THE STAR

ASX Announcement

26 August 2016

FULL YEAR RESULTS ANNOUNCEMENT AND ACCOUNTS

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

1. Media Release; and
2. Directors' Report and Financial Report for the year ended 30 June 2016.

Final Dividend

The Directors have declared a final dividend of 7.5 cents per share, fully franked at the company tax rate of 30%, to be paid on 30 September 2016.

The Record Date for the purpose of entitlement to the final dividend will be 1 September 2016.

Dividend Reinvestment Plan

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

Shareholders who may participate in the DRP are those with a registered address in Australia or New Zealand. To participate in the DRP for the final dividend, DRP elections must be received by The Star Entertainment Group's share registry (Link Market Services Limited) by the end of the business day following the Record Date (i.e. 2 September 2016).

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

ASX AND MEDIA RELEASE

Friday, 26 August 2016

The Star Entertainment Group Limited (ASX: SGR) (Group) today announced its results for the year ended 30 June 2016[1]. Key highlights include:

- Statutory NPAT of $194 million (up 14.9% on the prior comparable period (pcp))
- Normalised[2] NPAT before significant items of $241 million (up 23.4% on pcp)
- FY2016 results demonstrate delivery on all key operating fundamentals
  - Normalised gross revenue of $2,431 million, up 6.0% on the pcp
  - Operating expenses[3] of $961 million, up 4.2% on the pcp, reflective of the continued growth in the domestic business and investment in loyalty and marketing
  - Normalised EBITDA of $556 million, up 14.1% on the pcp
- Good growth across the domestic gaming business, particularly at The Star Sydney
- International VIP Rebate business volumes up 7.0% on the pcp. Improved win rate in 2H FY2016 of 1.50% compared with 0.88% in 1H FY2016
- Final dividend (fully franked) of 7.5 cents per share (up 25.0%), taking full year dividends to 13.0 cents per share fully franked
- Financial performance improved across all properties
- Strong balance sheet maintained – 1.0x Net Debt[4]/ Actual EBITDA
- Strategic initiatives and capital works progressing well

Chairman John O'Neill AO said: "FY2016 has been another year of earnings growth, improved performance and increased dividends for our shareholders. The increase in statutory NPAT from $83 million in FY2013 to $194 million in FY2016 represents a 33% compound annual growth rate over the last three years.

"The Board has declared a final dividend of 7.5 cents per share (fully franked), taking total dividends for the year to 13.0 cents per share (fully franked), up 18% on FY2015 and reflecting a 55% payout ratio. The strategy of investing in our Integrated Resorts continues to improve shareholder returns.

"At our first half results, we noted that the Group, along with our Destination Brisbane Consortium (DBC) partners Chow Tai Fook Enterprises (CTF) and Far East Consortium (FEC), reached contractual close with the Queensland Government on the Queen's Wharf development. Detailed planning is progressing on this landmark partnership with the Queensland Government. Queen's Wharf is an important strategic step for the Group, securing our long-term position in the Brisbane market and demonstrating our commitment to Queensland and tourism.

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[1] This release should be read in conjunction with The Star Entertainment Group Limited's Full Year 2016 Results Presentation and Directors' Report and Financial Report for the year ended 30 June 2016.

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

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

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

"We continue to develop opportunities to further our relationship with CTF and FEC by leveraging our respective assets, operational capabilities and market expertise. We are well advanced with our partners to secure additional joint venture investment opportunities to expand and improve the value proposition of our properties in Sydney and the Gold Coast."

Group performance overview

Normalised and actual gross revenue increased in FY2016, driven by a combination of improved marketing, loyalty program, sales activity, product offering and stronger macro-economic conditions in each of the Group's markets. Good domestic gaming revenue growth offset the disruption impact of capital works on non-gaming revenue and a low win rate in the International VIP Rebate business in 1H FY2016.

Normalised EBITDA increased 14.1% to $556 million (actual up 7.5% to $489 million), with margins increasing as a result of good expense management across the Group, offset by higher average gaming taxes at The Star Sydney. As disclosed at the 1H FY2016 results, normalised EBITDA has been calculated by applying a 1.35% win rate to actual VIP turnover in the period, in line with the Group's win rate experience and consistent with the Australia and New Zealand market practice.

Gearing levels remain conservative at 1.0 times FY2016 net debt to actual EBITDA, positioning the Group well to execute on its growth projects.

The Star Sydney

Normalised and actual gross revenue increased in FY2016, with good volume growth across all lines of business offsetting the impact of disruption from capital works. Domestic gaming revenue was solid across both tables and slots. Electronic gaming market share for Q1-Q3 FY2016 was steady at 9.1% versus Q1-Q3 FY2015[5]. Expenses remain well controlled. Normalised EBITDA increased 17.4% to $382 million over the year (actual up 13.0% to $302 million).

Managing Director and Chief Executive Officer, Matt Bekier said: "The continued improvement in The Star Sydney's results validates the Group's strategy of investing in its properties, with continuing focus on our brand, loyalty program, guest satisfaction and staff engagement delivering a differentiated value proposition to our 11 million customers."

Queensland casinos (Gold Coast and Treasury Brisbane)

Queensland experienced a small decline in normalised and actual gross revenue in FY2016, as revenue growth in domestic tables and slots was offset by disruption at non-gaming facilities at the Gold Coast property, inclusion of three months of Jupiters Townsville revenues in the pcp, and lower International VIP Rebate business volumes in 2H FY2016. Normalised EBITDA increased 7.5% to $174 million (actual down 0.3% to $186 million).

Mr Bekier said: "FY2016 has been a year of transition for our Queensland business, as capital works activity at the Gold Coast increased. Initial customer response to the new VIP salons, refurbished hotel rooms and new restaurants has been pleasing. There has been no material change at Treasury Brisbane over the year. Operating expenses remain well managed across both properties."

International VIP Rebate business

Results for the International VIP Rebate business are included in the property performance overviews above. International VIP Rebate business turnover increased 7.0% to a record $49.5 billion in FY2016. Normalised International VIP Rebate business revenue increased 7.2% to $670 million in FY2016 (actual up 1.3% to $596 million).

The FY2016 International VIP Rebate business actual win rate of 1.20% (0.88% in 1H FY2016, 1.50% in 2H FY2016) was below both the pcp of 1.27% and normalised rate of 1.35%. As outlined in

[5] Q4 FY2016 market data not available at the date of this release.

the 1H FY2016 results, the normalised win rate has been adjusted from 1.43% in FY2015 to 1.35% for the FY2016 results, in line with the Group's win rate experience and consistent with the Australia and New Zealand market practice.

Receivables remain well managed, with receivables past due not impaired less than one year comprising over 95% of the total. Net receivables past due not impaired greater than 30 days of $33 million, up from $16m at 30 June 2015, reflected increased volumes and a high win rate in 2H FY2016.

Trading update and outlook for FY2017

Trading levels in early FY2017 are exhibiting satisfactory growth on the prior period. Gross revenue, excluding International VIP Rebate business is up 4.1% on the pcp, from 1 July 2016 to 20 August 2016. The International VIP Rebate business volume and win rate year to date is tracking in line with management's expectations.

Disruption from capital investment works across the gaming and non-gaming business will have some impact on earnings into FY2017, with moderation expected in 2H FY2017 as projects complete.

Capital expenditure for FY2017 is expected to be in the range of $375 million to $425 million, excluding an expected $120 million in equity contributions to DBC in relation to the Queen's Wharf development. The majority of growth and maintenance activities for FY2017 will relate to the execution of expansion plans at The Star Sydney and the Gold Coast.

Mr Bekier said: "The Star Entertainment Group has the following priorities for FY2017:

- Improve earnings across the Group through continued focus on operations and efficiency
- Deliver on the next stage of the capital program (The Star Sydney development, the Gold Coast development and masterplan, and the Queen's Wharf Brisbane development)
- Secure planning approvals and execute property development plans at the Sydney and Gold Coast properties in partnership with CTF and FEC
- Continue the drive to differentiate the value proposition at each of our properties, through brand, loyalty, customer service, and food & beverage."

The full 2017 financial year result may be impacted by a number of factors (which may be material in nature) including general macro-economic conditions, potential hold and win rate volatility in the private gaming room and International VIP Rebate business, level of debt or provisions, success of the company's marketing programs and any uncertainty related to the regulatory environment.

For more information:

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The Star Entertainment Group – Full year results to 30 June 2016

Key financials – Statutory		**Variance to pcp**
Revenue	$2,357.7 million	Up 4.4%
EBITDA	$488.8 million	Up 7.5%
EBIT	$325.0 million	Up 11.8%
NPAT	$194.4 million	Up 14.9%
Earnings Per Share	23.6 cents	Up 14.9%
Key financials – Normalised[6] (Underlying), at 1.35% Win Rate		**Variance to pcp**
Revenue	$2,431.0 million	Up 6.0%
- The Star Sydney	$1,743.5 million	Up 8.6%
- Queensland Casinos	$687.5 million	Down 0.2%
EBITDA	$556.2 million	Up 14.1%
- The Star Sydney	$381.8 million	Up 17.4%
- Queensland Casinos	$174.4 million	Up 7.5%
EBIT	$392.4 million	Up 21.2%
- The Star Sydney	$280.1 million	Up 23.6%
- Queensland Casinos	$112.3 million	Up 15.7%
NPAT	$241.3 million	Up 23.4%
Dividend per share		
Final dividend per share (fully franked)	7.5 cents	
Full year dividend per share (fully franked)	13.0 cents	
Balance sheet		
Gross Debt	$813.5 million	
Net Debt	$473.8 million	
Net Debt/ EBITDA[7] (actual)	1.0 times	

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

[7] EBITDA excludes significant items

THE STAR ENTERTAINMENT GROUP LIMITED

The Star Entertainment Group Limited

A.C.N 149 629 023

ASX Code: SGR

and its controlled entities

Directors', Remuneration and Financial Report

For the year ended 30 June 2016

Contents

Directors' Report
for the year ended 30 June 2016

The Directors of The Star Entertainment Group Limited (the ***Company***) (previously known as Echo Entertainment Group Limited) submit their report for the consolidated entity comprising the Group and its controlled entities (collectively referred to as the ***Group***) in respect of the financial year ended 30 June 2016.

1. Directors
The names and titles of the Company's Directors in office during the financial year ended 30 June 2016 and until the date of this report are set out below. Directors were in office for this entire period.

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

2. Operating and Financial Review
The Operating and Financial Review for the year ended 30 June 2016 has been designed to provide shareholders with a clear and concise overview of the Group's operations, financial position, business strategies and prospects. The review also discusses the impact of key transactions and events that have taken place during the reporting period and material business risks faced by the business, to allow shareholders to make an informed assessment of the results and future prospects of the Group. The review complements the Financial Report and has been prepared in accordance with the guidance set out in ASIC's Regulatory Guide 247.

2.1. Principal activities
The principal activities of the entities within the Group are gaming, entertainment and hospitality.

The Star Entertainment Group Limited owns and operates The Star Sydney (***The Star Sydney***), Treasury Casino and Hotel, Brisbane (***Treasury Brisbane***) and Jupiters Hotel and Casino, Gold Coast (***Gold Coast***). The Group also manages the Gold Coast Convention and Exhibition Centre on behalf of the Queensland Government.

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

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

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

- Financial performance improved across all properties;
- Balance sheet strength maintained;
- Overall guest satisfaction scores increased;
- Rebranding of the Company and The Star Sydney property, with The Star Gold Coast scheduled for FY2017;
- Staff engagement improved across all properties and business segments;
- Leadership team in place supported by strengthened functional capability;
- Capital projects (refurbishments and growth) progressing slightly slower than management's initial expectations but within budget; and
- New hotel and residential tower expansion plans announced at The Star Sydney and the Gold Coast in partnership with Queen's Wharf Brisbane project partners, Chow Tai Fook Enterprises Limited (***CTF***) and Far East Consortium International Limited (***FEC***). These are currently in the planning and development approval stage.

Looking forward into FY2017, the focus will be on the following key strategic priorities:

- Improve earnings across the Group through continued focus on operations and efficiency;
- Deliver on the next stage of the capital program (the Queen's Wharf Brisbane development, the Gold Coast development and masterplan, and The Star Sydney development);
- Secure planning approvals and execute property development plans at the Sydney and Gold Coast properties in partnership with CTF and FEC; and
- Continue the drive to differentiate the value proposition at each of our properties, through brand, loyalty, customer service, and food and beverage.

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

2.3. Group performance

Gross revenue of $2,357.7 million was up 4.4% on the prior comparable period (***pcp***). Good domestic gaming revenue growth offset the disruption impact of capital works on non-gaming revenue and a low win rate in the International VIP Rebate business in the first half of the year. Normalised[1] revenues grew 6.0% for the period to $2,431.0 million, up from $2,294.0 million in the pcp. Revenue growth was driven by a combination of improved marketing, loyalty program, sales activity, product offering, and stronger macro-economic conditions in each of the Group’s markets. As disclosed in the results for the first half of the year, normalised EBITDA has been calculated by applying a 1.35% win rate to actual International VIP Rebate turnover in the period in line with the Group's win rate experience and consistent with the Australia and New Zealand market practice.

Effective cost control with operating costs up 4.2% on the pcp, including marketing and loyalty investment. There were no significant items within the period. The prior period results include $3.7 million of significant cost items.

Earnings before interest, tax, depreciation and amortisation (***EBITDA***) of $488.8 million was up 7.5% on the pcp. Normalised EBITDA (excluding significant items) of $556.2 million was up 14.1% on the pcp. Normalised EBITDA margin of 22.9% is up from 21.2% in the pcp as a result of good expense management across the Group, offset by higher average gaming taxes at The Star Sydney.

Depreciation and Amortisation expense of $163.8 million was flat on the pcp. Finance costs of $45.8 million were down 8.2% on the pcp.

Net profit after tax (***NPAT***) was $194.4 million, 14.9% up on the pcp. Normalised NPAT, excluding significant items, was $241.3 million, up 23.4% on the pcp.

Basic and diluted earnings per share (***EPS***) was 23.6 cents, up 14.9% on the pcp. A final dividend of 7.5 cents fully franked was declared, totalling 13.0 cents per share for the year, up 18.2% on the pcp and reflecting a payout ratio of 55.2% of statutory NPAT for the year ended 30 June 2016.

2.4. Group financial position

The Group’s net assets increased by 3.7% compared with the previous year.

Receivables remain well managed, with receivables past due not impaired less than one year comprising over 95% of the total. Net receivables past due not impaired greater than 30 days of $33.2 million, up from $16.2 million at 30 June 2015, reflected increased volumes and a high win rate in the second half of the year.

Net debt[2] was $473.8 million (30 June 2015: $400.3 million) with $450.0 million in undrawn facilities and an average drawn debt maturity of 3.5 years. Gearing levels remain conservative at 1.0 times FY2016 net debt to actual EBITDA, positioning the Group well to execute on its growth projects. Operating cash flow before interest and tax was $477.4 million (30 June 2015: $506.5 million) with an EBITDA to cash conversion ratio of 98% (30 June 2015: 112%).

Trade and other payables of $261.9 million were up 12.0% from June 2015 as a result of higher gaming activity, representing players' funds deposited and chips in circulation at 30 June 2016.

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

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

2.5. Segment operations

The Group comprises the following three operating segments:

- The Star Sydney;
- Gold Coast; and
- Treasury 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.

The Star Sydney

Gross revenue was $1,656.8 million, up 7.5% on the pcp and EBITDA was $302.4 million, up 13.0% on the pcp. Normalised EBITDA was $381.8 million, up 17.4% on the pcp.

Normalised gross revenue at The Star Sydney was $1,743.5 million, up 8.6% on the pcp. Revenue increased with good volume growth across all lines of business. Domestic gross gaming revenue was up 8.8% on the pcp with growth across both tables and slots, up 9.1% and 8.3% respectively. Electronic gaming machine market share of 9.1% for Q1-Q3 FY2016 was steady versus the pcp[3]. Non-gaming cash revenue was up 3.2% on the pcp despite disruption from the hotel refurbishments in the period. Taxes, levies, rebates and commissions of $735.2 million were up 5.5% on the pcp as a result of increased volumes and higher average non-rebate gaming taxes. The Star Sydney's average non-rebate tax rate was 31.9%, up from 31.4% in the pcp (top marginal tax rate of 50.0% in both years). The higher average non-rebate tax rate had an impact of $5.2 million in the period. Operating expenses of $619.2 million were up 7.4% on the pcp. Normalised EBITDA margin of 21.9% was up from 20.3% on the pcp.

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

Queensland (Gold Coast and Treasury Brisbane)

Gross revenue was $700.9 million down 2.2% on the pcp and EBITDA was $186.4 million, down 0.3% on the pcp. Normalised EBITDA was $174.4 million, up 7.5% on the pcp.

