



THE STAR

ASX Announcement

19 August 2021

FULL YEAR RESULTS ANNOUNCEMENT AND ACCOUNTS

The Star Entertainment Group Limited (ASX:SGR) (**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 2021.

Dividend Reinvestment Plan suspended

The Star Entertainment Group's Dividend Reinvestment Plan has been suspended as no final dividend has been declared.

Authorised by:

The Board of Directors

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Appendix 4E
Preliminary Final Report
for the year ended 30 June 2021

1. Results for announcement to the market

(all comparisons to the year ended 30 June 2020)

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 19 August 2021.

Results in accordance with Australian Accounting Standards	Current period \$m	% change
Revenue from ordinary activities	1,545.4	3.9%
Profit from ordinary activities after tax attributable to members of the parent	57.9	N.M. ¹
Net profit after tax for the period attributable to members of the parent	57.9	N.M. ¹

	Current Period Normalised ² \$m	% change	Current Period Statutory ³ \$m	% change
Revenue	1,548.7	(6.5%)	1,545.4	3.9%
Earnings before interest, tax, depreciation and amortisation	429.7	0.0%	426.7	51.3%
Depreciation and amortisation	(210.5)	4.1%	(210.5)	4.1%
Earnings before interest and tax	219.2	(3.6%)	216.2	170.9%
Share of associates' profits	(4.4)	109.5%	(4.4)	109.5%
Net interest expense	(54.3)	12.2%	(54.3)	12.2%
Significant items (net of tax) ⁴	-	-	(51.5)	(55.0%)
Income tax expense	(44.1)	(18.5%)	(48.1)	395.9%
Net profit / (loss) after tax	116.4	(5.2%)	57.9	N.M. ¹

¹ The change of (161.1%) is not meaningful as results moved from a loss to a profit.

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 turnover, taxes and revenue share commissions. Normalised earnings exclude significant items.

³ Statutory results disclose revenues and expenses at actual win rates and include significant items.

⁴ Significant items include the impairment of assets in the International VIP Rebate business, write-down of receivables, one-off COVID-19 related expenditure, changes to the accounting for SaaS arrangements and Crown Merger costs, partially offset by gain on disposal of land to the Destination Gold Coast Consortium joint venture for construction of the second residential, hotel and retail tower.

2. Dividend information

	Year ended 30 June 2021	Half year ended 31 December 2020
Fully franked dividend (amount per share) ¹	N/A	N/A
Record Date	N/A	N/A
Date Payable	N/A	N/A

¹ No final dividend was declared for the year ended 30 June 2021, given the continuing impacts of COVID-19 on the Group and in accordance with agreed terms associated with the waiver of covenants at 30 June 2020 and 31 December 2020 from debt providers, as announced on 31 March 2020, no further cash dividends will be paid until gearing, which represents the ratio of net debt to 12 month trailing statutory EBITDA, is below 2.5 times.

Dividend reinvestment plan

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

N/A

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

N/A

3. Net tangible assets per share

	Current period	Previous corresponding period
Net tangible asset backing per ordinary share ¹	\$1.85	\$1.71

¹ Net tangible asset backing per ordinary share excludes right of use assets.

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 2021, and the media release lodged with the ASX on 19 August 2021.

5. Independent auditor's report

The Financial Report of The Star Entertainment Group Limited for the year ended 30 June 2021 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 92 of the Financial Report.



THE STAR

ASX AND MEDIA RELEASE

Thursday, 19 August 2021

THE STAR ENTERTAINMENT GROUP (ASX:SGR) FY2021 RESULTS¹

HIGHLIGHTS

- **Sound performance in the context of COVID-19 related operating restrictions**
 - Normalised² EBITDA of \$430m (flat on pcp) and normalised NPAT of \$116m (down 5%)
 - Statutory EBITDA (before significant items) of \$427m and statutory NPAT of \$58m (after significant items)
 - COVID-19 related property shutdowns, operating restrictions and border closures materially impacted revenues across the Group's properties
 - Improved revenue performance across all properties in 2H FY2021
- **Strong performance in Queensland and across loyalty customers**
 - Queensland properties' EBITDA up 48% on pcp to \$226m, record annual earnings
 - Record Gold Coast domestic earnings - EBITDA up 86% on pcp
 - Gold Coast domestic gaming revenue in 2H FY2021 up 18% on 2H FY2019³, Brisbane up 3%
 - Group slots revenue in 2H FY2021 up 4% on 2H FY2019
 - Group loyalty gaming revenue in 2H FY2021 up 4% on 2H FY2019
- **Costs and capex well managed**
 - Operating expenses down 11% on pcp to \$740m
 - Group normalised EBITDA margin in FY2021 improved from 21.8% to 27.5%
 - \$50m fixed cost reduction program progressed with the full run-rate to be realised in FY2022
 - Capex down 63% on the prior period to \$89m, below guidance and well below D&A of \$211m
- **Balance sheet position improved, asset sales opportunity for further deleveraging**
 - Net debt reduced by \$211m during the period
 - Net debt/EBITDA declined to 2.7x, substantial liquidity in place
 - Asset sale processes continuing
 - Second VIP jet
 - In due diligence for the sale of an interest in the Treasury Brisbane buildings
 - Initiated a formal process for the sale and leaseback (or similar transaction) of a minority holding in The Star Sydney property

¹ This release should be read in conjunction with The Star Entertainment Group Limited's FY2021 Results Presentation and Directors' Report and Financial Report for the twelve months ended 30 June 2021.

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.

³ Comparatives generally to the prior corresponding period, however, revenue comparatives in 2H FY2021 more meaningful to 2H FY2019

FY2021 Financial Highlights	Statutory		Normalised	
	\$m	vs pcp		vs pcp
Gross Revenue	1,557	(11%)	1,561	(21%)
EBITDA (before significant items)	427	51%	430	0%
EBIT (before significant items)	216	171%	219	(4%)
NPAT (before significant items)	109	458%	116	(5%)
Statutory NPAT	58	N.M.	-	-

Overview of FY2021

Chairman John O'Neill AO said: "The Group continued executing its strategy well in the context of the extraordinary COVID-19 related challenges. The fundamental earnings prospects for The Star's domestic business remain attractive. They are underpinned by valuable long-term licences in compelling locations and the transformation of our properties into globally competitive entertainment destinations is nearing completion.

"The Star remains committed to maintaining a balance sheet that positions the Group for the post COVID-19 recovery. The Board has not declared a final dividend for FY2021 given the continuing impacts of COVID-19 on the business and, consistent with the June 2020 covenant waiver, cash dividends cannot be paid until gearing is below 2.5 times."

Sydney

- Earnings significantly impacted by onerous COVID-19 related operating restrictions, especially the 300 patron cap per area
- Normalised EBITDA down 26% on pcp, Domestic EBITDA down 16%
- Operating expenses well-managed, down 17% on pcp to \$409m

Normalised	FY2021	
	\$m	vs pcp
Gross Revenue	832	(30%)
Domestic	813	(10%)
VIP	12	(96%)
EBITDA	204	(26%)
EBIT	84	(48%)

Gold Coast

- Normalised EBITDA up 17% on pcp to \$112m, margins improved from 18.0% to 29.2%
- Record domestic earnings, domestic EBITDA up 86% on pcp to \$115m, margins improved from 20.4% to 30.2%
- Domestic gaming revenue in the second half up 18% on the comparative period in 2H FY2019 with slots up 22% and tables up 13%
- Costs well-managed through the period, down 10% on pcp
- On track to exceed investment return hurdles despite absence of VIP business

Normalised	FY2021	
	\$m	vs pcp
Gross Revenue	382	(28%)
Domestic	379	26%
VIP	1	(100%)
EBITDA	112	17%
EBIT	50	38%

Brisbane

- Record performance with normalised EBITDA up 100% on pcp to \$114m, revenue up 34%
- EBITDA margin improved from 22.1% to 32.9%
- Domestic gaming revenue in the second half up 3% on the comparative period in 2H FY2019 with slots up 4% and tables up 2%

Normalised	FY2021	
	\$m	vs pcp
Gross Revenue	348	34%
Domestic	346	38%
VIP	0	(96%)
EBITDA	114	100%
EBIT	86	192%

International VIP Rebate Business

- VIP turnover down 97% on pcp to \$1.0bn given the closure of international borders
- Reduced fixed costs to reflect the near and medium term outlook for the business
- The Star will focus on International Premium Mass and Direct Premium customers when borders re-open

Balance sheet and capex

- Net debt reduced by \$211m during the period
- FY2021 capex down 63% to \$89m, below guidance and well below D&A of \$211m
- FY2022 guidance remains \$125-150m with additional JV contributions of around \$35m

Strategic Initiatives

- Withdrew the non-binding indicative merger proposal with Crown Resorts as announced on 10 May 2021 but remain open to exploring potential value enhancing opportunities with Crown
- In due diligence for the sale of an interest in the Treasury Brisbane buildings
- Initiated a formal process for the sale and leaseback (or similar transaction) of a minority holding in The Star Sydney property

1H FY2022 Trading Update

- Early 1H FY2022 trading has been negatively impacted by property shutdowns and operating restrictions upon re-opening of the Queensland properties
- The Star Sydney closed on 25 June 2021 and remains shut
- The Queensland properties were shut from 30 June 2021 for 3-4 days and re-opened with operating restrictions in place, including 1 person per 4m², the mandatory wearing of masks, and patrons had to be seated while eating or drinking
- The Queensland properties were again shut down from 31 July 2021 for a period of 8 days
- When open in Queensland, the revenue trends were broadly consistent with 1H FY2021
- The Star has supported staff through these shutdown periods, paying all staff through to 8 August 2021 and has subsequently provided access to hardship payments
- With these hardship payments, The Star Sydney has weekly staff costs of ~\$3.5m (including corporate allocation), down from ~\$6m (prior to 8 August)
- Board and executive management have also taken fixed pay reductions
- Restrictions may change over the remainder of the year which could materially impact revenues and earnings

Managing Director and Chief Executive Officer, Matt Bekier said: “Execution of our long-standing growth strategy continued to plan over FY2021. Comprehensive actions to mitigate the impact of COVID-19 were implemented, safeguarding staff and customers. The properties reacted expediently to the many changes to operating conditions throughout the period.”

Queen’s Wharf Brisbane was further de-risked with in excess of 90% of total project costs now under lump sum terms. Queen’s Wharf Brisbane is now anticipated to open progressively in 1H CY2023, previously anticipated from late CY2022.

The Dorsett hotel and apartments project at The Star Gold Coast is well advanced and set for completion in FY2022. Earlier this year, we broke ground on the construction of a further tower at The Star Gold Coast. A \$400m investment with our JV partners, this 63-storey mixed-use tower will include a 210-room 5-star international hotel and 457 apartments.

“The experience last year has demonstrated how resilient our business is and how quickly customers return when our properties are allowed to open. This gives us great confidence as vaccination levels increase and a return to normality approaches.

We would like to thank all of our guests and staff who stayed with us through the difficult times last year and look forward to welcoming them back soon.”

For further information:

Financial analysts	Harry Theodore Chief Financial Officer	Tel: + 61 2 9657 8040
	Mark Wilson General Manager Business Development and Investor Relations	Tel: + 61 2 9657 7423
Media	Peter Jenkins General Manager Media and Communications	Tel: + 61 2 9657 9288

Key Financials – Full year results to 30 June 2021

Statutory ⁴		Variance to pcg
Gross Revenue	\$1,557m	(11%)
EBITDA	\$427m	51%
EBIT	\$216m	171%
NPAT	\$58m	N.M.
Earnings Per Share ⁵	6.1 cps	N.M.
Normalised ⁶ (Underlying)		Variance to pcg
Gross Revenue	\$1,561m	(21%)
- Sydney	\$832m	(30%)
- Gold Coast	\$382m	(28%)
- Brisbane	\$348m	34%
EBITDA	\$430m	0%
- Sydney	\$204m	(26%)
- Gold Coast	\$112m	17%
- Brisbane	\$114m	100%
EBIT	\$219m	(4%)
- Sydney	\$84m	(48%)
- Gold Coast	\$50m	38%
- Brisbane	\$86m	192%
NPAT (after equity accounted investments)	\$116m	(5%)
Dividend per share		
Total dividends per share (fully franked)	N/A	N/A
Balance sheet		
Gross Debt	\$1,293m	
Net Debt ⁷	\$1,171m	
Net Debt/ EBITDA (statutory)	2.7x (12-month trailing statutory EBITDA)	
Net Debt/ EBITDA (normalised)	2.7x (12-month trailing normalised EBITDA)	

⁴ 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.

⁵ Earnings per share based on weighted average number of shares on issue.

⁶ 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 Normalised EBIT are before equity accounted investment profits/ losses and significant items. Normalised NPAT is after equity accounted investment profits/ losses and before significant items. Refer to Note A7 of the Financial Report for a reconciliation of significant items

⁷ Net debt shown as interest bearing liabilities (excluding lease liabilities of \$50m), less cash and cash equivalents less the net impact of derivative financial instruments.

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 2021

THE STAR ENTERTAINMENT GROUP LIMITED

For the year ended 30 June 2021

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Directors' Report

for the year ended 30 June 2021

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 2021.

1 Directors

The names and titles of the Company's Directors in office during the financial year ended 30 June 2021 and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Directors

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

Former

Zlatko Todorcevski ^a	Non-Executive Director
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a Ceased as Non-Executive Director on 31 August 2020.

2 Operating and Financial Review

The Operating and Financial Review for the year ended 30 June 2021 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.

The Group holds casino licences to operate its properties: The Star Sydney, expiring in 2093; The Star Gold Coast, perpetual licence; Treasury Brisbane, perpetual licence that expires in 2070. The Group owns Broadbeach Island on which the casino is located.

2.2. Business strategies

The key long term strategic priorities for the Group, in pursuit of its vision to be Australia's leading integrated resort company, remain unchanged:

- Create world class integrated resorts with local spirit;
- Manage planned capital expenditure programs to deliver value and returns for shareholders;
- Increase volume of high-value visitation from local, domestic and international markets through continued emphasis on loyalty and gaming strategies;
- Grow the domestic and International Premium Mass business;
- 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, despite the impact of COVID-19, with:

- Solid domestic earnings, including growth from Gold Coast investments;
- Comprehensive response to COVID-19 pandemic. Safeguarded customers and staff, secured group funding, reduced operating expenditure during closure and positioned the business for post-pandemic recovery;
- Joint venture growth projects proceeding well; and
- Construction commencing on the second Gold Coast joint venture tower and presales continuing to progress well.

Directors' Report

for the year ended 30 June 2021

Looking forward into FY2022, management's focus will be on the following key areas:

- Operational priorities
 - Safely and effectively lift performance through the COVID-19 recovery; and
 - Maintain benefits from recently executed cost reduction programs.
- Regulatory and compliance
 - Responding to AUSTRAC Compliance Assessment Review outcome, including AUSTRAC enforcement investigation;
 - Continue to enhance anti-money laundering capabilities including through leveraging technology;
 - Reduce the fixed cost base of the International VIP Rebate business and increase focus on International Premium Mass and Direct Premium customers when the borders re-open; and
 - Advance roadmap towards cashless gaming alternatives.
- Strategic initiatives
 - Remain open to exploring value-enhancing opportunities with Crown, following the Company's withdrawal of the 10 May 2021 conditional non-binding indicative merger proposal;
 - Continue capital recycling program of non-core operating assets, including the Sydney carpark and Brisbane buildings; and
 - Explore monetisation options for the Sydney property through sale and leaseback (or similar transaction) of a minority holding.
- Major projects
 - Continue to progress the construction of the Queen's Wharf Brisbane Integrated Resort in Brisbane and the Dorsett Hotel and Residences and second residential, hotel and retail tower on the Gold Coast in partnership with Chow Tai Fook (**CTF**) and Far East Consortium (**FEC**); and
 - Progress a masterplan under the NSW Government's Pyrmont Peninsula Place Strategy.

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.

Directors' Report

for the year ended 30 June 2021

2.3. Group performance

The Group continued executing its strategy well in the context of the extraordinary COVID-19 related challenges. The fundamental earnings prospects for the Group's domestic business remain attractive. They are underpinned by valuable long-term licences in compelling locations and the continued transformation of our properties into globally competitive entertainment destinations is nearing completion.

FY2021 marks the second year significantly affected by the ongoing impacts of COVID-19. Fluctuating spatial distancing requirements and other COVID-19 related health orders constrained domestic visitation, particularly in Sydney. International border closures have substantially reduced the International VIP Rebate business, with turnover down 97.3%. Comparatively, COVID-19 related restrictions constrained operations in the prior comparative period (**pcp**) from February 2020, culminating in closure of all three properties on 23 March 2020. The Sydney property re-opened in early June 2020 and the Queensland properties re-opened in early July 2020, albeit under significant operating restrictions. Despite this, both Queensland properties had very strong performances. The Gold Coast saw significant margin improvement in the domestic business, particularly in the second half upon re-opening of the domestic borders. Brisbane also achieved significant margin improvement, driving a record performance for the year.

Overall, the Group has adapted to changing circumstances, delivering a sound performance. Earnings before interest, tax, depreciation and amortisation (**EBITDA**) (excluding significant items) of \$426.7 million was up 51.3% on the pcp. Normalised¹ EBITDA (excluding significant items) of \$429.7 million was in line with the pcp. Statutory (excluding significant items) and normalised results for FY2021 are largely consistent given the limited International VIP Rebate business revenue.

Net revenue of \$1,545.4 million was up 3.9% on the pcp. Domestic revenue of \$1,538.2 million was up 5.8% on pcp, driven by a very strong domestic gaming performance in Queensland, with both properties up in the second half compared to both FY2020 and FY2019 (being the last comparative period unaffected by COVID-19). International VIP Rebate revenue was immaterial given border closures. Volume decreased 97.3%, with the activity coming from patrons at the beginning of the period who were temporarily confined in Australia following border closures.

Operating costs of \$740.0 million were down 10.6% on the pcp, in line with reductions in gross revenue, before commissions. Significant expense items (\$77.7 million before tax) relate to the impairment of assets in the International VIP Rebate business, write-down of receivables, one-off COVID-19 related expenditure, changes to the accounting policy for Software-as-a-Service (**SaaS**) arrangements and costs associated with the conditional non-binding indicative proposal to merge with Crown Resorts Limited, partially offset by gain on disposal of land to the Destination Gold Coast Consortium joint venture for construction of the second residential, hotel and retail tower.

Depreciation and amortisation expense of \$210.5 million was up 4.1% on pcp, due to the depreciation of recently commissioned, large projects, including the upgraded and expanded Sovereign Resorts private gaming room. Finance costs of \$54.3 million (excluding significant items) were up 12.2%. No interest was capitalised to projects in the current year following completion of the major ongoing projects in the pcp, resulting in a \$9.9 million increase to finance costs.

Net profit after tax was \$57.9 million. Normalised net profit after tax, excluding significant items, was \$116.4 million, down 5.2% on pcp. Basic and Diluted Earnings per Share were both 6.1 cents (both (10.3) cents in the pcp).

2.4. Group financial position

The Group remains committed to maintaining a balance sheet that positions it for post-COVID-19 recovery. No final dividend was declared, given the continuing impacts of COVID-19 on the Group and in accordance with the conditions of debt covenant waivers at 30 June 2020 and 31 December 2020 which restrict further cash dividends from being paid until the Group's gearing, which represents the ratio of net debt to 12 month trailing statutory EBITDA, is below 2.5 times.

Patron receivables continue to be recovered, however collection has been subdued due to closure of casinos in the region, international travel restrictions limiting VIP patron visitation and the impact of the Bergin Inquiry recommendations on the future of junket businesses in Australia. Of the \$53.7 million outstanding at the beginning of the year, \$28.2 million was collected. Trade and other payables of \$181.8 million were down 43.9%, reflecting settlement of the FY2020 interim dividend and withdrawal of patron deposits, following closure of the Sydney property on 25 June 2021.

Net debt² was \$1,171.4 million (30 June 2020: \$1,382.7 million), as surplus operating cash flows were used to repay \$215.0 million of gross debt. Operating cash flow before interest and tax was \$471.3 million (30 June 2020: \$154.5 million) with an EBITDA to cash conversion ratio of 123% (30 June 2020: 102%).

¹ 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 actual turnover, gaming taxes and commission on revenue share programs. Normalised earnings exclude significant items.

² Net debt is shown as interest bearing liabilities (excluding lease liabilities), less cash and cash equivalents, less net position of derivative financial instruments.

Directors' Report

for the year ended 30 June 2021

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

Net revenue was \$816.7 million, down 20.1% on the pcp and EBITDA (excluding significant items) was \$199.8 million, down 29.7% on the pcp. The property was significantly impacted by closure of the international borders and more onerous operating restrictions for the majority of the current period, including the 300 patron per area rule, no comingling between areas and caps on table and machine utilisation. Domestic gaming revenue was down 6.3%, while non-gaming revenue was down 33.4%, driven by COVID-19 related closure of numerous venues across the property. International VIP Rebate revenue was immaterial, with volumes down 95.6%. Gaming taxes and levies and operating expenses were down 16.2% and 16.6% respectively, in line with reduced revenue.

The Sydney property is a major sponsor and participant in the Sydney Gay and Lesbian Mardi Gras, a Foundation Partner of the Australian Turf Club and participates in The Everest, the world's richest race on turf. It is also a sponsor of the Sydney Swans, New South Wales Rugby League (NSW Blues) and Sydney FC male and female teams. The property also contributed to National Indigenous Culinary Institute and GIVIT during the reporting period.

Queensland (Gold Coast and Brisbane)

Net revenue was \$728.7 million, up 56.8% on the pcp and EBITDA (excluding significant items) was \$226.9 million, up \$229.0 million on the pcp. The properties were subject to COVID-19 related restrictions, albeit to a lesser degree than Sydney. Domestic gaming revenue growth of 36.9% was very strong, across both slots and tables. Gaming revenue for the second half was up on the comparative period in FY2019, being the last comparative period unaffected by COVID-19. Non-gaming was up 3.6% on the pcp. International VIP Rebate revenue was immaterial.

