THE STAR

ASX Announcement

16 August 2019

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 4.3A:

1. Appendix 4E (Preliminary Final Report);
2. Media Release; and
3. Directors' Report and Financial Report for the year ended 30 June 2019.

Final Dividend

The Directors have declared a final dividend of 10 cents per share, fully franked at the company tax rate of 30%, to be paid on 26 September 2019.

The Record Date for the purpose of entitlement to the final dividend will be 22 August 2019.

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 23 August 2019).

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

THE STAR ENTERTAINMENT GROUP LIMITED

Appendix 4E

Preliminary Final Report

for the year ended 30 June 2019

1. Results for announcement to the market

(all comparisons to the year ended 30 June 2018)

The Appendix 4E should be read in conjunction with The Star Entertainment Group Limited's audited Directors' Report and Financial Report lodged with the Australian Securities Exchange (ASX) on 16 August 2019.

Results in accordance with Australian Accounting Standards	**Current period $m**	**% change**
Revenue from ordinary activities	2,158.1	3.6%
Profit from ordinary activities after tax attributable to members of the parent	198.0	33.7%
Net profit after tax for the period attributable to members of the parent	198.0	33.7%

	Current Period Normalised [1] $m	% change	**Current Period Statutory [2] $m**	**% change**
Revenue [3]	2,160.5	(0.9%)	2,158.1	3.6%
Earnings before interest, tax, depreciation and amortisation	556.5	(2.0%)	552.8	14.1%
Depreciation and amortisation	(205.8)	9.9%	(205.8)	9.9%
Earnings before interest and tax	350.7	(7.9%)	347.0	16.8%
Share of associates' profits	(0.6)	N.M. [5]	(0.6)	N.M. [5]
Net interest expense	(35.3)	2.9%	(35.3)	2.9%
Significant items (net of tax) [4]	N/A	-	(18.4)	(49.9%)
Income tax expense	(91.1)	(10.9%)	(94.7)	21.4%
Net profit after tax	223.7	(8.4%)	**198.0**	**33.7%**

[1] Normalised results reflect the underlying performance of the business as they remove the inherent win rate volatility of the International VIP Rebate business. Until FY18, normalised results were adjusted using an average win rate of 1.35% on turnover and taxes. Commencing FY19, the Group also normalises commissions on revenue share programs with the impact on the prior year comparative being an increase in commissions of $20m. Normalised earnings exclude significant items.

[2] Statutory results disclose revenues and expenses at actual win rates and include significant items.

[3] % change is calculated using the restated revenue amounts disclosed in the FY19 financial statements following the adoption of *AASB 15 - Revenue from contracts with customers* at 1 July 2018. Refer to note 1 above for items impacting normalised % change.

[4] Significant items include restructuring and redundancy costs offset by the gain on disposal of land for first JV tower at The Star Gold Coast.

[5] Movement not meaningful.

2. Dividend information

	Year ended 30 June 2019	**Half year ended 31 December 2018**
Fully franked final dividend (amount per share)	10.0 cents	10.5 cents
Record Date	22 August 2019	27 February 2019
Date Payable	26 September 2019	3 April 2019

Dividend reinvestment plan

The key terms of The Star Entertainment Group Limited's dividend reinvestment plan (***DRP***) in operation for the final dividend are:

No discount is applicable to shares issued under the DRP.
Shares issued under the DRP will rank equally in all respects with existing shares.
No brokerage, commission or other transaction costs will be payable by participants on shares acquired under the DRP.
The price at which shares are allocated under the DRP is the daily volume weighted average market price of The Star Entertainment Group Limited 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 dividend record date.

The last date for receipt of election notices for the dividend reinvestment plan is:	23 August 2019

3. Net tangible assets per share

	Current period	**Previous corresponding period**
Net tangible asset backing per ordinary share	$2.05	$2.10

4. Supplementary comments

Additional Appendix 4E disclosures and other significant information may be found in The Star Entertainment Group Limited's audited Directors' Report and audited Financial Report for the year ended 30 June 2019, and the media release lodged with the ASX on 16 August 2019.

5. Independent auditor's report

The Financial Report of The Star Entertainment Group Limited for the year ended 30 June 2019 has been audited by the Company's independent external auditor, Ernst & Young. A copy of the Independent Auditor's Report may be found on page 88 of the Financial Report.

ASX AND MEDIA RELEASE

Friday, 16 August 2019

THE STAR ENTERTAINMENT GROUP (ASX:SGR) FY2019 RESULTS[1]

Highlights

- **Solid domestic performance offset by VIP, impacted by market conditions**
- **Capital plans on schedule and de-risked**
- **Organisational restructure benefits underway, ~$40m annualised cost benefits to date**
- **Growth strategy progressed, capex optimised for returns**

	STATUTORY		NORMALISED [2]	
		Vs pcp[3]		**Vs pcp**
Net Revenue [4]	$2,158 m	3.6%	$2,161 m	(0.9%)
EBITDA (before significant items[5])	$553 m	14.1%	$557 m	(2.0%)
NPAT (before significant items)	$216 m	17.1%	$224 m	(8.4%)
Statutory NPAT	$198 m	33.7%	-	-
Total Dividends	20.5 cps	0.0%	-	-

- Solid domestic performance offset by VIP
  - Domestic EBITDA up 5.4% with margin expansion (both Sydney and Queensland)
  - EGM share gains in Qld and consolidation in Sydney. Tables growth driven by PGR
  - International VIP Rebate normalised EBITDA down 35.6% impacted by market conditions – unique VIP visitation up 10% to record levels, lower spend per visit
- Capital plans on schedule, de-risked
  - Queen's Wharf – ~60% under lump-sum contract in line with budget, further ~28% by end FY2020
  - Gold Coast – first JV tower construction commenced, second JV tower in presales stage
  - Sydney – Sovereign Resort expansion and upgrade to complete 4Q FY2020
- Restructure benefits underway
  - ~$40m annualised run rate to date driven by centres of excellence
  - Customer and employee risk management strategies in place
- Capital efficiency improved
  - Growth strategy through capital efficient investments with JV partners intact
  - Capex optimised for returns – FY2020-21 plans down ~$125m (excluding JV contributions) versus prior guidance
- Balance sheet supports investment plans – 1.9x gearing (Net Debt/ FY2019 statutory EBITDA), $1.7bn[6] committed debt facilities (average 5.3 years maturity)
- Final dividend of 10.0 cents per share fully franked. Total dividend of 20.5 cents per share fully franked

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[1] This release should be read in conjunction with The Star Entertainment Group Limited's FY2019 Results Presentation and Directors' Report and Financial Report for the twelve months ended 30 June 2019.
[2] 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% on actual turnover, taxes and revenue share commissions, unless otherwise stated, and are before significant items. Normalising for revenue share commissions commenced in 1H FY2019. Normalising for revenue share commissions results in an increase in commissions of $20m in FY2018.
[3] Prior comparable period.
[4] Net Revenue is after player rebates, commissions and promotional allowances following the adoption of AASB 15 from 1 July 2018. FY2018 comparatives have also been restated.
[5] Significant items relate to restructuring and redundancy costs offset by gain on disposal of land for first JV tower at The Star Gold Coast.
[6] As at July 2019.

Chairman John O'Neill AO said: "Over FY2019, the Group completed a further year executing its growth strategy, with major projects at Queen's Wharf Brisbane, The Star Gold Coast and The Star Sydney proceeding to plan. Record domestic revenues and earnings, reflecting continued positive reception by existing customers to recently delivered assets, have not offset declines in our International VIP Rebate business, which was impacted by weaker market conditions.

"The Board has declared a final dividend of 10.0 cents per share (payout ratio of 92% of normalised 2H FY2019 NPAT), representing total dividends of 20.5 cents per share for FY2019 (payout ratio of 84% of normalised FY2019). This demonstrates the strength of our balance sheet and the confidence we have in our business."

Group performance overview

The Group reported growth of 14.1% in statutory EBITDA (before significant items) on pcp and 33.7% in statutory NPAT after significant items, supported by an actual win rate in the International VIP Rebate business in FY2019 higher than pcp. Statutory net revenue increased 3.6% on pcp.

The Group reported record domestic results driven by solid domestic gaming revenue growth, supporting market share gains at the Gold Coast and Brisbane, and tables revenue growth of 4.0% on pcp. Private gaming room performance in both slots and tables continued to outpace main gaming floor growth. Domestic EBITDA margins expanded in FY2019 on pcp. The performance of the International VIP Rebate business was impacted by weaker market conditions – increased visitation was more than offset by declines in spend per visit.

Operating costs were flat on pcp, reflecting domestic volume growth, higher wages and higher interim service levels for recently commissioned Gold Coast assets and the transition to Sovereign 1.5 in Sydney, offset by lower International VIP Rebate business volumes and continuing cost management. Depreciation and amortisation increases reflect newly commissioned assets and accelerated depreciation.

Capital expenditure in FY2019 excluding joint venture contributions declined $157m to $320m, consistent with guidance. In addition, $105m was contributed to joint venture projects, largely relating to Queen's Wharf Brisbane and the first joint venture tower at the Gold Coast.

Sydney

Statutory gross EBITDA before significant items increased 7.6% on pcp, supported by a higher win rate in the International VIP Rebate business versus pcp. Statutory net revenue declined 0.5% on pcp.

Sydney domestic performance was solid, with gaming revenue growth driving record domestic EBITDA and EBITDA margins. Slots revenue increased 3.4% on pcp (market share consolidated in FY2019 versus pcp), with table revenues up 4.0% on pcp supported by solid growth in private gaming rooms.

Spend per customer in the International VIP Rebate business declined. Front money declines and unusually low turns reduced turnover, impacting Sydney's underlying performance. Normalised net revenue declined with normalised EBITDA down 5.7% on pcp (FY2018 up 27.9% on pcp).

Operating expenses declined 2.9% on pcp, reflecting increased domestic volumes and higher wages offset by lower International VIP Rebate business volumes.

Queensland (Gold Coast and Brisbane)

Queensland reported statutory and normalised net revenue and EBITDA growth. All segments contributed to revenue growth. Statutory net revenue increased 10.5% on pcp, with statutory EBITDA before significant items up 23.5% on pcp, supported by a higher win rate in the International VIP Rebate business versus pcp. Normalised net revenue increased 5.2%, with normalised EBITDA up 5.9%. Domestic revenue and EBITDA growth in FY2019 reflected domestic gaming revenue growth driven by private gaming rooms. Electronic gaming market share increased in FY2019 at both Gold Coast and Brisbane, with tables revenue growth of 3.9% on pcp.

Over FY2019, Gold Coast experienced increased domestic and International VIP Rebate business visitation, electronic gaming share gains, solid domestic tables volume growth, and International VIP Rebate business volumes up 20.1% on pcp. Operational improvements at Brisbane continued, with share gains in electronic gaming and solid tables revenue growth driven largely by private gaming rooms.

Operating expenses increased 4.9% on pcp, reflecting increased domestic and international volumes, higher wages and newly commissioned assets on the Gold Coast. Investment in higher initial service levels at the Gold Coast have moderated.

International VIP Rebate business

Performance in the International VIP Rebate business was mixed, with solid sales performance delivering 10% growth in unique visitation on pcp to record levels, offset by lower spend per customer. International Premium Mass turnover grew 19% on pcp.

Front money decreased 7.1% on pcp to $4.4 bn and unusually low turns of 9.6 times (12.9 times in FY2018) resulted in turnover declining 30.7% on pcp to $42.4 bn. This impacted normalised International VIP Rebate business revenue, down 30.7% on pcp. Statutory International VIP Rebate business revenue declined at a lower rate of 17.6% on pcp assisted by a higher win rate (1.38% versus 1.16% in FY2018). As noted previously, normalisation includes normalisation of revenue share commissions to the average 1.35% win rate.

Trading update and outlook for FY2020

Domestic revenue in early 1H FY2020 continues to reflect a cautious consumer environment but has improved from 2H FY2019 levels. International VIP Rebate business volumes in early FY2020 are up on pcp, though comparisons are difficult given the short time period.

Managing Director and Chief Executive Officer, Matt Bekier said: “Priorities for management are clear, and remain focused on returns. Cost benefits from the organisational restructure are being delivered to plan, with approximately $40m annualised cost benefits achieved to date. Around 60% of total project costs for Queen’s Wharf Brisbane are now under lump sum contracts, with a further approximately 28% to be contracted on lump sum terms expected by end FY2020. We remain committed to progressing The Ritz-Carlton JV tower development application, an investment that delivers significant benefits for the local community, and Sydney more broadly as a destination of choice for local and international tourists. The repurposing of Sydney’s Sovereign 1.5 when the new Sovereign Resort is completed in 4Q FY2020 enables all premium domestic customer tiers to receive an upgrade to their private gaming room for no additional capital expenditure. This decision and other measures facilitates a $140m reduction in capital expenditure (including joint venture contributions) over FY2020-21.

“The Group remains focused on executing our long-standing strategy of investing to drive visitation and earnings to our network of properties located in sought-after destinations. The expansion and upgrades of our properties are being executed to plan, through a partnership approach that enables capital-efficient and de-risked growth.”

For further information:

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The Star Entertainment Group – Full year results to 30 June 2019

Key financials – Statutory[7]		Variance to pcp
Gross Revenue	$2,514 m	Down 2.5%
Net Revenue	$2,158 m	Up 3.6%
EBITDA	$553 m	Up 14.1%
EBIT	$347 m	Up 16.8%
NPAT	$198 m	Up 33.7%
Earnings Per Share[8]	21.6 cents	Up 23.4%
Key financials – Normalised[9] (Underlying), at 1.35% Win Rate		**Variance to pcp**
Gross Revenue	$2,501 m	Down 7.2%
- Sydney	$1,631 m	Down 13.0%
- Queensland	$870 m	Up 6.0%
Net Revenue	$2,161 m	Down 0.9%
- Sydney	$1,375 m	Down 4.0%
- Queensland	$786 m	Up 5.2%
EBITDA	$557 m	Down 2.0%
- Sydney	$367 m	Down 5.7%
- Queensland	$189 m	Up 5.9%
EBIT	$351 m	Down 7.9%
- Sydney	$244 m	Down 11.4%
- Queensland	$107 m	Up 1.3%
NPAT (after equity accounted investments)	$224 m	Down 8.4%
Dividend per share		
Final dividend per share (fully franked)	10.0 cents	Down 23.1%
Total dividend per share (fully franked)	20.5 cents	No change
Balance sheet		
Gross Debt	$1,162 million	
Net Debt	$973 million	
Net Debt/ EBITDA (statutory)	1.9 times (FY2019 statutory EBITDA)	

[7] EBITDA and EBIT are before equity accounted investment profits/ losses and significant items. Statutory NPAT is after equity accounted investment profits/ losses and significant items. Refer to Note A7 of the Financial Report for a reconciliation of significant items.

[8] Earnings per share based on weighted average of shares on issue.

[9] 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, taxes and revenue share commissions, unless otherwise stated. Normalised EBITDA and EBIT are before equity accounted investment profits/ losses and significant items. Normalised NPAT is after equity accounted investment profits/ losses and before significant items gain. Refer to Note A7 of the Financial Report for a reconciliation of 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 2019

Contents

Directors' Report
for the year ended 30 June 2019

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 2019.

1. Directors

The names and titles of the Company's Directors in office during the financial year ended 30 June 2019 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
Ben Heap	Non-Executive Director
Katie Lahey AM	Non-Executive Director
Sally Pitkin	Non-Executive Director
Richard Sheppard	Non-Executive Director
Zlatko Todorcevski	Non-Executive Director

2. Operating and Financial Review

The Operating and Financial Review for the year ended 30 June 2019 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 and 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 Group 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, in pursuit of its vision to be Australia's leading integrated resort company, are to:

- Create world class integrated resorts with local spirit;
- Manage planned capital expenditure programs on time and budget to deliver value and returns for shareholders;
- Increase visitation from local, domestic and international markets through continued emphasis on loyalty, signature gaming, premium hotels and diversity of food and beverage offerings;
- Identify, retain, develop and engage a highly talented team of employees across properties and the Group; and
- Improve customer experience, including providing customers with tailored product and service offerings.

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

- Continued above-system growth in domestic gaming with slots market share gains at all properties, solid tables growth and continued private gaming room (***PGR***) growth;
- Capital works delivered to plan, including the Sydney and Gold Coast PGR upgrades and the Sydney lobby and porte cochere;
- Joint venture capital works delivering to plan including Queen's Wharf Brisbane and the Gold Coast tower;
- Improving capital efficiency in a low growth environment by targeted reductions and commencement of a process to release further capital; and
- Focus on shareholder returns through continuous cost management and operational leadership in moving to the Centres of Excellence model.

Looking forward into FY2020, the focus will be on the following key strategic priorities:

- Leveraging the Centre of Excellence operating model to continue to build on solid PGR member growth and improve main gaming floor (***MGF***) performance as well as extract and retain efficiencies;
- Delivering on the next stage of the capital development programs with joint venture partners including Queen's Wharf Brisbane and Gold Coast masterplan;
- Continuing to seek approvals for the proposed construction of The Ritz-Carlton Hotel and Residences in Sydney;
- Managing the competitive environment for the Sydney new entrant and Gold Coast market; and

- Continuing to improve capital efficiency, through reduced capital outlook and potential capital recycling of supporting assets.

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, before commissions, of $2,514.0 million was down 2.5% on the prior comparable period (pcp), largely due to an unusually low turn rate in the International VIP Rebate business given the higher win rate of 1.38% (1.16% in the pcp). This was partially offset by broad based growth in domestic gaming and non-gaming. Normalised[1] gross revenue decreased 7.2% for the period to $2,500.9 million, down from $2,694.7 million in the pcp, as a result of lower International VIP Rebate business volumes, down 30.7%.

Operating costs were flat on pcp, reflecting domestic volume growth, higher wages and higher interim service levels for recently commissioned Gold Coast assets and Sydney transition to Sovereign Resort, offset by lower International VIP Rebate business volumes and continuing cost management. Gaming taxes and levies were up 1.0%, in line with increased revenue. Significant expense items ($32.4 million before tax) relate to restructuring and redundancy costs of $42.1 million partially offset by a gain on disposal of land of $9.7 million.

Earnings before interest, tax, depreciation, amortisation (***EBITDA***) (excluding significant items) of $552.8 million was up 14.1% on the pcp. Normalised EBITDA, excluding significant items, was $556.5 million, down 2.0% on the pcp.

Depreciation and amortisation expense of $205.8 million was up 9.9% on the pcp as new investments are commissioned. Finance costs of $35.3 million were up 2.9% on the pcp (excluding significant items).

Net profit after tax (***NPAT***) was $198.0 million, up 33.7% on the pcp. Normalised NPAT, excluding significant items, was $223.7 million, down 8.4% on the pcp.

Basic and Diluted Earnings per Share were both 21.6 cents (both 17.5 cents in the pcp). A final dividend of 10.0 cents fully franked was declared. The full year dividend totalling 20.5 cents per share is equal to the pcp. This reflects the dividend payout policy of a minimum dividend of 70% of normalised NPAT. This amounts to 84% of normalised NPAT (95% of statutory NPAT) for the year ended 30 June 2019.

2.4. Group financial position

The Group's net asset position was in line with the pcp.

Receivables remain well managed, with receivables not impaired less than one year comprising 95% of the total. Net receivables past due, not impaired, greater than 30 days of $54.7 million, were up 90.6% on the pcp, reflecting a small number of high value players.