Normalised gross revenue in Queensland was $687.5 million, down 0.2% on the pcp. Queensland experienced a small decline in revenue, as revenue growth in domestic tables and slots was offset by disruption at non-gaming facilities at the Gold Coast property, inclusion of three months of Jupiters Townsville revenues in the pcp, and lower International VIP Rebate business volumes in the second half of the year. The domestic gaming business was up 3.6% on the pcp, with growth across both tables and slots, up 5.2% and 2.4% respectively. Taxes, levies, rebates and commissions were down 6.0% on the pcp. Operating expenses of $341.8 million across the Queensland properties was down 1.2% on the pcp. Normalised EBITDA margin of 25.4% was up from 23.6% on the pcp.

Treasury Brisbane was a sponsor of the Brisbane Festival and Queensland Rugby League (Queensland Maroons) during the year. The Queensland properties also contribute to various charities and not-for-profit organisations including Ronald McDonald House and Surf Life Saving Queensland.

International VIP Rebate business

The results of the International VIP Rebate business are included in the segment performance overviews above. The International VIP Rebate business turnover increased 7.0% on the pcp to a record of $49.5 billion in FY2016. The actual win rate of 1.20% (0.88% in the first half, 1.50% in the second half of the year) was below both the actual win rate for the pcp of 1.27% and the normalised rate of 1.35%. Normalised International VIP Rebate business revenue was $669.5 million, up 7.2% on the pcp, compared to actual revenue of $596.3 million (up 1.3% on the pcp).

[3] Q4 FY2016 market data not yet available.

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

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

Treasury Brisbane

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

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

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

Gold Coast

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

Progress on the redevelopment project includes the completion of the VIP gaming salons, pool and new restaurants. Capital expenditure in the current year was $132 million, including construction costs for the new 6 star hotel and refurbishment of the existing main gaming floor, lobby, hotel rooms and food and beverage offerings.

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

The Star Sydney

The Star Sydney's casino licence continues until 2093 and includes exclusivity arrangements with the New South Wales Government that support the operation of a single casino in NSW until November 2019.

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

Capital expenditure in the current year was $150 million, including the completion of the Oasis Private Gaming Room expansion, The Darling VIP Salons and Harvest Buffet. The redevelopment and expansion of the Astral Tower and Residences, Astral Lobby and Porte Cochere, and Main Gaming Floor continues.

On 8 July 2014, Liquor and Gaming NSW (formerly the Independent Liquor and Gaming Authority) issued a restricted gaming licence to Crown Resorts Limited (***Crown***) to operate a restricted gaming facility at Barangaroo South, Crown Sydney Hotel Resort (***Crown Sydney***) from November 2019 onwards. On 28 June 2016, Crown announced that conditional planning approval had been received from the NSW Planning Assessment Commission, and that Crown is expecting to complete construction and open Crown Sydney in early 2021.

Shareholder Activity – applications to increase shareholding/voting power above 10%

The application made by the Genting group of companies on 27 June 2012 for approval to increase their potential voting power in the Company up to an effective maximum of 23% (which may be adjusted in certain circumstances) was approved by the New South Wales Independent Liquor and Gaming Authority and the Queensland Attorney General and Minister for Justice by 3 December 2015.

2.7. Risk management

The Group takes a structured approach to identifying, evaluating and managing those risks which have the potential to materially affect achievement of strategic objectives. The commentary under Principle 7 of the Company's Corporate Governance Statement describes the risk management framework in place to underpin the enterprise wide approach to effective risk management. The Corporate Governance Statement can be viewed on the Company's website.

The major risks facing the Group are set out below. The Group may also face a range of other risks from time to time in conducting its business activities. While it aims to manage risks in order to avoid adverse impacts on its financial standing, some risks are outside the control of the Group.

Strategic risks

- The potential effect of increased competition in the Group's key markets of Sydney, Brisbane and the Gold Coast;
- The failure to realise expected financial benefits from key growth projects;
- Loss of key management personnel; and
- Geopolitical risks affecting the ability of foreign nationals to travel to, or bring funds to, Australia.

Operational risks

- Loss of data security;
- Business interruptions, including a failure of core IT systems or other events which limit the ability to operate from our properties; and
- Matters affecting the health, safety and security of our employees and customers.

Regulatory risks

- A failure to comply with applicable laws; and
- Changes in law affecting the operation of casinos in New South Wales or Queensland.

Financial risks

- An inability to access capital on reasonable terms.

2.8. Environmental regulation and performance

The Group is committed to leadership of energy and waste reduction in the entertainment sector and increasing its sustainability performance in the communities in which it operates. The Group's vision for sustainability is to demonstrate clear evidence of its environmental values, activities and commitments embedded throughout the organisation.

A materiality assessment was conducted during the year to identify the key material environmental impacts of energy consumption, water use, carbon emissions and waste generation from the Group's 24/7 operations. These material impacts are managed through the Group's Environment and Sustainability Strategy and through its sustainability policies and programs.

The Group's five year Environment and Sustainability Strategy is aligned to the business strategy, incorporating a range of objectives, projects and programs to ensure continuous improvement in environmental management. Management reports annually to the People, Culture and Social Responsibility Committee on the Group's delivery of its commitments under the five year Environment and Sustainability Strategy. The strategy focuses on six areas (Governance, Our Team Members, Our Stakeholders, Our Suppliers, Our Environment and Our Communities) and reports the Group's performance on the Company's website.

The Group identifies and manages sustainability risks across the organisation by focusing efforts on material impacts and has set targets to manage performance. To support the delivery of these targets, the Group audited over 90% of its total energy consumption within the year to identify opportunities for energy and water savings. The Group has implemented twenty projects to achieve cost and carbon savings and has a roadmap to implement further projects.

The Group has also implemented Sustainable Design Guidelines to achieve greener buildings through the refurbishment and development processes by specifying energy efficient technologies and best practice water and waste management.

The Company is registered under the National Greenhouse Energy Reporting System (***NGERS***) and reports all energy consumption and greenhouse gas emissions to the Federal Government every year. The Company's Environment and Sustainability Strategy, Objectives and Targets and Sustainable Design Guidelines can be found on the Company's website.

3. Earnings per share (EPS)

Basic and diluted EPS for the financial year was 23.6 cents (2015: 20.5 cents), 14.9% up on the pcp as a result of the improved operational performance across the Group. EPS is disclosed in note F3 of the Financial Report.

4. Dividends

4.1. Dividend payout

An interim dividend of 5.5 cents per share (fully franked) was paid on 22 March 2016.

A final dividend per share of 7.5 cents fully franked was declared, totalling 13.0 cents per share for the year, up 18.2% on the pcp and reflecting a payout ratio of 55.2% of statutory NPAT for the year ended 30 June 2016.

4.2. Dividend Reinvestment Plan (DRP)

The Company's DRP is in operation for the final dividend. The last date for receipt of election notices to enable participation for the final dividend is 2 September 2016. The price at which shares are allocated under the DRP is the daily volume weighted average market price of the Company's shares sold in the ordinary course of trading on the ASX over a period of 10 trading days beginning on (and including) the fourth trading day after the Record Date (1 September 2016). Shares allocated under the DRP will rank equally with the Company's existing fully paid ordinary shares.

5. Significant events after the end of the financial year

Other than those events that have already been disclosed in this report or elsewhere in the Financial Report, there have been no other significant events occurring after 30 June 2016 and up to the date of this report that have materially affected or may materially affect the Group's operations, the results of those operations or the Group's state of affairs.

6. Directors' qualifications, experience and special responsibilities

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

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

Directors' Report
for the year ended 30 June 2016

Current Directors	
Gerard Bradley	**Non-Executive Director** (from 20 May 2013) *Bachelor of Commerce; Diploma of Advanced Accounting; Fellow of the Institute of Chartered Accountants; Fellow of CPA Australia; Fellow of the Australian Institute of Company Directors; Fellow of the Australian Institute of Management* **Experience:** Gerard Bradley is currently the Chairman of Queensland Treasury Corporation and related companies, having served for 14 years as Under Treasurer and Under Secretary of the Queensland Treasury Department. He has extensive experience in public sector finance in both the Queensland and South Australian Treasury Departments. Mr Bradley has consented to be a Non-Executive Director of Pinnacle Investment Management Limited (currently Wilson Group Limited). Mr Bradley has previously served as Chairman of the Board of Trustees at QSuper. His previous non-executive board memberships also include Funds SA, Queensland Investment Corporation, Suncorp (Insurance & Finance), Queensland Water Infrastructure Pty Ltd, and South Bank Corporation. **Special Responsibilities:** • Chairman of the Risk and Compliance (1 September 2015 to present) • Member of the Audit Committee • Member of the Investment and Capital Expenditure Review Committee • Member of the Remuneration Committee **Directorships of other Australian listed companies held during the last 3 years:** Nil
Greg Hayes	**Non-Executive Director** (from 24 April 2015) *Master of Applied Finance; Graduate Diploma in Accounting; Bachelor of Arts; Advanced Management Programme (Harvard Business School, Massachusetts); Member of Institute of Chartered Accountants* **Experience:** Greg Hayes is an experienced executive and director having worked across a range of industries including energy, infrastructure and logistics. Mr Hayes brings to the Board skills and experience in the areas of strategy, finance, mergers and acquisitions, and strategic risk management, in particular in listed companies with global operations. He is currently a director of Incitec Pivot Limited, Precision Group and Aurrum Holdings Pty Ltd. Mr Hayes was previously Chief Financial Officer and Executive Director of Brambles Limited, Chief Executive Officer & Group Managing Director of Tenix Pty Ltd, Chief Financial Officer and later interim CEO of the Australian Gaslight Company (AGL), CFO Australia and New Zealand of Westfield Holdings, and Executive General Manager, Finance of Southcorp Limited. **Special Responsibilities:** • Chair of the Audit Committee (1 September 2015 to present) • Member of the Investment and Capital Expenditure Review Committee • Member of the People, Culture and Social Responsibility Committee (to 1 March 2016) • Member of the Risk and Compliance Committee **Directorships of other Australian listed companies held during the last 3 years:** • Incitec Pivot Limited (1 October 2014 to present)

Directors' Report
for the year ended 30 June 2016

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

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

7. Directors' interests in securities

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

Name	Ordinary Shares	Performance Rights
Current		
John O'Neill AO	51,172	Nil
Matt Bekier[(i)]	507,873	1,029,690
Gerard Bradley	25,000	Nil
Greg Hayes	10,000	Nil
Katie Lahey AM	27,080	Nil
Sally Pitkin	26,900	Nil
Richard Sheppard	50,000	Nil

(i) 146,733 Ordinary Shares held by Matt Bekier are subject to a holding lock that ends on 15 September 2016.

8. Company Secretary

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

9. Board and Committee meeting attendance

During the financial year ended 30 June 2016, the Company held 9 meetings of the Board of Directors (including one unscheduled meeting which was attended by a majority of Directors). The numbers of Board and Committee meetings attended by each of the Directors during the year are set out in the table below.

	Board of Directors		Audit Committee		Risk and Compliance Committee		Remuneration Committee		People, Culture & Social Responsibility Committee		Investment & Capital Expenditure Review Committee	
Directors	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
John O'Neill AO	9	9	5	5	4	4	4	4	4	4	4	4
Matt Bekier (i)	9	9	-	-	-	-	-	-	-	-	-	-
Gerard Bradley	9	9	5	5	4	4	4	4	-	-	4	4
Greg Hayes	8	9	4	5	4	4	-	-	2	2	4	4
Katie Lahey AM	8	9	-	-	4	4	4	4	4	4	-	-
Sally Pitkin	8	9	5	5	-	-	4	4	4	4	-	-
Richard Sheppard	9	9	4	5	4	4	-	-	-	-	4	4

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

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

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

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

10. Indemnification and insurance of Directors and Officers

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

11. Non-audit services

Ernst & Young, the external auditor to the Company and the Group, provided non-audit services to the Company during the financial year ended 30 June 2016. The Directors are satisfied that the provision of non-audit services during this period was compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 (*Cth*). The nature and scope of each type of non-audit service provided did not compromise auditor independence. These statements are made in accordance with advice provided by the Audit Committee.

The Audit Committee reviews the activities of the independent external auditor and reviews the auditor's performance on an annual basis. The Chair of the Audit Committee (or authorised delegate) must approve all non-statutory audit and other work to be undertaken by the auditor. Further details relating to the Audit Committee and the engagement of auditors are available in the Corporate Governance Statement.

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

Description of services	**$000**
Other assurance related services in relation to the Company and any other entity in the consolidated group	-
Other non-audit services including taxation services	302.0
Total of all non-audit and other services	302.0

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

Directors' Report

for the year ended 30 June 2016

12. Rounding of amounts

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

13. Auditor's independence declaration

Attached is a copy of the auditor's independence declaration provided under section 307C of the *Corporations Act 2001 (Cth)* in relation to the audit of the Financial Report for the year ended 30 June 2016. The auditor's independence declaration forms part of this Directors' Report.

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

John O'Neill AO
Chairman
Sydney
26 August 2016

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

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

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

As lead auditor for the audit of The Star Entertainment Group Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst + Young

Ernst & Young

John Robinson
Partner
26 August 2016

THE STAR ENTERTAINMENT GROUP LIMITED

The Star Entertainment Group Limited

A.C.N. 149 629 023

ASX Code: SGR

and its controlled entities

Remuneration Report (audited)

for the year ended 30 June 2016

Remuneration Report (audited)

For the year ended 30 June 2016

Introduction from the Remuneration Committee Chair

Dear Shareholder,

*On behalf of the Board, I am pleased to present the Remuneration Report for the year ended 30 June 2016 (**FY16**).*

This report is prepared on a consistent basis to previous years and follows a similar format to the FY15 Remuneration Report. The FY15 Remuneration Report received positive shareholder support at the 2015 AGM, with a vote in favour of 97.53%.

The Group's Reward Strategy is designed to attract, motivate and retain the talent necessary to run the business and achieve outcomes that align with the creation of sustainable shareholder value.

*The Group exceeded both financial and non-financial targets set by the Board for FY16. Normalised Net Profit after Tax (NPAT) of $241.3m was 23.4% up on the prior comparable period (**pcp**). Total dividends paid to shareholders in FY16 were 13 cents per share, up 18.2% on the pcp. The Group also exceeded its non-financial targets in the key areas of Guest Service Excellence and Employee Engagement.*

Based on these superior outcomes for FY16 and the Board's assessment of performance against the measures outlined in the Corporate Scorecard set out further on in this Report, performance payments will be made to Executives and managerial staff totalling $16.4m ($11.7m in FY15), with $3.9m ($2.1m in FY15) deferred into restricted shares which are subject to a holding lock for twelve months from the date of grant. The increase reflects increased employee participation in incentive programs and changes made to gradually align eligibility and participation levels across the Group.

Consistent with FY15, one-third of all short term incentives awarded to General Managers for FY16 will be deferred into restricted shares which are subject to a holding lock for twelve months and clawback provisions.

There was no testing of performance hurdles under the Group's long term incentive plan during the financial year as the Group changed the vesting period from three years to four years in FY13.

*Following a review of remuneration for all Executives relative to comparable ASX-listed organisations and industry peers, the remuneration arrangements for the Managing Director and Chief Executive Officer and other Executives were adjusted for FY16. A review of Non-Executive Director (**NED**) fees did not result in any changes being made for FY16. The maximum aggregate fees payable to NEDs remained unchanged for the fifth consecutive year.*

We welcome your feedback on our Remuneration Report.

Yours sincerely,

Sally Pitkin

Remuneration Committee Chair

Remuneration Report (audited)

For the year ended 30 June 2016

The Directors of The Star Entertainment Group Limited (***The Star Entertainment Group*** or *the* ***Company***) have approved this Remuneration Report for the consolidated entity comprising the Company and its controlled entities (collectively referred to as the ***Group***) in respect of the financial year ended 30 June 2016.

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

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

This Remuneration Report is comprised of the following sections:

Contents

Remuneration Report (audited)
For the year ended 30 June 2016

1. Key Management Personnel

The names and titles of the Company's KMP for the year ended 30 June 2016 are set out below. KMP were in office for the entire duration of the financial year, unless otherwise stated. There have been no changes to KMP since the end of the financial year.

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

2. Highlights for FY16

Fixed Remuneration	In accordance with its reward strategy, the Company assesses the remuneration levels and mix for Executives to identify where adjustments are appropriate based on market benchmarking. Following the remuneration review completed in September 2015, three Executives received an increase to their fixed remuneration, with the fixed remuneration for the remaining Executive remaining unchanged.
Short term performance plan (*STPP*)	To ensure that the STPP pool was appropriately aligned to the Group's strategic priorities, two non-financial measures were formally introduced in addition to the existing financial measures for determining the STPP pool for the year ended 30 June 2016. The measures used to determine the STPP pool for FY16 were Normalised Net Profit After Tax (NPAT) for the Group, Guest Satisfaction Scores and Employee Engagement Scores. The STPP pool in FY16 was larger than in FY15. The increase reflects increased employee participation in incentive programs and changes made to gradually align eligibility and participation levels across the Group. STPP awards that were delivered as restricted shares with a twelve month holding lock increased from $2.1m to $3.9m to increase equity participation of management and ensure remuneration is risk aligned.
Long Term Performance Plan (*LTPP*)	There were no performance rights due for testing in September 2015 as the vesting period of long term incentives was changed from three years to four years in FY13. The next test date for performance rights granted in FY13 will be in September 2016.
Non-Executive Director fees	The maximum aggregate fees payable to Non-Executive Directors has remained unchanged from the $2 million limit (including superannuation contributions) approved by shareholders at the time of the Company's demerger from Tabcorp Holdings Limited in 2011.

