THE STAR

ASX Announcement

20 February 2020

2020 HALF YEAR RESULTS ANNOUNCEMENT, ACCOUNTS & FINANCIAL CALENDAR

The Star Entertainment Group Limited (ASX code: SGR) (**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 2019.

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 1 April 2020.

The Record Date for the purpose of entitlement to the interim dividend will be 26 February 2020.

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 27 February 2020).

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

2020 Financial Calendar

The updated 2020 Financial Calendar is attached and can be found on Star Entertainment Group's website at www.starentertainmentgroup.com.au.

Authorised by:

The Board of Directors

For more information contact:

Financial analysts	Harry Theodore Chief Financial Officer	Tel: + 61 2 9657 8040
	Danny Huang General Manager, Strategy and Investor Relations	Tel: + 61 7 3306 8556
Media	Peter Jenkins General Manager, Media & Communications	Tel: + 61 2 9657 9288

2020 FINANCIAL CALENDAR

The Star Entertainment Group Limited (**ASX:SGR**) is pleased to advise the following indicative key dates for 2020:

Date	**Event**
20 February 2020	**Half Year Results Announcement**
25 February 2020	Ex-Dividend Date for Interim Dividend*
26 February 2020	Record Date for Interim Dividend*
27 February 2020	Last election date for DRP participation*
1 April 2020	Interim Dividend Payment*
30 June 2020	**End of Financial Year**
20 August 2020	**Full Year Results Announcement**
25 August 2020	Ex-Dividend date for Final Dividend*
26 August 2020	Record Date for Final Dividend*
27 August 2020	Last election date for DRP participation*
30 September 2020	Final Dividend Payment*
3 September 2020	Closing date for receipt of director nominations
22 October 2020	**Annual General Meeting****

*Subject to declaration of a dividend by the Board.
**Details regarding the location of the meeting and the business to be dealt with will be contained in a Notice of Meeting sent to shareholders in the September before the meeting.

Appendix 4D

Financial Report

for the half year ended 31 December 2019

1. Results for announcement to the market

(all comparisons to the half year ended 31 December 2018)

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 2019 lodged with the Australian Securities Exchange (ASX) on 16 August 2019.

Results in accordance with Australian Accounting Standards	**Current period $m**	**% change**
Revenue from ordinary activities	1,053.7	(8.4%)
Profit from ordinary activities after tax attributable to members of the parent	76.5	(48.5%)
Net profit after tax for the period attributable to members of the parent	76.5	(48.5%)

	Current Period Normalised [1] $m	% change	**Current Period Statutory [2] $m**	**% change**
Revenue	1,130.9	1.9%	1,053.7	(8.4%)
Earnings before interest, tax, depreciation and amortisation	307.4	3.5%	243.4	(26.5%)
Depreciation and amortisation	(101.1)	5.4%	(101.1)	5.4%
Earnings before interest, tax and significant items	206.3	8.5%	142.3	(36.6%)
Share of associates' profits	(0.2)	N.M. [4]	(0.2)	N.M. [4]
Net interest expense	(24.5)	(44.1%)	(24.5)	(44.1%)
Significant items (net of tax) [3]	N/A	-	(5.4)	N.M. [4]
Income tax expense	(55.2)	(10.6%)	(35.7)	44.1%
Net profit after tax	126.4	2.1%	**76.5**	**(48.5%)**

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

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

[3] Significant items include the Sydney tower planning costs.

[4] Movement not meaningful.

2. Dividend information

	Current period	**Previous corresponding period**
Interim fully franked dividend declared (amount per share)	10.5 cents	10.5 cents
Record Date	26 February 2020	27 February 2019
Date Payable	1 April 2020	3 April 2019

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:	27 February 2020

3. Net tangible assets per share

	Current period	**Previous corresponding period**
Net tangible asset backing per ordinary share [1]	$1.97	$2.12

[1] Excludes Right-of-use assets.

Additional Appendix 4D disclosures and other significant information may be found in The Star Entertainment Group Limited's Directors' Report and Financial Report for the half year ended 31 December 2019, and the media release lodged with the ASX on 20 February 2020.

THE STAR

ASX AND MEDIA RELEASE

Thursday, 20 February 2020

THE STAR ENTERTAINMENT GROUP (ASX:SGR) 1H FY2020 RESULTS[1]

Highlights

- **Record Group normalised EBITDA**
- **Strong domestic earnings growth in low growth environment**
- **Restructure cost outs delivered and embedded**
- **All capital works on time, budget**

	Statutory		Normalised [2]	
		Vs pcp[3]		**Vs pcp**
Net Revenue [4]	$1,054 m	(8.4%)	$1,131 m	1.9%
EBITDA (before significant items[5])	$243 m	(26.5%)	$307 m	3.5%
EBIT (before significant items)	$142 m	(36.6%)	$206 m	8.5%
NPAT (before significant items)	$82 m	(43.1%)	$126 m	2.1%
Statutory NPAT	$77 m	(48.5%)	-	-
Interim Dividends	10.5 cps	0.0%	-	-

