THE STAR

ASX Announcement

21 February 2019

HALF 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. Appendix 4D;
2. Media Release; and
3. Directors' Report and Financial Report for the half year ended 31 December 2018.

Interim Dividend

The Directors have declared an interim dividend of 10.5 cents per share, fully franked at the company tax rate of 30%, to be paid on 3 April 2019.

The Record Date for the purpose of entitlement to the interim dividend will be 27 February 2019.

Dividend Reinvestment Plan

The Star Entertainment Group's Dividend Reinvestment Plan (***DRP***) will operate for the interim 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 interim 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 interim dividend, DRP elections must be received by The Star Entertainment Group's share registry (Link Market Services Limited) by the end of the business day following the Record Date (i.e. by 28 February 2019).

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

Appendix 4D

Financial Report

for the half year ended 31 December 2018

1. Results for announcement to the market

(all comparisons to the half year ended 31 December 2017)

The Appendix 4D should be read in conjunction with The Star Entertainment Group Limited's audited Directors' Report and Financial Report for the year ended 30 June 2018 lodged with the Australian Securities Exchange (ASX) on 24 August 2018.

Results in accordance with Australian Accounting Standards	**Current period $m**	**% change**
Revenue from ordinary activities	1,150.1	(3.2%)
Profit from ordinary activities after tax attributable to members of the parent	148.5	351.4%
Net profit after tax for the period attributable to members of the parent	148.5	351.4%

	Current Period Normalised [1] $m	% change	**Current Period Statutory [2] $m**	**% change**
Revenue	1,110.3	0.9%	1,150.1	(3.2%)
Earnings before interest, tax, depreciation and amortisation	297.1	2.6%	331.2	65.9%
Depreciation and amortisation	(106.9)	(19.3%)	(106.9)	(19.3%)
Earnings before interest and tax	190.2	(4.9%)	224.3	103.9%
Share of associates' profits	0.5	(50.0%)	0.5	(50.0%)
Net interest expense	(17.0)	5.0%	(17.0)	5.0%
Significant items income (net of tax) [3]	n/a		4.6	N.M. [4]
Income tax expense	(49.9)	11.2%	(63.9)	(125.0%)
Net profit after tax	123.8	(2.4%)	**148.5**	**351.4%**

[1] Normalised results reflect the underlying performance of the business as they remove the inherent win rate volatility of the International VIP Rebate business. Normalised results are adjusted using an average win rate of 1.35% on turnover and commissions only. It does not include adjustments to doubtful debts. Normalised earnings exclude significant items.

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

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

[4] Movement not meaningful.

2. Dividend information

	Current period	**Previous corresponding period**
Interim fully franked dividend declared (amount per share)	10.5 cents	7.5 cents
Record Date	27 February 2019	22 February 2018
Date Payable	3 April 2019	22 March 2018

Dividend reinvestment plan

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

No discount is applicable to shares issued under the DRP. Shares issued under the DRP will rank equally in all respects with existing shares. No brokerage, commission or other transaction costs will be payable by participants on shares acquired under the DRP.

The price at which shares are allocated under the DRP is the daily volume weighted average market price of The Star Entertainment Group Limited shares sold in the ordinary course of trading on the ASX over a period of 10 trading days beginning on (and including) the fourth trading day after the dividend record date.

The last date for receipt of election notices for the dividend reinvestment plan is:	28 February 2019

3. Net tangible assets per share

	Current period	**Previous corresponding period**
Net tangible asset backing per ordinary share	$2.12	$1.70

Additional Appendix 4D disclosures and other significant information may be found in The Star Entertainment Group Limited's Directors' Report and Financial Report for the half year ended 31 December 2018, and the media release lodged with the ASX on 21 February 2019.

THE STAR

ASX AND MEDIA RELEASE

Thursday, 21 February 2019

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

Highlights

- **Record earnings**
- **Strong domestic performance**
- **Executing on growth strategy**
- **Effective management of capital projects**
- **Increased dividend, up 40%**

	STATUTORY		NORMALISED [2]	
		Vs pcp[3]		Vs pcp
Gross Revenue	$1,334 million	5.0%	$1,277 million	(6.1%)
Net Revenue [4]	$1,150 million	14.9%	$1,110 million	0.9%
EBITDA [5]	$331 million	65.9%	$297 million	2.6%
NPAT	$149 million	351.4%	$124 million	(2.4%)
Interim Dividends	10.5 cps	40.0%	-	-

- Record earnings (statutory and normalised EBITDA, statutory NPAT) and cash generation
- High quality, broad-based growth drives strong domestic performance
  - Slots – up 6.3% on pcp, all properties gained market share (Sydney up 9.9% on pcp)
  - Domestic Tables – up 6.4% on pcp (Queensland up 10.6% on pcp)
- Effective strategy execution continues
  - New assets performing well – Gold Coast normalised gross revenue up 22.6% on pcp
  - Effective capital project management – Sydney Sovereign Resorts upgrade, Gold Coast expansion, Queen's Wharf Brisbane lump sum price contract expected 4Q FY2019
  - Capital expenditure ex joint venture contributions reduced in line with guidance
- Interim dividend increased 40.0% on pcp to 10.5 cents per share fully franked. Reflects positive business momentum and increased dividend payout policy (announced March 2018)
- Conservative gearing at 1.3 times Net Debt/ Statutory 12-month trailing EBITDA
- Mixed International VIP Rebate performance
  - Solid VIP sales performance in slower market (visitation up 10% on pcp)
  - Normalised results impacted by unusually low 9.7x turn (14.5x in 1H FY2018) and 1.62% actual win rate