3. Remuneration Governance

The Remuneration Committee (the ***Committee***) considers matters relating to the remuneration of KMP as well as the remuneration policies of the Group generally. The Committee is comprised of at least three members appointed by the Board.

According to the Remuneration Committee Terms of Reference, the majority of Committee members must be independent non-executive directors and the Chair of the Committee must be an independent non-executive director. Currently all members of the Remuneration Committee (including the Chair of the Committee) are independent non-executive directors.

The main responsibilities of the Committee are:

- Establishing and maintaining fair and reasonable remuneration policies and practices that apply to the Group;
- Reviewing and recommending to the Board the remuneration of Executives, taking into account comparable ASX-listed organisations with similar market capitalisation (range 70% to 160% of The Star Entertainment Group's market capitalisation) as well as appropriate industry peers;
- Reviewing and recommending to the Board the terms and conditions of reward programs for Executives, including performance-based payments;
- Reviewing and recommending to the Board the remuneration of the Chairman and NEDs, taking into account the level of fees paid to Board members of comparable ASX-listed organisations, determined based on similar market capitalisation (range 70% to 160% of The Star Entertainment Group's market capitalisation) as well as appropriate gaming and entertainment industry peers;
- Engaging a remuneration consultant on remuneration matters when required; and
- Agreeing benchmarks against which annual salary reviews are evaluated.

Use of remuneration advisors

The Committee seeks external advice from time to time to ensure it is fully informed when making remuneration decisions. Remuneration advisors are engaged by, and report directly to, the Committee.

PricewaterhouseCoopers (***PwC***) are the Group's appointed independent external remuneration consultants. No remuneration recommendations as defined by the Corporations Act were provided by PwC during FY16.

*Remuneration Report approval at 2015 Annual General Meeting (**AGM**)*

The FY15 Remuneration Report received positive shareholder support at the 2015 AGM, with a vote of 97.53% in favour.

4. Remuneration Strategy and Programs

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

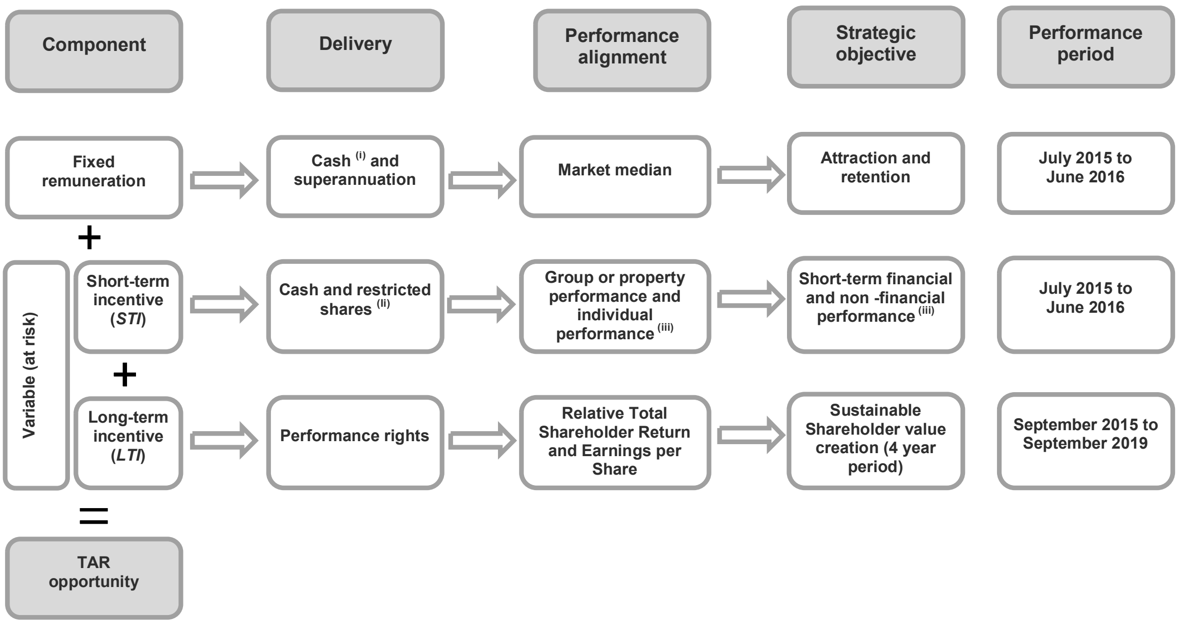
To achieve these objectives, the reward principles are shaped around:

- being market competitive in order to attract and retain high performing individuals (fixed remuneration). Fixed remuneration is set taking into account the level of remuneration paid to Executives of comparable ASX-listed organisations, determined based on similar market capitalisation and appropriate industry peers. Fixed pay and total target remuneration (fixed pay plus target variable pay) are targeted at the median of the relevant market, with an opportunity to earn above median pay, up to the 75th percentile, where higher levels of performance are realised.

- paying for performance behaviours (variable – at risk pay) that drive sustainable value for shareholders. Balanced scorecards are used to focus individuals on targets that support the Group's key operational and strategic priorities.

The figure below illustrates how components of Executives' Total Annual Reward (***TAR***) opportunity are linked to strategic priorities.

Figure 1: Components of Executive TAR Opportunity



(i) Employees may voluntarily elect to salary sacrifice for additional superannuation contributions and motor vehicle novated leases (from fixed remuneration component only).
(ii) A mandatory one-third of the Executives' short-term incentive award is deferred into restricted shares which are subject to a holding lock for a period of twelve months from the date of the award.
(iii) Metrics used to assess performance are included in the Group Key Performance Summary in Table 4.

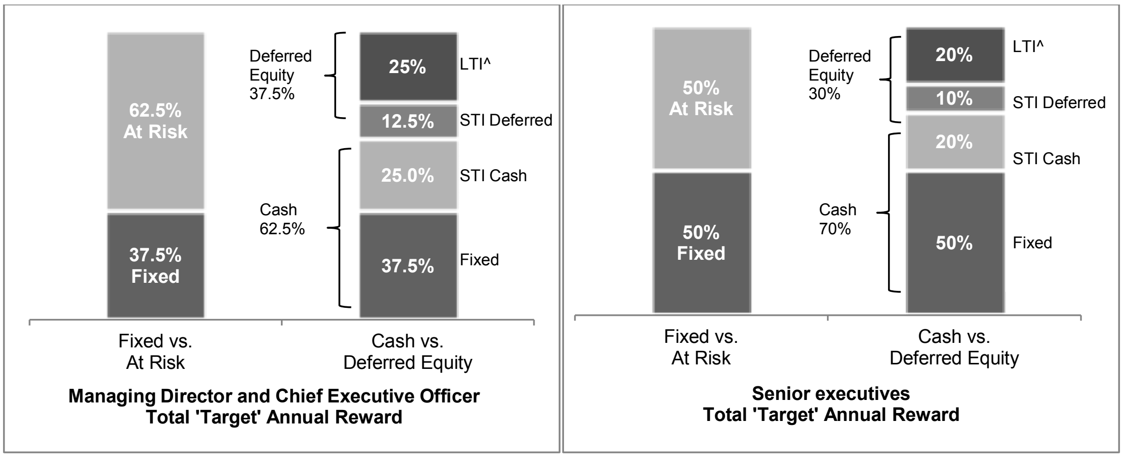
Remuneration Report (audited)
For the year ended 30 June 2016

Fixed and Variable (at risk) Remuneration

The Star Entertainment Group balances the level of fixed versus variable remuneration based on the industry's market for talent, the views of shareholders and the need for effective reward mechanisms to connect short and long-term performance against the Group's strategic priorities.

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

Figure 2: Remuneration mix for FY16



^ LTI refers to the intended annual grant value.

4.1 Fixed remuneration

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

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

4.2 Variable (at risk) remuneration

The Star Entertainment Group has two variable reward programs which drive short-term earnings and long-term value creation for shareholders. They are the Short Term Performance Plan (***STPP***) and the Long Term Performance Plan (***LTPP***).

4.2.1 Short Term Performance Plan

The STPP is designed to reward Executives for their contribution to the Group's financial and non-financial performance, against a weighted scorecard. For payments to be made, the Board first reviews the Group's performance against budget to determine if awards will be available. For FY16, the number of employees invited to participate in the plan was approximately 451, for FY15 this was 317.

Table 1: Key design features of the STPP

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

[1] *Normalised results reflect the underlying performance of the business as they remove the inherent win rate volatility of the International VIP Rebate business*

4.2.2 Long Term Performance Plan

The LTPP is principally designed to reward Executives for their contributions to sustainable shareholder value creation. Equity awards are granted annually and may vest after four years (subject to performance). Performance is measured at the test date against two criteria – Relative Total Shareholder Return (***TSR***) and Earnings per Share (***EPS***). There were 9 participants in the plan for FY16 and 8 participants in FY15.

Table 2: Key design features of the LTPP

<table>
<tr><td>Type of equity award</td><td colspan="2">Performance rights. When the performance rights vest, ordinary shares in The Star Entertainment Group are automatically registered in the participant's name and the participant will have voting and dividend rights.</td></tr>
<tr><td>Determination of the number of rights</td><td colspan="2">The number of performance rights allocated to an Executive is based on the following calculation:
Target LTI ($) ÷ Moderated face value of a performance right = Number of performance rights allocated
Moderated face value reflects the face value of the share at the allocation date less the value of any dividends foregone by the award holder during the vesting period, i.e. Share price x Dividend Discount Factor.</td></tr>
<tr><td rowspan="2">Vesting conditions (hurdles)</td><td>TSR (50% of the award)
TSR has been included to focus the Executives on the return received by shareholders (capital returns, dividends and share price movement) over the four year period relative to a peer group of companies.
<u>TSR peer group</u>: S&P ASX 100
Exclusions: Property trusts, Infrastructure groups, and Mining companies, represented by the S&P Global Industry Classification Standards of Oil & Gas, Metals & Mining, Transportation Infrastructure and Real Estate.</td><td>EPS (50% of the award)
EPS has been included to drive line of sight between shareholder value creation and management's financial performance, against the Group's business plan. It measures growth in accounting-based earnings per ordinary share.
<u>FY16 EPS target</u>: EPS Growth to FY19
The EPS threshold and stretch target is set by the Board at the beginning of the performance period by reference to a Board approved long range plan.
The Star Entertainment Group will disclose the actual EPS stretch target on a retrospective basis to ensure that the Group's competitive position is not undermined.</td></tr>
<tr><td><u>Vesting schedule</u><table><tr><th>The Star Entertainment Group's relative TSR ranking</th><th>Percentage of performance rights that will vest</th></tr><tr><td>Below 50th percentile</td><td>0%</td></tr><tr><td>At 50th percentile</td><td>50%</td></tr><tr><td>Above 50th and below 75th percentile</td><td>Pro-rata between 50% (at 50th percentile) and 100% (at 75th percentile)</td></tr><tr><td>At or above 75th percentile</td><td>100%</td></tr></table></td><td><u>Vesting schedule</u><table><tr><th>EPS performance outcome</th><th>Percentage of performance rights that will vest</th></tr><tr><td>Below threshold</td><td>0%</td></tr><tr><td>At threshold</td><td>50%</td></tr><tr><td>Between threshold and stretch</td><td>Pro-rata between threshold and stretch</td></tr><tr><td>At stretch</td><td>100%</td></tr></table></td></tr>
<tr><td>Test Date and Vesting date</td><td colspan="2">Performance rights are tested on the fourth anniversary of the grant and are not subject to retesting.
When the performance rights vest, ordinary shares in The Star Entertainment Group are automatically registered in the participant's name and the participant will have voting and dividend rights corresponding to the rights of all other holders of ordinary shares. These ordinary shares are free of restrictions but are still subject to The Star Entertainment Group's Securities Trading Policy.</td></tr>
<tr><td>Cessation of employment</td><td colspan="2">All unvested performance rights lapse immediately upon cessation of employment with The Star Entertainment Group. However, the Board has discretion in special circumstances to determine the number of performance rights retained and the terms applicable. Special circumstances include events such as retirement, redundancy, death and permanent disability.</td></tr>
</table>

Remuneration Report (audited)
For the year ended 30 June 2016

5. Performance and Reward Outcomes under the STPP

5.1 Group performance

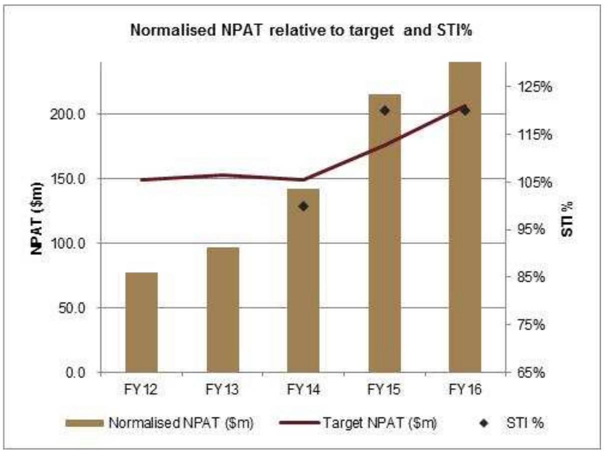
In determining whether any incentives are being paid and the size of the incentive pool, the Board considers both financial and non-financial performance against targets.

- **Financial performance**

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

The following chart shows The Star Entertainment Group's reported Normalised NPAT relative to target over the last five financial years and the percentage of STIs awarded relative to the 'on target' amount. For FY16 the Normalised NPAT target was exceeded.

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



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

- **Non- financial performance**

The two non-financial measures taken into account for FY16 are Guest Service and Employee Engagement. For FY16, the Group met its Guest Service target and exceeded its Employee Engagement target.

- **Outcome**

Based on the above-target financial performance and satisfactory non-financial performance, the Board approved the creation of an 'above-target' incentive pool at 120%. The total incentive pool amounted to approximately $16.4m including $3.9m to be delivered in restricted shares which are subject to a twelve month holding lock.

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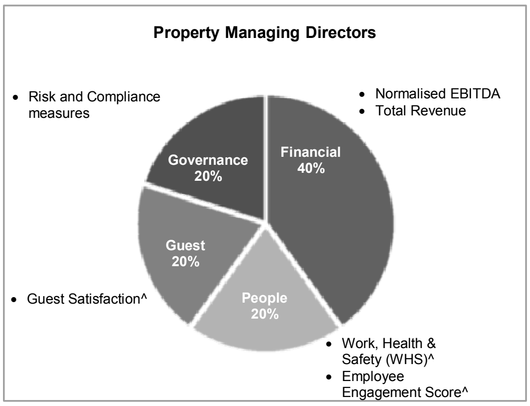
For the year ended 30 June 2016

5.2 Individual performance

In determining the individual STPP outcomes for Executives, their performance is assessed against their weighted balanced scorecard objectives as shown in the figure below. The objectives are based on the Group's key performance indicators (outlined in Table 4). Executives' behaviour, relative to the qualities and values of The Star Entertainment Group, is also taken into account when determining their individual performance rating and outcomes for the purposes of the STPP.

Figure 4: Weighted balanced scorecard



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

5.3 Individual outcomes

The table below summarises the individual STPP outcomes of Executives in FY16.