Net debt[2] was $972.6 million (30 June 2018: $678.0 million). On 3 July 2019, the Group refinanced its bank facilities, increasing the total facility limit to $1.2 billion and average drawn debt maturity to 5.3 years. Gearing levels support investment plans at 1.9 times FY2019 net debt to statutory EBITDA. This, coupled with refinancing the Group's bank facilities in July 2019, positions the Group well to continue executing on its growth projects. Operating cash flow before interest and tax was $478.8 million (30 June 2018: $496.7 million) with an EBITDA to cash conversion ratio of 92% (30 June 2018: 105%).

Trade and other payables of $340.9 million were down 6.8%, predominately relating to players' funds deposited at 30 June 2019, which decreased in line with the International VIP Rebate business volumes.

[1] Normalised results reflect the underlying performance of the business as they remove the inherent win rate volatility of the International VIP Rebate business. Until FY18, normalised results were adjusted using an average win rate of 1.35% on turnover and taxes. Commencing FY19, the Group also normalises commissions on revenue share programs with the impact on the prior year comparative being an increase in commissions of $20.1m. Normalised earnings exclude significant items.

[2] Net debt is shown as interest bearing liabilities, less cash and cash equivalents, less net position of derivative financial instruments.

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 $1,567.8 million, down 9.7% on the pcp and EBITDA (excluding significant items) was $307.6 million, up 7.6% on the pcp. Normalised EBITDA was $367.4 million, down 5.7% on the pcp.

Normalised gross revenue in Sydney was $1,631.4 million, down 13.0% on the pcp. Revenue decreased due to lower International VIP Rebate business volumes (down 39.7% on the pcp), partially offset by continued domestic revenue growth. Electronic gaming machine market share remained consistent with the pcp. Non-gaming revenue was down 1.3% with increased hotel capacity offset by impact from food and beverage vendor refurbishments.

Gaming taxes and levies of $360.0 million were down 2.4% on the pcp as a result of lower International VIP Rebate business volumes. Sydney's average non-rebate tax rate was 31.0%, down from 32.0% in the pcp (top marginal tax rate of 50.0% in both years). Operating expenditure of $640.7 million was down 2.9% on the pcp, reflecting increased domestic volumes and higher wages offset by lower International VIP Rebate business volumes. Normalised EBITDA margin of 22.5% was up 1.7% on the pcp.

The Sydney property is a Leadership Partner for Sydney's Lunar Festival, a proud major sponsor and participant in the Sydney Gay and Lesbian Mardi Gras, and a Foundation Partner of the Australian Turf Club, in addition to participating in The Everest, the world's richest race on turf. The Sydney property is also a sponsor of the Sydney Swans, New South Wales Rugby League (NSW Blues) and Sydney FC.

The 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 $946.2 million up 12.3% on the pcp and EBITDA (excluding significant items) was $245.2 million, up 23.5% on the pcp. Normalised EBITDA was $189.1 million, up 5.9% on the pcp.

Normalised gross revenue in Queensland was $869.5 million, up 6.0% on the pcp. Revenue increased due to higher International VIP Rebate business volumes up 23.5% on the pcp and win rate of 2.06% (1.61% in the pcp). Queensland revenue increased with all business segments contributing to growth. Non-gaming revenue was up 2.4% on the pcp, with customers continuing to respond to the enlarged and upgraded offering.

Gaming taxes and levies were up 8.5% on the pcp, driven by increased International VIP Rebate business volumes through the period. Operating expenses of $420.6 million across the Queensland properties were up 4.9% on the pcp. This was driven by increased domestic and international volumes, higher wages and newly commissioned assets on the Gold Coast, offset by continued cost management. Normalised EBITDA margin of 21.7% was flat on the pcp.

The Gold Coast property is the home of the TV Week Logie Awards and major sponsor of The Star Magic Millions Raceday and Carnival. The Brisbane property was a sponsor of the Brisbane Festival and Brisbane Racing Club.

The Queensland properties also contribute to various charities and not-for-profit organisations including Surf Life Saving Queensland and Cerebral Palsy League Queensland.

International VIP Rebate business

The results of the International VIP Rebate business are embedded in the segment performance overviews above. The International VIP Rebate business turnover was $42.4 billion, down 30.7% on the pcp. The actual win rate of 1.38% was above both the win rate for the pcp of 1.16% and the theoretical rate of 1.35%. Statutory revenue was $586.0 million, down 17.6% on the pcp, compared to normalised International VIP Rebate business revenue of $572.9 million (down 30.7% on the pcp). Player rebates and levies of $355.9m were down 28.2% on pcp, reflecting the lower turnover offset by win rate improvements.

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 that support the operation of a single casino in NSW until November 2019.

The Group has previously disclosed a proposed investment for up to $1 billion (subject to various approvals) which includes a new tower to be developed with joint venture partners Chow Tai Fook Enterprises Limited (***CTF***) and Far East Consortium International Limited (***FEC***). The scale 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 VIP suites and gaming salons, and over 50 food and beverage offerings. The Group's share of the proposed investment is expected to be approximately $667 million (prior to the sale of any apartments). On 25 July 2019, the NSW Government Department of Planning, Industry and Environment recommended against the proposed construction of The Ritz-Carlton Hotel and Residences. The Star continues to seek approval for the development from the NSW Government Independent Planning Commission, which is the decision making authority.

Capital expenditure in the year was approximately $240.0 million, including the completion of the redevelopment of The Star Grand lobby and porte cochere. The Sovereign Resort expansion continues.

Gold Coast

The Group currently 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, including a new tower with joint venture partners CTF and FEC. The construction of the tower continues and is expected to cost approximately $370 million. Presales on the second tower have commenced (construction is subject to presales and all other approvals). Once developed, the scale of the property under the masterplan 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 the proposed investment is expected to be approximately $578 million (prior to the sale of any apartments).

As announced on 5 March 2019, the Group has been invited into the second stage of the Queensland Government's process in relation to a global tourism hub on the Gold Coast. The second stage is to provide an expression of interest for the Gold Coast tourism hub. This stage has not yet been commenced.

Capital expenditure in the current year was approximately $70 million. This included redevelopment of the Harvest Buffet and Oasis Lounge.

The Group also 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 hold 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 apartments development joint venture.

Initial work on the Integrated Resort is on schedule and on budget, with excavation work completed in July 2019.

Target total project costs are estimated to be approximately $2.4 billion, excluding Government payments and Treasury Brisbane repurposing costs. In July 2019 DBC secured contracts for approximately 60% of the project costs for the development of the shell, core and façade stage. The fit-out stage is expected to be contracted in FY2020, securing a further 28% of the project costs.

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 Company'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 Company'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 Gold Coast.	The Group's vision is to be Australia's leading integrated resort company. Substantial investments have been made to develop new or improved venue facilities in all key markets, and to improving customer service capabilities of employees. Revenue sources have also been diversified.
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 appropriately skilled and experienced project managers to reduce the risk of delays in completion and/or overruns in costs of capital projects. The Group continues to improve capital efficiency, through reduced capital outlook and potential capital recycling of supporting assets. The Group markets and promotes 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. It undertakes training and development programs to provide employees with career development opportunities. The Group regularly conducts employee engagement surveys 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 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, key Federal and State regulators, investors, media and unions. The Group has also developed 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. This includes matters core to the integrity of gaming operations such as gaming regulatory compliance, responsible gaming and service of alcohol and Anti-Money Laundering and Counter-Terrorism Financing (AML & CTF) Act compliance. The Group has dedicated regulatory and compliance teams and a specialist AML & CTF compliance team that has recently enhanced the Group's AML Program. The Group also makes representations to government and industry groups to promote effective, appropriate and consistent regulatory and policy outcomes.

Risk and description	Mitigation strategy
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 technology systems to detect and block viruses and other threats to the security of the Company's data. Employees are regularly trained on the importance of maintaining effective cyber security and data privacy processes.
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 the Group's resort facilities, or which inhibit the ability of guests being able to visit one of its 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 its guests and employees.	The Group takes a risk based approach to managing health and safety. Critical safety risks have been identified with mitigation plans in place. Dedicated health and safety and injury management specialists are employed at each resort facility. To assist in maintaining the safety and security of its 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 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.

The Group has in place a five-year Sustainability Strategy, 'Our Bright Future', which is 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 is conducted annually to ensure ESG issues remain relevant. As part of the Group's commitment to building world class properties, the Group continues to target sustainable reductions in resource use through capital, and operational energy and water improvement projects. To support this commitment, the Group has in place carbon and water targets to achieve a 30% reduction in carbon and water intensity by FY2023 against a baseline of FY2013 on a square metre basis. An active energy and water project pipeline, first established in FY2014, continues to monitor and track projects that deliver cost and environmental benefits.

To ensure energy and water efficiency is achieved in refurbishment and development projects, the Group's Sustainable Design and Operational Standards have been applied to achieve greener building outcomes by specifying energy efficient technologies and best practice water and waste management. Implementation of these Standards has led to the Sydney property obtaining its first Green Star Performance Rating, enabling the benchmarking of operational performance of The Star's assets. The Company's offices at 60 Union Street, Pyrmont, New South Wales have achieved a 5 Star Green Star Interiors Rating as part of the refurbishment process.

The Group retained the global leadership position in the Casino and Gaming Industry in the Dow Jones Sustainability Index for the third year running. The Sydney property achieved finalist status for the Group's 'Environmental Program' at the HM Awards in September 2018 and won a sustainability award at the 'Global Trend Marketing Awards' for the video case study promoting water savings by using waterless works.

The Group's Global Reporting Index (***GRI***) report is published on the Company's website, demonstrating a 'core' level of compliance. The GRI Reporting Standards are the most widely used standards for sustainability reporting, and represent global best practice for reporting on economic, environmental and social impacts.

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 each year. The Company's Environmental Management Policy, Sustainability Strategy, Materiality Assessment and Sustainable Design and Operational Standards 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 and diluted EPS for the financial year was 21.6 cents (2018: 17.5 cents), 23.4% up on the pcp as a result of the increase in net profit after tax. EPS is disclosed in note F3 of the Financial Report.

4. Dividends

4.1. Dividend payout

An interim dividend of 10.5 cents per share (fully franked) was paid on 3 April 2019.

A final dividend per share of 10.0 cents (fully franked) was declared. The full year dividend totalling 20.5 cents per share is equal to the pcp and reflects a payout ratio of 84% of normalised NPAT (95% of statutory NPAT) for the year ended 30 June 2019.

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 23 August 2019. 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 (22 August 2019). 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 3 July 2019, the Company successfully refinanced its bank facilities, with new bilateral bank facilities replacing all Syndicated Bank Facilities, which have been repaid and cancelled.

The new bilateral facilities have a total limit of $1.2 billion (increased from $0.8 billion of bank facilities at 30 June 2019). The new facilities have maturities of between three and five years, increasing the weighted average maturity of the company's debt facilities from 3.8 to 5.3 years. Unamortised borrowing costs of $1.7 million associated with the existing facilities will be expensed to the income statement in FY2020.

On 25 July 2019, the NSW Government Department of Planning, Industry and Environment recommended against the proposed construction of The Ritz-Carlton Hotel and Residences in Sydney. The Star continues to seek approval for the development from the NSW Government Independent Planning Commission, which is the decision making authority.

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 2019 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; Officer of the Order of Australia; French decoration of Chevalier de la Legion d'Honneur* **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, as well as a Director of Tabcorp Holdings 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, as well as a Director of Rugby World Cup Limited. Mr O'Neill is currently Chairman of Queensland Airports Limited. Mr O'Neill also chairs the Bates Smart Advisory Board and is 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 held various roles with McKinsey & Company. **Special Responsibilities:** Nil **Directorships of other Australian listed companies held during the last 3 years:** Nil

Directors' Report

for the year ended 30 June 2019

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 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 Non-Executive Director of Pinnacle Investment Management Group Limited and 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 **Directorships of other Australian listed companies held during the last 3 years:** • Pinnacle Investment Management Group Limited (1 September 2016 to present)
Ben Heap	**Non-Executive Director** (from 23 May 2018) *Bachelor of Commerce (Finance); Bachelor of Science (Mathematics)* **Experience:** Ben Heap has wide-ranging experience in asset and capital management as well as technology and digital businesses. He has extensive business strategy, innovation, investment and governance expertise. Mr Heap is a Founding Partner of H2 Ventures, a venture capital investment firm and a Director of its related private companies. He is a Non-Executive Director of Colonial First State Investments Limited (a subsidiary of the Commonwealth Bank of Australia), the Vice President of Gymnastics Australia and a member of the Australian Commonwealth Government's Fintech Advisory Group. Mr Heap was previously Managing Director for UBS Global Asset Management in Australasia and prior to this, Head of Infrastructure for UBS Global Asset Management in the Americas. He held a number of directorships associated with these roles. Earlier in his career, Mr Heap was Group Executive, E-Commerce & Corporate Development for TAB Limited. **Special Responsibilities:** • Member of the Risk and Compliance Committee • Member of the Remuneration Committee • Member of the People, Culture and Social Responsibility Committee **Directorships of other Australian listed companies held during the last 3 years:** Nil

Directors' Report

for the year ended 30 June 2019

Current Directors	
Katie Lahey AM	**Non-Executive Director** (from 1 March 2013) *Bachelor of Arts (First Class Honours); Master of Business Administration; Member of the Order of Australia* **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 Chairman Australasia of Korn Ferry International and a Director of Carnival Corporation & plc. Ms Lahey was previously the Chair of Carnival Australia and also 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 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 currently the Chair of Super Retail Group Limited and a Non-Executive Director of Link Administration Holdings Limited. She is also a member of the National Board of the Australian Institute of Company Directors and chairs its Corporate Governance Committee. **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) • Link Administration Holdings Limited (23 September 2015 to present) • Billabong International Limited (28 February 2012 to 15 August 2016) • IPH Limited (23 September 2014 to 20 November 2017)

Directors' Report

for the year ended 30 June 2019

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)
Zlatko Todorcevski	**Non-Executive Director** (from 23 May 2018) *Bachelor of Commerce (Accounting); Masters of Business Administration; Fellow of CPA Australia; Fellow of Governance Institute of Australia* **Experience:** Zlatko Todorcevski is an experienced executive with over 30 years' experience in the oil and gas, logistics and manufacturing sectors. He has a strong background in corporate strategy and planning, mergers and acquisitions, and strategic procurement. He also has deep finance expertise across capital markets, investor relations, accounting and tax. Mr Todorcevski was previously the Chief Financial Officer of Brambles Limited. Prior to that, he was Chief Financial Officer of Oil Search Limited and the Chief Financial Officer for Energy at BHP. Mr Todorcevski is currently the Lead Independent and Deputy Chairman of Adelaide Brighton Limited and a member of the Council of the University of Wollongong. Mr Todorcevski is also a Non-Executive Director of Coles Group Limited. **Special Responsibilities:** • Chair of the Audit Committee • Member of the Risk and Compliance Committee • Member of the Investment and Capital Expenditure Review Committee **Directorships of other Australian listed companies held during the last 3 years:** • Adelaide Brighton Limited (22 March 2017 to present) • Coles Group Limited (19 November 2018 to present)

Directors' Report
for the year ended 30 June 2019

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	80,858	Nil
Matt Bekier	1,006,320	2,097,569
Gerard Bradley	50,000	Nil
Ben Heap	30,000	Nil
Katie Lahey AM	36,907	Nil
Sally Pitkin	45,900	Nil
Richard Sheppard	150,000	Nil
Zlatko Todorcevski	70,000	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.

9. Board and Committee meeting attendance
During the financial year ended 30 June 2019, the Company held 10 meetings of the Board of Directors (including two 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		Remuner-ation 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	10	10	4	4	4	4	4	4	4	4	3	3
Matt Bekier [c]	10	10	-	-	-	-	-	-	-	-	-	-
Gerard Bradley	10	10	4	4	4	4	-	-	-	-	3	3
Ben Heap	10	10	3	-	4	4	4	4	4	4	1	-
Katie Lahey AM	10	10	2	-	4	4	4	4	4	4	-	-
Sally Pitkin	9	10	4	4	4	-	4	4	4	4	2	-
Richard Sheppard	9	10	4	4	4	4	-	-	-	-	3	3
Zlatko Todorcevski	10	10	4	4	4	4	2	-	3	-	3	3

A - Number of meetings attended as a Board or Committee member.

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

c The Managing Director and Chief Executive Officer is not a member of any Board Committee but may attend Board Committee meetings upon invitation. 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.

Directors' Report

for the year ended 30 June 2019

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 2019. 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:

Description of services	**$000**
Other assurance related services in relation to the Company and any other entity in the consolidated group	10.0
Other non-audit services	78.9
Total of all non-audit and other services	88.9

Amounts paid or payable by the Company for audit and non-audit services are disclosed in note F12 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.

Directors' Report

for the year ended 30 June 2019

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 2019. 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
16 August 2019

Ernst & Young
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Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

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Fax: +61 2 9248 5959
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Auditor's Independence Declaration to the Directors of The Star Entertainment Group

As lead auditor for the audit of the financial report of The Star Entertainment Group for the financial year ended 30 June 2019, 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

Megan Wilson

Megan Wilson
Partner
16 August 2019

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 2019

Introduction from the Remuneration Committee Chair

Dear Shareholder,

*On behalf of the Board, I present the Remuneration Report for the year ended 30 June 2019 (**FY19**). This report is prepared on a consistent basis to the previous year for ease of reference.*

2018 Annual General Meeting (AGM)

The FY18 Remuneration Report received positive shareholder support at the 2018 AGM, with 98.63% of votes in favour of the resolution.

*At the 2018 AGM, shareholders approved a grant to the Managing Director and Chief Executive Officer of performance rights under the Long Term Incentive Plan (**LTI**). The Board approved a 2% increase to his fixed remuneration and short term incentive for FY19. His total remuneration mix for FY19 was unchanged from the prior year, with his at risk remuneration comprising more than 70% of his total target annual reward.*

FY19 Performance and Incentive Outcomes

*The Group delivered Normalised Net Profit after Tax (NPAT) of $224 million (excluding significant items of $32.4m before tax, relating to one-off restructuring and redundancy costs relating to Group reorganisation ($42.1m) partially offset by gain on disposal of Gold Coast land to the Destination Gold Coast Consortium joint venture for construction of the first residential, hotel and retail tower ($9.7m)), 8% below the pcp and 13% below the target set by the Board at the beginning of the performance period for the Short Term Incentive Plan (**STI**).*

Total dividends paid to shareholders in FY19 were 20.5c cents per share, equal to the pcp.

*The Group did not achieve the financial gateway under the STI and no bonus payments were made to Executive KMP. The non-financial performance moderating measures of Guest Satisfaction and improvements in Safety Total Reportable Injury Frequency Rate (**TRIFR**), were in line with expectations set by the Board at the beginning of the period.*

The FY15 LTI award was tested for vesting during the period and 99.65% of performance rights vested resulting in 918,395 fully paid ordinary shares being allocated to those participants (in respect of grants made for the financial year ended 30 June 2015). The TSR performance of the Group was 82.978%, with a percentile ranking of 74.65 and the EPS performance was 26.2 cents (above the target of 25.1 cents).

FY19 Remuneration Framework Changes

LTI Plan

During FY19, the Board approved a change to the methodology to allocate performance rights under the LTI from Moderated Face Value to Face Value, effective for awards granted from and including FY19. The Board also introduced a set of guiding principles to guide decision making on any adjustments to performance outcomes under the LTI.