- Strong domestic result (92% of Group EBITDA)
  - Domestic revenue up 2.4% on strong pcp (1H FY2019 up 5.7%)
  - Domestic EBITDA up 6.0% driven by Queensland (up 11.5%)
  - Margin expansion in Sydney and Queensland. Queensland EGM share gains
- Credible International VIP Rebate result in challenging conditions (8% of Group EBITDA)
  - Turnover up 2.0% (International Premium Mass up 16.9%)
  - Normalised EBITDA down 18% ($6m) impacted by debt provisions
- $20m cost outs from organisational restructure delivered in 1H FY2020
  - ~$45m annualised run rate
  - Risks managed, guest satisfaction at record highs
- Gold Coast meeting return hurdles
  - Normalised EBITDA up 18.2% (20.4% 3-year CAGR)
- All capital works on time, budget. Key development funding in place
  - Sydney – new Sovereign to open May 2020, new Oasis to open June 2020
  - Queen's Wharf Brisbane – $1.6bn project debt funding financial close by mid-CY2020 (commitments received on attractive terms)
  - Gold Coast – first joint venture (JV) tower $260m project debt funding in place
- Balance sheet supports investment plans – 1.9x gearing (net debt/ 12 month trailing normalised EBITDA), $1.7bn committed debt facilities (average 4.8 years maturity)
- Interim dividend of 10.5 cents per share fully franked, unchanged on pcp

---

[1] This release should be read in conjunction with The Star Entertainment Group Limited's 1H FY2020 Results Presentation and Directors' Report and Financial Report for the six months ended 31 December 2019.
[2] Normalised results reflect the underlying performance of the business as they remove the inherent win rate volatility of the International VIP Rebate business. Normalised results are adjusted using an average win rate of 1.35% on actual turnover, taxes and revenue share commissions, unless otherwise stated, and are before significant items. Normalising for revenue share commissions commenced in 1H FY2019.
[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.
[5] Significant items relate to costs for The Ritz-Carlton Sydney proposal.

Overview

Chairman John O'Neill AO said: "The Group continues to execute its growth strategy over the half, with all major projects proceeding to plan. We delivered record Group normalised and domestic earnings, reflecting revenue growth from investments and the cost benefits from the organisational restructure, offsetting declines in our International VIP Rebate business.

"We continue negotiations with the Queensland Government for regulatory certainty at the Gold Coast. We have offered the Government a commitment for further investment in return for operational certainty, as I outlined at the Annual General Meeting on 24 October 2019. The offer includes a contractual arrangement to deliver the $2 billion-plus Masterplan for The Star Gold Coast, and to invest up to $100 million for the expansion and upgrade of the Gold Coast Convention and Exhibition Centre, a project that could commence immediately once an agreement is reached.

"The Board has declared a fully franked interim dividend of 10.5 cents per share (payout ratio of 76% of normalised 1H FY2020 NPAT), reflecting the strength of our balance sheet and the confidence we have in our business."

Group Performance

- Earnings growth in challenging conditions
  - 3.5% growth in normalised EBITDA to a half yearly record, at upper end of guidance
  - 8.5% growth in normalised EBIT
  - Unusually low 0.73% actual win rate in International VIP Rebate (lowest for a half since 2008) impacted statutory results (1.62% in pcp). Statutory EBITDA before significant items down 26.5%
  - Normalised Group NPAT increased 2.1%. Statutory Group NPAT (including significant items relating to The Ritz-Carlton Sydney proposal) declined 48.5%
- Earnings growth driven by the strength of the domestic business
  - 6.0% growth in domestic EBITDA to record levels on strong pcp (1H FY2019 up 12.4%)
- Operating costs well-managed, flat on pcp
  - Higher expenses from domestic volume growth, wages, performance-based provisioning, and International VIP debt provisioning offset by cost out benefits
  - Lower depreciation and amortisation reflect accelerated expense in 1H FY2019
- Capital expenditure (excluding joint venture contributions) of $146m declined vs pcp
  - Includes $95m of growth capital expenditure largely related to new Sovereign in Sydney (opening May 2020)
  - $74m joint venture contribution for Queen's Wharf Brisbane and Gold Coast JV towers

Sydney Performance

- Earnings growth despite revenue declines
  - Normalised EBITDA up 0.4%, EBIT up 6.2%
  - Statutory EBITDA before significant items increased 9.3% on pcp, EBIT up 21.8%
- Domestic business drives growth
  - Domestic EBITDA up 3.0% on strong growth in pcp (1H FY2019 up 11.5%)
  - Slots and table revenues were flat on a strong pcp (up 9.9% and 4.9% respectively in 1H FY2019 on pcp)
- International VIP Rebate reflects challenging market conditions
  - Credible sales result – growth in front money and visitation
  - Spend per customer declined. Low turns reduced turnover
- Operating costs flat on pcp. Increased expenses from F&B capacity and higher wages offset by cost out benefits