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[1] This release should be read in conjunction with The Star Entertainment Group Limited's 1H FY2019 Results Presentation and Directors' Report and Financial Report for the six months ended 31 December 2018.
[2] Normalised results reflect the underlying performance of the business as they remove the inherent win rate volatility of the International VIP Rebate business. Normalised results are adjusted using an average win rate of 1.35% on actual turnover and commissions, unless otherwise stated, and are before significant items.
[3] Prior comparable period.
[4] Net Revenue is after player rebates, commissions and promotional allowances following the adoption of AASB 15 from 1 July 2018. 1H 2018 comparatives have also been restated.
[5] EBITDA is before equity accounted investment profits/ losses and significant items.

Chairman John O'Neill AO said: "1H FY2019 saw further pleasing progress in the execution of our plans. We are delivering continued growth in key segments of our business as well as exhibiting effective management of capital expenditure. Our existing and new customers are responding positively to the newly unveiled attractions which provides optimism for the future.

"The Board has declared an interim dividend of 10.5 cents per share fully franked, up 40% on pcp representing 78% of 1H FY2019 normalised net profit after tax. This demonstrates the strength of our balance sheet and the confidence we have in the momentum of our business."

Group performance overview

The Group reported record statutory gross revenue (up 5.0% on pcp) and record statutory EBITDA (up 65.9% on pcp), supported by a high actual win rate in the International VIP Rebate business.

The International VIP Rebate business experienced a high actual win rate of 1.62% (highest over 1H FY2014 to 1H FY2019) and low turn of 9.7 times (lowest over last 5 years, 13.0x average over FY2014-2018). This impacted Group normalised gross revenue (down 6.1% on pcp) and Group normalised EBITDA (up 2.6% on pcp). Group normalised gross revenue would be flat on pcp at turns in International VIP Rebate in line with historical experience.

Operating costs increased 0.3% on pcp, with domestic volume growth (gaming and non-gaming), higher wages and higher interim service levels (newly commissioned Gold Coast assets, Sydney Sovereign transition) offset by lower International VIP Rebate volumes and continuing cost management. Depreciation and amortisation increases reflect newly commissioned assets and accelerated depreciation.

Sydney

Statutory gross revenue declined 7.3% in pcp, with statutory EBITDA up 59.0% on pcp supported by a higher win rate in the International VIP Rebate business vs pcp (1.28% vs 1.01%). Slots revenue grew 9.9% on pcp (increasing electronic gaming market share to a record 9.4%) and table revenues grew 4.9% on pcp, supported by solid growth in the private gaming room.

International VIP Rebate business front money was down 20.0% on pcp (1H FY2018 up 32.9% on pcp), with turnover down 49.0% (1H FY2018 up 55.3% on pcp) impacted by an unusually low turn of 9.2 times (14.5 times in pcp). This impacted Sydney's overall normalised performance, with normalised gross revenue down 15.4% on pcp and EBITDA down 6.3%.

Queensland (Gold Coast and Brisbane)

Queensland reported record statutory and normalised gross revenue and EBITDA with all business segments contributing to growth. Statutory gross revenue increased 31.3% on pcp (statutory EBITDA up 74.0%), with normalised gross revenue up 16.1% on pcp (normalised EBITDA up 23.5%). International VIP Rebate business win rate of 2.32% (1.45% in pcp) supported statutory gross revenue and EBITDA growth. Non-gaming revenues increased 5.8% on pcp.

Positive response by guests to recently completed investments at the Gold Coast is continuing, with encouraging domestic and international performance (visitation up 11.8% on pcp, electronic gaming market share up, International VIP Rebate business turnover up 90.9% on pcp). Brisbane operational improvements continue – electronic gaming market share increased, revenue growth on pcp across slots and tables in both private gaming room and main gaming floor.

Operational costs increased 7.5% on pcp reflecting newly commissioned assets and investment in initial service levels at the Gold Coast which is moderating.

International VIP Rebate business

Segment performance reflected moderating market growth, a high win rate of 1.62% and an unusually low turn of 9.7x.

Solid sales performance delivered 10% growth in unique patron visitation, with front money of $2.1bn flat on pcp (Queensland up 153.9%, Sydney down 20.0%). Turnover declined 33.0% on pcp to $20.7bn. Actual revenue increased 2.5% on pcp assisted by the high win rate, with normalised revenue down 33.0% on pcp impacted by low turns.

Turnover from revenue share deals was 40% in 1H FY2019, up from 26% in pcp and from 2% 5 years ago. Given the increasing materiality, normalisation from 1H FY2019 will also normalise revenue share commissions to the average 1.35% win rate. Turnover and revenue share deals have the same profitability. In 1H FY2019, normalising for revenue share deals reduced commissions by $16.8m ($9.3m reduction in pcp).

Trading update and outlook for 2H FY2019

Positive domestic revenue growth trends are continuing from 1H FY2019 into early 2H FY2019 across slots, tables and non-gaming. International VIP Rebate trends in early 2H FY2019 are similar to 1H FY2019 – comparisons with the pcp are difficult given the relatively short time period and the earlier timing of Lunar New Year in 2019.

