THE STAR

ASX Announcement

23 February 2023

APPENDIX 4D & 2023 HALF-YEAR FINANCIAL REPORT

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

1. Appendix 4D;
2. Directors' Report and Financial Report for the half-year ended 31 December 2022.

Dividend Reinvestment Plan

The Star's Dividend Reinvestment Plan remains suspended as no interim dividend has been declared.

Authorised by:

Board of Directors

For more information contact:

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Appendix 4D
Financial Report
for the half year ended 31 December 2022

1. Results for announcement to the market
(all comparisons to the half year ended 31 December 2021)

The Appendix 4D should be read in conjunction with The Star Entertainment Group Limited's audited Directors' Report and Financial Report for the year ended 30 June 2022 lodged with the Australian Securities Exchange (ASX) on 27 September 2022.

Results in accordance with Australian Accounting Standards	**Current period $m**	**% change**
Revenue from ordinary activities	1,013.2	75.6%
Loss from ordinary activities after tax attributable to members of the parent	(1,264.0)	1,603.5%
Net loss after tax for the period attributable to members of the parent	(1,264.0)	1,603.5%

	Current Period Normalised [1] $m	% change	**Current Period Statutory [2] $m**	**% change**
Revenue	1,013.2	76.0%	1,013.2	75.6%
Earnings before interest, tax, depreciation and amortisation	199.7	579.3%	199.7	550.5%
Depreciation and amortisation	(100.8)	(2.2%)	(100.8)	(2.2%)
Earnings before interest, tax and significant items	98.9	N.M. [4]	98.9	N.M. [4]
Share of associates' profits	(1.8)	(72.7%)	(1.8)	(72.7%)
Net interest expense	(33.6)	46.7%	(33.6)	46.7%
Significant items (net of tax) [3]	N/A	-	(1,307.6)	93,300.0%
Income tax expense	(19.9)	N.M. [4]	(19.9)	N.M. [4]
Net profit / (loss) after tax	43.6	N.M. [4]	**(1,264.0)**	**1603.5%**

[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% on actual turnover, taxes and revenue share commissions. It does not include adjustments to doubtful debts. Normalised earnings exclude significant items.

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

[3] Significant items include impairment of Sydney property assets, penalties, costs associated with the ongoing regulatory reviews (legal, consultants and other costs), contribution towards the cost of the Bell Review, accounting for software changes, partially offset by gain on disposal of the DGCC residential apartments and DSCI Pyrmont Tower.

[4] Movement not meaningful.

2. Dividend information

	Current period	**Previous corresponding period**
Interim fully franked dividend declared (amount per share)[1]	N/A	N/A
Record Date	N/A	N/A
Date Payable	N/A	N/A

[1] No interim dividend was declared for the period ended 31 December 2022. In accordance with terms associated with the waiver of covenants from debt providers, 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, the Group returns to suitability and all of the Group's casino licences are in full force and effect.

Dividend reinvestment plan

The key terms of The Star Entertainment Group Limited's dividend reinvestment plan (DRP) in operation for the interim 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]	$1.40	$1.77

[1] Excludes Right-of-use assets.

Additional Appendix 4D disclosures and other significant information may be found in The Star Entertainment Group Limited's Directors' Report and Financial Report for the half year ended 31 December 2022, and the media release lodged with the ASX on 23 February 2023.

THE STAR ENTERTAINMENT GROUP LIMITED

The Star Entertainment Group Limited

A.C.N. 149 629 023

ASX Code: SGR

and its controlled entities

Directors' Report and Financial Report

for the half year ended 31 December 2022

THE STAR ENTERTAINMENT GROUP LIMITED

For the half year ended 31 December 2022

Contents

Directors' Report
For the half year ended 31 December 2022

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 half year ended 31 December 2022.

1. Directors
The names and titles of the Company's Directors in office during the half year ended 31 December 2022 and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Directors	
Ben Heap	Chairman and Non-Executive Director
Robbie Cooke [a]	Managing Director and Chief Executive Officer
David Foster [b]	Non-Executive Director
Michael Issenberg [c]	Non-Executive Director
Anne Ward [d]	Non-Executive Director
Former	
Gerard Bradley AO [e]	Non-Executive Director
Katie Lahey AM [f]	Non-Executive Director
Richard Sheppard [g]	Non-Executive Director

a Appointed as Chief Executive Officer on 17 October 2022, with regulatory approvals in NSW pending. He commenced as Managing Director on 18 November 2022 following the receipt of all necessary regulatory approvals.

b Appointed as Non-Executive Director on 15 December 2022 following the receipt of all necessary regulatory approvals.

c Appointed as Non-Executive Director on 11 July 2022 following the receipt of all necessary regulatory approvals.

d Appointed as Non-Executive Director on 18 November 2022 following the receipt of all necessary regulatory approvals.

e Resigned as Non-Executive Director on 31 October 2022.

f Resigned as Non-Executive Director on 30 December 2022.

g Retired as Non-Executive Director on 22 November 2022.

2. 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 (***QLD***) Government and invests in a number of strategic joint ventures.

The Group owns Broadbeach Island on which The Star Gold Coast casino is located.

On 17 October 2022, the Group received written notice from the New South Wales Independent Casino Commission (the ***NICC***) under section 23(4)(a) of the *Casino Control Act 1992 (NSW)* (the ***Act***) that The Star Pty Limited (***The Star***), being the New South Wales (***NSW***) casino licence holder and wholly owned subsidiary of the Group, has had its licence suspended indefinitely, with effect from 9am on Friday, 21 October 2022.

Also effective from this date, the NICC appointed Mr Nicholas Weeks as Manager of the Sydney casino under section 28 of the Act. Mr Weeks' appointment has been extended to 19 January 2024, unless terminated earlier by the NICC.

On 9 December 2022, the Group received written notice from the QLD Attorney-General, the Honourable Shannon Fentiman MP and the QLD regulator, the Office of Liquor and Gaming Regulation (***OLGR***), of the following disciplinary action under section 31 of the *Casino Control Act 1982 (Qld)* in relation to to its subsidiaries, The Star Entertainment QLD Limited (the licensee of Treasury Brisbane) and lessee of The Star Gold Coast and The Star Entertainment QLD Custodian Pty Ltd (the licensee of The Star Gold Coast):

- The Treasury Brisbane and The Star Gold Coast casino licences are to be suspended for a period of 90 days on a deferred basis with effect from 1 December 2023; and
- Mr Weeks has been appointed as Special Manager to monitor operations of Treasury Brisbane and The Star Gold Coast.

3. Financial results and review of operations

The Bell and Gotterson Reports both found the Group unsuitable to hold a casino licence in NSW and QLD. As a result, the Sydney Casino licence was suspended indefinitely from 21 October 2022. The QLD Casino licenses are to be suspended from 1 December 2023 (for a period of 90 days). Both the NSW and QLD gaming regulators have appointed Mr Weeks to manage (in NSW) and monitor (in QLD) the casino operations of the respective properties.

During the period of its licence suspension, The Star Sydney remains open and operating, and net earnings continue to be paid to The Star after payment of the Manager's costs. The QLD casinos pay the costs of the Special Manager and remain open and operating.

The Group is working during the FY2023 foundation period to execute on priorities identified by Mr Weeks necessary as a base to prepare the Group to develop and implement its longer-term remediation measures. The priorities of the Manager are for the Group to enhance its current control environment, implement new internal control manuals, uplift the financial crime program, conduct a comprehensive root cause analysis, uplift management capability and undertake a comprehensive reform of the Group's culture. These priorities are the foundation to effect significant improvement in risk, governance, culture and controls of the Group, with the Group's objective of returning to suitability to hold its casino licences.

The Group takes it obligations seriously and considers the ability to hold a casino licence a privilege. The Board and senior management acknowledge the mistakes of the past and are working with Mr Weeks, the NICC, ILGA and OLGR to develop and deliver on remediation measures to return the Group to suitability and regain the trust needed to hold its casino licences.

Overall, earnings before interest, tax, depreciation and amortisation (***EBITDA***) (excluding significant items) of $199.7 million was up 550.5% on the pcp. Normalised EBITDA of $199.7 million was up 579.3%. Statutory and normalised results for the current period are largely consistent given the suspension of the International VIP Rebate business.