Queensland (Gold Coast and Brisbane) Performance

- Solid earnings growth – Gold Coast growth, Brisbane stable
  - Normalised EBITDA up 9.0%, EBIT up 12.8%

    - Statutory EBITDA before significant items down 64.7% impacted by unusually low 0.16% actual win rate in the International VIP Rebate business (2.32% in 1H FY2019). Statutory EBIT before significant items down 88%
- Strong, broad-based domestic growth driven by Gold Coast investments
    - Queensland domestic EBITDA up 11.5% on strong pcp
    - Gold Coast domestic EBITDA up 26.5%, broad-based growth across all segments. Slots revenue up 4.1% on pcp (PGR slots up 15.9%), tables revenue up 15.9% (PGR tables up 14.5%), and non-gaming revenue up 7.3%
    - Slots market share increased at both Gold Coast and Brisbane
    - Brisbane domestic EBITDA steady on pcp
- Strong increase in VIP volumes, turnover up 34.5%
    - Increased average spend per customer, unique customers declined on strong pcp (1H FY2019 up 162%)
    - Unusually low actual win rate of 0.16% in the half (2.32% in the pcp)
- Operating costs up 1.5% on pcp. Increased volumes (domestic gaming, non-gaming, VIP), higher wages and debt provision, offset by cost out benefits

International VIP Rebate Performance

- Credible result delivered in challenging conditions
- Growth in turnover and normalised revenue. Increased spend per patron offset by decline in unique visitation
- International Premium Mass turnover up 16.9% on pcp
- Unusually low 0.73% actual win rate (1.62% in pcp) affects statutory results

Trading Update and Outlook for FY2020

- Trading in early 2H FY2020 reflects challenging conditions, impacted by a continuing cautious consumer environment, bushfires and coronavirus
- From 1 January to 16 February 2020, domestic revenue is flat on a strong pcp
- Initial substantial impact from coronavirus on domestic visitation and revenue. Recent signs of return to normal domestic visitation patterns
- VIP volumes are up on pcp, though comparisons are difficult given the short time period and the impact of the coronavirus. Going forward, impact will depend on the length of border closures and speed of market recovery

Managing Director and Chief Executive Officer, Matt Bekier said: “Management’s priorities remain focused on returns. The organisational restructure has delivered $20m in cost out benefits in the half, with an approximately $45m annualised run rate. Initiatives which leverage improved competitive capabilities are underway, focused on Sydney PGR and Group MGF performance. The upgraded and expanded Sovereign in Sydney is expected to open in May 2020, with the new Oasis following in June 2020, enabling all premium domestic customers to receive an upgraded offer. The Queen’s Wharf Brisbane project continues to be de-risked – in mid CY2020, around 75% of total project costs is expected to be contracted under lump sum terms, together with financial close of the $1.6bn project level debt funding on attractive terms.

“The temporary disruption from coronavirus on the Tourism industry does not require a change to our long-standing strategy of investing to drive visitation and earnings to our network of properties located in sought-after destinations.”

For further information:

Financial analysts	Harry Theodore Chief Financial Officer	Tel: + 61 2 9657 8040
	Danny Huang General Manager, Strategy and Investor Relations	Tel: + 61 7 3306 8556
Media	Peter Jenkins General Manager, Media and Communications	Tel: + 61 2 9657 9288

The Star Entertainment Group – Half year results to 31 December 2019

Key financials – Statutory[6]		**Variance to pcp**
Gross Revenue	$1,176 m	Down 11.9%
Net Revenue	$1,054 m	Down 8.4%
EBITDA	$243 m	Down 26.5%
EBIT	$142 m	Down 36.6%
NPAT	$77 m	Down 48.5%
Earnings Per Share[7]	8.3 cps	Down 48.8%
Key financials – Normalised[8] (Underlying), at 1.35% Win Rate		**Variance to pcp**
Gross Revenue	$1,307 m	Up 2.4%
- Sydney	$791 m	Down 2.6%
- Queensland	$516 m	Up 10.9%
Net Revenue	$1,131 m	Up 1.9%
- Sydney	$699 m	Up 0.1%
- Queensland	$432 m	Up 4.8%
EBITDA	$307 m	Up 3.5%
- Sydney	$191 m	Up 0.4%
- Queensland	$116 m	Up 9.0%
EBIT	$206 m	Up 8.5%
- Sydney	$132 m	Up 6.2%
- Queensland	$74 m	Up 12.8%
NPAT (after equity accounted investments)	$126 m	Up 2.1%
Dividend per share		
Interim dividend per share (fully franked)	10.5 cents	Unchanged
Balance sheet		
Gross Debt	$1,392 million	
Net Debt[9]	$1,159 million	
Net Debt/ EBITDA (statutory)	2.49 times (12 month trailing 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 number 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, taxes and revenue share commissions, unless otherwise stated. Normalised EBITDA and EBIT are before equity accounted investment profits/ losses and significant items. Normalised NPAT is after equity accounted investment profits/ losses and before significant items. Refer to Note A4 of the Financial Report for a reconciliation of significant items.