Equity Retention Plan

*In response to an increase in competition for talent, the Board introduced an Equity Retention Plan (**ERP**) for key frontline team members (i.e. excluding Executive KMP). Under the ERP, participants are entitled to receive up to 100% of their fixed annual remuneration amount in value as fully paid ordinary shares after five years. The awards are issued at no cost to participants and are subject to a service condition of five years. Participants are entitled to dividends and may benefit from share price growth over the vesting period. The Board reviews participation and eligibility on an annual basis.*

Future events

The FY16 LTI will be tested for vesting in September 2019. The LTI award comprises 50% EPS and 50% TSR hurdles. Details on vesting outcomes will be provided ahead of the 2019 AGM.

We thank you for your support in FY19 and welcome your feedback on our Remuneration Report.

Yours sincerely,

Sally Pitkin

Remuneration Committee Chair

Remuneration Report (audited)

For the year ended 30 June 2019

This Remuneration Report is comprised of the following sections:

Table of Contents

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 2019.

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

1. Summary for FY19

Remuneration Reviews

In accordance with its Reward Strategy, the Company annually assesses the remuneration levels and mix for Executive KMP 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 annual remuneration review completed in September 2018, the Board approved a 2% increase to the Managing Director and Chief Executive Officer's fixed remuneration and short-term incentive for FY19. The total annual reward increases for other Executive KMP were between 0% and 2.5%.

Further details on changes to Executive KMP remuneration for FY19 are provided in Table 10.

For FY20, there will be no change made to the Managing Director and Chief Executive Officer's and other Executive KMP's remuneration.

Short Term Incentive (*STI*)

Although the non financial measures (being Guest Satisfaction and Safety – TRIFR) used to moderate any payments under the STI were in line with expectations, no incentives accrued under the STI for FY19 as the Group did not achieve the financial performance gateway for Normalised Net Profit After Tax (***Normalised NPAT***).

The FY19 Normalised NPAT of $224 million was below the threshold of $245.9 million (calculated as 95% of budgeted Normalised NPAT), set by the Board at the commencement of the performance period.

Further details are provided in section 4.4 of this report.

Long Term Incentive (*LTI*)

Performance rights relating to the FY15 LTI award were tested in September 2018 with 99.65% of these rights vesting into fully paid ordinary shares (918,395 fully paid ordinary shares were purchased on market and allocated to participants). The TSR performance of the Group was 82.978%, with a percentile ranking of 74.65 and the EPS performance was 26.2 cents (above the target of 25.1 cents).

The Board has approved a change to the methodology to allocate performance rights under the LTI from Moderated Face Value to Face Value. To the extent of any vesting under the LTI, participants will be entitled to a dividend equalisation payment (delivered as fully paid ordinary shares or in cash) at the end of the vesting period, based on actual dividends paid to shareholders. The change is effective from FY19 for all participants except the Managing Director and Chief Executive Officer, whose rights will be determined under the new methodology from FY20 (subject to shareholder approval at the 2019 AGM).

During the year the Board introduced a set of guiding principles to guide decision making on any adjustments to LTI outcomes for any large and unusual events. Refer to Table 6 for further details.

Remuneration Outcomes

Table 1 below provides a summary of total remuneration received by Executive KMP during the 2019 financial year. This information differs from Table 11: Statutory Executive KMP Remuneration on page 29, which presents remuneration in accordance with accounting standards.

Table 1: FY19 Executive Remuneration

Executive	Cash ($)			Equity ($)				TOTAL ($)
	Fixed remuneration	STI-Cash	Total Cash	STI Vested	LTI Vested (FY15 Award)	Lapsed LTI/ forfeited	Total Equity	Total value received
Matt Bekier	1,728,900	-	-	-	1,601,274	(5,624)	1,601,274	3,330,174
Chad Barton	789,631	-	-	-	416,331	(1,462)	416,331	1,205,962
Greg Hawkins	1,260,000	-	-	-	768,613	(2,699)	768,613	2,028,613
Geoff Hogg	651,131	-	-	-	320,253	(1,125)	320,253	971,384
TOTAL	4,429,662	-	-	-	3,106,471	(10,910)	3,106,471	7,536,133

Non-Executive Director fees	The Board approved an increase of 2% to Board member fees for FY19 (including the fees for the Chairman of the Board). The fees for the Chair and members of the People, Culture and Social Responsibility Committee were also increased to align with the fees for other committees. There were no changes to the Non-Executive Directors' fee pool limit of $2.5 million per annum.

2. Key Management Personnel

The names and titles of the Company's KMP for the year ended 30 June 2019 are set out below. KMP were in office for the entire duration of the financial year. 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
Katie Lahey AM	Non-Executive Director
Sally Pitkin	Non-Executive Director
Richard Sheppard	Non-Executive Director
Zlatko Todorcevski	Non-Executive Director
Ben Heap	Non-Executive Director
Executive KMP	
Matt Bekier	Managing Director and Chief Executive Officer
Chad Barton	Group Chief Financial Officer
Greg Hawkins	Chief Casino Officer (formerly Managing Director, The Star Sydney)[i]
Geoff Hogg	Managing Director, Queensland[ii]

3. 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 the Chairman and NEDs, Executive KMP and other direct reports to the MD and CEO. 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: 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.

The following diagram represents The Star Entertainment Group's remuneration decision-making structure.

Board
Review and approval
Exercise discretion in relation to targets, goals or funding pools

↑

Remuneration Committee
Company remuneration framework, strategy and policy
Remuneration reviews and recommendations for NED, Executive KMP and other direct reports to the MD and CEO

↑

Management	**Remuneration Advisors**
Proposals on executive remuneration outcomes Implementing remuneration policies	External and independent remuneration advice and information

[i] *Effective 1 January 2019, Greg Hawkins assumed the newly created role of Chief Casino Officer, responsible for the group-wide Gaming centre of excellence. There were no changes to his contractual (including remuneration) arrangements as set out in section 5 of this report.*
[ii] *Subsequent to 30 June 2019, Geoff Hogg assumed the role of Group Executive Operations, responsible for group-wide property operations. The role of Managing Director, Queensland was retired.*

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 FY19.

*Remuneration Report approval at 2018 Annual General Meeting (**AGM**)*

The FY18 Remuneration Report received positive shareholder support at the 2018 AGM, with 98.63% of votes in favour of the resolution.

Gender pay equity

The Group is committed to all employees being remunerated fairly and equitably. The Group conducts annual gender pay equity reviews that are presented to the Remuneration Committee and continues to address any gender pay equity issues as they arise.

4. 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 and are aligned to prudent risk taking and the Company's long term financial soundness.

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

- Being market competitive to attract and retain high performing individuals (refer section 4.1 – Fixed remuneration),
- Paying above market for superior performance outcomes that drive sustainable value for shareholders (refer section 4.2 – Variable (at risk) remuneration),
- Delivering a meaningful quantum of awards in equity to create alignment with shareholder interests and manage risk, and
- Linking remuneration components and outcomes to the achievement of the Group's strategic objectives.

Table 2 summarises the components of Executive KMP's Total Annual Reward (***TAR***) and their link to the strategic objectives of the Group. Additional details on these elements are included further on in this report as referenced.

Table 2: Components of Executive KMP's TAR Opportunity

Element	Summary	Reference
Total Annual Remuneration (TAR)	Total Annual Reward (***TAR***) is comprised of a fixed and a variable component. The variable component is a short term and a long term incentive plan. The Group balances the level of fixed versus variable remuneration informed by the 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. Total annual remuneration is targeted at the median of the relevant market with an opportunity to earn above median pay, up to the 75th percentile, where higher levels of performance are realised. Benchmark peer groups include comparable ASX-listed organisations, determined based on similar market capitalisation (range 70% to 160% of The Star Entertainment Group's market capitalisation) and appropriate gaming and entertainment peers).	Section 4.1 and 4.2
Fixed Remuneration	Fixed remuneration forms an integral component of the overall employee value proposition of the Group, designed to attract and retain the talented teams required to operate the business. These teams will be critical in delivering on our business plan to achieve excellence in guest service, build and operate world class properties, and create long term shareholder value. Annual pay reviews occur in August each year with remuneration changes effective from 1 September.	Section 4.1

Short Term Incentive Plan (STI)	The STI is designed to drive the execution of the business plan in the short and long term and aligns performance outcomes to shareholder value creation. STI performance targets are underpinned by the Group's strategic priorities that include[1]: ○ Shareholder Value ○ World Class Properties ○ Guest Service Excellence (differentiated value proposition) ○ Talented Teams ○ Risk Management and Sustainability A financial gateway is in place to determine any payments under the STI and the overall size of the bonus pool. The size of the pool is moderated to consider non-financial performance relating to guest satisfaction and improvements safety - TRIFR. Individual payments are performance based and assessed using a weighted balanced scorecard approach.[1]	Section 4.2, 4.3. and 4.4
Long Term Incentive Plan (LTI)	The LTI is principally designed to reward participants for their contributions towards achieving the Group's strategic priorities orientated around delivering long term sustainable shareholder value creation. Performance is measured against three criteria[2]: ○ Relative Total Shareholder Return (TSR) ○ Earnings per Share (EPS) ○ Return on Invested Capital (ROIC) These measures are aligned to shareholders' interests, business performance and returns on capital developments, and collectively drive the creation of sustainable shareholder value.	Section 4.2, 4.5 and 4.6

[1] Refer Figure 2 and table 5 for details of measures used to assess performance
[2] ROIC was introduced for all LTI awards from and including FY18

4.1 Fixed remuneration

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

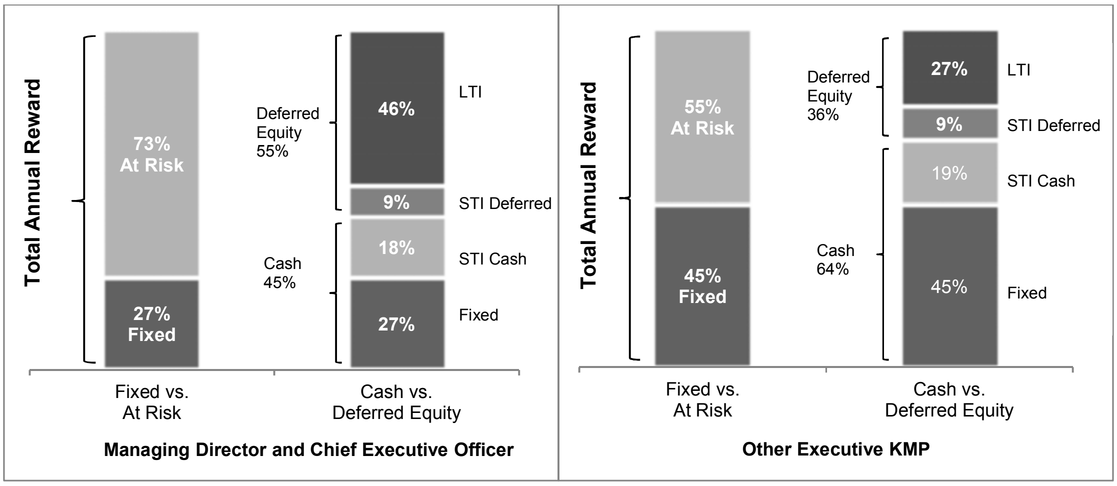
- Scope and responsibilities of the role;
- Reference to the level of remuneration paid to executives of comparable ASX-listed organisations, with similar market capitalisation (range 70% to 160% of The Star Entertainment Group's market capitalisation) and appropriate gaming and entertainment peers; 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's capabilities and other business factors.

4.2 Variable (at risk) remuneration

Variable remuneration (comprising STI and LTI) accounts for the majority of the total remuneration mix for the Managing Director and Chief Executive Officer and other Executive KMP as illustrated in Figure 1 below.

Figure 1: Remuneration mix for FY19



4.3 Short Term Incentive Plan (STI)

The STI is designed to reward participants 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, achieving a direct link between pay and performance (refer Figure 2).

There were no changes to the plan design or performance measures in place.

The number of employees who participated in the STI for FY19 was 877 (increased from 783 for FY18). Each of the Executive KMP participated in the plan.

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

Table 3: Key design features of the STI

Purpose	To reward participants for execution of the Group's business plan during the performance period.
Gateway	The minimum level of financial performance required before any incentives accrue under the STI 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 Executive KMP 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 participant's incentive target in their employment contract (refer Table 10). The payment range available is 0%-150% of the participant's incentive target.
Payment calculation	Individual performance is determined by using a weighted scorecard of measures (Table 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) A participant'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 participant's STI 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 participant voluntarily terminates from the Group or is terminated with cause (refer Clawback below). Participants 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 participant'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 STI 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.*

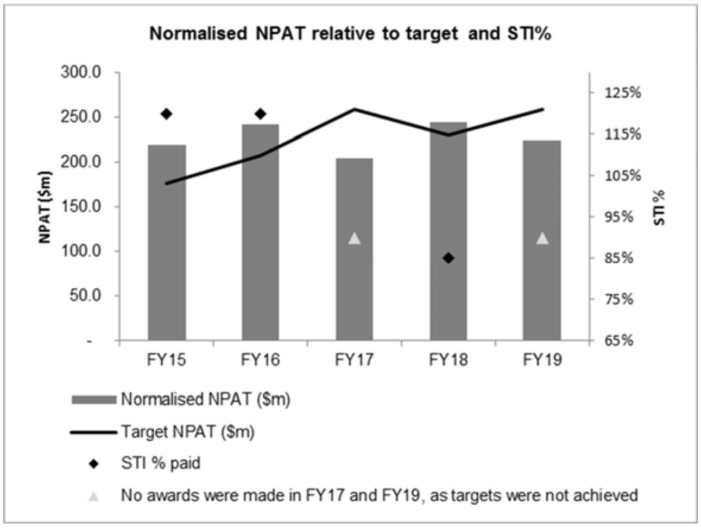
4.4 Reward Outcomes under STI

Although the non-financial performance moderating measures of Guest Satisfaction and improvements in Safety (**TRIFR**) measures were in line with expectations set by the Board at the beginning of the period, no incentives were paid as the financial performance gateway, Normalised NPAT, was not met.

Normalised NPAT for FY19 of $224 million was below the threshold of $245.9 million (calculated as 95% of budgeted NPAT).

Figure 2 shown below, illustrates how bonus payments under the STI vary with the Group's financial performance. Where financial performance is below target, no bonuses are paid under the STI.

Figure 2: Normalised NPAT relative to target and percentage STI paid



Normalised NPAT

Normalised NPAT is used to determine whether any payments are made under the STI as it reflects the underlying performance of the business. The Normalised NPAT result removes the inherent win rate volatility associated with the International VIP Rebate business and excludes significant items that are considered by their nature and size unusual or not in the ordinary course of business.

When determining payments under the STI, the Board will examine the adjustments made to arrive at the Normalised NPAT result, to ensure they do not inappropriately impact remuneration outcomes. In a year when STI payments are made, a reconciliation showing the adjustments made will be presented.

Executive KMP weighted balanced scorecards (individual performance)

Under the STI, Executive KMP are required to complete weighted balanced scorecards, that comprise a mixture of financial and non financial targets and strategic priorities. The weighting of the financial and non financial targets, and strategic priorities is outlined in Table 4 below.

Table 4 – Weighting of financial and non-financial targets for Executive KMP

Executive KMP	Financial Targets and Strategic Priorities	Non-Financial Targets (Guest Satisfaction, People Engagement and Safety and Risk Management)
Matt Bekier (*Managing Director and Chief Executive Officer*)	60%	40%
Chad Barton (*Chief Financial Officer*)	70%	30%
Greg Hawkins (*Chief Casino Officer, formerly Managing Director The Star Sydney*)	70%	30%
Geoff Hogg (*Managing Director, Queensland*)	65%	35%

Table 5 shown below, provides a summary of performance against the strategic priorities of the Group for FY19 and key performance indicators for the purposes of the STI. (*For further details on performance please refer to the Full Year 2019 Results Presentation lodged with the ASX on 16 August 2019*).

Table 5: FY19 Performance outcomes against strategic priorities and key performance indicators for the STI

Strategic Priorities	STI key performance indicator	Performance outcomes/ commentary	Overall Rating
Shareholder Value Creation	**FINANCIAL PERFORMANCE** • Deliver budgeted NPAT	Normalised NPAT was below target. This was driven predominantly by the International VIP Rebate business that was adversely impacted by market conditions.	Below target
	CAPITAL REDEVELOPMENT PLANS • Deliver capital works and key projects on time and on budget	Overall capital plans are on time and on budget: • In Sydney, upgrades to the main gaming floor, porte cochere and lobby were completed. The Sovereign Resorts 2.0 project is on schedule to open in late FY20. • Queen's Wharf Brisbane excavation work was completed in in line with the project timetable and budget. Work has commenced on the shell, core and façade, with ~60% of project costs currently contracted in line with budget. • On the Gold Coast, the Master Plan (with JV partners) announced in November 2018, received all Government approvals and construction on the first tower (Dorsett Hotel and Residences) has commenced.	On track
Differentiated value proposition / Guest Satisfaction	**GUEST SERVICE CULTURE** • Elevate the guest service culture and guest experience across all of our properties	Overall the guest satisfaction results were in line with targets set by the Board, despite disruptions from ongoing capital development works in Sydney and on the Gold Coast.	On target
	LEADERSHIP IN LOYALTY • Achieve a leadership position in Loyalty and thereby drive earnings growth and market share in electronic gaming machines (EGM)	The Group experienced EGM market share gains at all of its properties relative to the prior year.	On track
People (Engagement and Safety)	**EMPLOYEE ENGAGEMENT** • Attract and retain talented teams through a compelling Employee Value Proposition and highly engaged team member environment	The Group's engagement score for FY19 was 1 basis point below the prior year and in the "moderate" zone relative to other comparable organisations.	Below target
	SAFETY • Deliver a safe environment for all workers and guests while on any of our properties	The Group's FY19 Total Reportable Injury Frequency Rate (TRIFR) was in line with the limit set by the Board at the beginning of the year.	On target
Governance, risk and stakeholder management	**RISK, COMPLIANCE & SUSTAINABILITY** • Deliver sustainable business outcomes within a strong risk and compliance environment, underpinned by a strong governance framework.	There were no material breaches or significant penalties imposed on the Group during FY19. The Group was ranked first amongst global peers in the Casino and Gaming industry sector in the Dow Jones Sustainability Index in 2018, matching the result achieved in 2017 and 2016.	Above target

4.5 Long Term Incentive Plan (LTI)

The LTI is principally designed to reward participants for their contributions towards achieving the Group's strategic priorities orientated around delivering long term sustainable shareholder value creation. During the year, the Board approved a change in the methodology to allocate performance rights from the Moderated Face Value to Face Value to better align the interests of participants to that of shareholders. Under the new approach, participants will be entitled to a dividend equalisation payment at the end of the vesting period based on actual dividends paid to shareholders and determined to the extent any rights vest under the plan.

There were no other changes to the plan design or performance measures in place. For FY19, there were 29 participants invited into the plan (decreased from 31 participants for FY18). Each of the Executive KMP participates in the plan.