Capital expenditure in 1H FY2019 excluding joint venture contributions was $166m (down $116m on pcp) as capital works complete, with no change to the $300-350m expected for FY2019. In addition, the group contributed $41m to joint venture projects, with no change to the $100-125m expected for FY2019.

Managing Director and Chief Executive Officer, Matt Bekier said: "1H FY2019 delivered solid growth in key segments, evidencing effective commissioning of investments and operational improvements. Sydney domestic revenues continue to grow strongly, with the effective transitioning of our highest value guests to Sovereign 1.5 a highlight as we upgrade and expand the Sovereign Resort.

"Pleasing growth in domestic and international volumes in the Gold Coast support our growth strategy and confidence in the long-term potential of that location. Construction of the first joint venture tower has commenced with scheduled completion in FY2022. The Queen's Wharf Brisbane project remains on time and budget. Lump sum price contract negotiations for the core, shell and façade are expected to conclude in 4Q FY2019, resulting in a cumulative circa 60% of the project's total capital expenditure being contracted.

"The Group remains focused on executing our long-standing strategy of investing in privileged assets to drive visitation and earnings. Our partnership approach enables capital-efficient, de-risked growth, creating a network of sought after world-class resorts. Management priorities remain focused on execution – improving earnings, delivering on the next stage of our capital plans, commercialisation of our expanded joint venture with Hong Kong-based partners Chow Tai Fook Enterprises and Far East Consortium, and fully implementing an enhanced operating model."

For further information:

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The full year FY2019 result may be impacted by several factors (which may be material in nature) including general macro-economic conditions, potential hold and win rate volatility in the private gaming room and International VIP Rebate business, level of debt or provisions, success of the Group's marketing programs and any uncertainty related to the regulatory environment.

The Star Entertainment Group – Half year results to 31 December 2018

Key financials – Statutory[6]		**Variance to pcp**
Gross Revenue	$1,334 million	Up 5.0%
Net Revenue	$1,150 million	Up 14.9%
EBITDA	$331 million	Up 65.9%
EBIT	$224 million	Up 103.9%
NPAT	$149 million	Up 351.4%
Earnings Per Share[7]	16.2 cents	Up 305.0%
Key financials – Normalised[8] (Underlying), at 1.35% Win Rate		**Variance to pcp**
Gross Revenue	$1,277 million	Down 6.1%
- Sydney	$812 million	Down 15.4%
- Queensland	$466 million	Up 16.1%
EBITDA	$297 million	Up 2.6%
- Sydney	$190 million	Down 6.3%
- Queensland	$107 million	Up 23.5%
EBIT	$190 million	Down 4.9%
- Sydney	$125 million	Down 15.8%
- Queensland	$66 million	Up 26.3%
NPAT (after equity accounted investments)	$124 million	Down 2.4%
Dividend per share		
Interim dividend per share (fully franked)	10.5 cents	Up 40.0%
Balance sheet		
Gross Debt	$971 million	
Net Debt	$791 million	
Net Debt/ EBITDA (statutory)	1.3 times (based on trailing 12-month statutory EBITDA)	

[6] EBITDA and EBIT are before equity accounted investment profits/ losses and significant items. Statutory NPAT is after equity accounted investment profits/ losses and significant items. Refer to Note A4 of the Financial Report for a reconciliation of significant items.

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

[8] Normalised results reflect the underlying performance of the business as they remove the inherent win rate volatility of the International VIP Rebate business. Normalised results are adjusted using an average win rate of 1.35% of turnover and commissions, unless otherwise stated. Normalised EBITDA and EBIT are before equity accounted investment profits/losses and significant items. Normalised NPAT is after equity accounted investment profits/ losses and before significant items gain. Refer to Note A4 of the Financial Report for a reconciliation of significant items.

THE STAR ENTERTAINMENT GROUP LIMITED

The Star Entertainment Group Limited

A.C.N. 149 629 023

ASX Code: SGR

and its controlled entities

Directors' Report and Financial Report

for the half year ended 31 December 2018

THE STAR ENTERTAINMENT GROUP LIMITED

For the half year ended 31 December 2018

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Directors' Report

For the half year ended 31 December 2018

The Directors of The Star Entertainment Group Limited (the ***Company***) submit their report for the consolidated entity comprising the Company and its controlled entities (collectively referred to as the ***Group***) in respect of the half year ended 31 December 2018.

1. Directors

The names and titles of the Company's Directors in office during the half year ended 31 December 2018 and until the date of this report are set out below. Directors were in office for this entire period.

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

2. Principal activities

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

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

3. Financial results and review of operations

Gross revenue, before commissions, of $1,333.7 million was up 5.0% on the prior comparable period (***pcp***), due to high quality, broad-based domestic revenue growth supported by a high win rate in the International VIP Rebate business (1.62% versus 1.06% in the pcp).

Normalised[1] gross revenue decreased 6.1% in 1H FY2019 versus the pcp. Strong growth in the domestic business has been offset by reduced normalised revenue in the International VIP Rebate business. The International VIP Rebate business has been impacted by an abnormally low turn rate of 9.7x (lowest over last 5 years, 13.0x average), given the high win rate.

Earnings before interest, tax, depreciation and amortisation (EBITDA) of $332.2 million was up 67.7% on the pcp. Normalised EBITDA increased 2.6% to $297.1 million.