Table 3: FY16 STI Awards

Details	Matt Bekier Managing Director and Chief Executive Officer	Chad Barton Chief Financial Officer	Greg Hawkins Managing Director, The Star Sydney	Geoff Hogg Managing Director, Queensland
STI award as % of target	144%	126%	131%	105%
Total award $	$2,376,000	$515,970	$945,000	$346,500
Cash $	$1,584,000	$343,980	$630,000	$231,000
Restricted shares $	$792,000	$171,990	$315,000	$115,500

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Table 4: FY16 Group Key Performance Indicators

Category	Key performance indicator	Commentary	Overall Rating
Shareholder Value	**FINANCIAL PERFORMANCE** • Deliver Normalised NPAT to or above budget • Grow revenues and market share in domestic and International Rebate Business (***IRB***) • Deliver operational earnings (EBITDA) to or above budget • Deliver operational efficiencies through targeted initiatives	• The Group's EBITDA and NPAT performance were above target and above the pcp • All business units delivered revenues and EBITDA above the pcp and ahead of budget with softer results being noted for the Queensland properties • IRB result above target and well controlled receivables book • Implementation of long term program "Fit for Growth" focused at driving year on year sustainable improvement • Operational benefits in excess of $45m delivered in FY16 through the "Fit for Growth" program.	Above target
	CAPITAL REDEVELOPMENT PLANS • Deliver capital works within scope, timing and budget • Progress master planning for Sydney and the Gold Coast in line with business strategy • Progress QWB development in line with approved time frames • Manage balance sheet and key ratios in line with target	• Redevelopment works progressing in line with expectations. • Satisfactory progress across all development plans • Gearing and other key ratios were within target range	At target

Customer	**GUEST SERVICE CULTURE**
	• Elevate the customer service culture through:
	  ○ Implementation of world class Guest Service System (refers to a comprehensive system geared towards creating sustainable service culture)
	  ○ Measuring the internal level of customer service and implementing remedial actions where results are sub-optimal.
		• Guest Service System implemented during the year
		• Training delivered to over 1,306 leaders including Executives and senior management
		• Over 23,000 face to face guest surveys completed
		• Independently managed Internal Customer Service survey performed during the period
		• All departments exceeded their targets for FY16
			Above target

	• Reactivate the customer loyalty program and strategy, including growing the level of rated play as a percentage of total revenue, through the design and implementation of a revised program that is world class and actively drives increased visitation • Deliver the Group's new branding	• Enhanced customer loyalty program design elements completed • Collateral and relaunch plans underway • Growth targets and action plans developed • Corporate and The Star Sydney rebranding completed with rebranding of Jupiters and Treasury properties on track	At target
People	**EMPLOYEE ENGAGEMENT & SAFETY** • Focus on ensuring continuous improvements in employee engagement results through identification and delivery of targeted action plans	• Employee engagement scores above target, including improved internal communication, improved benefits offering and execution on employee action plans	Above target
	• Ensure Work, Health & Safety (***WHS***) scores are met • Implementation of robust WHS information technology platform	• WHS targets met except Lost Time Injury Frequency "LTIFR" for Gold Coast • WHS technology implementation approved for rollout in FY17	At target

Governance	**RISK, COMPLIANCE & SUSTAINABILITY**
	• Foster a sound control and compliance environment underpinned by a strong governance framework, including:
	  ○ Effective implementation and monitoring of compliance with company policies and procedures
	  ○ Active monitoring of regulatory and other legislative compliance requirements
	• Maintain and develop key stakeholder relationships including with regulatory and law enforcement agencies, community organisations, shareholders, trade unions and other key business partners.
	• Deliver on the sustainability commitments and focus areas outlined in the Environment and Sustainability Strategy including, but not limited to, active energy and waste reduction.
		• Restructuring of risk and compliance function completed
		• Comprehensive review of WHS systems and processes in place
		• No material compliance or risk breaches
		• Steady progress with stakeholder relationships
		• Over $6m committed to charitable partnerships including Ronald Mc Donald House (SEQ), Chris O'Brien Life House and Barnardos Australia
		• Positive results against targets (disclosed in annual report)
		• Energy consumption within targets and taking into account on-going expansion projects
			At target

Remuneration Report (audited)
For the year ended 30 June 2016

6. Performance and Reward Outcomes under the LTPP

Annual grants are made to Executives under the Group's LTPP to, predominantly, reward Executives for their contributions to sustainable shareholder value creation and to encourage retention.

6.1 Statutory performance indicators

The table below outlines the performance of the Group and shareholder returns over the last five financial years, noting the improved share price performance of the Company on the pcp and since FY12.

Table 5: Statutory key performance indicators over the last five financial years

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

6.2 Performance rights issued to date and cumulative performance rights held by Executives

The following two tables provide details of performance rights granted under the LTPP since inception of the Company and the respective number of unvested performance rights held by Executives as at the end of the financial year.

Table 6: Details of performance rights issued to date

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

During FY16, there were no performance rights due for testing as the Group changed the vesting period from three years to four years in FY13. The next test date will be in September 2016, for performance rights granted in FY13.

Table 7: Performance rights by grant held by Executives at 30 June 2016

Executive	FY13 Grant	FY14 Grant	FY15 Grant	FY16 Grant	Total performance rights held
Matt Bekier	227,272	196,850	352,112	253,456	1,029,690
Chad Barton	-	-	91,549	62,903	154,452
Greg Hawkins	-	-	169,014	110,599	279,613
Geoff Hogg	63,636	62,992	70,422	50,691	247,741
Total performance rights	**290,908**	**259,842**	**683,097**	**477,649**	**1,711,496**

The FY12 Grant was tested in September 2014 and as performance hurdles were not met and there is no retesting of hurdles, these rights lapsed.

Remuneration Report (audited)
For the year ended 30 June 2016

7. Executive Remuneration

Table 8: Statutory Executive Remuneration

Executive	Financial year	Short-term			Long-term	Post-Employment	Charge for share based allocations		Total remuneration $	Performance related %
		Salary & fees (i) $	Bonus (ii) $	Non-monetary benefits (iii) $	Long service leave $	Superannuation (iv) $	Performance rights (v) $	Restricted shares (ii) $		
Matt Bekier	**2016**	**1,575,505**	**1,584,000**	**2,353**	**51,085**	**30,524**	**607,104**	**792,000**	**4,642,571**	**64%**
	2015	1,458,462	1,400,000	1,049	24,999	30,000	385,668	700,000	4,000,178	62%
Chad Barton	**2016**	**691,918**	**343,980**	**194**	**11,961**	**30,000**	**97,649**	**171,990**	**1,347,692**	**46%**
	2015	655,206	312,000	1,049	10,831	24,783	42,055	156,000	1,201,924	42%
Greg Hawkins	**2016**	**1,223,119**	**630,000**	**299,509**	**20,008**	**39,608**	**176,620**	**315,000**	**2,703,864**	**41%**
	2015	1,000,137	458,236	384,091	16,601	34,953	77,641	229,118	2,200,777	35%
Geoff Hogg	**2016**	**543,761**	**231,000**	**4,797**	**15,219**	**19,308**	**143,290**	**115,500**	**1,072,875**	**46%**
	2015	496,595	288,000	4,925	8,330	18,783	99,003	144,000	1,059,636	50%
TOTAL FY16		**4,034,303**	**2,788,980**	**306,853**	**98,273**	**119,440**	**1,024,663**	**1,394,490**	**9,767,002**	
TOTAL FY15		**3,610,400**	**2,458,236**	**391,114**	**60,761**	**108,519**	**604,367**	**1,229,118**	**8,462,515**	

(i) Comprises salary, salary sacrificed benefits (including motor vehicle novated leases) and annual leave expense.
(ii) Represents STPP award delivered as two-thirds cash award and one-third restricted shares. For accounting purposes, the charge relating to the grant of restricted shares is recognised as a share based payment expense in the income statement over the vesting period.
(iii) Comprises car parking, accommodation, airfares, travel costs, relocation expenses, living away from home benefits and taxation services where applicable. In FY15, Mr Hawkins received relocation reimbursement and benefits (flights, accommodation, initial setup costs) to support his relocation to New South Wales. Allowances ceased from FY17.
(iv) Comprises superannuation contributions per Superannuation Guarantee legislation and salary sacrificed superannuation.
(v) Represents the fair value of share based payments expensed by The Star Entertainment Group in relation to LTPP awards and includes reversal of previously recognised remuneration on cessation of employment where performance rights are forfeited.

Remuneration Report (audited)
For the year ended 30 June 2016

7. Executive Remuneration cont.

The table below summarises the Executives' remuneration for FY16 based on awards made in respect of FY16 performance.
These outcomes differ to the statutory remuneration disclosed in the preceding table that are based on Australian Accounting Standard principles.

Table 9: Remuneration outcomes for the year ended 30 June 2016 – Executives

Executive	Fixed pay Cash $	Short-term incentives		Long-term incentives vested during the year (ii) $	Total remuneration $	Long-term incentives lapsed during the year (ii) $
		Cash $	Shares (i) $			
Matt Bekier	1,650,000	1,584,000	792,000	-	**4,026,000**	-
Chad Barton	682,500	343,980	171,990	-	**1,198,470**	-
Greg Hawkins	1,200,000	630,000	315,000	-	**2,145,000**	-
Geoff Hogg	550,000	231,000	115,500	-	**896,500**	-
TOTAL FY16	**4,082,500**	**2,788,980**	**1,394,490**	**-**	**8,265,970**	**-**

(i) Executives received one-third of their short-term incentives in the form of restricted shares that are subject to a holding lock until 15 September 2017. Restricted shares are subject to retention and clawback provisions.

(ii) There were no performance rights due for testing in FY16 due to the change from a three year testing period to a four year testing period in FY13.

Remuneration Report (audited)
For the year ended 30 June 2016

8. Executive Contracts

Remuneration arrangements for Executives are formalised in employment contracts. The following table sets out details of contracts with Executives.

Table 10: Executive Employment Contracts

Contract Details	Matt Bekier Managing Director and Chief Executive Officer	Chad Barton Chief Financial Officer	Greg Hawkins Managing Director, The Star	Geoff Hogg Managing Director, Queensland
Fixed remuneration	$1,650,000	$682,500	$1,200,000	$550,000
Superannuation	The Star Entertainment Group deducts superannuation from the Executives' fixed remuneration as per the Australian Tax Office Superannuation Guarantee Cap.			
Short-term incentive target	$1,650,000	$409,500	$720,000	$330,000
Long-term incentive (annual grant value)	$1,100,000	$273,000	$480,000	$220,000
Total Target Annual Reward	**$4,400,000**	**$1,365,000**	**$2,400,000**	**$1,100,000**
Non-monetary benefits	N/A	N/A	N/A	N/A
Other benefits	N/A	N/A	N/A	N/A
Notice by the Executive	12 months	6 months	9 months	6 months
Notice by the Group	12 months	9 months	Executive may be terminated at any time up to the 24th month anniversary by providing the Executive with either: • 21 months' notice; or • 9 months' notice, as determined by the Board. Thereafter, 9 months' notice applies.	9 months
Restraint (i)	12 months	Notice period or 6 months following the notice of termination by the Group for any reason.	12 months	12 months
Non solicitation	12 months	12 months	12 months	12 months
Contract duration	Open ended	Open ended	Open ended	Open ended

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

Remuneration Report (audited)
For the year ended 30 June 2016

9. NED Remuneration

Remuneration Policy

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

NED Fees

The aggregate fees payable to NEDs for their services as directors are limited to the maximum annual amount approved by shareholders, currently set at $2,000,000 including superannuation contributions. Since the adoption of The Star Entertainment Group's Constitution on 6 June 2011, the Company has not sought shareholder approval to increase this limit.

Board and Committee fees effective from 1 January 2016 are shown in the table below. There was no increase in fees for FY16.

Table 11: Annual NED Fees (inclusive of superannuation)

	Board	Audit	Risk & Compliance	Remuneration	People, Culture & Social Responsibility	Investment & Capital Expenditure Review
Chair	$475,000	$35,000	$30,000	$30,000	$30,000	$30,000
Member	$150,000	$17,500	$15,000	$15,000	$15,000	$15,000

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

Table 12: NED Remuneration

NED	Financial year	Board and Committee Fees $	Superannuation (i) $	Total $
John O'Neill AO	**2016**	**439,476**	**35,524**	**475,000**
	2015	440,000	35,000	475,000
Gerard Bradley	**2016**	**208,609**	**19,308**	**227,917**
	2015	204,967	18,783	223,750
Greg Hayes	**2016**	**203,139**	**18,944**	**222,083**
	2015	108,447	10,303	118,750
Katie Lahey AM	**2016**	**191,781**	**18,219**	**210,000**
	2015	192,922	18,328	211,250
Sally Pitkin	**2016**	**194,064**	**18,436**	**212,500**
	2015	146,309	13,899	160,208
Richard Sheppard	**2016**	**196,419**	**18,581**	**215,000**
	2015	201,390	18,610	220,000
TOTAL FY16	**2016**	**1,433,488**	**129,012**	**1,562,500**
TOTAL FY15	**2015**	**1,294,035**	**114,923**	**1,408,958**

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

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For the year ended 30 June 2016

10. Other information

10.1. KMP shareholdings

To align the interests of the Board and Executives with the interests of shareholders generally, the Board has approved minimum shareholding policies that apply to all KMP.

Minimum Shareholding Policy for Executives

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

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

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

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

Minimum Shareholding Policy for NEDs

NEDs are encouraged to hold shares of equal value to their respective annual base fees applicable at the time of their unconditional appointment.

The shares are to be acquired progressively over three years from the date of their unconditional appointment (for new directors), or within three years from the date of commencement of the policy (for existing directors).

Direct and indirect holdings will both count towards the minimum shareholding target. The tables below show the number of shares and performance rights held by KMP at the beginning and end of the financial year.

Table 13: Shares held by NEDs at 30 June 2016

NED	Balance at start of the year	Number acquired	Number divested	Balance at the end of the year
John O'Neill AO	**46,120**	5,052	-	**51,172**
Gerard Bradley	**20,000**	5,000	-	**25,000**
Greg Hayes	**-**	10,000	-	**10,000**
Katie Lahey AM	**11,836**	15,244	-	**27,080**
Sally Pitkin	**26,900**	-	-	**26,900**
Richard Sheppard	**50,000**	-	-	**50,000**
Total ordinary shares	**154,856**	**35,296**	**-**	**190,152**

Remuneration Report (audited)
For the year ended 30 June 2016

Table 14: Shares and Performance Rights held by Executives at 30 June 2016

Executive	Holding	Balance at start of the year	Acquired or granted as compensation	Disposed of or lapsed during the year [2]	Balance at the end of the year
Matt Bekier	Performance Rights	**776,234**	253,456	-	**1,029,690**
	Ordinary Shares	**230,853**	130,287	-	**361,140**
	Restricted Shares	**122,550**	146,733	(122,550)	**146,733**
Chad Barton	Performance Rights	**91,549**	62,903	-	**154,452**
	Ordinary Shares	**-**	-	-	**-**
	Restricted Shares	**-**	32,366		**32,366**
Greg Hawkins	Performance Rights	**169,014**	110,599	-	**279,613**
	Ordinary Shares	**-**	-	-	**-**
	Restricted Shares	**-**	47,536	-	**47,536**
Geoff Hogg	Performance Rights	**197,050**	50,691	-	**247,741**
	Ordinary Shares	**30,579**	31,502	-	**62,081**
	Restricted Shares [1]	**30,794**	30,897	(30,794)	**30,897**

Note: The closing balances of restricted shares are subject to a holding lock that ends on 15 September 2017.

[1] *Includes 713 ordinary shares acquired through salary sacrifice under the General Employee Share Plan Offer that are subject to a holding lock for three years from the acquisition date.*
[2] *Restricted shares that are no longer subject to a holding lock are transferred into Ordinary Shares*

10.2. Loans and other transactions with KMP

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

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For the year ended 30 June 2016

10.3. Variable Remuneration

Table 15: Variable Remuneration

		STI											
Executive	**Financial year**	**Cash award $**	**Restricted share grant $**	**As a % of total remuneration**	**STI not achieved as a % of target (i)**	**Number of performance rights granted**	**Face value of performance rights granted $**	**Face value per right at grant date $**	**Grant date**	**Test date**	**As a % of total remuneration (ii)**	**Number of performance rights vested**	**Number of performance rights lapsed (iii)**
Matt Bekier	**2016**	**1,584,000**	**792,000**	**51%**	**0%**	**253,456**	**1,100,000**	**4.34**	**21/09/2015**	**21/09/2019**	**13%**	**-**	**-**
	2015	1,400,000	700,000	52%	0%	352,112	1,000,000	2.84	26/09/2014	26/09/2018	10%	-	(232,558)
Chad Barton	**2016**	**343,980**	**171,990**	**38%**	**0%**	**62,903**	**273,000**	**4.34**	**21/09/2015**	**21/09/2019**	**7%**	**-**	**-**
	2015	312,000	156,000	39%	0%	91,549	260,000	2.84	26/09/2014	26/09/2018	4%	-	-
Greg Hawkins	**2016**	**630,000**	**315,000**	**35%**	**0%**	**110,599**	**480,000**	**4.34**	**21/09/2015**	**21/09/2019**	**7%**	**-**	**-**
	2015	458,236	229,118	31%	0%	169,014	480,000	2.84	26/09/2014	26/09/2018	4%	-	-
Geoff Hogg	**2016**	**231,000**	**115,500**	**32%**	**0%**	**50,691**	**220,000**	**4.34**	**21/09/2015**	**21/09/2019**	**13%**	**-**	**-**
	2015	288,000	144,000	41%	0%	70,422	200,000	2.84	26/09/2014	26/09/2018	9%	-	(48,090)
Total FY16		**2,788,980**	**1,394,490**			**477,649**	**2,073,000**					**-**	**-**
Total FY15		**2,458,236**	**1,229,118**			**683,097**	**1,940,000**					**-**	**(280,648)**

(i) Maximum opportunity available is 150% of the Executives' target incentive level.
(ii) Percentage calculation based on accounting LTI expense and total remuneration as reported in Table 8.
(iii) Performance rights granted in FY12 were tested in September 2015 and resulted in no vesting of performance rights. No performance rights were due for testing in FY16 as the vesting period was changed from three years to four years in FY13.