Table 6: Key design features of the LTI

Purpose	The LTI is principally designed to reward participants for their contributions towards achieving the Group's strategic priorities orientated around delivering long term sustainable shareholder value creation.
Type of Equity Award	Performance rights (zero exercise price options) are used for the LTI. No amount is payable on the grant of the performance rights or upon vesting of performance rights. If the performance rights vest, an equivalent number of fully paid ordinary shares will be automatically delivered to the holder. Upon vesting of the performance rights and subject to the holder remaining employed with the Company, the Company will deliver to the holder fully paid ordinary shares in the Company. The holder will receive full voting and dividend rights corresponding to the rights of all other holders of ordinary shares in the Company.
Determination of the number of rights	The number of performance rights allocated to a participant is based on their Target LTI award, divided by the Face Value of a Performance Right as shown in the following calculation: Target LTI ($) ÷ Face Value of a performance right = Number of performance rights allocated The Face Value reflects the face value of the share at the effective Grant Date with reference to the volume weighted average price (**VWAP**) of the Company's shares traded on the ASX on the 20 trading days prior to the Effective Grant Date. Details of annual grants to participants are set out in Table 9.
Dividend entitlements	Participants are not entitled to dividends until shares are allocated (based on vesting and meeting the relevant performance hurdles). At that time, dividends may be paid by allocating dividend equalisation shares or by means of a cash equivalent payment, based on actual dividends paid to shareholders during the vesting period, the degree to which performance hurdles were met and the extent of vesting of the award.
Test Date and Vesting date	Performance rights are tested on the fourth anniversary of the Grant Dates and are not subject to retesting.
Cessation of employment, Change of Control and Clawback	All unvested performance rights lapse immediately upon cessation of employment with The 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 participant's actions have been found to be fraudulent, dishonest or in breach of the Company's Code of Conduct (e.g. misconduct).
Vesting conditions (hurdles) and schedule	**TSR (33.3% of the award)** The Company's TSR ranking against the peer group of companies (relative TSR) is used as a performance hurdle, as it directly aligns the interests of participants with the interests of shareholders, which is to maximise its TSR compared with the TSR for peer companies. The table below sets out the vesting scale for TSR. The Company's TSR ranking, compared to its peer group, must be at least at the 50th percentile for any vesting to occur.

TSR Percentile Ranking	Percentage of awards vesting
Below the 50th Percentile	0% vesting
At the 50th percentile	50% vesting
Above the 50th and below the 75th percentile	Pro-rata between 50% (at 50th percentile) and 100% (at 75th percentile)
At or above the 75th percentile	100%

EPS (33.3% of the award)

The EPS hurdle measures statutory earnings per ordinary share adjusted for the theoretical win rate in the VIP Rebate business. It drives a line of sight between shareholder value creation and management's financial performance.

The threshold hurdle is set by the Board by reference to market consensus. The target hurdle is set by the Board by reference to the Company's Board approved five-year business plan. While the Board may exercise certain discretions under the LTI, the Board will only consider exercising its discretion with respect to any applicable adjustments to thresholds and targets, at the time of testing for vesting purposes (refer to guiding principles below).

The table below sets out the percentage of the performance rights subject to the Company's EPS performance as at the Test Date.

Vesting conditions (hurdles) and schedule cont.

EPS Performance	Percentage of awards vesting
Below threshold	0% vesting
At threshold	50% vesting
Between threshold and stretch	Pro-rata between threshold and stretch
Stretch target	100%

ROIC (33.4% of the award)

The ROIC hurdle measures statutory EBIT, adjusted for the theoretical win rate in the International VIP Rebate business, as a proportion of average Net Debt and average Shareholder Equity. That is:

$$\text{ROIC} = \frac{\text{EBIT adjusted for theoretical win rate in the International VIP Rebate business}}{\text{Average Net Debt + average Shareholder Equity}}$$

The ROIC hurdle measures the efficiency of earnings generated from capital investments made by the Group and seeks to create alignment of incentive programs in driving the execution of the Group's capital intensive strategy to build new assets and improve existing properties, with the aim of generating additional revenue and ultimately sustainable value for shareholders.

The threshold hurdle is set by the Board based on the Group's present ROIC levels, and the target hurdle is set with reference to the Group's five-year business plan.

While the Board may exercise certain discretions under the LTI, the Board will only consider exercising its discretion with respect to adjustments to thresholds and targets at the time of testing for vesting purposes and applying the guiding principles set out below.

The table below sets out the percentage of performance rights subject to the Company's ROIC performance as at the Test Date.

ROIC Performance	Percentage of awards vesting
Below threshold	0% vesting
At threshold	50% vesting
Between threshold and stretch	Pro-rata between threshold and stretch
Stretch target	100%

Disclosure of performance hurdles

The Company will disclose the EPS and ROIC targets on a retrospective basis to ensure that the Company's competitive position is not undermined. The increased competition in Sydney in early calendar year 2021 will introduce casino-based competition to The Star Sydney for the first time. This will impact the earnings of The Star Sydney and therefore SGR overall, and as a result affect the targets and threshold amounts for the purposes of the LTI in the relevant years. The Board will continue to consider these and other factors when setting targets and evaluating outcomes under the LTI.

Guiding principles for adjustments to LTI measures at the time of testing

The Board has adopted a set of guiding principles when it considers adjustments to performance outcomes under the LTI. The process for adjustments and principles applied are outlined below:

1. **Nature and timing of adjustments -** adjustments, both positive and negative, will only be made to the performance/reward outcome (rather than the target) at the time of vesting
2. **Transparency -** the Company will provide a clear rationale and disclosure, for any adjustments made (for example, providing a reconciliation to statutory results), especially in cases where, prima facie, performance has not been achieved. Where possible, advance disclosure of events that may give rise to adjustments will be disclosed to ensure early communication to shareholders
3. **Material or significant events -** adjustments will only be made for events or items over the vesting period that have a material impact on the outcome. Adjustments will also only be made where it has an impact on the result of the award. Where possible, the item will be referenced back to the assumptions used in the business plan from which the target was set, to determine whether there has been a material deviation in the assumptions used and whether this was outside of management's control. For example, if there has been a change to accounting policies resulting in the EPS and/or ROIC targets being determined in a different way to how the outcome is determined at the time of vesting.
4. **Balance interests of shareholders and management -** adjustments will be made that balance the interests of shareholders and management, for example, if shareholders are experiencing poor results, then management should share in the burden, and vice versa (unless there are compelling reasons for this not being the case, in which event, details will be provided).
5. **Maintain plan integrity -** adjustments will be carefully considered to ensure they maintain the plan's integrity and purpose (i.e. to incentivise and reward management for undertaking transactions that deliver long-term sustainable shareholder value).

4.6 Vesting under the LTI

Since the Company's inception in 2011, there have been eight awards made under the LTI, with four awards tested and two vesting outcomes (FY14 and FY15 awards). Table 7 sets out the details of performance rights issued over the last five financial years.

Table 7: Details of performance rights issued to date

Detail	FY15 Award	FY16 Award	FY17 Award	FY18 Award	FY19 Award
Grant date	26 Sep 2014	21 Sep 2015	5 Oct 2016	2 Oct 2017	3 Oct 2018
Test date	26 Sep 2018	21 Sep 2019	5 Oct 2020	2 Oct 2021	3 Oct 2022
Vesting hurdle(s)	TSR & EPS	TSR & EPS	TSR & EPS	TSR, EPS & ROIC	TSR, EPS & ROIC
Test result	99.65% vested	N/A	N/A	N/A	N/A

During FY19, the FY15 Award was tested and partially vested as performance hurdles were met. The next test date will be in September 2019, for performance rights granted in FY16.

Performance rights relating to the FY15 award were tested in September 2018. The TSR performance of the Group was 82.978% (excluding the value of franking credits), with a percentile ranking of 74.65. As this was below the 75th percentile, only 99.3% of the TSR component of the FY15 award vested. The EPS performance hurdle of 26.2 cents was above the target of 25.1 cents and accordingly 100% of the EPS component of the FY15 award vested.

The FY16 award, due to be tested on 21 September 2019, has EPS and TSR performance hurdles that each comprise 50% of the award outcome. Details will be provided to shareholders of the performance outcomes relative to target and threshold amounts ahead of the 2019 AGM and reported in the FY20 Remuneration Report.

Table 8 outlines the performance of the Group and shareholder returns over the last five financial years.

Table 8: Statutory key performance indicators

Performance metric	FY15	FY16	FY17	FY18	FY19
Statutory NPAT	$169.3m	$194.4m	$264.4m	$148.1m	**$198.0m**
Basic EPS (statutory)	20.5c	23.6c	32.0c	17.5c	21.6c
Full year dividend (fully franked, cents per share)	11.0c	13.0c	16.0c	20.5c	20.5c
Share price at year end	$4.36	$5.40	$5.05	$4.93	$4.12
Increase/(decrease) in share price	+39%	+24%	(6%)	(2%)	(16%)

Table 9 summarises the unvested performance rights held by Executive KMP as at 30 June 2019.

Table 9: Performance rights by award held by Executive KMP at 30 June 2019

Executive KMP	FY16 Award	FY17 Award	FY18 Award	FY19 Award	Total performance rights held
Matt Bekier	253,456	548,204	627,706	668,203	2,097,569
Chad Barton	62,903	67,108	100,048	90,895	320,954
Greg Hawkins	110,599	117,958	163,636	145,039	537,232
Geoff Hogg	50,691	54,064	82,500	74,952	262,207
Total performance rights	**477,649**	**787,334**	**973,890**	**979,089**	**3,217,962**

5. Executive KMP Contracts and Remuneration

Remuneration arrangements for Executive KMP are formalised in employment contracts. Table 10 sets out details of Executive KMP employment contracts, including remuneration.

Table 10: Executive KMP Employment Contracts

Contract Details	Matt Bekier Managing Director and Chief Executive Officer		Chad Barton Group Chief Financial Officer		Greg Hawkins Chief Casino Officer (formerly Managing Director, The Star Sydney)[(i)]		Geoff Hogg Managing Director, Queensland	
	FY19	FY18	FY19	FY18	FY19	FY18	FY19	FY18
Fixed remuneration	**$1,728,900**	**$1,695,000**	**$789,631**	**$770,372**	**$1,260,000**	**$1,260,000**	**$651,131**	**$635,250**
Superannuation	The Star Entertainment Group deducts superannuation from the Executive KMP's fixed remuneration as per the Australian Tax Office Superannuation Guarantee Cap.							
Short-term incentive target	**$1,728,900**	**$1,695,000**	**$473,779**	**$462,223**	**$756,000**	**$756,000**	**$390,679**	**$381,150**
Long-term incentive (annual award value)	**$2,900,000**	**$2,900,000**	**$473,779**	**$462,223**	**$756,000**	**$756,000**	**$390,679**	**$381,150**
Total Target Annual Reward	**$6,357,800**	**$6,290,000**	**$1,737,189**	**$1,694,818**	**$2,772,000**	**$2,772,000**	**$1,432,489**	**$1,397,550**
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 [(ii)]	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) Effective 1 January 2019, Greg Hawkins assumed the newly created role of Chief Casino Officer, responsible for the groupwide Gaming centre of excellence. There were no changes to his contractual (including remuneration) arrangements.
(ii) 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.

6. Statutory Executive KMP Remuneration

Table 11 sets out Executive KMP remuneration as required by the Corporations Act and its regulations, including the relevant Australian Accounting Standard principles.

Table 11: Statutory Executive KMP Remuneration

Executive KMP	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) $	Accrued leave $	Superannuation (iv) $	Performance rights (v) $	Restricted shares (ii) $		
Matt Bekier	**2019**	**1,704,978**	**-**	**602**	**35,829**	**20,531**	**80,770**	**-**	**1,842,710**	**4%**
	2018	1,677,041	1,098,360	545	28,248	37,517	1,497,760	549,180	4,888,651	64%
Chad Barton	**2019**	**760,809**	**-**	**602**	**14,466**	**20,531**	**4,087**	-	**800,495**	**1%**
	2018	754,592	324,481	-	14,722	20,049	258,619	162,240	1,534,703	49%
Greg Hawkins	**2019**	**1,228,022**	**-**	**453**	**20,999**	**27,131**	**(11,396)**	**-**	**1,265,209**	**-**
	2018	1,204,967	352,800	-	20,999	35,649	450,350	176,400	2,241,165	44%
Geoff Hogg	**2019**	**622,194**	**-**	**3,488**	**13,564**	**20,531**	**5,677**	**-**	**665,454**	**1%**
	2018	613,517	203,280	1,488	15,256	20,049	207,754	101,640	1,162,984	44%
TOTAL FY19		**4,316,003**	**-**	**5,145**	**84,858**	**88,724**	**79,138**	**-**	**4,573,868**	
TOTAL FY18		**4,250,117**	**1,978,921**	**2,033**	**79,225**	**113,264**	**2,414,483**	**989,460**	**9,827,503**	

(i) Comprises salary, salary sacrificed benefits (including motor vehicle novated leases) and annual leave expense.
(ii) Represents STI 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 FY19 in respect of FY18 awards were: Matt Bekier $248,014, Chad Barton $87,339, Greg Hawkins $296,044 and Geoff Hogg $68,450.
(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 LTI awards. The reduction in the expense in FY19 is due to the adjustment made under accounting standards to reflect the probability of vesting of the two performance hurdles (EPS and ROIC).

7. NED Remuneration

Remuneration Policy

- NEDs (excluding the Chairman) receive a Board fee and a Committee fee for their participation as Chair or member of each Committee.
- The Chairman receives an all inclusive fee as Chairman of the Board and as an ex-officio member of all Board committees.
- NEDs do not receive any performance or incentive payments and are not eligible to participate in any of the 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. Executive KMP 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.

The Board approved a 2% increase to Committee fees in FY19. There will be no changes for FY20.

Table 12: Annual NED Fees (inclusive of superannuation)

	Board	Audit	Risk & Compliance	Remuneration	People, Culture & Social Responsibility	Investment & Capital Expenditure Review
Chair	$484,500	$35,000	$35,000	$35,000	$35,000	$35,000
Member	$163,200	$17,500	$17,500	$17,500	$17,500	$17,500

The Star Entertainment Group Limited remunerates NEDs for the full month of fees irrespective of their commencement date. Observer fees are paid where the NED appointment is subject to casino 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 13.

Table 13: NED Remuneration

NED	Financial year	Board and Committee Fees $	Superannuation (i) $	Total $
John O'Neill AO	**2019**	**463,969**	**20,531**	**484,500**
	2018	442,789	32,211	475,000
Gerard Bradley	**2019**	**212,968**	**20,232**	**233,200**
	2018	230,376	20,041	250,417
Katie Lahey AM	**2019**	**213,002**	**20,198**	**233,200**
	2018	205,479	19,521	225,000
Sally Pitkin	**2019**	**212,984**	**20,216**	**233,200**
	2018	207,763	19,737	227,500
Richard Sheppard	**2019**	**212,968**	**20,232**	**233,200**
	2018	210,110	19,890	230,000
Zlatko Todorcevski	**2019**	**212,968**	**20,232**	**233,200**
	2018	148,331	13,961	162,292
Ben Heap	**2019**	**196,986**	**18,714**	**215,700**
	2018	95,890	9,110	105,000
TOTAL FY19	**2019**	**1,725,845**	**140,355**	**1,866,200**
TOTAL FY18	2018	1,540,738	134,471	1,675,209

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

8. Other information

8.1. KMP shareholdings

To support the alignment of the interests of the Board and Executive KMP with the interests of shareholders, the Group has minimum shareholding policies for KMP. There is also 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 NEDs

NEDs are encouraged to progressively acquire shares over a three year period from the date of commencement of their unconditional appointment (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 fee applicable at the time of their unconditional appointment. Direct and indirect holdings will count towards the minimum shareholding target.

Minimum Shareholding Policy for Executive KMP

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

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 salary at the time of his unconditional appointment. Other Executive KMP are to hold a minimum number of shares which is of equal value to 100% of one year's salary at the time of their unconditional appointment. Direct and indirect holdings in shares will count towards the minimum shareholding target.

Tables 14 and 15 show the number of shares and performance rights held by NEDs and Executive KMP respectively at the beginning and end of the financial year.

Table 14: Shares held by NEDs at 30 June 2019

NED	Balance at start of the year	Number acquired	Number divested	Balance at the end of the year
John O'Neill AO	**78,926**	1,932	-	**80,858**
Gerard Bradley	**40,000**	10,000	-	**50,000**
Katie Lahey AM	**36,907**	-	-	**36,907**
Sally Pitkin	**45,900**	-	-	**45,900**
Richard Sheppard	**100,000**	50,000	-	**150,000**
Zlatko Todorcevski	**50,000**	20,000	-	**70,000**
Ben Heap	**20,000**	10,000	-	**30,000**
Total ordinary shares	**371,733**	**91,932**	**-**	**463,665**

Table 15: Shares and performance rights held by Executive KMP at 30 June 2019

Executive KMP	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	1,781,478	668,203	(352,112)	**2,097,569**
	Ordinary Shares	748,702	350,880	(200,000)	**899,582**
	Restricted Shares	-	106,738	-	**106,738**
Chad Barton	Performance Rights	321,608	90,895	(91,549)	**320,954**
	Ordinary Shares	-	93,416	-	**93,416**
	Restricted Shares	-	31,532	-	**31,532**
Greg Hawkins	Performance Rights	561,207	145,039	(169,014)	**537,232**
	Ordinary Shares	107,659	177,739	(35,000)	**250,398**
	Restricted Shares	-	34,285	-	**34,285**
Geoff Hogg	Performance Rights	257,677	74,952	(70,422)	**262,207**
	Ordinary Shares	180,871	80,630	(29,876)	**231,625**
	Restricted Shares (iii)	1,530	20,089	(1,313)	**20,306**

(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 335 ordinary shares acquired in FY19 through salary sacrifice under the General Employee Share Plan and 19,754 ordinary shares acquired as a STI award in FY19, that are each subject to a holding lock of one year from the relevant acquisition dates. The holding lock will end in FY20.

Remuneration Report (audited)
For the year ended 30 June 2019

8.2. Loans and other transactions with KMP

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

8.3. Variable Remuneration

Table 16 shows the variable remuneration of Executive KMP under the STI and LTI 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 16: Variable Remuneration

		STI				LTI							
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 (iii)	Number of performance rights lapsed
Matt Bekier	**2019**	**-**	**-**	**0%**	**100%**	**668,203**	**2,516,898**	**3.77**	**3/10/2018**	**3/10/2022**	**4%**	**350,880**	**(1,232)**
	2018	1,098,360	549,180	34%	3%	627,706	2,525,470	4.02	2/10/2017	2/10/2021	31%	196,850	-
Chad Barton	**2019**	**-**	**-**	**0%**	**100%**	**90,895**	**342,371**	**3.77**	**3/10/2018**	**3/10/2022**	**1%**	**91,229**	**(320)**
	2018	324,481	162,240	32%	0%	100,048	402,526	4.02	2/10/2017	2/10/2021	17%	-	-
Greg Hawkins	**2019**	**-**	**-**	**0%**	**100%**	**145,039**	**546,314**	**3.77**	**3/10/2018**	**3/10/2022**	**-**	**168,422**	**(592)**
	2018	352,800	176,400	24%	30%	163,636	658,362	4.02	2/10/2017	2/10/2021	20%	-	-
Geoff Hogg	**2019**	**-**	**-**	**0%**	**100%**	**74,952**	**282,319**	**3.77**	**3/10/2018**	**3/10/2022**	**1%**	**70,176**	**(246)**
	2018	203,280	101,640	26%	20%	82,500	331,925	4.02	2/10/2017	2/10/2021	18%	62,992	-
TOTAL FY19		**-**	**-**			**979,089**	**3,687,902**					**680,707**	**(2,390)**
TOTAL FY18		**1,978,921**	**989,460**			**973,890**	**3,918,283**					**259,842**	**-**

(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 11.
(iii) Performance rights granted in FY15 were tested in September 2018 and resulted in 99.65% vesting of performance rights. Performance rights granted in FY16 are due for testing in September 2019.