Operating costs were up 0.3% on the pcp, with domestic volume growth (gaming and non-gaming), higher wages and higher interim service levels (newly commissioned Gold Coast assets, Sydney Sovereign Resorts transition) offset by lower VIP volumes and continuing cost management.

Depreciation and amortisation expense of $106.9 million was up 19.3% on the pcp reflecting newly commissioned assets as well as accelerated depreciation of $9.0m. Finance costs of $17.0 million were down 72.1% on the pcp. The pcp included a $43 million (pre-tax) one-off loss relating to the restructure of the US Private Placement (***USPP***) note program (disclosed as a significant item).

Net profit after tax (NPAT) was $148.5 million, 351.4% up on the pcp. Normalised NPAT, excluding significant items, was $123.8 million, down 2.4% on the pcp.

Basic and diluted earnings per share (***EPS***) were each 16.2 cents, up 305.0% on the pcp. An interim dividend of 10.5 cents fully franked was declared which equals to a payout ratio of 78% of normalised NPAT and 65% of statutory NPAT, reflecting positive momentum in the business.

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

Directors' Report

For the half year ended 31 December 2018

Net overdue International VIP Rebate business receivables of $76.2 million were up from $28.7 million at June 2018. Receivables remain well managed, with the increase reflecting the high win rate.

Net debt[2] was $791.3 million (30 June 2018: $678.0 million) with $463 million in undrawn facilities and an average drawn debt maturity of 4.3 years. Gearing levels remain conservative at 1.3 times (net debt to the last 12 months trailing EBITDA) positioning the Group well to continue to support planned investments. Operating cash flow from operations was $247.5 million (31 December 2017: $195.2 million) with an EBITDA to cash conversion ratio of 86% (31 December 2017: 129%).

Trade and other payables of $296.3 million were down 19.0% from June 2018 as a result of lower gaming related payables, representing players' funds deposited and chips in circulation at 31 December 2018.

The Group comprises the following three operating segments:

- Sydney;
- Gold Coast; and
- Brisbane.

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

Sydney

Gross revenue was $802.5 million, down 7.3% on the pcp and EBITDA was $170.9 million, up 59.0% on the pcp. The increase is due to domestic growth and a higher win rate in the International VIP Rebate business.

Normalised gross revenue decreased 15.4% on the pcp to $811.6 million with normalised EBITDA decreasing 6.3% to $190.3 million on the pcp, with the reduction driven by reduced turnover in the International VIP Rebate business.

Domestic revenue growth of 5.4% on the pcp reflected broad-based growth in domestic gaming. Electronic gaming market share increased to a record 9.4% versus 9.0% in the pcp.

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

The property also contributed to various charities during the period, including Barnardos Australia and Taronga Conservation Society Australia.

Queensland (Gold Coast and Brisbane)

Gross revenue was $531.2 million, up 31.3% on the pcp and EBITDA was $160.3 million, up 74.0% on the pcp. The increase is largely due to growth in all domestic business segments, supported by a higher win rate of 2.32% versus 1.45% in the pcp in the International VIP Rebate business.

Normalised gross revenue grew 16.1% on the pcp to $465.5 million and normalised EBITDA, increased 23.5% to $106.8 million due to a 90.9% increase in International VIP Rebate turnover.

Domestic revenue grew 6.1% on the pcp reflecting both strong growth in gaming and non-gaming segments and positive responses by guests to recently completed investments. Electronic gaming market share for 1H FY2019 was up 1.1% versus the pcp.

The Gold Coast property is the sponsor of the iconic Magic Millions Raceday and Carnival. The Brisbane property was a sponsor of the Brisbane Festival.

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

International VIP Rebate business

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

International VIP Rebate business turnover of $20.7 billion was down 33.0% on pcp. International VIP Rebate business gross revenue increased 2.5% to $336.6 million on pcp assisted by a high win rate of 1.62% (1.06% in pcp). Normalised gross revenue decreased 33.0% on pcp to $280.0 million, impacted by low turns following the high win rate.

[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.

Directors' Report

For the half year ended 31 December 2018

4. Earnings per share (EPS)

Basic and Diluted EPS for the period were both 16.2 cents (31 December 2017: 4.0 cents), up 305.0% on the pcp.

5. Dividends

5.1. Interim dividend

Since the end of the half year ended 31 December 2018, the Directors have declared an interim dividend of 10.5 cents per ordinary share, fully franked (31 December 2017: 7.5 cents).

The aggregate amount of the interim dividend expected to be paid on 3 April 2019 out of retained earnings at 31 December 2018, but not recognised as a liability at the end of the half year, is approximately $96.2 million.

5.2. Dividend reinvestment plan (DRP)

The Company's DRP is in operation for the interim dividend. The last date for receipt of election notices to enable participation for the interim dividend is 28 February 2019. The price at which shares are allocated under the DRP is the daily volume weighted average market price of the Company's shares sold in the ordinary course of trading on the ASX over a period of 10 trading days beginning on (and including) the fourth trading day after the Record Date (27 February 2019). Shares allocated under the DRP will rank equally with the Company's existing fully paid ordinary shares.

6. Significant events after the end of the half 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 31 December 2018 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.

7. 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.

