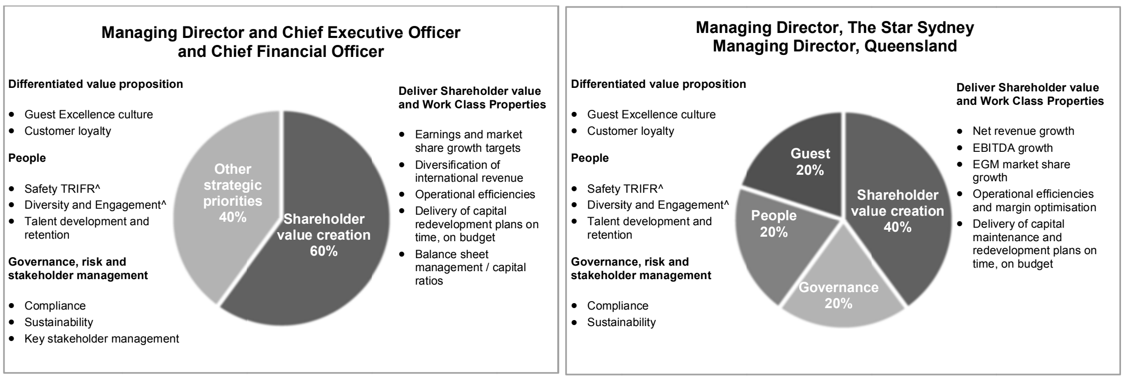
Guest Satisfaction is an indicator of the value delivered from the quality of our customer experience and Safety is a critical focus area of the Group, particularly during the current capital expansion and redevelopment phase.

For FY17, the Group came within 95% of the Guest Satisfaction target and achieved better than the Safety TRIFR limit set by the Board at the commencement of the performance period.

- **Executive scorecards (individual performance)**

Although no incentives accrued to Executives in respect FY17, individual performance for Executives was assessed against their respective weighted balanced scorecard objectives. Details of these objectives are shown in Figure 4.

Figure 4: Weighted balanced scorecard



^External providers are engaged to report on TRIFR, Guest Satisfaction and Employee Engagement scores as applicable.

Table 2 provides a summary of performance against the strategic priorities of the Group for FY17.

Table 2: FY17 Performance outcomes against strategic priorities and key performance indicators

Strategic Priorities	Key performance indicator	Performance outcomes/ commentary	Overall Rating
Shareholder Value and World Class Properties	**FINANCIAL PERFORMANCE** • Deliver budgeted Normalised NPAT and EBITDA (improving earnings and operating efficiencies) • Grow revenues and market share in domestic and International Rebate Business (***IRB***), including diversification of revenue • Grow EGM Market Share • Manage operational benchmarks, cash and receivables	• The Group's normalised EBITDA and NPAT performance were below budget, impacted by disruptions from capital works at the Sydney and Gold Coast properties and softer macro-environment and events in China • EGM Market share flat in Sydney and down ~1% in Qld • IRB actual win rate above normalised levels, receivables well controlled, increased dividend to shareholders • Benefits of around $48m in FY17 from "Fit for Growth" program that is focused at driving year on year sustainable improvements/operational efficiencies	Below target

	CAPITAL REDEVELOPMENT PLANS
	• Deliver capital works within scope, timing and budget
	• Progress master planning for Sydney and the Gold Coast in line with business strategy
	• Progress Queen's Wharf Brisbane (***QWB***) development in line with approved time frames
	• Manage balance sheet and key ratios in line with target
		• Master planning and redevelopment works progressing in line with expectations with Capital expenditure of more than $420m completed in FY17. Key projects delivered in FY17 include:
		  o (Sydney) – upgrade to 303 room Astral Tower hotel, entry level domestic private gaming room (Vantage), multi-terminal gaming machine theatre
		  o (Gold Coast) – main gaming floor refresh, upgrade to 596 room hotel, reception and Atrium area, launched two new restaurants
		• QWB development on track, demolition works commenced
		• Gearing and other key ratios were within target range
			On target

Differentiated value proposition	**GUEST SERVICE CULTURE**
	• Elevate the customer service culture through:
	  o Implementation of world class Guest Service System (refers to a comprehensive system geared towards creating sustainable service culture)
	  o Measuring the internal level of customer service through an independently managed Internal Customer Survey (***ICS***)
		• Guest service scores within 95% of target except on the Gold Coast where this was >10% below target
		• Over 85% of staff completed the 'Star Quality' service foundations training that is also embedded in induction programs across the Group
		• Over 17,500 guest surveys completed
		• Satisfactory ICS results from FY17 survey
			Slightly below target

	LEADERSHIP IN LOYALTY
	• To achieve a leadership position in Loyalty and thereby achieve growth in market share and earnings
	• Execution on Loyalty targets include:
	  o relaunch of program on an upgraded platform to offer improved program features and enhanced analytics capability
	  o focus on existing customer engagement levels to increase rated play and offer attainable mid-tier benefits and exemplary customer service, improving new member quality and acquisition metrics
	• Deliver the Group's new branding for The Star Gold Coast
		• Loyalty program relaunched per plan in November 2016
		• Relaunched loyalty program showing positive initial signs
		• Member perception improving month on month since relaunch in November 2016
		• Electronic gaming rated play in FY2017 continued to grow faster than unrated play across key metrics – turnover, actual and theoretical win across both Slots and MTGMs
		• New member acquisition showing initial signs of improving quality – increased visitation within first 4 weeks of signing up and higher average gaming spend per trip in 2H2017 on pcp
		• The Star Gold Coast rebranding completed as per plan
			On track

People	**EMPLOYEE ENGAGEMENT** • Focus on ensuring continuous improvements in employee engagement and diversity through identification and delivery of appropriate targeted action plans and initiatives • Support a culture of continuous learning through implementation of contemporary Learning Management System (***LMS***) and effective leadership behaviours and competencies	• Employee engagement action plans following FY16 Employee Opinion Survey (***EOS***) satisfactorily on track across all properties. • ICS completed with overall score within threshold • LMS implemented in Dec 2016 with more than 67,000 online compliance training modules completed • Multiple Diversity and Inclusion and HR awards and finalist nominations, including for Employer of Choice	On track
	SAFETY • Deliver a safe environment for guests and team members across the Group • Measure Work, Health & Safety (***WHS***) progress, including Total Reportable Injury Frequency Rate (***TRIFR***), Long Term Injury Frequency Rate (***LTIFR***) • Operationalise strategy and measures of progress, including implementation of robust WHS information technology platform and increased reporting	• Revised WHS strategy approved and implemented in FY17 • TRIFR scores improved on pcp and on decreasing for all properties except Gold Coast • LTIFR below expectations - remedial plans under review in conjunction with overall safety improvement plans • Phase 1 of Work Safety Management System implemented	On track

Governance, risk and stakeholder management	**RISK, COMPLIANCE & SUSTAINABILITY**
	• Foster a sound control and compliance environment underpinned by a strong governance framework, including:
	  o Effective implementation and monitoring of compliance with company policies and procedures
	  o Active monitoring of regulatory and other legislative compliance requirements
	• Deliver on the Sustainability Strategy and achieve resource consumption reduction
	• Maintain and develop key stakeholder relationships including with regulatory and law enforcement agencies, community organisations, shareholders, trade unions and other key business partners.
		• No material compliance or risk breaches
		• Casino licence review in Sydney completed with no material findings
		• The Group obtained the global leadership position of the Casino and Gaming Industry in the Dow Jones Sustainability Index and remains a member of the FTSE4Good Index
		• ESG Strategy on track
		• Progress made with QWB development and relations with broader stakeholder groups during development phase
		• Development approvals and submissions for expansion projects (including with joint venture partners) on track
		• Over $10m contributed to partnerships, community groups and charities
			Above target

3.5 Long Term Performance Plan

The LTPP is principally designed to reward Executives for their contributions towards achieving the Group's strategic priorities orientated around the achievement of sustainable shareholder value creation. Equity awards are granted annually and may vest after four years (subject to performance). Performance is measured at the test date against two criteria rTSR and EPS. The Board is presently reviewing the LTPP performance criteria in the context of its strategic priorities to ensure these are appropriate and effective in driving the execution of the strategy. Consultation with key stakeholders is an important part of this review.

For FY17, there were 17 participants in the plan (9 participants for FY16). Each of the Executives participates in the plan.

Table 3 sets out the key features of the LTPP, all of which are consistent with the prior year.

Table 3: Key design features of the LTPP

<table>
<tr><td>Purpose</td><td colspan="2">To reward Executives for execution of the Group's strategy and delivering long term sustainable shareholder value creation.</td></tr>
<tr><td>Type of equity award</td><td colspan="2">Performance Rights - when the performance rights vest, ordinary shares in The Star Entertainment Group are automatically registered in the participant's name and the participant will have voting and dividend rights corresponding to the rights of all other holders of ordinary shares. These ordinary shares are free of restrictions but are still subject to The Star Entertainment Group's Securities Trading Policy.</td></tr>
<tr><td>Determination of the number of rights</td><td colspan="2">The number of performance rights allocated to an Executive is based on the following calculation:

Target LTI ($) ÷ Moderated face value of a performance right = Number of performance rights allocated

Moderated face value reflects the face value of the share at the allocation date less the value of any dividends foregone by the award holder during the vesting period, i.e. Share price x Dividend Discount Factor. Details of annual grant values for Executives is set out in Table 7.</td></tr>
<tr><td rowspan="2">Vesting conditions (hurdles) and schedule</td><td>rTSR (50% of the award)

rTSR has been included to focus the Executives on the return received by shareholders (capital returns, dividends and share price movement) over the four year period relative to a peer group of companies.

<u>TSR peer group</u>: S&P ASX 100

Exclusions: property trusts, infrastructure groups, and mining companies, represented by the S&P Global Industry Classification Standards of Oil & Gas, Metals & Mining, Transportation Infrastructure and Real Estate.</td><td>EPS (50% of the award)

EPS has been included to drive line of sight between shareholder value creation and management's financial performance, against the Group's business plan. It measures growth in accounting-based earnings per ordinary share.

<u>FY17 EPS target</u>: EPS Growth to FY20

The EPS threshold and stretch target is set by the Board at the beginning of the performance period by reference to a Board approved long term plan.

The Star Entertainment Group will disclose the actual EPS target on a retrospective basis to ensure that the Group's competitive position is not undermined.</td></tr>
<tr><td><table>
<tr><th>The Star Entertainment Group's relative TSR ranking</th><th>Percentage of performance rights that will vest</th></tr>
<tr><td>Below 50th percentile</td><td>0%</td></tr>
<tr><td>At 50th percentile</td><td>50%</td></tr>
<tr><td>Above 50th and below 75th percentile</td><td>Pro-rata between 50% (at 50th percentile) and 100% (at 75th percentile)</td></tr>
<tr><td>At or above 75th percentile</td><td>100%</td></tr>
</table></td><td><table>
<tr><th>EPS performance outcome</th><th>Percentage of performance rights that will vest</th></tr>
<tr><td>Below threshold</td><td>0%</td></tr>
<tr><td>At threshold</td><td>50%</td></tr>
<tr><td>Between threshold and stretch</td><td>Pro-rata between threshold and target</td></tr>
<tr><td>At stretch</td><td>100%</td></tr>
</table></td></tr>
<tr><td>Test Date and Vesting date</td><td colspan="2">Performance rights are tested on the fourth anniversary of the grant and are not subject to retesting.</td></tr>
<tr><td>Cessation of employment, Change of Control and Clawback</td><td colspan="2">All unvested performance rights lapse immediately upon cessation of employment with The Star Entertainment Group. However, the Board has discretion in special circumstances to determine the number of performance rights retained and the terms applicable. Special circumstances include events such as retirement, redundancy, death and permanent disability. If a Change of Control Event occurs, or the Board determines in its absolute discretion that a Change of Control Event may occur, the Board will determine in its absolute discretion appropriate treatment regarding any Awards.

Unvested rights may be clawed back where there has been a material misrepresentation of the financial outcomes on which the award had been assessed and/or the Executive's actions have been found to be fraudulent, dishonest or in breach of the Group's Code of Conduct (e.g. misconduct).</td></tr>
</table>

3.6 Vesting under the LTPP

Since the Group's inception in 2011, there have been six grants made under the LTPP, with two grants tested and no vesting outcomes (refer Table 4).

Table 4: Details of performance rights issued to date

Detail	FY12 Grant	FY13 Grant	FY14 Grant	FY15 Grant	FY16 Grant	FY17 Grant
Grant date	20 Sep 2011	19 Sep 2012	1 Oct 2013	26 Sep 2014	21 Sep 2015	5 Oct 2016
Test date	20 Sep 2014	19 Sep 2016	1 Oct 2017	26 Sep 2018	21 Sep 2019	5 Oct 2020
Vesting hurdle(s)	TSR	TSR	TSR & EPS	TSR & EPS	TSR & EPS	TSR & EPS
Test result	0% vested	0% vested	N/A	N/A	N/A	N/A

During FY17, the FY13 grant was tested and did not vest as performance hurdles were not met.
The next test date will be in October 2017, for performance rights granted in FY14.

The FY13 Grant was the first grant with a four year performance period, resulting in a gap year in 2015. Prior to this, the vesting period was three years.

Performance rights relating to the FY13 grant were tested in September 2016. The TSR performance of the Group was 54.5% (excluding the value of franking credits), with a percentile ranking of 46.77. As this was below the 50th percentile required for vesting, no awards were realised under the LTPP for FY13.

The FY14 Grant, due to be tested on 1 October 2017, is the first award with an EPS performance hurdle that comprises 50% of the award outcome. The Group introduced the EPS measure in FY14 to better align the reward outcomes under the LTPP with the execution of the Group's strategic priorities. The outcomes will be reported in the FY18 Remuneration Report.

Table 5 outlines the performance of the Group and shareholder returns over the last six financial years.

Table 5: Statutory key performance indicators

Performance metric	FY12	FY13	FY14	FY15	FY16	FY17
Statutory NPAT	$42.2m	$83.5m	$106.3m	$169.3m	$194.4m	$264.4m
Basic EPS (statutory)	5.9c	10.1c	12.9c	20.5c	23.6c	32.0c
Full year dividend (fully franked, cents per share)	4.0c	6.0c	8.0c	11.0c	13.0c	16.0c
Share price at year end	$4.28	$3.06	$3.14	$4.36	$5.40	$5.05
Increase/(decrease) in share price	N/A	(29%)	+3%	+39%	+24%	(6%)

Table 6 summarises the unvested performance rights held by Executives as at 30 June 2017.

Table 6: Performance rights by grant held by Executives at 30 June 2017

Executive	FY14 Grant	FY15 Grant	FY16 Grant	FY17 Grant	Total performance rights held
Matt Bekier	196,850	352,112	253,456	548,204	1,350,622
Chad Barton	-	91,549	62,903	67,108	221,560
Greg Hawkins	-	169,014	110,599	117,958	397,571
Geoff Hogg	62,992	70,422	50,691	54,064	238,169
Total performance rights	**259,842**	**683,097**	**477,649**	**787,334**	**2,207,922**

The FY13 Grant was tested in September 2016 and as performance hurdles were not met and there is no retesting of hurdles, these rights lapsed.

4. Executive Contracts and Remuneration

Remuneration arrangements for Executives are formalised in employment contracts. Table 7 sets out details of Executive employment contracts, including remuneration.

Table 7: Executive Employment Contracts

Contract Details	Matt Bekier Managing Director and Chief Executive Officer		Chad Barton Chief Financial Officer		Greg Hawkins Managing Director, The Star Sydney		Geoff Hogg Managing Director, Queensland	
	FY17	FY16	**FY17**	FY16	**FY17**	FY16	**FY17**	FY16
Fixed remuneration	**$1,695,000**	$1,650,000	**$733,688**	$682,500	**$1,260,000**	$1,200,000	**$605,000**	$550,000
Superannuation	The Star Entertainment Group deducts superannuation from the Executives' fixed remuneration as per the Australian Tax Office Superannuation Guarantee Cap.							
Short-term incentive target	**$1,695,000**	$1,650,000	**$440,213**	$409,500	**$756,000**	$720,000	**$363,000**	$330,000
Long-term incentive (annual grant value)	**$2,900,000**	$1,100,000	**$355,000**	$273,000	**$624,000**	$480,000	**$286,000**	$220,000
Total Target Annual Reward	**$6,290,000**	**$4,400,000**	**$1,528,901**	**$1,365,000**	**$2,640,000**	**$2,400,000**	**$1,254,000**	**$1,100,000**
Non-monetary benefits	N/A		N/A		N/A		N/A	
Other benefits	N/A		N/A		N/A		N/A	
Notice by the Executive	12 months		6 months		9 months		6 months	
Notice by the Group	12 months		9 months		9 months		9 months	
Restraint [(i)]	12 months		Notice period or 6 months following the notice of termination by the Group for any reason.		12 months		12 months	
Non solicitation	12 months		12 months		12 months		12 months	
Contract duration	Open ended		Open ended		Open ended		Open ended	

(i) Exclusion from being engaged in any business or activity in Australia which competes with or is substantially similar to the business of The Star Entertainment Group.