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 2019

Consolidated income statement

For the year ended 30 June 2019

	Note	2019 $m	2018 Restated* $m
Revenue	A2,G	**2,158.1**	2,084.0
Other income	A3	**11.5**	-
Government taxes and levies	A3	**(544.0)**	(538.5)
Employment costs	A3	**(704.9)**	(669.4)
Depreciation and amortisation	A4	**(205.8)**	(187.2)
Cost of sales	A3	**(95.0)**	(91.5)
Property costs		**(81.5)**	(81.9)
Advertising and promotions		**(107.3)**	(115.9)
Other expenses		**(116.5)**	(111.9)
Share of net loss of associate and joint venture entities accounted for using the equity method	D5	**(0.6)**	(0.1)
Earnings before interest and income tax (EBIT)		**314.0**	287.6
Net finance costs	A5	**(35.3)**	(77.2)
Profit before income tax (PBT)		**278.7**	210.4
Income tax expense	F2	**(80.7)**	(62.3)
Net profit after tax (NPAT)		**198.0**	148.1
Other comprehensive loss			
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	**(5.4)**	(3.4)
Total comprehensive income for the period		**192.6**	144.7
Earnings per share:			
Basic earnings per share	F3	**21.6 cents**	17.5 cents
Diluted earnings per share	F3	**21.6 cents**	17.5 cents
Fully franked dividend per share	A6	**20.5 cents**	20.5 cents

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

** 2018 comparatives have been restated as part of the transition to AASB 15 Revenue from Contracts with Customers. Refer to note G(i) for further information.*

Consolidated balance sheet

For the year ended 30 June 2019

	Note	2019 $m	2018 $m
ASSETS			
Cash and cash equivalents	B1	**114.3**	110.3
Trade and other receivables	B2	**235.5**	221.5
Inventories		**17.5**	15.5
Derivative financial instruments	B3	**7.9**	3.9
Other assets	F4	**52.0**	44.8
Total current assets		**427.2**	396.0
Property, plant and equipment	B4	**2,779.8**	2,658.6
Intangible assets	B5	**1,861.4**	1,858.7
Derivative financial instruments	B3	**82.7**	57.4
Investment in associate and joint venture entities	D5	**385.0**	288.9
Other assets	F4	**47.6**	11.2
Total non current assets		**5,156.5**	4,874.8
TOTAL ASSETS		**5,583.7**	5,270.8
LIABILITIES			
Trade and other payables	F5	**340.9**	365.8
Interest bearing liabilities	B7	**196.4**	133.8
Income tax payable	F2	**12.2**	0.3
Provisions	F6	**99.9**	64.5
Derivative financial instruments	B3	**5.6**	4.2
Other liabilities	F7	**18.8**	20.3
Total current liabilities		**673.8**	588.9
Interest bearing liabilities	B7	**965.9**	686.2
Deferred tax liabilities	F2	**170.7**	175.9
Provisions	F6	**16.9**	12.9
Derivative financial instruments	B3	**9.6**	25.4
Other liabilities	F7	**5.9**	-
Total non current liabilities		**1,169.0**	900.4
TOTAL LIABILITIES		**1,842.8**	1,489.3
NET ASSETS		**3,740.9**	3,781.5
EQUITY			
Share capital	F9	**3,063.0**	3,070.2
Retained earnings		**693.5**	718.3
Reserves	F9	**(15.6)**	(7.0)
TOTAL EQUITY		**3,740.9**	3,781.5

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 2019

	Note	2019 $m	2018 Restated* $m
Cash flows from operating activities			
Net cash receipts from customers (inclusive of GST)		**2,162.7**	2,084.4
Payments to suppliers and employees (inclusive of GST)		**(1,158.8)**	(1,068.7)
Payment of government levies, gaming taxes and GST		**(525.1)**	(519.0)
Interest received		**0.4**	1.0
Income taxes paid	F2	**(67.8)**	(100.6)
Net cash inflow from operating activities	F10	**411.4**	397.1
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		**(327.6)**	(475.6)
Payments for investment in associate and joint venture entities		**(105.4)**	(76.5)
Net cash outflow from investing activities		**(433.0)**	(552.1)
Cash flows from financing activities			
Proceeds from interest bearing liabilities	E2	**546.0**	1,268.4
Repayment of interest bearing liabilities	E2	**(250.0)**	(1,517.1)
Proceeds from settlement of derivative financial instruments	E2	**-**	102.5
Dividends paid	A6	**(215.6)**	(132.1)
Finance costs		**(47.6)**	(59.5)
Proceeds from issue of shares	F9	**-**	489.4
Purchase of treasury shares	F8	**(6.7)**	-
Issuance fees on purchase of shares		**(0.5)**	-
Net cash inflow from financing activities		**25.6**	151.6
Net increase/(decrease) in cash and cash equivalents		**4.0**	(3.4)
Cash and cash equivalents at beginning of the year		**110.3**	113.7
Cash and cash equivalents at end of the year	B1	**114.3**	110.3

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

** 2018 comparatives have been restated as part of the transition to AASB 15 Revenue from Contracts with Customers. Refer to note G(i) for further information.*

Consolidated statement of changes in equity

For the year ended 30 June 2019

	Note	Ordinary shares $m	Treasury shares $m	Retained earnings $m	Hedging reserve $m	Cost of hedging reserve $m	Share based payment reserve $m	Total $m
2019								
Balance at 1 July 2018		**3,070.2**	**-**	**718.3**	**(17.2)**	**-**	**10.2**	**3,781.5**
Profit for the year		**-**	**-**	**198.0**	**-**	**-**	**-**	**198.0**
Other comprehensive income	F1	**-**	**-**	**-**	**(4.2)**	**(1.2)**	**-**	**(5.4)**
Total comprehensive income		**-**	**-**	**198.0**	**(4.2)**	**(1.2)**	**-**	**192.6**
Dividends paid	A6	**-**	**-**	**(215.6)**	**-**	**-**	**-**	**(215.6)**
Purchase of treasury shares	F8	**-**	**(6.7)**	**-**	**-**	**-**	**-**	**(6.7)**
Transition to AASB 9 Debtors provision opening adjustment	G(ii)	**-**	**-**	**(7.2)**	**-**	**-**	**-**	**(7.2)**
Transition to AASB 9 Cost of hedging reserve		**-**	**-**	**-**	**(6.1)**	**6.1**	**-**	**-**
Issuance fees		**(0.5)**	**-**	**-**	**-**	**-**	**-**	**(0.5)**
Employee share based payments	F11	**-**	**-**	**-**	**-**	**-**	**(3.2)**	**(3.2)**
Balance at 30 June 2019		**3,069.7**	**(6.7)**	**693.5**	**(27.5)**	**4.9**	**7.0**	**3,740.9**
2018								
Balance at 1 July 2017		2,580.5	-	702.3	(13.8)	-	6.6	3,275.6
Profit for the year		-	-	148.1	-	-	-	148.1
Other comprehensive income	F1	-	-	-	(3.4)	-	-	(3.4)
Issue of share capital	F9	489.7	-	-	-	-	-	489.7
Total comprehensive income		489.7	-	148.1	(3.4)	-	-	634.4
Dividends paid	A6	-	-	(132.1)	-	-	-	(132.1)
Employee share based payments	F11	-	-	-	-	-	3.6	3.6
Balance at 30 June 2018		3,070.2	-	718.3	(17.2)	-	10.2	3,781.5

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 2019

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 2019

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 hotels, theatre, restaurants and bars.

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

2019	Sydney $m	Gold Coast $m	Brisbane $m	Total $m
Gross revenues - VIP [a]	**364.5**	**213.8**	**7.7**	**586.0**
Gross revenues - domestic [a]	**1,203.3**	**384.4**	**340.3**	**1,928.0**
Segment revenue	**1,567.8**	**598.2**	**348.0**	**2,514.0**
Segment earnings before interest, tax, depreciation, amortisation and significant items	**307.6**	**148.2**	**97.0**	**552.8**
Depreciation and amortisation (refer to note A4)	**123.6**	**54.9**	**27.3**	**205.8**
Capital expenditure	**238.4**	**69.9**	**25.6**	**333.9**

2018	Sydney $m	Gold Coast $m	Brisbane $m	Total $m
Gross revenues - VIP [a]	571.4	132.8	7.3	711.5
Gross revenues - domestic [a]	1,165.3	376.9	325.8	1,868.0
Segment revenue	1,736.7	509.7	333.1	2,579.5
Segment earnings before interest, tax, depreciation, amortisation and significant items	285.8	116.9	81.7	484.4
Depreciation and amortisation (refer to note A4)	114.2	42.3	30.7	187.2
Capital expenditure	192.0	258.5	39.5	490.0

a Gross revenue is presented as the gross gaming win before player rebates and promotional allowances of $355.9 million (2018: $495.5 million).

	2019 $m	2018 $m
Reconciliation of reportable segment profit to profit before income tax		
Segment earnings before interest, tax, depreciation, amortisation and significant items	**552.8**	484.4
Depreciation and amortisation (refer to note A4)	**(205.8)**	(187.2)
Significant items (refer to note A7)	**(32.4)**	(52.4)
Unallocated items:		
- net finance costs (refer to note A5)	**(35.3)**	(34.3)
- share of net loss of associate and joint venture entities accounted for using the equity method (refer to note D5)	**(0.6)**	(0.1)
Profit before income tax (PBT)	**278.7**	210.4

Notes to the financial statements

For the year ended 30 June 2019

A2 Revenue

	2019 $m	2018 Restated* $m
Domestic gaming	**1,342.4**	1,304.9
International VIP Rebate business	**255.9**	245.9
Non-gaming	**548.8**	524.0
Other	**11.0**	9.2
	2,158.1	2,084.0

*2018 comparatives have been restated as part of the transition to AASB 15 *Revenue from Contracts with Customers*. Refer to note G(i) for further information.

Revenue is up $74.1 million or 3.6% on the prior comparable period (*pcp*) mainly due to growth in domestic gaming driven by the successful opening of Sovereign Resort in Sydney.

Revenue

Revenue is recognised when the Group satisfies its obligations in relation to the provision of goods and services to its customers in the ordinary course of business. Revenue is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for performing these obligations, including any discounts, rebates, price concessions, incentives or performance bonuses. Revenue is constrained such that the significant reversal of revenue in a future period is not highly probable. Revenue comprises net gaming win, less player and gaming promoter rebates and promotional allowances, as well as other non-gaming revenue from 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. The stand alone selling price of complimentary services (including hotel room nights, food and beverage, and other services) that are provided to casino guests as incentives related to gaming play are recorded as revenues related to the respective goods or services, as they are provided to the patron. The residual amount is recorded as gaming revenue.

A3 Other income and expenses

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

	2019 $m	2018 $m
Other income		
Net foreign exchange gain	**0.9**	-
Gain on disposal of assets [a]	**10.6**	-
	11.5	-

[a] Balance includes $9.7m gain on disposal of Gold Coast land (refer to note A7).

	2019 $m	2018 $m
Government taxes and levies (including gaming GST):		
New South Wales	**360.0**	368.9
Queensland	**184.0**	169.6
	544.0	538.5
Employment costs:		
Salaries, wages, bonuses, redundancies and other benefits	**652.7**	616.7
Defined contribution plan expense (superannuation guarantee charges)	**50.1**	47.2
Share based payment expense (refer to note F11)	**2.1**	5.5
	704.9	669.4

Notes to the financial statements

For the year ended 30 June 2019

	2019 $m	2018 $m
Cost of inventories recognised as an expense during the year	**95.0**	91.5
Impairment of trade receivables (refer to note B2)	**5.5**	7.6
Operating lease charges	**11.1**	12.0
Significant items (refer to note A7)	**32.4**	52.4

A4 Depreciation and amortisation

	2019 $m	2018 $m
Property, plant and equipment (refer to note B4)	**172.3**	155.2
Intangible assets (refer to note B5)	**32.3**	30.8
Other	**1.2**	1.2
	205.8	187.2

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 averages up 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

	2019 $m	2018 $m
Interest paid on borrowings	**44.0**	49.1
Capitalised to property, plant and equipment [a]	**(7.1)**	(10.0)
Borrowing costs	**4.7**	3.3
US Private Placement premium unwind	**(5.3)**	(5.2)
Fair value hedging adjustment	**(0.6)**	(1.9)
Interest income	**(0.4)**	(1.0)
Net finance costs before significant items	**35.3**	34.3
US Private Placement tender and reissue costs	**-**	42.9
Net finance costs recognised in the income statement	**35.3**	77.2

a Borrowing costs of $7.1 million (2018: $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 $35.3 million were down 54.3% on the pcp predominately due to the US Private Placement tender and reissue costs in FY2018.

Notes to the financial statements

For the year ended 30 June 2019

A6 Dividends

	2019 Cents per share	2018 Cents per share
Dividends per share		
Interim dividend	**10.5** [b]	7.5
Final dividend	**10.0** [c]	13.0[a]
Total dividend	**20.5**	20.5

A final dividend per share of 10.0 cents fully franked was declared. The full year dividend totalling 20.5 cents per share is equal to the pcp and in line with the dividend payout policy.

	2019 $m	2018 $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 2018 [a]	**119.2**	70.2
Interim dividend paid during the year in respect of the half year ended 31 December 2018 [b]	**96.4**	61.9
	215.6	132.1

a A final dividend of 13.0 cents per share fully franked for the year ended 30 June 2018 (30 June 2017: 8.5 cents) was declared on 23 August 2018 and paid on 4 October 2018 (2017: declared on 22 August 2017 and paid on 26 September 2017).

b An interim dividend of 10.5 cents per share fully franked for the half year ended 31 December 2018 (31 December 2017: 7.5 cents) was declared on 20 February 2019 and paid on 3 April 2019 (2018: declared on 15 February 2018 and paid on 22 March 2018).

	2019 $m	2018 $m
Dividends declared after balance date		
Final dividend declared for the year ended 30 June 2019 [c]	**91.7**	119.3

c Since the end of the financial year, the Directors have declared a final dividend of 10.0 cents per ordinary share (2018: 13.0 cents), fully franked. The aggregate amount is expected to be paid on 26 September 2019 out of retained earnings at 30 June 2019, but not recognised as a liability at the end of the year.

	2019 $m	2018 $m
Franking credit balance		
Amount of franking credits available to shareholders	**146.9**	165.8

Notes to the financial statements

For the year ended 30 June 2019

A7 Significant items

Profit before income tax (PBT) is stated after charging the following significant items:

	2019 $m	2018 $m
Gain on Disposal [a]	**(9.7)**	-
Restructuring and redundancy costs [b]	**42.1**	-
Finance costs relating to US Private Placement tender and reissue [c]	**-**	42.9
Pre opening expenses [d]	**-**	9.5
Net significant items	**32.4**	52.4
Tax on significant items	**(14.0)**	(15.7)
Significant items net of tax	**18.4**	36.7

a Gain on disposal of Gold Coast land to the Destination Gold Coast Consortium joint venture for construction of the first residential, hotel and retail tower.

b One-off restructuring and redundancy costs relating to Group reorganisation.

c In August 2017, the Group completed a tender and reissue offer in relation to 73% of the Group's US Private Placement 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 average blended cost of debt on all US Private Placement notes following the issue was 5% (down from over 9% on previous notes). The transaction resulted in a one-off loss relating to the crystallisation of an existing obligation for the related out of the money interest rate swaps and other costs.

d Consistent with previous accounting treatment, pre opening expenses such as marketing, operating and training expenses incurred prior to the opening of The Darling Gold Coast, have been treated as significant due to their size and non-recurring nature.

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 2019

B Key balance sheet disclosures
Assets

B1 Cash and cash equivalents

	2019 $m	2018 $m
Cash on hand and in banks	**104.3**	95.4
Short term deposits, maturing within 30 days	**10.0**	14.9
	114.3	110.3

B2 Trade and other receivables

	2019 $m	2018 $m
Trade receivables	**218.9**	208.4
Less provision for impairment	**(11.3)**	(16.0)
Net trade receivables	**207.6**	192.4
Other receivables	**27.9**	29.1
	235.5	221.5

Past due not impaired receivables of $54.7 million were up from $28.7 million in the pcp.

(i) Provision for impairment reconciliation

	2019 $m	2018 $m
Balance at beginning of year	**(16.0)**	(14.0)
Impairment of trade receivables [a]	**(5.5)**	(7.6)
Less amounts written off as uncollectible	**20.5**	5.6
Transition to AASB 9 opening adjustment	**(10.3)**	-
Balance at end of year	**(11.3)**	(16.0)

a 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	Total $m
2019				
Not yet due	**152.9**	**-**	**-**	**152.9**
Past due not impaired	**-**	**44.5**	**10.2**	**54.7**
Considered impaired	**2.8**	**1.3**	**7.2**	**11.3**
	155.7	**45.8**	**17.4**	**218.9**
2018				
Not yet due	163.7	-	-	163.7
Past due not impaired	0.5	17.8	10.4	28.7
Considered impaired	1.0	0.6	14.4	16.0
	165.2	18.4	24.8	208.4

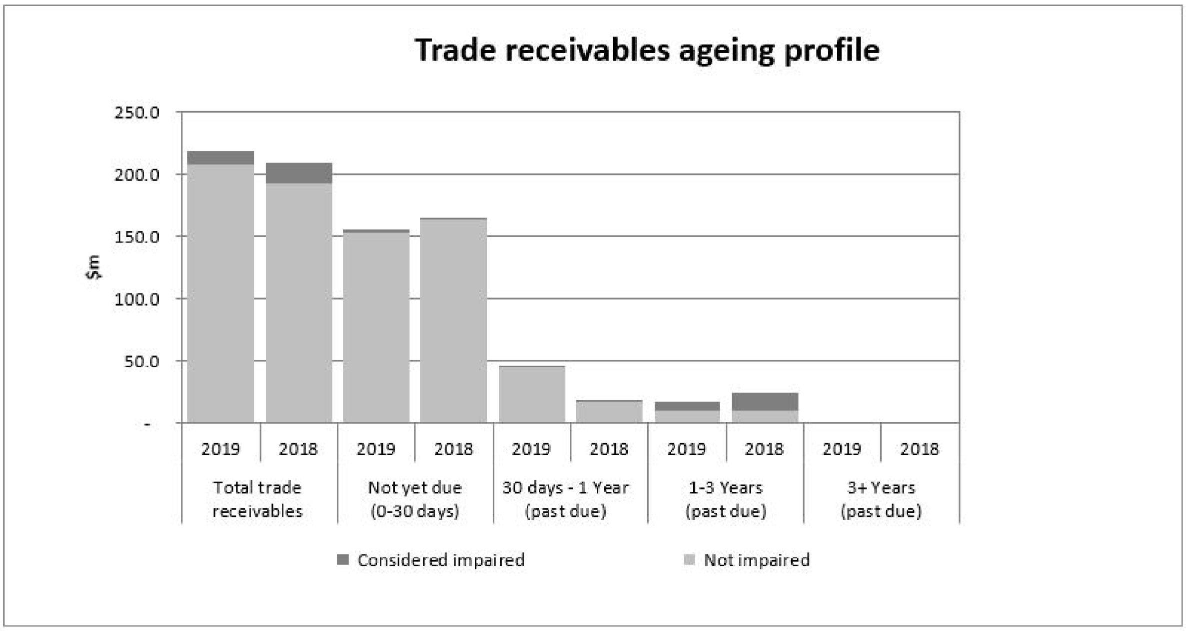
Notes to the financial statements

For the year ended 30 June 2019

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 2019 and 30 June 2018 respectively.