THE STAR ENTERTAINMENT GROUP LIMITED

The Star Entertainment Group Limited

A.C.N. 149 629 023

ASX Code: SGR

and its controlled entities

Financial Report

for the year ended 30 June 2016

Consolidated income statement

For the year ended 30 June 2016

	Note	2016 $m	2015 $m
Revenue	A2	**2,268.1**	2,140.3
Other income	A3	**0.8**	10.1
Government taxes and levies	A3	**(504.6)**	(473.5)
Commissions and fees		**(313.7)**	(290.0)
Employment costs	A3	**(600.5)**	(570.4)
Depreciation and amortisation	A4	**(163.8)**	(163.7)
Cost of sales	A3	**(81.8)**	(79.5)
Property costs		**(77.8)**	(79.6)
Advertising and promotions		**(85.7)**	(82.0)
Other expenses		**(116.0)**	(124.6)
Share of net profits and losses of associates and joint ventures accounted for using the equity method	D5	**-**	-
Earnings before interest and tax (EBIT)		**325.0**	287.1
Net finance costs	A5	**(45.8)**	(49.9)
Profit before income tax (PBT)		**279.2**	237.2
Income tax expense	F2	**(84.8)**	(67.9)
Net profit after tax (NPAT)		**194.4**	169.3
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Change in fair value of cash flow hedges taken to equity, net of tax	F1	**9.6**	8.0
Total comprehensive income for the period		**204.0**	177.3
Earnings per share:			
Basic and diluted earnings per share	F3	**23.6 cents**	20.5 cents
Dividends per share:			
Fully franked dividend per share	A6	**13.0 cents**	11.0 cents

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

Consolidated balance sheet

For the year ended 30 June 2016

	Note	2016 $m	2015 $m
ASSETS			
Cash and cash equivalents	B1	**159.0**	196.6
Trade and other receivables	B2	**130.3**	110.5
Inventories		**9.0**	7.3
Derivative financial instruments	B3	**14.5**	12.1
Other assets	F4	**38.5**	26.2
Total current assets		**351.3**	352.7
Property, plant and equipment	B4	**2,120.9**	1,974.2
Intangible assets	B5	**1,836.7**	1,840.0
Derivative financial instruments	B3	**242.0**	207.4
Investment in associates and joint ventures	D5	**29.3**	-
Other assets	F4	**15.2**	17.1
Total non current assets		**4,244.1**	4,038.7
TOTAL ASSETS		**4,595.4**	4,391.4
LIABILITIES			
Trade and other payables	F5	**261.9**	233.9
Income tax payable	F2	**20.8**	39.8
Provisions	F6	**58.3**	55.2
Derivative financial instruments	B3	**17.8**	16.7
Other liabilities	F7	**20.9**	21.2
Total current liabilities		**379.7**	366.8
Interest bearing liabilities	B7	**813.5**	744.2
Deferred tax liabilities	F2	**181.9**	174.8
Provisions	F6	**14.6**	14.7
Derivative financial instruments	B3	**58.0**	55.5
Total non current liabilities		**1,068.0**	989.2
TOTAL LIABILITIES		**1,447.7**	1,356.0
NET ASSETS		**3,147.7**	3,035.4
EQUITY			
Share capital	F8	**2,580.5**	2,580.5
Retained earnings		**561.8**	462.3
Reserves	F8	**5.4**	(7.4)
TOTAL EQUITY		**3,147.7**	3,035.4

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

Consolidated statement of cash flows

For the year ended 30 June 2016

	Note	2016 $m	2015 $m
Cash flows from operating activities			
Net cash receipts from customers (inclusive of GST)		**2,287.6**	2,174.5
Payments to suppliers and employees (inclusive of GST)		**(1,307.7)**	(1,202.4)
Payment of government levies, gaming taxes and GST		**(502.5)**	(465.6)
Interest received		**1.3**	2.3
Income taxes paid	F2	**(100.8)**	(23.3)
Net cash inflow from operating activities	F9	**377.9**	485.5
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		**(292.5)**	(207.7)
Proceeds from sale of subsidiary	D6	**-**	67.5
Payments for investment in associates and joint ventures	D5	**(29.3)**	-
Net cash (outflow) used in investing activities		**(321.8)**	(140.2)
Cash flows from financing activities			
Proceeds from interest bearing liabilities	B7	**160.0**	40.0
Repayment of interest bearing liabilities	B7	**(110.0)**	(210.0)
Dividends paid	A6	**(94.9)**	(74.3)
Finance costs		**(48.8)**	(53.4)
Net cash (outflow) used in financing activities		**(93.7)**	(297.7)
Net (decrease)/increase in cash and cash equivalents		**(37.6)**	47.6
Cash and cash equivalents at beginning of the year		**196.6**	144.9
Net cash and cash equivalents relating to assets held for sale		**-**	4.1
Cash and cash equivalents at end of the year	B1	**159.0**	196.6

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

Consolidated statement of changes in equity

For the year ended 30 June 2016

	Note	Ordinary shares $m	Retained earnings $m	Hedging reserve $m	Share based payment reserve $m	Total $m
2016						
Balance at 1 July 2015		**2,580.5**	**462.3**	**(10.0)**	**2.6**	**3,035.4**
Profit for the year		**-**	**194.4**	**-**	**-**	**194.4**
Other comprehensive income	F1	**-**	**-**	**9.6**	**-**	**9.6**
Total comprehensive income		**-**	**194.4**	**9.6**	**-**	**204.0**
Dividends paid	A6	**-**	**(94.9)**	**-**	**-**	**(94.9)**
Employee share based payments	F10	**-**	**-**	**-**	**3.2**	**3.2**
Balance at 30 June 2016		**2,580.5**	**561.8**	**(0.4)**	**5.8**	**3,147.7**
2015						
Balance at 1 July 2014		2,580.5	367.3	(18.0)	1.8	2,931.6
Profit for the year		-	169.3	-	-	169.3
Other comprehensive loss	F1	-	-	8.0	-	8.0
Total comprehensive income		-	169.3	8.0	-	177.3
Dividends paid	A6	-	(74.3)	-	-	(74.3)
Employee share based payments	F10	-	-	-	0.8	0.8
Balance at 30 June 2015		2,580.5	462.3	(10.0)	2.6	3,035.4

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

Notes to the financial statements
For the year ended 30 June 2016

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

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Notes to the financial statements
For the year ended 30 June 2016

A Key income statement disclosures
A1 Segment information
The Group's operating segments have been determined based on the internal management reporting structure and the nature of products and services provided by the Group. They reflect the business level at which financial information is provided to the executive decision makers, being the Managing Director and Chief Executive Officer and the Chief Financial Officer, for decision making regarding resource allocation and performance assessment.
The Group has three reportable segments:

The Star Sydney	Comprises The Star Sydney's casino operations, including hotels, apartment complex, restaurants, bars and night club.
Gold Coast	Comprises Jupiters' casino operations, including hotel, theatre, restaurants and bars.
Treasury Brisbane	Comprises Treasury's casino operations, including hotel, restaurants and bars.

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

2015	**The Star Sydney $m**	**Gold Coast [b] $m**	**Treasury Brisbane $m**	**Total $m**
Gross revenues - VIP [a]	517.9	68.9	1.6	588.4
Gross revenues - domestic [a]	1,023.2	324.4	321.6	1,669.2
Segment revenue (refer to note A2)	1,541.1	393.3	323.2	2,257.6
Segment earnings before interest, tax and significant items (EBIT excluding significant items)	169.1	60.5	61.2	290.8
Depreciation and amortisation	98.5	38.0	27.2	163.7
Capital expenditure	119.9	75.5	30.4	225.8

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

b The Group sold its Jupiters Townsville complex on 1 October 2014. The Gold Coast segment includes the results from 1 July 2014 to 30 September 2014 for the Jupiters Townsville operations (refer to note D6).

	2016 $m	**2015 $m**
Reconciliation of reportable segment profit to profit before income tax		
Segment earnings before interest and tax, excluding significant items (**EBIT**)	**325.0**	290.8
Significant items (refer to note A7)	**-**	(3.7)
Unallocated items:		
- net finance costs	**(45.8)**	(49.9)
Profit before income tax (PBT)	**279.2**	237.2

Notes to the financial statements

For the year ended 30 June 2016

A2 Revenue

	2016 $m	2015 $m
Gaming	**2,111.1**	2,006.5
Non-gaming and other	**246.6**	251.1
Total gross revenue	**2,357.7**	2,257.6
Player rebates and promotional allowances	**(89.6)**	(117.3)
	2,268.1	2,140.3

Revenue is up $127.8m or 6.0% on the prior comparable period (pcp) with the main revenue growth driven by the domestic gaming businesses. The International VIP Rebate business also showed growth of 1.3%.

Revenue

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

Customer loyalty programs

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

A3 Expenses

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

	2016 $m	2015 $m
Other income/(expenses)		
Net foreign exchange gain	**0.8**	2.3
Gain on sale of Jupiters Townsville (refer to note D6)	**-**	8.0
Other	**-**	(0.2)
	0.8	10.1
Government taxes and levies (including gaming GST):		
New South Wales	**350.0**	321.2
Queensland	**154.6**	152.3
	504.6	473.5

Government taxes and levies is up $31.1m or 6.6% on the pcp driven by increased volumes across the domestic and International VIP Rebate business as well as a higher average gaming tax rate in The Star Sydney.

	2016 $m	2015 $m
Employment costs:		
Salaries, wages, bonuses and other benefits	**551.9**	532.1
Defined contribution plan expense (superannuation guarantee charges)	**43.0**	37.5
Share based payment expense (refer to note F10)	**5.6**	0.8
	600.5	570.4
Cost of inventories recognised as an expense during the year	**81.8**	79.5
Movement in provision for impairment of trade receivables (refer to note B2)	**23.1**	17.9
Operating lease charges	**12.3**	15.6
Significant items (refer to note A7)	**-**	3.7

Notes to the financial statements

For the year ended 30 June 2016

A4 Depreciation and amortisation

	2016 $m	2015 $m
Property, plant and equipment (refer to note B4)	**135.6**	140.1
Intangible assets (refer to note B5)	**27.1**	22.4
Other	**1.1**	1.2
	163.8	163.7

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

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

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

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

A5 Net finance costs

	2016 $m	2015 $m
Interest paid on borrowings	**44.6**	47.0
Capitalised to property, plant and equipment [a]	**(1.7)**	-
Borrowing costs	**4.2**	5.1
Finance costs	**47.1**	52.1
Interest income	**(1.3)**	(2.2)
Net finance costs recognised in the income statement	**45.8**	49.9

a Borrowing costs of $1.7 million were capitalised during the year and are included in 'Additions' in note B4. The capitalisation rate was equal to the Group's weighted average cost of borrowings applicable to the Group's outstanding borrowings during the year.

Net finance costs of $45.8 million were down 8.2% on the pcp as a result of a decrease in average debt year on year, capitalised interest and a reduction in the average interest rate on bank debt (a decrease from 7.5% to 7.4%).

A6 Dividends

	2016 Cents per share	2015 Cents per share
Dividends per share		
Interim dividend	**5.5**[b]	5.0
Final dividend	**7.5**[c]	6.0[a]
Total dividend	**13.0**	11.0

A final dividend per share of 7.5 cents fully franked was declared, totalling 13.0 cents per share for the year, up 18.2% on the pcp and reflecting the improved performance and financial position of the Group.

Notes to the financial statements

For the year ended 30 June 2016

	2016 $m	2015 $m
Dividends declared and paid during the year on ordinary shares		
Final dividend paid during the year in respect of the year ended 30 June 2015 [a]	**49.5**	33.0
Interim dividend paid during the year in respect of the half year ended 31 December 2015 [b]	**45.4**	41.3
	94.9	74.3

a A final dividend of 6 cents per share fully franked for the year ended 30 June 2015 (30 June 2014: 4 cents) was declared on 11 August 2015 and paid on 16 September 2015 (2014: declared on 12 August 2014 and paid on 30 September 2014).

b An interim dividend of 5.5 cents per share fully franked for the half year ended 31 December 2015 (31 December 2014: 5 cents) was declared on 15 February 2016 and paid on 22 March 2016 (2015: declared on 3 February 2015 and paid on 11 March 2015).

	2016 $m	2015 $m
Dividends declared after balance date		
Final dividend declared during the year ended 30 June 2016 [c]	**61.9**	49.5

c Since the end of the financial year, the Directors have declared a final dividend of 7.5 cents per ordinary share (2015: 6 cents), fully franked. The aggregate amount is expected to be paid on 30 September 2016 out of retained earnings at 30 June 2016, but not recognised as a liability at the end of the year.

Franking credit balance		
Amount of franking credits available to shareholders	**79.2**	19.1

A7 Significant items

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

Queen's Wharf Brisbane bid process [a]	-	11.7
Gain on sale of Jupiters Townsville [b]	-	(8.0)
Net significant items	-	3.7

a Costs relating to the Queen's Wharf Brisbane bid process, including master planning, architects, civil, financial, legal, consortium set up, communications, bid production and other administration costs.

b Other income includes the gain on sale of Jupiters Townsville (refer to note D6).

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

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

Notes to the financial statements

For the year ended 30 June 2016

B Key balance sheet disclosures
Assets

B1 Cash and cash equivalents

	2016 $m	2015 $m
Cash on hand and in banks	**103.4**	96.2
Short term deposits, maturing within 30 days	**55.6**	100.4
	159.0	196.6

B2 Trade and other receivables

	2016 $m	2015 $m
Trade receivables [a]	**123.2**	107.6
Less provision for impairment	**(12.8)**	(9.4)
Net trade receivables	**110.4**	98.2
Other receivables	**19.9**	12.3
	130.3	110.5

a Includes patron cheques not deposited of $69.6 million (2015: $77.9 million).

Past due not impaired receivables of $33.2 million were up from $16.2 million in the pcp reflective of the underlying growth of the business and high 1.50% win rate in the second half of the year.

(i) Provision for impairment reconciliation

	2016 $m	2015 $m
Balance at beginning of year	**(9.4)**	(18.3)
Provision for impairment recognised during the year [b]	**(23.1)**	(17.9)
Less amounts written off as uncollectible	**19.7**	26.8
Balance at end of year	**(12.8)**	(9.4)

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

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

(ii) Ageing of trade and other receivables

Trade receivables	0 - 30 days $m	30 days - 1 year $m	1 - 3 years $m	3 years + $m	Total $m
2016					
Not yet due	**77.2**	**-**	**-**	**-**	**77.2**
Past due not impaired	**-**	**31.5**	**1.7**	**-**	**33.2**
Considered impaired	**-**	**11.5**	**1.3**	**-**	**12.8**
	77.2	**43.0**	**3.0**	**-**	**123.2**
2015					
Not yet due	82.0	-	-	-	82.0
Past due not impaired	-	10.5	5.7	-	16.2
Considered impaired	-	5.3	4.1	-	9.4
	82.0	15.8	9.8	-	107.6

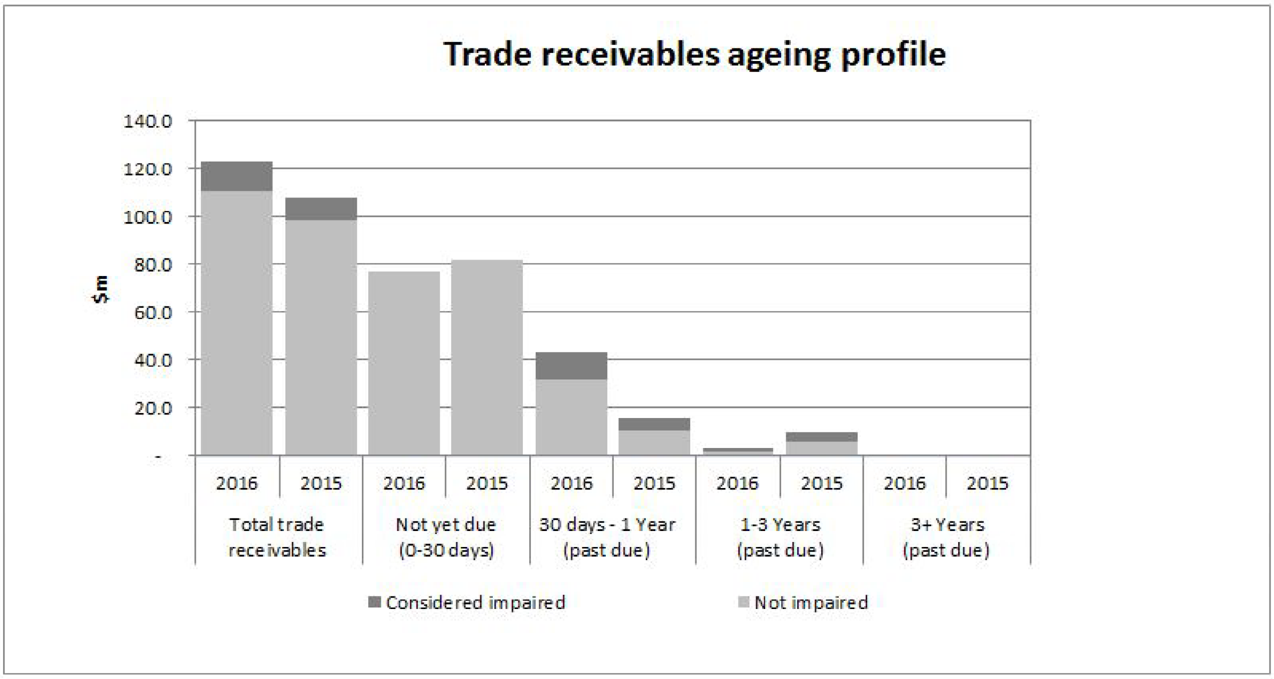
Notes to the financial statements

For the year ended 30 June 2016

Other receivables

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

The chart below compares the ageing of trade receivables and amounts considered impaired as at 30 June 2016 and 30 June 2015 respectively.