Net statutory revenue of $1,013.2 million was up 75.6% on the prior comparative period (***pcp***), primarily due to COVID-19 closures and restrictions in the pcp (discussed further below). The QLD Casinos achieved record domestic revenue performance, up on pre-COVID levels in Gold Coast (30%) and Brisbane (9%). Sydney was impacted by regulatory changes and competition, with revenue down 13.5% on pre-COVID levels.

Operating expenses (excluding significant items) of $569.9 million were up 42.3% on pcp. This primarily reflects the Group's commitment to remediate and desire to move quickly to strengthen compliance processes and support the return to licence suitability over time. Other impacts include property closures in the pcp, tight labour market conditions, overall inflationary pressures on input costs (including wages) and increased consulting and insurance costs. Government taxes and levies of $243.6 million were up 67.1%, in line with the increase in domestic gaming revenue.

Depreciation and amortisation expense of $100.8 million was down 2.2% on the pcp. Finance costs (excluding significant items) of $33.6 million were up 46.7% on pcp reflecting the significant increase in floating rate interest during the period.

Net loss after tax (***NLAT***) was $1,264.0 million, which includes significant items (net of tax) of $1,307.6 million. Significant items include impairment of the Sydney property assets, penalties, costs associated with the regulatory reviews (legal, consultant and other costs), contribution towards the Bell Review, accounting for software changes, partially offset by gain on disposal of the DGCC residential apartments and DSCI Pyrmont Tower. Refer to note A5 for more details of the Group's significant items.

Net debt was $1,110.9 million[1] (30 June 2022: $1,149.0 million) with $445 million in undrawn facilities and a weighted average maturity of available facilities of 2.61 years. Gross debt was $1,304.8 million, comprising bank debt of $685.0 million, USPPs of $583.4 million and lease liabilities of $39.8 million, partially offset by prepaid borrowing costs of $3.4 million. The Group obtained an amendment from USPP debt holders to exclude the financial impact of penalties on covenants at 31 December 2022. In order to secure the financial flexibility to meet anticipated cashflow requirements and navigate a range of operating and regulatory uncertainties, the Company is announcing in conjunction with the release of the half year financial statements a plan to execute a capital restructure. The capital raising will take the form of an $800.0 million equity raising, including approximately $685.0 million 3 for 5 pro rata accelerated non-renounceable entitlement offer and approximately $115.0 million institutional placement. The Company's joint venture partners, Chow Tai Fook and Far East Consortium, have provided binding pre-commitments for approximately $80.0 million, which equates to their functional pro-rata entitlement in the equity raising. The balance of the equity raising is underwritten. The Company has also secured a relief package from existing bank and USPP lenders to amend covenants through to and including 30 June 2025, conditional on completion of the announced capital restructure.

Further, the Group continues to pursue the recycling of non-core assets, including the Treasury buildings. This asset is expected to contribute $233.0 million in additional cash.

1 Net debt comprises gross debt (excluding lease liabilities) of $1,265.0 million, partially offset by net derivatives of $45.0 million and cash and cash equivalents of $109.1 million.

The Dorsett Gold Coast Hotel, located within the Gold Coast first tower (***Tower 1***), opened on 26 December 2021 and continues to perform above forecast given higher than expected occupancy and rates. The final 75 apartments in Tower 1 settled during the half, and the Group received a $20.2 million distribution for its portion of the total related gain. Construction on the second tower (***Tower 2***), a $400 million 63-storey mixed use tower, continues. All 450 residential apartments have been pre-sold. Upon completion of Tower 2, The Star Gold Coast will have in excess of 2,000 hotel rooms and apartments on the island.

In Brisbane, Destination Brisbane Consortium (***DBC***)'s development of Queen's Wharf Brisbane (***QWB***) is continuing with three towers reaching construction above level 30. Restoration and repurposing of the heritage buildings commenced and the Neville Bonner bridge is more than 60% complete. The phased opening of QWB is expected from December 2023. Under the contract, based on the revised construction program DBC have a liquidated damages claim against the builder. DBC is in ongoing discussions with the builder regarding purported claims for additional costs, extensions of time and damages, with which DBC disagrees.

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 $541.2 million, up 128.2% on the pcp. Sydney's trading performance has been adversely impacted by several factors, in particular by increased operating restrictions from mid-September following the Bell Review and amendments to the *Casino Control Act 1992 (NSW)*. This saw an increase in the number of excluded patrons and a reduced level of complimentary services and benefits in private gaming areas (impacting both electronic gaming machines (***EGMs***) and table games performance). Sydney has also been impacted by increased competition since the opening of Crown Sydney in August 2022. Domestic revenue was down 13.5% on pre-COVID levels, driven by table games, in particular those in private gaming rooms. EGMs had an initial impact, but traded in line with pre-COVID performance. In the pcp, Sydney was significantly impacted by the property closure from 26 June to 11 October 2021.

EBITDA (before significant items) was $87.4 million compared to a loss of $24.0 million in the pcp. Gaming taxes and levies increased 118.6%, in line with increased domestic gaming revenues. Operating expenses increased 58.4%, in line with increased activity, a step-up in remediation costs (including increased headcount through the use of consultants) and the implementation of operational changes.

Gold Coast

Net revenue was $275.6 million, up 53.4% on the pcp, with the pcp impacted by the closure of the property for 11 days and various COVID-19 restrictions which reduced peak period capacities. Domestic revenue was up 30% on pre-COVID levels, the highest property revenue on record, driven by record performances across EGMs, main tables, food and beverage and hotel.

EBITDA (before significant items) was $66.2 million, up 156.6% on the pcp. Gaming taxes and levies were up 28.7%, in line with increased domestic gaming revenues. Operating expenses increased 38.4% on the pcp, reflecting higher underlying activity levels, new amenities, higher staffing costs and a step-up in remediation costs.

Brisbane

Net revenue was $196.4 million, up 22.6% on the pcp, with the pcp impacted by the closure of the property for 12 days and various COVID-19 restrictions. Brisbane achieved record performances across EGMs, main tables and hospitality. EBITDA (before significant items) was $46.1 million, up 59.5% on the pcp. Gaming taxes and levies were up 19.4%, in line with increased domestic gaming revenues. Operating expenses increased 12.2% on the pcp, reflecting higher underlying activity levels, investment in management capability ahead of QWB opening and the step-up in remediation costs.

Directors' Report

For the half year ended 31 December 2022

4. Regulatory and other matters

New South Wales

Regulatory reforms

On 11 August 2022 the *Casino Legislation Amendment Act 2022 (NSW)* was enacted to give effect to amendments to the *Casino Control Act 1992 (NSW)*. These amendments enact reforms to the NSW casino regulatory framework, including to address all 19 recommendations of the Bergin Inquiry and certain additional measures and to establish the New South Wales Independent Casino Commission (the ***NICC***) as a new independent regulator. The reforms also purport to override compensation rights previously available to the Group for specified regulatory changes. The amendments are effective from 5 September 2022 with the exception of compulsory carded play and cash limits, which commence on 10 August 2024 (unless an earlier date is set by Government).

Bell Report

The Bell Report was provided to the Independent Liquor and Gaming Authority (***ILGA***) on 31 August 2022 and published by the NICC on 13 September 2022. Mr Bell made a total of 30 recommendations and found The Star unsuitable to hold a casino licence in NSW.

Disciplinary action

After considering the Bell Report recommendations and The Star's response to the show cause notice issued on 13 September 2022, the NICC issued a $100 million fine (payable in 3 instalments between 31 March 2023 and 29 December 2023), suspended The Star's casino licence and appointed a Manager for the Sydney casino. The Manager was appointed initially for 90 days, however on 16 December 2022 this was extended to 19 January 2024.

The $100 million penalty has been recorded as a liability on the balance sheet at 31 December 2022.

The Star Sydney remains open and operating, and net earnings continue to be paid to The Star after payment of the Manager's costs. The Manager has assumed the responsibility and control of The Star's casino operations.

Gaming tax reforms

On 17 December 2022, the NSW Treasurer announced intended increases to specified duty rates applicable to casinos in NSW. These changes are proposed to apply to The Star Sydney from 1 July 2023. The Star Sydney understands the changes will require legislation to be passed by the NSW Parliament, unless the NSW Government and The Star Sydney agree to amend their existing duty agreement. It is likely such changes will have a significant impact on The Star Sydney's earnings and operations.