Impairment of trade receivables

The Group impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance. The calculation reflects the probability-weighted outcome, reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Notes to the financial statements

For the year ended 30 June 2019

B3 Derivative financial instruments

	2019 $m	2018 $m
Current assets		
Cross currency swaps	**7.9**	3.6
Forward currency contracts	**-**	0.3
	7.9	3.9
Non current assets		
Cross currency swaps	**82.7**	57.4
	82.7	57.4
Current liabilities		
Cross currency swaps	**-**	0.3
Interest rate swaps	**5.6**	3.9
	5.6	4.2
Non current liabilities		
Cross currency swaps	**-**	18.4
Interest rate swaps	**9.6**	7.0
	9.6	25.4
Net financial assets	**75.4**	31.7

Net derivative assets up $43.7 million due to decline in the AUD/USD exchange rate and Bank Bill Swap 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 2019

B4 Property, plant and equipment

	Note	Freehold land $m	Freehold and leasehold buildings $m	Leasehold improvements $m	Plant and equipment $m	Total $m
2019						
Cost						
Opening balance at beginning of the year		**81.5**	**2,340.0**	**292.7**	**1,135.1**	**3,849.3**
Additions		**-**	**209.0**	**8.6**	**82.1**	**299.7**
Disposals		**(4.5)**	**(1.6)**	**(4.8)**	**(22.9)**	**(33.8)**
Reclassification / transfer		**-**	**(17.5)**	**(3.3)**	**20.8**	**-**
Closing balance at end of the year [a]		**77.0**	**2,529.9**	**293.2**	**1,215.1**	**4,115.2**
Accumulated depreciation						
Opening balance at beginning of the year		**-**	**402.6**	**109.4**	**678.7**	**1,190.7**
Depreciation expense	A4	**-**	**64.0**	**9.2**	**99.1**	**172.3**
Disposals / transfers		**-**	**(0.8)**	**(4.8)**	**(22.0)**	**(27.6)**
Closing balance at end of the year		**-**	**465.8**	**113.8**	**755.8**	**1,335.4**
Carrying Amount						
Opening balance at beginning of the year		**81.5**	**1,937.4**	**183.3**	**456.4**	**2,658.6**
Closing balance at end of the year		**77.0**	**2,064.1**	**179.4**	**459.3**	**2,779.8**
2018						
Cost						
Opening balance at beginning of the year		81.5	2,047.9	286.1	1,001.7	3,417.2
Additions		-	281.6	7.0	160.9	449.5
Disposals		-	(1.5)	-	(18.7)	(20.2)
Reclassification / transfer [b]		-	12.0	(0.4)	(8.8)	2.8
Closing balance at end of the year		81.5	2,340.0	292.7	1,135.1	3,849.3
Accumulated depreciation						
Opening balance at beginning of the year		-	341.6	98.7	616.4	1,056.7
Depreciation expense	A4	-	63.7	10.7	80.8	155.2
Disposals		-	(2.7)	-	(18.5)	(21.2)
Closing balance at end of the year		-	402.6	109.4	678.7	1,190.7
Carrying Amount						
Opening balance at beginning of the year		81.5	1,706.3	187.4	385.3	2,360.5
Closing balance at end of the year		81.5	1,937.4	183.3	456.4	2,658.6

	2019 $m	2018 $m
a Includes capital works in progress of:		
Buildings - at cost	**140.2**	40.7
Leasehold improvements - at cost	**6.9**	3.0
Plant and equipment - at cost	**46.5**	147.2
Total capital works in progress	**193.6**	190.9

b Includes reclassifications of $2.8 million from intangibles to plant and equipment (refer to note B5).

Additions of $299.7 million, down 33.3% on the pcp consist predominantly of redevelopment works in the Sydney property. For details on capital activities refer to section 2.6 of the Directors' Report.

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 and Sydney properties; 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
2019							
Cost							
Opening balance at beginning of the year		**1,442.2**	**294.7**	**100.0**	**229.8**	**20.1**	**2,086.8**
Additions [a]		**-**	**-**	**-**	**34.2**	**-**	**34.2**
Disposals		**-**	**-**	**-**	**(1.3)**	**-**	**(1.3)**
Closing balance at end of the year		**1,442.2**	**294.7**	**100.0**	**262.7**	**20.1**	**2,119.7**
Accumulated amortisation							
Opening balance at beginning of the year		**-**	**69.3**	**26.0**	**127.4**	**5.4**	**228.1**
Amortisation expense	A4	**-**	**3.0**	**2.7**	**26.1**	**0.5**	**32.3**
Disposals		**-**	**-**	**-**	**(1.3)**	**-**	**(1.3)**
Reclassification / transfer		**-**	**-**	**-**	**(0.8)**	**-**	**(0.8)**
Closing balance at end of the year		**-**	**72.3**	**28.7**	**151.4**	**5.9**	**258.3**
Carrying Amount							
Opening balance at beginning of the year		**1,442.2**	**225.4**	**74.0**	**102.4**	**14.7**	**1,858.7**
Closing balance at end of the year		**1,442.2**	**222.4**	**71.3**	**111.3**	**14.2**	**1,861.4**
2018							
Cost							
Opening balance at beginning of the year		1,442.2	294.7	100.0	195.7	27.2	2,059.8
Additions		-	-	-	40.5	-	40.5
Disposals		-	-	-	(3.6)	(7.1)	(10.7)
Reclassification / transfer [b]		-	-	-	(2.8)	-	(2.8)
Closing balance at end of the year		1,442.2	294.7	100.0	229.8	20.1	2,086.8
Accumulated amortisation							
Opening balance at beginning of the year		-	66.1	23.1	108.6	10.2	208.0
Amortisation expense	A4	-	3.2	2.9	22.4	2.3	30.8
Disposals		-	-	-	(3.6)	(7.1)	(10.7)
Closing balance at end of the year		-	69.3	26.0	127.4	5.4	228.1
Carrying Amount							
Opening balance at beginning of the year		1,442.2	228.6	76.9	87.1	17.0	1,851.8
Closing balance at end of the year		1,442.2	225.4	74.0	102.4	14.7	1,858.7

a Includes capital works in progress of $29.9 million (2018: $27.2 million).

b Includes reclassifications of $2.8 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 new integrated 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 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.
- 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.
- 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
2019	1,013.5	165.5	263.2	1,442.2
2018	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% (2018: 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 8.3% to 8.8% (2018: 8.3% to 8.9%). The pre-tax discount rates range between 10.4% to 11.3% (2018: 10.2% to 11.0%).

No impairment was recognised in any of the cash generating units at 30 June 2019 (2018: nil). The performance of the Group was driven by growth in the domestic business revenue (+3.1%). The International VIP Rebate Business (***IRB***) had mixed results, with a high win rate partially offset by reduced turnover.

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, growth rates 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.

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For the year ended 30 June 2019

iv. Regulatory changes

Brisbane

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 Brisbane that is attached to the lease of the current Brisbane site that expires in 2070. Upon opening of the QWB casino, 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.

Gold Coast

The Star continues to participate in the Queensland Government's process in relation to a global tourism hub on the Gold Coast. The Star has been invited into the second stage of the process to provide an expression of interest for the Gold Coast tourism hub.

Sydney

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***). 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 2019. 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 2% reduction in the expected growth rate is a reasonably possible change that could give rise to a potential 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 2019. 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.

Notes to the financial statements

For the year ended 30 June 2019

Liabilities

B7 Interest bearing liabilities

	2019 $m	2018 $m
Current		
Bank loans - unsecured (net of unamortised borrowing costs) (i)	**191.3**	128.7
Private placement - US dollar - amortised cost (ii)	**5.1**	5.1
	196.4	133.8
Non current		
Bank loans - unsecured (net of unamortised borrowing costs) (i)	**322.6**	88.3
Private placement - US dollar (ii)	**643.3**	597.9
	965.9	686.2

The Group successfully refinanced its bank facilities on 3 July 2019, with new bilateral bank facilities replacing all Syndicate Bank Facilities, which have been repaid and cancelled. The new bilateral facilities have a total limit of $1.2 billion (increased from $0.8 billion of bank facilities at 30 June 2019). The new facilities have maturities of between three and five years (compared to one month to five years), increasing the weighted average maturity of the Group's debt facilities from 3.8 to 5.3 years. Refer to note C3.

Net debt was $972.6 million, up 43.5% on the pcp with gearing levels increased to 1.9x at 30 June 2019 compared to 1.4x at 30 June 2018.

Refer to note F9 (iii) for Capital management disclosures and the calculation of the gearing ratio.

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

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

Syndicated revolving facility

The Group has drawn down $382.0 million of the syndicated revolving facility (***SFA***).

2019 Type	Facility amount $m	Unutilised at 30 June $m	Maturity date
Syndicated revolving facility - tranche A	100.0	-	July 2021
Syndicated revolving facility - tranche B	250.0	58.0	July 2019
Syndicated revolving facility - tranche C	100.0	10.0	July 2022
Syndicated revolving facility - tranche D	200.0	200.0	July 2023
	650.0	268.0	

2018 Type	Facility amount $m	Unutilised at 30 June $m	Maturity date
Syndicated revolving facility - tranche A	100.0	10.0	July 2021
Syndicated revolving facility - tranche B	250.0	250.0	July 2019
Syndicated revolving facility - tranche C	100.0	100.0	July 2022
Syndicated revolving facility - tranche D	200.0	200.0	July 2023
	650.0	560.0	

Working capital facility

2019 Type	Facility amount $m	Unutilised at 30 June $m	Maturity date
Working capital facility	150.0	16.0	July 2020

Notes to the financial statements

For the year ended 30 June 2019

2018 Type	Facility amount $m	Unutilised at 30 June $m	Maturity date
Working capital facility	150.0	20.0	January 2019

The Group has entered into interest rate swaps agreements to hedge underlying debt obligations and allow $100 million of floating rate borrowings (comprising syndicated revolving facility and working capital facility) to be swapped to fixed rate borrowings. Further details about the Group's exposure to interest rate movements are provided in notes E1 and E2.

(ii) US Private Placement (*USPP*)

The Group's USPP borrowings are summarised below.

2019

Type	$m USD	$m (AUD)	Maturity date
Series B	105.0	98.1	June 2021
Series C	9.0	11.5	August 2025
Series D	12.5	16.0	August 2027
Series E	10.0	12.8	August 2025
Series F	60.0	76.9	August 2027
Series G	31.0	39.7	August 2025
Series H	215.9	276.5	August 2027
	443.4	531.5	

2018

Type	$m USD	$m (AUD)	Maturity date
Series B	105.0	98.1	June 2021
Series C	9.0	11.5	August 2025
Series D	12.5	16.0	August 2027
Series E	10.0	12.8	August 2025
Series F	60.0	76.9	August 2027
Series G	31.0	39.7	August 2025
Series H	215.9	276.5	August 2027
	443.4	531.5	

The $531.5 million (2018: $531.5 million) USPP borrowings are stated in the table above at the AUD amount repayable under cross currency swaps at maturity. Interest is a combination of fixed and variable, linked to BBSW (Bank Bill Swap Rate), and a defined gearing ratio at the end of certain test dates. The US$443.4 million (2018: US$443.4 million) translated at 30 June 2019 spot rate is $632.3 million AUD (2018: $598.8 million).

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 the USPP borrowings, the Group is exposed to 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 2019, 100% of the USPP borrowings balance of US$443.4 million (2018: US$443.4 million) is hedged.

The Group is also exposed to the interest rate risk as a result of bank loans and the USPP borrowings. To hedge against this risk, the Group has entered into interest rate swaps. As at 30 June 2019, 38.8% (2018: 56.2%) of interest bearing liabilities had been hedged. 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 2019

C Commitments, contingencies and subsequent events

C1 Commitments

(i) Operating lease commitments [a]

	2019 $m	2018 $m
Not later than one year	**9.2**	10.4
Later than one year but not later than five years	**43.7**	29.0
Later than five years	**90.2**	97.0
	143.1	136.4

a The Group leases property (including Sydney and Brisbane property leases) under operating leases expiring between 1 to 74 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.

(ii) Other commitments [b]

	2019 $m	2018 $m
Not later than one year	**116.2**	64.3
Later than one year but not later than five years	**-**	1.3
Later than five years	**-**	-
	116.2	65.6

b Other commitments as at 30 June 2019 mainly include capital construction and related costs in connection with the Sydney redevelopment.

The Group has current capital commitments of approximately $1.0 billion in Destination Brisbane Consortium and $0.1 billion in Destination Gold Coast Consortium to fund the construction of the Integrated Resort which is expected to open in 2022 (subject to various approvals) and the new residential and hotel tower on the Gold Coast respectively.

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 2019. 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 3 July 2019, the Company successfully refinanced its bank facilities, with new bilateral bank facilities replacing all Syndicated Bank Facilities, which have been repaid and cancelled.

The new bilateral facilities have a total limit of $1.2 billion (increased from $0.8 billion of bank facilities at 30 June 2019). The new facilities have maturities of between three and five years (compared to one month to five years), increasing the weighted average maturity of the company's debt facilities from 3.8 to 5.3 years. Unamortised borrowing costs of $1.7 million associated with the existing facilities will be expensed to the income statement in July 2019.

On 25 July 2019, the NSW Government Department of Planning, Industry and Environment recommended against the proposed construction of The Ritz-Carlton Hotel and Residences in Sydney. The Star continues to seek approval for the development from the NSW Government Independent Planning Commission, which is the decision making authority.

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.

Notes to the financial statements

For the year ended 30 June 2019

D Group structure

D1 Related party disclosures

(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 2019 %	Equity interest at 30 June 2018 %
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	Australia	ordinary shares	**100.0**	100.0
The Star Entertainment Sydney Apartments Pty Ltd	a	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		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment QLD Custodian Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment Gold Coast Trust		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		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		Hong Kong	ordinary shares	**100.0**	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
Destination Cairns Consortium Pty Limited	e	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		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment GC Investments Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment GC Investments No.1 Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment International No.5 Pty Ltd		Australia	ordinary shares	**100.0**	100.0
EEI Services Holdings No.1 Pty Ltd		Australia	ordinary shares	**100.0**	100.0
EEI Services Holdings No.2 Pty Ltd		Australia	ordinary shares	**100.0**	100.0
EEI Services (Macau) Limited		Macau	ordinary shares	**100.0**	100.0
The Star Entertainment International Tourism Pty Ltd		Australia	ordinary shares	**100.0**	100.0

Notes to the financial statements

For the year ended 30 June 2019

Name of controlled entity	Note	Country of incorporation	Equity type	Equity interest at 30 June 2019 %	Equity interest at 30 June 2018 %
Destination Sydney Consortium Pty Limited	c e	Australia	ordinary shares	**100.0**	0.0
The Star Entertainment Pyrmont Investments No.1 Pty Ltd	c	Australia	ordinary shares	**100.0**	0.0
The Star Entertainment GC No.1 Pty Ltd	d	Australia	ordinary shares	**100.0**	0.0
The Star Entertainment GC No.2 Pty Ltd	d	Australia	ordinary shares	**100.0**	0.0
The Star Entertainment Group Limited Employee Share Trust	f	Australia	units	**0.0**	0.0

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 Incorporated on 10 October 2018

d Incorporated on 18 April 2019

e The following entities changed their company name on 5 April 2019:

- Destination Cairns Consortium Pty Limited was previously known as The Star Entertainment International Pty Ltd
- Destination Sydney Consortium Pty Limited was previously known as The Star Entertainment Pyrmont Holdings Pty Ltd

f Formed on 11 September 2018

(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 $46.5 million were repaid by controlled entities (2018: the Company advanced loans of $602.6 million); and

– income tax and GST paid on behalf of controlled entities was $211.6 million (2018: $230.3 million).

The amount receivable by the Company from controlled entities at year end is $835.8 million (2018: $882.3 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 nil (2018: $0.3 million);

– Amount paid to Destination Brisbane Consortium Integrated Resort Holdings Pty Ltd was $0.1 million (2018: nil) relating to capital works;

– Amount recharged to Destination Gold Coast Consortium Pty Ltd was $1.9 million (2018: $8.3 million), of which $0.1 million (2018: $4.7 million) was held as a receivable at 30 June 2019; and

– Amount paid to Destination Gold Coast Consortium Pty Ltd was $3.4 million (2018: nil) relating to capital works.

Notes to the financial statements

For the year ended 30 June 2019

D2 Parent entity disclosures

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

	2019 $m	2018 $m
Result of the parent entity		
Profit for the year	**158.5**	263.2
Total comprehensive income for the year [a]	**158.5**	263.2

a Since the end of the financial year, the Company has declared a final dividend of 10.0 cents per ordinary share (2018: 13.0 cents), which is expected to be paid to its shareholders on 26 September 2019 out of retained earnings at 30 June 2019 (refer to note A6).

	2019 $m	2018 $m
Financial position of the parent entity		
Current assets	**1,865.8**	1,912.3
Non current assets	**2,590.3**	2,590.1
Total assets	**4,456.1**	4,502.4
Current liabilities	**34.5**	22.3
Non current liabilities	**1,034.0**	1,031.4
Total liabilities	**1,068.5**	1,053.7
Net assets	**3,387.6**	3,448.7
Total equity of the parent entity		
Issued capital	**3,069.7**	3,070.2
Retained earnings	**311.2**	368.4
Shared based payments benefits reserve	**6.7**	10.1
Total equity	**3,387.6**	3,448.7

Contingent liabilities

There were no contingent liabilities for the parent entity at 30 June 2019 (2018: 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 2019 (2018: 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 2019, the carrying amount included in current liabilities at 30 June 2019 was nil (2018: nil), and the maximum amount of these guarantees was $121.9 million (2018: $118.3 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

For the year ended 30 June 2019

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.

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 2019 of the closed group.

Consolidated income statement

	2019 $m	2018* Restated $m
Revenue	**1,321.9**	1,325.5
Other income	**0.6**	(0.2)
Government taxes and levies	**(360.0)**	(368.9)
Employment costs	**(351.6)**	(349.5)
Depreciation, amortisation and impairment	**(100.8)**	(103.7)
Cost of sales	**(51.0)**	(50.6)
Property costs	**(46.1)**	(48.1)
Advertising and promotions	**(62.4)**	(73.4)
Other expenses	**(188.8)**	(209.9)
Earnings before interest and tax (EBIT)	**161.8**	121.2
Net finance costs	**11.3**	-
Profit before income tax (PBT)	**173.1**	121.2
Income tax expense	**(54.8)**	(37.1)
Net profit after tax (NPAT)	**118.3**	84.1
Total comprehensive income for the period	**118.3**	84.1

* 2018 comparatives have been restated as part of the transition to AASB 15 Revenue from Contracts. Refer to note G(i) for further information.