[9] Net debt shown as interest bearing liabilities (excluding lease liabilities of $59m), less cash and cash equivalents less the net impact of derivative financial instruments.

THE STAR ENTERTAINMENT GROUP LIMITED

The Star Entertainment Group Limited

A.C.N. 149 629 023

ASX Code: SGR

and its controlled entities

Directors' Report and Financial Report

for the half year ended 31 December 2019

For the half year ended 31 December 2019

Contents

Directors' Report

For the half year ended 31 December 2019

The Directors of The Star Entertainment Group Limited (the ***Company***) submit their report for the consolidated entity comprising the Company and its controlled entities (collectively referred to as the ***Group***) in respect of the half year ended 31 December 2019.

1. Directors

The names and titles of the Company's Directors in office during the half year ended 31 December 2019 and until the date of this report are set out below. Directors were in office for this entire period.

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

2. 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 $1,175.6 million was down 11.9% on the prior comparable period (***pcp***). Solid domestic growth was adversely impacted by an unusually low win rate in the International VIP Rebate business (0.73% versus 1.62% in the pcp).

Normalised[1] gross revenue increased 2.4% versus the pcp, driven by solid growth in the domestic business and increased turnover of 2.0% in the International VIP Rebate business.

Operating costs were up 0.4% on the pcp. Higher expenses were driven by domestic volume growth (gaming and non-gaming), wages, performance-based provisioning, and International VIP debt provisioning offset by cost benefits from the organisational restructure, cost management and the impact of adopting AASB 16 Leases (refer to note E to the Financial Report).

Earnings before interest, tax, depreciation and amortisation (***EBITDA***) (excluding significant items) of $243.4 million was down 26.5% on the pcp. Normalised EBITDA increased 3.5% to $307.4 million.

Depreciation and amortisation expense of $101.1 million was down 5.4% on the pcp reflecting accelerated depreciation in the pcp. Impairment expense of $7.7 million relates to the release of capitalised planning costs associated with the Sydney Ritz-Carlton Tower (refer to note A4 to the Financial Report).

Finance costs of $24.5 million were up 44.1% on the pcp. Interest expense increased due to increased average debt levels and recognition of interest expense on lease liabilities following the adoption of AASB 16 Leases, partially offset by a reduced floating interest rate. Unamortised borrowing costs of $1.7 million associated with refinanced facilities in July 2019 were also expensed.

Net profit after tax (***NPAT***) was $76.5 million, 48.5% down on the pcp. Normalised NPAT, excluding significant items, was $126.4 million, up 2.1% on the pcp.

Basic and diluted earnings per share (***EPS***) were both 8.3 cents, down 48.8% on the pcp, driven by the unusually low win rate in the International VIP Rebate business. An interim dividend of 10.5 cents fully franked was declared. This represents a payout ratio of 76% of normalised NPAT (126% of statutory NPAT) and reflects the strength of the balance sheet and confidence 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, taxes and revenue share commissions and are before significant items.

Directors' Report
For the half year ended 31 December 2019

Net overdue International VIP Rebate business receivables of $68.5 million were up from $54.7 million at June 2019. Receivables remain well managed.

Net debt[2] was $1,159.4 million (30 June 2019: $972.6 million) with $512 million in undrawn facilities and a weighted average maturity of available facilities of 4.8 years. Gearing levels remain conservative (2.5 times net debt to the last 12 months trailing statutory EBITDA, or 1.9 times on a normalised earnings basis) positioning the Group well to continue to support planned investments. Operating cash flow from operations was $165.6 million (31 December 2018: $247.5 million) with an EBITDA to cash conversion ratio of 88% (31 December 2018: 86%).

Trade and other payables of $318.1 million were down 6.7% from June 2019 predominately relating to players' funds deposited, which decreased in line with International VIP Rebate business volumes.

The Group comprises the following three operating segments:
- Sydney;
- Gold Coast; and
- Brisbane.

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

Sydney
Gross revenue before commissions was $768.0 million, down 4.3% on the pcp. Growth in domestic revenue of 0.7% was offset by declines in the International VIP Rebate business, driven by a reduction in both volumes and win rate. EBITDA was $186.8 million, up 9.3% on the pcp. This was largely driven by lower player rebates and commissions as actual International VIP Rebate win rate on revenue share programs was lower versus the pcp. Operating expenses were flat on pcp.

Normalised gross revenue decreased 2.6% on the pcp to $790.9 million. Normalised EBITDA increased 0.4% to $191.0 million on the pcp. Domestic earnings growth more than offset declines in International VIP Rebate business volumes.