8. 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 review of the Financial Report for the half year ended 31 December 2018. 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

John O'Neill AO
Chairman
Sydney
21 February 2019

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

As lead auditor for the review of The Star Entertainment Group Limited for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Ernst & Young

Megan Wilson

Megan Wilson
Partner
21 February 2019

Financial Report
Consolidated income statement
For the half year ended 31 December 2018

	Note	December 2018 $m	December 2017 Restated* $m
Revenue	A2,E	**1,150.1**	1,001.2
Other income		**11.0**	0.1
Government taxes and levies		**(284.2)**	(268.6)
Employment costs		**(338.8)**	(334.7)
Depreciation and amortisation		**(106.9)**	(89.6)
Cost of sales		**(47.8)**	(45.7)
Property costs		**(40.8)**	(38.9)
Advertising and promotions		**(55.5)**	(58.4)
Other expenses		**(62.3)**	(57.9)
Share of net profit of associate and joint venture entities accounted for using the equity method	D2	**0.5**	1.0
Earnings before interest and tax (EBIT)		**225.3**	108.5
Net finance costs		**(17.0)**	(60.9)
Profit before income tax (PBT)		**208.3**	47.6
Income tax expense		**(59.8)**	(14.7)
Net profit after tax (NPAT)		**148.5**	32.9
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		**2.0**	0.3
Total comprehensive income for the period		**150.5**	33.2
Earnings per share:			
Basic earnings per share		**16.2 cents**	4.0 cents
Diluted earnings per share		**16.2 cents**	4.0 cents
Fully franked dividend per share	A3	**10.5 cents**	7.5 cents

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

** December 2017 comparatives have been restated as part of the transition to AASB 15 Revenue from Contracts with Customers. Refer to note E(i) for further information.*

Consolidated balance sheet

For the half year ended 31 December 2018

	Note	December 2018 $m	June 2018 $m
ASSETS			
Cash and cash equivalents		**109.2**	110.3
Trade and other receivables		**173.0**	221.5
Inventories		**17.7**	15.5
Derivative financial instruments	B1	**5.5**	3.9
Other assets		**48.8**	44.8
Total current assets		**354.2**	396.0
Property, plant and equipment		**2,723.2**	2,658.6
Intangible assets		**1,857.8**	1,858.7
Derivative financial instruments	B1	**75.5**	57.4
Investment in associate and joint venture entities	D2	**321.5**	288.9
Other assets		**46.9**	11.2
Total non current assets		**5,024.9**	4,874.8
TOTAL ASSETS		**5,379.1**	5,270.8
LIABILITIES			
Trade and other payables		**296.3**	365.8
Interest bearing liabilities		**16.6**	133.8
Income tax payable		**17.0**	0.3
Provisions		**66.3**	64.5
Derivative financial instruments	B1	**4.1**	4.2
Other liabilities		**20.0**	20.3
Total current liabilities		**420.3**	588.9
Interest bearing liabilities		**954.0**	686.2
Deferred tax liabilities		**180.0**	175.9
Provisions		**14.8**	12.9
Derivative financial instruments	B1	**6.8**	25.4
Other liabilities		**7.3**	-
Total non current liabilities		**1,162.9**	900.4
TOTAL LIABILITIES		**1,583.2**	1,489.3
NET ASSETS		**3,795.9**	3,781.5
EQUITY			
Share capital		**3,063.0**	3,070.2
Retained earnings		**740.4**	718.3
Reserves		**(7.5)**	(7.0)
TOTAL EQUITY		**3,795.9**	3,781.5

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

Consolidated statement of cash flows

For the half year ended 31 December 2018

	Note	December 2018 $m	December 2017 Restated * $m
Cash flows from operating activities			
Net cash receipts from customers (inclusive of GST)		**1,153.0**	1,027.2
Payments to suppliers and employees (inclusive of GST)		**(600.0)**	(539.1)
Payment of government levies, gaming taxes and GST		**(268.8)**	(232.4)
Interest received		**0.3**	0.5
Income taxes paid		**(37.0)**	(61.0)
Net cash inflow from operating activities		**247.5**	195.2
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		**(174.4)**	(265.3)
Payments for investment in associate and joint venture entities	D2	**(40.6)**	(33.0)
Net cash outflow from investing activities		**(215.0)**	(298.3)
Cash flows from financing activities			
Proceeds from interest bearing liabilities		**200.0**	793.5
Repayment of interest bearing liabilities		**(83.0)**	(616.2)
Proceeds from settlement of derivative financial instruments		**-**	98.8
Dividends paid	A3	**(119.2)**	(70.2)
Finance costs		**(24.2)**	(27.9)
Purchase of treasury shares		**(6.7)**	-
Issuance fees on purchase of shares		**(0.5)**	-
Net cash (outflow)/inflow from financing activities		**(33.6)**	178.0
Net (decrease)/increase in cash and cash equivalents		**(1.1)**	74.9
Cash and cash equivalents at beginning of the year		**110.3**	113.7
Cash and cash equivalents at end of the period		**109.2**	188.6

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

** December 2017 comparatives have been restated as part of the transition to AASB 15 Revenue from Contracts with Customers. Refer to note E(i) for further information.*