Summary of movements in consolidated retained earnings		
Accumulated profit/(loss) at the beginning of the financial year	**23.1**	130.0
Profit for the year	**118.3**	84.1
Transition to AASB 9 adjustment	**(6.8)**	-
Dividends paid	**(81.0)**	(191.0)
Accumulated profit at the end of the financial year	**53.6**	23.1

Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2019 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 2019

Consolidated balance sheet	2019 $m	2018 $m
ASSETS		
Cash assets	**48.9**	52.7
Trade and other receivables	**176.6**	190.9
Inventories	**8.8**	8.5
Other	**27.7**	26.2
Total current assets	**262.0**	278.3
Property, plant and equipment	**1,460.9**	1,341.4
Intangible assets	**278.6**	281.1
Other assets	**10.3**	11.1
Total non current assets	**1,749.8**	1,633.6
TOTAL ASSETS	**2,011.8**	1,911.9
LIABILITIES		
Trade and other payables	**713.9**	647.3
Provisions	**35.1**	34.8
Other liabilities	**10.1**	11.3
Total current liabilities	**759.1**	693.4
Deferred tax liabilities	**54.9**	51.3
Provisions	**4.3**	4.2
Total non current liabilities	**59.2**	55.5
TOTAL LIABILITIES	**818.3**	748.9
NET ASSETS	**1,193.5**	1,163.0
EQUITY		
Issued Capital	**1,139.9**	1,139.9
Retained Earnings	**53.6**	23.1
TOTAL EQUITY	**1,193.5**	1,163.0

D4 Key Management Personnel disclosures

	2019 $000	2018 $000
Compensation of Key Management Personnel		
Short term	**6,047**	7,842
Long term	**314**	334
Share based payments	**779**	2,973
Total compensation	**7,140**	11,149

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.

Notes to the financial statements

For the year ended 30 June 2019

D5 Investment in associate and joint venture entities

Set out below are the investments of the Group as at 30 June 2019 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.

2019 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	312.9
Festival Car Park Pty Ltd (ii)	Australia	50	Joint venture	Equity method	14.3
Destination Gold Coast Investments Pty Ltd (iii)	Australia	50	Joint venture	Equity method	45.6
Destination Gold Coast Consortium Pty Ltd (iv)	Australia	33.3	Joint venture	Equity method	12.2
Total equity accounted investments					385.0

(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 components of the broader Queen's Wharf Brisbane development. The Group is not a party to the residential apartments development joint venture.

Commitments and contingent liabilities

DBC has current capital commitments of approximately $2.0 billion (2018: $2.2 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.

	2019 $m	2018 $m
Balance sheet		
Total current assets	**139.0**	112.1
Total non current assets	**564.5**	423.2
Total current liabilities	**(39.3)**	(17.4)
Total non current liabilities	**(52.8)**	(75.0)
Net assets	**611.4**	442.9
Reconciliation to investment carrying amount:		
Carrying amount at the beginning of the year	**223.7**	152.6
Share of equity contributions for the Group	**90.0**	72.2
Share of loss for the period	**(0.8)**	(1.1)
Carrying amount at the end of the year	**312.9**	223.7

Notes to the financial statements

For the year ended 30 June 2019

	2019 $m	2018 $m
Income statement		
Loss before tax	**(1.5)**	(2.2)
Income tax benefit	**-**	-
Loss for the year (continuing operations)	**(1.5)**	(2.2)
Total comprehensive loss for the year (continuing operations)	**(1.5)**	(2.2)
Group's share of loss for the year	**(0.8)**	(1.1)
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 no capital commitments as at 30 June 2019 (2018: $0.1 million). 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.

	2019 $m	2018 $m
Balance sheet		
Cash and cash equivalents	**3.3**	2.7
Total current assets excluding cash and cash equivalents	**-**	0.1
Total non current assets	**48.4**	48.3
Total current liabilities	**(0.3)**	(0.6)
Total non current liabilities - financial liabilities	**(22.5)**	(22.5)
Net assets	**28.9**	28.0
Reconciliation to investment carrying amount:		
Carrying amount at the beginning of the year	**13.8**	13.5
Share of profit for the period	**0.5**	0.3
Carrying amount at the end of the year	**14.3**	13.8
Income statement		
Revenue	**3.3**	3.4
Interest expense	**(0.7)**	(0.7)
Other expenses	**(1.3)**	(1.3)
Profit before tax	**1.3**	1.4
Income tax expense	**(0.4)**	(0.4)
Profit for the year (continuing operations)	**0.9**	1.0
Total comprehensive income for the year (continuing operations)	**0.9**	1.0
Group's share of profit for the year	**0.5**	0.3

Notes to the financial statements

For the year ended 30 June 2019

(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.

Commitments and contingent liabilities

The joint venture had no capital commitments as at 30 June 2019 (2018: $0.3 million). There were no other contingent liabilities.

Summarised financial information

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

	2019 $m	2018 $m
Balance sheet		
Cash and cash equivalents	**12.8**	11.1
Total current assets excluding cash and cash equivalents	**0.9**	4.4
Total non current assets	**171.9**	173.6
Total current liabilities	**(10.7)**	(12.4)
Total non current liabilities - financial liabilities	**(72.4)**	(72.2)
Other non current liabilities	**(14.5)**	(15.1)
Net assets	**88.0**	89.4
Reconciliation to investment carrying amount:		
Carrying amount at the beginning of the year	**44.6**	46.3
Share of profit for the period	**1.0**	2.4
Share of equity contributions for the Group	**-**	(4.1)
Carrying amount at the end of the year	**45.6**	44.6
Income statement		
Revenue	**45.1**	47.0
Interest expense	**(2.6)**	(1.8)
Depreciation expense	**(3.2)**	(3.1)
Operating expenses	**(36.9)**	(36.4)
Profit before tax	**2.4**	5.7
Income tax expense	**(0.4)**	(0.9)
Profit for the year (continuing operations)	**2.0**	4.8
Total comprehensive income for the year (continuing operations)	**2.0**	4.8
Group's share of profit for the year	**1.0**	2.4

Notes to the financial statements

For the year ended 30 June 2019

(iv) Destination Gold Coast Consortium Pty Ltd

On 22 November 2016, a 33.3% interest was acquired in Destination Gold Coast Consortium Pty Ltd (***DGCC***). DGCC is a joint venture with CTF and FEC for the purpose of constructing a new residential and hotel tower in Gold Coast. The Group's interest is accounted for using the equity method.

Commitments and contingent liabilities

On 16 August 2018, DGCC entered in to an agreement to commence construction in relation to the first residential, hotel and retail tower in Gold Coast. DGCC's total commitments for the development of the tower is $370.0 million, 8% lower than initial expectations. The joint venture had no capital commitments as at 30 June 2019.

Summarised financial information

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

	2019 $m	2018 $m
Balance sheet		
Cash and cash equivalents	**6.5**	4.5
Total current assets excluding cash and cash equivalents	**0.5**	0.6
Total non current assets	**61.3**	22.7
Total current liabilities	**(4.1)**	(7.3)
Total non current liabilities	**(28.2)**	-
Net assets	**36.0**	20.5
Reconciliation to investment carrying amounts:		
Carrying amount at the beginning of the year	**6.8**	-
Share of loss for the period	**(1.4)**	(1.7)
Share of equity contributions for the Group	**15.3**	8.5
Elimination of gain on sale of land	**(8.5)**	-
Carrying amount at the end of the year	**12.2**	6.8
Income statement		
Loss before tax	**(4.1)**	(5.1)
Income tax benefit	**-**	-
Loss for the year (continuing operations)	**(4.1)**	(5.1)
Total comprehensive loss for the year (continuing operations)	**(4.1)**	(5.1)
Group's share of loss for the year	**(1.4)**	(1.7)

Notes to the financial statements

For the year ended 30 June 2019

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 manages interest rate risk by using a floating versus fixed rate debt framework. The relative mix of fixed and floating interest rate funding is managed by using interest rate swap contracts. The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swap contracts.

At 30 June 2019 after taking into account the effect of interest rate swaps, approximately 38.8% (2018: 56.2%) 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.

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.

Customer credit risk

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.

Financial institution credit risk

Credit risk arising from other financial assets of the Group, which comprise cash, cash equivalents and derivative contracts, is reduced by transacting with relationship banks that have acceptable credit ratings, as determined by a recognised ratings agency.

Cash investments, derivative financial instruments, bank guarantees, and other contingent instruments create credit risk in relation to the relevant counterparties, which are principally large relationship banks.

The maximum counterparty credit exposure on forward currency and cross currency swaps is the fair value amount that the Group receives when settlement occurs, should the counterparty fail to pay the amount which it has committed to pay the Group. The credit risk on interest rate hedges is limited to the positive mark to market amount to be received from counterparties over the life of contracts that are favourable to the Group. 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 2019

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 (2018: 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 $121.9 million (2018: $118.3 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 manages liquidity risk through maintaining sufficient cash and adequate amount of committed credit facilities to be held above the forecast requirements of the business. The Group manages liquidity risk centrally by monitoring cash flow forecasts and maintaining adequate cash reserves and debt facilities. The debt portfolio is periodically reviewed to ensure there is funding flexibility across an appropriate maturity profile.

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

The contractual timing of cash flows on derivatives and non-derivative financial assets and liabilities at the reporting date, including drawn borrowings and estimated interest, are set out in the tables below:

(i) Non-derivative financial instruments

	2019			2018		
	< 1 year	1 - 5 years	> 5 years	< 1 year	1 - 5 years	> 5 years
	$m	$m	$m	$m	$m	$m
Financial assets						
Cash assets	**104.3**	**-**	**-**	95.4	-	-
Short term deposits	**10.0**	**-**	**-**	14.9	-	-
Trade and other receivables	**235.5**	**-**	**-**	221.5	-	-
	349.8	**-**	**-**	331.8	-	-
Financial liabilities						
Trade and other payables	**338.3**	**-**	**-**	363.3	-	-
Bank loans - unsecured	**201.6**	**335.4**	**-**	132.3	99.8	-
Private placement - US dollar	**33.5**	**191.1**	**490.4**	32.9	246.4	531.5
	573.4	**526.5**	**490.4**	528.5	346.2	531.5
Net outflow	**(223.6)**	**(526.5)**	**(490.4)**	(196.7)	(346.2)	(531.5)

Notes to the financial statements

For the year ended 30 June 2019

(ii) Derivative financial instruments

	2019			2018		
	< 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	**2.4**	**5.3**	**-**	4.2	12.5	1.9
Cross currency swaps - receive USD fixed	**33.5**	**191.1**	**490.4**	32.9	246.4	531.5
Forward currency contract - receive USD fixed	**-**	**-**	**-**	1.2	-	-
	35.9	**196.4**	**490.4**	38.3	258.9	533.4
Financial liabilities						
Interest rate swaps - pay AUD fixed	**8.4**	**13.9**	**-**	8.4	21.3	2.4
Cross currency swaps - pay AUD floating	**13.1**	**137.5**	**231.5**	15.7	144.9	235.0
Cross currency swaps - pay AUD fixed	**13.6**	**54.2**	**266.8**	13.5	54.2	280.3
Forward currency contract - pay AUD fixed	**-**	**-**	**-**	0.9	-	-
	35.1	**205.6**	**498.3**	38.5	220.4	517.7
Net inflow/(outflow)	**0.8**	**(9.2)**	**(7.9)**	(0.2)	38.5	15.7

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
2019		
AUD		
+ 0.5% (50 basis points)	**(1.6)**	**12.9**
- 0.5% (50 basis points)	**1.6**	**(13.3)**
USD		
+ 0.5% (50 basis points)	**-**	**(11.2)**
- 0.5% (50 basis points)	**-**	**11.7**
2018		
AUD		
+ 0.5% (50 basis points)	(1.0)	12.8
- 0.5% (50 basis points)	1.0	(13.3)
USD		
+ 0.5% (50 basis points)	-	(20.7)
- 0.50% (50 basis points)	-	21.6

Notes to the financial statements

For the year ended 30 June 2019

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)
	2019	**2019**	**2018**	**2018**
	$m	**$m**	**$m**	**$m**
AUD/USD + 10 cents	**-**	**(17.0)**	-	(11.1)
AUD/USD - 10 cents	**-**	**16.4**	-	14.6

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 twelve months.

Notes to the financial statements

For the year ended 30 June 2019

E2 Additional financial instruments disclosures

(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.

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.

Interest rate swaps and cross currency swaps

The fair value of cross currency contracts is calculated as the present value of expected future cash flows of these instruments. Key variables include market pricing data, discount rates and credit risk of the group or counterparty where relevant. Variables reflect those which would be used by the market participants to execute and value the instruments.

Forward currency contracts

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

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) 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 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:

	2019	**2018**
	$m	**$m**
Less than one year	**-**	-
One to five years	**198.0**	148.0
More than five years	**-**	50.0
Notional Principal	**198.0**	198.0
Fixed interest rate range p.a.	**2.4% - 6.0%**	2.4% - 6.0%

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.

(iii) Financial instruments - cross currency swaps (cash flow hedges)

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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Financial instruments - cross currency swaps (fair value hedges)
These cross currency swaps are being used to hedge the exposure to fair value changes of the USD debt under the USPP as a result of fluctuations in the underlying USD to AUD exchange rate and US interest benchmark and are assessed as highly effective. The decrease in fair value of the cross currency swaps at fair value of $17.9 million (2018: $12.1 million) has been recognised in finance costs and offsetting gain on the USPP borrowings. The ineffectiveness recognised in FY2019 was immaterial.

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

	2019		2018	
	AUD $m	**USD $m**	**AUD $m**	**USD $m**
Less than one year	**-**	**-**	-	-
One to five years	**98.1**	**105.0**	98.1	105.0
More than five years	**433.4**	**338.4**	433.4	338.4
Notional principal	**531.5**	**443.4**	531.5	443.4
Fixed interest rate range p.a.	**4.3% - 5.9%**		4.3% - 5.9%	

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.

(iv) 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 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:

	2019 $m	2018 $m
Buy USD / sell AUD		
Less than one year	**-**	0.9
One to five years	**-**	-
More than five years	**-**	-
Notional principal	**-**	0.9
Average exchange rate (AUD/USD)	**-**	0.97

(v) Reconciliation of movement in financing activities

	2018 $m	Cash flows $m	Changes in fair values $m	Foreign exchange movement $m	Option premium $m	Borrowing costs $m	2019 $m
Interest bearing liabilities (refer to note B7)	(820.0)	(296.0)	(17.9)	(32.7)	5.3	(1.0)	**(1,162.3)**
Net derivative assets (refer to note B3)	31.7	-	43.7	**-**	-	-	**75.4**

Notes to the financial statements

For the year ended 30 June 2019

	2017 $m	Cash flows $m	Changes in fair values $m	Foreign exchange movement $m	Option premium $m	Borrowing costs $m	2018 $m
Interest bearing liabilities (refer to note B7)	(1,045.0)	248.7	12.1	(19.9)	(16.4)	0.5	(820.0)
Net derivative assets (refer to note B3)	143.8	(102.5)	(9.6)	-	-	-	31.7

Notes to the financial statements

For the year ended 30 June 2019

F Other disclosures

F1 Other comprehensive income

	2019 $m	2018 $m
Net loss on derivatives	**(7.7)**	(18.9)
Transfer of hedging reserve to the income statement [a]	**-**	14.1
Tax on above items recognised in other comprehensive income	**2.3**	1.4
	(5.4)	(3.4)

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 other income in the income statement.

F2 Income tax

(i) Income tax expense

	2019 $m	2018 $m
The major components of income tax expenses are:		
Current tax expense	**(80.0)**	(77.2)
Adjustments in respect of current income tax of previous years	**(0.6)**	4.3
Deferred income tax (expense)/benefit	**(0.1)**	10.6
Income tax expense reported in the income statement	**(80.7)**	(62.3)
Aggregate of current and deferred tax relating to items charged or credited to equity:		
Current tax benefit reported in equity	**0.8**	0.5
Deferred tax benefit reported in equity	**2.2**	1.7
Income tax benefit reported in equity	**3.0**	2.2
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	**278.7**	210.4
At the Group's statutory income tax rate of 30%	**(83.6)**	(63.1)
- Non assessable gain on sale	**2.9**	-
- Recognition/(derecognition) of temporary differences	**1.3**	(2.2)
- Research & Development tax offset	**0.6**	2.9
- Tax consolidation reset	**-**	2.6
- Over provision in prior years	**(0.6)**	-
- Other items	**(1.3)**	(2.5)
Aggregate income tax expense	**(80.7)**	(62.3)
Effective income tax rate	**28.9 %**	29.6 %

Notes to the financial statements

For the year ended 30 June 2019

(ii) Deferred tax balances

The balance comprises temporary differences attributable to:

2019	Balance 1 July 2018 $m	Recognised in the income statement $m	Recognised directly in equity $m	Balance 30 June 2019 $m
Employee provisions	**19.9**	**1.0**	**-**	**20.9**
Other provisions and accruals	**14.9**	**6.7**	**-**	**21.6**
Impairment of trade receivables*	**7.9**	**(4.5)**	**-**	**3.4**
Unrealised financial liabilities	**30.1**	**18.1**	**(8.8)**	**39.4**
Other	**4.2**	**(2.0)**	**-**	**2.2**
Deferred tax assets set off	**77.0**	**19.3**	**(8.8)**	**87.5**
Intangible assets	**(72.1)**	**3.9**	**-**	**(68.2)**
Property, plant and equipment	**(134.3)**	**3.0**	**-**	**(131.3)**
Unrealised financial assets	**(18.2)**	**(19.8)**	**11.0**	**(27.0)**
Other	**(25.2)**	**(6.5)**	**-**	**(31.7)**
	(249.8)	**(19.4)**	**11.0**	**(258.2)**
Net deferred tax (liabilities)/assets	**(172.8)**	**(0.1)**	**2.2**	**(170.7)**

* Opening balance has increased by $3.1 million for AASB 9 transition adjustment to retained earnings

2018	Balance 1 July 2017 $m	Recognised in the income statement $m	Recognised directly in equity $m	Balance 30 June 2018 $m
Employee provisions	18.3	1.6	-	19.9
Other provisions and accruals	10.7	4.2	-	14.9
Impairment of trade receivables	4.2	0.6	-	4.8
Unrealised financial liabilities	67.0	(38.7)	1.8	30.1
Other	6.4	(2.5)	0.3	4.2
Deferred tax assets set off	106.6	(34.8)	2.1	73.9
Intangible assets	(73.7)	1.6	-	(72.1)
Property, plant and equipment	(135.7)	1.4	-	(134.3)
Unrealised financial assets	(59.7)	41.9	(0.4)	(18.2)
Other	(25.7)	0.5	-	(25.2)
	(294.8)	45.4	(0.4)	(249.8)
Net deferred tax (liabilities)/assets	(188.2)	10.6	1.7	(175.9)

Notes to the financial statements

For the year ended 30 June 2019

(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:

2019	(Payable) / receivable 1 July 2018 $m	(Increase) / decrease in tax payable $m	Tax instalment paid $m	Over provision of tax $m	Other $m	(Payable) / receivable 30 June 2019 $m
Tax consolidated group - year ended 30 June 2019	-	(84.2)	65.8	-	-	(18.4)
Tax consolidated group - year ended 30 June 2018 [a]	(2.1)	2.5	2.0	1.5	0.1	4.0
Prior years	1.8	0.4	-	-	-	2.2
Total Australia	(0.3)	(81.3)	67.8	1.5	0.1	(12.2)
Overseas subsidiaries	-	-	-	-	-	-
Total	(0.3)	(81.3)	67.8	1.5	0.1	(12.2)

a The decrease in tax payable is an amendment to the income tax return relating to the application of the tax consolidation reset.