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

The Star Sydney also contributed to various charities during the period including Lifeline, Pyrmont Cares Inc and Kookaburra Kids Foundation.

Queensland (Gold Coast and Brisbane)
Gross revenue before commissions was $407.6 million, down 23.3% on the pcp. Broad-based growth in domestic revenue of 5.2%, driven by electronic gaming market share gains at both properties and solid table games growth, was offset by a decrease in the International VIP Rebate business due to the unusually low win rate of 0.16% (versus 2.32% in the pcp). EBITDA was $56.6 million, down 64.7% on the pcp.

Normalised gross revenue grew 10.9% on the pcp to $516.3 million due to a 34.5% increase in International VIP Rebate turnover. Normalised EBITDA increased 9.0% to $116.4 million.

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

The Queenslands properties also contributed to various charities and not-for-profit organisations including Surf Life Saving Queensland, Cancer Council Queensland and Currumbin Wildlife Sanctuary.

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 $21.2 billion was up 2.0% on pcp. International VIP Rebate business gross revenue decreased 54.2% to $154.1 million on pcp due to an unusually low win rate of 0.73% (1.62% in pcp).
Normalised gross revenue increased 2.0% on pcp to $285.7 million, reflecting increased turnover on the pcp.

2 Net debt is shown as interest bearing liabilities (excluding lease liabilities), less cash and cash equivalents, less net position of derivative financial instruments. Net debt in 1H FY2020 excludes $58.6 million of lease liabilities following adoption of AASB 16 Leases. 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 2019

4. Earnings per share (EPS)

Basic and Diluted EPS for the half year were both 8.3 cents (31 December 2018: 16.2 cents), down 48.8% on the pcp.

5. Dividends

5.1. Interim dividend

Since the end of the half year ended 31 December 2019, the Directors have declared an interim dividend of 10.5 cents per ordinary share, fully franked (31 December 2018: 10.5 cents).

The aggregate amount of the interim dividend expected to be paid on 1 April 2020 out of retained earnings at 31 December 2019, 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 27 February 2020. 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 (26 February 2020). 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 2019 and up to the date of this report that have materially affected or may materially affect the Group's operations, the results of those operations or the Group's state of affairs.

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 audit of the Financial Report for the half year ended 31 December 2019. The auditor's independence declaration forms part of this Directors' Report.

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

John O'Neill AO
Chairman
Sydney
20 February 2020

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

Building a better working world

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

As lead auditor for the review of the half-year financial report of The Star Entertainment Group Limited for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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
20 February 2020

Financial Report
Consolidated income statement
For the half year ended 31 December 2019

	Note	December 2019 $m	December 2018 $m
Revenue	A2	**1,053.7**	1,150.1
Other income		**1.1**	11.0
Government taxes and levies		**(273.4)**	(284.2)
Employment costs		**(334.3)**	(338.8)
Depreciation, amortisation and impairment		**(108.8)**	(106.9)
Cost of sales		**(51.4)**	(47.8)
Property costs		**(35.9)**	(40.8)
Advertising and promotions		**(58.0)**	(55.5)
Other expenses		**(58.4)**	(62.3)
Share of net profit of associate and joint venture entities accounted for using the equity method	D2	**(0.2)**	0.5
Earnings before interest and tax (EBIT)		**134.4**	225.3
Net finance costs		**(24.5)**	(17.0)
Profit before income tax (PBT)		**109.9**	208.3
Income tax expense		**(33.4)**	(59.8)
Net profit after tax (NPAT)		**76.5**	148.5
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		**0.2**	2.0
Total comprehensive income for the period		**76.7**	150.5
Earnings per share:			
Basic earnings per share		**8.3 cents**	16.2 cents
Diluted earnings per share		**8.3 cents**	16.2 cents
Fully franked dividend per share	A3	**10.5 cents**	10.5 cents

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

Consolidated balance sheet

For the half year ended 31 December 2019

	Note	December 2019 $m	June 2019 $m
ASSETS			
Cash and cash equivalents		**98.0**	114.3
Trade and other receivables		**210.8**	235.5
Inventories		**18.7**	17.5
Income tax receivable		**4.5**	-
Derivative financial instruments	B1	**8.6**	7.9
Other assets		**51.7**	52.0
Total current assets		**392.3**	427.2
Property, plant and equipment		**2,889.0**	2,779.8
Intangible assets		**1,862.1**	1,861.4
Derivative financial instruments	B1	**79.9**	82.7
Investment in associate and joint venture entities	D2	**457.4**	385.0
Other assets		**41.8**	47.6
Total non current assets		**5,330.2**	5,156.5
TOTAL ASSETS		**5,722.5**	5,583.7
LIABILITIES			
Trade and other payables		**318.1**	340.9
Interest bearing liabilities		**10.8**	196.4
Income tax payable		**-**	12.2
Provisions		**66.8**	99.9
Derivative financial instruments	B1	**6.0**	5.6
Other liabilities		**17.6**	18.8
Total current liabilities		**419.3**	673.8
Interest bearing liabilities		**1,380.7**	965.9
Deferred tax liabilities		**171.5**	170.7
Provisions		**10.0**	16.9
Derivative financial instruments	B1	**7.0**	9.6
Other liabilities		**6.3**	5.9
Total non current liabilities		**1,575.5**	1,169.0
TOTAL LIABILITIES		**1,994.8**	1,842.8
NET ASSETS		**3,727.7**	3,740.9
EQUITY			
Share capital		**3,062.3**	3,063.0
Retained earnings		**678.3**	693.5
Reserves		**(12.9)**	(15.6)
TOTAL EQUITY		**3,727.7**	3,740.9