Provision for impairment of trade receivables

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

Notes to the financial statements

For the year ended 30 June 2016

B3 Derivative financial instruments

	2016 $m	2015 $m
Current assets		
Cross currency swaps	**12.6**	10.4
Forward currency contracts	**1.9**	1.7
	14.5	12.1
Non current assets		
Cross currency swaps	**239.8**	203.7
Forward currency contracts	**2.2**	3.7
	242.0	207.4
Current liabilities		
Interest rate swaps	**17.8**	16.7
	17.8	16.7
Non current liabilities		
Interest rate swaps	**58.0**	55.5
	58.0	55.5
Net financial assets	**180.7**	147.3

Net derivative assets up $33.4 million due to an increase in the value of the cross currency swap used to hedge the USPP loan as a result of a reduction in value of the AUD vs USD exchange rate.

Valuation of derivatives and other financial instruments

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

Refer to note E2 for additional financial instruments disclosure.

Notes to the financial statements

For the year ended 30 June 2016

B4 Property, plant and equipment

	Note	Freehold land $m	Freehold and leasehold buildings $m	Leasehold improvements $m	Plant and equipment $m	Total $m
2016						
Cost						
Opening balance at beginning of the year		**81.5**	**1,622.6**	**275.1**	**845.2**	**2,824.4**
Additions		**-**	**189.6**	**5.9**	**85.5**	**281.0**
Disposals		**-**	**(6.3)**	**-**	**(21.8)**	**(28.1)**
Reclassification / transfer [a]		**-**	**(11.2)**	**(1.3)**	**13.9**	**1.4**
Closing balance at end of the year [b]		**81.5**	**1,794.7**	**279.7**	**922.8**	**3,078.7**
Accumulated depreciation						
Opening balance at beginning of the year		**-**	**264.5**	**79.2**	**506.5**	**850.2**
Depreciation expense	A4	**-**	**48.5**	**9.4**	**77.7**	**135.6**
Disposals		**-**	**(6.3)**	**-**	**(21.7)**	**(28.0)**
Closing balance at end of the year		**-**	**306.7**	**88.6**	**562.5**	**957.8**
Carrying Amount						
Opening balance at beginning of the year		**81.5**	**1,358.1**	**195.9**	**338.7**	**1,974.2**
Closing balance at end of the year		**81.5**	**1,488.0**	**191.1**	**360.3**	**2,120.9**
2015						
Cost						
Opening balance at beginning of the year		81.5	1,568.4	271.6	739.6	2,661.1
Additions		-	69.4	5.1	130.2	204.7
Disposals / reclassification / transfer [a]		-	(15.2)	(1.6)	(24.6)	(41.4)
Closing balance at end of the year [b]		81.5	1,622.6	275.1	845.2	2,824.4
Accumulated depreciation						
Opening balance at beginning of the year		-	226.5	70.5	452.9	749.9
Depreciation expense	A4	-	51.8	10.1	78.2	140.1
Disposals		-	(13.8)	(1.4)	(24.6)	(39.8)
Closing balance at end of the year		-	264.5	79.2	506.5	850.2
Carrying Amount						
Opening balance at beginning of the year		81.5	1,341.9	201.1	286.7	1,911.2
Closing balance at end of the year		81.5	1,358.1	195.9	338.7	1,974.2

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

	2016 $m	2015 $m
b Includes capital works in progress of:		
Buildings - at cost	**117.3**	23.2
Leasehold improvements - at cost	**1.5**	1.3
Plant and equipment - at cost	**40.7**	76.7
Total capital works in progress	**159.5**	101.2

Additions of $281.0 million, up 37.3% on the pcp consisting predominantly of growth and maintenance activities in the Gold Coast and The Star Sydney. For details on capital activities refer to the Directors' Report section 2.6.

Notes to the financial statements

For the year ended 30 June 2016

Property, plant and equipment is comprised of the following assets:

- Freehold land - Gold Coast property;
- Leasehold buildings - Treasury Brisbane and The Star Sydney properties;
- Leasehold improvements - Treasury Brisbane property; and
- Plant and equipment - operational and other equipment.

Asset useful lives and residual values

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

Capital works in progress

Major ongoing projects include the refurbishment at The Star Sydney and the expansion and refurbishment in the Gold Coast. Minor refurbishment is also being undertaken at the Treasury Brisbane property.

Impairment

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

B5 Intangible assets

	Note	Goodwill $m	The Star Sydney and Treasury casino licences $m	The Star Sydney casino concessions $m	Software [a] $m	Other $m	Total $m
2016							
Cost							
Opening balance at beginning of the year		**1,442.2**	**294.7**	**100.0**	**139.4**	**27.2**	**2,003.5**
Additions		**-**	**-**	**-**	**25.2**	**-**	**25.2**
Disposals		**-**	**-**	**-**	**(0.8)**	**-**	**(0.8)**
Reclassification / transfer [b]		**-**	**-**	**-**	**(1.4)**	**-**	**(1.4)**
Closing balance at end of the year		**1,442.2**	**294.7**	**100.0**	**162.4**	**27.2**	**2,026.5**
Accumulated amortisation							
Opening balance at beginning of the year		**-**	**59.7**	**17.4**	**82.2**	**4.2**	**163.5**
Amortisation expense	A4	**-**	**3.2**	**2.8**	**18.1**	**3.0**	**27.1**
Disposals		**-**	**-**	**-**	**(0.8)**	**-**	**(0.8)**
Closing balance at end of the year		**-**	**62.9**	**20.2**	**99.5**	**7.2**	**189.8**
Carrying Amount							
Opening balance at beginning of the year		**1,442.2**	**235.0**	**82.6**	**57.2**	**23.0**	**1,840.0**
Closing balance at end of the year		**1,442.2**	**231.8**	**79.8**	**62.9**	**20.0**	**1,836.7**
2015							
Cost							
Opening balance at beginning of the year		1,442.2	294.7	100.0	130.1	20.1	1,987.1
Additions		-	-	-	14.0	7.1	21.1
Disposals / reclassification / transfer [b]		-	-	-	(4.7)	-	(4.7)
Closing balance at end of the year		1,442.2	294.7	100.0	139.4	27.2	2,003.5
Accumulated amortisation							
Opening balance at beginning of the year		-	56.5	14.5	66.4	3.9	141.3
Amortisation expense	A4	-	3.2	2.9	16.0	0.3	22.4
Disposals		-	-	-	(0.2)	-	(0.2)
Closing balance at end of the year		-	59.7	17.4	82.2	4.2	163.5
Carrying Amount							
Opening balance at beginning of the year		1,442.2	238.2	85.5	63.7	16.2	1,845.8
Closing balance at end of the year		1,442.2	235.0	82.6	57.2	23.0	1,840.0

a Includes capital works in progress of $25.2 million (2015: $5.4 million).

b Includes reclassifications of $1.4 million to property, plant and equipment (refer to note B4).

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

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

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

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

B6 Impairment testing and goodwill

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

Carrying amount of goodwill allocated to each cash generating unit

Cash generating unit (Reportable segment)	The Star Sydney $m	Gold Coast $m	Treasury Brisbane $m	Total carrying amount $m
2016	1,013.5	165.5	263.2	1,442.2
2015	1,013.5	165.5	263.2	1,442.2

The recoverable amount of each of the three cash generating units at year end (The Star Sydney, Gold Coast and Treasury Brisbane) is determined based on 'fair value less costs of disposal', which is calculated using the discounted cash flow approach. This approach utilises cash flow forecasts that represent a market participant's view of the future cash flows that would arise from operating and developing the Group's assets. These cash flows are principally based upon Board approved business plans for a five-year period, together with longer term projections and approved capital investment plans, extrapolated using an implied terminal growth rate of 2.5% (2015: 2.5%). These cash flows are then discounted using a relevant long term post-tax discount rate specific to each cash generating unit, ranging between 9.0% to 9.5% (2015: 9.0% to 9.4%). The pre-tax discount rates range between 12.9% to 13.6% (2015: 12.9% to 13.4%).

No impairment was recognised in any of the cash generating units at 30 June 2016 (2015: nil). The performance of the Group was driven both by the continued strong growth in the domestic gaming business (+6.8%) and record volume in the International VIP Rebate business (IRB) with revenue up 1.3%.

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

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

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

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

iv. Regulatory changes
Queensland
As outlined within note D5, upon opening of the Integrated Resort in 2022, the existing Treasury Brisbane casino will cease to operate and the Group will act as the operator of the QWB casino.

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

The Group will surrender the Treasury Brisbane casino licence in exchange for the right to operate the new QWB casino. No incremental value nor impairment has been included in the fair value less cost of disposal of the Treasury Brisbane cash generating unit in relation to the right to operate the new QWB casino.

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

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

For the Gold Coast, management considers that a 4 percentage point decline (2015: 2.9 percentage point decline) in the compound average growth rate is a reasonable possible change that could give rise to an impairment.

For The Star Sydney, the impact of Crown Sydney on the projected earnings and cash generating unit's carrying value has been assessed, taking into consideration the expected increase in competition as well as the expected increase in market size. A reasonably possible change in any of the assumptions used does not result in an impairment charge at 30 June 2016, however management will continue to monitor the assumptions with regards to the expected impact of Crown Sydney on The Star Sydney's carrying value.

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

Liabilities

B7 Interest bearing liabilities

	2016 $m	2015 $m
Bank loans - unsecured (net of unamortised borrowing costs) [i]	**196.2**	146.2
Private placement - US dollar[ii]	**617.3**	598.0
	813.5	744.2

The Group has undrawn bank facilities of $450.0 million at year end and an average drawn debt maturity of 3.5 years.

Net debt was $473.8 million, up 18.4% on the pcp with gearing levels increased to 1.0x at 30 June 2016 compared to 0.9x at 30 June 2015.

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

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

Syndicated revolving facility

The Group drew down $50.0 million of the syndicated revolving facility to fund increased capital expenditure.

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

2015 Type	Facility amount $m	Unutilised at 30 June $m	Maturity date
Syndicated revolving facility - tranche A	250.0	250.0	July 2018
Syndicated revolving facility - tranche B	250.0	250.0	July 2019
	500.0	500.0	

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

Working capital facility

On 22 June 2016, the Group rolled over its working capital facility. This working capital facility has been executed on the same terms and conditions as the existing syndicated revolving facility agreement.

2016/2015 Type	Facility amount $m	Unutilised at 30 June $m	Maturity date
Working capital facility	150.0	-	January 2018
Working capital facility	150.0	-	January 2017

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

Notes to the financial statements
For the year ended 30 June 2016

(ii) US Private Placement (USPP)
The Group's USPP borrowings have not changed during the year, and are summarised below.

2016/2015

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

** The $430.0 million USPP borrowings are stated in the table above at the AUD amount repayable under cross currency swaps at maturity. Interest is variable, linked to BBSW (Bank Bill Swap Rate), and a defined gearing ratio at the end of certain test dates. The $460.0 million USD translates to $617.3m AUD at 30 June 2016*.

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

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

Financial Risk Management
As a result of USPP borrowings, the Group is exposed to the foreign currency risk through the movements in USD/AUD exchange rate. The Group has entered into cross currency swaps in order to hedge this exposure. As at 30 June 2016, 100% of the USPP borrowings balance of US$460.0 million is hedged.

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

Notes to the financial statements

For the year ended 30 June 2016

C Commitments, contingencies and subsequent events

C1 Commitments

(i) Operating lease commitments [a]

	2016 $m	2015 $m
Not later than one year	**13.6**	12.3
Later than one year but not later than five years	**19.9**	26.8
Later than five years	**80.6**	82.1
	114.1	121.2

a The Group leases property (including The Star Sydney and Treasury Brisbane property leases) under operating leases expiring between 1 to 77 years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the CPI or are subject to market rate review. Operating lease commitments also include commitments in relation to the leasing of aircraft.

(ii) Other commitments [b]

	2016 $m	2015 $m
Not later than one year	**238.2**	45.7
Later than one year but not later than five years	**40.7**	18.1
Later than five years	**-**	-
	278.9	63.8

b Other commitments as at 30 June 2016 include capital construction and related costs in connection with the Gold Coast refurbishment and redevelopment at The Star Sydney.

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

Commitments include operating lease commitments for The Star Sydney and Treasury Brisbane properties, as well as capital commitments in relation to the redevelopment of the Gold Coast and The Star Sydney, both of which are well underway. Refer to note D5 for commitments in respect of investments in associates and joint ventures.

C2 Contingent liabilities

Legal challenges

There are outstanding legal actions between the Company and its controlled entities and third parties as at 30 June 2016. The Group has notified its insurance carrier of all relevant litigation and believes that any damages (other than exemplary damages) that may be awarded against the Group, in addition to its costs incurred in connection with the action, will be covered by its insurance policies where such policies are in place. Where there are no policies in place, provisions are made for known obligations where the existence of a liability is probable and can be reasonably quantified. As the outcomes of these actions remain uncertain, contingent liabilities exist for possible amounts eventually payable that are in excess of the amounts covered for by the insurance policies in place or of the amounts provided for.

Financial guarantees

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

C3 Subsequent events

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

Notes to the financial statements

For the year ended 30 June 2016

D Group structure

D1 Related party disclosure

(i) Parent entity

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

(ii) Investments in controlled entities

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

Name of controlled entity	Note	Country of incorporation	Equity type	Equity interest at 30 June 2016 %	Equity interest at 30 June 2015 %
Parent entity					
The Star Entertainment Group Limited		Australia	ordinary shares		
Controlled entities					
The Star Entertainment Sydney Holdings Limited	a b g	Australia	ordinary shares	**100.0**	100.0
The Star Pty Limited	a b	Australia	ordinary shares	**100.0**	100.0
The Star Entertainment Pty Ltd	a g	Australia	ordinary shares	**100.0**	100.0
Sydney Harbour Casino Properties Pty Limited	a b	Australia	ordinary shares	**100.0**	100.0
Sydney Harbour Apartments Pty Limited	a	Australia	ordinary shares	**100.0**	100.0
Star City Investments Pty Limited	a	Australia	ordinary shares	**100.0**	100.0
Star City Share Plan Company Pty Ltd		Australia	ordinary shares	**100.0**	100.0
Jupiters Limited		Australia	ordinary shares	**100.0**	100.0
Jupiters Custodian Pty Ltd		Australia	ordinary shares	**100.0**	100.0
Jupiters Trust		Australia	units	**100.0**	100.0
The Star Entertainment International No.1 Pty Ltd	g	Australia	ordinary shares	**100.0**	100.0
The Star Entertainment International No.2 Pty Ltd	g	Australia	ordinary shares	**100.0**	100.0
Jupiters Resorts (Macau) Limited	d	Macau	ordinary shares	**100.0**	100.0
The Star Entertainment International No.3 Pty Ltd	g	Australia	ordinary shares	**100.0**	100.0
Vanuatu Casino Management Services Limited	c	Vanuatu	ordinary shares	**0.0**	99.9
Echo Entertainment International (Hong Kong) Limited		Hong Kong	ordinary shares	**100.0**	100.0
Echo Entertainment (Shanghai) Trading Co. Ltd	d	China	ordinary shares	**100.0**	100.0
EEI Services (Hong Kong) Limited		Hong Kong	ordinary shares	**100.0**	100.0
EEI C&C Services Pte Ltd		Singapore	ordinary shares	**100.0**	100.0
The Star Entertainment RTO Pty Ltd	g	Australia	ordinary shares	**100.0**	100.0
The Star Entertainment Finance Limited	g	Australia	ordinary shares	**100.0**	100.0
Destination Brisbane Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment Technology Services Pty Ltd	g	Australia	ordinary shares	**100.0**	100.0
The Star Entertainment Training Company Pty Ltd	g	Australia	ordinary shares	**100.0**	100.0
PPIT Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment International No.4 Pty Ltd	e	Australia	ordinary shares	**100.0**	0.0
The Star Entertainment Online Holdings Pty Ltd	e	Australia	ordinary shares	**100.0**	0.0
The Star Entertainment Online Pty Ltd	e	Australia	ordinary shares	**100.0**	0.0
The Star Entertainment Brisbane Holdings Pty Ltd	e	Australia	ordinary shares	**100.0**	0.0
The Star Entertainment Brisbane Operations Pty Ltd	e	Australia	ordinary shares	**100.0**	0.0
The Star Entertainment DBC Holdings Pty Ltd	e	Australia	ordinary shares	**100.0**	0.0
The Star Brisbane Car Park Holdings Pty Ltd	f	Australia	ordinary shares	**100.0**	0.0

a These companies entered into a deed of cross guarantee with The Star Entertainment Sydney Holdings Limited (previously known as Star City Holdings Limited) on 31 May 2011, and as such are members of the closed group as defined in Australian Securities and Investments Commission class order CO 98/1418 (refer to note D3).