Gaming taxes and levies were up 32.2% on the pcp, in line with increased revenues. Operating expenses of \$331.2 million across the Queensland properties was down 2.0% on the pcp. Gold Coast expenses were down, driven by reductions in the International VIP Rebate business, while Brisbane was up, in line with increased operating activity.

The Star Gold Coast is the home of the TV Week Logie Awards and major sponsor of The Star Magic Millions Raceday and Carnival. The property also contributed to various charities and not-for-profit organisations including Surf Life Saving Queensland, Gold Coast Hospital Foundation, Currumbin Wildlife Hospital Foundation and GIVIT during the reporting period.

The Brisbane property has partnered with The Royal National Agricultural and Industrial Association of Queensland, Brisbane Portrait Prize and contributed to GIVIT during the reporting period.

International VIP Rebate business

The results of the International VIP Rebate business are embedded in the segment performance overviews above. International VIP Rebate revenue was immaterial given border closures. Volume decreased 97.3%, with the activity coming from patrons at the beginning of the period who were temporarily confined to Australia following border closures.

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.

COVID-19 operating restrictions

Future COVID-19 related operating restrictions have the potential to significantly impact the Group's operations. Spatial distancing requirements, domestic and international border closures and other COVID-19 related health orders directly impact the number of visitors that can be welcomed onto property and facilities available to access. In the worst-case scenario, lockdowns force the properties to close. While it is unknown for how long and to what extent operating restrictions remain, increasing vaccination rates domestically and internationally should allow operations to return to more consistent levels, possibly as early as 2H FY2022. The Group retains flexibility, enabling it to respond operationally and financially to future operating restrictions, as demonstrated through the current year, positioning the Group to lift performance once restrictions do ease.

Directors' Report

for the year ended 30 June 2021

Bergin Inquiry

On 1 February 2021, the Honourable PA Bergin SC released her report from the inquiry conducted under section 143 of the Casino Control Act NSW to the Independent Liquor and Gaming Authority in NSW (the **Regulator**). The Report has two main focus areas: first, the suitability of a Crown Resorts Limited subsidiary to hold a licence for the Sydney restricted gaming facility at Barangaroo and of Crown Resorts Limited to be a 'close associate' of that licence holder, and second, the regulatory framework, including structure of the regulatory authority and legislative instruments applying to the operation of casinos in NSW. In response, the Group has ceased all international junket business for a period of time as we work with the regulator on a new regulatory framework, and is advancing a roadmap towards cashless gaming alternatives. Junket related fixed costs will continue to be reduced and greater focus placed on the International Premium Mass customers when the borders re-open.

Sydney

The Group continues to progress a masterplan under the NSW Government's Pyrmont Peninsula Place Strategy for the possible construction of two towers on the Sydney property.

In October 2020, the Group, in joint venture with FEC (both 50%), completed the acquisition of a commercial building located in Pyrmont. On 12 May 2021, the NSW Government announced their intentions to build the Pyrmont metro west station on the property. The Group and FEC will continue to work with Government to understand the implications of the plan on the site and its potential development.

Capital expenditure in the year was approximately \$58.5 million across various projects.

Gold Coast

The Group remains focused on delivering the proposed \$2 billion masterplan on the Gold Coast. The Dorsett hotel and apartments project, previously the first residential, hotel and retail tower, is well advanced and set for completion in FY2022. The total project cost remains at approximately \$370 million. Equity contributions towards the first tower are complete, with remaining costs to be funded out of secured project level debt facilities. In January 2021, the Group committed to, and broke ground on, the construction of a further tower on the Gold Coast, in partnership with CTF and FEC. The total cost is expected to be approximately \$400 million. 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).

Capital expenditure, excluding equity investments into the new tower with joint venture partners CTF and FEC, in the year was approximately \$59.3 million across various projects.

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 Brisbane 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.

Target total project costs are estimated to be approximately \$2.4 billion, excluding government payments and Treasury Brisbane repurposing costs. Approximately 90% of total project costs are now under lump sum terms, further de-risking the project. 60% of the gross floor area has been built and fit-out of the gaming floor has commenced. Queen's Wharf Brisbane is now anticipated to open progressively in 1H CY2023.

The Group's equity contributions ceased in 2H FY2021 and project debt drawdowns have commenced. \$1.6 billion project level debt facilities were secured in May 2020 and run for a 5.5 year term, which includes approximately 3 years of operating performance.

Directors' Report

for the year ended 30 June 2021

2.7. Risk management

The Group takes a structured approach to identifying, evaluating and managing those current and emerging 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.

The Group has continued to focus on the ongoing response plans to the COVID-19 pandemic and the impact to its operations. The Working Committee (established in FY2019) continued to undertake regular scenario-based risk assessments to inform decision making.

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
<p>Competitive Position</p> <p>The potential effect of increased competition in the Group's key markets of Sydney, Brisbane and Gold Coast.</p>	<p>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 improve customer service capabilities of employees. Revenue sources have also been diversified.</p>
<p>Realising value from capital projects</p> <p>The ability to generate adequate returns from the financial capital invested in capital projects.</p>	<p>The Group has a comprehensive project management framework and has employed appropriately skilled and experienced project managers to reduce the risk of delays in completion and/or overruns in costs of capital projects and maintain appropriate oversight of joint venture investments. 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.</p>
<p>Human capital management</p> <p>The ability to attract, recruit and retain the right people for key leadership and operational roles.</p>	<p>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 has moved to 'continuous listening' employee engagement surveys to monitor for emerging issues which might affect the ability to retain talented employees and enable actions in response. The Group's diversity and inclusion programs are widely recognised as being among the best in the industry.</p>
<p>Effective management of key stakeholders</p> <p>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.</p>	<p>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.</p>
<p>Geo-political and regulatory changes</p> <p>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.</p>	<p>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 team that has recently enhanced the Group's AML & CTF risk management capabilities, including through dedicated IT systems development. The Group also makes representations to government and industry groups to promote effective, appropriate and consistent regulatory and policy outcomes.</p>

Directors' Report

for the year ended 30 June 2021

Risk and description	Mitigation strategy
<p>Data and systems security and reliability</p> <p>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.</p>	<p>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. The IT function also continues to implement a cyber resilience plan. Employees are regularly trained on the importance of maintaining effective cyber security and data privacy processes.</p>
<p>Major business disruption events</p> <p>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.</p>	<p>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. This framework includes updated COVID-19 related responses.</p>
<p>People health and safety</p> <p>The ability to operate the Group's resort facilities without affecting the safety, security and wellbeing of its guests and employees.</p>	<p>The Group takes a risk based approach to managing health and safety, including with respect to COVID-19. 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.</p>
<p>Financial management</p> <p>The ability to maintain financial performance and a strong balance sheet which enables the Group to fund future growth opportunities on commercially acceptable terms.</p>	<p>The Group annually establishes a financial budget and 5 year plan which underpin the setting of performance targets incorporated in employee incentive plans. Financial performance is continuously monitored for any variations from annual financial budgets and market expectations. This includes monitoring for impacts of restricted operating conditions in response to COVID-19. The core business produces strong cashflow, allowing the Group to maintain low to moderate levels of debt while allowing shareholders to be paid dividends, subject to the impacts of Government directed restricted operating conditions.</p>
<p>Corporate governance</p> <p>The ability to maintain a strong and effective governance structure which supports a culture of transparency, accountability, and compliance.</p>	<p>The Group has a well-defined governance framework which identifies the roles and responsibilities of the Board, 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. This model is supported by enterprise risk management and incident reporting systems.</p>
<p>Queen's Wharf operational readiness</p> <p>The ability to deliver a fully operational business model that delivers an integrated resort experience.</p>	<p>The Group has established an Operational Readiness team to manage and execute a structured reopening planning program to transition from Treasury Brisbane to Queen's Wharf. A governance framework has been developed that operates with an integrated "3 lines of defence" model to identify and manage key risks and to provide assurance that the controls and actions underway are effective in managing those risks. The Operational Readiness team provides reporting to the Board and to the joint venture board.</p>

Directors' Report

for the year ended 30 June 2021

2.8. Environmental regulation and performance

In line with its Environmental Management Policy, the Company aims to minimise the adverse social and environmental effects of its operations. The Group is committed to sustainability leadership in the entertainment sector and reducing resource consumption across its operations. The Group's Sustainability Strategy, 'Our Bright Future', 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. The Group's key activities to manage sustainability risks identified as part of the materiality assessment can be found in the Company's Beyond 2020 Sustainability Action Plan in addition to existing policies and controls. The Beyond 2020 Sustainability Action Plan is aligned to the United Nations Sustainable Development Goals and highlights the Group's achievements to date, material issues, priorities, commitments and future goals.

The Group recognises the recommendations of the Financial Stability Board Task Force on Climate-related Financial Disclosures (**TCFD**) and the associated framework. In the 2021 reporting year, the Group released its second 'Climate-related Disclosures Report' which can be found on the Company website. The Company has been working to align its climate change risk assessments and new projects to the TCFD framework over time.

The Company is committed to a low carbon future and has a target in place to achieve net zero carbon emissions for its wholly owned and operated assets by 2030. The pathway to achieve this target includes the purchasing of renewable electricity and the assessment of onsite solar, continuing the Company's energy efficiency program and developing a carbon offsetting strategy which delivers environmental and social benefits. The Group remains committed to immediate action through its interim targets to achieve a 30% reduction in carbon and water intensity by FY2023 against the base year FY2013.

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. The Group has a target to achieve coverage of third party certified environmental ratings across 90% of its managed portfolio by FY2022. The Group is on target with over 80% coverage in FY2021.

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 Green Star Performance and NABERS Ratings, enabling the benchmarking of operational performance of The Star's assets.

The Group has maintained a global leadership position in the Casino and Gaming Industry in the Dow Jones Sustainability Index for the fifth year running. The Group's Global Reporting Index (**GRI**) reports are published on the Company's website, demonstrating a 'core' level of compliance. 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 and Action Plan, Materiality Assessment, Climate-related Disclosures Reports 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 and can be found in the Company's Sustainability Report.

3 Earnings per share (EPS)

Basic and diluted EPS for the financial year was 6.1 cents (2020: (10.3) cents). EPS is disclosed in note F3 of the Financial Report.

Directors' Report

for the year ended 30 June 2021

4 Dividends

The Group remains committed to maintaining a balance sheet that positions it for post-COVID-19 recovery. No final dividend was declared, given the continuing impacts of COVID-19 on the Group and in accordance with the conditions of debt covenant waivers at 30 June 2020 and 31 December 2020 which restrict further cash dividends from being paid until the Group's gearing, which represents the ratio of net debt to 12 month trailing statutory EBITDA, is below 2.5 times.

5 Significant events after the end of the financial year

Sydney Lockdown

The COVID-19 lockdown of the Greater Sydney area continues to be extended, with the latest extension to 28 August 2021. This follows the closure of all non-essential businesses in specific local government areas (including City of Sydney), of which the Group's Sydney property is located, on 25 June 2021. Consequently, The Star Sydney has ceased its gaming, food and beverage, banqueting and conferencing operations, and has severely limited hotel accommodation until such time as the Government orders are lifted.

Withdrawal of Merger Proposal

As announced by the Company on 23 July 2021, its conditional, non-binding, indicative proposal announced on 10 May 2021 to merge its businesses with Crown Resorts Limited (**Crown**) has been withdrawn. The Company continues to believe substantial benefits could be unlocked by a merger, however the uncertainty surrounding Crown is such that the Company is unable to continue at the present time with its proposal in the form as announced on 10 May 2021. The Company remains open to exploring potential value enhancing opportunities with Crown.

GST Amendment Assessment

On 11 August 2021 the Group received amended assessments from the Australian Taxation Office (**ATO**) in respect of a dispute for the period October 2013 to August 2017 (inclusive) in relation to the GST treatment of rebates paid to junket operators for The Star Pty Limited. The total primary tax in dispute for this period is \$81.9 million. The Group intends to pay \$41.0 million as a deposit to the ATO during the dispute process. The Group considers that it has paid the correct amount of tax and will pursue all available avenues of objection (including, if necessary, court proceedings) to the amended assessments.

Business Interruption Insurance Claim

On 5 August 2021, Chief Justice Allsop of the Federal Court of Australia dismissed the Company's insurance claim in relation to COVID-19 related business interruption. The Company is considering next steps, including appeal options. Any appeal must be lodged by 2 September 2021.

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 2021 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.

Directors' Report

for the year ended 30 June 2021

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	<p>Chairman (from 8 June 2012); Non-Executive Director (from 28 March 2011) <i>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</i></p> <p>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.</p> <p>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.</p> <p>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. He is also a member of the 2032 Brisbane Olympic Bid Advisory Board to the Premier of Queensland.</p> <p>Special Responsibilities: Mr O'Neill is Chairman of the Board and an ex-officio member of all Board committees.</p> <p>Directorships of other Australian listed companies held during the last 3 years: Nil</p>
Matt Bekier	<p>Managing Director and Chief Executive Officer (from 11 April 2014) Executive Director (from 2 March 2011) <i>Master of Economics and Commerce; PhD in Finance</i></p> <p>Experience: Matt Bekier is a member of the Board of the Australasian Gaming Council.</p> <p>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.</p> <p>Prior to his role at Tabcorp, Mr Bekier held various roles with McKinsey & Company.</p> <p>Special Responsibilities: Nil</p> <p>Directorships of other Australian listed companies held during the last 3 years: Nil</p>

Directors' Report

for the year ended 30 June 2021

Current Directors

Gerard Bradley AO

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; Officer of the Order of Australia

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:

- Member of the Risk and Compliance Committee
- Member of the Audit Committee
- Member of the Remuneration Committee

Directorships of other Australian listed companies held during the last 3 years:

- Pinnacle Investment Management Group Limited (1 September 2016 to present)

Ben Heap

Non-Executive Director (from 23 May 2018)

Bachelor of Commerce (Finance); Bachelor of Science (Mathematics); Graduate of the Australian Institute of Company Directors

Experience:

Ben Heap is an experienced company director with wide-ranging experience in asset and capital management roles in the finance sector and in technology and digital businesses.

Mr Heap is a Founding Partner of H2 Ventures, a venture capital investment firm. He is the Chairman of CBA New Digital Businesses and a Non-Executive Director of Colonial First State (in both cases, subsidiaries of the Commonwealth Bank of Australia), the President of Gymnastics Australia and a member of the Australian Commonwealth Government's Fintech Advisory Group. Mr Heap is also a Non-Executive Director of Redbubble Limited and Chair of its People and Nomination Committee.

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:

- Chair of the Risk and Compliance 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:

- Redbubble Limited (20 April 2020 to present)

Directors' Report

for the year ended 30 June 2021

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 a Director of Carnival Corporation & plc, and is a member of the National Indigenous Culinary Institute Advisory Board.

Ms Lahey was previously the Chair of Carnival Australia and the Chairman Australasia of Korn Ferry International. In addition, Ms Lahey was 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 AO

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; Officer of the Order of Australia

Experience:

Sally Pitkin is a company director with over 20 years' experience as a Non-Executive Director and board member across a wide range of industries in the private and public sectors. She has extensive experience in the gaming industry.

Dr Pitkin is a former lawyer and senior corporate partner with a national law firm.

Dr Pitkin is currently the Chair of Super Retail Group Limited and a Non-Executive Director of Link Administration Holdings Limited.

Special Responsibilities:

- Chair of the Remuneration Committee
- Member of the Audit Committee
- Member of the People, Culture and Social Responsibility Committee

Directorships of other Australian listed companies held during the last 3 years:

- Super Retail Group Limited (1 July 2010 to present)
- Link Administration Holdings Limited (23 September 2015 to present)

Directors' Report

for the year ended 30 June 2021

Current Directors

Richard Sheppard	<p>Non-Executive Director (from 1 March 2013) <i>Bachelor of Economics (First Class Honours); Fellow of the Australian Institute of Company Directors</i></p> <p>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.</p> <p>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.</p> <p>Mr Sheppard is currently the Chairman and a Non-Executive Director of Dexus Property Group and a Non-Executive Director of Snowy Hydro Limited.</p> <p>Special Responsibilities:</p> <ul style="list-style-type: none"> • Chair of the Audit Committee • Member of the Risk and Compliance Committee <p>Directorships of other Australian listed companies held during the last 3 years:</p> <ul style="list-style-type: none"> • Dexus Property Group (1 January 2012 to present)
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Former Director

Zlatko Todorcevski	<p>Non-Executive Director (from 23 May 2018 to 31 August 2020) <i>Bachelor of Commerce (Accounting); Masters of Business Administration; Fellow of CPA Australia; Fellow of Governance Institute of Australia</i></p> <p>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.</p> <p>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.</p> <p>Mr Todorcevski was previously a Non-Executive Director of Coles Group Limited. He is currently the Chief Executive Officer & Managing Director of Boral Limited.</p> <p>Special Responsibilities:</p> <ul style="list-style-type: none"> • Chair of the Audit Committee • Member of the Risk and Compliance Committee <p>Directorships of other Australian listed companies held during the last 3 years:</p> <ul style="list-style-type: none"> • Adbri Limited/Adelaide Brighton Limited (22 March 2017 to 15 June 2020) • Coles Group Limited (19 November 2018 to 30 September 2020)
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Directors' Report

for the year ended 30 June 2021

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	133,800	Nil
Matt Bekier	1,282,808	2,936,077
Gerard Bradley AO	75,000	Nil
Ben Heap	40,000	Nil
Katie Lahey AM	56,907	Nil
Sally Pitkin AO	45,900	Nil
Richard Sheppard	250,000	Nil
Former		
Zlatko Todorcevski ^a	155,000	Nil

a Ceased as Non-Executive Director on 31 August 2020. The number of The Star Entertainment Group Limited securities disclosed above was applicable at the time of cessation.

8 Company Secretary

Paula Martin holds the position of Chief Legal & Risk Officer and Company Secretary. She holds a Bachelor of Business (Int. Bus.), a Bachelor of Laws and a Graduate Diploma in Applied Corporate Governance.

Paula has over 15 years' experience in the gaming industry, first with Tabcorp Holdings Limited and continuing with The Star Entertainment Group. Following consolidation of the legal, risk, regulatory and compliance functions, Paula was appointed to the role of Chief Legal & Risk Officer in August 2019.

Paula has a broad commercial law and regulatory background, having first practiced with King & Wood Mallesons in the telecommunications, information technology and competition law areas. She 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 2021, the Company held 10 meetings of the Board of Directors (including 2 unscheduled meetings which were attended by all Directors). The numbers of Board and Committee meetings attended by each of the Directors during the year are set out in the table below.

Directors	Board of Directors		Audit Committee		Risk and Compliance Committee		Remuneration Committee		People, Culture & Social Responsibility Committee	
	A	B	A	B	A	B	A	B	A	B
John O'Neill AO	10	10	4	4	4	4	4	4	4	4
Matt Bekier ^c	10	10	-	-	-	-	-	-	-	-
Gerard Bradley AO	10	10	4	4	4	4	4	2	1	-
Ben Heap	10	10	4	4	4	4	4	3	4	4
Katie Lahey AM	10	10	3	-	4	4	4	4	4	4
Sally Pitkin AO	10	10	4	4	3	4	4	4	4	4
Richard Sheppard	10	10	4	4	4	4	1	-	1	-
Former										
Zlatko Todorcevski	2	2	1	1	-	-	-	-	-	-

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.

Directors' Report

for the year ended 30 June 2021

10 Indemnification and insurance of Directors and Officers

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

11 Indemnification of auditors

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

12. Non-audit services

Ernst & Young, the external auditor to the Company and the Group, provided non-audit services to the Company during the financial year ended 30 June 2021. 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 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
Fees for other assurance and agreed-upon-procedures services (including sustainability assurance) under contractual arrangements where there is discretion as to whether the service is provided by the auditor	79.2
Fees for other advisory and compliance services	38.8
Total of all non-audit and other services	118.0

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

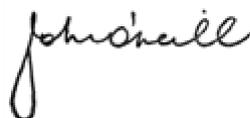
13. Rounding of amounts

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

14. Auditor's independence declaration

Attached is a copy of the auditor's independence declaration provided under section 307C of the *Corporations Act 2001 (Cth)* in relation to the audit of the Financial Report for the year ended 30 June 2021. 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
19 August 2021



**Building a better
working world**

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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 2021, 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.

The Ernst & Young logo, featuring the company name in a stylized, handwritten font.

Ernst & Young

A handwritten signature in black ink that reads 'Megan Wilson'.

Megan Wilson
Partner
19 August 2021

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 2021

Introduction from the Remuneration Committee Chair

Dear Shareholder,

On behalf of the Board, I present the Remuneration Report for the year ended 30 June 2021 (**FY2021**). This report is prepared on a consistent basis to the previous year for ease of reference.

2020 Annual General Meeting (AGM)

The Star Entertainment Group's 2020 AGM was held virtually for the first time on 22 October 2020. During the meeting, shareholders approved an issue of ordinary shares to the Managing Director and Chief Executive Officer, as well as a grant of performance rights under the Long Term Incentive Plan (**LTI**). His total remuneration package was unchanged from the prior year.

The Company received a vote of 55% for the adoption of the Remuneration Report. Shareholder feedback included concern over the Board's use of discretion to allocate restricted share awards under the Short Term Incentive Plan (**STI**) due to the Company receiving government subsidies in the form of JobKeeper payments. As more than 25% of the votes were cast against the remuneration report, a first strike for the purposes of the Corporations Act 2001 (Cth) was recorded.

COVID-19 Pandemic

The pandemic has continued to adversely affect business results and the economic environment within which we operate. The pandemic and other factors have been considered by the Board in making remuneration decisions during FY2021.