5. Statutory Executive Remuneration

Table 8 sets out Executive remuneration as required by the Corporations Act and its regulations, including the relevant Australian Accounting Standard principles.

Table 8: Statutory Executive Remuneration

Executive	Financial year	Short-term			Long-term	Post-Employment	Charge for share based allocations		Total remuneration $	Performance related %
		Salary & fees (i) $	Bonus (ii) $	Non-monetary benefits (iii) $	Long service leave $	Superannuation (iv) $	Performance rights (v) $	Restricted shares (ii) $		
Matt Bekier	**2017**	**1,692,785**	**-**	**1,040**	**36,018**	**35,000**	**976,850**	**-**	**2,741,693**	**36%**
	2016	1,575,505	1,584,000	2,353	51,085	30,524	607,104	792,000	4,642,571	64%
Chad Barton	**2017**	**706,241**	**-**	**1,040**	**14,001**	**30,000**	**165,235**	-	**916,517**	**18%**
	2016	691,918	343,980	194	11,961	30,000	97,649	171,990	1,347,692	46%
Greg Hawkins	**2017**	**1,281,943**	**-**	**1,317**	**22,819**	**35,216**	**295,427**	-	**1,636,722**	**18%**
	2016	1,223,119	630,000	299,509	20,008	39,608	176,620	315,000	2,703,864	41%
Geoff Hogg	**2017**	**576,553**	**-**	**4,929**	**17,655**	**19,616**	**162,743**	**-**	**781,496**	**21%**
	2016	543,761	231,000	4,797	15,219	19,308	143,290	115,500	1,072,875	46%
TOTAL FY17		**4,257,522**	**-**	**8,326**	**90,493**	**119,832**	**1,600,255**	**-**	**6,076,428**	
TOTAL FY16		4,034,303	2,788,980	306,853	98,273	119,440	1,024,663	1,394,490	9,767,002	

(i) Comprises salary, salary sacrificed benefits (including motor vehicle novated leases) and annual leave expense.
(ii) Represents STPP award delivered as two-thirds cash award and one-third restricted shares. For accounting purposes, the charge relating to the grant of restricted shares is recognised as a share based payment expense in the income statement over the vesting period. The amounts recognised in share based payments expense in FY17 in respect of FY15 and FY16 STPP awards were: Matt Bekier $381,403, Chad Barton $93,206, Greg Hawkins $160,182 and Geoff Hogg $76,608.
(iii) Comprises car parking, accommodation, airfares, travel costs, relocation expenses, living away from home benefits and taxation services where applicable.
(iv) Comprises superannuation contributions per Superannuation Guarantee legislation and salary sacrificed superannuation.
(v) Represents the fair value of share based payments expensed by The Star Entertainment Group in relation to LTPP awards.

5. Statutory Executive Remuneration cont.

Table 9 summarises the Executives' remuneration for FY17 based on awards made and vested (or forfeited) during FY17.
These outcomes differ to the statutory remuneration disclosed in Table 8 that are based on Australian Accounting Standard principles.

Table 9: Remuneration outcomes for the year ended 30 June 2017 – Executives

Executive	Fixed pay Cash $	Short-term incentives		Long-term incentives vested during the year (ii) $	Total remuneration $	Long-term incentives lapsed during the year (iii) $
		Cash $	Shares(i) $			
Matt Bekier	1,695,000	-	-	-	1,695,000	(1,343,180)
Chad Barton	733,688	-	-	-	733,688	-
Greg Hawkins	1,260,000	-	-	-	1,260,000	-
Geoff Hogg	605,000	-	-	-	605,000	(376,090)
TOTAL FY17	**4,293,688**	**-**	**-**	**-**	**4,293,688**	**(1,719,270)**

(i) As the financial performance gateway under the STPP was not met for FY17, no incentives accrued to Executives under the STPP in FY17
(ii) No performance rights vested in FY17 as performance hurdles were not met.
(iii) No performance rights vested in FY17 as performance hurdles were not met. The amount shown is the realisable value of performance rights at lapse date.

6. NED Remuneration

Remuneration Policy

- NEDs receive a Board fee and a Committee fee for their participation as Chair or member of each Committee.
- NEDs do not receive any performance or incentive payments and are not eligible to participate in any of The Star Entertainment Group's reward programs. This policy aligns with the principle that NEDs act independently and impartially.
- Board fees are not paid to the Managing Director and Chief Executive Officer. Executives do not receive fees for directorships of any subsidiaries.

NED Fees

The aggregate fees payable to NEDs for their services as directors are limited to the maximum annual amount approved by shareholders, currently set at $2,500,000 including superannuation contributions.

There were small increases to Committee fees in FY17 to align with the increasing demands on Committee members and to maintain market competitiveness. Board and Committee fees effective from 1 July 2016 are shown in Table 10.

Table 10: Annual NED Fees (inclusive of superannuation)

	Board	Audit	Risk & Compliance	Remuneration	People, Culture & Social Responsibility	Investment & Capital Expenditure Review
Chair	$475,000	$35,000	$35,000	$35,000	$30,000	$30,000
Member	$160,000	$17,500	$17,500	$17,500	$15,000	$15,000

The Star Entertainment Group remunerates NEDs for the full month of fees irrespective of their commencement date. Observer fees are paid where the NED appointment is subject to regulatory approvals being obtained. Observer fees are equivalent to applicable Board and Committee fees.

A summary of the total remuneration received by each NED is set out in Table 11.

Table 11: NED Remuneration

NED	Financial year	Board and Committee Fees $	Superannuation (i) $	Total $
John O'Neill AO	**2017**	**439,168**	**35,832**	**475,000**
	2016	439,476	35,524	475,000
Gerard Bradley	**2017**	**225,384**	**19,616**	**245,000**
	2016	208,609	19,308	227,917
Greg Hayes	**2017**	**207,965**	**19,535**	**227,500**
	2016	203,139	18,944	222,083
Katie Lahey AM	**2017**	**205,580**	**19,420**	**225,000**
	2016	191,781	18,219	210,000
Sally Pitkin	**2017**	**207,983**	**19,517**	**227,500**
	2016	194,064	18,436	212,500
Richard Sheppard	**2017**	**205,562**	**19,438**	**225,000**
	2016	196,419	18,581	215,000
TOTAL FY17	**2017**	**1,491,642**	**133,358**	**1,625,000**
TOTAL FY16	2016	1,433,488	129,012	1,562,500

(i) Comprises superannuation contributions per Superannuation Guarantee legislation and salary sacrificed superannuation.

7. Other information

7.1. KMP shareholdings

To align the interests of the Board and Executives with the interests of shareholders generally, the Company introduced in FY16, a minimum shareholding policy for KMP. There is a separate Minimum Shareholding Policy that applies to other executives who report directly to the Managing Director and Chief Executive Officer.

Minimum Shareholding Policy for Executives

Executives are encouraged to progressively acquire shares over a five year period from the date of their appointment (for new Executives), or within five years from the date of commencement of the policy (for existing Executives).

The Managing Director and Chief Executive Officer is to hold a minimum number of shares which is of equal value to 150% of one year's base salary at the time of his unconditional appointment.

Other Executives are to hold a minimum number of shares which is of equal value to 100% of one year's base salary at the time of their unconditional appointment.

Direct and indirect holdings in shares or performance rights will each count towards the minimum shareholding target.

Minimum Shareholding Policy for NEDs

NEDs are encouraged to progressively acquire shares over a three year period from the date of commencement of their unconditional appointment (for within three years from the date of commencement of the policy (for existing directors). NEDs are to hold shares of equal value to their respective annual base fees applicable at the time of their unconditional appointment.

Direct and indirect holdings will both count towards the minimum shareholding target.

Tables 12 and 13 show the number of shares and performance rights held by NEDs and Executives respectively at the beginning and end of the financial year.

Table 12: Shares held by NEDs at 30 June 2017

NED	Balance at start of the year	Number acquired	Number divested	Balance at the end of the year
John O'Neill AO	**51,172**	3,176	-	**54,348**
Gerard Bradley	**25,000**	-	-	**25,000**
Greg Hayes	**10,000**	-	-	**10,000**
Katie Lahey AM	**27,080**	-	-	**27,080**
Sally Pitkin	**26,900**	19,000	-	**45,900**
Richard Sheppard	**50,000**	30,000	-	**80,000**
Total ordinary shares	**190,152**	**52,176**	**-**	**242,328**

Table 13: Shares and Performance Rights held by Executives at 30 June 2017

Executive	Holding	Balance at start of the year	Acquired or granted as compensation[i]	Disposed of, lapsed or transferred during the year [ii]	Balance at the end of the year
Matt Bekier	Performance Rights	**1,029,690**	548,204	(227,272)	**1,350,622**
	Ordinary Shares	**361,140**	148,633	-	**509,773**
	Restricted Shares	**146,733**	141,689	(148,633)	**139,789**
Chad Barton	Performance Rights	**154,452**	67,108	-	**221,560**
	Ordinary Shares	**-**	33,273	-	**33,273**
	Restricted Shares	**32,366**	30,775	(32,785)	**30,356**
Greg Hawkins	Performance Rights	**279,613**	117,958	-	**397,571**
	Ordinary Shares	**-**	48,868	-	**48,868**
	Restricted Shares	**47,536**	56,212	(48,151)	**55,597**
Geoff Hogg	Performance Rights	**247,741**	54,064	(63,636)	**238,169**
	Ordinary Shares	**62,081**	31,938	-	**94,019**
	Restricted Shares [iii]	**30,897**	20,993	(30,575)	**21,315**

Note: The closing balances of restricted shares are subject to a deferral period of one year that ends on 15 September 2017.
(i) Includes shares acquired under the Dividend Reinvestment Plan and transfers from restricted shares where the holding lock has been lifted
(ii) Restricted shares that are no longer subject to a holding lock are converted into ordinary shares
(iii) Includes 217 ordinary shares acquired through salary sacrifice under the General Employee Share Plan that are subject to a holding lock for three years from the acquisition date

7.2. Loans and other transactions with KMP

There have been no loans or other transactions with KMP during the year.

7.3. Variable Remuneration

Table 14 shows the variable remuneration of Executives under the STPP and LTPP during the period. Details of the number of performance rights granted, vested or lapsed during the period are also provided as required under the Corporations Act and its regulations, including the relevant Australian Accounting Standard principles.

Table 14: Variable Remuneration

		STPP				LTPP							
Executive	**Financial year**	**Cash award $**	**Restricted share grant $**	**As a % of total remuneration**	**STI not achieved as a % of target (i)**	**Number of performance rights granted**	**Fair value of performance rights granted $**	**Average Fair value per right at grant date $**	**Grant date**	**Test date**	**As a % of total remuneration (ii)**	**Number of performance rights vested**	**Number of performance rights lapsed (iii)**
Matt Bekier	**2017**	**-**	**-**	**0%**	**100%**	**548,204**	**2,338,091**	**4.27**	**5/10/2016**	**5/10/2020**	**36%**	**-**	**(227,272)**
	2016	1,584,000	792,000	51%	0%	253,456	893,433	3.53	21/09/2015	21/09/2019	13%	-	-
Chad Barton	**2017**	**-**	**-**	**0%**	**100%**	**67,108**	**286,217**	**4.27**	**5/10/2016**	**5/10/2020**	**18%**	**-**	
	2016	343,980	171,990	38%	0%	62,903	221,734	3.53	21/09/2015	21/09/2019	7%	-	-
Greg Hawkins	**2017**	**-**	**-**	**0%**	**100%**	**117,958**	**503,091**	**4.27**	**5/10/2016**	**5/10/2020**	**18%**	**-**	
	2016	630,000	315,000	35%	0%	110,599	389,862	3.53	21/09/2015	21/09/2019	7%	-	-
Geoff Hogg	**2017**	**-**	**-**	**0%**	**100%**	**54,064**	**230,584**	**4.27**	**5/10/2016**	**5/10/2020**	**21%**	**-**	**(63,636)**
	2016	231,000	115,500	32%	0%	50,691	178,687	3.53	21/09/2015	21/09/2019	13%	-	-
Total FY17		**-**	**-**			**787,334**	**3,357,983**						**(290,908)**
Total FY16		2,788,980	1,394,490			477,649	1,683,716					-	-

(i) Maximum opportunity available is 150% of the Executives' target incentive level.
(ii) Percentage calculation based on accounting LTI expense and total remuneration as reported in Table 8.
(iii) Performance rights granted in FY13 were tested in September 2016 and resulted in no vesting of performance rights. FY14 performance rights are due for testing in October 2017.

THE STAR ENTERTAINMENT GROUP LIMITED

The Star Entertainment Group Limited

A.C.N. 149 629 023

ASX Code: SGR

and its controlled entities

Financial Report

for the year ended 30 June 2017

Consolidated income statement

For the year ended 30 June 2017

	Note	2017 $m	2016 $m
Revenue	A2	**2,344.0**	2,268.1
Other income	A3	**1.1**	0.8
Government taxes and levies	A3	**(526.2)**	(504.6)
Commissions and fees		**(247.3)**	(313.7)
Employment costs	A3	**(609.1)**	(600.5)
Depreciation and amortisation	A4	**(164.5)**	(163.8)
Cost of sales	A3	**(85.7)**	(81.8)
Property costs		**(77.9)**	(77.8)
Advertising and promotions		**(91.5)**	(85.7)
Other expenses		**(120.5)**	(116.0)
Share of net loss of associate and joint venture entities accounted for using the equity method	D5	**(0.7)**	-
Earnings before interest and tax (EBIT)		**421.7**	325.0
Net finance costs	A5	**(41.7)**	(45.8)
Profit before income tax (PBT)		**380.0**	279.2
Income tax expense	F2	**(115.6)**	(84.8)
Net profit after tax (NPAT)		**264.4**	194.4
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss			
Change in fair value of cash flow hedges taken to equity, net of tax	F1	**(13.4)**	9.6
Total comprehensive income for the period		**251.0**	204.0
Earnings per share:			
Basic earnings per share	F3	**32.0 cents**	23.6 cents
Diluted earnings per share	F3	**31.9 cents**	23.6 cents
Fully franked dividend per share	A6	**16.0 cents**	13.0 cents

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

Consolidated balance sheet

For the year ended 30 June 2017

	Note	2017 $m	2016 $m
ASSETS			
Cash and cash equivalents	B1	**113.7**	159.0
Trade and other receivables	B2	**192.7**	130.3
Inventories		**11.9**	9.0
Derivative financial instruments	B3	**48.4**	14.5
Other assets	F4	**60.9**	38.5
Total current assets		**427.6**	351.3
Property, plant and equipment	B4	**2,360.5**	2,120.9
Intangible assets	B5	**1,851.8**	1,836.7
Derivative financial instruments	B3	**151.1**	242.0
Investment in associate and joint venture entities	D5	**212.4**	29.3
Other assets	F4	**11.9**	15.2
Total non current assets		**4,587.7**	4,244.1
TOTAL ASSETS		**5,015.3**	4,595.4
LIABILITIES			
Trade and other payables	F5	**324.5**	261.9
Interest bearing liabilities	B7	**130.0**	-
Income tax payable	F2	**28.8**	20.8
Provisions	F6	**66.5**	58.3
Derivative financial instruments	B3	**18.4**	17.8
Other liabilities	F7	**21.1**	20.9
Total current liabilities		**589.3**	379.7
Interest bearing liabilities	B7	**915.0**	813.5
Deferred tax liabilities	F2	**188.2**	181.9
Provisions	F6	**9.9**	14.6
Derivative financial instruments	B3	**37.3**	58.0
Total non current liabilities		**1,150.4**	1,068.0
TOTAL LIABILITIES		**1,739.7**	1,447.7
NET ASSETS		**3,275.6**	3,147.7
EQUITY			
Share capital	F8	**2,580.5**	2,580.5
Retained earnings		**702.3**	561.8
Reserves	F8	**(7.2)**	5.4
TOTAL EQUITY		**3,275.6**	3,147.7

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

Consolidated statement of cash flows

For the year ended 30 June 2017

	Note	2017 $m	2016 $m
Cash flows from operating activities			
Net cash receipts from customers (inclusive of GST)		**2,348.3**	2,287.6
Payments to suppliers and employees (inclusive of GST)		**(1,259.4)**	(1,307.7)
Payment of government levies, gaming taxes and GST		**(521.0)**	(502.5)
Interest received		**1.0**	1.3
Income taxes paid	F2	**(95.6)**	(100.8)
Net cash inflow from operating activities	F9	**473.3**	377.9
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		**(407.6)**	(292.5)
Payments for investment in associate and joint venture entities		**(183.9)**	(29.3)
Net cash (outflow) from investing activities		**(591.5)**	(321.8)
Cash flows from financing activities			
Proceeds from interest bearing liabilities	B7	**434.5**	160.0
Repayment of interest bearing liabilities	B7	**(185.0)**	(110.0)
Dividends paid	A6	**(123.9)**	(94.9)
Finance costs		**(52.7)**	(48.8)
Net cash inflow/(outflow) from financing activities		**72.9**	(93.7)
Net (decrease)/increase in cash and cash equivalents		**(45.3)**	(37.6)
Cash and cash equivalents at beginning of the year		**159.0**	196.6
Cash and cash equivalents at end of the year	B1	**113.7**	159.0

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

Consolidated statement of changes in equity

For the year ended 30 June 2017

	Note	Ordinary shares $m	Retained earnings $m	Hedging reserve $m	Share based payment reserve $m	Total $m
2017						
Balance at 1 July 2016		**2,580.5**	**561.8**	**(0.4)**	**5.8**	**3,147.7**
Profit for the year		**-**	**264.4**	**-**	**-**	**264.4**
Other comprehensive income	F1	**-**	**-**	**(13.4)**	**-**	**(13.4)**
Total comprehensive income		**-**	**264.4**	**(13.4)**	**-**	**251.0**
Dividends paid	A6	**-**	**(123.9)**	**-**	**-**	**(123.9)**
Employee share based payments	F10	**-**	**-**	**-**	**0.8**	**0.8**
Balance at 30 June 2017		**2,580.5**	**702.3**	**(13.8)**	**6.6**	**3,275.6**
2016						
Balance at 1 July 2015		2,580.5	462.3	(10.0)	2.6	3,035.4
Profit for the year		-	194.4	-	-	194.4
Other comprehensive income	F1	-	-	9.6	-	9.6
Total comprehensive income		-	194.4	9.6	-	204.0
Dividends paid	A6	-	(94.9)	-	-	(94.9)
Employee share based payments	F10	-	-	-	3.2	3.2
Balance at 30 June 2016		2,580.5	561.8	(0.4)	5.8	3,147.7

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

Notes to the financial statements

For the year ended 30 June 2017

Refer to the Operating and Financial Review (***OFR***) within the Directors' Report for details of the key transactions during the year.