Consolidated statement of changes in equity

For the half year ended 31 December 2018

	Note	Ordinary shares $m	Treasury shares $m	Retained earnings $m	Hedging reserve $m	Share based payment reserve $m	Total $m
2019							
Balance at 1 July 2018		**3,070.2**	**-**	**718.3**	**(17.2)**	**10.2**	**3,781.5**
Profit for the year		**-**	**-**	**148.5**	**-**	**-**	**148.5**
Other comprehensive income		**-**	**-**	**-**	**2.0**	**-**	**2.0**
Total comprehensive income		**-**	**-**	**148.5**	**2.0**	**-**	**150.5**
Dividends paid	A3	**-**	**-**	**(119.2)**	**-**	**-**	**(119.2)**
Purchase of treasury shares	B2	**-**	**(6.7)**	**-**	**-**	**-**	**(6.7)**
Transition to AASB 9 Debtors provision opening adjustment		**-**	**-**	**(7.2)**	**-**	**-**	**(7.2)**
Issuance fees		**(0.5)**	**-**	**-**	**-**	**-**	**(0.5)**
Employee share based payments		**-**	**-**	**-**	**-**	**(2.5)**	**(2.5)**
Balance at 31 December 2018		**3,069.7**	**(6.7)**	**740.4**	**(15.2)**	**7.7**	**3,795.9**
2018							
Balance at 1 July 2017		2,580.5	-	702.3	(13.8)	6.6	3,275.6
Profit for the year		-	-	32.9	-	-	32.9
Other comprehensive income		-	-	-	0.3	-	0.3
Total comprehensive income		-	-	32.9	0.3	-	33.2
Dividends paid	A3	-	-	(70.2)	-	-	(70.2)
Employee share based payments		-	-	-	-	0.8	0.8
Balance at 31 December 2017		2,580.5	-	665.0	(13.5)	7.4	3,239.4

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

Notes to the financial statements
For the half year ended 31 December 2018

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

The Group has three reportable segments:

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

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

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

	Sydney	Gold Coast	Brisbane	Total
For the half year ended 31 December 2018	**$m**	**$m**	**$m**	**$m**
Gross revenues - VIP [a]	179.2	152.6	4.8	336.6
Gross revenues - domestic [a]	623.3	196.1	177.7	997.1
Segment revenue	**802.5**	**348.7**	**182.5**	**1,333.7**
Segment earnings before interest, tax, depreciation, amortisation and significant items	170.9	107.1	53.2	331.2
Depreciation and amortisation	65.8	26.8	14.3	106.9
Capital expenditure	110.2	51.8	13.9	175.9

	Sydney	Gold Coast	Brisbane	Total
For the half year ended 31 December 2017	**$m**	**$m**	**$m**	**$m**
Gross revenues - VIP [a]	275.9	48.1	4.5	328.5
Gross revenues - domestic [a]	589.9	185.5	166.6	942.0
Total gross revenue	**865.8**	**233.6**	**171.1**	**1,270.5**
Segment earnings before interest, tax, depreciation, amortisation and significant items	107.5	52.4	39.7	199.6
Depreciation and amortisation	55.1	19.3	15.2	89.6
Capital expenditure	78.4	183.4	19.7	281.5

a Gross revenue is presented as the gross gaming win before player rebates and promotional allowances of $183.6m (2017: $82.3m).

Notes to the financial statements

For the half year ended 31 December 2018

	December 2018 $m	December 2017 $m
Reconciliation of reportable segment profit to profit before income tax		
Segment earnings before interest, tax, depreciation, amortisation and significant items	**331.2**	199.6
Depreciation and amortisation	**(106.9)**	(89.6)
Significant items (refer to note A4)	**0.5**	(45.5)
Unallocated items:		
- net finance costs	**(17.0)**	(17.9)
- share of net profit of associate and joint venture accounted for using the equity method	**0.5**	1.0
Profit before income tax (PBT)	**208.3**	47.6

A2 Revenue

	December 2018 $m	December 2017 Restated* $m
Domestic gaming	**698.5**	664.4
International VIP Rebate	**167.7**	72.0
Non-gaming	**277.9**	260.8
Other	**6.0**	4.0
Total revenue	**1,150.1**	1,001.2

* December 2017 comparatives have been restated as part of the transition to AASB 15 *Revenue from Contracts with Customers*. Refer to note E(i) for further information.

A3 Dividends

	Cents per share	Cents per share
Dividends per share		
Interim dividend	**10.5**	7.5

	$m	$m
Dividends declared and paid during the half year on ordinary shares		
Final dividend paid during the half year in respect of the year ended 30 June [a]	**119.2**	70.2

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

Dividends declared after the end of the half year		
Interim dividend declared for the half year ended 31 December [b]	**96.2**	61.9

b Since the end of the half year, the Directors have declared an interim dividend of 10.5 cents per ordinary share (31 December 2017: 7.5 cents), fully franked. The aggregate amount is expected to be paid on 3 April 2019 out of retained earnings at 31 December 2018, but not recognised as a liability at the end of the half year.

Notes to the financial statements

For the half year ended 31 December 2018

A4 Significant items

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

	December 2018 $m	December 2017 $m
Gain on disposal of land [a]	**(9.7)**	-
Restructuring costs [b]	**9.2**	-
Finance costs relating to US Private Placement tender and reissue [c]	**-**	43.0
Pre opening expenses [d]	**-**	2.5
Net significant items (gain)/loss	**(0.5)**	45.5
Tax (benefit)/expense on significant items	**(4.1)**	(13.7)
Significant items (gain)/loss net of tax	**(4.6)**	31.8

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

b One-off restructuring costs relating to the operating model project.

c In August 2017, the Group completed a tender and reissue offer in relation to 73% of the Group's US Private Placement borrowings. This was undertaken to extend the Group's tenor on average drawn debt maturity by 3 years to 5.2 years, reduce finance costs on a like for like basis and lower refinancing requirements for the Group. The average blended cost of debt on all US Private Placement notes following the issue was 5% (down from over 9% on previous notes). The transaction resulted in a one-off loss relating to the crystallisation of an existing obligation for the related out of the money interest rate swaps and other costs.