FY2021 Short Term Incentive Plan (STI)

Due to the impact of the COVID-19 pandemic on financial results, the target setting process for the FY2021 STI award was delayed until December 2020 in order to ensure reliable information was available. Targets were set which balanced the interests of shareholders and plan participants.

The Group did not achieve the financial gateway under the FY2021 STI. The Board considered a range of factors and resolved not to make STI awards.

Long Term Incentive Plan (LTI)

The FY2017 LTI award was tested for vesting during the period and did not vest as the relative Total Shareholder Return (TSR) and Earnings per Share (EPS) hurdles were not met.

The FY2018 LTI award will be tested for vesting in October 2021. The guiding principles communicated in FY2020 will be applied to support a fair and reasonable outcome. Further updates on the outcomes will be provided ahead of the 2021 AGM.

FY2022 Remuneration Matters

The Company will introduce a new STI design for FY2022. An overview of the plan design and rationale for its introduction is set out in section 4.5.

We welcome your feedback on our Remuneration Report.

Yours sincerely,



Sally Pitkin
Remuneration Committee Chair



DIRECTORS,' REMUNERATION AND FINANCIAL REPORT

For the year ended 30 June 2021

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*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 2021.*

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 Chief Financial Officer, the Chief Casino Officer and Chief Casino Officer (QLD) but excludes Non-Executive Directors (**NEDs**).

THE STAR ENTERTAINMENT GROUP LIMITED
A.C.N. 149 629 023
ASX CODE: SGR
AND ITS CONTROLLED ENTITIES

1 QUESTIONS AND ANSWERS

Were there any changes to the Remuneration arrangements of Executive KMP and NEDs in FY2021?

The Board made no changes to the Managing Director and Chief Executive Officer's fixed remuneration and short-term incentive for FY2021. The Board approved a 14% increase to the Chief Financial Officer's fixed remuneration and short-term incentive for FY2021 as a first step to move the total remuneration and remuneration mix closer to the remuneration positioning for this role. There were no other remuneration changes for Executive KMP.

Further details on Executive KMP remuneration are provided in Table 13.

Non-Executive Director fees remained unchanged from FY2020 and there were no changes to the fee pool limit of \$2.5 million per annum.

What was the STI outcome for FY2021?

The Group did not achieve the financial gateway under the STI. The Board considered a range of factors and resolved not to make STI awards.

Further details are provided in section 5.1 of this report.

Did any LTI awards vest during the year?

Performance rights relating to the FY2017 LTI award were tested in October 2020 with none of these rights vesting into fully paid ordinary shares. The TSR performance of the Group was -34.5% with a percentile ranking of 11.43% and the EPS performance was 5.1 cents per share (below the target of 45.4 cents and threshold of 37.7 cents per share).

The FY2018 LTI award will be tested in October 2021.

What were the actual remuneration outcomes for Executive KMP in FY2021?

Table 1 provides a summary of total remuneration received by Executive KMP during the 2021 financial year. This non-IFRS information differs from the Statutory Remuneration in Table 14, which presents remuneration in accordance with accounting standards.

TABLE 1: FY2021 EXECUTIVE REMUNERATION

Executive	Fixed remuneration	STI Cash	Total Cash	STI deferred equity	LTI vested during the year \$	LTI lapsed during the year ¹	Total value of remuneration ² \$
Matt Bekier	1,728,900	-	1,728,900	-	-	(2,022,873)	1,728,900
Harry Theodore	735,000	-	735,000	-	-	(99,401)	735,000
Greg Hawkins	1,260,000	-	1,260,000	-	-	(435,265)	1,260,000
Geoff Hogg	651,131	-	651,131	-	-	(199,496)	651,131
TOTAL	4,375,031	-	4,375,031	-	-	(2,757,035)	4,375,031

¹Represents the award value (at date of Grant) of the FY2017 performance rights that lapsed/were foregone during the year as the minimum performance hurdles required for vesting were not met.

²Total value excludes any negative amounts from lapsed LTI grant.

What has the Company done to address shareholder feedback from the FY2020 Remuneration Report first strike?

Last year was the first time the Company has received a strike, with all remuneration reports since the Company's inception in 2011 receiving over 97% approval. Shareholder feedback detailed a lack of support for the Board's use of discretion to allocate restricted share awards under the STI due to the Company receiving government subsidies in the form of JobKeeper payments.

This feedback has been considered when making remuneration decisions in FY2021 as the ongoing COVID-19 pandemic continues to effect business results and the economic environment within which we operate.

Are there any changes to remuneration plans for FY2022?

The Remuneration Committee has been reviewing the STI design to determine whether it remains fit for purpose.

As a result of this review, a new STI design will be introduced for FY2022. Further details are provided in Section 4.5.

2 KEY MANAGEMENT PERSONNEL

The names and titles of the Company's KMP for the year ended 30 June 2021 are set out below.



NON-EXECUTIVE DIRECTORS

John O'Neill AO
Chairman

Gerard Bradley AO
Board Member

Ben Heap
Chair of Risk and Compliance Committee

Katie Lahey AM
Chair of People, Culture and
Social Responsibility Committee

Sally Pitkin AO
Chair of Remuneration Committee

Richard Sheppard
Chair of Audit Committee

Zlatko Todorcevski¹
(Ceased 31 August 2020)



EXECUTIVE KMP

Matt Bekier
Managing Director and Chief Executive Officer

Harry Theodore
Chief Financial Officer

Greg Hawkins
Chief Casino Officer

Geoff Hogg²
Chief Casino Officer (QLD)

¹On 20 August 2020, the Company announced Zlatko Todorcevski's retirement as a Non-Executive Director effective 31 August 2020.

²On 1 March 2021, Geoff Hogg assumed the role of Chief Casino Officer (QLD), responsible for Queensland property operations. The role of Group Executive Operations was retired.

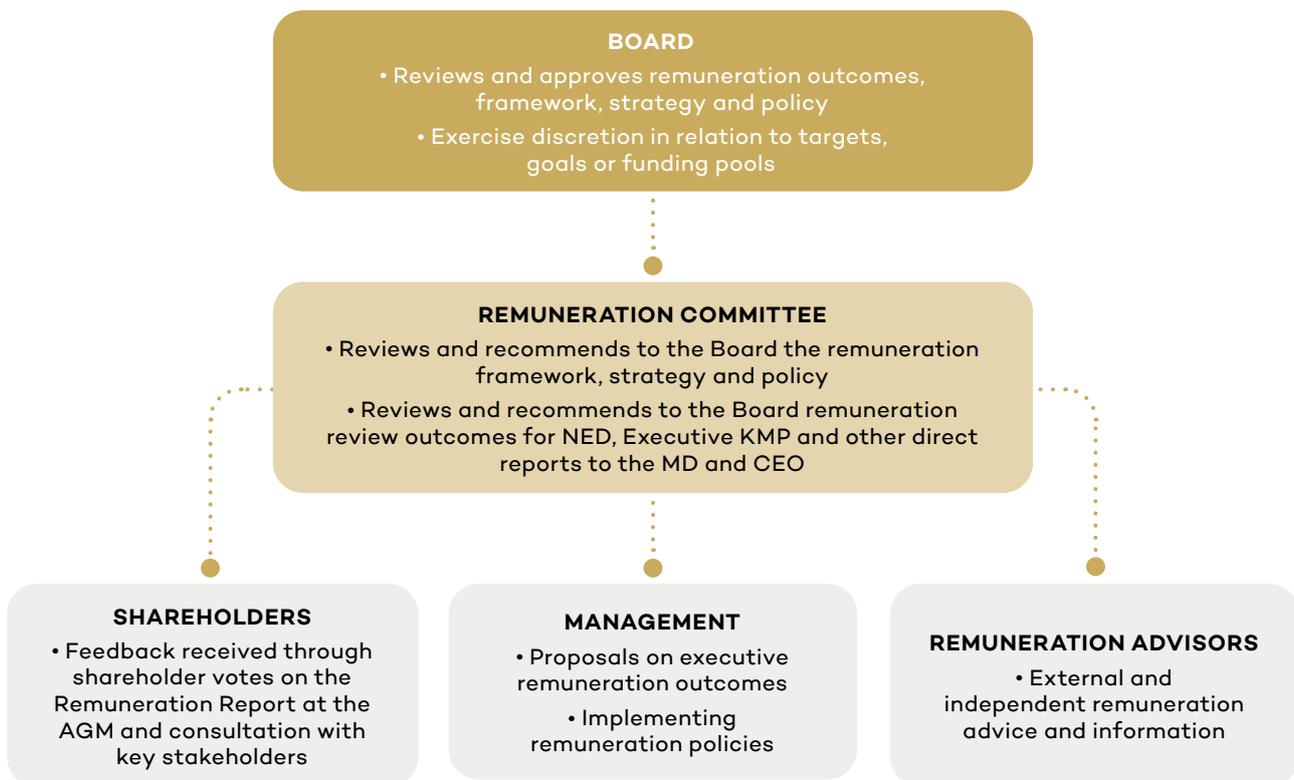
3 REMUNERATION GOVERNANCE

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 10 to 13.

THE FOLLOWING DIAGRAM REPRESENTS THE STAR ENTERTAINMENT GROUP'S REMUNERATION DECISION-MAKING STRUCTURE



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 FY2021.

Remuneration Report approval at 2020 Annual General Meeting (AGM)

The Company received a vote of 55% in favour of the adoption of the remuneration report, however, as more than 25% of the votes were cast against the remuneration report, this constitutes a first strike for the purposes of the Corporations Act. This was largely driven by a lack of shareholder support for the Board's use of discretion to allocate restricted share awards under the STI. This outcome was deemed to be at odds with both shareholder experience and overall community sentiment due to the Company receiving government subsidies in the form of JobKeeper payments.

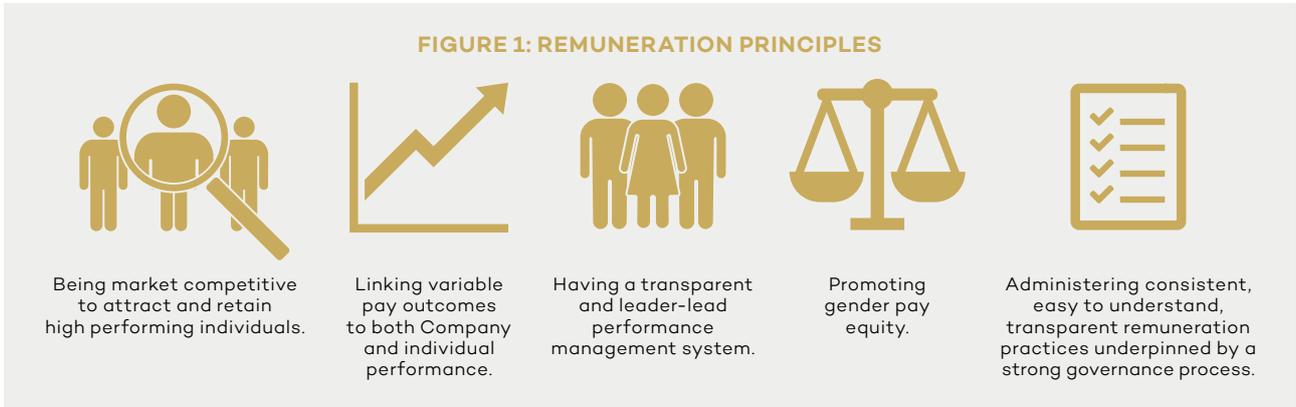
Gender pay equity

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

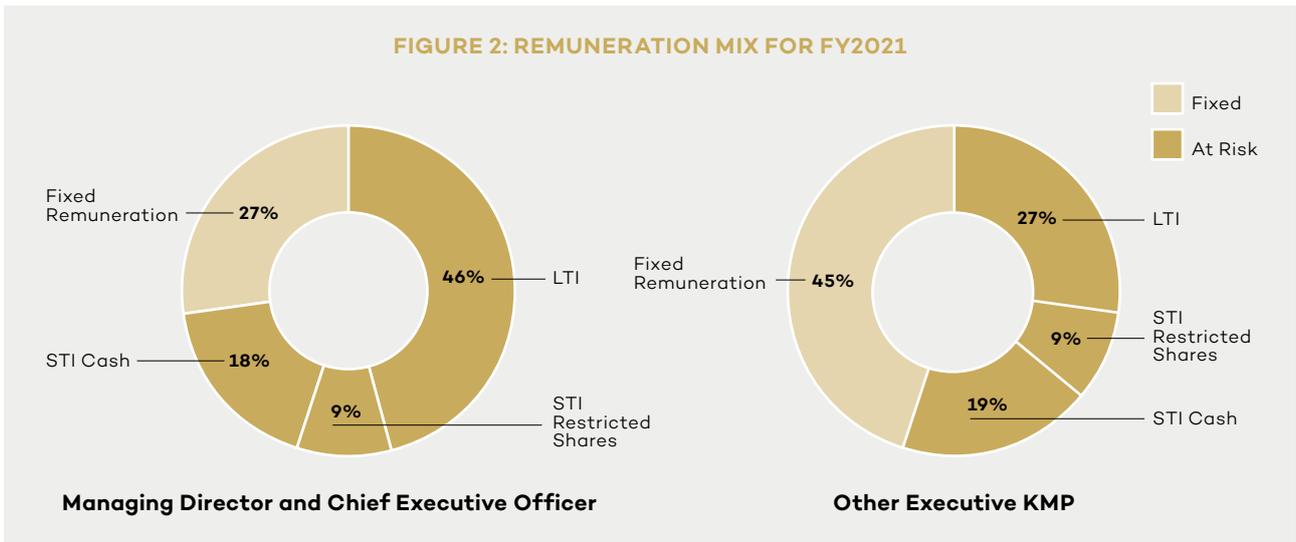
4.1 Remuneration overview

Remuneration Principles



Remuneration Mix

Variable remuneration (comprising STI and LTI at target amounts) 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 2 below.



Remuneration time horizon

Figure 3 provides an illustrative indication of how remuneration will be delivered to Executive KMP.

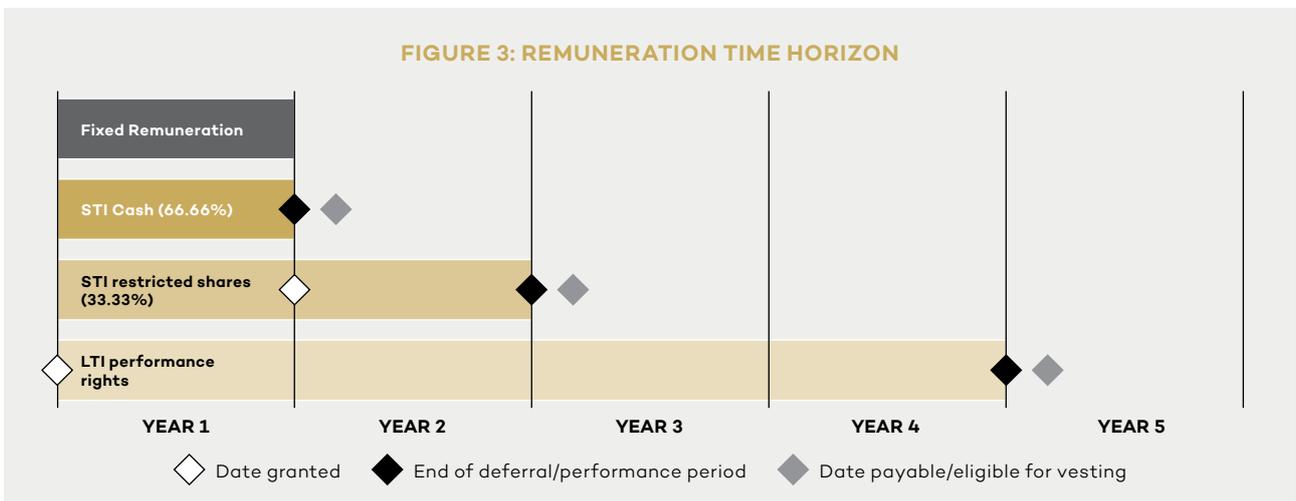


Table 2 below summarises the components of Executive KMP's Total Annual Reward (**TAR**) and their link to the strategic objectives of the Group.

TABLE 2: COMPONENTS OF EXECUTIVE KMP'S TAR OPPORTUNITY

	Fixed Remuneration	STI	LTI
Rationale	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.	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: <ul style="list-style-type: none"> • Shareholder Value • World Class Properties • Guest Service Excellence (differentiated value proposition) • Talented Teams • Risk Management and Sustainability 	The LTI is 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: <ul style="list-style-type: none"> • Relative Total Shareholder Return (TSR) • Earnings per Share (EPS) • Return on Invested Capital (ROIC)
Structure	Base remuneration and superannuation.	Two thirds cash, one third equity deferred for one year.	Performance rights with vesting subject to performance over a four year period.
Quantum	Targeted at the median of relevant external peer group.	CEO & MD target 100% of fixed remuneration. Other Executive KMP target 60% of fixed remuneration.	CEO & MD target \$2,900,000. Other Executive KMP target 60% of fixed remuneration.

4.2 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.

4.3 STI design

There were no changes to the FY2021 STI design or performance measures in place.

The number of employees who participated in the STI for FY2021 was 724 (decreased from 784 for FY2020). Each of the Executive KMP participated.

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 strategy and achievement of operational goals 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: <ul style="list-style-type: none"> 1. Financial performance (Normalised NPAT) <ul style="list-style-type: none"> 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 as determined by the Board each year (refer Table 13). The payment range available is 0%-150% of the participant's incentive target.									
Payment calculation	<p>Individual performance is determined by using a weighted scorecard of measures (Table 7) to arrive at a performance rating. Performance ratings link to payment ranges as follows:</p> <ul style="list-style-type: none"> 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) <p>A participant's individual STI award is based on the following calculation:</p> <div style="text-align: center; margin: 10px 0;"> <table style="border: none; margin: auto;"> <tr> <td style="border: 1px solid black; padding: 5px; text-align: center;">Fixed Remuneration</td> <td style="padding: 0 10px;">X</td> <td style="border: 1px solid black; padding: 5px; text-align: center;">Individual Target STI %</td> <td style="padding: 0 10px;">X</td> <td style="border: 1px solid black; padding: 5px; text-align: center;">Group Performance Multiplier % (0–150%)</td> <td style="padding: 0 10px;">X</td> <td style="border: 1px solid black; padding: 5px; text-align: center;">Individual Performance Multiplier % (0–150%)</td> <td style="padding: 0 10px;">=</td> <td style="border: 1px solid black; padding: 5px; text-align: center;">Individual STI award (capped at 150% x target)</td> </tr> </table> </div> <p>Payments are capped at 150% of the participant's STI target. Where performance and/or behaviours have been deemed unsatisfactory, no incentives are awarded.</p>	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)
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)		
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.									

¹Normalised 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 FY2012.

4.4 LTI design

There were no changes to the design or performance measures in place for FY2021.

For FY2021, there were 33 participants invited to participate in the plan (increased from 28 participants in FY2020). Each of the Executive KMP participates in the plan. A sixth guiding principle has been added to the guiding principles for informing discretion, as detailed in the Table 4 below.

TABLE 4: KEY DESIGN FEATURES OF THE LTI

Purpose	The LTI is 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	<p>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.</p> <p>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.</p>										
Determination of the number of rights	<p>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:</p> <div style="text-align: center;"> <table border="1" style="margin: auto;"> <tr> <td style="padding: 5px;">Target LTI (\$)</td> <td style="padding: 5px;">÷</td> <td style="padding: 5px;">Face Value of a performance right</td> <td style="padding: 5px;">=</td> <td style="padding: 5px;">Number of performance rights allocated</td> </tr> </table> </div> <p>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 Executive KMP are set out in Table 11.</p>	Target LTI (\$)	÷	Face Value of a performance right	=	Number of performance rights allocated					
Target LTI (\$)	÷	Face Value of a performance right	=	Number of performance rights allocated							
Dividend entitlements	Participants are not entitled to dividends until shares are allocated (based on meeting the relevant performance hurdles). At that time, dividends will either 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 Effective Grant Date and are not subject to retesting.										
Cessation of employment, Change of Control and Clawback	<p>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.</p> <p>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).</p>										
Vesting conditions (hurdles)	<p>TSR (33.3% of the award)</p> <p>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.</p> <p>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.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">TSR Percentile Ranking</th> <th style="text-align: left;">Percentage of awards vesting</th> </tr> </thead> <tbody> <tr> <td>Below the 50th percentile</td> <td>0% vesting</td> </tr> <tr> <td>At the 50th percentile</td> <td>50% vesting</td> </tr> <tr> <td>Above the 50th and below the 75th percentile</td> <td>Pro-rata between 50% (at 50th percentile) and 100% (at 75th percentile)</td> </tr> <tr> <td>At or above the 75th percentile</td> <td>100%</td> </tr> </tbody> </table> <p>EPS (33.3% of the award)</p> <p>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.</p> <p>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 on next page).</p>	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%
TSR Percentile Ranking	Percentage of awards vesting										
Below the 50th percentile	0% vesting										
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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%										

Vesting conditions (hurdles) (continued)	The table below sets out the percentage of the performance rights subject to the Company's EPS performance as at the Test Date.										
	<table border="1"> <thead> <tr> <th>EPS Performance</th> <th>Percentage of awards vesting</th> </tr> </thead> <tbody> <tr> <td>Below threshold</td> <td>0% vesting</td> </tr> <tr> <td>At threshold</td> <td>50% vesting</td> </tr> <tr> <td>Between threshold and stretch</td> <td>Pro-rata between threshold and stretch</td> </tr> <tr> <td>Stretch target</td> <td>100%</td> </tr> </tbody> </table>	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%
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	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:										
	$\text{ROIC} = \frac{\text{EBIT adjusted for theoretical win rate in the International VIP Rebate business}}{\text{Average Net Debt} + \text{average Shareholder Equity}}$										
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.											
<table border="1"> <thead> <tr> <th>ROIC Performance</th> <th>Percentage of awards vesting</th> </tr> </thead> <tbody> <tr> <td>Below threshold</td> <td>0% vesting</td> </tr> <tr> <td>At threshold</td> <td>50% vesting</td> </tr> <tr> <td>Between threshold and stretch</td> <td>Pro-rata between threshold and stretch</td> </tr> <tr> <td>Stretch target</td> <td>100%</td> </tr> </tbody> </table>	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%	
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%										
Impact of COVID-19	<p>The impact of COVID-19 on the outcome of the FY2018 LTI will be assessed at the time of testing in October 2021. The guiding principles communicated in FY2019 and outlined below, will be applied to support a fair and reasonable outcome. Further updates on the outcomes will be provided ahead of the 2021 AGM.</p> <p>Target setting for the FY2021 awards was initially deferred and has now been completed using the methodology outlined above. Target setting for FY2022 awards will be completed in line with regular timelines.</p>										
Disclosure of performance hurdles	<p>The Company will disclose the EPS and ROIC targets on a retrospective basis to ensure that the Company's competitive position is not undermined. With the potential for competition to be introduced into the Sydney market for the first time in late calendar year 2021, there may be an impact on earnings of The Star Sydney and therefore the Group overall. As a result, this may 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.</p>										
Guiding principles for informing discretion	<p>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:</p> <ol style="list-style-type: none"> 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 to 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). 6. Exercising discretion consistently and fairly – the use of discretion will be applied consistently (both positively and negatively) and information used will be sufficiently objective and free from bias to ensure decisions are arrived at fairly. 										