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Notes to the financial statements

For the year ended 30 June 2017

A Key income statement disclosures

A1 Segment information

The Group's operating segments have been determined based on the internal management reporting structure and the nature of products and services provided by the Group. They reflect the business level at which financial information is provided to the executive decision makers, being the Managing Director and Chief Executive Officer and the Group Chief Financial Officer, for decision making regarding resource allocation and performance assessment.

The Group has three reportable segments:

Sydney Comprises The Star Sydney's casino operations, including hotels, apartment complex, restaurants and bars.

Gold Coast Comprises The Star Gold Coast's casino operations, including hotel, theatre, restaurants and bars.

Brisbane Comprises Treasury's casino operations, including hotel, restaurants and bars.

2017	Sydney $m	Gold Coast $m	Brisbane $m	Total $m
Gross revenues - VIP [a]	**547.9**	**66.3**	**25.4**	**639.6**
Gross revenues - domestic [a]	**1,137.9**	**331.3**	**323.4**	**1,792.6**
Segment revenue (refer to note A2)	**1,685.8**	**397.6**	**348.8**	**2,432.2**
Segment earnings before interest, tax and significant items	**300.9**	**58.1**	**76.2**	**435.2**
Depreciation and amortisation	**100.2**	**36.3**	**28.0**	**164.5**
Capital expenditure	**180.0**	**209.1**	**30.5**	**419.6**

2016	Sydney $m	Gold Coast $m	Brisbane $m	Total $m
Gross revenues - VIP [a]	555.1	39.9	1.3	596.3
Gross revenues - domestic [a]	1,101.7	321.1	338.6	1,761.4
Segment revenue (refer to note A2)	1,656.8	361.0	339.9	2,357.7
Segment earnings before interest, tax and significant items	200.7	49.1	75.2	325.0
Depreciation and amortisation	101.7	35.2	26.9	163.8
Capital expenditure	150.2	132.4	23.6	306.2

a Gross revenue is presented as the gross gaming win before player rebates and promotional allowances.

	2017 $m	2016 $m
Reconciliation of reportable segment profit to profit before income tax		
Segment earnings before interest, tax and significant items	**435.2**	325.0
Significant items (refer to note A7)	**(12.8)**	-
Unallocated items:		
- net finance costs (refer to note A5)	**(41.7)**	(45.8)
- share of net loss of associate and joint venture entities accounted for using the equity method	**(0.7)**	-
Profit before income tax (PBT)	**380.0**	279.2

Notes to the financial statements

For the year ended 30 June 2017

A2 Revenue

	2017 $m	2016 $m
Gaming	**2,184.2**	2,111.1
Non-gaming and other	**248.0**	246.6
Total gross revenue	**2,432.2**	2,357.7
Player rebates and promotional allowances	**(88.2)**	(89.6)
	2,344.0	2,268.1

Revenue is up $75.9m or 3.3% on the prior comparable period (pcp) driven by growth in domestic gaming and the high win rate in the International VIP Rebate business.

Revenue

Revenue is measured at the fair value of the consideration received or receivable from the sale of goods and services in the ordinary course of the Group's activities. Revenue is recognised to the extent that it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue and associated costs incurred can be reliably measured. Revenue comprises net gaming win less player rebates and promotional allowances, as well as other non-gaming revenue from the hotels, restaurants and bars.

Customer loyalty programs

The Group operates customer loyalty programs enabling customers to accumulate award credits for gaming and on-property spend. A portion of the spend, equal to the fair value of the award credits earned and reduced for expected breakage, is treated as deferred revenue (refer to note F7). Revenue from the award credits is recognised in the income statement when the award is redeemed or expires.

A3 Expenses

Profit before income tax is stated after charging the following expenses and significant items:

	2017 $m	2016 $m
Other income		
Net foreign exchange gain	**1.1**	0.8
Government taxes and levies (including gaming GST):		
New South Wales	**369.4**	350.0
Queensland	**156.8**	154.6
	526.2	504.6

Government taxes and levies is up $21.6m or 4.3% on the pcp in line with higher gaming revenues, as well as a higher average gaming tax rate in Sydney.

	2017 $m	2016 $m
Employment costs:		
Salaries, wages, bonuses and other benefits	**559.8**	551.9
Defined contribution plan expense (superannuation guarantee charges)	**45.5**	43.0
Share based payment expense (refer to note F10)	**3.8**	5.6
	609.1	600.5
Cost of inventories recognised as an expense during the year	**85.7**	81.8
Movement in provision for impairment of trade receivables (refer to note B2)	**18.7**	23.1
Operating lease charges	**13.0**	12.3
Significant items (refer to note A7)	**12.8**	-

Notes to the financial statements

For the year ended 30 June 2017

A4 Depreciation and amortisation

	2017 $m	2016 $m
Property, plant and equipment (refer to note B4)	**137.1**	135.6
Intangible assets (refer to note B5)	**26.2**	27.1
Other	**1.2**	1.1
	164.5	163.8

Depreciation is calculated using a straight line method. The useful lives over which the assets are depreciated are as follows (for further details of the useful lives of intangible assets refer to note B5):

Freehold and leasehold buildings	10 - 95 years
Leasehold improvements	4 - 75 years
Plant and equipment	5 - 20 years
Software	3 - 10 years
Licences	Until expiry

Operating equipment (which includes uniforms, casino chips, kitchen utensils, crockery, cutlery and linen) is recognised as a depreciation expense based on usage. The period of usage depends on the nature of the operating equipment and varies between 1 to 3 years.

The residual values and useful lives are reviewed annually, and adjusted if appropriate, at each financial reporting date.

A5 Net finance costs

	2017 $m	2016 $m
Interest paid on borrowings	**49.4**	44.6
Capitalised to property, plant and equipment[a]	**(10.0)**	(1.7)
Borrowing costs	**3.3**	4.2
Finance costs	**42.7**	47.1
Interest income	**(1.0)**	(1.3)
Net finance costs recognised in the income statement	**41.7**	45.8

a Borrowing costs of $10.0 million were capitalised during the year and are included in 'Additions' in note B4. The capitalisation rate was equal to the Group's weighted average cost of borrowings applicable to the Group's outstanding borrowings during the year.

Net finance costs of $41.7 million were down 9.0% on the pcp as a result of higher capitalised interest partially offset by an increase in average debt year on year.

Notes to the financial statements

For the year ended 30 June 2017

A6 Dividends

	2017 Cents per share	2016 Cents per share
Dividends per share		
Interim dividend	**7.5[b]**	5.5
Final dividend	**8.5[c]**	7.5[a]
Total dividend	**16.0**	13.0

A final dividend per share of 8.5 cents fully franked was declared, totalling 16.0 cents per share for the year, up 23.1% on the pcp and reflecting the improved performance and financial position of the Group.

	2017 $m	2016 $m
Dividends declared and paid during the year on ordinary shares		
Final dividend paid during the year in respect of the year ended 30 June 2016 [a]	**61.9**	49.5
Interim dividend paid during the year in respect of the half year ended 31 December 2016 [b]	**62.0**	45.4
	123.9	94.9

a A final dividend of 7.5 cents per share fully franked for the year ended 30 June 2016 (30 June 2015: 6 cents) was declared on 25 August 2016 and paid on 30 September 2016 (2015: declared on 11 August 2015 and paid on 16 September 2015).

b An interim dividend of 7.5 cents per share fully franked for the half year ended 31 December 2016 (31 December 2015: 5.5 cents) was declared on 15 February 2017 and paid on 22 March 2017 (2016: declared on 15 February 2016 and paid on 22 March 2016).

	2017 $m	2016 $m
Dividends declared after balance date		
Final dividend declared for the year ended 30 June 2017 [c]	**70.2**	61.9

c Since the end of the financial year, the Directors have declared a final dividend of 8.5 cents per ordinary share (2016: 7.5 cents), fully franked. The aggregate amount is expected to be paid on 26 September 2017 out of retained earnings at 30 June 2017, but not recognised as a liability at the end of the year.

	2017 $m	2016 $m
Franking credit balance		
Amount of franking credits available to shareholders	**121.7**	79.2

A7 Significant items

Earnings before interest and tax (EBIT) is stated after charging the following significant items:

Costs associated with the International VIP Rebate business [a]	**12.8**	-
Net significant items	**12.8**	-

a Costs relating to the unutilised aircraft, including unavoidable lease payments, maintenance and other costs.

Significant items are determined by management based on their nature and size. They are items of income or expense which are, either individually or in aggregate, material to the Group or to the relevant business segment and:

- not in the ordinary course of business (for example, the cost of significant reorganisations or restructuring); or
- part of the ordinary activities of the business but unusual due to their size and nature (for example, impairment of assets).

Notes to the financial statements

For the year ended 30 June 2017

B Key balance sheet disclosures
Assets

B1 Cash and cash equivalents

	2017 $m	2016 $m
Cash on hand and in banks	**107.7**	103.4
Short term deposits, maturing within 30 days	**6.0**	55.6
	113.7	159.0

B2 Trade and other receivables

	2017 $m	2016 $m
Trade receivables [a]	**176.6**	123.2
Less provision for impairment	**(14.0)**	(12.8)
Net trade receivables	**162.6**	110.4
Other receivables	**30.1**	19.9
	192.7	130.3

a Includes patron cheques not deposited of $123.2 million (2016: $69.6 million).

Past due not impaired receivables of $33.3 million are consistent with the pcp.

(i) Provision for impairment reconciliation

	2017 $m	2016 $m
Balance at beginning of year	**(12.8)**	(9.4)
Provision for impairment recognised during the year [b]	**(18.7)**	(23.1)
Less amounts written off as uncollectible	**17.5**	19.7
Balance at end of year	**(14.0)**	(12.8)

b These amounts are included in other expenses in the income statement (refer to note A3).

Trade receivables are non-interest bearing and are generally on 30 day terms.

(ii) Ageing of trade and other receivables

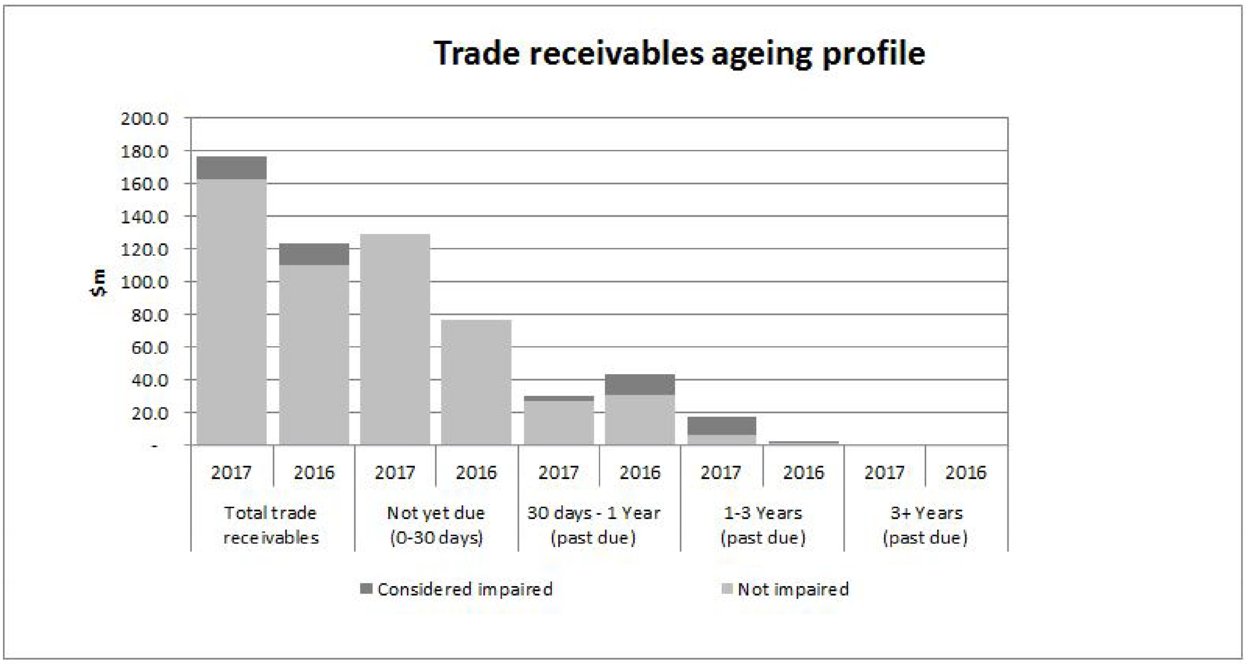
Trade receivables	0 - 30 days $m	30 days - 1 year $m	1 - 3 years $m	3 years + $m	Total $m
2017					
Not yet due	**129.3**	**-**	**-**	**-**	**129.3**
Past due not impaired	**-**	**27.1**	**6.2**	**-**	**33.3**
Considered impaired	**-**	**2.8**	**11.2**	**-**	**14.0**
	129.3	**29.9**	**17.4**	**-**	**176.6**
2016					
Not yet due	77.2	-	-	-	77.2
Past due not impaired	-	31.5	1.7	-	33.2
Considered impaired	-	11.5	1.3	-	12.8
	77.2	43.0	3.0	-	123.2

Notes to the financial statements

For the year ended 30 June 2017

Other receivables
Other receivables are not past due or considered impaired. It is expected that these balances will be received as they fall due.

The chart below compares the ageing of trade receivables and amounts considered impaired as at 30 June 2017 and 30 June 2016 respectively.



Provision for impairment of trade receivables
The Group recognises a provision for impairment of trade receivables when there is objective evidence that an individual trade debt is impaired. Factors considered when determining if an impairment exists include the age of the debt, management's experienced judgement, and other specific facts related to the debt.

Notes to the financial statements

For the year ended 30 June 2017

B3 Derivative financial instruments

	2017 $m	2016 $m
Current assets		
Cross currency swaps	**47.0**	12.6
Forward currency contracts	**1.4**	1.9
	48.4	14.5
Non current assets		
Cross currency swaps	**150.0**	239.8
Forward currency contracts	**0.2**	2.2
Interest rate swaps	**0.9**	-
	151.1	242.0
Current liabilities		
Interest rate swaps	**18.4**	17.8
	18.4	17.8
Non current liabilities		
Interest rate swaps	**37.3**	58.0
	37.3	58.0
Net financial assets	**143.8**	180.7

Net derivative assets down $36.9 million due to a decrease in the value of the cross currency swap used to hedge the USPP loan as a result of an appreciation in the AUD vs USD exchange rate.

Valuation of derivatives and other financial instruments

The valuation of derivatives and financial instruments is based on market conditions at the balance sheet date. The value of the instrument fluctuates on a daily basis and the actual amounts realised may differ materially from their value at the balance sheet date.

Refer to note E2 for additional financial instruments disclosure.