Queensland

Regulatory reforms

On 14 October 2022 the *Casino Control and Other Legislation Amendment Act 2022 (Qld)* was passed by the QLD Parliament. These amendments to the *Casino Control Act 1982 (Qld)* include doubling the maximum pecuniary penalty to $100 million, allowing for the appointment of a Special Manager and overriding compensation rights previously available to the Group for specified regulatory changes.

Gotterson Report

In July 2022 an independent review commenced of the Group's QLD casinos, The Star Gold Coast and Treasury Brisbane following a request by the QLD Attorney-General.

The review, led by the Honourable Robert Gotterson AO, examined whether these casinos operate in a way that is consistent with achieving the objectives of the *Casino Control Act 1982 (Qld)* and the ongoing suitability of the Group's casino licensees. The Gotterson Report was made public on 6 October 2022. On 25 October 2022 the Attorney-General formally determined that the QLD casino operators, and other associated entities of The Star Entertainment Group, were not suitable to be associated or connected with the management and operations of a hotel-casino complex or casino, by reason of it not being a person of good repute.

Amendments to the *Casino Control Act 1982 (Qld)* are expected in 2023 to enact recommendations from the Gotterson Report, including mandatory carded play and cash limits and mandatory player pre-commitments.

Disciplinary action

On 9 December 2022 the Attorney-General imposed a total penalty of $100 million in relation to the QLD casinos (payable in 3 instalments between 31 March 2023 and 31 December 2023); suspended the QLD casino's licences for a period of 90 days on a deferred basis with effect from 1 December 2023 and appointed a Special Manager to monitor the operations of the QLD casinos.

The $100 million penalty has been recorded as a liability on the balance sheet at 31 December 2022.

AUSTRAC

As announced on 7 June 2021, and 14 January 2022, entities within the Group were the subject of an AUSTRAC enforcement investigation. This followed potential non-compliance concerns identified in the course of a compliance assessment which was commenced by AUSTRAC in September 2019.

On 30 November 2022 The Star Pty Limited and The Star Entertainment QLD Limited (***The Star Entities***), were served with a statement of claim from AUSTRAC, commencing Federal Court civil penalty proceedings in relation to alleged contraventions of obligations under the *Anti-Money Laundering and Counter Terrorism Financing Act 2006*.

The claims include that The Star Entities:

1. Failed to appropriately assess the money laundering and terrorism financing (ML/TF) risks.
2. Did not include in their AML/CTF programs appropriate risk-based systems and controls to mitigate and manage risks.
3. Failed to establish an appropriate framework for Board and senior management oversight of the AML/CTF programs.
4. Did not have a transaction monitoring program to monitor transactions and identify suspicious activity that was appropriately risk-based or appropriate to the nature, size and complexity of The Star Entities.
5. Did not have an appropriate enhanced customer due diligence program to carry out additional checks on higher risk customers.
6. Did not conduct appropriate ongoing customer due diligence on a range of customers who presented higher money laundering risks.

The facts of the case have not been agreed and the first case management hearing was held on 13 February 2023. The case management hearing was procedural, with nothing material decided.

AUSTRAC has commenced civil penalty proceedings against other companies on five occasions, two of which are yet to conclude. The three concluded AUSTRAC proceedings to date have led to the Federal Court ordering the respondent to pay significant penalties (Tabcorp $45 million (2017); CBA $700 million (2018) and Westpac $1.3 billion (2020)). The determination of the Federal Court's penalty (including where a penalty has been jointly proposed by AUSTRAC and the defendant to the Court) is specific to the facts of each case and arrived at after consideration of a detailed Statement of Agreed Facts and Admissions.

The statement of claim from AUSTRAC includes important insights into the number and severity of the alleged breaches by the Group. This detailed information is necessary, in conjunction with analysis of the penalties against other companies (described above) and the relative size of the Group, in determining a reliable estimate of the civil penalty at 31 December 2022. Due to the statement of claim being served on 30 November 2022, an estimate of $150 million has been provisioned on the balance sheet at 31 December 2022. This has been recognised at a time where there remains considerable uncertainty on the approach the Federal Court will ultimately take when assessing any penalty.

Any actual penalty paid by the Group may differ materially to the provision recorded at 31 December 2022.

Underpaid casino duty

The Group commenced an independent assessment of residency status and consequential rebate gaming activity for a number of patrons that had changed their residency status, as identified in the Bell review. To date, the review has identified some instances where the eligibility for rebate play was not adequately supported. A provision of $12.7 million for underpaid casino duty and interest was recognised in the balance sheet at 30 June 2022, with no change at 31 December 2022.

The Bell report recommended the NICC engage an independent expert to perform their own audit of all patrons that engaged in rebate play at The Star Sydney since 28 November 2016 and a clear and objective test regarding the residency of players be included in The Star's Duty Agreement. The Group is working with the NICC regarding a residency definition, which will result in changes to relevant internal controls.

The Group will work with the NICC to align the scope of further analysis required to form a view regarding the eligibility for rebate patrons for past rebate play.

The final quantum of casino duty and interest may be materially different to the $12.7 million provision as it is subject to further analysis, including audit by and discussions with the NICC.

Class actions
On 30 March 2022, 7 November 2022 and 3 and 6 February 2023, the Company was served by Slater & Gordon, Maurice Blackburn, Phi Finney McDonald and Shine Lawyers respectively with separate statements of claim for securities class actions in the Supreme Court of Victoria.

The claims are substantially similar and allege the Group failed to comply with continuous disclosure requirements and engaged in misleading or deceptive conduct between 2016 and 2022 through various alleged disclosures or non-disclosures about its systems, controls, operations and regulatory risks. The allegations reference the Bell review and previous media reporting.

The Court will first determine (after 14 April 2023) how the four classes best be represented.

The Group intends to defend the proceedings.

The outcome and any potential financial impacts are unknown.

ASIC civil penalty proceedings against director and officers
In December 2022, The Australian Securities and Investment Commission (***ASIC***) commenced civil penalty proceedings in the Federal Court against a number of former directors and executives and one current director of the Group (***ASIC Proceedings***). The proceedings allege contraventions of section 180(1) of the *Corporations Act* in relation to certain matters investigated by ASIC and previously considered by the Bell Report and Gotterson Review. Although no entity of the Group is party to these proceedings, it is not possible to predict the timing and any financial impact of these claims on the Group (including in terms of the Group bearing costs for the defendants, which may also be covered by available insurances).

GST amended assessments
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 amount in dispute for this period is approximately $141.2 million (primary tax of $81.9 million and interest of $59.3 million). During 1H FY2022 the Group paid $40.9 million as a deposit to the ATO on a no-admissions basis. The deposit is held as a current asset on the balance sheet. The ATO is conducting an internal review of this matter, the outcome of the review is unknown.

On 6 September 2021 the Group filed an application for judicial review with the Federal Court in relation to the interest assessment and on 5 October 2021 lodged an objection against the primary assessments with the ATO. The outcome of the objection is unknown.

The Group considers that it has paid the correct amount of tax and will pursue all available avenues of objection.

Withholding tax penalty
The ATO has issued a penalty for $6.4 million in relation to a dispute over the appropriate method for calculating withholding tax on Junket rebates for the 2015 to 2020 income tax years. The Group has objected to the ATO's decision to issue the penalty, consequently the ATO is conducting an internal review of this matter.

The Group considers that it has paid the correct amount of tax and will pursue all available avenues of objection.

5. Earnings per share (EPS)
Basic EPS for the period was a loss of (133.2) cents (31 December 2021: (7.8) cents) and Diluted EPS for the period was a loss of (133.2) cents (31 December 2021: (7.8) cents).

6. Dividends
No interim dividend was declared in accordance with the conditions of debt covenant waivers 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, the Group returns to suitability and all of the Group's casino licences are in full force and effect.

7. Significant events after the end of the half year
On 3 and 6 February 2023, the Company was served by Phi Finney McDonald and Shine Lawyers respectively with separate statements of claim for securities class actions in the Supreme Court of Victoria (refer to note C2).

Other than those events that have already been disclosed in this report or elsewhere in the Interim Financial Report, there have been no other significant events occurring after 31 December 2022 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 half year ended 31 December 2022

8. 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 Interim Financial Report and the Directors' Report have been rounded to the nearest hundred thousand dollars unless specifically stated to be otherwise.