2018	(Payable) 1 July 2017 $m	(Increase) / decrease in tax payable $m	Tax instalment paid $m	Over provision of tax $m	Other $m	(Payable) / receivable 30 June 2018 $m
Tax consolidated group - year ended 30 June 2018	-	(76.7)	74.6	-	-	(2.1)
Tax consolidated group - year ended 30 June 2017	(28.8)	1.7	26.0	2.6	0.3	1.8
Prior years	-	-	-	-	-	-
Total Australia	(28.8)	(75.0)	100.6	2.6	0.3	(0.3)
Overseas subsidiaries	-	-	-	-	-	-
Total	(28.8)	(75.0)	100.6	2.6	0.3	(0.3)

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For the year ended 30 June 2019

F3 Earnings per share

	2019 $m	2018 $m
Net profit after tax attributable to ordinary shareholders	**198.0**	148.1
Basic earnings per share (cents per share)	**21.6**	17.5
Diluted earnings per share (cents per share)	**21.6**	17.5

	2019 Number	2018 Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares issued at the beginning of the year	**917,322,730**	825,672,730
Adjustment for issue of new share capital on 16 April 2018 [a]	**-**	19,083,288
Weighted average number of shares used as the denominator	**917,322,730**	844,756,018
Adjustment for calculation of diluted earnings per share:		
Adjustment for Performance Rights	**1,589,665**	1,243,216
Weighted average number of ordinary shares and potential ordinary shares as used as the denominator in calculating diluted earnings per share at the end of the year	**918,912,395**	845,999,234

a New shares issued in FY2018 of 91,650,000, being a weighted average for 76 days of 19,083,288.

F4 Other assets

	2019 $m	2018 $m
Current		
Prepayments	**49.4**	41.4
Other assets	**2.6**	3.4
	52.0	44.8
Non current		
Rental paid in advance	**9.7**	9.7
Other assets	**37.9**	1.5
	47.6	11.2

Other assets above are shown net of impairment of nil (2018: nil).

F5 Trade and other payables

	2019 $m	2018 $m
Trade creditors and accrued expenses	**338.3**	363.3
Interest payable	**2.6**	2.5
	340.9	365.8

Trade and other payables of $340.9 million were down 6.8%, predominately relating to the reduction in safe keeping and patron deposits linked to the decrease in IRB volume on pcp.

Notes to the financial statements

For the year ended 30 June 2019

F6 Provisions

	2019 $m	2018 $m
Current		
Employee benefits	**60.9**	57.6
Workers' compensation	**6.6**	6.9
Other [a]	**32.4**	-
	99.9	64.5
Non-current		
Employee benefits	**8.6**	7.9
Other	**8.3**	5.0
	16.9	12.9

a Restructuring and redundancy provision relating to Group reorganisation.

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

2019	Workers' compensation (current) $m	Other (non-current) $m
Carrying amount at beginning of the year	**6.9**	**5.0**
Provisions made during the year	**1.4**	**3.3**
Provisions utilised during the year	**(1.7)**	**-**
Carrying amount at end of the year	**6.6**	**8.3**
2018		
Carrying amount at beginning of the year	7.6	1.7
Provisions made during the year	0.9	3.3
Provisions utilised during the year	(1.6)	-
Carrying amount at end of the year	6.9	5.0

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 2019

F7 Other liabilities

	2019 $m	2018 $m
Current		
Customer loyalty deferred revenue [a]	**17.1**	18.7
Other deferred revenue	**1.7**	1.6
	18.8	20.3
Non current		
Other	**5.9**	-
	5.9	-

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 Treasury shares

During the year, the Group purchased 1,458,361 of its own shares for use to settle future employee share based payments scheme.

	2019 $m	2018 $m
Value of treasury shares purchased	**6.7**	-

	2019 Number	2018 Number
Number of treasury shares purchased	**1,458,361**	-

F9 Share capital and reserves

(i) Share capital

	2019 $m	2018 $m
Ordinary shares - issued and fully paid [a]	**3,070.2**	2,580.5
Issue of share capital [b]	**-**	489.7
Purchase of treasury shares [c]	**(6.7)**	-
Issuance fees	**(0.5)**	-
	3,063.0	3,070.2

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.

b On 16 April 2018, the Company issued fully paid ordinary shares to nominated entities of CTF and FEC, as announced to the market on 29 March 2018.

c The Group purchased 1,458,361 of its own shares for use to settle future employee shared based payment schemes.

Notes to the financial statements

For the year ended 30 June 2019

	2019 Number of shares	2018 Number of shares
Movements in ordinary share capital		
Balance at beginning of the year	**917,322,730**	825,672,730
Issue of fully paid ordinary shares on 16 April 2018	**-**	91,650,000
Balance at the end of the year	**917,322,730**	917,322,730

(ii) Reserves (net of tax)

	2019 $m	2018 $m
Hedging reserve [a]	**(27.5)**	(17.2)
Cost of hedging reserve [b]	**4.9**	-
Share based payments reserve [c]	**7.0**	10.2
	(15.6)	(7.0)

Nature and purpose of reserves

a The hedging reserve records the spot element of 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 spot element of derivative contracts are designated as hedging instruments with fair value changes recorded in the hedging reserve. The forward element is recognised in other comprehensive income and accumulated in a separate component of equity under costs of hedging reserve.

c 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 F11 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 2019 USD/AUD spot rate of 1.4261 (2018: 1.3505), after adjusting for cash and cash equivalents and derivative financial instruments.

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.

	2019 $m	2018 $m
Gross Debt	**1,162.3**	820.0
Net Debt [a]	**972.6**	678.0
EBITDA [b]	**519.8**	474.8
Gearing ratio (times)	**1.9 x**	1.4 x

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

b EBITDA is a non-IFRS disclosure and stands for earnings before interest, tax, depreciation and amortisation.

Notes to the financial statements

For the year ended 30 June 2019

F10 Reconciliation of net profit after tax to net cash inflow from operations

	Note	2019 $m	2018 $m
Net profit after tax		**198.0**	148.1
- Depreciation and amortisation	A4	**205.8**	187.2
- Employee share based payments expense	F11	**2.1**	5.5
- Unrealised foreign exchange gain	A3	**(0.9)**	-
- Impairment of trade receivables	A3	**5.5**	7.6
- Gain on disposal of property, plant and equipment		**(0.9)**	-
- Finance costs	A5	**35.7**	78.2
- Share of net loss of associate and joint venture entities	D5	**0.6**	0.1
- Gain on disposal of Gold coast land		**(9.7)**	-
Working capital changes			
- Increase in trade and other receivables and other assets		**(39.4)**	(19.8)
- Increase in inventories		**(2.0)**	(3.6)
- Increase in trade and other payables, accruals and provisions		**7.7**	32.2
- Increase/(decrease) in tax provisions		**8.9**	(38.4)
Net cash inflow from operating activities		**411.4**	397.1

Operating cash flow before interest and tax was $478.8 million, down 3.6% on the pcp, with 92% EBITDA to cash conversion ratio.

Notes to the financial statements

For the year ended 30 June 2019

F11 Employee share plans

Long term incentive plan

During the current and prior periods, the Company issued Performance Rights under the long term incentive plan to eligible employees. The share based payment expense of $0.7 million (2018: $5.5 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.

2019 **Grant Date**	**Balance at start of year**	**Granted during the year**	**Forfeited during the year**	**Lapsed during the year**	**Vested during the year [a]**	**Balance at end of year**
26 September 2014	**921,619**	**-**	**3,224**	**-**	**918,395**	**-**
21 September 2015	**665,548**	**-**	**43,781**	**-**	**-**	**621,767**
5 October 2016	**1,146,415**	**-**	**83,855**	**-**	**-**	**1,062,560**
2 October 2017	**1,734,717**	**-**	**134,261**	**-**	**-**	**1,600,456**
3 October 2018	**-**	**1,599,402**	**-**	**-**	**-**	**1,599,402**
	4,468,299	**1,599,402**	**265,121**	**-**	**918,395**	**4,884,185**

2018 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
1 October 2013	461,198	-	-	-	461,198	-
26 September 2014	921,619	-	-	-	-	921,619
21 September 2015	694,470	-	28,922	-	-	665,548
5 October 2016	1,141,975	47,904	43,464	-	-	1,146,415
2 October 2017	-	1,785,585	50,868	-	-	1,734,717
	3,219,262	1,833,489	123,254	-	461,198	4,468,299

Grants from 1 October 2013 include a market based hurdle (relative total shareholder return (***TSR***)) and an EPS component. Grants from 2 October 2017 include a market based hurdle (relative TSR), an EPS component and a return on investment capital (***ROIC***) 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 and ROIC 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 26 September 2014 were tested and vested on 26 September 2018. The TSR percentile rank for the Company was 83.0%, above the target percentile of 75%. Accordingly 99.3% of the TSR component vested. The EPS performance was 26.2 cents and was above the target of 25.1 cents approved by the Board. Accordingly 100% of the EPS component vested.

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** **$**	**Expected volatility in share price** **%**	**Expected dividend yield** **%**	**Risk free interest rate** **%**	**Average Fair Value per Performance Right** **$**
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
2 October 2017	2 October 2021	5.17	24.40 %	2.98 %	2.28 %	4.02
3 October 2018	3 October 2022	5.21	22.76 %	4.66 %	2.14 %	3.77

Notes to the financial statements

For the year ended 30 June 2019

Equity retention plan

During the current period, the Company issued restricted shares under the equity retention plan to eligible employees. The share based payment expense of $1.4 million (2018: nil) in respect of the equity instruments granted is recognised in the income statement.

The number of restricted shares granted to employees and forfeited during the year are set out below.

2019 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
1 July 2018	**-**	**1,458,361**	**24,402**	**-**	**-**	**1,433,959**
	-	**1,458,361**	**24,402**	**-**	**-**	**1,433,959**

The awards are issued at no cost to participants and are subject to a service condition of five years. Participants are entitled to dividends and may benefit from share price growth over the vesting period.

F12 Auditor's remuneration

	2019 $	2018 $
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	**1,067,766**	1,005,000
- Other services in relation to the Company and any other entity in the consolidated group:		
- Assurance related	**10,000**	22,000
- Other non-audit services	**78,860**	116,253
	1,156,626	1,143,253
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.

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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 2019 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 16 August 2019.

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);
- 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 for the year ended 30 June 2019:

Reference		Title
AASB 15	(i)	Revenue from Contracts with Customers
AASB 9	(ii)	Financial Instruments

(i) AASB 15 Revenue from Contracts with Customers

The Group applies, for the first time for the year ended 30 June 2019, AASB 15 Revenue from Contracts with Customer.

AASB 15 establishes a single comprehensive model that applies to accounting for revenue arising from contracts with customers. The core principle of AASB 15 is that an entity should recognise revenue equating to the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The principles in AASB 15 provide a more structured approach to measuring and recognising revenue.

The Group has adopted the new standard using the full retrospective method of adoption. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient to do so. The Group did not apply any of the other available practical expedients. The major changes as a result of the adoption of the new standard are as follows:

- Under the new revenue standard, the stand-alone selling price of complimentary services (including hotel room nights, food and beverage, and other services) that are provided to casino guests as incentives related to gaming play are recorded as revenues related to the respective goods or services as they are provided to the patron. Historically, these amounts were recorded as gaming revenue along with the original gaming transaction. The allocation of revenue to non-gaming activities is measured based on the stand-alone selling price of the goods and services provided. After allocation of revenue to non-gaming, the residual amount is recorded as gaming revenue. This change primarily results in a decrease in gaming revenue and an increase in non-gaming revenues related to the respective goods or services provided to the customer.
- A portion of commissions and rebates paid to gaming promoters, representing the estimated incentives that were returned to customers, were previously reported as reductions in revenues, with the balance of commission expenses reflected as casino expenses. As a result of the adoption of the new standard, all commissions and rebates paid to gaming promoters are reflected as reductions in casino revenues. This change primarily results in a decrease in casino expenses and a corresponding decrease in casino revenues.

The amounts of affected financial statement line items in the consolidated income statement and the consolidated statement of cash flows for the prior period before and after the adoption of the new revenue standard are as follows:

	Reported 30 June 2018 $m	Adjustments for AASB 15 $m	Reclassified [c] $m	Restated 30 June 2018 $m
Consolidated income statement				
Domestic gaming [a]	2,293.0	(277.5)	(710.6)	1,304.9
International VIP Rebate [a]	-	(464.7)	710.6	245.9
Non-gaming [b]	286.5	246.7	(9.2)	524.0
Other [b]	-	-	9.2	9.2
Gross revenue	2,579.5	(495.5)	-	2,084.0
Players rebates and promotional allowances	(107.5)	107.5	-	-
Revenue	2,472.0	(388.0)	-	2,084.0
Commissions and fees	(410.9)	388.0	22.9	-
Advertising and promotions	(93.0)	-	(22.9)	(115.9)
	1,968.1	-	-	1,968.1
Consolidated statement of cash flows				
Net cash receipts from customers (inclusive of GST)	2,386.9	(302.5)	-	2,084.4
Payments to suppliers and employees (inclusive of GST)	(1,371.2)	302.5	-	(1,068.7)
	1,015.7	-	-	1,015.7

[a] Domestic gaming and International VIP Rebate were previously disclosed together as Gaming.

[b] Non-gaming and Other were previously disclosed together.

[c] Incentives previously included in Commissions and fees have moved to Advertising and promotions.

(ii) AASB 9 Financial Instruments

The accounting standard replaces 'AASB 139 - Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9, including an election for hedging, from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in AASB 9 (7.2.15), comparative figures have not been restated.

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For the year ended 30 June 2019

The effect of the changes on retained earnings is as follows:

	2018 $m
Closing retained earnings as of 30 June 2018	718.3
Increase in provision for impairment (net of tax)	(7.2)
Opening retained earnings as of 1 July 2018	711.1

Impairment of financial assets

The Group's financial assets consist of cash and cash equivalents and trade and other receivables that are subsequently recognised at amortised cost. The Group applies the AASB 9 simplified approach to measuring expected credit losses, using a lifetime expected loss allowance for all trade and other receivables. Cash and cash equivalents are also subject to the impairment requirements of AASB 9 however due to their nature the expected loss allowance is immaterial.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and days past due. The provision for impairment of trade receivables applying lifetime expected credit loss as compared to the incurred loss model of AASB 139 resulted in a $7.2 million adjustment, net of tax, to opening retained earnings as of 1 July 2018.

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. The standard is:

Reference	Title	Application date
AASB 16	Leases	1 July 2019

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 of 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.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the ROU asset.

Lessor accounting under AASB 16 is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

The Group plans to adopt the modified retrospective approach on transition, where, for existing leases, the lease liability is measured at the present value of future lease payments on the initial date of application, being 1 July 2019. The ROU asset is measured at the value of the corresponding lease liability, adjusted for any existing lease related assets or liabilities (prepaid lease payments or accrued lease incentives). Under this transition method, prior period comparative financial statements are not required to be restated and any cumulative impact of applying the standard is recognised in opening retained earnings on the initial date of application, being 1 January 2019.

The Group has completed an impact assessment of AASB 16 and estimates the following impact on its consolidated statement of financial position as at 1 July 2019:

	$m
Estimated impact on Consolidated Balance Sheet	
Right of use assets	60
Lease liabilities	(58)
Prepayments	(9)
Non-current provisions	7

The leases recognised by the Group under AASB 16 predominately relate to property rentals.

On adoption of AASB 16, operating lease expense will no longer be recognised in property costs and other expenses, depreciation of ROU assets will be recognised in depreciation and amortisation expense and lease financing costs will be recognised in net finance costs.

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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 expected credit loss impaired, 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.

The 2018 comparatives have not been restated for transition to AASB 9 Financial Instruments and remain in accordance with the prior year accounting policy, which reads: 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, discussions with the patron, management's experienced judgement, and other specific facts related to the debt.

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 using the straight line method, as described in note B5.

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

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 a long term incentive plan (***LTI***), which is available to employees at the most senior executive levels. Under the LTI, 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.

The Company operates an Equity Retention Plan, whereby eligible employees may receive up to 100% of their fixed annual remuneration amount in value as fully paid ordinary shares after five years. The awards are issued at no cost to participants and are subject to a service condition of five years. Participants are entitled to dividends and may benefit from share price growth over the vesting period.

Under the Company's short term incentive plan (***STI***), eligible employees receive two thirds of their annual STI 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 hedges
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.

Fair value hedges
Where a derivative financial instrument is designated as a hedge of the exposure to variability in the fair value of a recognised asset or liability, any change in the fair value of the hedge is recognised in the income statement as a finance cost. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the income statement as a finance cost.

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
– 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 2019 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
16 August 2019

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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 2019, 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 2019 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 judgement, 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.

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Recoverability of trade receivables

Why significant to the audit	How our audit addressed the key audit matter
As disclosed in Note B2, the Group's consolidated statement of financial position included $218.9m of gross trade receivables and an associated provision for impairment of $11.3m at 30 June 2019. The Directors' assessment as to the recoverability of trade receivables relating to VIP revenue involves judgement, specifically relating to the individual circumstances of each aged debtor. The Group applies Australian Accounting Standard AASB 9 *Financial Instruments* in calculating the provision for doubtful debts, applying a forward-looking expected loss impairment model. This involves judgement as the expected credit losses must reflect information about past events, current conditions and forecasts of future conditions. This was a key audit matter due to the inherent subjectivity that is involved in making judgements in relation to credit exposures to determine the recoverability of trade receivables.	Our audit procedures included the following: ► assessed whether the ageing of trade receivables was being correctly calculated for a sample of customer balances; ► assessed the effectiveness of relevant controls in relation to the granting of credit facilities, including credit checks; ► considered the Group's assessment of individual customers' circumstances; ► evaluated whether the expected credit loss impairment model met the criteria set out in AASB 9 and tested the mathematical accuracy of the calculations; ► compared the Group's provisioning rates against historical write off data; ► evaluated cash receipts after year-end to determine any remaining exposure at the date of the financial report; and ► assessed the adequacy of the Group's disclosures in relation to trade receivables included in the financial report.

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Impairment testing of Goodwill

Why significant to the audit	How our audit addressed the key audit matter
The Group has goodwill of $1,442.2 million as at 30 June 2019. The Group performs an impairment assessment on an annual basis to support the carrying value of goodwill. In addition, an impairment assessment is performed when there is an impairment indicator present. The impairment assessment is complex and judgemental, as it includes modelling a range of assumptions and estimates that are affected by expected future performance and market conditions such as cash flow forecasts, growth rates, discount rates and terminal value assumptions. Accordingly, the Group's impairment assessment was a key audit matter. Key assumptions, judgements and estimates used in the Group's assessment of impairment of intangibles assets are set out in Note B6 of the financial report.	Our audit procedures included the following: ► Evaluated the cash flow forecasts, which supported the value-in-use impairment models for goodwill. ► Compared the forecasts to the Board approved budgets and five-year financial plan. We also considered the historical reliability of the Group's cash flow forecasting and budgeting processes. ► Involved our valuation specialists to assess whether the methodology applied was in accordance with Australian Accounting Standards and to evaluate the key assumptions applied in the impairment models. These included the discount rates, growth rates, and terminal value assumptions. ► Tested whether the models used were mathematically accurate. ► Performed sensitivity analysis around the key assumptions to ascertain the extent to which changes in those assumptions that would result in impairment. ► Assessed the adequacy of the disclosures included in Notes B5 and B6 of the financial report.

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 2019 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 with the exception of the Remuneration Report and our related assurance opinion.

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 judgement 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

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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 16 to 32 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of The Star Entertainment Group Limited for the year ended 30 June 2019, 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

Megan Wilson

Megan Wilson
Partner
Sydney
16 August 2019