Notes to the financial statements

For the year ended 30 June 2017

B4 Property, plant and equipment

	Note	Freehold land $m	Freehold and leasehold buildings $m	Leasehold improvements $m	Plant and equipment $m	Total $m
2017						
Cost						
Opening balance at beginning of the year		**81.5**	**1,794.7**	**279.7**	**922.8**	**3,078.7**
Additions		**-**	**267.8**	**6.8**	**102.5**	**377.1**
Disposals		**-**	**(9.3)**	**(0.3)**	**(30.5)**	**(40.1)**
Reclassification / transfer [a]		**-**	**(5.3)**	**(0.1)**	**6.9**	**1.5**
Closing balance at end of the year [b]		**81.5**	**2,047.9**	**286.1**	**1,001.7**	**3,417.2**
Accumulated depreciation						
Opening balance at beginning of the year		**-**	**306.7**	**88.6**	**562.5**	**957.8**
Depreciation expense	A4	**-**	**43.6**	**10.4**	**83.1**	**137.1**
Disposals		**-**	**(8.7)**	**(0.3)**	**(29.2)**	**(38.2)**
Closing balance at end of the year		**-**	**341.6**	**98.7**	**616.4**	**1,056.7**
Carrying Amount						
Opening balance at beginning of the year		**81.5**	**1,488.0**	**191.1**	**360.3**	**2,120.9**
Closing balance at end of the year		**81.5**	**1,706.3**	**187.4**	**385.3**	**2,360.5**
2016						
Cost						
Opening balance at beginning of the year		81.5	1,622.6	275.1	845.2	2,824.4
Additions		-	189.6	5.9	85.5	281.0
Disposals		-	(6.3)	-	(21.8)	(28.1)
Reclassification / transfer		-	(11.2)	(1.3)	13.9	1.4
Closing balance at end of the year		81.5	1,794.7	279.7	922.8	3,078.7
Accumulated depreciation						
Opening balance at beginning of the year		-	264.5	79.2	506.5	850.2
Depreciation expense	A4	-	48.5	9.4	77.7	135.6
Disposals		-	(6.3)	-	(21.7)	(28.0)
Closing balance at end of the year		-	306.7	88.6	562.5	957.8
Carrying Amount						
Opening balance at beginning of the year		81.5	1,358.1	195.9	338.7	1,974.2
Closing balance at end of the year		81.5	1,488.0	191.1	360.3	2,120.9

a Includes reclassifications of $1.5 million (2016: $1.4 million) from intangibles to plant and equipment (refer to note B5).

	2017 $m	2016 $m
b Includes capital works in progress of:		
Buildings - at cost	**33.0**	117.3
Leasehold improvements - at cost	**3.8**	1.5
Plant and equipment - at cost	**47.8**	40.7
Total capital works in progress	**84.6**	159.5

Additions of $377.1 million, up 34.2% on the pcp consisting predominantly of redevelopment works in the Gold Coast and Sydney properties. For details on capital activities refer to section 2.6 of the Directors' Report.

Notes to the financial statements

For the year ended 30 June 2017

Property, plant and equipment is comprised of the following assets:
- Freehold land - Gold Coast property;
- Freehold and leasehold buildings - Brisbane, Gold Coast and Sydney properties;
- Leasehold improvements - Brisbane property; and
- Plant and equipment - operational and other equipment.

Asset useful lives and residual values
For the accounting policy on depreciation and useful lives of property, plant and equipment refer to note A4.

Capital works in progress
Major ongoing projects include the refurbishment at the Sydney property and the expansion and refurbishment of the Gold Coast property. Minor refurbishment is also being undertaken at the Brisbane property.

Impairment
Refer to note B6 for details of the accounting policy and key assumptions included in the impairment calculation.

B5 Intangible assets

	Note	Goodwill $m	Sydney and Brisbane casino licences $m	Sydney casino concessions $m	Software [a] $m	Other $m	Total $m
2017							
Cost							
Opening balance at beginning of the year		**1,442.2**	**294.7**	**100.0**	**162.4**	**27.2**	**2,026.5**
Additions [a]		**-**	**-**	**-**	**42.5**	**-**	**42.5**
Disposals		**-**	**-**	**-**	**(7.7)**	**-**	**(7.7)**
Reclassification / transfer [b]		**-**	**-**	**-**	**(1.5)**	**-**	**(1.5)**
Closing balance at end of the year		**1,442.2**	**294.7**	**100.0**	**195.7**	**27.2**	**2,059.8**
Accumulated amortisation							
Opening balance at beginning of the year		**-**	**62.9**	**20.2**	**99.5**	**7.2**	**189.8**
Amortisation expense	A4	**-**	**3.2**	**2.9**	**17.1**	**3.0**	**26.2**
Disposals		**-**	**-**	**-**	**(8.0)**	**-**	**(8.0)**
Closing balance at end of the year		**-**	**66.1**	**23.1**	**108.6**	**10.2**	**208.0**
Carrying Amount							
Opening balance at beginning of the year		**1,442.2**	**231.8**	**79.8**	**62.9**	**20.0**	**1,836.7**
Closing balance at end of the year		**1,442.2**	**228.6**	**76.9**	**87.1**	**17.0**	**1,851.8**
2016							
Cost							
Opening balance at beginning of the year		1,442.2	294.7	100.0	139.4	27.2	2,003.5
Additions		-	-	-	25.2	-	25.2
Disposals		-	-	-	(0.8)	-	(0.8)
Reclassification / transfer		-	-	-	(1.4)	-	(1.4)
Closing balance at end of the year		1,442.2	294.7	100.0	162.4	27.2	2,026.5
Accumulated amortisation							
Opening balance at beginning of the year		-	59.7	17.4	82.2	4.2	163.5
Amortisation expense	A4	-	3.2	2.8	18.1	3.0	27.1
Disposals		-	-	-	(0.8)	-	(0.8)
Closing balance at end of the year		-	62.9	20.2	99.5	7.2	189.8
Carrying Amount							
Opening balance at beginning of the year		1,442.2	235.0	82.6	57.2	23.0	1,840.0
Closing balance at end of the year		1,442.2	231.8	79.8	62.9	20.0	1,836.7

a Includes capital works in progress of $24.5 million (2016: $18.1 million).
b Includes reclassifications of $1.5 million (2016: $1.4 million) to property, plant and equipment (refer to note B4).

Intangible asset additions relate predominantly to software as the Group progresses its strategic priority to maximise value from technology, including further enhancing gaming and loyalty experience and delivering integrated and new IT platforms.

Asset useful lives and residual values
Intangible assets are amortised using the straight line method as follows:

- The Sydney casino licence is amortised from its date of issue until expiry in 2093.
- The Brisbane casino licence is amortised over the remaining life of the lease to which the licence is linked, which expires in 2070. The Group will continue to amortise the casino licence over its current term up until it is surrendered, following the opening of the integrated resort at Queen's Wharf Brisbane (***QWB***) which is expected in 2022.
- The Sydney casino concessions granted by the New South Wales government include effective casino exclusivity and product concessions in New South Wales which are amortised over the period of expected benefits, which is until 2019 and 2093 respectively.
- Software is amortised over useful lives of 3 to 10 years.
- Other assets include the contribution to the construction costs of the state government owned Gold Coast Convention and Exhibition Centre. The Group's Gold Coast casino is deriving future benefits from the contribution, which is being amortised over a period of 50 years.

Goodwill and impairment testing
Goodwill is assessed for impairment on an annual basis and is carried at cost less accumulated impairment losses. Refer to note B6 for the accounting policy on asset impairment and details of key assumptions included in the impairment testing calculation.

B6 Impairment testing and goodwill

Goodwill acquired through business combinations has been allocated to the applicable cash generating unit for impairment testing. Each cash generating unit represents a business operation of the Group.

Carrying amount of goodwill allocated to each cash generating unit

Cash generating unit (Reportable segment)	Sydney $m	Gold Coast $m	Brisbane $m	Total carrying amount $m
2017	1,013.5	165.5	263.2	1,442.2
2016	1,013.5	165.5	263.2	1,442.2

The recoverable amount of each of the three cash generating units at year end (Sydney, Gold Coast and Brisbane) is determined based on 'fair value less costs of disposal', which is calculated using the discounted cash flow approach. This approach utilises cash flow forecasts that represent a market participant's view of the future cash flows that would arise from operating and developing the Group's assets. These cash flows are principally based upon Board approved business plans for a five-year period, together with longer term projections and approved capital investment plans, extrapolated using an implied terminal growth rate of 2.5% (2016: 2.5%). These cash flows are then discounted using a relevant long term post-tax discount rate specific to each cash generating unit, ranging between 8.9% to 9.7% (2016: 9.0% to 9.5%). The pre-tax discount rates range between 12.7% to 13.8% (2016: 12.9% to 13.6%).

No impairment was recognised in any of the cash generating units at 30 June 2017 (2016: nil). The performance of the Group was driven by growth in the domestic gaming business (+1.7%) and a high win rate in the International VIP Rebate Business (IRB) with revenue up 7.3%.

Key assumptions
The fair value measurement is valued using level 3 valuation techniques (refer to note E2(vi) for details of the levels). The key assumptions on which management based its cash flow projections when determining 'fair value less costs of disposal' are as follows:

i. Cash flow forecasts
The cash flow forecasts are based upon Board approved business plans for a five-year period, together with longer term projections and approved capital investment plans for each cash generating unit.

ii. Terminal value
The terminal growth rate used is in line with the forecast long term underlying growth rate in the Consumer Price Index (***CPI***).

iii. Discount rates
Discount rates applied are based on the post tax weighted average cost of capital applicable to the relevant cash generating unit.

iv. Regulatory changes
Queensland
Upon opening of the integrated resort in 2022, the existing Brisbane casino will cease to operate and the Group will act as the operator of the QWB casino.

The Group currently holds a perpetual casino licence in Queensland that is attached to the lease of the current Brisbane site that expires in 2070. Upon opening of the integrated resort, the Group's casino licence will be surrendered and Destination Brisbane Consortium (***DBC***) will be granted a casino licence for 99 years including an exclusivity period of 25 years.

The Group will surrender the Brisbane casino licence in exchange for the right to operate the new QWB casino.

New South Wales
On 8 July 2014, Liquor and Gaming NSW issued a restricted gaming licence to Crown Resorts Limited (***Crown***) to operate a restricted gaming facility at Barangaroo South, Crown Sydney Hotel Resort (***Crown Sydney***) from November 2019 onwards. On 28 June 2016, Crown announced that conditional planning approval had been received from the NSW Planning Assessment Commission, and that Crown is expecting to complete construction and open Crown Sydney in 2021. The expected impact of Crown Sydney has been taken into consideration in determining the recoverable amount of Sydney's cash generating unit at 30 June 2017. As further details of the final scope and timing of the proposed gaming facility become known, management will continue to consider the impact that this may have on the cash generating unit's carrying value.

v. Sensitivities
The key estimates and assumptions used to determine the 'fair value less costs of disposal' of a cash generating unit are based on management's current expectations after considering past experience, future investment plans and external information. They are considered to be reasonably achievable, however, significant changes in any of these key estimates, assumptions or regulatory environments may result in a cash generating unit's carrying value exceeding its recoverable value, requiring an impairment charge to be recognised.

For the Gold Coast, management considers that a 3.6 percentage point decline (2016: 4.0 percentage point decline) in the compound average growth rate is a reasonable possible change that could give rise to an impairment.

For the Sydney property, the impact of Crown Sydney on the projected earnings and cash generating unit's carrying value has been assessed, taking into consideration the expected increase in competition as well as the expected increase in market size. A reasonably possible change in any of the assumptions used does not result in an impairment charge at 30 June 2017, however management will continue to monitor the assumptions with regards to the expected impact of Crown Sydney on Sydney's carrying value.

Impairment of assets
Goodwill and indefinite life intangible assets are tested for impairment at least annually. Property, plant and equipment, other intangible assets and other financial assets are considered for impairment if there is a reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of a larger economic entity, the viability of the unit itself.

Liabilities

B7 Interest bearing liabilities

	2017 $m	2016 $m
Current		
Private placement - US dollar (ii)	**130.0**	-
	130.0	-
Non current		
Bank loans - unsecured (net of unamortised borrowing costs) (i)	**446.9**	196.2
Private placement - US dollar (ii)	**468.1**	617.3
	915.0	813.5

The Group has undrawn bank facilities of $200.5 million at year end and an average drawn debt maturity of 2.3 years.

Net debt was $787.5 million, up 66.2% on the pcp with gearing levels increased to 1.3x at 30 June 2017 compared to 1.0x at 30 June 2016.

Refer also to note C3 Subsequent events.

Refer to note F8 (iii) for Capital management disclosures and the calculation of the gearing ratio.

(i) Bank loans - unsecured (net of unamortised borrowing costs)

Syndicated revolving facility

The Group has drawn down $250.0 million of the syndicated revolving facility (SFA) and $49.5 million of the syndicated revolving facility (SFB).

2017 Type	Facility amount $m	Unutilised at 30 June $m	Maturity date
Syndicated revolving facility - tranche A	250.0	-	July 2018
Syndicated revolving facility - tranche B	250.0	200.5	July 2019
	500.0	200.5	

2016 Type	Facility amount $m	Unutilised at 30 June $m	Maturity date
Syndicated revolving facility - tranche A	250.0	200.0	July 2018
Syndicated revolving facility - tranche B	250.0	250.0	July 2019
	500.0	450.0	

Interest is variable, linked to BBSY (Bank Bill Swap Bid Rate), plus a margin tiered against the reported gearing ratio at the end of certain test dates.

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For the year ended 30 June 2017

Working capital facility

On 31 May 2017, the Group rolled over its working capital facility. This working capital facility has been executed on the same terms and conditions as the existing syndicated revolving facility agreement.

2017/2016 Type	Facility amount $m	Unutilised at 30 June $m	Maturity date
Working capital facility	150.0	-	January 2019
Working capital facility	150.0	-	January 2018

Interest is variable, linked to BBSY, plus a margin tiered against the reported gearing ratio at the end of certain test dates.

(ii) US Private Placement (USPP)

The Group's USPP borrowings have not changed during the year, and are summarised below.

2017/2016

Type	$m USD	$m (AUD)*	Maturity date
Series A	100.0	94.0	June 2018
Series B	360.0	336.0	June 2021
	460.0	430.0	

** The $430.0 million USPP borrowings are stated in the table above at the AUD amount repayable under cross currency swaps at maturity. Interest is variable, linked to BBSW (Bank Bill Swap Rate), and a defined gearing ratio at the end of certain test dates. The $460.0 million USD translates to $598.1m AUD at 30 June 2017 of which $130.0 million is disclosed as a current interest bearing liability.*

All of the above borrowings are subject to financial undertakings as to gearing and interest cover.

Fair value disclosures

Details of the fair value of the Group's interest bearing liabilities are set out in note E2.

Financial Risk Management

As a result of USPP borrowings, the Group is exposed to the foreign currency risk through the movements in USD/AUD exchange rate. The Group has entered into cross currency swaps in order to hedge this exposure. As at 30 June 2017, 100% of the USPP borrowings balance of US$460.0 million is hedged.

The Group is also exposed to the interest rate risk as a result of bank loans and USPP borrowings. To hedge against this risk, the Group has entered into interest rate swaps. As at 30 June 2017, out of the total interest bearing liabilities, 60.3% (2016: 68.3%) has been hedged against the interest rate risk. Further details about the Group's exposure to interest rate and foreign currency movements are provided in notes E1 and E2.

Notes to the financial statements

For the year ended 30 June 2017

C Commitments, contingencies and subsequent events

C1 Commitments

(i) Operating lease commitments [a]

	2017 $m	2016 $m
Not later than one year	**14.3**	13.6
Later than one year but not later than five years	**11.4**	19.9
Later than five years	**79.1**	80.6
	104.8	114.1

a The Group leases property (including Sydney and Brisbane property leases) under operating leases expiring between 1 to 76 years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the CPI or are subject to market rate review. Operating lease commitments also include commitments in relation to the leasing of aircraft.

(ii) Other commitments [b]

	2017 $m	2016 $m
Not later than one year	**197.5**	238.2
Later than one year but not later than five years	**4.2**	40.7
Later than five years	**-**	-
	201.7	278.9

b Other commitments as at 30 June 2017 mainly include capital construction and related costs in connection with the Gold Coast refurbishment and redevelopment in Sydney.

The Group will invest approximately $1 billion into Destination Brisbane Consortium to fund the construction of the Integrated Resort (expected to open in 2022).

Commitments include operating lease commitments for the Sydney and Brisbane properties, as well as capital commitments in relation to the redevelopment of the Gold Coast and Sydney, both of which are well underway. Refer to note D5 for commitments in respect of investment in associate and joint venture entities.

C2 Contingent liabilities

Legal challenges

There are outstanding legal actions between the Company and its controlled entities and third parties as at 30 June 2017. The Group has notified its insurance carrier of all relevant litigation and believes that any damages (other than exemplary damages) that may be awarded against the Group, in addition to its costs incurred in connection with the action, will be covered by its insurance policies where such policies are in place. Where there are no policies in place, provisions are made for known obligations where the existence of a liability is probable and can be reasonably quantified. As the outcomes of these actions remain uncertain, contingent liabilities exist for possible amounts eventually payable that are in excess of the amounts covered for by the insurance policies in place or of the amounts provided for.