9. 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 half year ended 31 December 2022. The auditor's independence declaration forms part of this Directors' Report.

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

Ben Heap
Chairman
Sydney
23 February 2023

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

As lead auditor for the review of the half-year financial report of The Star Entertainment Group Limited for the half-year ended 31 December 2022, 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 review;

b. No contraventions of any applicable code of professional conduct in relation to the review; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Scott Jarrett
Partner
23 February 2023

Financial Report
Consolidated income statement
For the half year ended 31 December 2022

	Note	December 2022 $m	December 2021 $m
Revenue	A2	**1,013.2**	577.1
Other income	A3	**0.6**	14.4
Government taxes and levies		**(243.6)**	(145.8)
Employment costs	A3	**(376.5)**	(277.4)
Depreciation, amortisation and impairment	B3	**(1,089.2)**	(103.1)
Cost of sales		**(52.0)**	(28.6)
Property costs		**(36.1)**	(27.4)
Advertising and promotions		**(35.7)**	(24.9)
Fines and penalties		**(350.0)**	-
Other expenses		**(103.9)**	(56.6)
Share of net profit/(loss) of associate and joint venture entities accounted for using the equity method	D2	**8.1**	(6.6)
Loss before interest and income tax (LBIT)		**(1,265.1)**	(78.9)
Net finance costs		**(35.1)**	(25.0)
Loss before income tax (LBT)		**(1,300.2)**	(103.9)
Income tax benefit		**36.2**	29.7
Net loss after tax (NLAT)		**(1,264.0)**	(74.2)
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss			
Change in fair value of cash flow hedges taken to equity, net of tax		**(9.6)**	8.6
Total comprehensive loss for the period		**(1,273.6)**	(65.6)
Earnings per share:			
Basic earnings per share		**(133.2) cents**	7.8 cents
Diluted earnings per share		**(133.2) cents**	7.8 cents

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

Consolidated balance sheet

For the half year ended 31 December 2022

	Note	December 2022 $m	June 2022 $m
ASSETS			
Cash and cash equivalents		**109.1**	82.0
Trade and other receivables		**29.0**	18.0
Inventories		**16.6**	16.2
Income tax receivable		**21.7**	4.4
Derivative financial instruments	B1	**2.0**	1.4
Other assets		**76.0**	79.5
Total current assets		**254.4**	201.5
Property, plant and equipment		**2,496.1**	2,635.5
Intangible assets	B3	**788.4**	1,662.0
Derivative financial instruments	B1	**49.8**	62.9
Investment in associate and joint venture entities	D2	**665.7**	669.6
Other assets		**40.6**	39.9
Total non current assets		**4,040.6**	5,069.9
TOTAL ASSETS		**4,295.0**	5,271.4
LIABILITIES			
Trade and other payables		**432.2**	206.4
Interest bearing liabilities		**17.7**	6.1
Provisions		**256.0**	115.2
Derivative financial instruments	B1	**6.8**	5.7
Other liabilities		**22.9**	23.1
Total current liabilities		**735.6**	356.5
Interest bearing liabilities		**1,287.1**	1,326.4
Deferred tax liabilities		**101.2**	140.9
Provisions		**8.4**	8.3
Other liabilities		**9.3**	9.0
Total non current liabilities		**1,406.0**	1,484.6
TOTAL LIABILITIES		**2,141.6**	1,841.1
NET ASSETS		**2,153.4**	3,430.3
EQUITY			
Share capital	B2	**3,164.9**	3,171.0
(Accumulated losses)/retained earnings		**(1,016.2)**	247.8
Reserves		**4.7**	11.5
TOTAL EQUITY		**2,153.4**	3,430.3

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

Consolidated statement of cash flows

For the half year ended 31 December 2022

	Note	December 2022 $m	December 2021 $m
Cash flows from operating activities			
Net cash receipts from customers (inclusive of GST)		**1,066.5**	612.9
Payments to suppliers and employees (inclusive of GST)		**(653.8)**	(425.3)
Payment of government levies, gaming taxes and GST		**(240.7)**	(176.6)
Interest received		**0.1**	-
Income taxes paid		**(15.6)**	(8.0)
Net cash inflow from operating activities		**156.5**	3.0
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		**(76.0)**	(66.3)
Payments for investment in associate and joint venture entities	D2	**(8.2)**	(11.1)
Distributions received from joint venture entities	D2	**20.2**	-
Proceeds from sale of property, plant and equipment		**-**	40.8
Net cash outflow from investing activities		**(64.0)**	(36.6)
Cash flows from financing activities			
Proceeds from interest bearing liabilities		**30.0**	375.9
Repayment of interest bearing liabilities		**(54.0)**	(277.0)
Finance costs		**(30.4)**	(24.3)
Purchase of treasury shares		**(6.4)**	(1.9)
Interest payment on lease liabilities		**(1.6)**	(1.8)
Principal payment of lease liabilities		**(3.0)**	(4.4)
Net cash (outflow)/inflow from financing activities		**(65.4)**	66.5
Net increase in cash and cash equivalents		**27.1**	32.9
Cash and cash equivalents at beginning of the year		**82.0**	67.9
Cash and cash equivalents at end of the period		**109.1**	100.8

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

Consolidated statement of changes in equity

For the half year ended 31 December 2022

	Note	Ordinary shares $m	Treasury shares $m	(Accumulated losses)/retained earnings $m	Hedging reserve $m	Cost of hedging reserve $m	Share based payment reserve $m	Total $m
2023								
Balance at 1 July 2022		**3,177.9**	**(6.9)**	**247.8**	**(1.9)**	**2.6**	**10.8**	**3,430.3**
Loss for the year		**-**	**-**	**(1,264.0)**	**-**	**-**	**-**	**(1,264.0)**
Other comprehensive loss		**-**	**-**	**-**	**(10.3)**	**0.7**	**-**	**(9.6)**
Total comprehensive loss		**-**	**-**	**(1,264.0)**	**(10.3)**	**0.7**	**-**	**(1,273.6)**
Purchase of treasury shares	B2	**-**	**(6.4)**	**-**	**-**	**-**	**-**	**(6.4)**
Shares issued to settle employee share programs	B2	**-**	**0.3**	**-**	**-**	**-**	**-**	**0.3**
Employee share based payments		**-**	**-**	**-**	**-**	**-**	**2.8**	**2.8**
Balance at 31 December 2022		**3,177.9**	**(13.0)**	**(1,016.2)**	**(12.2)**	**3.3**	**13.6**	**2,153.4**
2022								
Balance at 1 July 2021		3,177.9	(18.6)	450.3	(21.4)	1.6	25.0	3,614.8
Loss for the year		-	-	(74.2)	-	-	-	(74.2)
Other comprehensive income		-	-	-	6.4	2.2	-	8.6
Total comprehensive loss		-	-	(74.2)	6.4	2.2	-	(65.6)
Purchase of treasury shares	B2	-	(1.9)	-	-	-	-	(1.9)
Shares issued to settle employee share programs	B2	-	13.1	-	-	-	-	13.1
Employee share based payments		-	-	-	-	-	(8.7)	(8.7)
Balance at 31 December 2021		3,177.9	(7.4)	376.1	(15.0)	3.8	16.3	3,551.7

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

Notes to the financial statements

For the half year ended 31 December 2022

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 those in the roles of executive decision makers, being the 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 hotel, theatre, restaurants, bars and other entertainment facilities.

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

For the half year ended 31 December 2022	**Sydney $m**	**Gold Coast $m**	**Brisbane $m**	**Total $m**
Gross revenues - domestic [a]	**541.2**	**275.6**	**196.4**	**1,013.2**
Segment revenue	**541.2**	**275.6**	**196.4**	**1,013.2**
Segment earnings before interest, tax, depreciation, amortisation and significant items	**87.4**	**66.2**	**46.1**	**199.7**
Depreciation and amortisation	**57.2**	**30.6**	**13.0**	**100.8**
Capital expenditure	**46.9**	**21.6**	**7.2**	**75.7**

For the half year ended 31 December 2021	**Sydney $m**	**Gold Coast $m**	**Brisbane $m**	**Total $m**
Gross revenues - VIP [a]	1.8	-	-	1.8
Gross revenues - domestic [a]	238.5	180.4	160.6	579.5
Segment revenue	240.3	180.4	160.6	581.3
Segment earnings before interest, tax, depreciation, amortisation and significant items	(24.0)	25.8	28.9	30.7
Depreciation and amortisation	58.8	30.8	13.5	103.1
Capital expenditure	26.9	33.5	6.2	66.6

a Total gross revenue is presented as the gross gaming win before player rebates and promotional allowances of nil (31 December 2021: $4.2 million).