4.5 FY2022 STI Design Changes

Over the past eighteen months, the Remuneration Committee has been reviewing the STI design to determine whether it remains fit for purpose.

The findings of the review concluded that there was a case for change to the current STI design for the following reasons:

- A formulaic gateway is not reflective of contemporary plan designs, and there is a trend to balance the use of financial and non-financial metrics.
- Participants find the current design to be overly complex which impacts the perceived value of the plan and therefore the Company's ability to attract and retain key talent.
- The current plan allows for variances in property performance to impact individual outcomes, which is not aligned to the organisational model that has evolved to a Group 'centres of excellence' focus in recent years.
- ASIC guidelines highlight that remuneration frameworks should actively promote the use of discretion.

As a result of these findings, a new STI design has been approved to be implemented for all 724 plan participants, including Executive KMP, for FY2022 commencing 1 July 2021.

Key considerations made when determining the STI design included:

- The ability to attract, retain and reward talent
- Support the organisation structure and operating model
- Be acceptable to external stakeholders
- Be underpinned by a strong funding model directly linked to Company financial performance
- Support the use of discretion

A summary of the key changes are as follows:

- **Introducing a holistic 'basket of measures' to assess Company performance**

The Company has assessed the funding model under the STI and specifically reviewed the function of the gateway measure in determining payments under the plan. It was determined that moving to a holistic basket of measures to assess Company performance would allow for a greater balance between financial and non-financial measures, rather than having one binary gateway as the determination for funding. Company performance now accounts for 80% of the overall STI award for Executive KMP, with the capacity to pay maintained through a higher weighting on the NPAT metric at 50% of the total award.

- **Two new company metrics – Group Regulatory and Risk Management, and Employee Engagement**

A Group Regulatory and Risk Management metric is being introduced with a weighting of 10% of the award opportunity to recognise the Company's focus on this critical area in the business. This metric takes into account safety measures, mandatory compliance training, risk management and internal audit action items and timely reporting of incidents and breaches.

Engagement was introduced as a metric to enhance the focus on people as the Company faces increasing competition for talent which also has a weighting of 10% of the total award opportunity. These two metrics are in addition to the NPAT and Guest Satisfaction metrics, weighted at 50% and 10% respectively.

- **Individual performance is now part of the funding outcome**

Individual performance now accounts for 20% of the overall STI award for Executive KMP, where previously it was used as a modifier to outcomes once a pool was funded. This change allows for emphasis to be placed on individual priorities for each Executive KMP to reward exceptional performance.

- **Guiding principles to inform the use of discretion**

Similar to the LTI, a set of guiding principles are being introduced to inform the use of discretion under the STI.

4.6 Minimum shareholding policy

To support the alignment of the interests of the Board and executives with the interests of shareholders, the Group has minimum shareholding policies in place. Executive KMP are required 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. Unvested performance rights do not count towards minimum shareholding requirements.

Table 5 shows the number of shares and performance rights held by Executive KMP at the beginning and end of the financial year unless otherwise stated.

TABLE 5: SHARES AND PERFORMANCE RIGHTS HELD BY EXECUTIVE KMP AT 30 JUNE 2021

Name	Holding	Balance at start of the year	Acquired or granted as compensation ⁽ⁱ⁾	Disposed or lapsed during the year ⁽ⁱⁱ⁾	Balance at the end of the year
Matt Bekier	Performance Rights	2,535,329	948,952	(548,204)	2,936,077
	Ordinary Shares	1,008,905	–	–	1,008,905
	Restricted Shares	–	273,903	–	273,903
Harry Theodore	Performance Rights	182,050	147,251	(26,938)	302,363
	Ordinary Shares	69,621	2,358	–	71,979
	Restricted Shares	–	62,736	–	62,736
Greg Hawkins	Performance Rights	606,826	247,382	(117,958)	736,250
	Ordinary Shares	291,576	–	(291,576)	–
	Restricted Shares	–	79,846	–	79,846
Geoff Hogg	Performance Rights	304,634	127,839	(54,064)	378,409
	Ordinary Shares	257,290	7,689	–	264,979
	Restricted Shares ⁽ⁱⁱⁱ⁾	865	41,923	–	42,778

⁽ⁱ⁾ Includes performance rights and restricted shares granted as compensation and shares acquired under the Dividend Reinvestment Plan.

⁽ⁱⁱ⁾ Restricted shares that are no longer subject to a holding lock are transferred into the ordinary shares category.

⁽ⁱⁱⁱ⁾ Includes 661 ordinary shares acquired in FY2021 through salary sacrifice under the General Employee Share Plan. The shares are subject to a holding lock of two years from the acquisition dates. The holding locks will end in FY2022 and FY2023.

5 VARIABLE REWARD OUTCOMES FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

5.1 STI outcome for FY2021

Due to the impact of the COVID-19 pandemic on financial results, the target setting process for the FY2021 STI was delayed until December 2020 in order to ensure reliable information was available. The Board undertook a process to determine targets which were both ambitious for shareholders and realistic for participants given the uncertainty of the current environment. The FY2021 Group normalised NPAT target of \$120m was set based on business performance achieved under social distancing restrictions in the first half of FY2021 and anticipated performance assuming a further easing of COVID-19 restrictions in the second half.

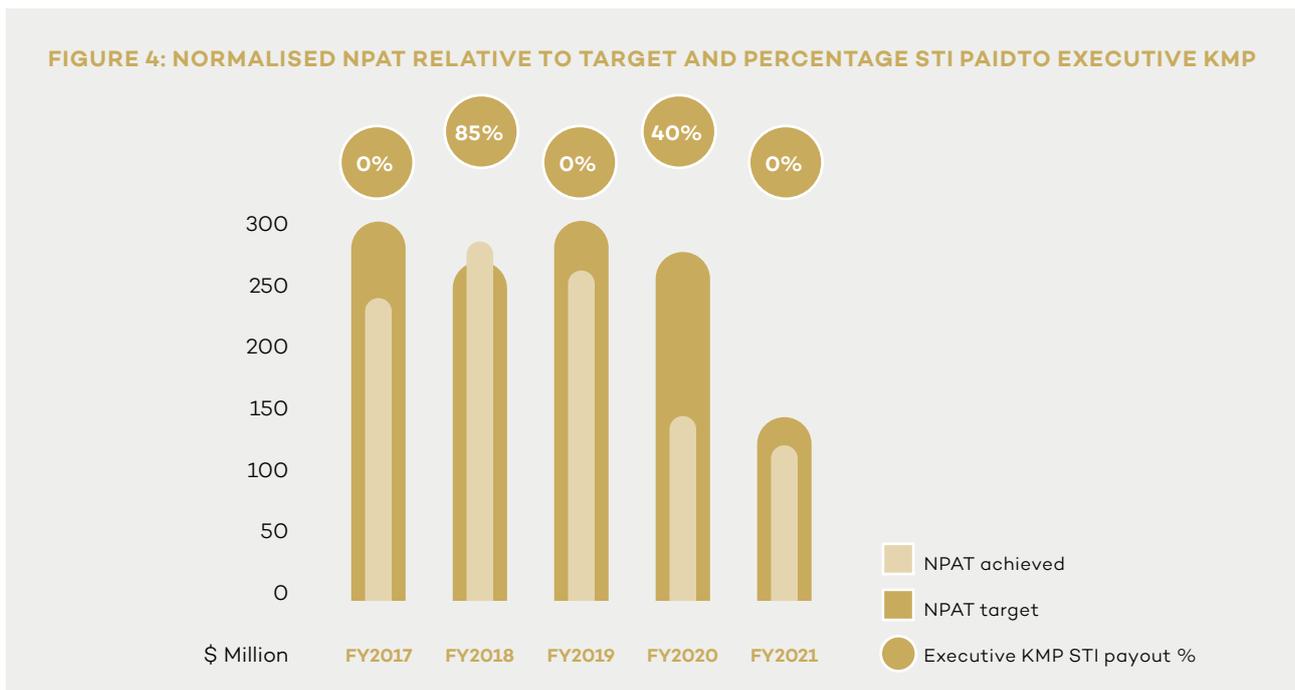
Normalised NPAT was below budget for the year, driven by the COVID-19 related social distancing restrictions and border closures which had a material impact on volumes across the Group's properties. Despite multiple business closures throughout the year, the Group was on track to meet its NPAT target prior to the June 2021 closures of all three properties.

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. For FY2021, significant expense items of \$77.7 million before tax relate to the impairment of assets in the International VIP Rebate business, write-down of receivables, one-off COVID-19 related expenditure, changes to the accounting for Software-as-a-Service (SaaS) arrangements and costs associated with the non-binding proposal to merge with Crown Resorts Limited (the proposal was withdrawn on 23 July 2021), partially offset by a gain on disposal of land to the Destination Gold Coast Consortium joint venture for construction of the second residential, hotel and retail tower (see note A7 of Financial Statements for further detail).

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. The adjustments had no impact on the Group outcome against budgeted NPAT in FY2021.

Both the non-financial performance moderating targets of Guest Satisfaction and improvements in Safety (TRIFR) were in line with expectations set by the Board for the FY2021 STI. The Board considered a range of factors and resolved not to make STI awards.

Figure 4 illustrates how bonus payments under the STI vary each year to account for both financial and non-financial outcomes.



5.2 Group and Executive KMP Performance

Table 6 provides a summary of performance against the strategic priorities of the Group for FY2021 and key performance indicators for the purposes of the STI. (For further details on performance please refer to the FY2021 Full Year Results Presentation lodged with the ASX on 19 August 2021).

TABLE 6: FY2021 PERFORMANCE OUTCOMES AGAINST STRATEGIC PRIORITIES AND KEY PERFORMANCE INDICATORS FOR THE STI

STI key performance indicators	Below Threshold	Threshold	Target	Maximum
FINANCIAL PERFORMANCE • Deliver budgeted normalised NPAT.	●			
STRATEGIC AND CAPITAL REDEVELOPMENT • Deliver capital works and key projects on time and on budget.			●	
GUEST SERVICE CULTURE • Elevate the guest service culture and guest experience across all of our properties.			●	
LEADERSHIP IN LOYALTY • Achieve a leadership position in Loyalty and thereby drive earnings growth and market share in electronic gaming machines.			●	
EMPLOYEE ENGAGEMENT • Attract and retain talented teams through a compelling Employee Value Proposition and highly engaged team member environment.			●	
SAFETY • Deliver a safe environment for all Team Members and guests while on any of our properties.				●
RISK, COMPLIANCE & SUSTAINABILITY • Deliver sustainable business outcomes within a strong risk and compliance environment, underpinned by a strong governance framework.			●	

Under the STI, Executive KMP are required to complete a weighted balanced scorecard that comprises a mixture of financial and non-financial targets and strategic priorities.

Table 7 below shows individual key performance indicators and the FY2021 percentage of STI target received by each Executive KMP.

TABLE 7: INDIVIDUAL KEY PERFORMANCE INDICATORS AND FY2021 STI PERCENTAGE OF TARGET RECEIVED FOR EXECUTIVE KMP

Matt Bekier		Harry Theodore		Greg Hawkins		Geoff Hogg	
1. Reopen properties safely and profitably 25% weighting Achievements: Incident-free operation in a complex, rapidly evolving operating environment		1. Secure competitive tax rate in NSW 33.3% weighting Achievements: Competitive tax rate secured with strong protections		1. Ensure COVID-19 compliance at Sydney property 25% weighting Achievements: Incident-free operation in a complex, rapidly evolving operating environment		1. Ensure COVID-19 compliance at Qld properties 25% weighting Achievements: Incident-free operation in a complex, rapidly evolving operating environment	
2. Manage reputational and regulatory risks 25% weighting Achievements: Strong engagement of stakeholders throughout COVID-19 and Government inquiries		2. Ensure liquidity and compliant balance sheet metrics 33.3% weighting Achievements: Agile lender engagement avoided any requirement for a capital raise despite property closures		2. Deliver critical sales, customer service and compliance projects, including restructuring IRB 25% weighting Achievements: Successful launch of Sovereign and successful implementation of 'smart tables'		2. Drive QWB operational design decisions and pre-opening planning 25% weighting Achievements: Good progress on QWB, including successful launch of first outlet, Will & Flow	
3. Develop growth strategy for IRB business post Bergin enquiry 25% weighting Achievements: Promising progress on several long-term strategic initiatives		3. Keep QWB project to budget and finalise project finance 33.3% weighting Achievements: Project on budget, financing secured on favourable terms		3. Ensure compliance in Sydney and represent operations to regulators and supervisors 25% weighting Achievements: Good progress on key compliance metrics		3. Ensure compliance in Queensland and represent operations to regulators and supervisors 25% weighting Achievements: Good progress on key compliance metrics	
4. Prepare for Crown market entry 25% weighting Achievements: Delivered comprehensive plan which remains untested				4. Meet efficiency, customer service, safety and staff engagement targets for Sydney 25% weighting Achievements: Met all metrics in a complex, rapidly evolving environment		4. Meet efficiency, customer service, safety and staff engagement targets for QLD 25% weighting Achievements: Very strong performance of Gold Coast property on all key metrics	
STI Outcome as a % of target No STI awards made as financial gateway was not achieved and Board discretion was not exercised							

Table 8 details the variable remuneration of Executive KMP under the STI during the period.

TABLE 8: VARIABLE REMUNERATION UNDER THE STI FOR THE YEAR ENDED 30 JUNE 2021

Executive	Financial year	Cash Award \$	Restricted Share Grant \$	As a % of total remuneration	STI not achieved as a % of target ⁽¹⁾
Matt Bekier	2021	–	–	0%	100%
	2020	–	829,872	23%	52%
Harry Theodore	2021	–	–	0%	100%
	2020	–	190,080	25%	52%
Greg Hawkins	2021	–	–	0%	100%
	2020	–	241,920	14%	68%
Geoff Hogg	2021	–	–	0%	100%
	2020	–	125,017	15%	68%
TOTAL FY2021		0	0		
TOTAL FY2020		0	1,386,889		

⁽¹⁾ Maximum opportunity is 150% of the executives' target incentive level.

Table 9 outlines the performance of the Group and shareholder returns over the last five financial years.

TABLE 9: STATUTORY KEY PERFORMANCE INDICATORS

Performance metric	FY2017	FY2018	FY2019	FY2020	FY2021
Statutory NPAT	\$264.4m	\$148.1m	\$198.0m	\$(94.6)m	\$57.9m
Basic EPS (statutory)	32.0c	17.5c	21.6c	(10.3)c	6.1c
Full year dividend (fully franked, cents per share)	16.0c	20.5c	20.5c	10.5c	0.0c
Share price at year end	\$5.05	\$4.93	\$4.12	\$2.84	\$3.69
Increase/(decrease) in share price	(6%)	(2%)	(16%)	(31%)	+30%

5.3 Vesting under the LTI

Since the Company's inception in 2011, there have been ten awards made under the LTI, with five awards tested and two vesting outcomes (FY2014 and FY2015 awards). Table 10 sets out the details of performance rights issued over the last five financial years.

TABLE 10: DETAILS OF PERFORMANCE RIGHTS ISSUED TO DATE

Detail	FY2017 Award	FY2018 Award	FY2019 Award	FY2020 Award	FY2021 Award
Grant date	5 Oct 2016	2 Oct 2017	3 Oct 2018	25 Sep 2019	24 Sep 2020
Test date	5 Oct 2020	2 Oct 2021	3 Oct 2022	25 Sep 2023	24 Sep 2024
Vesting hurdle(s)	TSR & EPS	TSR, EPS & ROIC			
Test result	All rights lapsed	N/A	N/A	N/A	N/A

During FY2021, the FY2017 Award was tested and did not vest as performance hurdles were not met. The next test date will be in October 2021, for performance rights granted in FY2018.

Performance rights relating to the FY2017 award were tested in October 2020. The TSR performance of the Group was -34.5% (excluding the value of franking credits), with a percentile ranking of 11.43%. As this was below the 50th percentile, none of the TSR component of the FY2017 award vested. The EPS performance hurdle of 5.1 cents per share was below the threshold of 37.7 cents per share and accordingly none of the EPS component of the FY2017 award vested.

The FY2018 award, due to be tested on 2 October 2021, has EPS, TSR and ROIC performance hurdles that each comprise one third of the award outcome. Details of the performance outcomes relative to target and threshold amounts will be provided to shareholders ahead of the 2021 AGM and reported in the FY2022 Remuneration Report.

Table 11 summarises the unvested performance rights held by Executive KMP as at 30 June 2021.

TABLE 11: PERFORMANCE RIGHTS BY AWARD HELD BY EXECUTIVE KMP AT 30 JUNE 2021

Executive KMP	FY2018 Award	FY2019 Award	FY2020 Award	FY2021 Award	Total performance rights retained
Matt Bekier	627,706	668,203	691,216	948,952	2,936,077
Greg Hawkins	163,636	145,039	180,193	247,382	736,250
Geoff Hogg	82,500	74,952	93,118	127,839	378,409
Harry Theodore⁽ⁱ⁾	31,818	28,908	94,386	147,251	302,363
Total performance rights	905,660	917,102	1,058,913	1,471,424	4,353,099

⁽ⁱ⁾ Performance rights in FY2018 and FY2019 awards reflect those granted prior to his appointment as CFO in FY2020.

Table 12 shows the variable remuneration of Executive KMP under the 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 12: VARIABLE REMUNERATION UNDER THE LTI FOR THE YEAR ENDED 30 JUNE 2021

Executive	Financial Year	Number of Performance Rights Granted	Fair Value of Performance Rights Granted	Fair Value at Grant Date	Grant Date	Test Date	As a % of total remuneration ⁽ⁱ⁾	Number of Performance Rights Vested	Number of Performance Rights Lapsed ⁽ⁱⁱ⁾
Matt Bekier	2021	948,952	2,619,108	2.76	24/09/2020	24/09/2024	21%	-	(548,204)
	2020	691,216	2,529,851	3.66	3/10/2019	3/10/2023	39%	-	(253,456)
Harry Theodore	2021	147,251	406,413	2.76	24/09/2020	24/09/2024	12%	-	(26,938)
	2020	94,386	345,453	3.66	3/10/2019	3/10/2023	13%	-	-
Greg Hawkins	2021	247,382	682,774	2.76	24/09/2020	24/09/2024	11%	-	(117,958)
	2020	180,193	659,506	3.66	3/10/2019	3/10/2023	20%	-	(110,599)
Geoff Hogg	2021	127,839	352,836	2.76	24/09/2020	24/09/2024	11%	-	(54,064)
	2020	93,118	340,812	3.66	3/10/2019	3/10/2023	20%	-	(50,691)
TOTAL FY2021		1,471,424	4,061,131					0	(747,164)
TOTAL FY2020		1,058,913	3,875,622					0	(414,746)

⁽ⁱ⁾ Percentage calculation based on accounting LTI expense and total remuneration as reported in Table 14.

⁽ⁱⁱ⁾ Performance rights granted in FY2017 were tested in October 2020 and resulted in no performance rights vesting. Performance rights granted in FY2018 are due for testing in October 2021.

6 EXECUTIVE KMP CONTRACTS AND REMUNERATION

Remuneration arrangements for Executive KMP are reviewed annually by the Board. Table 13 outlines the remuneration arrangements for Executive KMP in FY2021 and their contracted employment details.

TABLE 13: EXECUTIVE KMP REMUNERATION AND EMPLOYMENT CONTRACTS

Contract Details	Matt Bekier Managing Director and Chief Executive Officer		Harry Theodore Chief Financial Officer		Greg Hawkins Chief Casino Officer		Geoff Hogg Chief Casino Officer (QLD)	
	FY2020	FY2021	FY2020	FY2021	FY2020	FY2021	FY2020	FY2021
Fixed remuneration ⁽ⁱ⁾	\$1,728,900	\$1,728,900	\$660,000	\$750,000	\$1,260,000	\$1,260,000	\$651,131	\$651,131
Short-term incentive target	\$1,728,900	\$1,728,900	\$396,000	\$450,000	\$756,000	\$756,000	\$390,679	\$390,679
Long-term incentive (annual award value)	\$2,900,000	\$2,900,000	\$396,000	\$450,000	\$756,000	\$756,000	\$390,679	\$390,679
Total Target Annual Reward	\$6,357,800	\$6,357,800	\$1,452,000	\$1,650,000	\$2,772,000	\$2,772,000	\$1,432,489	\$1,432,489
Short-term incentive maximum value	\$2,593,350	\$2,593,350	\$990,000	\$1,125,000	\$1,890,000	\$1,890,000	\$976,697	\$976,697
Long-term incentive maximum value	\$2,900,000	\$2,900,000	\$396,000	\$450,000	\$756,000	\$756,000	\$390,679	\$390,679
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		9 months		9 months		6 months	
Notice by the Group	12 months		9 months		9 months		9 months	
Restraint ⁽ⁱⁱ⁾	12 months		12 months		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⁾ The Star Entertainment Group deducts superannuation from the Executives' fixed remuneration as per the Australian Tax Office Superannuation Guarantee Cap.