Financial guarantees

Refer to note E1 for details of financial guarantees provided by the Group at the reporting date.

C3 Subsequent events

On 23 August 2017, the Group completed a tender and reissue offer in relation to 73% of the Group's US Private Placement (***USPP***) borrowings. This was undertaken to extend the Group's tenor on average drawn debt maturity by 3 years to 5.2 years, reduce finance costs on a like for like basis and lower refinancing requirements for the Group. The Group estimates that its average blended cost of debt on all USPP notes following the new issue will be approximately 5% (down from over 9% on previous notes). The transaction is expected to result in a one-off loss in the range of $30-$34 million (after tax) relating to the crystallisation of an existing obligation for the related out of the money interest rate swaps and other costs. This one-off loss will be recognised as a significant item in the FY2018 Financial Report. Further detail can be found in the ASX Announcement - *The Star announces placement of long-term notes* (dated 23 August 2017).

Other than those events disclosed in the Directors' Report or elsewhere in these financial statements, there have been no other significant events occurring after the balance sheet date and up to the date of this report, which may materially affect either the Group's operations or results of those operations or the Group's state of affairs.

D Group structure

D1 Related party disclosure

(i) Parent entity

The ultimate parent entity within the Group is The Star Entertainment Group Limited.

(ii) Investments in controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in note G. The financial years of all controlled entities are the same as that of the Company (unless stated otherwise below).

Name of controlled entity	Note	Country of incorporation	Equity type	Equity interest at 30 June 2017 %	Equity interest at 30 June 2016 %
Parent entity					
The Star Entertainment Group Limited		Australia	ordinary shares		
Controlled entities					
The Star Entertainment Sydney Holdings Limited	a b	Australia	ordinary shares	**100.0**	100.0
The Star Pty Limited	a b	Australia	ordinary shares	**100.0**	100.0
The Star Entertainment Pty Ltd	a	Australia	ordinary shares	**100.0**	100.0
The Star Entertainment Sydney Properties Pty Ltd	a b g	Australia	ordinary shares	**100.0**	100.0
The Star Entertainment Sydney Apartments Pty Ltd	a g	Australia	ordinary shares	**100.0**	100.0
Star City Investments Pty Limited	a	Australia	ordinary shares	**100.0**	100.0
Star City Share Plan Company Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment QLD Limited	h	Australia	ordinary shares	**100.0**	100.0
The Star Entertainment QLD Custodian Pty Ltd	h	Australia	ordinary shares	**100.0**	100.0
The Star Entertainment Gold Coast Trust	i	Australia	units	**100.0**	100.0
The Star Entertainment International No.1 Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment International No.2 Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment (Macau) Limited	e	Macau	ordinary shares	**100.0**	100.0
The Star Entertainment International No.3 Pty Ltd		Australia	ordinary shares	**100.0**	100.0
EEI Services (Hong Kong) Holdings Limited	f	Hong Kong	ordinary shares	**100.0**	100.0
Echo Entertainment (Shanghai) Trading Co. Ltd	c	China	ordinary shares	**0.0**	100.0
EEI Services (Hong Kong) Limited		Hong Kong	ordinary shares	**100.0**	100.0
EEI C&C Services Pte Ltd		Singapore	ordinary shares	**100.0**	100.0
The Star Entertainment RTO Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment Finance Limited		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment International Pty Ltd	g	Australia	ordinary shares	**100.0**	100.0
The Star Entertainment Technology Services Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment Training Company Pty Ltd		Australia	ordinary shares	**100.0**	100.0
PPIT Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment International No.4 Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment Online Holdings Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment Online Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment Brisbane Holdings Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment Brisbane Operations Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment DBC Holdings Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Brisbane Car Park Holdings Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment Gold Coast Holdings Pty Ltd	d	Australia	ordinary shares	**100.0**	0.0
The Star Entertainment GC Investments Pty Ltd	d	Australia	ordinary shares	**100.0**	0.0
The Star Entertainment GC Investments No.1 Pty Ltd	d	Australia	ordinary shares	**100.0**	0.0
The Star Entertainment International No.5 Pty Ltd	j	Australia	ordinary shares	**100.0**	0.0

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a These companies entered into a deed of cross guarantee with The Star Entertainment Sydney Holdings Limited on 31 May 2011, and as such are members of the closed group as defined in Australian Securities and Investments Commission Instrument 2016/785 (refer to note D3)

b These companies have provided a charge over their assets and undertakings as explained in note E1

c Deregistered on 24 August 2016

d Incorporated on 18 October 2016

e The following entity changed its company name on 18 October 2016:
- The Star Entertainment (Macau) Limited was previously known as Jupiters Resorts (Macau) Limited

f The following entity changed its company name on 3 November 2016:
- EEI Services (Hong Kong) Holdings Limited was previously known as Echo Entertainment International (Hong Kong) Limited

g The following entities changed their company name on 2 February 2017:
- The Star Entertainment International Pty Ltd was previously known as Destination Brisbane Pty Ltd
- The Star Entertainment Sydney Apartments Pty Ltd was previously known as Sydney Harbour Apartments Pty Limited
- The Star Entertainment Sydney Properties Pty Ltd was previously known as Sydney Harbour Casino Properties Pty Limited

h The following entities changed their company name on 3 February 2017:
- The Star Entertainment QLD Limited was previously known as Jupiters Limited
- The Star Entertainment QLD Custodian Pty Ltd was previously known as Jupiters Custodian Pty Ltd

i The following entity changed its name on 24 May 2017:
- The Star Entertainment Gold Coast Trust was previously known as Jupiters Trust

j Incorporated on 15 June 2017

(iii) Transactions with controlled entities
The Star Entertainment Group Limited

During the period, the Company entered into the following transactions with controlled entities:
- loans of $128.4 million were advanced by controlled entities (2016: the Company advanced loans of $32.9 million); and
- income tax and GST paid on behalf of controlled entities was $230.6 million (2016: $225.2 million).

The amount receivable by the Company from controlled entities at year end is $279.7 million (2016: $151.3 million). All the transactions were undertaken on normal commercial terms and conditions.

(iv) Transactions with other related parties
Other transactions

During the period, in addition to equity contributions (refer to note D5), the Group entered into the following transactions with related parties:
- Amount recharged to Destination Brisbane Consortium Integrated Resort Holdings Pty Ltd was $0.2 million (2016: $0.9 million); and
- Amount paid to Destination Brisbane Consortium Integrated Resort Holdings Pty Ltd was $1.5 million (2016: nil) relating to capital works.

Notes to the financial statements

For the year ended 30 June 2017

D2 Parent entity disclosures

The Star Entertainment Group Limited, the parent entity of the Group, was incorporated on 2 March 2011.

	2017 $m	2016 $m
Result of the parent entity		
Profit for the year	**244.8**	142.3
Total comprehensive income for the year [a]	**244.8**	142.3

a Since the end of the financial year, the Company has declared a final dividend of 8.5 cents per ordinary share (2016: 7.5 cents), which is expected to be paid on 26 September 2017 out of retained earnings at 30 June 2017 to its shareholders (refer to note A6).

	2017 $m	2016 $m
Financial position of the parent entity		
Current assets	**1,310.0**	1,181.3
Non current assets	**2,589.5**	2,589.4
Total assets	**3,899.5**	3,770.7
Current liabilities	**43.5**	36.9
Non current liabilities	**1,031.5**	1,031.2
Total liabilities	**1,075.0**	1,068.1
Net assets	**2,824.5**	2,702.6
Total equity of the parent entity		
Issued capital	**2,580.5**	2,580.5
Retained earnings	**237.2**	116.3
Shared based payments benefits reserve	**6.8**	5.8
Total equity	**2,824.5**	2,702.6

Contingent liabilities

There were no contingent liabilities for the parent entity at 30 June 2017 (2016: nil).

Capital expenditure

The parent entity does not have any capital expenditure commitments for the acquisition of property, plant and equipment contracted but not provided for at 30 June 2017 (2016: nil).

Guarantees

The Star Entertainment Group Limited has guaranteed the liabilities of The Star Entertainment Finance Limited and The Star Entertainment International No.3 Pty Ltd. As at 30 June 2017, the carrying amount included in current liabilities at 30 June 2017 was nil (2016: nil), and the maximum amount of these guarantees was $117.7 million (2016: $117.3 million) (refer to note E1). The Company has also undertaken to support its controlled entities when necessary to enable them to pay their debts as and when they fall due.

Accounting policy for investments in controlled entities

All investments are initially recognised at cost, being the fair value of the consideration given. Subsequently investments are carried at cost less any impairment losses.

Notes to the financial statements

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D3 Deed of cross guarantee

The Star Entertainment Sydney Holdings Limited, The Star Pty Limited, The Star Entertainment Pty Ltd, The Star Entertainment Sydney Properties Pty Ltd, The Star Entertainment Sydney Apartments Pty Ltd and Star City Investments Pty Limited are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirements to prepare a Financial Report and Directors' Report under Instrument 2016/785 issued by the Australian Securities and Investments Commission.

(i) Consolidated income statement and summary of movements in consolidated earnings

The above companies represent a 'closed group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by The Star Entertainment Sydney Holdings Limited, they also represent the 'extended closed group'.

Set out below is a consolidated income statement and a summary of movements in consolidated retained earnings for the year ended 30 June 2017 of the closed group.

Consolidated income statement

	2017 $m	2016 $m
Revenue	**1,620.4**	1,575.7
Other income	**(0.1)**	0.5
Government taxes and levies	**(369.4)**	(349.9)
Commissions and fees	**(222.4)**	(294.3)
Employment costs	**(338.3)**	(335.2)
Depreciation, amortisation and impairment	**(88.1)**	(93.9)
Cost of sales	**(48.7)**	(45.1)
Property costs	**(50.3)**	(51.0)
Advertising and promotions	**(53.7)**	(52.4)
Other expenses	**(229.1)**	(113.1)
Earnings before interest and tax (EBIT)	**220.3**	241.3
Net finance costs	**-**	-
Profit before income tax (PBT)	**220.3**	241.3
Income tax expense	**(67.9)**	(68.8)
Net profit after tax (NPAT)	**152.4**	172.5
Total comprehensive income for the period	**152.4**	172.5
Summary of movements in consolidated retained earnings		
Accumulated profit/(loss) at the beginning of the financial year	**141.6**	45.1
Profit for the year	**152.4**	172.5
Dividends paid	**(164.0)**	(76.0)
Accumulated profit at the end of the financial year	**130.0**	141.6

(ii) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2017 of the closed group consisting of The Star Entertainment Sydney Holdings Limited, The Star Pty Limited, The Star Entertainment Pty Ltd, The Star Entertainment Sydney Properties Pty Limited, The Star Entertainment Sydney Apartments Pty Limited, and Star City Investments Pty Limited.

Notes to the financial statements

For the year ended 30 June 2017

Consolidated balance sheet

	2017 $m	2016 $m
ASSETS		
Cash assets	**28.7**	49.7
Trade and other receivables	**145.0**	115.3
Inventories	**8.0**	5.8
Other	**21.9**	18.7
Total current assets	**203.6**	189.5
Property, plant and equipment	**1,315.0**	1,240.4
Intangible assets	**287.7**	292.0
Other assets	**11.8**	12.7
Total non current assets	**1,614.5**	1,545.1
TOTAL ASSETS	**1,818.1**	1,734.6
LIABILITIES		
Trade and other payables	**437.7**	348.3
Provisions	**38.3**	35.6
Other liabilities	**12.2**	11.9
Total current liabilities	**488.2**	395.8
Deferred tax liabilities	**54.5**	51.7
Provisions	**5.5**	5.6
Total non current liabilities	**60.0**	57.3
TOTAL LIABILITIES	**548.2**	453.1
NET ASSETS	**1,269.9**	1,281.5
EQUITY		
Issued Capital	**1,139.9**	1,139.9
Retained Earnings	**130.0**	141.6
TOTAL EQUITY	**1,269.9**	1,281.5

D4 Key Management Personnel disclosures

	2017 $000	2016 $000
Compensation of Key Management Personnel		
Short term	**5,757**	8,564
Long term	**344**	347
Share based payments	**2,304**	2,419
Total compensation	**8,405**	11,330

The above reflects the compensation for individuals who are Key Management Personnel of the Group. The note should be read in conjunction with the Remuneration Report.

D5 Investment in associate and joint venture entities

Set out below are the investments of the Group as at 30 June 2017 which, in the opinion of the Directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held by the Group. The country of incorporation is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

2017 Name of entity	Country of incorporation	% of ownership	Nature of ownership	Measurement method	Carrying amount $m
Destination Brisbane Consortium Integrated Resort Holdings Pty Ltd (i)	Australia	50	Associate	Equity method	152.6
Festival Car Park Pty Ltd (ii)	Australia	50	Joint venture	Equity method	13.5
Destination Gold Coast Investments Pty Ltd (iii)	Australia	50	Joint venture	Equity method	46.3
Total equity accounted investments					212.4

(i) Destination Brisbane Consortium Integrated Resort Holdings Pty Ltd

The Group has partnered with Hong Kong-based organisations Chow Tai Fook Enterprises Limited (***CTF***) and Far East Consortium International Limited (***FEC***) to form Destination Brisbane Consortium ***(DBC)*** for the Queen's Wharf Brisbane Project. The parties have formed two vehicles (the Integrated Resort Joint Venture and the Residential Joint Venture), which together are responsible for completing the Queen's Wharf Brisbane project.

Consistent with the ownership structure, the Group will contribute 50% of the capital to the development of the Integrated Resort and act as the casino operator under a long dated casino management agreement. CTF and FEC will each contribute 25% of the capital to the development of the integrated resort. CTF and FEC will each contribute 50% of the capital to undertake the residential and related component of the broader Queen's Wharf Brisbane development. The Group is not a party to the residential joint venture.

Commitments and contingent liabilities

DBC will invest approximately $2 billion to fund the construction of the integrated resort, which is expected to open in 2022 (subject to various approvals).

Summarised financial information

The financial statements of the associate is prepared for the same reporting period as the Group and follow the same accounting policies of the Group.

	2017 $m	2016 $m
Balance sheet		
Total current assets	**53.2**	5.4
Total non current assets	**327.2**	21.4
Total current liabilities	**(14.8)**	(7.3)
Total non current liabilities	**(75.0)**	-
Net assets	**290.6**	19.5
Reconciliation to investment carrying amount:		
Carrying amount at the beginning of the year	**16.2**	-
Share of equity contributions for the Group	**136.7**	10.0
Share of loss for the period	**(1.1)**	(0.1)
Capitalised costs	**0.8**	6.3
Carrying amount at the end of the year	**152.6**	16.2

Notes to the financial statements

For the year ended 30 June 2017

	2017 $m	2016 $m
Income statement		
Loss before tax	**(2.1)**	(0.3)
Income tax benefit	**-**	0.1
Loss for the year (continuing operations)	**(2.1)**	(0.2)
Total comprehensive loss for the year (continuing operations)	**(2.1)**	(0.2)
Group's share of loss for the year	**(1.1)**	(0.1)
Dividends received from the associate entity	**-**	-

(ii) Festival Car Park Pty Ltd

The Group has a 50% interest in Festival Car Park Pty Ltd, a joint venture that operates the Festival Car Park on Charlotte Street in Brisbane. This is a joint venture with CTF and FEC.

Commitments and contingent liabilities

The joint venture had capital commitments of $0.1 million (2016: $0.3 million) as at 30 June 2017. There were no other contingent liabilities.

Summarised financial information

The financial statements of the joint venture are prepared on financial information that is unaudited and prepared for reporting purposes. The joint venture has a financial year end date of 31 March.

	2017 $m	2016 $m
Balance sheet		
Cash and cash equivalents	**1.7**	0.4
Total current assets excluding cash and cash equivalents	**0.1**	0.9
Total non current assets	**48.3**	47.6
Total current liabilities	**(0.6)**	(0.2)
Total non current liabilities - financial liabilities	**(22.5)**	(22.5)
Net assets	**27.0**	26.2
Reconciliation to investment carrying amount:		
Carrying amount at the beginning of the year	**13.1**	-
Share of profit for the period	**0.4**	0.1
Share of equity contributions for the Group	**-**	13.0
Carrying amount at the end of the year	**13.5**	13.1
Income statement		
Revenue	**3.1**	0.7
Interest expense	**(0.7)**	(0.2)
Other expenses	**(1.4)**	(0.2)
Profit before tax	**1.0**	0.3
Income tax expense	**(0.3)**	(0.1)
Profit for the year (continuing operations)	**0.7**	0.2
Total comprehensive income for the year (continuing operations)	**0.7**	0.2
Group's share of profit for the year	**0.4**	0.1

Notes to the financial statements

For the year ended 30 June 2017

(iii) Destination Gold Coast Investments Pty Ltd

On 20 October 2016, a 50% interest was acquired in Destination Gold Coast Investments Pty Ltd (***DGCI***). DGCI is a joint venture with CTF and FEC involved in the operation of the Sheraton Grand Mirage Resort, Gold Coast. The Group's interest is accounted for using the equity method.