Notes to the financial statements
For the half year ended 31 December 2022

	December 2022 $m	December 2021 $m
Reconciliation of reportable segment profit to profit before income tax		
Segment earnings before interest, tax, depreciation, amortisation and significant items	**199.7**	30.7
Depreciation and amortisation [a]	**(100.8)**	(103.1)
Significant items (refer to note A5)	**(1,363.7)**	(2.0)
Unallocated items:		
Net finance costs [a]	**(33.6)**	(22.9)
Share of net loss of associate and joint venture entities accounted for using the equity method [a] (refer to note D2)	**(1.8)**	(6.6)
Loss before income tax (LBT)	**(1,300.2)**	(103.9)

[a] These items are before significant items (refer to note A5).

A2 Revenue

	December 2022 $m	December 2021 $m
Gaming	**689.2**	411.4
Non-gaming	**317.8**	162.7
Other	**6.2**	3.0
Total revenue	**1,013.2**	577.1

A3 Other income and expenses

Other income

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

	December 2022 $m	December 2021 $m
Net foreign exchange gain	**0.1**	0.1
Gain on disposal of assets	**0.5**	9.6
Other	**-**	4.7
	0.6	14.4

Employment costs

	December 2022 $m	December 2021 $m
Salaries, wages, bonuses, redundancies and other benefits	**346.4**	252.6
Defined contribution plan expense (superannuation guarantee charges)	**28.3**	20.5
Share based payment expense	**1.8**	4.3
	376.5	277.4

A4 Dividends

No interim dividend was declared, in accordance with the conditions of debt covenant waivers which restricts 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, the Group returns to suitability and all of the Group's casino licences are in full force and effect.

Notes to the financial statements
For the half year ended 31 December 2022

A5 Significant items
Loss before income tax (LBT) is stated after charging the following significant items:

	December 2022 $m	December 2021 $m
Impairment [a]	**988.4**	-
Penalties [b]	**350.0**	-
Regulatory reviews [c]	**27.4**	-
Contribution to inquiry costs [d]	**7.0**	-
Accounting for software change [e]	**0.9**	2.8
Profit on sale [f]	**(10.0)**	(9.2)
One-off COVID-19 related expenditure [g]	**-**	12.0
Business Interruption and Crown Merger costs [h]	**-**	1.1
Dispute Settlement [i]	**-**	(4.7)
Net significant items	**1,363.7**	2.0
Tax on significant items	**(56.1)**	(0.6)
Significant items net of tax	**1,307.6**	1.4

a Impairment of The Star Sydney's Goodwill, Intangibles and Property, Plant & Equipment (refer to note B3).

b Penalties imposed by the NICC and OLGR and an estimate of penalty for AUSTRAC.

c Legal, consultants and other one off costs associated with regulatory reviews.

d Agreed contribution to the NICC towards the cost of the Bell Review.

e Software-as-a-Service (SaaS) arrangement project implementation costs. Major projects include the implementation of new payroll and customer management Salesforce systems.

f Equity accounted share of Destination Gold Coast Consortium's profit relating to the sale of Tower 1 residential units and Destination Sydney Consortium's profit on the NSW Government's compulsory acquisition of it's Pyrmont property. In the pcp, the sale of the second Bombardier Jet completed.

g Incremental one-off COVID-19 related expenditure including support payments for employees impacted by property shutdowns and covenant amendment fees for COVID-19 affected loan facilities.

h Business Interruption insurance claim and adviser costs related to the unsolicited Crown Resorts bid.

i The Group settled a dispute with suppliers, resulting in recovery of $4.7 million in funds in relation to combustible cladding claims.

Notes to the financial statements

For the half year ended 31 December 2022

B Key balance sheet disclosures

B1 Derivative financial instruments

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.

	December 2022 $m	June 2022 $m
Current assets		
Interest rate swaps	**2.0**	1.4
	2.0	1.4
Non current assets		
Cross currency swaps	**47.6**	59.6
Interest rate swaps	**2.2**	3.3
	49.8	62.9
Current liabilities		
Cross currency swaps	**6.8**	5.7
	6.8	5.7
Net financial assets	**45.0**	58.6

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.

Financial Instruments - fair value hierarchy

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 period.

Notes to the financial statements

For the half year ended 31 December 2022

B2 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 2022	952,014,210	3,177.9	(1,895,443)	(6.9)	950,118,767	3,171.0
Shares purchased for future employee share programs	-	-	(2,255,061)	(6.4)	(2,255,061)	(6.4)
Shares issued to settle employee share programs	-	-	123,877	0.3	123,877	0.3
Closing balance 31 December 2022	**952,014,210**	**3,177.9**	**(4,026,627)**	**(13.0)**	**947,987,583**	**3,164.9**
Opening balance 1 July 2021	952,014,210	3,177.9	(5,525,183)	(18.6)	946,489,027	3,159.3
Shares purchased for future employee share programs	-	-	(464,958)	(1.9)	(464,958)	(1.9)
Shares allocated to settle employee share programs	-	-	3,900,491	13.1	3,900,491	13.1
Closing balance 31 December 2021	952,014,210	3,177.9	(2,089,650)	(7.4)	949,924,560	3,170.5

B3 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
December 2022	-	165.5	263.2	428.7
June 2022	851.0	165.5	263.2	1,279.7

Indicators of impairment

Sydney property

On 11 August 2022, the *Casino Legislation Amendment Act 2022 (NSW)* was enacted to give effect to amendments to the *Casino Control Act 1992 (NSW)*. These amendments enact reforms to the NSW casino regulatory framework, including to address all 19 recommendations of the Bergin Inquiry and certain additional measures. The amendments are effective from 5 September 2022 with the exception of compulsory carded play and cash limits, which commence on 10 August 2024 (unless an earlier date is set by the Government). Some of these changes have had a negative impact to operations such that performance is down when compared with pre-COVID levels and budget.

On 17 December 2022, the NSW Treasurer announced proposed increases to specified duty rates applicable to casinos in NSW, effective 1 July 2023, if passed in to legislation or agreed by The Star Pty Limited (***The Star Sydney***) (see below).

In combination, these changes together with reduced earnings provided an indication as to a possible impairment of the Sydney cash generating unit at 31 December 2022. A detailed impairment test was therefore performed at 31 December 2022.

Queensland properties
On 14 October 2022 the *Casino Control and Other Legislation Amendment Act 2022 (Qld)* was passed by the Queensland (***QLD***) Parliament. Amendments to the *Casino Control Act 1982 (Qld)* are expected in 2023 to enact recommendations from the Gotterson Report, including mandatory carded play and cash limits and mandatory player pre-commitments.

The legislative amendments and operational changes that are affecting Sydney have not had the same level of impact on the QLD properties. The QLD properties continued to perform strongly with Gold Coast domestic revenue up 30% on pre-COVID levels, while Brisbane was up 9%. The headroom at 30 June 2022, in conjunction with the continued strong performance does not indicate any impairment within the QLD properties.

Impairment testing - Sydney
The recoverable amount of the Sydney cash generating unit 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 property's assets. These cash flows are principally based upon Board approved business plans for a five-year period, amended for recent results and regulatory and other amendments, together with longer term projections and approved capital investment plans, extrapolated using an implied terminal growth rate of 2.5% (June 2022: 2.5%). These cash flows are then discounted using a relevant long term post-tax discount rate specific to the cash generating unit, being 11.9% (June 2022: 9.3%). The pre-tax discount rate is 15.3% (June 2022: 11.8%).

An impairment of $988.4 million was recognised in the Sydney cash generating unit at 31 December 2022 (June 2022: $162.5 million). The impairment was first taken against goodwill ($851.0 million) and then apportioned between property, plant and equipment ($111.3 million) and intangibles ($26.1 million).

Key assumptions
The fair value measurement is valued using level 3 valuation techniques (refer to note B1). 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 the 30 June 2022 Board approved five year business plan, amended for the impact of recent regulatory changes and announcements, together with longer term projections, growth rates and approved capital investment plans. The five year business plan assumes the Group returns to suitability, and reinstates the casino licence of The Star Sydney.