⁽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.

7 STATUTORY EXECUTIVE KMP REMUNERATION

Table 14 sets out Executive KMP remuneration as required by the Corporations Act and its regulations, including the relevant Australian Accounting Standard principles.

TABLE 14: STATUTORY EXECUTIVE KMP REMUNERATION

Executive	Financial year	Short-term			Long-term	Post-Employment	Charge for share based allocations		Termination payments	Total remuneration	Performance related
		Salary ⁽ⁱ⁾	Bonus ⁽ⁱⁱ⁾	Non-monetary benefits ⁽ⁱⁱⁱ⁾	Long service leave	Superannuation ^(iv)	Performance rights ^(v)	Restricted shares ^(vi)			
		\$	\$	\$	\$	\$	\$	\$			
Matt Bekier	2021	1,988,464	-	4,276	28,348	26,163	633,928	383,018	-	3,064,197	33%
	2020	1,330,226	-	1,064	17,009	25,471	1,406,229	448,867	-	3,228,866	57%
Harry Theodore	2021	851,943	-	4,276	12,298	21,694	128,702	87,729	-	1,106,642	20%
	2020	430,559	-	1,064	7,575	17,502	100,465	142,685	-	699,850	35%
Greg Hawkins	2021	1,304,268	-	4,276	20,660	26,494	186,401	111,655	-	1,653,754	18%
	2020	1,098,915	-	1,064	14,462	25,803	336,684	130,210	-	1,607,138	29%
Geoff Hogg	2021	700,760	-	2,409	10,676	21,694	95,139	57,700	-	888,378	17%
	2020	518,655	-	1,058	7,474	21,003	170,152	75,950	-	794,292	31%
Chad Barton	2021	-	-	-	-	-	-	-	-	-	-
	2020	409,460	-	708	-	14,002	23,030	-	592,223	1,039,423	2%
TOTAL FY2021		4,845,435	-	15,237	71,982	96,045	1,044,170	640,102	-	6,712,971	
TOTAL FY2020		3,787,815	-	4,958	46,520	103,781	2,036,560	797,712	592,223	7,958,746	

⁽ⁱ⁾ Comprises salary, salary sacrificed benefits (including motor vehicle novated leases) and annual leave expense. During FY2020, COVID adjustments to KMP salaries between 20-40% were applied from April to June 2020.

⁽ⁱⁱ⁾ Represents the fair value of share based payments expensed by The Star Entertainment Group in relation to STI awards. Prior year comparatives have been amended to match the current year presentation.

⁽ⁱⁱⁱ⁾ Comprises car parking, accommodation, airfares and travel costs where applicable. These amounts are non-contractual.

^(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 FY2021 is due to the adjustment made under accounting standards to reflect the probability of vesting of the two performance hurdles (EPS and ROIC).

8 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 KMPs 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 did not approve any increase to NED fees in FY2021.

Table 15 sets out the annual Board and Committee fee structure for FY2021.

TABLE 15: ANNUAL NED FEES (INCLUSIVE OF SUPERANNUATION)

	Board	Audit	Risk & Compliance	Remuneration	People, Culture & Social Responsibility
Chair	\$484,500	\$35,000	\$35,000	\$35,000	\$35,000
Member	\$163,200	\$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.

Table 16 sets out total remuneration received by each NED.

TABLE 16: NED REMUNERATION

NED	Financial year	Board and Committee Fees \$	Superannuation⁽ⁱ⁾ \$	Total⁽ⁱⁱ⁾ \$
John O'Neill AO	2021	462,806	21,694	484,500
	2020	402,935	21,003	423,938
Gerard Bradley AO	2021	196,986	18,714	215,700
	2020	186,347	17,703	204,050
Ben Heap	2021	212,968	20,232	233,200
	2020	172,363	16,375	188,738
Katie Lahey AM	2021	212,968	20,232	233,200
	2020	186,347	17,703	204,050
Sally Pitkin AO	2021	212,968	20,232	233,200
	2020	186,347	17,703	204,050
Richard Sheppard	2021	194,322	18,461	212,783
	2020	186,347	17,703	204,050
Zlatko Todorcevski	2021	32,831	3,119	35,950
	2020	193,934	10,116	204,050
TOTAL FY2021	2021	1,525,849	122,684	1,648,533
TOTAL FY2020	2020	1,514,620	118,306	1,632,926

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

⁽ⁱⁱ⁾ During FY2020, NEDs accepted a 50% reduction in fees in April to June 2020 following the impact of COVID-19 on the business.

Minimum Shareholding Policy for NEDs

To support the alignment of the interests of the Board and executives with the interests of shareholders, the Group has minimum shareholding policies in place. NEDs are required 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.

TABLE 17: SHARES HELD BY NEDS AT 30 JUNE 2021

Name	Balance at start of the year	Number acquired	Number divested	Balance at the end of the year
John O'Neill AO	133,800	0	–	133,800
Gerard Bradley AO	75,000	0	–	75,000
Ben Heap	40,000	0	–	40,000
Katie Lahey AM	46,907	10,000	–	56,907
Sally Pitkin AO	45,900	0	–	45,900
Richard Sheppard	200,000	50,000	–	250,000
Zlatko Todorcevski⁽ⁱ⁾	155,000	0	–	155,000
Total ordinary shares	696,607	60,000	–	756,607

⁽ⁱ⁾ Ceased as Non-Executive Director on 31 August 2020. The number of securities disclosed above was applicable at the time of cessation.

9 OTHER INFORMATION

9.1. LOANS AND OTHER TRANSACTIONS WITH KMP

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

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 2021

Consolidated income statement

For the year ended 30 June 2021

	Note	2021 \$m	2020 Restated* \$m
Revenue	A2	1,545.4	1,487.0
Other income	A3	12.6	1.7
Government taxes and levies	A3	(378.7)	(377.3)
Employment costs	A3	(501.7)	(532.6)
Depreciation, amortisation and impairment	A4	(243.8)	(229.5)
Cost of sales		(64.8)	(74.7)
Property costs		(56.2)	(64.9)
Advertising and promotions		(54.3)	(82.8)
Other expenses		(115.7)	(192.3)
Share of net loss of associate and joint venture entities accounted for using the equity method	D5	(4.4)	(12.1)
Earnings/(loss) before interest and income tax (EBIT/LBIT)		138.4	(77.5)
Net finance costs	A5	(58.6)	(52.2)
Profit/(loss) before income tax (PBT/LBT)		79.8	(129.7)
Income tax (expense)/benefit	F2	(21.9)	34.9
Net profit/(loss) after tax (NPAT/NLAT)		57.9	(94.8)
Other comprehensive (loss)/income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Change in fair value of cash flow hedges taken to equity, net of tax	F1	(6.4)	9.2
Total comprehensive income/(loss) for the period		51.5	(85.6)
Earnings per share:			
Basic earnings per share	F3	6.1	(10.3) cents
Diluted earnings per share	F3	6.1	(10.3) cents
Fully franked dividend per share	A6	-	10.5 cents

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

* Comparatives have been restated due to a change in accounting policy (refer to note G).

Consolidated balance sheet

For the year ended 30 June 2021

	Note	2021 \$m	2020 Restated* \$m
ASSETS			
Cash and cash equivalents	B1	67.9	66.1
Trade and other receivables	B2	23.3	99.5
Inventories		15.2	16.4
Income tax receivable	F2	-	7.5
Derivative financial instruments	B3	2.9	65.8
Asset held for sale	F12	30.6	37.2
Other assets	F4	23.8	59.9
Total current assets		163.7	352.4
Property, plant and equipment	B4	2,695.4	2,837.0
Intangible assets	B5	1,831.4	1,839.8
Derivative financial instruments	B3	13.9	67.9
Investment in associate and joint venture entities	D5	631.7	525.1
Other assets	F4	37.2	40.4
Total non current assets		5,209.6	5,310.2
TOTAL ASSETS		5,373.3	5,662.6
LIABILITIES			
Trade and other payables	F5	181.8	324.0
Interest bearing liabilities	B7	6.8	162.9
Income tax payable	F2	1.0	-
Provisions	F6	78.6	70.9
Derivative financial instruments	B3	5.6	7.7
Other liabilities	F7	23.5	21.5
Total current liabilities		297.3	587.0
Interest bearing liabilities	B7	1,285.9	1,462.1
Deferred tax liabilities	F2	138.3	134.3
Provisions	F6	10.0	10.5
Derivative financial instruments	B3	8.0	7.0
Other liabilities	F7	9.8	5.9
Total non current liabilities		1,452.0	1,619.8
TOTAL LIABILITIES		1,749.3	2,206.8
NET ASSETS		3,624.0	3,455.8
EQUITY			
Share capital	F8	3,159.3	3,050.8
Retained earnings		459.5	401.6
Reserves	F8	5.2	3.4
TOTAL EQUITY		3,624.0	3,455.8

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

* Comparatives have been restated due to a change in accounting policy (refer to note G).

Consolidated statement of cash flows

For the year ended 30 June 2021

	2021	2020
Note	\$m	Restated* \$m
Cash flows from operating activities		
Net cash receipts from customers (inclusive of GST)	1,689.7	1,640.1
Payments to suppliers and employees (inclusive of GST)	(995.9)	(1,106.9)
Payment of government levies, gaming taxes and GST	(335.2)	(418.7)
Interest received	-	0.4
Income taxes paid	(6.8)	(19.8)
Receipt of government grants	112.7	40.0
Net cash inflow from operating activities	464.5	135.1
Cash flows from investing activities		
Payments for property, plant, equipment and intangibles	(102.1)	(237.2)
Proceeds from sale of plant and equipment	33.1	-
Payments for investment in associate and joint venture entities	(118.3)	(153.4)
Dividends received from joint venture entities	-	1.3
Net cash outflow from investing activities	(187.3)	(389.3)
Cash flows from financing activities		
Proceeds from interest bearing liabilities	154.0	898.0
Repayment of interest bearing liabilities	(369.0)	(516.0)
Dividends paid	(75.1)	(91.7)
Proceeds from issue of shares	75.0	-
Finance costs	(61.3)	(62.7)
Purchase of treasury shares	-	(12.2)
Disposal of treasury shares	11.7	-
Interest payment of lease liabilities	(3.8)	(4.0)
Principal payment of lease liabilities	(6.9)	(5.4)
Net cash (outflow)/inflow from financing activities	(275.4)	206.0
Net increase/(decrease) in cash and cash equivalents	1.8	(48.2)
Cash and cash equivalents at beginning of the year	66.1	114.3
Cash and cash equivalents at end of the year	67.9	66.1

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

* Comparatives have been restated due to a change in accounting policy (refer to note G).

Consolidated statement of changes in equity

For the year ended 30 June 2021

	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
2021								
Balance at 1 July 2020		3,069.7	(18.9)	401.6	(16.6)	3.2	16.8	3,455.8
Profit for the year		-	-	57.9	-	-	-	57.9
Other comprehensive income	F1	-	-	-	(4.8)	(1.6)	-	(6.4)
Total comprehensive income		-	-	57.9	(4.8)	(1.6)	-	51.5
Issue of share capital	F8	108.2	-	-	-	-	-	108.2
Purchase of treasury shares	F8	-	(12.0)	-	-	-	-	(12.0)
Disposal of treasury shares	F8	-	11.7	-	-	-	-	11.7
Shares issued to settle employee share programs	F8	-	0.6	-	-	-	-	0.6
Employee share based payments	F10	-	-	-	-	-	8.2	8.2
Balance at 30 June 2021		3,177.9	(18.6)	459.5	(21.4)	1.6	25.0	3,624.0
2020 Restated*								
Balance at 1 July 2019		3,069.7	(6.7)	684.5	(27.5)	4.9	7.0	3,731.9
Loss for the year		-	-	(94.8)	-	-	-	(94.8)
Other comprehensive loss	F1	-	-	-	10.9	(1.7)	-	9.2
Total comprehensive income		-	-	(94.8)	10.9	(1.7)	-	(85.6)
Dividends paid	A6	-	-	(91.7)	-	-	-	(91.7)
Dividends declared but not yet paid		-	-	(96.4)	-	-	-	(96.4)
Purchase of treasury shares	F8	-	(12.2)	-	-	-	-	(12.2)
Employee share based payments	F10	-	-	-	-	-	9.8	9.8
Balance at 30 June 2020		3,069.7	(18.9)	401.6	(16.6)	3.2	16.8	3,455.8

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

* Comparatives have been restated due to a change in accounting policy (refer to note G).

Notes to the financial statements

For the year ended 30 June 2021

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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For the year ended 30 June 2021

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 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, restaurants, bars and other entertainment facilities.
- Gold Coast** Comprises The Star Gold Coast's casino operations, including hotels, theatre, restaurants, bars and other entertainment facilities.
- Brisbane** Comprises Treasury's casino operations, including hotel, restaurants and bars.

	Sydney \$m	Gold Coast \$m	Brisbane \$m	Total \$m
2021				
Gross revenues - VIP ^a	8.5	0.6	0.4	9.5
Gross revenues - domestic ^a	819.7	380.7	347.2	1,547.6
Segment revenue	828.2	381.3	347.6	1,557.1
Segment earnings before interest, tax, depreciation, amortisation and significant items	199.8	112.5	114.4	426.7
Depreciation and amortisation (refer to note A4)	119.9	61.9	28.7	210.5
Capital expenditure	58.5	59.3	13.5	131.3
2020 Restated*				
Gross revenues - VIP ^a	261.6	23.6	-	285.2
Gross revenues - domestic ^a	907.9	304.2	251.6	1,463.7
Segment revenue	1,169.5	327.8	251.6	1,748.9
Segment earnings before interest, tax, depreciation, amortisation and significant items	284.1	(53.9)	51.8	282.0
Depreciation and amortisation (refer to note A4)	114.7	59.7	27.8	202.2
Capital expenditure	199.5	30.7	18.6	248.8

^a Total gross revenue is presented as the gross gaming win before player rebates and promotional allowances of \$11.7 million (2020: \$261.9 million).

	2021 \$m	2020 Restated* \$m
Reconciliation of reportable segment profit to profit before income tax		
Segment earnings before interest, tax, depreciation, amortisation and significant items	426.7	282.0
Depreciation and amortisation (refer to note A4)	(210.5)	(202.2)
Significant items (refer to note A7)	(77.7)	(159.0)
Unallocated items:		
- net finance costs before significant items (refer to note A5)	(54.3)	(48.4)
- share of net loss of associate and joint venture entities accounted for using the equity method (refer to note D5)	(4.4)	(2.1)
Profit/(loss) before income tax (PBT/LBT)	79.8	(129.7)

* Comparatives have been restated due to a change in accounting policy (refer to note G).

Notes to the financial statements

For the year ended 30 June 2021

A2 Revenue

	2021 \$m	2020 \$m
Gaming	1,150.9	1,058.4
Non-gaming	385.1	418.4
Other	9.4	10.2
Total revenue	1,545.4	1,487.0

Revenue is up \$58.4 million or 3.9% on the prior comparative period (pcp). Gaming revenue performed well, up on pcp despite ongoing COVID-19 related restrictions and reduced International VIP Rebate customers.

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 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:

Other income		
Gain on disposal of assets (refer to note A7)	10.2	0.8
Foreign exchange gain	-	0.9
Other	2.4	-
	12.6	1.7
Government taxes and levies (including gaming GST):		
New South Wales	208.0	247.0
Queensland	170.7	130.3
	378.7	377.3
Employment costs*:		
Salaries, wages, bonuses, redundancies and other benefits ^a	451.3	485.1
Defined contribution plan expense (superannuation guarantee charges)	42.2	38.5
Share based payment expense (refer to note F10)	8.2	9.0
	501.7	532.6

^a Salaries and wages have reduced due to the COVID-19 restrictions. This amount is net of \$88.2 million (2020: \$64.8 million) of financial support provided by the Federal Government under the JobKeeper wage subsidy scheme. As a result of the JobKeeper subsidy, the Group has received a \$58.0 million (2020: \$9.6 million) benefit towards salaries and wages expenses, for employees who have been stood up or are working reduced hours.

* Comparatives have been restated due to a change in accounting policy (refer to note G).

Notes to the financial statements

For the year ended 30 June 2021

A4 Depreciation, amortisation and impairment

	2021 \$m	2020 Restated* \$m
Property, plant and equipment (refer to note B4)	176.2	171.5
Intangible assets (refer to note B5)	33.4	28.7
Other	0.9	2.0
Total depreciation and amortisation	210.5	202.2
Impairment - Property, plant and equipment	33.3	22.1
Impairment - Intangibles	-	1.4
Impairment - Other	-	3.8
Total impairment	33.3	27.3
Total depreciation, amortisation and impairment	243.8	229.5

* Comparatives have been restated due to a change in accounting policy (refer to note G).

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.

Right of use assets, which includes plant, equipment and property, is depreciated on a straight line basis over the shorter of its estimated useful life and the lease term. The Group's lease portfolio includes assets with lease terms between 1 and 75 years.

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

A5 Net finance costs

	2021 \$m	2020 \$m
Interest paid on borrowings	46.1	46.4
Capitalised to property, plant and equipment ^a	-	(9.9)
Borrowing costs	13.7	15.3
US Private Placement premium unwind	(5.4)	(5.6)
Fair value hedging adjustment	0.4	2.4
Interest income	-	(0.4)
Leases interest	3.8	4.0
Net finance costs recognised in the income statement ^b	58.6	52.2

a No borrowing costs (2020: \$9.9 million) were capitalised during the year.

b Net finance costs include \$4.3 million (2020: \$3.8 million) of finance costs associated with COVID-19 affected loan facilities (refer to note A7).

Net finance costs of \$58.6 million were up 12.3% on the pcp. Capitalised interest in the pcp primarily related to the upgraded and expanded Sovereign private gaming room in Sydney. There were no projects accumulating capitalised interest in the current year.

Notes to the financial statements

For the year ended 30 June 2021

A6 Dividends

	2021 Cents per share	2020 Cents per share
Dividends per share		
Interim dividend ^a	-	10.5
Total dividend	-	10.5

The Group remains committed to maintaining a balance sheet that positions it for post-COVID-19 recovery. No final dividend was declared, given the continuing impacts of COVID-19 on the Group and in accordance with the conditions of debt covenant waivers at 30 June 2020 and 31 December 2020 which restrict further cash dividends from being paid until the Group's gearing, which represents the ratio of net debt to 12 month trailing statutory EBITDA, is below 2.5 times.

	2021 \$m	2020 \$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 ^b	-	91.7
Interim dividend paid during the year in respect of the half year ended 31 December 2019 ^a	96.4	-

a No interim dividend was declared for the half year ended 31 December 2020 (2019: 10.5 cents per share fully franked was declared on 19 February 2020 and paid on 2 July 2020). The 2020 interim dividend payment was deferred from the original payment date of 1 April 2020 due to the exceptional circumstances associated with COVID-19 requiring the closure of the properties, and a revised Dividend Reinvestment Plan (DRP) which was fully underwritten by Credit Suisse Equities (Australia) Limited. On 2 July 2020, the Group issued 30,730,998 new shares to settle the interim dividend. Existing shareholders who elected to participate in the DRP received 6,849,977 new shares worth \$21.3 million. In accordance with the underwriting agreement, Credit Suisse Equities (Australia) Limited received 23,881,021 new shares in exchange for \$75.1 million cash to fund the interim dividend cash payment.

b No final dividend was declared for the year ended 30 June 2021 and 30 June 2020.

Franking credit balance		
Amount of franking credits available to shareholders	86.9	121.6

Notes to the financial statements

For the year ended 30 June 2021

A7 Significant items

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

	2021	2020 Restated*
	\$m	\$m
Impairment ^a	36.5	39.5
Expected credit losses ^b	21.3	84.1
One-off COVID-19 related expenditure ^c	21.1	32.3
Accounting for software change ^d	7.1	3.1
Crown merger costs ^e	1.1	-
Gain on disposal of land ^f	(9.4)	-
Net significant items	77.7	159.0
Tax on significant items	(26.2)	(44.6)
Significant items net of tax	51.5	114.4

* Comparatives have been restated due to a change in accounting policy (refer to note G).

- a Current year impairments relate to write down of the 2018 Bombardier aircraft held for sale to its recoverable amount, venue closures and excess office space due to the closure of international junket operations following outcomes of Bergin Inquiry recommendations and write-off of combustible cladding used in property upgrades. The pcip includes write-down of the 2015 Bombardier aircraft held for sale to its recoverable amount and an equity accounted share of impairment loss for the Group's interest in the Sheraton Grand Mirage Resort, Gold Coast, consumables upgrade costs in Sydney and costs associated with cessation of the Gold Coast and Tropical North (Cairns) Global Tourism Hubs processes and the rejected Sydney Ritz-Carlton Tower development proposal.
- b Increased expected credit loss provisioning and impairment of other receivables as a result of the ongoing COVID-19 impacts on border closures and cessation of international junket operations due to the outcomes of the Bergin Inquiry recommendations. In the pcip, incremental impact to the Group's expected credit loss model as a result of the COVID-19 pandemic, government imposed restrictions, international travel bans and other economic conditions.
- c Current year COVID-19 related expenditure includes restructuring and redundancy costs, costs associated with the Group business interruption insurance claim, support payments for employees experiencing sudden and severe financial hardship and finance costs associated with COVID-19 affected loan facilities. The pcip includes payments for pandemic leave and support (net of \$7.8 million JobKeeper wage subsidy), abandoned capital projects, expired perishable food and beverage supplies, finance costs and other costs associated with COVID-19 restricted operating conditions.
- d The Group's accounting policy for Software-as-a-Service (SaaS) arrangements was changed following an IFRIC agenda decision in April 2021. Labour and consultant costs which would have been capitalised under the previous policy were expensed (refer to note G). The most significant project impacted is for the implementation of a new payroll system that will be completed in FY2022.
- e Costs associated with the announced non-binding indicative proposal to merge with Crown Resorts Limited. The proposal was withdrawn on 23 July 2021 (refer to note C3).
- f Gain on disposal of Gold Coast land to the Destination Gold Coast Consortium joint venture for construction of the second residential, hotel and retail tower.