The Securityholders' Deed for Destination Gold Coast Investments Pty Ltd requires unanimous consent for each Board resolution. Due to the unanimous requirement for decisions, each party has joint control of the entity. The entity is designed to exist on its own and the Deed does not grant the rights to assets and liabilities directly to the Group. The investment has therefore been classified as a joint venture.

DGCI has provisionally accounted for a business combination in which DGCI is in the process of ascertaining the fair values of the identifiable assets, liabilities and contingent liabilities acquired. In doing so, the Group has relied on the best estimate of the identifiable assets, liabilities and contingent liabilities of DGCI, until the quantification and treatment of items under review is complete.

Commitments and contingent liabilities

The joint venture had capital commitments of $0.2 million (2016: nil) as at 30 June 2017. There were no other contingent liabilities.

Summarised financial information

The financial statements of the joint venture is prepared for the same reporting period as the Group and follow the same accounting policies of the Group.

	2017 $m	2016 $m
Balance sheet		
Cash and cash equivalents	**6.7**	-
Total current assets excluding cash and cash equivalents	**0.9**	-
Total non current assets	**167.1**	-
Total current liabilities	**(11.9)**	-
Total non current liabilities - financial liabilities	**(72.2)**	-
Other non current liabilities	**(14.3)**	-
Net assets	**76.3**	-
Reconciliation to investment carrying amount:		
Share of profit for the period	**-**	-
Share of equity contributions for the Group	**46.3**	-
Carrying amount	**46.3**	-
Income statement		
Revenue	**16.2**	-
Interest expense	**(0.9)**	-
Depreciation expense	**(1.2)**	-
Operating expenses	**(13.9)**	-
Profit before tax	**0.3**	-
Income tax expense	**(0.3)**	-
Profit for the year (continuing operations)	**-**	-
Total comprehensive income for the year (continuing operations)	**-**	-
Group's share of profit for the year	**-**	-

Notes to the financial statements

For the year ended 30 June 2017

E Risk Management

E1 Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise cash, short term deposits, bank bills, Australian denominated bank loans, and foreign currency denominated notes.

The main purpose of these financial instruments is to raise debt capital for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. Derivative transactions are also entered into by the Group, being interest rate swaps, cross currency swaps and forward currency contracts, the purpose being to manage interest rate and currency risks arising from the Group's operations and sources of finance.

The Group's risk management policy is carried out by the Corporate Treasury function under the Group Treasury Policy approved by the Board. Corporate Treasury reports regularly to the Board on the Group's risk management activities and policies. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

Details of significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in note G.

Interest rate risk

The Group has a policy of controlling exposure to interest rate fluctuations by the use of fixed and variable rate debt and by the use of interest rate swaps or caps. The Group has entered into interest rate swap agreements to hedge underlying debt obligations and allow floating rate borrowings to be swapped to fixed rate borrowings. Under these arrangements, the Group will pay fixed interest rates and receive the bank bill swap rate calculated on the notional principal amount of the contracts.

At 30 June 2017 after taking into account the effect of interest rate swaps, approximately 60.3% (2016: 68.3%) of the Group's borrowings are at a fixed rate of interest.

Foreign currency risk

As a result of issuing private notes denominated in US Dollars (***USD***), the Group's balance sheet can be affected by movements in the USD/AUD exchange rate. In order to manage this exposure, the Group has entered into cross currency swaps to fix the exchange rate on the notes until maturity. The Group agrees to exchange a fixed USD amount for an agreed Australian Dollar (***AUD***) amount with swap counterparties, and re-exchange this again at maturity. These swaps are designated to hedge the principal and interest obligations under the private notes.

The Group has operating leases for two aircrafts invoiced in USD. The Group has entered into foreign exchange forward contracts to hedge against the USD currency risk, by exchanging the future USD lease payments to AUD amounts.

Credit risk

Credit risk on financial assets which have been recognised on the balance sheet, is the carrying amount less any allowance for non recovery. The Group minimises credit risk via adherence to a strict credit risk management policy. Collateral is not held as security.

Credit risk in trade receivables is managed in the following ways:

- The provision of cheque cashing facilities for casino gaming patrons is subject to detailed policies and procedures designed to minimise any potential loss, including the use of a central credit agency which collates information from the major casinos around the world; and
- The provision of non gaming credit is covered by a risk assessment process for customers using the Credit Reference Association of Australia, bank opinions and trade references.

Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is carefully managed and controlled.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents (including short term deposits and bank bills), the maximum exposure of the Group to credit risk from default of a counterparty is equal to the carrying amount of these instruments.

In relation to financial liabilities, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The Group's maximum credit risk exposure in respect of interest rate swap contracts, cross currency swap contracts and forward currency contracts is detailed in note E2.

Notes to the financial statements

For the year ended 30 June 2017

Credit risk includes liabilities under financial guarantees. For financial guarantee contract liabilities, the fair value at initial recognition is determined using a probability weighted discounted cash flow approach. The fair value of financial guarantee contract liabilities has been assessed as nil (2016: nil), as the possibility of an outflow occurring is considered remote. Details of the financial guarantee contracts in the balance sheet are outlined below.

Fixed and floating charges
The controlled entities denoted (b) in note D1 have provided Liquor and Gaming NSW with a fixed and floating charge over all of the assets and undertakings of each company to secure payment of all monies and the performance of all obligations which they have to Liquor and Gaming NSW.

Guarantees and indemnities
The controlled entities denoted (b) in note D1 have entered into a guarantee and indemnity agreement in favour of Liquor and Gaming NSW whereby all parties to the agreement are jointly and severally liable for the performance of the obligations and liabilities of each company participating in the agreement with respect to agreements entered into and guarantees given.

The Star Entertainment Finance Limited and The Star Entertainment International No. 3 Pty Ltd are called upon to give in the ordinary course of business, guarantees and indemnities in respect of the performance of their contractual and financial obligations. The maximum amount of these guarantees and indemnities is $117.7 million (2016: $117.3 million).

Liquidity risk
Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet its obligations to repay its financial liabilities as and when they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and notes.

The Group manages liquidity risk by maintaining a forecast of expected cash flow which is monitored and reviewed on a regular basis. To help reduce liquidity risk, the Group targets a minimum level of cash and cash equivalents to be maintained, and has revolving facilities in place with sufficient undrawn funds available.

The Group's policy is that not more than 33% of debt facilities should mature in any financial year within the next four years. At 30 June 2017, the Group's debt facilities that will mature in less than one year is $130.0 million (2016: nil), representing 12.4% of total debt. The next debt maturity is the Syndicated Facility Agreement facility of $250.0 million on 20 July 2018. This represents 23.9% of total debt and is within the Group's policy.

Refer to notes B7 and E2 for maturity of financial liabilities.

The contractual cash flows including principal and estimated interest receipts or payments of financial assets or liabilities are as follows:

(i) Non-derivative financial instruments

	2017			2016		
	< 1 year	1 - 5 years	> 5 years	< 1 year	1 - 5 years	> 5 years
	$m	$m	$m	$m	$m	$m
Financial assets						
Cash assets	**107.7**	**-**	**-**	103.4	-	-
Short term deposits	**6.0**	**-**	**-**	55.7	-	-
Net trade and other receivables	**192.7**	**-**	**-**	130.4	-	-
	306.4	**-**	**-**	289.5	-	-
Financial liabilities						
Trade creditors and accrued expenses	**322.4**	**-**	**-**	259.9	-	-
Bank loans - unsecured	**12.9**	**453.8**	**-**	6.1	209.6	-
Private placement - US dollar	**163.0**	**546.9**	**-**	34.3	257.5	509.5
	498.3	**1,000.7**	**-**	300.3	467.1	509.5
Net (outflow)/inflow	**(191.9)**	**(1,000.7)**	**-**	(10.8)	(467.1)	(509.5)

Notes to the financial statements

For the year ended 30 June 2017

(ii) Derivative financial instruments

	2017			2016		
	< 1 year $m	1 - 5 years $m	> 5 years $m	< 1 year $m	1 - 5 years $m	> 5 years $m
Financial assets						
Interest rate swaps - receive AUD floating	**9.0**	**24.0**	**3.2**	8.7	30.9	6.5
Cross currency swaps - receive USD fixed	**163.0**	**546.9**	**-**	34.3	257.5	509.5
Forward currency contract - receive USD fixed	**9.2**	**1.2**	**-**	9.5	10.8	-
	181.2	**572.1**	**3.2**	52.5	299.2	516.0
Financial liabilities						
Interest rate swaps - pay AUD fixed	**29.1**	**72.3**	**4.7**	26.8	95.6	20.2
Cross currency swaps - pay AUD floating	**163.0**	**546.9**	**-**	22.0	172.4	352.6
Forward currency contract - pay AUD fixed	**7.8**	**0.9**	**-**	7.7	8.7	-
	199.9	**620.1**	**4.7**	56.5	276.7	372.8
Net (outflow)/inflow	**(18.7)**	**(48.0)**	**(1.5)**	(4.0)	22.5	143.2

For floating rate instruments, the amount disclosed is determined by reference to the interest rate at the last repricing date. For foreign currency receipts and payments, the amount disclosed is determined by reference to the AUD/USD rate at balance sheet date.

(iii) Financial instruments - sensitivity analysis

Interest rates - AUD and USD

The following sensitivity analysis is based on interest rate risk exposures in existence at year end.

At 30 June, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	Net profit after tax higher/(lower) $m	Other comprehensive income higher/(lower) $m
2017		
AUD		
+ 0.5% (50 basis points)	**(1.6)**	**7.3**
- 0.5% (50 basis points)	**1.6**	**(7.5)**
USD		
+ 0.5% (50 basis points)	**-**	**(7.0)**
- 0.25% (25 basis points)	**-**	**(3.5)**
2016		
AUD		
+ 0.5% (50 basis points)	(0.5)	6.9
- 0.5% (50 basis points)	0.5	(7.1)
USD		
+ 0.5% (50 basis points)	-	(10.1)
- 0.25% (25 basis points)	-	5.2

The movements in profit are due to higher/lower interest costs from variable rate debt and investments. The movement in other comprehensive income is due to an increase/decrease in the fair value of financial instruments designated as cash flow hedges.

The numbers derived in the sensitivity analysis are indicative only.

Significant assumptions used in the interest rate sensitivity analysis include:

- reasonably possible movements in interest rates were determined based on the Group's current credit rating and mix of debt, relationships with financial institutions and the level of debt that is expected to be renewed, as well as a review of the last two years' historical movements and economic forecaster's expectations;
- price sensitivity of derivatives is based on a reasonably possible movement of spot rates at the balance sheet dates; and
- the net exposure at the balance sheet date is representative of what the Group was, and is expecting to be, exposed to in the next twelve months.

Foreign Exchange
The following sensitivity analysis is based on foreign currency risk exposures in existence at the balance sheet date. At 30 June, had the AUD moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

Judgements of reasonably possible movements:

	Net profit after tax higher/(lower)	Other comprehensive income higher/(lower)	Net profit after tax higher/(lower)	Other comprehensive income higher/(lower)
	2017	**2017**	**2016**	**2016**
	$m	**$m**	**$m**	**$m**
AUD/USD + 10 cents	**-**	**(53.8)**	-	(10.9)
AUD/USD - 10 cents	**-**	**69.8**	-	14.3

There is no movement in net profit after tax as the Group has fully hedged its foreign currency exposure to the USPP.

The movement in other comprehensive income is due to an increase/decrease in the fair value of financial instruments designated as cash flow hedges. Management believes the balance sheet date risk exposures are representative of the risk exposure inherent in the financial instruments. The numbers derived in the sensitivity analysis are indicative only.

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- reasonably possible movements in foreign exchange rates were determined based on a review of the last two years' historical movements and economic forecaster's expectations;
- the reasonably possible movement of 10 cents was calculated by taking the USD spot rate as at balance sheet date, moving this spot rate by 10 cents and then re-converting the USD into AUD with the 'new spot-rate'. This methodology reflects the translation methodology undertaken by the Group;
- price sensitivity of derivatives is based on a reasonably possible movement of spot rates at the balance sheet dates; and
- the net exposure at the balance sheet date is representative of what the Group was, and is expecting to be, exposed to in the next 12 months.

E2 Additional financial instruments disclosure

(i) Fair values

The fair value of the Group's financial assets and financial liabilities approximates their carrying value as at the balance sheet date.

Swaps
Fair value is calculated using discounted future cash flow techniques, where estimated cash flows and estimated discount rates are based on market data at the balance sheet date.

Forward currency contracts
Fair value is calculated using forward exchange market rates at the balance sheet date.

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For the year ended 30 June 2017

USPP

Fair value is calculated using discounted future cash flow techniques, where estimated cash flows and estimated discount rates are based on market data at the balance sheet date, in combination with restatement to current foreign exchange rates.

(ii) Interest rate risk

The Group had the following classes of financial assets and financial liabilities exposed to floating interest rate risk:

	2017 $m	2016 $m
Financial assets		
Cash assets	**29.8**	30.2
Short term deposits	**6.0**	55.7
Total financial assets	**35.8**	85.9
Financial liabilities		
Bank loans - unsecured [a]	**449.5**	200.0
USPP cross currency swaps	**430.0**	430.0
Derivatives [b]	**(430.0)**	(430.0)
Total financial liabilities	**449.5**	200.0

a Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. The floating rates represent the most recently determined rate applicable to the instrument at the balance sheet date.

b Notional principal amounts.

(iii) Financial instruments - interest rate swaps

Interest rate swaps meet the requirements to qualify for cash flow hedge accounting and are stated at fair value.

These swaps are being used to hedge the exposure to variability in cash flows attributable to movements in the reference interest rate of the designated debt or instrument and are assessed as highly effective in offsetting changes in the cash flows attributable to such movements. Hedge effectiveness is measured by comparing the change in the fair value of the hedged item and the hedging instrument respectively each quarter. Any difference represents ineffectiveness and is recorded in the income statement.

The notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

Less than one year	**94.0**	-
One to five years	**336.0**	94.0
More than five years	**100.0**	336.0
Notional Principal	**530.0**	430.0
Fixed interest rate range p.a.	**2.4% - 7.3%**	6.0% - 7.3%
Variable interest rate range p.a.	**1.7%**	2.0%

Net settlement receipts and payments are recognised as an adjustment to interest expense on an accruals basis over the term of the swaps, such that the overall interest expense on borrowings reflects the average cost of funds achieved by entering into the swap agreements.

(iv) Financial instruments - cross currency swaps

Cross currency swap contracts are classified as cash flow hedges and are stated at fair value.

These cross currency swaps, in conjunction with interest rate swaps are being used to hedge the exposure to the cash flow variability in the value of the USD debt under the USPP and are assessed as highly effective in offsetting changes in movements in the forward USD exchange rate. Hedge effectiveness is measured by comparing the change in the fair value of the hedged item and the hedging instrument respectively each quarter. Any difference represents ineffectiveness and is recorded in the income statement.

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The principal amounts and periods of expiry of the cross currency swap contracts are as follows:

	2017		2016	
	AUD $m	**USD $m**	**AUD $m**	**USD $m**
Less than one year	**94.0**	**100.0**	-	-
One to five years	**336.0**	**360.0**	94.0	100.0
More than five years	**-**	**-**	336.0	360.0
Notional principal	**430.0**	**460.0**	430.0	460.0
Fixed interest rate range p.a.		**5.1% - 5.7%**		5.1% - 5.7%
Variable interest rate range p.a.	**4.6% - 4.9%**		4.9% - 5.2%	

The terms and conditions in relation to interest rate and maturity of the cross currency swaps are similar to the terms and conditions of the underlying hedged USPP borrowings as set out in note B7.

(v) Financial instruments - forward currency contracts

Forward currency contracts meet the requirements to qualify for cash flow hedge accounting and are stated at fair value.

These contracts are being used to hedge the exposure to variability in the movement USD exchange rate arising from the Group's operations and are assessed as highly effective hedges as they are matched against known and committed payments. Any gain or loss on the hedged risk is taken directly to equity.

The notional amounts and periods of expiry of the foreign currency contracts are as follows:

	2017	2016
	$m	**$m**
Buy USD / sell AUD		
Less than one year	**7.8**	7.7
One to five years	**0.9**	8.7
More than five years	**-**	-
Notional principal	**8.7**	16.4
Average exchange rate (AUD/USD)	**0.92**	0.92

(vi) Financial instruments - fair value hierarchy

There are various methods available in estimating the fair value of a financial instrument.

The methods comprise:

Level 1 the fair value is calculated using quoted prices in active markets.

Level 2 the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

All of the Group's derivative financial instruments are valued using the Level 2 valuation techniques, being observable inputs. There have been no transfers between levels during the year.