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. The discount rate includes a risk premium for the uncertainty associated with ongoing regulatory and other matters. In particular, at 31 December 2022, the discount rate includes an alpha adjustment of 3.7% for the weighted probability of major gaming tax reforms to duty rates applicable to casinos in NSW (refer below).

iv. Regulatory changes
NSW Casino Duty Rates
On 17 December 2022, the NSW Treasurer announced proposed increases to specified duty rates applicable to casinos in NSW, effective 1 July 2023. The new rates represent a rate increase across all revenue streams, including rebate, non-rebate and poker machines, and could result in additional gaming taxes of up to $364 million in total from both NSW casinos over the next three years.

The Group understands that amendments to NSW casino duty rates will require either legislation to be passed by the NSW Parliament or agreement between the NSW Government and The Star Sydney to amend their existing duty agreement. It is uncertain to what extent the announced amendment may change during this process. Furthermore, there is a possibility that no amendment is put forward should a change in NSW Government occur at the upcoming March 2023 elections.

Management have determined a best estimate of the potential impact, using probability weighted outcomes for each scenario, in calculating the recoverable amount of Sydney's cash generating unit. This has been incorporated into the valuation through a 3.7% alpha adjustment to the discount rate. Should the duty rate changes be implemented as proposed by the NSW Treasurer then additional impairment of the cash generating unit of up to $600.0 million will be required whereas if rates do not change, impairment of the property, plant and equipment and intangibles of $137.4 million may be reversed.

Bergin Inquiry and Bell Report
In response to the Bell Review, the Group suspended all domestic and international rebate programs (from May 2022) and increased operating restrictions, resulting in an increase in the number of excluded patrons and a reduced level of complimentary services and benefits in private gaming areas.

On 11 August 2022, the *Casino Legislation Amendment Act 2022 (NSW)* was enacted to give effect to amendments to the *Casino Control Act 1992 (NSW)*. These amendments enact reforms to the NSW casino regulatory framework, including to address all 19 recommendations of the Bergin Inquiry and certain additional measures. The amendments are effective from 5 September 2022 with the exception of compulsory carded play and cash limits, which commence on 10 August 2024 (unless an earlier date is set by the Government). The amendments affect earnings through enhanced customer due diligence requirements, compulsory carded play and cash limits, higher gaming taxes and increased compliance costs.

These changes are reflected in the cash flow forecasts.

Sydney competition
In June 2022, ILGA granted a conditional licence for Crown Resorts Limited (***Crown***) to operate its Sydney Casino. The casino opened to the public on 8 August 2022. The impact of Crown Sydney is reflected in the cash flow forecasts.

AUSTRAC and NICC penalties
In October 2022, the NICC issued The Star Sydney a $100 million pecuniary penalty. In November 2022, AUSTRAC served a statement of claim against the Group, commencing civil proceedings in the Federal Court. The statement of claim alleges the majority of breaches relate to The Star Sydney. An estimate for the civil penalty of $150 million has been provisioned in the Group results. A portion of the penalty has been included in determining the recoverable amount of Sydney's cash generating unit.

Impairment
The Sydney property is in a state of significant uncertainty. Recent regulatory changes have increased compliance costs and the Group has paused international and domestic rebate business. Further, proposed increases to casino duty rates could materially alter the profitability of the business. In combination, these factors have reduced the valuation of the Sydney cash generating unit, requiring an impairment of $988.4 million to be recognised at 31 December 2022 (June 2022: $162.5 million). The impairment is recognised in the line 'Depreciation, amortisation and impairment expense' in the Consolidated Income Statement. The impairment was first allocated against the cash generating unit's goodwill balance ($851.0 million) and then apportioned between property, plant and equipment ($111.3 million) and intangibles ($26.1 million).

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 a further impairment charge to be recognised.

An increase or decrease of 0.5% in the discount rate (11.9%) would result in either additional impairment of $80.4 million or a reduction in impairment of $64.3 million. As noted above, significant uncertainty surrounds the proposed NSW casino duty rate changes. If the rates are implemented as proposed, additional impairment of the cash generating unit of up to $600.0 million will be required whereas if rates do not change, impairment of the property, plant and equipment and intangibles of $137.4 million may be reversed.

Notes to the financial statements

For the half year ended 31 December 2022

C Commitments, contingencies and subsequent events

C1 Commitments

Other commitments [a]

	December 2022 $m	June 2022 $m
Not later than one year	**27.2**	44.6
Later than one year but not later than five years	**0.3**	0.3
Later than five years	**-**	-
	27.5	44.9

a Other commitments as at 31 December 2022 mainly include Sydney and Gold Coast redevelopment projects.

Total project costs for Destination Brisbane Consortium's (***DBC***) development of the Integrated Resort are expected to be up ~10% on prior guidance of $2.6 billion. The majority of these cost over-runs are to be funded via additional equity contributions in proportion with the existing joint venture interests. The Group's expected contribution is approximately $100 million. Remaining construction costs are to be funded out of committed project financing.

For Destination Gold Coast Consortium (***DGCC***), construction is underway on Tower 2 (31 December 2021: Towers 1 and 2). Equity contributions towards Tower 1 are complete. DGCC is seeking project level debt facilities for the remainder of the Tower 2 construction costs. Until such time as a facility is secured, committed spend is to be funded by equity contributions.

Refer to note D2 for commitments in respect of investment in associate and joint venture entities.

C2 Provisions, contingent liabilities and regulatory matters

AUSTRAC

As announced on 7 June 2021, and 14 January 2022, entities within the Group were the subject of an AUSTRAC enforcement investigation. This followed potential non-compliance concerns identified in the course of a compliance assessment which was commenced by AUSTRAC in September 2019.

On 30 November 2022 The Star Pty Limited (***The Star***) and The Star Entertainment QLD Limited (collectively ***The Star Entities***), were served with a statement of claim from AUSTRAC, commencing Federal Court civil penalty proceedings in relation to alleged contraventions of obligations under the *Anti-Money Laundering and Counter Terrorism Financing Act 2006*. The claims include that The Star Entities:

1. Failed to appropriately assess the money laundering and terrorism financing (ML/TF) risks.
2. Did not include in their AML/CTF programs appropriate risk-based systems and controls to mitigate and manage risks.
3. Failed to establish an appropriate framework for Board and senior management oversight of the AML/CTF programs.
4. Did not have a transaction monitoring program to monitor transactions and identify suspicious activity that was appropriately risk-based or appropriate to the nature, size and complexity of The Star Entities.
5. Did not have an appropriate enhanced customer due diligence program to carry out additional checks on higher risk customers.
6. Did not conduct appropriate ongoing customer due diligence on a range of customers who presented higher money laundering risks.

The facts of the case have not been agreed and the first case management hearing was held on 13 February 2023. The case management hearing was procedural, with nothing material decided.

AUSTRAC has commenced civil penalty proceedings against other companies on five occasions, two of which are yet to conclude. The three concluded AUSTRAC proceedings to date have led to the Federal Court ordering the respondent to pay significant penalties (Tabcorp $45 million (2017); CBA $700 million (2018) and Westpac $1.3 billion (2020)). The determination of the Federal Court's penalty (including where a penalty has been jointly proposed by AUSTRAC and the defendant to the Court) is specific to the facts of each case and arrived at after consideration of a detailed Statement of Agreed Facts and Admissions.

The statement of claim from AUSTRAC includes important insights into the number and severity of the alleged breaches by the Group. This detailed information is necessary, in conjunction with analysis of the penalties against other companies (described above) and the relative size of the Group, in determining a reliable estimate of the civil penalty at 31 December 2022. Due to the statement of claim being served on 30 November 2022, an estimate of $150 million has been provisioned on the balance sheet at 31 December 2022. This has been recognised at a time where there remains considerable uncertainty on the approach the Federal Court will ultimately take when assessing any penalty.

Any actual penalty paid by the Group may differ materially to the provision recorded at 31 December 2022.

Underpaid casino duty
The Group commenced an independent assessment of residency status and consequential rebate gaming activity for a number of patrons that had changed their residency status, as identified in the Bell review. To date, the review has identified some instances where the eligibility for rebate play was not adequately supported. A provision of $12.7 million for underpaid casino duty and interest was recognised in the balance sheet at 30 June 2022, with no change at 31 December 2022.