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 2019

	Note	December 2019 $m	December 2018 $m
Cash flows from operating activities			
Net cash receipts from customers (inclusive of GST)		**1,063.9**	1,153.0
Payments to suppliers and employees (inclusive of GST)		**(598.6)**	(600.0)
Payment of government levies, gaming taxes and GST		**(250.5)**	(268.8)
Interest received		**0.1**	0.3
Income taxes paid		**(49.3)**	(37.0)
Net cash inflow from operating activities		**165.6**	247.5
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		**(157.6)**	(174.4)
Payments for investment in associate and joint venture entities	D2	**(73.8)**	(40.6)
Dividends received from joint venture entities	D2	**1.2**	-
Net cash outflow from investing activities		**(230.2)**	(215.0)
Cash flows from financing activities			
Proceeds from interest bearing liabilities		**771.0**	200.0
Repayment of interest bearing liabilities		**(594.0)**	(83.0)
Dividends paid	A3	**(91.7)**	(119.2)
Finance costs		**(32.4)**	(24.2)
Purchase of treasury shares		**(0.7)**	(6.7)
Issuance fees on purchase of shares		**-**	(0.5)
Payment of lease liabilities		**(3.9)**	-
Net cash inflow/(outflow) from financing activities		**48.3**	(33.6)
Net decrease in cash and cash equivalents		**(16.3)**	(1.1)
Cash and cash equivalents at beginning of the year		**114.3**	110.3
Cash and cash equivalents at end of the period		**98.0**	109.2

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

Consolidated statement of changes in equity

For the half year ended 31 December 2019

	Note	Ordinary shares $m	Treasury shares $m	Retained earnings $m	Hedging reserve $m	Cost of hedging reserve $m	Share based payment reserve $m	Total $m
2020								
Balance at 1 July 2019		**3,069.7**	**(6.7)**	**693.5**	**(27.5)**	**4.9**	**7.0**	**3,740.9**
Profit for the year		**-**	**-**	**76.5**	**-**	**-**	**-**	**76.5**
Other comprehensive income		**-**	**-**	**-**	**0.6**	**(0.4)**	**-**	**0.2**
Total comprehensive income		**-**	**-**	**76.5**	**0.6**	**(0.4)**	**-**	**76.7**
Dividends paid	A3	**-**	**-**	**(91.7)**	**-**	**-**	**-**	**(91.7)**
Purchase of treasury shares	B2	**-**	**(0.7)**	**-**	**-**	**-**	**-**	**(0.7)**
Employee share based payments		**-**	**-**	**-**	**-**	**-**	**2.5**	**2.5**
Balance at 31 December 2019		**3,069.7**	**(7.4)**	**678.3**	**(26.9)**	**4.5**	**9.5**	**3,727.7**
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		-	-	-	1.1	0.9	-	2.0
Total comprehensive income		-	-	148.5	1.1	0.9	-	150.5
Dividends paid	A3	-	-	(119.2)	-	-	-	(119.2)
Purchase of treasury shares		-	(6.7)	-	-	-	-	(6.7)
Transition to AASB 9 Debtors provision opening adjustment		-	-	(7.2)	(6.1)	6.1	-	(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	(22.2)	7.0	7.7	3,795.9

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 2019

A Key income statement disclosures

A1 Segment information

The Group's operating segments have been determined based on the internal management reporting structure and the nature of products and services provided by the Group. They reflect the business level at which financial information is provided to the executive decision makers, being the Managing Director and Chief Executive Officer and the 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.

For the half year ended 31 December 2019	**Sydney $m**	**Gold Coast $m**	**Brisbane $m**	**Total $m**
Gross revenues - VIP [a]	**139.5**	**11.7**	**2.9**	**154.1**
Gross revenues - domestic [a]	**628.5**	**212.2**	**180.8**	**1,021.5**
Segment revenue	**768.0**	**223.9**	**183.7**	**1,175.6**
Segment earnings before interest, tax, depreciation, amortisation and significant items	**186.8**	**4.8**	**51.8**	**243.4**
Depreciation and amortisation	**58.8**	**28.8**	**13.5**	**101.1**
Capital expenditure	**122.6**	**20.2**	**9.8**	**152.6**

For the half year ended 31 December 2018	**Sydney $m**	**Gold Coast $m**	**Brisbane $m**	**Total $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

a Gross revenue is presented as the gross gaming win before player rebates and promotional allowances of $121.9 million (31 December 2018: $183.6 million).