Notes to the financial statements

For the year ended 30 June 2017

F Other disclosures

F1 Other comprehensive income

	2017 $m	2016 $m
Net (loss)/gain on cash flow hedges	**(38.3)**	31.9
Transfer of hedging reserve to the income statement [a]	**19.2**	(18.2)
Tax on above items recognised in other comprehensive income	**5.7**	(4.1)
	(13.4)	9.6

a The transfer related to the foreign exchange spot retranslation of the foreign debt is offset by the retranslation on the cross currency swaps in the net foreign exchange gain line in the income statement.

F2 Income tax

(i) Income tax expense

	2017 $m	2016 $m
The major components of income tax expenses are:		
Current tax (expense)	**(106.2)**	(80.3)
Adjustments in respect of current income tax of previous years	**2.6**	(1.5)
Deferred income tax expense	**(12.0)**	(3.0)
Income tax expense reported in the income statement	**(115.6)**	(84.8)
Aggregate of current and deferred tax relating to items charged or credited to equity:		
Current tax (expense)/benefit reported in equity	**-**	-
Deferred tax benefit/(expense) reported in equity	**5.7**	(4.1)
Income tax benefit/(expense) reported in equity	**5.7**	(4.1)
Income tax expense		
A reconciliation between income tax expense and the product of accounting profit before income tax multiplied by the income tax rate is as follows:		
Accounting profit before income tax expense	**380.0**	279.2
At the Group's statutory income tax rate of 30%	**(114.0)**	(83.8)
- (Recognition)/derecognition of temporary differences	**(1.7)**	(0.2)
- Research & Development tax offset	**2.5**	0.7
- Other items	**(2.4)**	(1.5)
Aggregate income tax expense	**(115.6)**	(84.8)
Effective income tax rate	**30.4 %**	30.4 %

Notes to the financial statements

For the year ended 30 June 2017

(ii) Deferred tax balances

The balance comprises temporary differences attributable to:

2017	Balance 1 July 2016 $m	Recognised in the income statement $m	Recognised directly in equity $m	Balance 30 June 2017 $m
Employee provisions	18.2	0.1	-	18.3
Other provisions and accruals	14.6	(3.9)	-	10.7
Provision for trade impaired debtors	3.9	0.3	-	4.2
Unrealised financial liabilities	78.8	(6.2)	(5.6)	67.0
Other	6.6	(0.2)	-	6.4
Deferred tax assets set off	**122.1**	**(9.9)**	**(5.6)**	**106.6**
Intangible assets	(72.4)	(1.3)	-	(73.7)
Property, plant and equipment	(133.8)	(1.9)	-	(135.7)
Unrealised financial assets	(76.8)	5.8	11.3	(59.7)
Other	(21.0)	(4.7)	-	(25.7)
	(304.0)	(2.1)	11.3	(294.8)
Net deferred tax (liabilities)/assets	**(181.9)**	**(12.0)**	**5.7**	**(188.2)**

2016	Balance 1 July 2015 $m	Recognised in the income statement $m	Recognised directly in equity $m	Balance 30 June 2016 $m
Employee provisions	17.0	1.2	-	18.2
Other provisions and accruals	14.7	(0.1)	-	14.6
Provision for trade impaired debtors	2.9	1.0	-	3.9
Unrealised financial liabilities	72.3	5.0	1.5	78.8
Other	9.6	(3.0)	-	6.6
Deferred tax assets set off	116.5	4.1	1.5	122.1
Intangible assets	(72.7)	0.3	-	(72.4)
Property, plant and equipment	(135.1)	1.3	-	(133.8)
Unrealised financial assets	(65.8)	(5.4)	(5.6)	(76.8)
Other	(17.7)	(3.3)	-	(21.0)
	(291.3)	(7.1)	(5.6)	(304.0)
Net deferred tax liabilities	(174.8)	(3.0)	(4.1)	(181.9)

(iii) Tax consolidation

Effective June 2011, The Star Entertainment Group Limited (the ***Head Company***) and its 100% owned subsidiaries formed an income tax consolidation group. Members of the tax consolidation group entered into a tax sharing arrangement that provides for the allocation of income tax liabilities between the entities should the Head Company default on its tax payment obligations. At balance date, the possibility of default is remote.

Tax effect accounting by members of the tax consolidation group

Members of the tax consolidation group have entered into a tax funding agreement effective June 2011. Under the terms of the tax funding agreement, the Head Company and each of the members in the tax consolidation group have agreed to make a tax equivalent payment to or from the Head Company, based on the current tax liability or current tax asset of the member. Deferred taxes are recorded by members of the tax consolidation group in accordance with the principles of AASB 112 'Income Taxes'. Calculations under the tax funding agreement are undertaken for statutory reporting purposes.

The allocation of taxes under the tax funding agreement is recognised as either an increase or decrease in the subsidiaries' intercompany accounts with the Head Company. The Group has chosen to adopt the Group Allocation method as outlined in Interpretation 1052 'Tax Consolidation Accounting' as the basis to determine each members' current and deferred taxes. The Group Allocation method as adopted by the Group will not give rise to any contribution or distribution of the subsidiaries' equity accounts as there will not be any differences between the current tax amount that is allocated under the tax funding agreement and the amount that is allocated under the Group Allocation method.

(iv) Income tax payable

The balance of income tax payable is the net of current tax and tax instalments/refunds during the year. A current tax liability arises where current tax exceeds tax instalments paid and a current tax receivable arises where tax instalments paid exceed current tax.

The income tax (payable) balance is attributable to:

2017	**(Payable) 1 July 2016 $m**	**(Increase) in tax payable $m**	**Tax instalment paid $m**	**Over $m**	**Other $m**	**(Payable) 30 June 2017 $m**
Tax consolidated group - year ended 30 June 2017	**-**	**(106.2)**	**77.4**	**-**	**-**	**(28.8)**
Tax consolidated group - year ended 30 June 2016	**(20.8)**	**-**	**18.2**	**2.6**	**-**	**-**
Prior years	**-**	**-**	**-**	**-**	**-**	**-**
Total Australia	**(20.8)**	**(106.2)**	**95.6**	**2.6**	**-**	**(28.8)**
Overseas subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**
Total	**(20.8)**	**(106.2)**	**95.6**	**2.6**	**-**	**(28.8)**

2016	**(Payable)/ receivable 1 July 2015 $m**	**(Increase) in tax payable $m**	**Tax instalment paid/(refund) $m**	**(Under)/over $m**	**Other $m**	**(Payable) 30 June 2016 $m**
Tax consolidated group - year ended 30 June 2016	-	(80.2)	59.4	-	-	(20.8)
Tax consolidated group - year ended 30 June 2015	(41.8)	-	44.0	(2.2)	-	-
Prior years [a]	2.0	-	(2.7)	1.0	(0.3)	-
Total Australia	(39.8)	(80.2)	100.7	(1.2)	(0.3)	(20.8)
Overseas subsidiaries	-	(0.1)	0.1	-	-	-
Total	(39.8)	(80.3)	100.8	(1.2)	(0.3)	(20.8)

a Changes in tax payable relating to amendments to the income tax returns following the application of tax consolidation tax cost setting process.

Notes to the financial statements

For the year ended 30 June 2017

F3 Earnings per share

	2017 $m	2016 $m
Net profit after tax attributable to ordinary shareholders	**264.4**	194.4
Basic earnings per share (cents per share)	**32.0**	23.6
Diluted earnings per share (cents per share)	**31.9**	23.6

	2017 Number	2016 Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares issued	**825,672,730**	825,672,730
Adjustment for calculation of diluted earnings per share:		
Adjustment for Performance Rights	**2,037,596**	-
Weighted average number of ordinary shares and potential ordinary shares as used as the denominator in calculating diluted earnings per share	**827,710,326**	825,672,730

F4 Other assets

	2017 $m	2016 $m
Current		
Prepayments	**56.7**	34.0
Other assets	**4.2**	4.5
	60.9	38.5
Non current		
Rental paid in advance	**9.9**	10.0
Other assets	**2.0**	5.2
	11.9	15.2

Other assets above are shown net of impairment of nil (2016: nil).

F5 Trade and other payables

	2017	2016
Trade creditors and accrued expenses	**322.4**	259.9
Interest payable	**2.1**	2.0
	324.5	261.9

Trade and other payables of $324.5 million were up 23.9%, predominately relating to higher gaming related payables, representing players' funds deposited and chips in circulation at 30 June 2017.

Notes to the financial statements

For the year ended 30 June 2017

F6 Provisions

	2017 $m	2016 $m
Current		
Employee benefits	**52.8**	49.5
Workers' compensation	**7.6**	7.8
Other	**6.1**	1.0
	66.5	58.3
Non-current		
Employee benefits	**8.2**	11.2
Other	**1.7**	3.4
	9.9	14.6

Reconciliation

Reconciliations of each class of provision, except for employee benefits and other, at the end of each financial year are set out below:

Workers' compensation reconciliation

2017	Workers' compensation (current) $m	Other (non-current) $m
Carrying amount at beginning of the year	**7.8**	**3.4**
Provisions made during the year	**1.3**	**-**
Provisions utilised during the year	**(1.5)**	**(1.7)**
Carrying amount at end of the year	**7.6**	**1.7**
2016		
Carrying amount at beginning of the year	9.2	3.8
Provisions made during the year	0.5	-
Provisions utilised during the year	(1.9)	(0.4)
Carrying amount at end of the year	7.8	3.4

Nature and timing of provisions

Workers' compensation

The Group self insures for workers' compensation in both New South Wales and Queensland. A valuation of the estimated claims liability for workers' compensation is undertaken annually by an independent actuary. The valuations are prepared in accordance with the relevant legislative requirements of each state and 'Professional Standard 300' of the Institute of Actuaries. The estimate of claims liability includes a margin over case estimates to allow for the future development of known claims, the cost of incurred but not reported claims and claims handling expenses, which are determined using a range of assumptions. The timing of when these costs will be incurred is uncertain.

Notes to the financial statements

For the year ended 30 June 2017

F7 Other liabilities (current)

	2017 $m	2016 $m
Customer loyalty deferred revenue [a]	**18.2**	18.5
Other deferred revenue	**2.9**	2.4
	21.1	20.9

a The Group operates customer loyalty programs enabling customers to accumulate award credits for gaming and on-property spend. A portion of the spend, equal to the fair value of the award credits earned, is treated as deferred revenue, and recognised in the income statement when the award is redeemed or expires.

F8 Share capital and reserves

(i) Share capital

	2017 $m	2016 $m
Ordinary shares - issued and fully paid [a]	**2,580.5**	2,580.5

a There is only one class of shares (ordinary shares) on issue. These ordinary shares entitle the holder to participate in dividends and proceeds on winding up of the Company, in proportion to the number and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. The Company does not have authorised capital nor par value in respect of its issued shares.

	2017 Number of shares	2016 Number of shares
Movements in ordinary share capital		
Balance at beginning and end of year	**825,672,730**	825,672,730

(ii) Reserves (net of tax)

	2017 $m	2016 $m
Hedging reserve [a]	**(13.8)**	(0.4)
Share based payments reserve [b]	**6.6**	5.8
	(7.2)	5.4

Nature and purpose of reserves

a The hedging reserve records fair value changes on the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

b The share based payments reserve is used to recognise the value of equity settled share based payment transactions provided to employees, including Key Management Personnel as part of their remuneration. Refer to note F10 for further details on these plans.

(iii) Capital management

The Group's objectives when managing capital are to ensure the Group continues as a going concern while providing optimal returns to shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to be paid to shareholders, return capital to shareholders or issue new shares. Gearing is managed primarily through the ratio of net debt to earnings before interest, tax, depreciation, amortisation, impairment, significant items and share of the net loss of associate and joint venture entities.

Net debt comprises interest bearing liabilities, with US dollar borrowings translated at the 30 June 2017 USD/AUD spot rate of 1.3003 (2016: 1.3421), after adjusting for cash and cash equivalents and derivative financial instruments.

Notes to the financial statements

For the year ended 30 June 2017

The Group's capital management also aims to ensure that it meets financial covenants attached to the interest bearing loans and borrowings that define capital structure requirements. There have been no breaches of the financial covenants of any interest bearing loans and borrowings in the current period. Other than these banking covenants, the Group is not subject to externally imposed capital requirements.

	2017	2016
	$m	$m
Gross Debt	**1,045.0**	813.5
Net Debt [a]	**787.5**	473.8
EBITDA	**586.2**	488.8
Gearing ratio (times)	**1.3 x**	1.0 x

a Net debt is stated after adjusting for cash and cash equivalents less the net position of derivative financial instruments.

F9 Reconciliation of net profit after tax to net cash inflow from operations

	Note	2017	2016
		$m	$m
Net profit after tax		**264.4**	194.4
- Depreciation and amortisation	A4	**164.5**	163.8
- Employee share based payments expense	F10	**3.8**	5.6
- Unrealised foreign exchange gain	A3	**(1.1)**	(0.8)
- Bad and doubtful debts expense	A3	**18.7**	23.1
- Finance costs	A5	**42.7**	47.1
- Share of net loss of associate and joint venture entities	D5	**0.7**	-
Working capital changes			
- (Increase) in trade and other receivables and other assets		**(99.4)**	(48.8)
- (Increase) in inventories		**(2.9)**	(1.7)
- Increase in trade and other payables, accruals and provisions		**62.0**	11.1
- Increase/(decrease) in tax provisions		**19.9**	(15.9)
Net cash inflow from operating activities		**473.3**	377.9

Operating cash flow before interest and tax was $567.9 million, up 19.0% on the pcp, with 97% EBITDA to cash conversion ratio.

Notes to the financial statements

For the year ended 30 June 2017

F10 Employee share plans

During the current and prior periods, the Company issued Performance Rights under the Long Term Performance Plan to eligible employees. The share based payment expense is $3.8 million (2016: $5.6 million) in respect of the equity instruments granted is recognised in the income statement.

The number of Performance Rights granted to employees and forfeited or lapsed during the year are set out below.

2017 **Grant Date**	**Balance at start of year**	**Granted during the year**	**Forfeited during the year**	**Lapsed during the year** [a]	**Vested during the year**	**Balance at end of year**
19 September 2012	**540,583**	**-**	**-**	**540,583**	**-**	**-**
1 October 2013	**461,198**	**-**	**-**	**-**	**-**	**461,198**
26 September 2014	**895,208**	**-**	**-**	**-**	**-**	**895,208**
21 September 2015	**662,328**	**-**	**-**	**-**	**-**	**662,328**
5 October 2016	**-**	**1,158,988**	**17,013**	**-**	**-**	**1,141,975**
	2,559,317	**1,158,988**	**17,013**	**540,583**	**-**	**3,160,709**

2016 Grant Date	Balance at start of year	Granted during the year	Forfeited during the year	Lapsed during the year	Vested during the year	Balance at end of year
19 September 2012	540,583	-	-	-	-	540,583
1 October 2013	461,198	-	-	-	-	461,198
26 September 2014	895,208	-	-	-	-	895,208
21 September 2015	-	696,893	34,565	-	-	662,328
	1,896,989	696,893	34,565	-	-	2,559,317

The grant on 19 September 2012 included market-based hurdles. Grants from 1 October 2013 includes a market based hurdle (relative TSR) and an EPS component. The Performance Rights have been independently valued. For the relative TSR component, valuation was based on assumptions underlying the Black-Scholes methodology to produce a Monte-Carlo simulation model. For the EPS component, a discounted cash flow technique was utilised. The total value does not contain any specific discount for forfeiture if the employee leaves the Group during the vesting period. This adjustment, if required, is based on the number of equity instruments expected to vest at the end of each reporting period.

a Performance rights granted on 19 September 2012 were tested on 19 September 2016 and did not vest. The TSR percentile rank for the Company was 46.77% and TSR was 54.54%; as a result these Performance Rights lapsed and no shares were issued to participants.

The key assumptions underlying the Performance Rights valuations are set out below:

Effective grant date	**Test and vesting date**	**Share price at date of grant** **$**	**Expected volatility in share price** **%**	**Expected dividend yield** **%**	**Risk free interest rate** **%**	**Average Fair Value per Performance Right** **$**
19 September 2012	19 September 2016	3.86	25.00 %	2.18 %	2.70 %	2.20
1 October 2013	1 October 2017	2.68	27.00 %	1.75 %	3.03 %	2.01
26 September 2014	26 September 2018	3.31	27.00 %	2.90 %	2.88 %	2.45
21 September 2015	21 September 2019	4.82	28.00 %	2.70 %	1.98 %	3.53
5 October 2016	5 October 2020	5.89	25.03 %	2.74 %	1.68 %	4.27

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For the year ended 30 June 2017

F11 Auditor's remuneration

	2017 $	2016 $
Amounts received or due and receivable by Ernst & Young (Australia) for:		
- An audit or review of the Financial Report of the Company and any other entity in the consolidated group	**899,603**	827,499
- Other services in relation to the Company and any other entity in the consolidated group:		
- Assurance related	**-**	-
- Other non-audit services including taxation services	**272,439**	301,661
	1,172,042	1,129,160
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
- Assurance related services	**-**	-

The auditor of the Company and its controlled entities is Ernst & Young. From time to time, Ernst & Young provides other services to the Group, which are subject to strict corporate governance procedures encompassing the selection of service providers and the setting of their remuneration. The Chair of the Audit Committee (or authorised delegate) must approve any other services provided by Ernst & Young to the Group.