The Bell report recommended the NICC engage an independent expert to perform their own audit of all patrons that engaged in rebate play at The Star Sydney since 28 November 2016 and a clear and objective test regarding the residency of players be included in The Star's Duty Agreement. The Group is working with the NICC regarding a residency definition, which will result in changes to relevant internal controls.

The Group will work with the NICC to align the scope of further analysis required to form a view regarding the eligibility for rebate patrons for past rebate play.

The final quantum of casino duty and interest may be materially different to the $12.7 million provision as it is subject to further analysis, including audit by and discussions with the NICC.

Class actions
On 30 March 2022, 7 November 2022 and 3 and 6 February 2023, the Company was served by Slater & Gordon, Maurice Blackburn, Phi Finney McDonald and Shine Lawyers respectively with separate statements of claim for securities class actions in the Supreme Court of Victoria.

The claims are substantially similar and allege the Group failed to comply with continuous disclosure requirements and engaged in misleading or deceptive conduct between 2016 and 2022 through various alleged disclosures or non-disclosures about its systems, controls, operations and regulatory risks. The allegations reference the Bell review and previous media reporting.

The Court will first determine (after 14 April 2023) how the four classes best be represented.

The Group intends to defend the proceedings.

The outcome and any potential financial impacts are unknown.

ASIC civil penalty proceedings against director and officers
In December 2022, The Australian Securities and Investment Commission (***ASIC***) commenced civil penalty proceedings in the Federal Court against a number of former directors and executives and one current director of the Group (***ASIC Proceedings***). The proceedings allege contraventions of section 180(1) of the *Corporations Act* in relation to certain matters investigated by ASIC and previously considered by the Bell Report and Gotterson Review. Although no entity of the Group is party to these proceedings, it is not possible to predict the timing and any financial impact of these claims on the Group (including in terms of the Group bearing costs for the defendants, which may also be covered by available insurances).

GST amended assessments
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 amount in dispute for this period is approximately $141.2 million (primary tax of $81.9 million and interest of $59.3 million). During 1H FY2022 the Group paid $40.9 million as a deposit to the ATO on a no-admissions basis. The deposit is held as a current asset on the balance sheet. The ATO is conducting an internal review of this matter, the outcome of the review is unknown.

On 6 September 2021 the Group filed an application for judicial review with the Federal Court in relation to the interest assessment and on 5 October 2021 lodged an objection against the primary assessments with the ATO. The outcome of the objection is unknown.

The Group considers that it has paid the correct amount of tax and will pursue all available avenues of objection.

Withholding tax penalty

The ATO has issued a penalty for $6.4 million in relation to a dispute over the appropriate method for calculating withholding tax on Junket rebates for the 2015 to 2020 income tax years. The Group has objected to the ATO's decision to issue the penalty, consequently the ATO is conducting an internal review of this matter.

The Group considers that it has paid the correct amount of tax and will pursue all available avenues of objection.

Legal challenges

There are outstanding legal actions between the Company and its controlled entities and third parties as at 31 December 2022. 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 estimated. 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.

The Group has no other contingent liabilities other than those disclosed in these interim financial statements.

New South Wales

Regulatory reforms

On 11 August 2022 the *Casino Legislation Amendment Act 2022 (NSW)* was enacted to give effect to amendments to the *Casino Control Act 1992 (NSW)*. These amendments enact reforms to the NSW casino regulatory framework, including to address all 19 recommendations of the Bergin Inquiry and certain additional measures and to establish the New South Wales Independent Casino Commission (the ***NICC***) as a new independent regulator. The reforms also purport to override compensation rights previously available to the Group for specified regulatory changes. The amendments are effective from 5 September 2022 with the exception of compulsory carded play and cash limits, which commence on 10 August 2024 (unless an earlier date is set by Government).

Bell Report

The Bell Report was provided to the Independent Liquor and Gaming Authority (***ILGA***) on 31 August 2022 and published by the NICC on 13 September 2022. Mr Bell made a total of 30 recommendations and found The Star unsuitable to hold a casino licence in NSW.

Disciplinary action

After considering the Bell Report recommendations and The Star's response to the show cause notice issued on 13 September 2022, the NICC issued a $100 million fine (payable in 3 instalments between 31 March 2023 and 29 December 2023), suspended The Star's casino licence and appointed a Manager for the Sydney casino. The Manager was appointed initially for 90 days, however on 16 December 2022 this was extended to 19 January 2024.

The $100 million penalty has been recorded as a liability on the balance sheet at 31 December 2022.

The Star Sydney remains open and operating, and net earnings continue to be paid to The Star after payment of the Manager's costs. The Manager has assumed the responsibility and control of The Star's casino operations.

Gaming tax reforms

On 17 December 2022, the NSW Treasurer announced intended increases to specified duty rates applicable to casinos in NSW. These changes are proposed to apply to The Star Sydney from 1 July 2023. The Star Sydney understands the changes will require legislation to be passed by the NSW Parliament, unless the NSW Government and The Star Sydney agree to amend their existing duty agreement. It is likely such changes will have a significant impact on The Star Sydney's earnings and operations.

Queensland

Regulatory reforms

On 14 October 2022 the *Casino Control and Other Legislation Amendment Act 2022 (Qld)* was passed by the QLD Parliament. These amendments to the *Casino Control Act 1982 (Qld)* include doubling the maximum pecuniary penalty to $100 million, allowing for the appointment of a Special Manager and overriding compensation rights previously available to the Group for specified regulatory changes.

Gotterson Report
In July 2022 an independent review commenced of the Group's QLD casinos, The Star Gold Coast and Treasury Brisbane following a request by the QLD Attorney-General.

The review, led by the Honourable Robert Gotterson AO, examined whether these casinos operate in a way that is consistent with achieving the objectives of the *Casino Control Act 1982 (Qld)* and the ongoing suitability of the Group's casino licensees. The Gotterson Report was made public on 6 October 2022. On 25 October 2022 the Attorney-General formally determined that the QLD casino operators, and other associated entities of The Star Entertainment Group, were not suitable to be associated or connected with the management and operations of a hotel-casino complex or casino, by reason of it not being a person of good repute.

Amendments to the *Casino Control Act 1982 (Qld)* are expected in 2023 to enact recommendations from the Gotterson Report, including mandatory carded play and cash limits and mandatory player pre-commitments.

Disciplinary action
On 9 December 2022 the Attorney-General imposed a total penalty of $100 million in relation to the QLD casinos (payable in 3 instalments between 31 March 2023 and 31 December 2023); suspended the QLD casino's licences for a period of 90 days on a deferred basis with effect from 1 December 2023 and appointed a Special Manager to monitor the operations of the QLD casinos.

The $100 million penalty has been recorded as a liability on the balance sheet at 31 December 2022.

C3 Subsequent events

On 3 and 6 February 2023, the Company was served by Phi Finney McDonald and Shine Lawyers respectively with separate statements of claim for securities class actions in the Supreme Court of Victoria (refer to note C2).

Other than those events disclosed in the Directors' Report or elsewhere in these interim 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 half year ended 31 December 2022

D Group structure

D1 Related party disclosure

Investments in controlled entities

The interim financial statements incorporate the assets, liabilities and results of the Company's controlled entities in accordance with the accounting policy described in the Financial Report for the year ended 30 June 2022. The financial years of all controlled entities are the same as that of the Company with the exception of The Star Entertainment (Macau) Limited which has a 31 December financial year end.

D2 Investment in associate and joint venture entities

Set out below are the investments of the Group as at 31 December 2022. 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.