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

Notes to the financial statements

For the half year ended 31 December 2018

B Key balance sheet disclosures

B1 Derivative financial instruments

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.

*US Private Placement (**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.

	December 2018 $m	June 2018 $m
Current assets		
Cross currency swaps	**5.5**	3.6
Forward currency contracts	**-**	0.3
	5.5	3.9
Non current assets		
Cross currency swaps	**75.5**	57.4
	75.5	57.4
Current liabilities		
Cross currency swaps	**-**	0.3
Interest rate swaps	**4.1**	3.9
	4.1	4.2
Non current liabilities		
Cross currency swaps	**-**	18.4
Interest rate swaps	**6.8**	7.0
	6.8	25.4
Net financial assets	**70.1**	31.7

Net derivative assets up $38.4 million due to a decline in the AUD:USD exchange rate from 30 June 2018 to 31 December 2018.

Valuation of derivatives and other financial instruments

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

Financial Instruments - fair value hierarchy

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

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

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

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

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

Notes to the financial statements

For the half year ended 31 December 2018

B2 Treasury shares

	Number of shares	$m
1 July 2018	-	-
Treasury shares purchased	1,458,361	6.7
31 December 2018	**1,458,361**	**6.7**

During the period, the Group purchased 1,458,361 of its own shares for use to settle future employee share based payment schemes.

C Commitments, contingencies and subsequent events

C1 Commitments and contingent liabilities

Other commitments [a]

	December 2018 $m	June 2018 $m
Not later than one year	**157.0**	64.3
Later than one year but not later than five years	**25.6**	1.3
Later than five years	**-**	-
	182.6	65.6

a Other commitments as at 31 December 2018 mainly include capital construction and related costs in connection with the redevelopment in Sydney.

The Group has capital commitments of approximately $1.1 billion into Destination Brisbane Consortium (***DBC***) to fund the construction of the Integrated Resort which is expected to open in 2022 (subject to various approvals, including Board approvals of the proposed detailed design).

The Group has capital commitments of approximately $105.0 million into Destination Gold Coast Consortium (***DGCC***) to fund the construction of the first residential, hotel and retail tower, which is expected to open in 2022.

Other commitments include the redevelopment of the Gold Coast and Sydney properties, both of which are well underway.

C2 Subsequent events

Since 31 December 2018, the Directors have declared a dividend of 10.5 cents per ordinary share. The total amount of the dividend is approximately $96.2 million. This has not been provided for in the financial statements for the half year ended 31 December 2018 (refer to note A3).

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

Notes to the financial statements

For the half year ended 31 December 2018

D Group structure

D1 Related party disclosure

Investments in controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the Company's controlled entities in accordance with the accounting policy described in the Financial Report for the year ended 30 June 2018. The financial years of all controlled entities are the same as that of the Company.

The Company incorporated the following Australian entities in the period up to 31 December 2018:

Name of controlled entities		Country of incorporation	Equity type	Equity interest at 31 December 2018 %	Equity interest at 30 June 2018 %
The Star Entertainment Pyrmont Holdings Pty Ltd	a	Australia	ordinary shares	100.0	0.0
The Star Entertainment Pyrmont Investments No.1 Pty Ltd	a	Australia	ordinary shares	100.0	0.0

a Incorporated on 10 October 2018.

D2 Investment in associate and joint venture entities

Set out below are the investments of the Group as at 31 December 2018 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.

For the half year ended 31 December 2018 Name of entity	Country of incorporation	% of ownership	Nature of ownership	Measurement method	Carrying amount $m
Destination Brisbane Consortium Integrated Resort Holdings Pty Ltd	Australia	50	Associate	Equity method	257.7
Festival Car Park Pty Ltd	Australia	50	Joint venture	Equity method	14.0
Destination Gold Coast Investments Pty Ltd	Australia	50	Joint venture	Equity method	43.9
Destination Gold Coast Consortium Pty Ltd	Australia	33.3	Joint venture	Equity method	5.9
Total equity accounted investments					**321.5**

The carrying amount of the equity-accounted investments has changed in the six months to 31 December 2018, as follows:

Name of entity	Balance at 1 July 2018 $m	Net movement $m	Profit/(loss) for the period $m	Eliminations * $m	Balance at 31 December 2018 $m
Destination Brisbane Consortium Integrated Resort Holdings Pty Ltd	223.7	34.5	(0.5)	-	257.7
Festival Car Park Pty Ltd	13.8	-	0.2	-	14.0
Destination Gold Coast Investments Pty Ltd	44.6	(1.6)	0.9	-	43.9
Destination Gold Coast Consortium Pty Ltd	6.8	7.7	(0.1)	(8.5)	5.9
	288.9	**40.6**	**0.5**	**(8.5)**	**321.5**

* Elimination of one third of the gain on sale of land (see note A4a) for the Group's share of profit relating to its equity interest in the joint venture.