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).

A8 Leases

The following amounts relating to AASB16 leases are recognised in the income statement:

	2021	2020
	\$m	\$m
Depreciation expense of right-of-use assets	7.2	8.1
Interest expense on lease liabilities	3.8	4.0
Total	11.0	12.1

Notes to the financial statements

For the year ended 30 June 2021

B Key balance sheet disclosures

Assets

B1 Cash and cash equivalents

	2021 \$m	2020 \$m
Cash on hand and in banks	64.1	64.1
Short term deposits, maturing within 30 days	3.8	2.0
	67.9	66.1

B2 Trade and other receivables

Trade receivables	44.1	157.3
Less provision for impairment	(38.1)	(103.6)
Net trade receivables	6.0	53.7
Other receivables	17.3	45.8
	23.3	99.5

Net trade receivables were down \$47.7 million or 88.8% from the pcp due to collections and impairment of receivables.

(i) Provision for impairment reconciliation

Balance at beginning of year	(103.6)	(11.3)
Impairment of trade receivables ^a	(16.4)	(97.3)
Less amounts written off as uncollectible	81.9	5.0
Balance at end of year	(38.1)	(103.6)

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

The estimates and assumptions associated with the Group's expected credit loss model were revised as a result of the impact of the Bergin Inquiry on international junkets and the ongoing effects of COVID-19. An additional \$16.4 million provision (2020: \$84.1 million) has been recognised, reflecting the increased uncertainty around collection of outstanding junket receivables.

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	30 days - 1 year	1 - 3 years	3 years +	Total
	\$m	\$m	\$m	\$m	\$m
2021					
Not yet due	1.8	-	-	-	1.8
Past due not impaired	-	0.1	3.8	0.3	4.2
Considered impaired	-	-	38.1	-	38.1
	1.8	0.1	41.9	0.3	44.1
2020					
Not yet due	0.9	-	-	-	0.9
Past due not impaired	-	46.7	6.1	-	52.8
Considered impaired	-	64.3	39.3	-	103.6
	0.9	111.0	45.4	-	157.3

Notes to the financial statements

For the year ended 30 June 2021

Other receivables

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

Impairment of trade receivables

The Group impairment analysis is performed at each reporting date to measure expected credit losses. The provision reflects the probability-weighted outcome of reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Due to the unprecedented impact of the COVID-19 pandemic, impacts of the Bergin Inquiry recommendations, government imposed restrictions, international border closures and other economic impacts, debtor balances have been individually assessed based on criteria, including: patron's financial circumstances; payment history; relationship with the Group; international gambling activity; and whether a legal claim has commenced to collect the balance.

B3 Derivative financial instruments

	2021 \$m	2020 \$m
Current assets		
Cross currency swaps	2.9	65.8
	2.9	65.8
Non current assets		
Cross currency swaps	13.7	67.9
Interest rate swaps	0.2	-
	13.9	67.9
Current liabilities		
Cross currency swaps	2.9	-
Interest rate swaps	2.7	7.7
	5.6	7.7
Non current liabilities		
Cross currency swaps	4.3	-
Interest rate swaps	3.7	7.0
	8.0	7.0
Net financial assets	3.2	119.0

Net derivative assets are down \$115.8 million due to settlement of the cross currency swap hedging the US\$105 million USPP in June 2021 and appreciation of the AUD:USD exchange rate.

Valuation of derivatives and other financial instruments

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

Refer to note E2 for additional financial instruments disclosure.

Notes to the financial statements

For the year ended 30 June 2021

B4 Property, plant and equipment

	Note	Freehold land \$m	Freehold and leasehold buildings \$m	Leasehold improvements \$m	Plant and equipment \$m	Right of use asset \$m	Total \$m
2021							
Cost							
Opening balance at beginning of the year		77.0	2,676.6	297.7	1,193.7	64.4	4,309.4
Additions		-	64.6	3.7	38.1	0.4	106.8
Disposals / write offs		(4.5)	(37.4)	(0.4)	(33.1)	(1.9)	(77.3)
Reclassification / transfer		-	(25.9)	4.5	21.8	-	0.4
Non-current asset held for sale	F12	-	-	-	(61.0)	-	(61.0)
Closing balance at end of the year ^a		72.5	2,677.9	305.5	1,159.5	62.9	4,278.3
Accumulated depreciation							
Opening balance at beginning of the year		-	534.1	123.5	806.7	8.1	1,472.4
Depreciation expense	A4	-	63.9	12.0	93.1	7.2	176.2
Disposals / transfers		-	(30.1)	(0.9)	(36.1)	(1.5)	(68.6)
Non-current asset held for sale	F12	-	-	-	(30.4)	-	(30.4)
Impairments	A4	-	7.8	0.2	22.5	2.8	33.3
Closing balance at end of the year		-	575.7	134.8	855.8	16.6	1,582.9
Carrying Amount							
Opening balance at beginning of the year		77.0	2,142.5	174.2	387.0	56.3	2,837.0
Closing balance at end of the year		72.5	2,102.2	170.7	303.7	46.3	2,695.4
2020							
Cost							
Opening balance at beginning of the year		77.0	2,529.9	293.2	1,215.1	-	4,115.2
Additions		-	159.9	4.0	62.3	4.1	230.3
Disposals		-	(2.8)	(0.2)	(16.7)	-	(19.7)
Reclassification / transfer		-	(10.4)	0.7	10.7	-	1.0
Retirements		-	-	-	(77.7)	-	(77.7)
Other		-	-	-	-	60.3	60.3
Closing balance at end of the year ^a		77.0	2,676.6	297.7	1,193.7	64.4	4,309.4
Accumulated depreciation							
Opening balance at beginning of the year		-	465.8	113.8	755.8	-	1,335.4
Depreciation expense	A4	-	64.5	9.7	89.2	8.1	171.5
Disposals / transfers		-	(2.8)	-	(13.3)	-	(16.1)
Transferred to assets held for sale		-	-	-	(40.5)	-	(40.5)
Impairments		-	6.6	-	15.5	-	22.1
Closing balance at end of the year		-	534.1	123.5	806.7	8.1	1,472.4
Carrying Amount							
Opening balance at beginning of the year		77.0	2,064.1	179.4	459.3	-	2,779.8
Closing balance at end of the year		77.0	2,142.5	174.2	387.0	56.3	2,837.0

Notes to the financial statements

For the year ended 30 June 2021

	2021 \$m	2020 \$m
a Includes capital works in progress of:		
Buildings - at cost	22.9	264.9
Leasehold improvements - at cost	1.2	1.4
Plant and equipment - at cost	2.9	79.1
Total capital works in progress	27.0	345.4

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;
- Plant and equipment - operational and other equipment: and
- Right-of-Use assets - Property 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.

Impairment

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

Notes to the financial statements

For the year ended 30 June 2021

B5 Intangible assets

	Note	Goodwill \$m	Sydney and Brisbane casino licences \$m	Sydney casino concessions \$m	Software ^a \$m	Other \$m	Total \$m
2021							
Cost							
Opening balance at beginning of the year		1,442.2	294.7	100.0	268.6	20.1	2,125.6
Additions		-	-	-	24.9	-	24.9
Disposals / write offs		-	-	-	(0.2)	-	(0.2)
Reclassification / transfer		-	-	-	(0.4)	-	(0.4)
Closing balance at end of the year ^a		1,442.2	294.7	100.0	292.9	20.1	2,149.9
Accumulated amortisation							
Opening balance at beginning of the year		-	75.5	30.4	173.6	6.3	285.8
Amortisation expense	A4	-	3.1	1.0	28.9	0.4	33.4
Disposals		-	-	-	(0.7)	-	(0.7)
Closing balance at end of the year		-	78.6	31.4	201.8	6.7	318.5
Carrying Amount							
Opening balance at beginning of the year		1,442.2	219.2	69.6	95.0	13.8	1,839.8
Closing balance at end of the year		1,442.2	216.1	68.6	91.1	13.4	1,831.4
2020 Restated*							
Cost							
Opening balance at beginning of the year		1,442.2	294.7	100.0	249.1	20.1	2,106.1
Additions		-	-	-	22.6	-	22.6
Disposals		-	-	-	(2.0)	-	(2.0)
Reclassification / transfer		-	-	-	(1.1)	-	(1.1)
Closing balance at end of the year ^a		1,442.2	294.7	100.0	268.6	20.1	2,125.6
Accumulated amortisation							
Opening balance at beginning of the year		-	72.3	28.7	150.8	5.9	257.7
Amortisation expense	A4	-	3.2	1.7	23.4	0.4	28.7
Disposals		-	-	-	(2.0)	-	(2.0)
Impairments		-	-	-	1.4	-	1.4
Closing balance at end of the year		-	75.5	30.4	173.6	6.3	285.8
Carrying Amount							
Opening balance at beginning of the year		1,442.2	222.4	71.3	98.3	14.2	1,848.4
Closing balance at end of the year		1,442.2	219.2	69.6	95.0	13.8	1,839.8

a Includes capital works in progress of \$11.2 million (2020: \$33.5 million).

* Comparatives have been restated due to a change in accounting policy (refer to note G).

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 product concessions in New South Wales which are amortised over the period of expected benefits.

Notes to the financial statements

For the year ended 30 June 2021

- 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 expected opening of the Integrated Resort at Queen's Wharf Brisbane (**QWB**) in 1H CY2023.
- 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
2021	1,013.5	165.5	263.2	1,442.2
2020	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% (2020: 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 7.9% to 8.4% (2020: 8.3% to 8.8%). The pre-tax discount rates range between 10.0% to 10.4% (2020: 10.7% to 11.7%).

No impairment was recognised for the cash generating units at 30 June 2021 (2020: nil).

Key assumptions

The fair value measurement is valued using level 3 valuation techniques (refer to note E2(i) 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.

iv. Regulatory changes

Bergin Inquiry

Following the release of the Bergin Report in February 2021, in May 2021 the Group agreed with the Independent Liquor and Gaming Authority in NSW to suspend business with international junket operators. The Group is applying the undertaking to all of its casino operations (New South Wales and Queensland). This has been reflected in the cash flow forecasts.

Notes to the financial statements

For the year ended 30 June 2021

Brisbane

Upon opening of the Integrated Resort in 1H FY2023, 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 and some operational assets in exchange for the right to operate the new QWB casino.

The Group's assessment of the Brisbane cash generating unit's recoverable amount considered the remaining year of existing operations and a terminal value based on either the exchange of assets for management rights over the new QWB casino or applying a terminal growth to the final year of operations. Neither model resulted in an impairment.

Gold Coast

The Queensland Government has ceased the process to create a Global Tourism Hub or second integrated resort on the Gold Coast and has confirmed it has no intention of reviving the market process for a new integrated resort. The Group continues to focus on delivery of its major investment projects in Queensland.

Sydney

The Star Sydney and the New South Wales Government reached an agreement which gives The Star regulatory certainty in the Sydney market for a 20 year period. This includes preserving The Star's exclusivity over electronic gaming machines in the current casino markets and flat rates of gaming tax as a percentage of revenue until the end of FY2041. The existing gaming tax arrangements apply in FY2021 and new arrangements commence in FY2022.

On 16 February 2021, the Independent Liquor and Gaming Authority (**ILGA**) no longer considered Crown Resorts Limited (**Crown**) or its subsidiaries suitable to hold a casino licence in NSW. Crown is yet to open its gaming facilities at the newly constructed Crown Sydney Hotel Resort (**Crown Sydney**) in Barangaroo South and no timeframe for its opening has been established by ILGA. Crown continues to work with ILGA with the aim of opening in the future.

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 2021. As further details of the 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, the recoverable amount is sensitive to changes in the compound average growth rate. A 24.3% reduction to this rate is a reasonably possible change that could give rise to a potential impairment.

For the Sydney and Brisbane properties, a reasonably possible change in any of the assumptions used does not result in an impairment charge. Management will continue to monitor the assumptions, in particular with regards to the impact of Crown Sydney, on the respective carrying values.

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 non-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 2021

Liabilities

B7 Interest bearing liabilities

	2021 \$m	2020 \$m
Current		
Private placement - US dollar - amortised cost	-	155.9
Lease liabilities	6.8	7.0
	6.8	162.9
Non current		
Bank loans - unsecured (net of unamortised borrowing costs)	776.5	893.9
Private placement - US dollar - amortised cost	466.0	518.0
Lease liabilities	43.4	50.2
	1,285.9	1,462.1

On 14 May 2021, the Group extended \$250 million of its bilateral facilities for up to 2 years. The bank facilities have maturities between one and five years, with an average weighted maturity of 3.7 years (2020: 4.0 years). The \$200 million club facility, executed in the pcg to provide additional liquidity during the COVID-19 pandemic, was cancelled early on 9 December 2020.

The \$98.1 million USPP matured on 15 June 2021 and was repaid utilising available bank facilities.

Net debt was \$1,171.4 million, down 15.3% on the pcg. Gearing levels were 2.7x at 30 June 2021, down from 4.9x* in the pcg.

* Comparatives have been restated due to a change in accounting policy (refer to note G).

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

2021 Type	Facility amount \$m USD	Facility amount \$m AUD ^a	Unutilised at 30 June \$m	Maturity date
Bank loans	-	75.0	31.0	July 2022
Bank loans	-	150.0	5.0	July 2023
Bank loans	-	765.0	257.0	July 2024
Bank loans	-	175.0	100.0	July 2025
Bank loans	-	40.0	31.0	July 2026
Total bank loans	-	1,205.0	424.0	
USPP	50.0	64.0	-	August 2025
USPP	288.4	369.4	-	August 2027
Total USPP	338.4	433.4	-	
Total	338.4	1,638.4	424.0	

Notes to the financial statements

For the year ended 30 June 2021

2020	Facility amount	Facility amount	Unutilised at 30 June	
Type	\$m USD	\$m AUD ^a	\$m	Maturity date
Bank loans	-	200.0	200.0	April 2021
Bank loans	-	225.0	3.0	July 2022
Bank loans	-	905.0	304.0	July 2024
Bank loans	-	75.0	-	July 2025
Total bank loans	-	1,405.0	507.0	
USPP	105.0	98.1	-	June 2021
USPP	50.0	64.0	-	August 2025
USPP	288.4	369.4	-	August 2027
Total USPP	443.4	531.5	-	
Total	443.4	1,936.5	507.0	

^a USPP Notes are issued in USD and converted to AUD for presentation purposes.

Bank loans - unsecured (net of unamortised borrowing costs) & US Private Placement (USPP)

Bank loans and working capital facility

Interest on bank facilities is variable, linked to Bank Bill Swap Bid Rate, plus a margin.

The Group has entered into interest rate swap agreements to hedge underlying debt obligations and allow \$250 million of floating rate bank loans 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.

USPP

The \$433.4 million (2020: \$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 Bank Bill Swap Rate, and a defined gearing ratio at the end of certain test dates. The US\$338.4 million (2020: US\$443.4 million) translated at 30 June 2021 spot rate is AUD\$450.2 million (2020: \$665.1 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 2021, 100% of the USPP borrowings balance of US\$338.4 million (2020: 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 2021, after taking into account the effect of interest rate swaps, approximately 39.0% (2020: 30.0%) of the Group's borrowings are hedged at a fixed rate of interest. 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 2021

C Commitments, contingencies and subsequent events

C1 Commitments

(i) Other commitments ^a

	2021 \$m	2020 \$m
Not later than one year	13.8	12.5
Later than one year but not later than five years	3.7	8.1
Later than five years	-	-
	17.5	20.6

^a Other commitments as at 30 June 2021 have decreased in line with the completion of Sydney redevelopment projects.

The Group completed equity contributions to Destination Brisbane Consortium to fund construction of the Integrated Resort, which is expected to open in 1H FY2023 (subject to various approvals). Remaining construction costs are to be funded out of committed project financing.

For Destination Gold Coast Consortium, construction is underway on two towers at 30 June 2021. Equity contributions towards Tower 1 are complete, with remaining construction costs to be funded out of committed project financing. The Group has \$26 million of committed equity contributions towards Tower 2. Project financing for the remaining build costs is currently under negotiation.

Refer to note D5 for commitments in respect of investment in associate and joint venture entities.

C2 Contingent assets and liabilities

AUSTRAC Enforcement Investigation

As announced on 7 June 2021, on 4 June 2021, the Company was informed by AUSTRAC's Regulatory Operations Team that it has identified potential serious non-compliance by The Star Pty Limited (**The Star Sydney**) with the Australian Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act) and the Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No.1) (**AML/CTF Rules**).

The potential non-compliance includes concerns regarding ongoing customer due diligence, adopting and maintaining an AML/CTF Program and Compliance with Part A of that Program. These concerns have been identified in the course of a compliance assessment which was commenced by AUSTRAC in September 2019. The compliance assessment focused on The Star Sydney's management of customers identified as high risk and politically exposed persons. The matter has been referred to AUSTRAC's Enforcement Team, who will conduct an enforcement investigation.

AUSTRAC has advised that it has not made a decision regarding the appropriate regulatory response that it may apply to The Star Sydney, including whether or not enforcement action will be taken. AUSTRAC has indicated that it will request information and documents from The Star Sydney as part of its investigation.

The Group takes its anti-money laundering obligations very seriously and will continue to fully co-operate with AUSTRAC in relation to its requests for information and documents and the investigation.

While there is a prospect that AUSTRAC may take enforcement action, whether it will remain uncertain, as does the type of that enforcement action, including whether a financial penalty is involved.

The Group has no other contingent liabilities at 30 June 2021.

Legal challenges

There are outstanding legal actions between the Company and its controlled entities and third parties as at 30 June 2021. 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.

Notes to the financial statements

For the year ended 30 June 2021

C3 Subsequent events

Sydney Lockdown

The COVID-19 lockdown of the Greater Sydney area continues to be extended, with the latest extension to 28 August 2021. This follows the closure of all non-essential businesses in specific local government areas (including City of Sydney), of which the Group's Sydney property is located, on 25 June 2021. Consequently, The Star Sydney has ceased its gaming, food and beverage, banqueting and conferencing operations, and has severely limited hotel accommodation until such time as the Government orders are lifted.

Withdrawal of Merger Proposal

As announced by the Company on 23 July 2021, its conditional, non-binding, indicative proposal announced on 10 May 2021 to merge its businesses with Crown Resorts Limited (**Crown**) has been withdrawn. The Company continues to believe substantial benefits could be unlocked by a merger, however the uncertainty surrounding Crown is such that the Company is unable to continue at the present time with its proposal in the form as announced on 10 May 2021. The Company remains open to exploring potential value enhancing opportunities with Crown.

GST Amended Assessment

On 11 August 2021 the Group received amended assessments from the Australian Taxation Office (**ATO**) in respect of a dispute for the period October 2013 to August 2017 (inclusive) in relation to the GST treatment of rebates paid to junket operators for The Star Pty Limited. The total primary tax in dispute for this period is \$81.9 million. The Group intends to pay \$41.0 million as a deposit to the ATO during the dispute process. The Group considers that it has paid the correct amount of tax and will pursue all available avenues of objection (including, if necessary, court proceedings) to the amended assessments.

Business Interruption Insurance Claim

On 5 August 2021, Chief Justice Allsop of the Federal Court of Australia dismissed the Company's insurance claim in relation to COVID-19 related business interruption. The Company is considering next steps, including appeal options. Any appeal must be lodged by 2 September 2021.

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 2021

D 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 2021 %	Equity interest at 30 June 2020 %
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	c	Macau	ordinary shares	100.0	100.0
The Star Entertainment International No.3 Pty Ltd		Australia	ordinary shares	100.0	100.0
EEL Services (Hong Kong) Holdings Limited		Hong Kong	ordinary shares	100.0	100.0
EEL Services (Hong Kong) Limited		Hong Kong	ordinary shares	100.0	100.0
EEL 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		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 Letting Pty Ltd	d	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
EEL Services Holdings No.1 Pty Ltd		Australia	ordinary shares	100.0	100.0
EEL Services Holdings No.2 Pty Ltd		Australia	ordinary shares	100.0	100.0
EEL 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 2021

Name of controlled entity	Note	Country of incorporation	Equity type	Equity interest at 30 June 2021 %	Equity interest at 30 June 2020 %
Destination Sydney Consortium Pty Limited		Australia	ordinary shares	100.0	100.0
The Star Entertainment Pyrmont Investments No.1 Pty Ltd		Australia	ordinary shares	100.0	100.0
The Star Entertainment GC No.1 Pty Ltd		Australia	ordinary shares	100.0	100.0
The Star Entertainment GC No.2 Pty Ltd		Australia	ordinary shares	100.0	100.0
The Star Entertainment Group Limited Employee Share Trust		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 This company's financial year end is 31 December.
- d The following entity changed its name on 29 April 2021:
- The Star Entertainment Letting Pty Ltd was previously known as The Star Entertainment International No.4 Pty Ltd.

(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 \$55.0 million were repaid by controlled entities (2020: \$133.8 million); and
- income tax and GST paid on behalf of controlled entities was \$94.9 million (2020: \$117.9 million).