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

Notes to the financial statements

For the year ended 30 June 2016

c This entity was deregistered on 25 September 2015.
d This company's financial year end is 31 December.
e Incorporated on 10 September 2015.
f Incorporated on 16 February 2016.
g The following entities changed their company name on 28 June 2016:
- The Star Entertainment Sydney Holdings Limited was previously known as Star City Holdings Limited.
- The Star Entertainment Pty Ltd was previously known as Star City Entertainment Pty Limited.
- The Star Entertainment International No.1 Pty Ltd was previously known as Echo Entertainment International No.1 Pty Ltd.
- The Star Entertainment International No.2 Pty Ltd was previously known as Echo Entertainment International No.2 Pty Ltd.
- The Star Entertainment International No.3 Pty Ltd was previously known as Echo Entertainment International No.3 Pty Ltd.
- The Star Entertainment RTO Pty Ltd was previously known as Echo Entertainment RTO Pty Ltd.
- The Star Entertainment Finance Limited was previously known as Echo Entertainment Finance Limited.
- The Star Entertainment Technology Services Pty Ltd was previously known as Echo Entertainment Technology Services Pty Ltd.
- The Star Entertainment Training Company Pty Ltd was previously known as Echo Entertainment Training Company Pty Ltd.

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

During the period, the Company entered into the following transactions with controlled entities:
- loans of $32.9 million were advanced by controlled entities (2015: the Company advanced loans of $32.8 million); and
- income tax and GST paid on behalf of controlled entities was $225.2 million (2015: $154.4 million).

The amount receivable by the Company from controlled entities at year end is $151.3 million (2015: $118.4 million). All the transactions were undertaken on normal commercial terms and conditions.

(iv) Transactions with other related parties
Other transactions
Amounts recharged to Destination Brisbane Consortium Integrated Resort Holdings Pty Ltd was $0.9m (2015: nil).

Notes to the financial statements

For the year ended 30 June 2016

D2 Parent entity disclosures

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

	2016 $m	2015 $m
Result of the parent entity		
Profit for the year	**142.3**	51.3
Total comprehensive income for the year [a]	**142.3**	51.3

a Since the end of the financial year, the Company has declared a final dividend of 7.5 cents per ordinary share (2015: 6 cents), which is expected to be paid on 30 September 2016 out of retained earnings at 30 June 2016 to its shareholders (refer to note A6).

	2016 $m	2015 $m
Financial position of the parent entity		
Current assets	**1,181.3**	1,152.5
Non current assets	**2,589.4**	2,590.5
Total assets	**3,770.7**	3,743.0
Current liabilities	**36.9**	60.2
Non current liabilities	**1,031.2**	1,030.9
Total liabilities	**1,068.1**	1,091.1
Net assets	**2,702.6**	2,651.9
Total equity of the parent entity		
Issued capital	**2,580.5**	2,580.5
Retained earnings	**116.3**	68.9
Shared based payments benefits reserve	**5.8**	2.5
Total equity	**2,702.6**	2,651.9

Contingent liabilities

There were no contingent liabilities for the parent entity at 30 June 2016 (2015: nil).

Capital expenditure

The parent entity does not have any capital expenditure commitments for the acquisition of property, plant and equipment contracted but not provided for at 30 June 2016 (2015: nil).

Guarantees

The Star Entertainment Group Limited has guaranteed the liabilities of The Star Entertainment Finance Limited and The Star Entertainment International No. 3 Pty Ltd. As at 30 June 2016, the carrying amount included in current liabilities at 30 June 2016 was nil (2015: nil), and the maximum amount of these guarantees was $117.3 million (2015: $121.2 million) (refer to note E1). The Company has also undertaken to support its controlled entities when necessary to enable them to pay their debts as and when they fall due.

Accounting policy for investments in controlled entities

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

Notes to the financial statements

For the year ended 30 June 2016

D3 Deed of cross guarantee

The Star Entertainment Sydney Holdings Limited, The Star Pty Limited, The Star Entertainment Pty Ltd, Sydney Harbour Casino Properties Pty Limited, Sydney Harbour Apartments Pty Limited and Star City Investments Pty Limited are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirements to prepare a Financial Report and Directors' Report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

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

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

Set out below is a consolidated income statement and a summary of movements in consolidated retained earnings for the year ended 30 June 2016 of the closed group.

Consolidated income statement

	2016 $m	2015 $m
Revenue	**1,575.7**	1,443.6
Other income	**0.5**	1.4
Government taxes and levies	**(349.9)**	(321.2)
Commissions and fees	**(294.3)**	(280.2)
Employment costs	**(335.2)**	(314.2)
Depreciation, amortisation and impairment	**(93.9)**	(93.7)
Cost of sales	**(45.1)**	(42.9)
Property costs	**(51.0)**	(54.1)
Advertising and promotions	**(52.4)**	(47.2)
Other expenses	**(113.1)**	(147.7)
Earnings before interest and tax (EBIT)	**241.3**	143.8
Net finance costs	**-**	-
Profit before income tax (PBT)	**241.3**	143.8
Income tax expense	**(68.8)**	(47.4)
Net profit after tax (NPAT)	**172.5**	96.4
Total comprehensive income for the period	**172.5**	96.4
Summary of movements in consolidated retained earnings		
Accumulated profit/(loss) at the beginning of the financial year	**45.1**	(15.3)
Profit for the year	**172.5**	96.4
Dividends paid	**(76.0)**	(36.0)
Accumulated profit at the end of the financial year	**141.6**	45.1

(ii) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2016 of the closed group consisting of The Star Entertainment Sydney Holdings Limited, The Star Pty Limited, The Star Entertainment Pty Ltd, Sydney Harbour Casino Properties Pty Limited, Sydney Harbour Apartments Pty Limited, and Star City Investments Pty Limited.

Notes to the financial statements

For the year ended 30 June 2016

Consolidated balance sheet

	2016 $m	2015 $m
ASSETS		
Cash assets	**49.7**	46.8
Trade and other receivables	**115.3**	101.0
Inventories	**5.8**	4.9
Other	**18.7**	8.4
Total current assets	**189.5**	161.1
Property, plant and equipment	**1,240.4**	1,194.8
Intangible assets	**292.0**	300.7
Other assets	**12.7**	13.9
Total non current assets	**1,545.1**	1,509.4
TOTAL ASSETS	**1,734.6**	1,670.5
LIABILITIES		
Trade and other payables	**348.3**	383.9
Provisions	**35.6**	33.4
Other liabilities	**11.9**	11.8
Total current liabilities	**395.8**	429.1
Deferred tax liabilities	**51.7**	50.6
Provisions	**5.6**	5.8
Total non current liabilities	**57.3**	56.4
TOTAL LIABILITIES	**453.1**	485.5
NET ASSETS	**1,281.5**	1,185.0
EQUITY		
Issued Capital	**1,139.9**	1,139.9
Retained Earnings	**141.6**	45.1
TOTAL EQUITY	**1,281.5**	1,185.0

D4 Key Management Personnel disclosures

	2016 $000	2015 $000
Compensation of Key Management Personnel		
Short term	**8,564**	7,828
Long term	**347**	290
Share based payments	**2,419**	1,833
Total compensation	**11,330**	9,951

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

D5 Investment in associates and joint ventures

Set out below are the investments of the Group as at 30 June 2016 which, in the opinion of the Directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held by the Group. The country of incorporation is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

2016 Name of entity	Country of incorporation	% of ownership	Nature of ownership	Measurement method	Carrying amount $m
Destination Brisbane Consortium Integrated Resort Holdings Pty Ltd (i)	Australia	50	Associate	Equity method	16.2
Festival Car Park Pty Ltd (ii)	Australia	50	Joint venture	Equity method	13.1
Total equity accounted investments					29.3

(i) Destination Brisbane Consortium Integrated Resort Holdings Pty Ltd

On 16 November 2015, the Company announced that Destination Brisbane Consortium (***DBC***) had entered into development agreements with the Queensland Government for the delivery of the Queen's Wharf Brisbane project. This follows the Queensland Government's selection of DBC as the preferred proponent on 20 July 2015.

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

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

The Group will also retain ownership of the existing Treasury Brisbane casino and hotel buildings under a long-dated lease. When the Integrated Resort operations commence, the Treasury Brisbane casino will cease to operate in the current location and the Treasury Brisbane casino and hotel buildings will be repurposed into retail facilities and premium hotel accommodation.

The cost of the Group's equity investment for the year ended 30 June 2016 is $16.2m. The 50% interest in DBC is accounted for using the equity method in the consolidated financial statements.

Through the shareholder agreement, the Group holds 50% of the voting rights in DBC, however significant decisions require either 75% or unanimous approval by the Board. The ownership interest does not provide the Group the unilateral ability to direct the decision making of the Board. The Group has therefore determined that it has significant influence over DBC.

Commitments and contingent liabilities

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

Summarised financial information

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

	2016 $m	**2015 $m**
Balance sheet		
Total current assets	**4.7**	-
Total non current assets	**18.8**	-
Total current liabilities	**(4.2)**	-
Net assets	**19.3**	-

Notes to the financial statements

For the year ended 30 June 2016

	2016 $m	2015 $m
Reconciliation to carrying amounts:		
Equity contributions	**20.0**	-
Share of equity contributions for the Group	**10.0**	-
Share of loss for the period	**(0.1)**	-
Capitalised costs	**6.3**	-
Carrying amount	**16.2**	-
Income statement		
Loss before tax	**(0.3)**	-
Income tax benefit	**0.1**	-
Loss for the year (continuing operations)	**(0.2)**	-
Total comprehensive loss for the year (continuing operations)	**(0.2)**	-
Group's share of loss for the year	**(0.1)**	-
Dividends received from the associate entity	**-**	-

(ii) Festival Car Park Pty Ltd

On 31 March 2016 an interest was acquired in Festival Car Park Pty Ltd that operates the Festival Car Park on Charlotte Street in Brisbane. This is a joint venture with CTF and FEC, of which the Group owns a 50% interest.

The shareholder agreement for Festival Car Park Pty Ltd requires unanimous consent for each Board decision for the relevant activities of operating the car park. Due to the unanimous requirement for decisions, each party has joint control of the entity. The entity is designed to exist on its own and the agreement does not grant the rights to assets and liabilities directly to the Group. The investment has therefore been classified as a joint venture.

Commitments and contingent liabilities

The joint venture had capital commitments of $0.3m as at 30 June 2016. There were no other contingent liabilities.

Summarised financial information

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

	2016 $m	2015 $m
Balance sheet		
Cash and cash equivalents	**0.4**	-
Total current assets excluding cash and cash equivalent	**0.9**	-
Total non current assets	**47.6**	-
Total current liabilities	**(0.2)**	-
Total non current liabilities - financial liabilities	**(22.5)**	-
Net assets	**26.2**	-
Reconciliation to carrying amounts:		
Share of profit for the period	**0.1**	-
Share of equity contributions for the Group	**13.0**	-
Carrying amount	**13.1**	-

Notes to the financial statements

For the year ended 30 June 2016

	2016 $m	2015 $m
Income statement		
Revenue	**0.7**	-
Interest expense	**(0.2)**	-
Profit before tax	**0.3**	-
Income tax expense	**(0.1)**	-
Profit for the year (continuing operations)	**0.2**	-
Total comprehensive income for the year (continuing operations)	**0.2**	-
Group's share of profit for the year	**0.1**	-

D6 Completion of the sale of Jupiters Townsville

On 1 October 2014, the Group sold its Jupiters Townsville complex to Colonial Leisure Group for $70.0 million. The transaction was for the sale of all the shares and units in Breakwater Island Limited and Breakwater Island Trust respectively. The net carrying value of the assets and liabilities sold was $61.8 million. The gain on sale, net of transaction costs, was $8.0 million and has been recognised within other income in the income statement and disclosed as a significant item in the prior year (refer to note A7).

The net cash inflow disclosed in the consolidated statement of cash flows of $67.5 million is the net proceeds on sale and was used to repay debt. The segment result of Jupiters Townsville for the three month period ended 30 September 2014 has been included in the 'Gold Coast' reportable segment in note A1.

E Risk Management

E1 Financial risk management objectives and policies

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

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

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

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

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

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

At 30 June 2016 after taking into account the effect of interest rate swaps, approximately 68.3% (2015: 74.1%) of the Group's borrowings are at a fixed rate of interest.

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

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

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

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

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

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

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

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

Notes to the financial statements

For the year ended 30 June 2016

Credit risk includes liabilities under financial guarantees. For financial guarantee contract liabilities, the fair value at initial recognition is determined using a probability weighted discounted cash flow approach. The fair value of financial guarantee contract liabilities has been assessed as nil (2015:nil), as the possibility of an outflow occurring is considered remote. Details of the financial guarantee contracts in the balance sheet are outlined below.

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

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

The Star Entertainment Finance Limited and The Star Entertainment International No. 3 Pty Ltd are called upon to give in the ordinary course of business, guarantees and indemnities in respect of the performance of their contractual and financial obligations. The maximum amount of these guarantees and indemnities is $117.3 million (2015: $121.2 million).

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

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

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

The Group's policy is that not more than 33% of debt facilities should mature in any financial year within the next four years. At 30 June 2016, the Group's debt facilities that will mature in less than one year is nil (2015: $150 million). The next debt maturity is the working capital facility of $150 million in January 2018. This represents 18.5% of total debt and is within the Group's policy.

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

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

(i) Non-derivative financial instruments

	2016			2015		
	< 1 year $m	1 - 5 years $m	> 5 years $m	< 1 year $m	1 - 5 years $m	> 5 years $m
Financial assets						
Cash assets	**103.4**	**-**	**-**	96.2	-	-
Short term deposits	**55.7**	**-**	**-**	100.4	-	-
Net trade and other receivables	**130.4**	**-**	**-**	110.5	-	-
	289.5	**-**	**-**	307.1	-	-
Financial liabilities						
Trade creditors and accrued expenses	**259.9**	**-**	**-**	233.9	-	-
Bank loans - unsecured	**6.1**	**209.6**	**-**	4.7	150.2	-
Private placement - US dollar	**34.3**	**257.5**	**509.5**	33.3	256.5	521.2
	300.3	**467.1**	**509.5**	271.9	406.7	521.2
Net (outflow)/inflow	**(10.8)**	**(467.1)**	**(509.5)**	35.2	(406.7)	(521.2)

Notes to the financial statements

For the year ended 30 June 2016

(ii) Derivative financial instruments

	2016			2015		
	< 1 year $m	1 - 5 years $m	> 5 years $m	< 1 year $m	1 - 5 years $m	> 5 years $m
Financial assets						
Interest rate swaps - receive AUD floating	**8.7**	**30.9**	**6.5**	9.3	35.0	14.2
Cross currency swaps - receive USD fixed	**34.3**	**257.5**	**509.5**	33.3	256.5	521.2
Forward currency contract - receive USD fixed	**9.5**	**10.8**	**-**	9.2	19.7	-
	52.5	**299.2**	**516.0**	51.8	311.2	535.4
Financial liabilities						
Interest rate swaps - pay AUD fixed	**26.8**	**95.6**	**20.2**	26.8	101.4	41.4
Cross currency swaps - pay AUD floating	**22.0**	**172.4**	**352.6**	22.5	179.2	370.8
Forward currency contract - pay AUD fixed	**7.7**	**8.7**	**-**	7.7	16.4	-
	56.5	**276.7**	**372.8**	57.0	297.0	412.2
Net (outflow)/inflow	**(4.0)**	**22.5**	**143.2**	(5.2)	14.2	123.2

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

Financial instruments - sensitivity analysis

Interest rates - AUD and USD

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

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

	Net profit after tax higher/(lower) $m	Other comprehensive income higher/(lower) $m
2016		
AUD		
+ 0.5% (50 basis points)	**(0.5)**	**6.9**
- 0.5% (50 basis points)	**0.5**	**(7.1)**
USD		
+ 0.5% (50 basis points)	**-**	**(10.1)**
- 0.25% (25 basis points)	**-**	**5.2**
2015		
AUD		
+ 0.5% (50 basis points)	(0.3)	8.3
- 0.5% (50 basis points)	0.3	(8.5)
USD		
+ 0.5% (50 basis points)	-	(11.8)
- 0.25% (25 basis points)	-	6.0

Notes to the financial statements

For the year ended 30 June 2016

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

The numbers derived in the sensitivity analysis are indicative only.

Significant assumptions used in the interest rate sensitivity analysis include:

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

Foreign Exchange

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

Judgements of reasonably possible movements:

	Net profit after tax higher/(lower)	**Other comprehensive income higher/(lower)**	**Net profit after tax higher/(lower)**	**Other comprehensive income higher/(lower)**
	2016	**2016**	**2015**	**2015**
	$m	**$m**	**$m**	**$m**
AUD/USD + 10 cents	**-**	**(10.9)**	-	(10.1)
AUD/USD - 10 cents	**-**	**14.3**	-	13.2

There is no movement in net profit after tax as the Group has fully hedged its foreign currency exposure to the US Private Placement (***USPP***).