For the half year ended 31 December 2022 Name of entity	Country of incorporation	% of ownership	Nature of ownership	Measurement method	Carrying amount $m
Material					
Destination Brisbane Consortium Integrated Resort Holdings Pty Ltd	Australia	50	Associate	Equity method	536.8
Destination Gold Coast Consortium Pty Ltd	Australia	33.3	Joint venture	Equity method	68.3
Destination Gold Coast Investments Pty Ltd	Australia	50	Joint venture	Equity method	36.9
Non material					
Festival Car Park Pty Ltd	Australia	50	Joint venture	Equity method	14.5
Destination Sydney Consortium Investments Pty Ltd	Australia	50	Joint venture	Equity method	9.2
Total equity accounted investments					**665.7**

The carrying amount of the equity-accounted investments has changed in the six months to 31 December 2022, as follows:

Name of entity	Balance at 1 July 2022 $m	Equity contributions $m	Profit/(loss) for the period $m	Distributions $m	Balance at 31 December 2022 $m
Destination Brisbane Consortium Integrated Resort Holdings Pty Ltd	538.6	-	(1.8)	-	536.8
Destination Gold Coast Consortium Pty Ltd	73.6	7.3	7.6	(20.2)	68.3
Destination Gold Coast Investments Pty Ltd	36.1	-	0.8	-	36.9
Festival Car Park Pty Ltd	14.3	-	0.2	-	14.5
Destination Sydney Consortium Investments Pty Ltd	7.0	0.9	1.3	-	9.2
	669.6	**8.2**	**8.1**	**(20.2)**	**665.7**

Commitments and contingent liabilities

DBC has current capital commitments of approximately $0.5 billion (31 December 2021: $0.8 billion) to fund the construction of the Integrated Resort, which is expected to have a phased opening from December 2023 (subject to various approvals).

On 14 February 2018, Destination Brisbane Consortium Integrated Resort Operations Pty Ltd as trustee for the Destination Brisbane Consortium Integrated Resort Operating Trust (***Trust***) entered into a $200 million performance guarantee facility with Australia and New Zealand Banking Group Limited as Lender. This facility guarantee is in favour of the State of QLD and provided to secure due performance as developer under the Development Agreement – Queen’s Wharf Brisbane. The parent entities of the unitholders of the Trust guarantee on a several basis the Trust’s performance under the facility. On 8 July 2020, $125 million of the $200 million performance guarantee was returned from the State of QLD and subsequently cancelled by Australia and New Zealand Banking Group Limited.

In 1H FY2022, the Trust was advised by the builder of expected delays to its construction program. The construction contract has provision for liquidated damages payable on key milestones (as adjusted in accordance with the contract). Following correspondence received from the builder in January 2022, the builder has purported that it has a claim against the Trust for additional costs, extensions of time and damages, which the Trust disputes, and hence no provision for additional costs has been recognised as at 31 December 2022. The Trust are holding discussions with the builder on an ongoing basis. The outcome of these discussions is unknown at the date of this report.

DGCC has current capital commitments of $102.6 million in relation to Tower 2 (31 December 2021: $436.0 million in relation to Tower 1 and 2). DGCC is seeking project level debt facilities for the remainder of the Tower 2 construction costs. Until such time as a facility is secured, committed spend is to be funded by equity contributions.

Notes to the financial statements

For the half year ended 31 December 2022

E Accounting policies and corporate information

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 half year ended 31 December 2022 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 Interim 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 Interim Financial Report was authorised for issue by the Directors on 23 February 2023.

Basis of preparation of the interim report

The principal accounting policies adopted in the preparation of this interim Financial Report are consistent with those applied in the annual Financial Report for the year ended 30 June 2022.

The interim financial statements for the six months ended 31 December 2022 have been prepared in accordance with the Australian Accounting Standards Board (AASB) 134 Interim Financial Reporting.

The Interim Financial Report does not include all the notes of the type normally included in an annual Financial Report. Accordingly, this report is to be read in conjunction with the audited Financial Report for the year ended 30 June 2022, and any public announcements made by the Company during the interim reporting period in accordance with its continuous disclosure obligations under ASX listing rules.

Going concern

As detailed in note C2, there is significant regulatory and other uncertainty facing the Group. This includes:

- the indefinite suspension of the Sydney Casino licence (from 21 October 2022);
- deferred suspension of the Queensland Casino licences (from 1 December 2023 for a period of at least 90 days);
- appointment of a manager (Mr Nick Weeks) by both the NSW and QLD gaming regulators to manage (in NSW) and monitor (in QLD) the casino operations;
- amendments to the Casino Control Acts in both NSW and QLD to introduce more stringent compliance requirements;
- announced proposed increases to specified duty rates applicable to casinos in NSW;
- the ongoing AUSTRAC civil penalty proceedings, for which the Group has a $150.0 million provision; and
- four outstanding class actions.

In order to secure the financial flexibility to meet anticipated cashflow requirements and navigate a range of operating and regulatory uncertainties, the Company is announcing in conjunction with the release of the half year financial statements a plan to execute a capital restructure. The capital raising will take the form of an $800.0 million equity raising, including approximately $685.0 million 3 for 5 pro rata accelerated non-renounceable entitlement offer and approximately $115.0 million institutional placement. The Company's joint venture partners, Chow Tai Fook and Far East Consortium, have provided binding pre-commitments for approximately $80.0 million, which equates to their functional pro-rata entitlement in the equity raising. The balance of the equity raising is underwritten. The Company has also secured a relief package from existing bank and USPP lenders to amend covenants through to and including 30 June 2025, conditional on completion of the announced capital restructure.

Further, the Group continues to pursue the recycling of non-core assets, including the Treasury buildings. This asset is expected to contribute $233.0 million in additional cash.

In the Directors' opinion, whilst the outcome of regulatory and other matters (outlined in note C2) creates material uncertainty as to the Group's ability to remain a going concern, the Group is likely to be able to meet its liabilities as and when they fall due over the next twelve months and continues to remain a going concern, provided:

- the outcomes of the uncertainties outlined in note C2 as a whole are not sufficiently onerous as to prevent the Company from settling its obligations;
- the Group is able to execute its capital restructuring plan, as announced; and
- the Group, by continuing to work with Mr Weeks, is able to develop and implement on its longer-term remediation measures and restore the Group to suitability to hold its casino licences.

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.

Notes to the financial statements

For the half year ended 31 December 2022

Significant accounting judgements, estimates and assumptions

Preparation of the interim financial statements, in conformity with Australian Accounting Standards and International Financial Reporting Standards (***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 interim financial statements and the reported amounts of revenues and expenses during the reporting period.

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

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 interim financial statements:

- Going concern (refer note above);
- Asset useful lives and residual values;
- Impairment of assets (refer to note B3);
- Valuation of derivatives and other financial instruments (refer note B1);
- Significant items (refer note A5); and
- Provisions and contingent liabilities (refer to note C2).

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 accounting standards, which became applicable from 1 July 2022:

Reference	Title
AASB 3	Amendments to AASB 3 Business Combinations
AASB 116	Amendments to AASB 116 Property, Plant and Equipment - Proceeds before Intended Use
AASB 137	Amendments to AASB 137 Provisions, Contingent Liabilities & Contingent Assets

Amendments to AASB 3 and AASB 137 - Reference to the Conceptual Framework

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of AASB 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of AASB 137 Provisions, Contingent Liabilities and Contingent Assets, if incurred separately. The exception requires entities to apply the criteria in AASB 137, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to AASB 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the interim consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

Amendments to AASB 116: Property, Plant and Equipment: Proceeds before Intended Use

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the interim consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

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 Standards are:

Reference	Title	Application date
AASB 2020-1	Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current	1 January 2023
AASB 2021-2	Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023
AASB 2021-5	Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

Directors' Declaration

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

(a) the interim 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 31 December 2022 and of its performance for the half year ended on that date; and

 (ii) complying with the Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*; and

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

Signed in accordance with a resolution of Directors.

Ben Heap
Chairman
Sydney
23 February 2023

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

Conclusion

We have reviewed the accompanying half-year financial report of The Star Entertainment Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 31 December 2022, the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of the Group does not comply with the *Corporations Act 2001*, including:

a) Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance for the half-year ended on that date; and

b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-Year 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material Uncertainties Relating to Going Concern

We draw attention to Notes E and C2 of the financial report which note the uncertainties associated with the significant regulatory matters, the Directors' assessment of the ability of the Group to continue as a going concern, and the Group's associated provisions, contingent liabilities and their inherent uncertainties. These matters indicate that material uncertainties exist that may cast significant doubt on the Company's ability to continue as a going concern. Significant adverse outcomes in relation to these matters may result in the Group not being able to continue as a going concern unless the Group continues to have the support of its lenders. Note E describes the basis for the Directors' assessment that the Group has the ability to continue as a going concern. Note C2 outlines the Group's provisions and contingent liabilities and the uncertainties as to the ultimate outcome of these matters. Our conclusion is not modified in respect of this matter.

Directors' Responsibilities for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

Scott Jarrett
Partner
Sydney
23 February 2023