The amount receivable by the Company from controlled entities at year end is \$757.0 million (2020: \$702.0 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 Gold Coast Consortium Pty Ltd was \$0.1 million (2020: \$0.5 million). There was no outstanding balance at 30 June 2021 (2020: nil); and
- Amount paid to Destination Gold Coast Consortium Pty Ltd was \$17.7 million (2020: \$7.8 million) relating to capital works.

Notes to the financial statements

For the year ended 30 June 2021

D2 Parent entity disclosures

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

	2021	2020
	\$m	\$m
Result of the parent entity		
Loss for the year	(0.2)	(12.4)
Total comprehensive loss for the year ^a	(0.2)	(12.4)

a The Group remains committed to maintaining a balance sheet that positions it for post-COVID-19 recovery. No final dividend was declared, given the continuing impacts of COVID-19 on the Group and in accordance with the conditions of debt covenant waivers at 30 June 2020 and 31 December 2020 which restrict further cash dividends from being paid until the Group's gearing, which represents the ratio of net debt to 12 month trailing statutory EBITDA, is below 2.5 times (refer to note A6).

Financial position of the parent entity		
Current assets	1,785.5	1,739.3
Non current assets	2,592.6	2,599.0
Total assets	4,378.1	4,338.3
Current liabilities	36.9	125.5
Non current liabilities	1,033.4	1,032.4
Total liabilities	1,070.3	1,157.9
Net assets	3,307.8	3,180.4
Total equity of the parent entity		
Issued capital	3,178.1	3,058.2
Retained earnings	114.6	110.7
Shared based payments benefits reserve	15.1	11.5
Total equity	3,307.8	3,180.4

Contingent liabilities

There were no contingent liabilities for the parent entity at 30 June 2021 (2020: 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 2021 (2020: nil).

Guarantees

The Star Entertainment Group Limited has guaranteed the liabilities of The Star Entertainment Finance Limited, The Star Entertainment International No.3 Pty Ltd and the customer loans for EEI Services (Hong Kong) Limited. As at 30 June 2021, the carrying amount included in current liabilities at 30 June 2021 of \$12.0 million (2020: nil), and the maximum amount of these guarantees was \$67.2 million (2020: \$116.7 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 2021

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 2021 of the closed group.

Consolidated income statement

	2021	2020
	\$m	\$m
Revenue	815.1	1,017.5
Other income	2.3	0.3
Government taxes and levies	(208.0)	(245.1)
Employment costs	(204.6)	(245.9)
Depreciation, amortisation and impairment	(123.3)	(163.0)
Cost of sales	(29.8)	(38.0)
Property costs	(32.0)	(36.8)
Advertising and promotions	(28.3)	(49.3)
Other expenses	(183.6)	(161.9)
Earnings before interest and tax (EBIT)	7.8	77.8
Net finance costs	(0.5)	(0.5)
Profit before income tax (PBT)	7.3	77.3
Income tax expense	(6.0)	(20.2)
Net profit after tax (NPAT)	1.3	57.1
Total comprehensive income for the period	1.3	57.1
Summary of movements in consolidated retained earnings		
Accumulated profit at the beginning of the financial year	110.1	53.0
Profit for the year	1.3	57.1
Accumulated profit at the end of the financial year	111.4	110.1

Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2021 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 2021

Consolidated balance sheet

	2021 \$m	2020 Restated* \$m
ASSETS		
Cash assets	26.8	24.0
Trade and other receivables	22.7	47.2
Inventories	7.3	7.8
Other	-	38.8
Total current assets	56.8	117.8
Property, plant and equipment	1,516.5	1,552.3
Intangible assets	269.6	275.0
Other assets	2.7	3.5
Total non current assets	1,788.8	1,830.8
TOTAL ASSETS	1,845.6	1,948.6
LIABILITIES		
Trade and other payables	491.5	609.1
Interest bearing liabilities	1.4	-
Provisions	35.7	33.9
Other liabilities	12.2	11.9
Total current liabilities	540.8	654.9
Deferred tax liabilities	44.8	39.6
Interest bearing liabilities	4.9	-
Provisions	3.8	4.1
Total non current liabilities	53.5	43.7
TOTAL LIABILITIES	594.3	698.6
NET ASSETS	1,251.3	1,250.0
EQUITY		
Issued Capital	1,139.9	1,139.9
Retained Earnings	111.4	110.1
TOTAL EQUITY	1,251.3	1,250.0

* Comparatives have been restated due to a change in accounting policy (refer to note G).

D4 Key Management Personnel disclosures

	2021 \$000	2020 \$000
Compensation of Key Management Personnel		
Short term	6,387	5,307
Long term	291	269
Share based payments	1,044	2,555
Termination benefits	-	592
Total compensation	7,722	8,723

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 2021

D5 Investment in associate and joint venture entities

Set out below are the investments of the Group as at 30 June 2021. 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. All investments listed below are measured using the equity accounting method.

2021 Name of entity	Country of incorporation	% of ownership	Nature of ownership	Share of (loss)/profit \$m	Carrying amount \$m
Material					
Destination Brisbane Consortium Integrated Resort Holdings Pty Ltd (i)	Australia	50	Associate	(2.7)	543.9
Destination Gold Coast Investments Pty Ltd (ii)	Australia	50	Joint venture	(0.2)	35.9
Destination Gold Coast Consortium Pty Ltd (iii)	Australia	33.3	Joint venture	(0.2)	30.4
Non material					
Festival Car Park Pty Ltd	Australia	50	Joint venture	0.5	14.0
Destination Sydney Consortium Investments Pty Ltd	Australia	50.0	Joint venture	(1.8)	7.5
Total equity accounted investments				(4.4)	631.7

For those investments considered material to the Group, further information is provided below:

(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 \$1.4 billion (2020: \$1.7 billion) to fund the construction of the Integrated Resort, which is expected to open in 1H CY2023 (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.

	2021 \$m	2020 \$m
Balance sheet		
Total current assets	88.0	149.1
Total non current assets	1,230.5	864.3
Total current liabilities	(95.8)	(74.7)
Total non current liabilities	(149.4)	(68.5)
Net assets	1,073.3	870.2
Reconciliation to investment carrying amount:		
Carrying amount at the beginning of the year	443.0	312.9
Share of equity contributions for the Group	103.6	131.5
Share of loss for the period	(2.7)	(1.4)
Carrying amount at the end of the year	543.9	443.0

Notes to the financial statements

For the year ended 30 June 2021

	2021	2020
	\$m	\$m
Income statement		
Loss before tax	(5.5)	(2.7)
Income tax benefit	-	-
Loss for the year (continuing operations)	(5.5)	(2.7)
Total comprehensive loss for the year (continuing operations)	(5.5)	(2.7)
Group's share of loss for the year	(2.7)	(1.4)
(ii) 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 2021 (2020: nil). 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.		
Balance sheet		
Cash and cash equivalents	11.5	9.3
Total current assets excluding cash and cash equivalents	1.8	1.8
Total non current assets	147.9	170.3
Total current liabilities	(9.2)	(4.7)
Total non current liabilities - financial liabilities	(67.8)	(72.8)
Other non current liabilities	(12.4)	(13.5)
Net assets	71.8	90.4
Reconciliation to investment carrying amount:		
Carrying amount at the beginning of the year	35.2	45.6
Share of (loss)/profit for the period ^a	(0.2)	(10.4)
Share of equity contributions for the Group	0.9	-
Carrying amount at the end of the year	35.9	35.2
Income statement		
Revenue	35.4	35.6
Interest expense	(1.4)	(2.4)
Depreciation and impairment expense	(3.6)	(23.3)
Operating expenses	(30.7)	(30.4)
Loss before tax	(0.3)	(20.5)
Income tax expense	(0.1)	(0.3)
Loss for the year (continuing operations)	(0.4)	(20.8)
Total comprehensive loss for the year (continuing operations)	(0.4)	(20.8)
Group's share of loss for the year	(0.2)	(10.4)

^a The share of loss for the pcp includes a \$20.0 million impairment of goodwill. The impairment reflects the impact of COVID-19 on DGCI's operations, including significantly reduced occupancy and food and beverage offerings.

Notes to the financial statements

For the year ended 30 June 2021

(iii) 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

DGCC has entered into agreements for construction of two residential, hotel and retail towers on the Gold Coast. Construction of the first tower, due to be completed in early 2022, is expected to be \$370.0 million. Construction of the second tower, which commenced in February 2021, is expected to be \$400.0 million. DGCC has current capital commitments of \$0.5 billion (2020: \$233.0 million) in relation to the two towers. Committed spend is to be funded out of a combination of project level debt facilities and equity.

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.

	2021 \$m	2020 \$m
Balance sheet		
Cash and cash equivalents	7.6	10.2
Total current assets excluding cash and cash equivalents	1.3	0.4
Total non current assets	320.7	106.5
Total current liabilities	(19.3)	(12.5)
Total non current liabilities	(232.4)	(35.3)
Net assets	77.9	69.3
Reconciliation to investment carrying amounts:		
Carrying amount at the beginning of the year	33.4	12.2
Share of loss for the period	(0.2)	(0.7)
Share of equity contributions for the Group	4.5	21.9
Elimination of gain on sale of land	(7.3)	-
Carrying amount at the end of the year	30.4	33.4
Income statement		
Loss before tax	(0.5)	(1.3)
Income tax benefit	-	-
Loss for the year (continuing operations)	(0.5)	(1.3)
Total comprehensive loss for the year (continuing operations)	(0.5)	(1.3)
Group's share of loss for the year	(0.2)	(0.7)

Notes to the financial statements

For the year ended 30 June 2021

E Risk Management

E1 Financial risk management objectives and policies

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

The main purpose of these financial instruments is to provide funding 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 Group Treasury function under the Group Treasury Policy approved by the Board. Group 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.

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. As such, there is a low level of credit risk.

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 2021

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 (2020: 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 Group Limited has guaranteed the liabilities of The Star Entertainment Finance Limited, The Star Entertainment International No.3 Pty Ltd and the customer loans for EEI Services (Hong Kong) Limited. As at 30 June 2021, the carrying amount included in current liabilities at 30 June 2021 of \$12.0 million (2020: nil), and the maximum amount of these guarantees was \$67.2 million (2020: \$116.7 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

	2021			2020		
	< 1 year	1 - 5 years	> 5 years	< 1 year	1 - 5 years	> 5 years
	\$m	\$m	\$m	\$m	\$m	\$m
Financial assets						
Cash assets	64.1	-	-	64.1	-	-
Short term deposits	3.8	-	-	2.0	-	-
Trade and other receivables	23.3	-	-	99.5	-	-
	91.2	-	-	165.6	-	-
Financial liabilities						
Trade and other payables	179.3	-	-	318.7	-	-
Bank loans - unsecured	17.2	805.7	9.0	21.8	872.2	75.0
Lease liabilities	10.2	35.0	82.5	10.7	37.8	90.2
Private placement - US dollar	19.8	140.7	388.8	128.9	69.6	464.5
	226.5	981.4	480.3	480.1	979.6	629.7
Net outflow	(135.3)	(981.4)	(480.3)	(314.5)	(979.6)	(629.7)

Notes to the financial statements

For the year ended 30 June 2021

(ii) Derivative financial instruments

	2021			2020		
	< 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	0.2	0.2	-	0.4	0.6	-
Cross currency swaps - receive USD fixed	19.8	140.7	388.8	128.9	69.6	464.5
	20.0	140.9	388.8	129.3	70.2	464.5
Financial liabilities						
Interest rate swaps - pay AUD fixed	3.7	5.1	-	9.1	8.2	-
Cross currency swaps - pay AUD floating	6.4	87.9	150.2	107.6	26.2	219.1
Cross currency swaps - pay AUD fixed	13.6	54.2	239.7	13.6	54.2	253.2
	23.7	147.2	389.9	130.3	88.6	472.3
Net outflow	(3.7)	(6.3)	(1.1)	(1.0)	(18.4)	(7.8)

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
2021		
AUD		
+ 0.5% (50 basis points)	(1.7)	10.9
- 0.5% (50 basis points)	1.7	(11.2)
USD		
+ 0.5% (50 basis points)	-	(14.0)
- 0.5% (50 basis points)	-	14.4
2020		
AUD		
+ 0.5% (50 basis points)	(3.4)	12.4
- 0.5% (50 basis points)	3.4	(12.5)
USD		
+ 0.5% (50 basis points)	-	(10.4)
- 0.50% (50 basis points)	-	10.9

Notes to the financial statements

For the year ended 30 June 2021

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)
	2021	2021	2020	2020
	\$m	\$m	\$m	\$m
AUD/USD + 10 cents	-	(10.0)	-	10.2
AUD/USD - 10 cents	-	13.1	-	(14.0)

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 2021

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:

	2021 \$m	2020 \$m
Less than one year	-	98.0
One to five years	250.0	200.0
More than five years	-	-
Notional Principal	250.0	298.0

Fixed interest rate range p.a.

0.4% - 2.6% 1.0% - 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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For the year ended 30 June 2021

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 increase in fair value of the cross currency swaps at fair value of \$13.0 million (2020: decrease in fair value \$22.0 million) has been recognised in finance costs and offsetting gain on the USPP borrowings. The ineffectiveness recognised in FY2021 was immaterial.

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

	2021		2020	
	AUD \$m	USD \$m	AUD \$m	USD \$m
Less than one year	-	-	98.1	105.0
One to five years	64.0	50.0	-	-
More than five years	369.4	288.4	433.4	338.4
Notional principal	433.4	338.4	531.5	443.4
Fixed interest rate range p.a.	4.3% - 4.4%		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) Reconciliation of movement in financing activities

	Opening \$m	Cash flows \$m	Changes in fair values \$m	Foreign exchange movement \$m	Option premium \$m	Borrowing costs \$m	Matured \$m	Closing \$m
2021								
Interest bearing liabilities (excluding lease liabilities) (refer to note B7)	(1,567.8)	215.0	13.0	51.1	5.5	42.0	(1.3)	(1,242.5)
Net derivative assets (refer to note B3)	119.0	-	(73.8)	-	-	(42.0)	-	3.2
2020								
Interest bearing liabilities (excluding significant items) (refer to note B7)	(1,162.3)	(382.0)	(22.0)	(10.7)	5.5	3.7	-	(1,567.8)
Net derivative assets (refer to note B3)	75.4	-	43.6	-	-	-	-	119.0

	Opening \$m	Cash flows \$m	Interest \$m	Transition \$m	Additions \$m	Disposals \$m	Other costs \$m	Closing \$m
2021								
Lease liabilities (refer to note B7)	(57.2)	10.7	(3.8)	-	0.4	(0.4)	0.1	(50.2)
2020								
Lease liabilities (refer to note B7)	-	9.4	(4.0)	(58.4)	(4.1)	-	(0.1)	(57.2)

Notes to the financial statements

For the year ended 30 June 2021

F Other disclosures

F1 Other comprehensive income

	2021 \$m	2020 \$m
Net (loss)/gain on derivatives	(9.1)	13.2
Tax on above items recognised in other comprehensive income	2.7	(4.0)
	(6.4)	9.2

F2 Income tax

(i) Income tax benefit

	2021 \$m	2020 Restated* \$m
The major components of income tax (expense)/benefit is:		
Current tax (expense)/benefit	(23.7)	8.1
Adjustments in respect of current income tax of previous years	0.7	(1.8)
Deferred income tax benefit	1.1	28.6
Income tax (expense)/benefit reported in the income statement	(21.9)	34.9

Aggregate of current and deferred tax relating to items charged or credited to equity:

Current tax benefit reported in equity	-	1.3
Deferred tax benefit/(expense) reported in equity	2.7	(4.0)
Income tax benefit/(expense) reported in equity	2.7	(2.7)

Income tax expense

A reconciliation between income tax benefit/(expense) and the product of accounting profit before income tax multiplied by the income tax rate is as follows:

Accounting profit/(loss) before income tax benefit/(expense)	79.8	(129.7)
At the Group's statutory income tax rate of 30%	(23.9)	38.9
- Non assessable gain on sale	2.8	-
- Recognition of temporary differences	0.2	2.0
- Over provision in prior years	0.7	(1.8)
- Other items	(1.7)	(4.2)
Aggregate income tax (expense)/benefit	(21.9)	34.9
Effective income tax rate	27.4 %	26.9 %

* Comparatives have been restated due to a change in accounting policy (refer to note G).

Notes to the financial statements

For the year ended 30 June 2021

(ii) Deferred tax balances

The balance comprises temporary differences attributable to:

	Balance 1 July 2020*	Recognised in the income statement	Recognised directly in equity	Other	Balance 30 June 2021
	\$m	\$m	\$m	\$m	\$m
2021					
Employee provisions	21.8	2.1	-	-	23.9
Other provisions and accruals	17.9	(7.3)	-	-	10.6
Impairment of trade receivables	31.2	(19.7)	-	-	11.5
Unrealised financial liabilities	47.3	(13.6)	(19.7)	-	14.0
Finance leases	17.2	(2.2)	-	-	15.0
Other	7.2	1.2	-	-	8.4
Tax losses	7.8	-	-	(7.8)	-
Deferred tax assets set off	150.4	(39.5)	(19.7)	(7.8)	83.4
Intangible assets	(81.4)	21.8	-	-	(59.6)
Property, plant and equipment ^a	(126.7)	(18.4)	-	-	(145.1)
Unrealised financial assets	(39.9)	12.4	22.4	-	(5.1)
Other	(36.7)	24.8	-	-	(11.9)
	(284.7)	40.6	22.4	-	(221.7)
Net deferred tax (liabilities)/assets	(134.3)	1.1	2.7	(7.8)	(138.3)

	Balance 1 July 2019	Recognised in the income statement	Recognised directly in equity	Other	Balance 30 June 2020
	\$m	\$m	\$m	\$m	\$m
2020 Restated*					
Employee provisions	20.9	0.9	-	-	21.8
Other provisions and accruals	21.5	(3.6)	-	-	17.9
Impairment of trade receivables	3.4	27.8	-	-	31.2
Unrealised financial liabilities	39.4	(1.0)	8.9	-	47.3
Finance leases ^a	-	17.2	-	-	17.2
Other	2.3	4.9	-	-	7.2
Tax losses	-	-	-	7.8	7.8
Deferred tax assets set off	87.5	46.2	8.9	7.8	150.4
Intangible assets*	(64.2)	(17.2)	-	-	(81.4)
Property, plant and equipment ^a	(131.3)	4.6	-	-	(126.7)
Unrealised financial assets	(27.0)	-	(12.9)	-	(39.9)
Other	(31.7)	(5.0)	-	-	(36.7)
	(254.2)	(17.6)	(12.9)	-	(284.7)
Net deferred tax (liabilities)/assets	(166.7)	28.6	(4.0)	7.8	(134.3)

^a June 2020 comparatives have been restated to match current year classifications.

* Comparatives have been restated due to a change in accounting policy (refer to note G).

Notes to the financial statements

For the year ended 30 June 2021

(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 receivable/(payable) balance is attributable to:

	Receivable 1 July 2020	(Increase) / decrease in tax payable	Tax instalment paid	Over provision of tax	Other	(Payable) / receivable 30 June 2021
	\$m	\$m	\$m	\$m	\$m	\$m
2021						
Tax consolidated group - year ended 30 June 2021 ^a	-	(23.8)	9.8	-	7.8	(6.2)
Tax consolidated group - year ended 30 June 2020 ^b	0.3	1.8	-	0.7	(0.1)	2.7
Prior years ^b	6.9	(1.7)	(3.1)	-	-	2.1
Total Australia	7.2	(23.7)	6.7	0.7	7.7	(1.4)
Overseas subsidiaries	0.3	-	0.1	-	-	0.4
Total	7.5	(23.7)	6.8	0.7	7.7	(1.0)

a The 2020 tax loss was recognised as a deferred tax asset and utilised in 2021 to decrease tax payable.

b The receivable relates to depreciation for capital projects.

	(Payable) / receivable 1 July 2019	Decrease / (increase) in tax payable	Tax instalment paid	Over provision of tax	Other	Receivable 30 June 2020
	\$m	\$m	\$m	\$m	\$m	\$m
2020						
Tax consolidated group - year ended 30 June 2020 ^a	-	7.8	-	-	(7.8)	-
Tax consolidated group - year ended 30 June 2019 ^b	(18.4)	(0.8)	19.5	-	-	0.3
Prior years ^b	6.2	0.7	-	-	-	6.9
Total Australia	(12.2)	7.7	19.5	-	(7.8)	7.2
Overseas subsidiaries	-	-	0.3	-	-	0.3
Total	(12.2)	7.7	19.8	-	(7.8)	7.5

a Loss for current year recognised as deferred tax asset.

b The decrease in tax payable is an amendment to the income tax return relating to the application of the tax consolidation reset and depreciation for capital projects.

Notes to the financial statements

For the year ended 30 June 2021

F3 Earnings per share

	2021 \$m	2020 Restated* \$m
Net profit after tax attributable to ordinary shareholders	57.9	(94.8)
Basic earnings per share (cents per share)	6.1	(10.3)
Diluted earnings per share (cents per share)	6.1	(10.3)

	2021 Number	2020 Number
Weighted average number of shares used as the denominator		
Number of ordinary shares issued at the beginning of the year	912,004,595	912,004,595
Adjustment for issue of new share capital on 2 July 2020	30,646,803	-
Movement in treasury shares	2,865,392	2,595,198
Weighted average number of shares used as the denominator	945,516,790	914,599,793
Adjustment for calculation of diluted earnings per share:		
Adjustment for Performance Rights	6,355,397	718,294
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	951,872,187	915,318,087

* Comparatives have been restated due to a change in accounting policy (refer to note G).

F4 Other assets

	2021 \$m	2020 \$m
Current		
Prepayments	21.2	57.2
Other assets	2.6	2.7
	23.8	59.9
Non current		
Other assets	37.2	40.4
	37.2	40.4

Other assets above are shown net of impairment of nil (2020: nil).