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

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

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

E2 Additional financial instruments disclosure

(i) Fair values

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

Swaps

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

Forward currency contracts

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

Notes to the financial statements

For the year ended 30 June 2016

USPP

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

(ii) Interest rate risk

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

	2016 $m	2015 $m
Financial assets		
Cash assets	**55.7**	22.6
Short term deposits	**30.2**	100.4
Total financial assets	**85.9**	123.0
Financial liabilities		
Bank loans - unsecured [a]	**200.0**	150.0
USPP cross currency swaps	**430.0**	430.0
Derivatives [b]	**(430.0)**	(430.0)
Total financial liabilities	**200.0**	150.0

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

b Notional principal amounts.

(iii) Financial instruments - interest rate swaps

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

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

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

Less than one year	**-**	-
One to five years	**94.0**	94.0
More than five years	**336.0**	336.0
Notional Principal	**430.0**	430.0
Fixed interest rate range p.a.	**6.0% - 7.3%**	6.0% - 7.3%
Variable interest rate range p.a.	**2.0%**	2.2%

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

(iv) Financial instruments - cross currency swaps

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

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

Notes to the financial statements

For the year ended 30 June 2016

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

	2016		**2015**	
	AUD $m	**USD $m**	**AUD $m**	**USD $m**
One to five years	**94.0**	**100.0**	94.0	100.0
More than five years	**336.0**	**360.0**	336.0	360.0
Notional principal	**430.0**	**460.0**	430.0	460.0
Fixed interest rate range p.a.		**5.1% - 5.7%**		5.1% - 5.7%
Variable interest rate range p.a.	**4.9% - 5.2%**		5.1% - 5.3%	

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

(v) Financial instruments - forward currency contracts

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

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

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

	2016	**2015**
	$m	**$m**
Buy USD / sell AUD		
Less than one year	**7.7**	7.7
One to five years	**8.7**	16.4
More than five years	**-**	-
Notional principal	**16.4**	24.1
Average exchange rate (AUD/USD)	**0.92**	0.92

(vi) Financial instruments - fair value hierarchy

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

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

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

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

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

Notes to the financial statements

For the year ended 30 June 2016

F Other disclosures

F1 Other comprehensive income

	2016 $m	2015 $m
Net gain/(loss) on cash flow hedges	**31.9**	122.3
Transfer of hedging reserve to the income statement [a]	**(18.2)**	(110.8)
Tax on above items recognised in other comprehensive income	**(4.1)**	(3.5)
	9.6	8.0

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

F2 Income tax

(i) Income tax expense

	2016 $m	2015 $m
The major components of income tax expenses are:		
Current tax (expense)	**(80.3)**	(75.6)
Adjustments in respect of current income tax of previous years	**(1.5)**	1.1
Deferred income tax expense	**(3.0)**	6.6
Income tax expense reported in the income statement	**(84.8)**	(67.9)
Aggregate of current and deferred tax relating to items charged or credited to equity:		
Current tax (expense)/benefit reported in equity	**-**	-
Deferred tax (expense) reported in equity	**(4.1)**	(3.5)
Income tax (expense) reported in equity	**(4.1)**	(3.5)
Income tax expense		
A reconciliation between income tax expense and the product of accounting profit before income tax multiplied by the income tax rate is as follows:		
Accounting profit before income tax expense	**279.2**	237.2
At the Group's statutory income tax rate of 30%	**(83.8)**	(71.2)
- Non assessable gain on sale	**-**	2.4
- (Recognition)/derecognition of temporary differences	**(0.2)**	(1.6)
- Research & Development tax offset	**0.7**	3.1
- Recognition of tax losses	**-**	0.6
- Other items	**(1.5)**	(1.2)
Aggregate income tax expense	**(84.8)**	(67.9)
Effective tax rate	**30.4 %**	28.6 %

Notes to the financial statements

For the year ended 30 June 2016

(ii) Deferred tax balances

The balance comprises temporary differences attributable to:

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

2015	Balance 1 July 2014 $m	Recognised in the income statement $m	Recognised directly in equity $m	Balance 30 June 2015 $m
Employee provisions	15.3	1.7	-	17.0
Other provisions and accruals	8.3	6.4	-	14.7
Allowance for doubtful debts	5.4	(2.5)	-	2.9
Unrealised financial liabilities	37.3	32.8	2.2	72.3
Other	10.3	(0.7)	-	9.6
Deferred tax assets set off	76.6	37.7	2.2	116.5
Intangible assets	(74.1)	1.4	-	(72.7)
Property, plant and equipment	(137.3)	2.2	-	(135.1)
Unrealised financial assets	(26.9)	(33.2)	(5.7)	(65.8)
Other	(16.2)	(1.5)	-	(17.7)
	(254.5)	(31.1)	(5.7)	(291.3)
Net deferred tax liabilities	(177.9)	6.6	(3.5)	(174.8)

Notes to the financial statements

For the year ended 30 June 2016

(iii) Tax consolidation

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

Tax effect accounting by members of the tax consolidation group

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

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

(iv) Income tax payable

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

The income tax (payable)/receivable balance is attributable to:

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

2015	(Payable)/ receivable 1 July 2014 $m	(Increase)/ decrease in tax payable $m	Tax instalment paid/(refund) $m	(Under)/over $m	Other $m	(Payable)/ receivable 30 June 2015 $m
Tax consolidated group - year ended 30 June 2015	-	(75.6)	33.8	-	-	(41.8)
Tax consolidated group - year ended 30 June 2014 [a]	9.1	1.9	(10.6)	1.1	0.2	1.7
Prior years	2.6	(1.8)	-	-	(0.5)	0.3
Total Australia	11.7	(75.5)	23.2	1.1	(0.3)	(39.8)
Overseas subsidiaries	-	(0.1)	0.1	-	-	-
Total	11.7	(75.6)	23.3	1.1	(0.3)	(39.8)

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

Notes to the financial statements

For the year ended 30 June 2016

F3 Earnings per share

	2016 $m	2015 $m
Net profit after tax attributable to ordinary shareholders	**194.4**	169.3
Basic and diluted earnings per share (cents per share)	**23.6**	20.5

	2016 Number	2015 Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares issued	**825,672,730**	825,672,730

F4 Other assets

	2016 $m	2015 $m
Current		
Prepayments	**34.0**	21.6
Other assets	**4.5**	4.6
	38.5	26.2
Non current		
Rental paid in advance	**10.0**	10.1
Other assets	**5.2**	7.0
	15.2	17.1

Other assets above are shown net of impairment of nil (2015: nil).

F5 Trade and other payables

	2016 $m	2015 $m
Trade creditors and accrued expenses	**259.9**	231.9
Interest payable	**2.0**	2.0
	261.9	233.9

Trade and other payables of $261.9 million were up 12.0%, predominately relating to higher gaming activity.

Notes to the financial statements

For the year ended 30 June 2016

F6 Provisions

	2016 $m	2015 $m
Current		
Employee benefits	**49.5**	46.0
Workers' compensation	**7.8**	9.2
Other	**1.0**	-
	58.3	55.2
Non-current		
Employee benefits	**11.2**	10.9
Other	**3.4**	3.8
	14.6	14.7

Reconciliation

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

Workers' compensation reconciliation

2016	**Workers' compensation (current) $m**	**Other (non-current) $m**
Carrying amount at beginning of the year	**9.2**	**3.8**
Provisions made during the year	**0.5**	**-**
Provisions utilised during the year	**(1.9)**	**(0.4)**
Carrying amount at end of the year	**7.8**	**3.4**
2015		
Carrying amount at beginning of the year	11.8	-
Provisions made during the year	-	3.8
Provisions utilised during the year	(2.6)	-
Carrying amount at end of the year	9.2	3.8

Nature and timing of provisions

Workers' compensation

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

Notes to the financial statements

For the year ended 30 June 2016

F7 Other liabilities (current)

	2016 $m	2015 $m
Customer loyalty deferred revenue [a]	**18.5**	18.4
Other deferred revenue	**2.4**	2.8
	20.9	21.2

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

F8 Share capital and reserves

(i) Share capital

	2016 $m	2015 $m
Ordinary shares - issued and fully paid [a]	**2,580.5**	2,580.5

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

	2016 Number of shares	2015 Number of shares
Movements in ordinary share capital		
Balance at beginning and end of year	**825,672,730**	825,672,730

(ii) Reserves

	2016 $m	2015 $m
Hedging reserve [a]	**(0.4)**	(10.0)
Share based payments reserve [b]	**5.8**	2.6
	5.4	(7.4)

Nature and purpose of reserves

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

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

(iii) Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to be paid to shareholders, return capital to shareholders or issue new shares. Gearing is managed primarily through the ratio of net debt to earnings before interest, tax, depreciation, amortisation and impairment (EBITDA).

Notes to the financial statements

For the year ended 30 June 2016

Net debt comprises interest bearing liabilities, with US dollar borrowings translated at the 30 June 2016 USD/AUD spot rate of 1.3421 (2015: 1.3026), after adjusting for cash and cash equivalents and derivative financial instruments.

The Group's capital management also aims to ensure that it meets financial covenants attached to the interest bearing loans and borrowings that define capital structure requirements. There have been no breaches of the financial covenants of any interest bearing loans and borrowings in the current period. Other than the banking covenants referred to in note B7, the Group is not subject to externally imposed capital requirements.

	2016 $m	2015 $m
Gross Debt	**813.5**	744.2
Net Debt [a]	**473.8**	400.3
EBITDA [b]	**488.8**	454.5
Gearing ratio (times)	**1.0 x**	0.9 x

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

b EBITDA is stated before significant items.

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

	Note	2016 $m	2015 $m
Net profit after tax		**194.4**	169.3
- Depreciation and amortisation	A4	**163.8**	163.7
- Employee share based payments expense	F10	**5.6**	0.8
- Unrealised foreign exchange (gains)/losses		**(0.8)**	(2.1)
- Bad and doubtful debts expense	A3	**23.1**	17.9
- Finance costs	A5	**47.1**	52.1
- Gain on sale of Jupiters Townsville	D6	**-**	(8.0)
- Other		**-**	0.1
Working capital changes			
- (Increase) in trade and other receivables and other assets		**(48.8)**	(40.2)
- (Increase)/decrease in inventories		**(1.7)**	(0.8)
- Increase in trade and other payables, accruals and provisions		**11.1**	88.1
- (Decrease)/increase in tax provisions		**(15.9)**	44.6
Net cash inflow from operating activities		**377.9**	485.5

Operating cash flow before interest and tax was $477.4 million, down 5.7% on the pcp, with 98% EBITDA to cash conversion ratio.

Notes to the financial statements

For the year ended 30 June 2016

F10 Employee share plans

During the current and prior periods, the Group issued Performance Rights under the Long Term Performance Plan to eligible employees. The share based payment expense of $5.6 million (2015: $0.8 million) in respect of the equity instruments granted is recognised in the income statement. The movement in the reserves of $3.2 million is shown net of shares purchased of $2.4 million.

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

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

2015 Grant Date	Balance at start of year	Granted during the year	Forfeited during the year	Lapsed during the year [a]	Vested during the year	Balance at end of year
20 September 2011	516,573	-	-	516,573	-	-
19 September 2012	629,931	-	89,348	-	-	540,583
1 October 2013	532,064	-	70,866	-	-	461,198
26 September 2014	-	895,208	-	-	-	895,208
	1,678,568	895,208	160,214	516,573	-	1,896,989

The grants of 20 September 2011 and 19 September 2012 included market-based hurdles. Grants from 1 October 2013 includes a market based hurdle and an EPS component. The Performance Rights have been independently valued. For the relative TSR component, valuation was based on assumptions underlying the Black-Scholes methodology to produce a Monte-Carlo simulation model. For the EPS component, a discounted cash flow technique was utilised. The total value does not contain any specific discount for forfeiture if the employee leaves the Group during the vesting period. This adjustment, if required, is based on the number of equity instruments expected to vest at the end of each reporting period.

a Performance rights granted on 20 September 2011 were tested on 20 September 2014 and did not vest. The TSR percentile rank for the Company was 20.6% and TSR was -7.36%; as a result these Performance Rights lapsed and no shares were issued to participants.

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

Effective grant date	**Test and vesting date**	**Share price at date of grant** **$**	**Expected volatility in share price** **%**	**Expected dividend yield** **%**	**Risk free interest rate** **%**	**Value per Performance Right** **$**
20 September 2011	20 September 2014	3.61	30.00 %	3.00 %	3.57 %	2.15
19 September 2012	19 September 2016	3.86	25.00 %	2.18 %	2.70 %	2.20
1 October 2013	1 October 2017	2.68	27.00 %	1.75 %	3.03 %	2.01
26 September 2014	26 September 2018	3.31	27.00 %	2.90 %	2.88 %	2.45
21 September 2015	21 September 2019	4.82	28.00 %	2.70 %	1.98 %	2.72

Notes to the financial statements

For the year ended 30 June 2016

F11 Auditor's remuneration

	2016 $	2015 $
Amounts received or due and receivable by Ernst & Young (Australia) for:		
- An audit or review of the Financial Report of the Company and any other entity in the consolidated group	**827,499**	869,000
- Other services in relation to the Company and any other entity in the consolidated group:		
- Assurance related	**-**	40,300
- Other non-audit services including taxation services	**301,661**	86,000
	1,129,160	995,300
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
- Assurance related services	**-**	-

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

Notes to the financial statements

For the year ended 30 June 2016

G Accounting policies and corporate information

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

Corporate Information

The Star Entertainment Group Limited (the ***Company***) is a company incorporated and domiciled in Australia. The Financial Report of the Company for the year ended 30 June 2016 comprises the Company and its controlled entities (collectively referred to as ***the Group***). The Company's registered office is Level 3, 159 William Street, Brisbane QLD 4000.

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

The Financial Report was authorised for issue by the Directors on 26 August 2016.

Basis of preparation

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

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

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

Significant accounting judgements, estimates and assumptions

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

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

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

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

Changes in accounting policies and disclosures

The Group has adopted the following new and amended accounting standards, which became applicable from 1 July 2015:

Reference	Title
AASB 2015-3	Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality

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

Standards and amendments issued but not yet effective

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

Reference	Title	Application date
AASB 9 *	Financial Instruments	1 January 2018
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	1 January 2016
AASB 15 *	Revenue from Contracts with Customers	1 January 2018
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	1 January 2016
AASB 2015-2	Amendments to Australian Accounting Standards-Disclosure Initiative: Amendments to AASB 101	1 January 2016
AASB 16 *	Leases	1 January 2019

*AASB 9 will replace AASB 139 Financial Instruments: Recognition and Measurement. The Group is currently assessing the impact of the new requirements on the consolidated financial statements.

*AASB 15 specifies how and when revenue is recognised, based on the concept of recognising revenue for performance obligations as they are satisfied. AASB 15 also requires enhanced disclosures. The Group is currently assessing the impact of the new requirements on the consolidated financial statements.

*AASB 16 will replace AASB 117 Leases. It requires recognition of a right of use asset along with the associated lease liability where the Group is a lessee. Interest expense will be recognised in profit or loss using the effective interest rate method, and the right of use asset will be depreciated.

Notes to the financial statements

For the year ended 30 June 2016

The standard is effective for annual reporting periods beginning on or after 1 January 2019. The Group will first apply AASB 16 in the financial year beginning 1 July 2019. The Group is currently assessing the impact of the new requirements on the consolidated financial statements.

Basis of consolidation

Controlled entities

The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

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

Foreign currency

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

Transactions and balances

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

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

Net finance costs

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

Taxation

Income tax

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

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

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

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

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

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

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

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

Goods and Services Tax (GST)

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

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- casino revenues, due to the GST being offset against government taxes; and
- receivables and payables, which are stated with the amount of GST included.

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

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

Cash and cash equivalents

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

Notes to the financial statements

For the year ended 30 June 2016

Trade and other receivables

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

Inventories

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

Property, plant and equipment

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

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

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

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

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

Costs relating to development projects are recognised as an asset when it is:

– probable that any future economic benefit associated with the item will flow to the entity; and
– it can be measured reliably.

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

Intangible assets

Goodwill

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

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

Other intangible assets

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

Software

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

Casino licences and concessions

Refer to note B5 for details and accounting policy.

Impairment of assets

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

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

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

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

Interest bearing liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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

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

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

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

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

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

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

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

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

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

Derivative financial instruments

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

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

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

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

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

Hedging

Cash flow hedge

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

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

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

Issued capital

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

Operating segment

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

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

– nature of the products and services;
– type or class of customer for the products and services;
– methods used to distribute the products or provide the services; and
– nature of the regulatory environment.

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

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

Notes to the financial statements

For the year ended 30 June 2016

Dividend distributions

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

Basic earnings per share

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

Diluted earnings per share

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

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

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

Directors' Declaration

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

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

- (i) giving a true and fair view of the Group's consolidated financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (ii) complying with the Accounting Standards and the Corporations Regulations 2001;

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

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

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

Signed in accordance with a resolution of Directors.

John O'Neill AO
Chairman
Sydney
26 August 2016

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Independent auditor's report to the members of The Star Entertainment Group Limited

Report on the financial report

We have audited the accompanying financial report of The Star Entertainment Group Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note G, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

a. the financial report of The Star Entertainment Group Limited is in accordance with the Corporations Act 2001, including:
   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note G.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of The Star Entertainment Group Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

Ernst + Young

Ernst & Young

John Robinson
Partner
Sydney
26 August 2016