Notes to the financial statements

For the year ended 30 June 2017

G Accounting policies and corporate information

Significant accounting policies are contained within the financial statement notes to which they relate and are not detailed in this section.

Corporate Information

The Star Entertainment Group Limited (the ***Company***) is a company incorporated and domiciled in Australia. The Financial Report of the Company for the year ended 30 June 2017 comprises the Company and its controlled entities (collectively referred to as the ***Group***). The Company's registered office is Level 3, 159 William Street, Brisbane QLD 4000.

The Company is of the kind specified in Australian Securities and Investments Commission (ASIC) Instrument 2016/191. In accordance with that Instrument, amounts in the Financial Report and the Directors' Report have been rounded to the nearest hundred thousand dollars, unless specifically stated to be otherwise. All amounts are in Australian dollars ($). The Company is a for profit organisation.

The Financial Report was authorised for issue by the Directors on 23 August 2017.

Basis of preparation

The Financial Report is a general purpose Financial Report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory Financial Reporting requirements in Australia.

The financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below and elsewhere in this report. The policies used in preparing the financial statements are consistent with those of the previous year except as indicated under 'Changes in accounting policies and disclosures'.

Significant accounting judgements, estimates and assumptions

Preparation of the financial statements in conformity with Australian Accounting Standards and IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

- Asset useful lives and residual values (refer notes A4 and B5);
- Impairment of assets (refer note B6);
- Valuation of derivatives and other financial instruments (refer note B3);
- Provision for impairment of trade receivables (refer note B2);
- Significant items (refer note A7); and
- Provisions (refer note F6).

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods.

Changes in accounting policies and disclosures

The Group has adopted the following new and amended accounting standards, which became applicable from 1 July 2016:

Reference	Title
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
AASB 2015-2	Amendments to Australian Accounting Standards - Disclosure Initiative Amendments to AASB 101
AASB 2014-3	Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interest in Joint Operations (AASB 1 & AASB 11)

The adoption of these standards did not have any material effect on the financial position or performance of the Group, additional disclosures have been made where required.

Standards and amendments issued but not yet effective

The Group has not applied Australian Accounting Standards and IFRS that were issued or amended but not yet effective. Those significant pronouncements are disclosed in the table below:

Reference	Title	Application date
AASB 9 *	Financial Instruments	1 January 2018
AASB 15 *	Revenue from Contracts with Customers	1 January 2018
AASB 16 *	Leases	1 January 2019

*AASB 9 will replace AASB 139 and introduces a single, forward-looking expected loss impairment model and a substantially reformed approach to hedge accounting.

AASB 9 is effective for annual periods beginning on or after 1 January 2018. The impact of the adoption is not expected to be material. The new Standard will not result in a significant change to the classification of financial assets and liabilities. Based on the Group's current derivative portfolio, the Group does not expect a significant impact on hedge accounting. Under AASB9, hedge effectiveness testing will only be performed on a prospective basis.

*AASB 15 replaces AASB 111, AASB 118 and related IFRIC Interpretations. AASB 15 provides a new five step approach for revenue recognition in determining when and how revenue should be recognised. The core principle of the new standard is that revenue is recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled. Under the approach, revenue is recognised once the performance obligations of a contract are satisfied.

The standard permits entities to apply guidance retrospectively with comparative balances restated or to recognise the cumulative effect of initially applying the standard as an opening adjustment to retained earnings on 1 July 2018.

AASB 15 includes extensive disclosure requirements intended to enable users of financial statements to understand judgments related to revenue recognition.

The Group continues to assess the impact of adopting the new standard on its consolidated financial statements.

*Under AASB 16, the distinction between finance and operating leases is eliminated for lessees (with the exception of short-term and low value leases). Both finance leases and operating leases will result in the recognition a right-of-use ("ROU") asset and a corresponding lease liability on the balance sheet. The liability is initially measured at the present value of future lease payments for the lease term and the ROU asset reflects the lease liability and initial direct costs, less any lease incentives and amounts required for dismantling.

AASB 16 must be implemented retrospectively, however the Group has the option as to whether restate comparatives or have the cumulative impact of application recognised in opening retained earnings on 1 July 2019 ("modified retrospective approach").

The standard is expected to have a material impact on the Group's consolidated balance sheet and income statement. The ROU asset and lease liability is expected to be material for the Group's current lease portfolio, including long-term leases for the Sydney and Brisbane properties. The transition to AASB 16 will result in a change in presentation in the consolidated income statement. Rental expenses currently disclosed under property costs will be replaced by an interest expense attributable to the lease liability and a depreciation charge for the ROU asset.

The Group will continue to assess the impact of the standard with the next steps including a detailed review of all agreements.

Basis of consolidation

Controlled entities

The Group controls an entity when the Group is exposed, 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.

Controlled entities are consolidated from the date control is transferred to the Group and are no longer consolidated from the date control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

Foreign currency

The consolidated financial statements are presented in Australian dollars ($) which is the Group's functional and presentation currency.

Transactions and balances

Transactions denominated in foreign currencies are translated at the rate of exchange ruling on the transaction date.

Monetary items denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Gains and losses arising from the translation are credited or charged to the income statement with the exception of differences on foreign currency borrowings that are in an effective hedge relationship. These are taken directly to equity until the liability is extinguished, at which time they are recognised in the income statement.

Net finance costs

Finance income is recognised as the interest accrues, using the effective interest method. Finance costs consist of interest and other borrowing costs incurred in connection with the borrowing of funds. Finance costs directly associated with qualifying assets are capitalised, all other finance costs are expensed in the period, in which they occur.

Taxation

Income tax

Income tax comprises current and deferred income tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

– goodwill; and
– the initial recognition of an asset or liability in a transaction which is not a business combination and that affect neither accounting nor taxable profit at the time of the transaction.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Goods and Services Tax (GST)

Revenues, expenses, assets and liabilities are recognised net of the amount of GST except:

– when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as

part of the cost of acquisition of the asset or as part of the expense item as applicable;
- casino revenues, due to the GST being offset against government taxes; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Cash and cash equivalents
Cash and cash equivalents are carried in the balance sheet at face value. Cash and cash equivalents include cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash for the purpose of the statement of cash flows.

Trade and other receivables
Trade receivables are recognised and carried at original settlement amount less a provision for impairment, where applicable. Bad debts are written off when they are known to be uncollectible. Subsequent recoveries of amounts previously written off are credited to the income statement. Other receivables are carried at amortised cost less impairment.

Inventories
Inventories include consumable stores, food and beverage and are carried at the lower of cost and net realisable value. Inventories are costed on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business.

Property, plant and equipment
Refer to notes A4 and B4 for further details of the accounting policy, including useful lives of property, plant and equipment.

Freehold land is included at cost and is not depreciated. All other items of property, plant and equipment are stated at historical cost net of depreciation, amortisation and impairment, and depreciated over periods deemed appropriate to reduce carrying values to estimated residual values over their useful lives. Historical cost includes expenditure that is directly attributable to the acquisition of these items.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Costs arising subsequent to the acquisition of an asset are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial year in which they are incurred.

Costs relating to development projects are recognised as an asset when it is:
- probable that any future economic benefit associated with the item will flow to the entity; and
- it can be measured reliably.

If it becomes apparent that the development will not occur, the amount is expensed to the income statement.

Intangible assets
Goodwill
Goodwill represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired and liabilities assumed. Goodwill is assessed for impairment on an annual basis and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose.

Other intangible assets
Indefinite life intangible assets are not amortised and are assessed annually for impairment. Expenditure on gaming licences acquired, casino concessions acquired, computer software and other intangibles are capitalised and amortised using the straight line method as described in note B5.

Software
Costs associated with developing or maintaining computer software programs are recognised as expenses as incurred. However, costs that are directly associated with identifiable and unique software products controlled by the Group and which have probable economic benefits exceeding the costs beyond one year are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of the relevant overheads. Expenditure meeting the definition of an asset is recognised as a capital improvement and added to the original cost of the asset. These costs are amortised over using the straight line method, as described in note B5.

Casino licences and concessions
Refer to note B5 for details and accounting policy.

Notes to the financial statements

For the year ended 30 June 2017

Impairment of assets
Assets that have an indefinite useful life are not subject to depreciation or amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units). Refer to note B6 for further details of key assumptions included in the impairment calculation.

Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Investment in associate and joint venture entities
Associates are all entities over which the Group has significant influence but not control or joint control. Joint control is the contractually agreed sharing of the joint arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. A joint venture is a type of arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. The Group's investments in associate and joint venture entities are accounted for using the equity method of accounting, after initially being recognised at cost. Under the equity method of accounting, the investments are initially recognised at cost and are subsequently adjusted to recognise the Group's share of the post-acquisition profits or losses of the investee in the income statement, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received are recognised as a reduction in the carrying amount of the investment. The carrying amount of equity-accounted investments is tested for impairment in accordance with the Group's policy.

Interest bearing liabilities
Interest bearing liabilities are recognised initially at fair value and include transaction costs. Subsequent to initial recognition, interest bearing liabilities are recognised at amortised cost using the effective interest rate method. Any difference between proceeds and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest rate method.

Interest bearing liabilities 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.

Leases
Leases of assets where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Leases of assets under which substantially all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

Employee benefits
Post-employment benefits
The Group's commitment to defined contribution plans is limited to making the contributions in accordance with the minimum statutory requirements. There is no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees relating to current and past employee services.

Superannuation guarantee charges are recognised as expenses in the income statement as the contributions become payable. A liability is recognised when the Group is required to make future payments as a result of employees' services provided.

Long service leave
The Group's net obligation in respect of long term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using rates attached to bonds with sufficiently long maturities at the balance sheet date, which have maturity dates approximating to the terms of the Group's obligations.

Annual leave
Liabilities for annual leave are calculated at discounted amounts based on remuneration rates the Group expects to pay, including related on-costs when the liability is expected to be settled. Annual leave is another long term benefit and is measured using the projected credit unit method.

Share based payment transactions
The Company operates the Long Term Performance Plan (***LTPP***), which is available to employees at the most senior executive levels. Under the LTPP, employees may become entitled to Performance Rights which may potentially convert to ordinary shares in the Company. The fair value of Performance Rights is measured at grant date and is recognised as an employee expense (with a corresponding increase in the share based payment reserve) over four years from the grant date irrespective of whether the Performance Rights vest to

the holder. A reversal of the expense is only recognised in the event the instruments lapse due to cessation of employment within the vesting period.

The fair value of the Performance Rights is determined by an external valuer and takes into account the terms and conditions upon which the Performance Rights were granted.

Under the Company's short term performance plan (***STPP***), eligible employees receive two thirds of their annual STPP entitlement in cash and one third in the form of restricted shares which are subject to a holding lock for a period of twelve months. These shares are forfeited in the event that the employee voluntarily terminates from the Company during the 12 month holding lock period.

The cost is recognised in employment costs, together with a corresponding increase in equity (share based payment reserve) over the service period. No expense is recognised for awards that do not ultimately vest. A liability is recognised for the fair value of cash settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employment costs.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its Treasury Policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value at the date the derivative contract is entered into and are subsequently remeasured to fair value at the end of each reporting period. The resulting gain or loss is recognised immediately in the income statement. However, where derivatives qualify for cash flow hedge accounting, the effective portion of the gain or loss is deferred in equity while the ineffective portion is recognised in the income statement.

The fair value of interest rate swap, cross currency swap and forward currency contracts is determined by reference to market values for similar instruments. Refer to note E2 for details of fair value determination.

Derivative assets and liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if:

- there is a currently enforceable legal right to offset the recognised amount; and
- there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Hedging

Cash flow hedge

Where a derivative financial instrument is designated as a hedge of the exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecast transaction subsequently results in the recognition of a non financial asset or liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, then the associated gains and losses that were recognised directly in equity are reclassified into the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement (i.e. when interest income or expense is recognised). For cash flow hedges, the effective part of any gain or loss on the derivative financial instrument is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects the income statement. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the designation of the hedge relationship is revoked but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received. Issued capital comprises ordinary shares. Any transaction costs directly attributable to the issue of ordinary shares are recognised directly in equity, net of tax, as a reduction of the share proceeds received.

Operating segment

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's executive decision makers to allocate resources and assess its performance.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- nature of the products and services;
- type or class of customer for the products and services;
- methods used to distribute the products or provide the services; and

Notes to the financial statements

For the year ended 30 June 2017

- nature of the regulatory environment.

Segment results include revenue and expenses directly attributable to a segment and exclude significant items.

Capital expenditure represents the total costs incurred during the period to acquire segment assets, including capitalised interest.

Dividend distributions
Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are declared.

Basic earnings per share
Basic earnings per share is calculated by dividing the net earnings after tax for the period by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share
Diluted earnings per share is calculated by dividing the net earnings attributable to ordinary equity holders adjusted by the after tax effect of:

- any dividends or other items related to dilutive potential ordinary shares deducted in arriving at profit or loss attributable to ordinary equity holders;
- any interest recognised in the period related to dilutive potential ordinary shares; and
- any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares;

by the weighted average number of issued ordinary shares plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Directors' Declaration

In the opinion of the Directors of The Star Entertainment Group Limited (the ***Company***):

(a) the financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's consolidated financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- (ii) complying with the Accounting Standards and the Corporations Regulations 2001;

(b) the Financial Report also complies with International Financial Reporting Standards as disclosed in note G; and

(c) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of Directors.

John O'Neill AO
Chairman
Sydney
23 August 2017

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Independent Auditor's Report to the Members of The Star Entertainment Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of The Star Entertainment Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Goodwill impairment assessment

Why significant to the audit	How our audit addressed the key audit matter
As at 30 June 2017, the Group's consolidated balance sheet included $1,442m of goodwill. As disclosed in Note B6 to the consolidated financial statements, the Directors' assessment of goodwill involves critical accounting estimates and assumptions, specifically relating to future discounted cash flows. These estimates and assumptions, summarised in Note B6 to the consolidated financial statements, are impacted by the future performance of the Group, market and regulatory environments. We considered this to be a key audit matter due to the magnitude of the balance and the significant judgments and assumptions involved in the calculation of the Fair Value less Cost of Disposal model.	Our audit procedures included the following: • Assessed whether the methodology used by the Directors met the requirements of Australian Accounting Standards - AASB 136 Impairment of Assets. • Tested the mathematical accuracy of the cash flow models. • Compared the cash flow forecasts with the Board approved five-year business plan and long term capital investment plans. • Together with our valuation specialists assessed the assumptions supporting the cash flow forecasts. • Considered the accuracy of the discount rate and the terminal growth rate used with involvement from our valuation specialists. • Tested the sensitivity analysis performed by the Group focusing on the Cash-Generating Units where a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount. • Evaluated whether the judgments and estimates disclosures in the consolidated financial statements met the requirements of Australian Accounting standards.

Building a better working world

Recoverability of trade receivables

Why significant to the audit	How our audit addressed the key audit matter
As disclosed in Note B2, at 30 June 2017, the Group's consolidated balance sheet included $176.6m of gross trade receivables and a provision for impairment of $14.0m. The Directors' assessment of trade receivable for impairment involves judgment, specifically relating to the individual circumstances of each debtor. As a consequence, recoverability of trade receivables is a key audit matter due to the inherent subjectivity that is involved in making judgments in relation to credit exposures to determine the recoverability of trade receivables.	Our procedures included assessing the overall reasonableness of the provision for impairment. In doing so, we: • Reviewed the Group's data around historical collections to determine the reasonableness of current provisioning. • Tested the aging of the outstanding receivables by selecting a sample and agreeing details to supporting documentation. • Selected a sample of the larger trade receivable balances where a provision for impairment of trade receivables was recognised and understood the rationale behind the provisioning by considering the historical payment patterns, whether any post year-end payments had been received up to the date of our audit report and examining the Group's available information on individual debtors. • Tested a sample of aged balances where no provision was recognised to assess that there were no indicators of impairment. This included, amongst others, assessing if payments had been received since the year-end, reviewing historical payment patterns and examining the Group's available information on each debtor. • Reviewed the historical provision position recorded by the Group against actual outcomes for debt recovery and/or write off and assessed the accuracy of the Group's provisioning.

Information Other than the Financial Report and Auditor’s Report

The directors are responsible for the other information. The other information comprises the information included in the Group’s 2017 Annual Report other than the financial report and our auditor’s report thereon. We obtained the Directors’ Report that is to be included in the Annual Report, prior to the date of this auditor’s report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor’s report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 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 Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters relating 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 Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 32 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of The Star Entertainment Group Limited for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst + Young

Ernst & Young

John Robinson
Partner
Sydney
23 August 2017