Notes to the financial statements
For the half year ended 31 December 2019

	December 2019 $m	December 2018 $m
Reconciliation of reportable segment profit to profit before income tax		
Segment earnings before interest, tax, depreciation, amortisation and significant items	**243.4**	331.2
Depreciation and amortisation	**(101.1)**	(106.9)
Significant items (refer to note A4)	**(7.7)**	0.5
Unallocated items:		
- net finance costs	**(24.5)**	(17.0)
- share of net (loss)/profit of associate and joint venture entities accounted for using the equity method (refer to note D2)	**(0.2)**	0.5
Profit before income tax (PBT)	**109.9**	208.3

A2 Revenue

	December 2019 $m	December 2018 $m
Domestic gaming	**707.9**	698.5
International VIP Rebate business	**43.8**	167.7
Non-gaming	**295.2**	277.9
Other	**6.8**	6.0
Total revenue	**1,053.7**	1,150.1

A3 Dividends

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

	$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]	**91.7**	119.2

a A final dividend of 10.0 cents per share fully franked for the year ended 30 June 2019 (30 June 2018: 13.0 cents) was declared on 15 August 2019 and paid on 26 September 2019 (30 June 2018: declared on 23 August 2018 and paid on 4 October 2018).

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

b Since the end of the half year, the Directors have declared an interim dividend of 10.5 cents per ordinary share (31 December 2018: 10.5 cents), fully franked. The aggregate amount is expected to be paid on 1 April 2020 out of retained earnings at 31 December 2019, 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 2019

A4 Significant items

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

	December 2019 $m	December 2018 $m
Sydney tower planning costs [a]	**7.7**	-
Gain on disposal of land [b]	**-**	(9.7)
Restructuring costs [c]	**-**	9.2
Net significant items	**7.7**	(0.5)
Tax benefit on significant items	**(2.3)**	(4.1)
Significant items gain net of tax	**5.4**	(4.6)

a On 20 November 2019 the NSW Independent Planning Commission rejected plans to develop the Sydney Ritz-Carlton Tower, which was to be built as a joint venture with Chow Tai Fook Enterprises Limited and Far East Consortium International Limited. Capitalised costs associated with the project, including advisory, legal, architectural and other related expenses, have been expensed.

b 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.

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

Notes to the financial statements

For the half year ended 31 December 2019

B Key balance sheet disclosures

B1 Derivative financial instruments

Interest rate swaps and cross currency swaps

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

	December 2019 $m	June 2019 $m
Current assets		
Cross currency swaps	**8.6**	7.9
	8.6	7.9
Non current assets		
Cross currency swaps	**79.9**	82.7
	79.9	82.7
Current liabilities		
Interest rate swaps	**6.0**	5.6
	6.0	5.6
Non current liabilities		
Interest rate swaps	**7.0**	9.6
	7.0	9.6
Net financial assets	**75.5**	75.4

Valuation of derivatives and other financial instruments

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

Financial Instruments - fair value hierarchy

The fair value of the Group's financial assets and financial liabilities approximates their carrying value at the balance sheet date. There are various methods available in estimating the fair value of a financial instrument. The methods comprise:

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

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

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

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

Notes to the financial statements

For the half year ended 31 December 2019

B2 Treasury shares

During the period, the Group purchased 251,679 (31 December 2018: 1,458,361) of its own shares for use to settle future employee share based payment schemes.

	Number of shares	$m
1 July 2019	1,458,361	6.7
Treasury shares purchased	251,679	0.7
31 December 2019	**1,710,040**	**7.4**

C Commitments, contingencies and subsequent events

C1 Commitments and contingent liabilities

Other commitments [a]

	December 2019 $m	June 2019 $m
Not later than one year	**56.6**	116.2
Later than one year but not later than five years	**-**	-
Later than five years	**-**	-
	56.6	116.2

a Other commitments as at 31 December 2019 mainly include capital construction and related costs in connection with the Sydney property redevelopment.

The Group has current capital commitments of approximately $0.9 billion in Destination Brisbane Consortium (***DBC***) to fund the construction of the Integrated Resort which is expected to open in 2022 (subject to various approvals).

Also, $0.1 billion in Destination Gold Coast Consortium (***DGCC***) to fund the construction of the new residential and hotel tower on the Gold Coast.

C2 Subsequent events

Since 31 December 2019, 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 2019 (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 2019

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 2019. The financial years of all controlled entities are the same as that of the Company.