F5 Trade and other payables

Trade creditors and accrued expenses	179.3	222.3
Dividend payable	-	96.4
Interest payable	2.5	5.3
	181.8	324.0

Trade and other payables were down 43.9%, primarily due to settlement of the FY2020 interim dividend in July 2020 (refer to note A6). Patron deposits have decreased as a result of the decline in the International VIP Rebate business and closure of the Sydney property in late June 2021, due to COVID-19 restrictions.

Notes to the financial statements

For the year ended 30 June 2021

F6 Provisions

	2021 \$m	2020 \$m
Current		
Employee benefits	72.3	63.2
Workers' compensation	6.3	7.7
	78.6	70.9
Non-current		
Employee benefits	8.6	9.2
Other	1.4	1.3
	10.0	10.5

Reconciliation

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

Workers' compensation reconciliation

	Workers' compensation (current) \$m	Other (non- current) \$m
2021		
Carrying amount at beginning of the year	7.7	1.3
Provisions made during the year	0.9	0.1
Provisions utilised during the year	(2.3)	-
Carrying amount at end of the year	6.3	1.4
2020		
Carrying amount at beginning of the year	6.6	8.3
Provisions made during the year	4.2	-
Provisions utilised during the year	(3.1)	(7.0)
Carrying amount at end of the year	7.7	1.3

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 2021

F7 Other liabilities

	2021 \$m	2020 \$m
Current		
Customer loyalty deferred revenue ^a	19.1	20.7
Other deferred revenue	4.4	0.8
	23.5	21.5
Non current		
Other	9.8	5.9
	9.8	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 Share capital and reserves

(i) Share capital

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.

	Share capital		Treasury shares		Net outstanding	
	Shares	\$m	Shares	\$m	Shares	\$m
Opening balance 1 July 2020	917,322,730	3,069.7	(5,318,135)	(18.9)	912,004,595	3,050.8
Issue of share capital - 2 July 2020 ^a	30,730,998	96.2	-	-	30,730,998	96.2
Issue of share capital - 16 September 2020 ^b	3,960,482	12.0	(3,960,482)	(12.0)	-	-
Value of treasury shares disposed	-	-	3,717,053	11.7	3,717,053	11.7
Shares issued to settle employee share programs	-	-	36,381	0.6	36,381	0.6
Closing balance 30 June 2021	952,014,210	3,177.9	(5,525,183)	(18.6)	946,489,027	3,159.3
Opening balance 1 July 2019	917,322,730	3,069.7	(1,458,361)	(6.7)	915,864,369	3,063.0
Treasury shares purchased	-	-	(3,859,774)	(12.2)	(3,859,774)	(12.2)
Closing balance 30 June 2020	917,322,730	3,069.7	(5,318,135)	(18.9)	912,004,595	3,050.8

^a On 2 July 2020, the Group issued 30,730,998 new shares to settle the FY2020 interim dividend. 23,881,021 shares were purchased by the underwriter in accordance with the dividend underwriting agreement and the balance went to existing shareholders participating in the DRP (see Note A6).

^b On 16 September 2020, the Company issued 3,960,482 shares for allocation to short term incentive plan participants subject to a holding lock that ends on 15 September 2021. The shares were purchased by Pacific Custodians Pty Limited as trustee for The Star Entertainment Group Limited Employee Share Trust, a wholly controlled entity of the Company.

Notes to the financial statements

For the year ended 30 June 2021

(ii) Reserves (net of tax)

	2021	2020
	\$m	\$m
Hedging reserve ^a	(21.3)	(16.6)
Cost of hedging reserve ^b	1.6	3.2
Share based payments reserve ^c	24.9	16.8
	5.2	3.4

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 F10 for further details on these plans.

(iii) Capital management

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

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

Net debt comprises interest bearing liabilities, with US dollar borrowings translated at the 30 June 2021 USD/AUD spot rate of 1.3334 (2020: 1.4999), 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. The Group obtained a waiver from banks and USPP holders, providing relief against loan covenants at 31 December 2020. An amendment was obtained for the 30 June 2021 testing date, resulting in enhanced gearing and interest cover ratio headroom (2020: a full waiver was obtained at 30 June 2020). Other than these banking covenants, the Group is not subject to externally imposed capital requirements.

	2021	2020
	\$m	Restated*
	\$m	\$m
Gross Debt	1,292.7	1,625.0
Net Debt ^a	1,171.4	1,382.7
EBITDA (before significant items) ^b	426.7	282.0
Gearing ratio (times) ^c	2.7 x	4.9 x

a Net debt is shown as interest bearing liabilities (excluding lease liabilities), less cash and cash equivalents, less net position of derivative financial instruments.

b EBITDA (before significant items) is a non-IFRS disclosure and stands for earnings before interest, tax, depreciation, amortisation, impairment, significant items and share of profits / losses from joint ventures.

c Gearing ratio (times) has decreased 2.2x.

* Comparatives have been restated due to a change in accounting policy (refer to note G).

Notes to the financial statements

For the year ended 30 June 2021

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

		2021	2020
	Note	\$m	Restated*
			\$m
Net profit/(loss) after tax		57.9	(94.8)
- Depreciation, amortisation and impairment	A4	243.8	225.7
- Employee share based payments expense	F10	8.2	9.0
- Gain on disposal of property, plant and equipment		(0.8)	(0.7)
- Finance costs	A5	58.6	52.6
- Share of net loss of associate and joint venture entities	D5	4.4	12.1
- Gain on disposal of Gold coast land		(9.4)	-
Working capital changes			
- Decrease in trade and other receivables and other assets		112.9	128.8
- Decrease in inventories		1.1	1.1
- Decrease in trade and other payables, accruals and provisions		(27.4)	(142.7)
- Increase/(decrease) in tax provisions		15.2	(56.0)
Net cash inflow from operating activities		464.5	135.1

Operating cash flow before interest and tax was \$471.3 million, up 199.0% on the pcp. The EBITDA to cash conversion ratio was 123%.

* Comparatives have been restated due to a change in accounting policy (refer to note G).

Notes to the financial statements

For the year ended 30 June 2021

F10 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 \$1.8 million (2020: \$1.8 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.

2021 Grant Date	Balance at start of year	Granted during the year	Forfeited during the year	Lapsed during the year ^a	Vested during the year	Balance at end of year
5 October 2016	1,061,699	-	-	1,061,699	-	-
2 October 2017	1,460,425	-	23,584	-	-	1,436,841
3 October 2018	1,467,297	-	35,257	-	-	1,432,040
25 September 2019	1,874,038	-	111,634	-	-	1,762,404
24 September 2020	-	2,728,230	-	-	-	2,728,230
	5,863,459	2,728,230	170,475	1,061,699	-	7,359,515

2020 Grant Date	Balance at start of year	Granted during the year	Forfeited during the year ^b	Lapsed during the year	Vested during the year	Balance at end of year
21 September 2015	621,767	-	-	621,767	-	-
5 October 2016	1,062,560	-	861	-	-	1,061,699
2 October 2017	1,600,456	-	140,031	-	-	1,460,425
3 October 2018	1,599,402	-	132,105	-	-	1,467,297
25 September 2019	-	1,874,038	-	-	-	1,874,038
	4,884,185	1,874,038	272,997	621,767	-	5,863,459

Grants from 21 September 2015 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 total shareholder return (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 5 October 2016 were tested on 5 October 2020 and did not vest. The TSR percentile rank for the Company was 11.43%, below the 50th percentile rank. The EPS was 5.1c, below the 37.7c threshold. As a result, these Performance Rights lapsed and no shares were issued to participants.
- b The number of Performance Rights forfeited during the year is net of Performance Rights reinstated for employees who were terminated in FY2019 as part of the Group reorganisation, but subsequently deemed good leavers. The number of Performance Rights reinstated is 48,650 from the 5 October 2016 grant, 43,678 from the 2 October 2017 grant and 27,963 from the 3 October 2018 grant.

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 \$
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
25 September 2019	25 September 2023	4.20	22.00 %	- %	0.72 %	3.66
24 September 2020	24 September 2024	3.15	29.00 %	- %	0.26 %	2.76

Notes to the financial statements

For the year ended 30 June 2021

Equity retention plan

The Company has granted restricted shares under the equity retention plan to eligible employees. The share based payment expense of \$1.0 million (2020: \$1.3 million) 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.

2021 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 2020	1,317,619	40,067	168,527	-	-	1,189,159

2020 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 2019	1,433,959	201,410	317,750	-	-	1,317,619

The awards are granted 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.

Short term incentive plan

Due to the exceptional circumstances associated with COVID-19, the Board resolved to exercise its discretion to make a significantly reduced equity award under the FY2020 short term incentive plan. The award will be delivered as a share based payment, subject to a holding lock of one year from the date of issue. A share based payment expense of \$5.4 million (2020: \$5.9 million) has been recognised in the income statement.

F11 Auditor's remuneration

	2021 \$	2020 \$
Fees to Ernst & Young (Australia):		
- Fees for auditing the statutory financial report of the parent and consolidated group	1,338,635	1,029,652
- fees for other assurance and agreed-upon-procedures services (including sustainability assurance) under contractual arrangements where there is discretion as to whether the service is provided by the auditor	79,163	90,000
- Fees for other advisory and compliance services	38,776	224,419
Total fees to Ernst & Young Australia	1,456,574	1,344,071

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.

F12 Assets held for sale

	2021 \$m	2020 \$m
Aircraft	30.6	32.5
Vessel	-	4.7
	30.6	37.2

In May 2021 the Group tendered for sale a Bombardier aircraft. The sale is expected to be completed within 12 months. The aircraft was classified as 'held for sale' and measured at the lower of its carrying value and fair value less costs to sell at the time of reclassification. This resulted in an impairment expense of \$17.9 million (2020: 13.3 million) (refer to note A7). The asset's fair value was determined by reference to independent market data. This is a level 2 measurement as per the fair value hierarchy set out in note E2(i).

The aircraft and vessel classified as held for sale in the pcp were both sold during the financial year. Net proceeds of \$33.1 million were received, resulting in a further impairment of \$4.1 million (refer to note A7).

Notes to the financial statements

For the year ended 30 June 2021

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 2021 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 19 August 2021.

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'.

Going concern

The financial statements have been prepared and approved by the Directors on a going concern basis. At 30 June 2021, the Group has a net asset position of \$3,624.0 million (2020: \$3,455.8 million). The Group generated a profit after tax of \$57.9 million (2020: loss after tax \$94.8 million) and a net increase in cash of \$1.8 million, after \$215.0 million in debt repayments (2020: net decrease \$48.2 million).

COVID-19 is expected to continue to have an impact on the Group, including property closures, spatial distancing requirements and border closures, creating significant uncertainty in relation to the Group's cash flow forecasts. If existing lockdowns are prolonged, there is the potential that the Group may breach covenants associated with its borrowing facilities at 31 December 2021 and 30 June 2022, which if not amended or waived by the lenders, may lead to those borrowings becoming due and payable. The Group would need to raise additional capital or secure new borrowing facilities to repay existing borrowings should this eventuate. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

The Directors have taken the following matters into consideration in forming a view that the going concern basis of accounting is appropriate, amongst other matters:

- The Group has cash on hand and on deposit of \$67.9 million at 30 June 2021;
- The Group has \$424 million available facility capacity, all of which has maturities beyond 12 months;
- Experience gained in operating throughout FY2021 under significant Government imposed restrictions;
- Organisational restructuring which streamlined the underlying cost base and provided greater flexibility to adapt to changing operating environments;
- Reduced capital expenditure requirements, including commitments into joint ventures, in FY2022;
- Ongoing discussions into the recycling of non-core assets, including the second Bombardier Jet, Sydney Carpark and Treasury Buildings. Further, opportunities exist to monetise the Sydney property portfolio through a sale and leaseback or similar structure; and
- The Group remains in contact with its lenders and is confident additional waivers or amendments can be obtained, if necessary. This is supported by the recent successful negotiation of waivers and amendments during the worst of the COVID-19 restrictions to date.

Based on the above, the Directors are satisfied that sufficient cashflows will be generated, along with the likelihood to either amend existing funding agreements or obtain new funding, such that the Group will be able to meet its liabilities as and when they fall due, over the next twelve months.

Notes to the financial statements

For the year ended 30 June 2021

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:

- Going concern (refer note above);
- 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);
- Provisions (refer note F6); and
- Asset held for sale (refer note F12).

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 2021:

Reference	Title
(i) AASB 3	Amendments to AASB 3 Definition of a Business
(ii) AASB 101	Amendments to the Definition of Material
(iii) AASB 7	Interest Rate Benchmark Reform on Hedge Accounting

(i) Amendments to AASB 3: Definition of a Business

The amendment to AASB 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Group but may impact future periods should the Group enter into any business combinations.

(ii) Amendments to AASB 101: Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Group.

(iii) Amendments to AASB 7: Interest Rate Benchmark Reform

The amendments to AASB 7 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

These amendments had no impact on the financial statements of the Group as it does not have any interest rate hedge relationships affected by the interest rate benchmark reforms.

Notes to the financial statements

For the year ended 30 June 2021

Changes in accounting policies - IFRIC agenda decision – Configuration or Customisation Costs in a Cloud Computing Arrangement

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision for configuration and customisation costs incurred related to a Software as a Service (**SaaS**) arrangement. The Group has changed its accounting policy in relation to configuration and customisation costs incurred in implementing SaaS arrangements. The nature and effect of the changes as a result of changing this policy is described below.

Accounting policy - Software-as-a-Service (SaaS) arrangements

SaaS arrangements are arrangements whereby the Group enters into a contract to obtain access to a cloud hosted software service for a period of time. While the software service can be configured and customised to meet the Group's requirements, the Group does not control the software for accounting purposes. Consequently, costs incurred to configure or customise SaaS arrangements will be expensed as they are incurred. Previously, these costs were capitalised and amortised over the useful life of the software asset.

Certain SaaS projects also require the development of existing software assets to enable compatibility with the SaaS platform and to allow for interface. Costs incurred to upgrade controlled software assets can be capitalised. This is consistent with the Group's previous policy.

Impact of change in accounting policy

For the current year, \$7.1 million (pre-tax) of costs that would previously have been capitalised (under the previous policy) were expensed. Basic EPS and diluted EPS, rounded, were not affected. Cash outflows of \$7.1 million were included in payments to suppliers and employees in the Statement of cash flows that previously would have been included as payments to acquire intangible assets.

The change in policy has been retrospectively applied and comparative financial information has been restated, as follows:

	2020 \$m	1 July 2019 \$m
Consolidated balance sheet increase/(decrease):		
Intangible assets	(13.3)	(13.0)
Deferred tax liabilities	(4.1)	(4.0)
Retained earnings	(9.2)	(9.0)
Consolidated income statement increase/(decrease):		
Employment costs	2.9	-
Depreciation, amortisation and impairment	(2.8)	-
Other expenses	0.2	-
Income tax benefit	(0.1)	-
Net loss after tax (NLAT)	0.2	-
Consolidated statement of cash flows increase/(decrease):		
Payments to suppliers and employees (inclusive of GST)	3.1	-
Payments for property, plant and equipment and intangibles	(3.1)	-

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 key standards, shown below, are not expected to have a material impact on the financial statements:

Reference	Title	Application date
AASB 3	Amendments to AASB 3 Business Combinations	1 January 2022
AASB 16	Amendments to AASB 16 Leases	1 January 2022
AASB 37	Amendments to AASB 37 Provisions, Contingent Liabilities & Contingent Assets	1 January 2022

Notes to the financial statements

For the year ended 30 June 2021

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.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense, it is recognised net of the related expense for which it is intended to compensate. There are no unfilled conditions or other contingencies attached to the grants.

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.

Notes to the financial statements

For the year ended 30 June 2021

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.

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.

Notes to the financial statements

For the year ended 30 June 2021

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 (excluding SaaS arrangements)

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.

Notes to the financial statements

For the year ended 30 June 2021

Leases

Right-of-use assets

The Group recognises right-of-use (**ROU**) at the commencement date of the lease (i.e. the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. ROU assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings, leasehold improvements and plant and equipment. (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e. below \$10,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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.

Notes to the financial statements

For the year ended 30 June 2021

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. Due to the exceptional circumstances associated with COVID-19, the Board resolved to exercise its discretion to make a significantly reduced equity award under the FY2020 STI. The award will be delivered as a share based payment, subject to a holding lock of one year from the date of issue.

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.

Notes to the financial statements

For the year ended 30 June 2021

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.

Assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction, rather than through continuing use, and a sale is considered highly probable. They are measured at the lower of their carrying value and fair value less costs to sell. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its fair value less costs to sell.

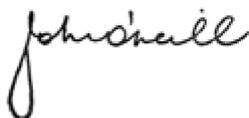
Directors' Declaration

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 2021 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
19 August 2021



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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 2021, 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 2021 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 (including Independence Standards)* (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.

Material Uncertainty Relating to Going Concern - COVID-19

We draw attention to Note G of the financial report which notes the impact of the COVID-19 pandemic on the Directors' assessment of the ability of the Group to continue as a going concern. The impact of COVID-19 indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Note G describes the basis of the directors' assessment that the Group has the ability to continue as a going concern and the actions they are planning to take to respond to this uncertainty. Our opinion is not modified in respect of this matter.



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. In addition to the matter described in the *Material Uncertainty Relating to Going Concern - COVID-19* section, we have determined the matters described below to be the key audit matters to be communicated in our report

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.

Recoverability of trade receivables

Why significant to the audit

As disclosed in Note B2, the Group's consolidated statement of financial position included \$44.1m of gross trade receivables and an associated expected credit loss (ECL) provision of \$38.1m at 30 June 2021. The trade receivables relate to revenue from VIP gaming programs. As disclosed in note B2, the calculation of the ECL is inherently subjective. A small difference in any one of the key assumptions may result in a significant change in the ECL provision.

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 credit loss impairment model. This involves judgement as the expected credit losses must reflect information about past events, current conditions and forecasts of future conditions.

As disclosed in note B2, there is increased recoverability uncertainty as at 30 June 2021 arising from the COVID-19 pandemic due to casino closures, continued international border closures, and the impact of the Group's announcement in the current year to cease operations with international junket operators. The impact of these events has resulted in a wider range of possible values than at past valuation points. The total increase in the ECL provision for the year was \$16.4m.

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.

How our audit addressed the key audit matter

We discussed the following matters with management to assess the impact on the recoverability of trade debtors:

- ▶ changes in the condition of each significant debtor;
- ▶ controls in place relevant to the ECL calculation process; and
- ▶ the impact that COVID-19, the continued closure of the international border, and the Group's announcement to cease operations with international junket operators has had on the Group's trade receivables.

On a sample basis, we performed the following procedures for selected individual debtors:

- ▶ Assessed whether the ageing of trade receivables was being correctly calculated.
- ▶ Assessed the effectiveness of relevant controls in relation to the granting of credit facilities, including credit checks and anti-money laundering checks.
- ▶ Assessed the Group's provisioning rates to determine whether they are reasonable and supportable based on objective and observable evidence with reference to the individual debtor's circumstances.
- ▶ Assessed the appropriateness of the provision, taking into account future events and conditions. The key assumptions are listed in note B2.
- ▶ Evaluated cash receipts after year-end in assessing any remaining exposure to the date of the financial report.

Our audit procedures also included the following:

- ▶ Evaluated whether the expected credit loss impairment model met the criteria set out in AASB 9 and tested the mathematical accuracy of the calculations.
- ▶ Considered whether there have been any indicators of material changes in recoverability of trade receivables from 30 June 2021 up to the date of this report.
- ▶ Assessed the adequacy of the Group's disclosures in relation to trade receivables included in the financial report.

Impairment testing of Goodwill

Why significant to the audit

The Group has goodwill of \$1,442.2 million as at 30 June 2021. The Group performs an impairment assessment on an annual basis to assess 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.

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. Given the conditions at balance date, reasonable possible changes in the assumptions around the Group's expected cash flows have been considered. In this situation, the disclosures in Note B6 of the financial report provide particularly important information about the key assumptions made in the impairment models at 30 June 2021.

As at 30 June 2021 there is significant uncertainty arising from the COVID-19 pandemic and the response of Governments to it. This means that the cash flow forecasts and assumptions may change significantly and unexpectedly over a relatively short period of time. The COVID-19 pandemic resulted in closure of operations at The Star Sydney from 25 June 2021 through to the date of this report. Upon resumption of operations, social distancing requirements, venue capacity restrictions, and international border closures imposed by Governments will constrain short term revenue and may change with limited notice.

Accordingly, we considered this a key audit matter due to the uncertainty and judgements required in the impairment testing of goodwill. For the same reasons we consider it important that attention is drawn to the information in Note B6 of the financial report in assessing the impairment testing of goodwill at 30 June 2021.

How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Evaluated the cash flow forecasts, which supported the recoverable value of the goodwill.
- ▶ Compared these forecasts to the Board approved budgets and five-year financial plan. We also considered the historical accuracy of the Group's cash flow forecasting and budgeting processes.
- ▶ Involved our valuation specialists to assess whether the impairment testing methodology applied was in accordance with Australian Accounting Standards and to evaluate the key assumptions applied in the impairment models, in particular assumptions relating to the ongoing impact of COVID-19. These included discount rates, growth rates, terminal value assumptions, resumption of overseas travel, and easing of social distancing requirements.
- ▶ 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 could result in impairment.
- ▶ Assessed the adequacy of the disclosures included in Notes B5 and B6 of the financial report, and in particular those relating to the cash flow forecasts are appropriate.
- ▶ We considered whether there have been any indicators of material changes in the carrying value of goodwill from 30 June 2021 up to the date of our opinion.



Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's 2021 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 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, actions taken to eliminate threats or safeguards applied.

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

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 36 of the directors' report for the year ended 30 June 2021.



In our opinion, the Remuneration Report of The Star Entertainment Group Limited for the year ended 30 June 2021, 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
19 August 2021