Commitments and contingent liabilities

DBC has current capital commitments of approximately $2.1 billion to fund the construction of the Integrated Resort, which is expected to open in 2022 (subject to various approvals, including Board approvals of the proposed detailed design).

DGCC has current capital commitments of approximately $320.0 million to fund the construction of the first residential, hotel and retail tower, which is expected to open in 2022.

Notes to the financial statements

For the half year ended 31 December 2018

E Accounting policies and corporate information

Corporate Information

The Star Entertainment Group Limited (the ***Company***) is a company incorporated and domiciled in Australia. The Financial Report of the Company for the half year ended 31 December 2018 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 half year Financial Report was authorised for issue by the Directors on 21 February 2019.

Basis of preparation of the half year report

The principal accounting policies adopted in the preparation of this half year Financial Report are consistent with those applied in the annual Financial Report for the year ended 30 June 2018.

The interim condensed consolidated financial statements for the six months ended 31 December 2018 have been prepared in accordance with the Australian Accounting Standard AASB 134 Interim Financial Reporting.

The half year Financial Report does not include all the notes of the type normally included in an annual Financial Report. Accordingly, this report is to be read in conjunction with the audited Financial Report for the year ended 30 June 2018, and any public announcements made by the Company during the interim reporting period in accordance with its continuous disclosure obligations under ASX listing rules.

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.

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

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

- Asset useful lives and residual values;
- Impairment of assets;
- Valuation of derivatives and other financial instruments (refer note B1);
- Provision for impairment of trade receivables;
- Significant items (refer note A4); and
- Provisions.

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 2018:

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

Notes to the financial statements

For the half year ended 31 December 2018

(i) AASB 15 Revenue from Contracts with Customers

The Group applies, for the first time in FY2019, AASB 15 Revenue from Contracts with Customers, replacing the previous guidance applied under AASB 118 Revenue and IFRIC 13 – Customer Loyalty Programmes.

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

The Group has adopted the new standard using the full retrospective method of adoption. The major changes as a result of the adoption of the new standard are as follows:

– Under the new revenue standard, the stand-alone selling price of complimentary services (including hotel room nights, food and beverage, and other services) that are provided to casino guests as incentives related to gaming play are recorded as revenues related to the respective goods or services as they are provided to the patron. Historically, these amounts were recorded as gaming revenue along with the original gaming transaction. The allocation of revenue to non-gaming activities is measured based on the stand-alone selling price of the goods and services provided. After allocation of revenue to non-gaming, the residual amount is recorded as gaming revenue. This change primarily results in a decrease in gaming revenue and an increase in non-gaming revenues related to the respective goods or services provided to the customer.

– A portion of commissions and rebates paid to gaming promoters, representing the estimated incentives that were returned to customers, were previously reported as reductions in revenues, with the balance of commission expenses reflected as casino expenses. As a result of the adoption of the new standard, all commissions and rebates paid to gaming promoters are reflected as reductions in casino revenues. This change primarily results in a decrease in casino expenses and a corresponding decrease in casino revenues.

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

	December 2017 Reported $m	Adjustments for AASB 15 $m	Reclassified[c] $m	December 2017 Restated $m
Consolidated income statement				
Domestic gaming [a]	796.8	(132.4)	-	664.4
International VIP Rebate [a]	328.5	(256.5)	-	72.0
Non-gaming [b]	141.2	119.6	-	260.8
Other [b]	4.0	-	-	4.0
Gross Revenue	**1,270.5**	**(269.3)**		
Players rebates and promotional allowances	(82.3)	82.3		
Revenue	**1,188.2**	**(187.0)**	**-**	**1,001.2**
Commissions and fees	(197.7)	187.0	10.7	-
Advertising and promotions	(47.7)	-	(10.7)	(58.4)
	942.8	**-**	**-**	**942.8**
Consolidated statement of cash flows				
Net cash receipts from customers (inclusive of GST)	1,214.2	(187.0)	-	1,027.2
Payments to suppliers and employees (inclusive of GST)	(726.1)	187.0	-	(539.1)
	488.1	**-**	**-**	**488.1**

a Domestic gaming and International VIP Rebate were previously disclosed together as Gaming.
b Non-gaming and Other were previously disclosed together.
c Incentives previously included in Commissions and fees have moved to Advertising and promotions.

Notes to the financial statements

For the half year ended 31 December 2018

Revenue

Revenue is recognised when the Group satisfies its obligations in relation to the provision of goods and services to its customers in the ordinary course of business. Revenue is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for performing these obligations. Revenue comprises net gaming win, less player and gaming promoter rebates and promotional allowances, as well as other non-gaming revenue from hotels, restaurants and bars.

(ii) AASB 9 Financial Instruments

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

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

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

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

Impairment of financial assets

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

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

Cash and cash equivalents

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

Trade and other receivables

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

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

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

Hedging

Cash flow hedges

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

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

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

Fair value hedges

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

Standards and amendments issued but not yet effective

The Group has not applied Australian Accounting Standards and IFRS that were issued or amended but not yet effective. The Standard is:

Reference	**Title**	**Application date**
AASB 16	Leases	1 January 2019

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

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

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

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

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 31 December 2018 and of its performance for the half year ended on that date; and

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

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

Signed in accordance with a resolution of Directors.

John O'Neill AO
Chairman
Sydney
21 February 2019

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of The Star Entertainment Group Limited (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and

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

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Megan Wilson

Megan Wilson
Partner
Sydney
21 February 2019