D2 Investment in associate and joint venture entities

Set out below are the investments of the Group as at 31 December 2019 which, in the opinion of the Directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held by the Group. The country of incorporation is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

For the half year ended 31 December 2019 Name of entity	Country of incorporation	% of ownership	Nature of ownership	Measurement method	Carrying amount $m
Destination Brisbane Consortium Integrated Resort Holdings Pty Ltd	Australia	50	Associate	Equity method	376.4
Festival Car Park Pty Ltd	Australia	50	Joint venture	Equity method	13.3
Destination Gold Coast Investments Pty Ltd	Australia	50	Joint venture	Equity method	46.2
Destination Gold Coast Consortium Pty Ltd	Australia	33.3	Joint venture	Equity method	21.5
Total equity accounted investments					**457.4**

The carrying amount of the equity-accounted investments has changed in the six months to 31 December 2019, as follows:

Name of entity	Balance at 1 July 2019 $m	Net movement $m	Profit/(loss) for the period $m	Distributions $m	Balance at 31 December 2019 $m
Destination Brisbane Consortium Integrated Resort Holdings Pty Ltd	312.9	64.0	(0.5)	-	376.4
Festival Car Park Pty Ltd	14.3	-	0.2	(1.2)	13.3
Destination Gold Coast Investments Pty Ltd	45.6	-	0.6	-	46.2
Destination Gold Coast Consortium Pty Ltd	12.2	9.8	(0.5)	-	21.5
	385.0	**73.8**	**(0.2)**	**(1.2)**	**457.4**

Commitments and contingent liabilities

DBC has current capital commitments of approximately $1.9 billion (31 December 2018: $2.1 billion) to fund the construction of the Integrated Resort, which is expected to open in 2022 (subject to various approvals).

DGCC has current commitments of approximately $269.0 million (31 December 2018: $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 2019

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 2019 comprises the Company and its controlled entities (collectively referred to as the ***Group***). The Company's registered office is Level 3, 159 William Street, Brisbane QLD 4000.

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

The half year Financial Report was authorised for issue by the Directors on 20 February 2020.

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 2019, with the exception of AASB 16 Leases below.

The interim condensed consolidated financial statements for the six months ended 31 December 2019 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 2019, 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);
- 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 accounting standard, which became applicable from 1 July 2019:

Reference	Title
AASB 16 (i)	Leases
AASB Interpretation 23 (ii)	Uncertainty over Income Tax Treatments, and relevant amending standards

(i) AASB 16 Leases

AASB 16 supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases-Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Group has adopted the new standard using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this transition method, prior period comparative financial statements are not required to be restated. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (***short-term leases***), and lease contracts for which the underlying asset is of low value (***low-value leases***).

Notes to the financial statements

For the half year ended 31 December 2019

The impact of the new standard is that leases whereby the Group is lessee are required to be recognised on the balance sheet as a right-of-use (ROU) asset and lease liability, except for short-term leases and low-value leases. On transition, for existing leases, the lease liability is measured at the present value of future lease payments, discounted using the incremental rate of borrowing at transition date. The Group elected to use the exemption whereby on transition, the ROU asset is recognised at an amount consistent with the lease liability, adjusted for any existing lease related assets or liabilities (prepaid lease payments and accrued lease incentives).

The effect of adopting AASB 16 on the balance sheet is as follows:

	30 June 2019 $m	Adoption adjustment $m	01 July 2019 $m
Balance sheet			
Property, plant & equipment	2,779.8	60.3	2,840.1
Other assets	99.6	(8.9)	90.7
Interest bearing liabilities	(1,162.3)	(58.4)	(1,220.7)
Provisions	(116.8)	7.0	(109.8)

The impact on the income statement for the six months ended 31 December 2019 are as follows:

	31 December 2019 AASB 117 $m	Transition adjustment $m	31 December 2019 AASB 16 $m
Income statement			
Depreciation, amortisation and impairment	104.8	4.0	108.8
Net finance costs	22.5	2.0	24.5
Property costs *	40.7	(4.8)	35.9
Other expenses *	58.9	(0.5)	58.4

* These costs represent the operating lease expense which would have originally been recorded under AASB 117.

Lessor accounting under AASB 16 is substantially unchanged from accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases. Adoption of the new standard has had no impact on the accounting for those contracts whereby the Group is the lessor.

Summary of new accounting policies

*Right-of-use assets (**ROU**)*

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

Lease liabilities

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

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

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

The above policies replace the lease policy in place at 30 June 2019, which reads: 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.

(ii) AASB Interpretation 23
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 Income Taxes. It does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The adoption of this interpretation has no material impact on the financial results of the Group.

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 3	Amendments to AASB 3 Definition of a Business	1 January 2020

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 2019 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
20 February 2020

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

Building a better working world

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 2019, 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 2019 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 2019 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.

Building a better
working world

Independence

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

Ernst & Young

Megan Wilson
Partner
Sydney
20 February 2020