THE STAR

ASX Announcement

18 February 2021

2021 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 2020.

Dividend Reinvestment Plan

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

2021 Financial Calendar

The 2021 Financial Calendar is attached and can be found on The 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
	Mark Wilson General Manager Business Development and Investor Relations	Tel: + 61 2 9657 7423
Media	Peter Jenkins General Manager Media & Communications	Tel: + 61 2 9657 9288

2021 FINANCIAL CALENDAR

The Star Entertainment Group Limited (**ASX:SGR**) is pleased to advise the following indicative key dates for 2021:

Date	**Event**
18 February 2021	Half Year Results Announcement
30 June 2021	End of Financial Year
19 August 2021	Full Year Results Announcement
25 August 2021	Closing date for receipt of director nominations
28 October 2021	Annual General Meeting*

* Details regarding the location of the meeting and the business to be dealt with at the meeting will be contained in a Notice of Meeting to be sent to shareholders in September 2021.

Appendix 4D

Financial Report

for the half year ended 31 December 2020

1. Results for announcement to the market

(all comparisons to the half year ended 31 December 2019)

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 2020 lodged with the Australian Securities Exchange (ASX) on 20 August 2020.

Results in accordance with Australian Accounting Standards	**Current period $m**	**% change**
Revenue from ordinary activities	741.4	(29.6%)
Profit from ordinary activities after tax attributable to members of the parent	51.2	(33.1%)
Net profit after tax for the period attributable to members of the parent	51.2	(33.1%)

	Current Period Normalised [1] $m	% change	**Current Period Statutory [2] $m**	**% change**
Revenue	733.1	(35.2%)	741.4	(29.6%)
Earnings before interest, tax, depreciation and amortisation	225.7	(26.6%)	233.2	(4.2%)
Depreciation and amortisation	(107.2)	6.0%	(107.2)	6.0%
Earnings before interest, tax and significant items	118.5	(42.6%)	126.0	(11.5%)
Share of associates' profits	(1.3)	N.M. [4]	(1.3)	N.M. [4]
Net interest expense	(26.9)	9.8%	(26.9)	9.8%
Significant items (net of tax) [3]	N/A	-	(15.4)	N.M. [4]
Income tax expense	(27.1)	(50.9%)	(31.2)	(12.6%)
Net profit after tax	63.2	(50.0%)	**51.2**	**(33.1%)**

[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 restructuring costs, one-off COVID-19 related expenditure and impairment.

[4] Movement not meaningful.

2. Dividend information

	Current period	**Previous corresponding period**
Interim fully franked dividend declared (amount per share)[1]	N/A	10.5 cents
Record Date	N/A	26 February 2020
Date Payable[2]	N/A	1 April 2020

[1] No interim dividend was declared for the period ended 31 December 2020. In accordance with terms associated with the waiver of covenants at 30 June 2020 and 31 December 2020 from debt providers, no further cash dividends will be paid until gearing, which represents the ratio of net debt to 12 month trailing statutory EBITDA, is below 2.5 times.

[2] Date payable was deferred from 1 April 2020 to 2 July 2020 due to exceptional circumstances associated with COVID-19.

Dividend reinvestment plan

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

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

3. Net tangible assets per share

	Current period	**Previous corresponding period**
Net tangible asset backing per ordinary share [1]	$1.81	$1.97

[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 2020, and the media release lodged with the ASX on 18 February 2021.

THE STAR

ASX AND MEDIA RELEASE

Thursday, 18 February 2021

THE STAR ENTERTAINMENT GROUP (ASX:SGR) 1H FY2021 RESULTS[1]

HIGHLIGHTS

- **Sound performance in the context of COVID-19 related operating restrictions**
  - Normalised[2] EBITDA of $226m and normalised NPAT of $63m
  - Statutory EBITDA (before significant items) of $233m and statutory NPAT of $51m
  - COVID-19 related social distancing restrictions and border closures materially impacted volumes across the Group's properties
- **Key performance highlights**
  - Gold Coast slots revenue up 8%, Brisbane up 7%
  - Group loyalty gaming revenue up slightly – Sydney Sovereign PGR up 5%
  - Group normalised EBITDA margin improved from 23.5% to 30.4%
- **Costs and capex well managed**
  - Operating expenses down 40% to $324m
  - Variable costs aligned with lower revenues while fixed costs reduced (operating costs include higher temporary COVID-19 related costs including cleaning, security, and hygiene marshals)
  - Capex down 65% on the prior period
- **Balance sheet position improved, debt covenant waivers attained**
  - Net debt reduced by $151m during the period
  - Negotiated full waiver of debt covenants for the December 2020 testing date and an amendment of the covenant ratios for the June 2021 testing date
  - Contracted the sale of the VIP aircraft and boat while progressing the sale process for The Star Sydney Car Park concession

1H FY2021 Financial Highlights	Statutory		Normalised	
$m		**vs pcp**		**vs pcp**
Gross Revenue	750	(36%)	742	(43%)
EBITDA (before significant items)	233	(4%)	226	(27%)
EBIT (before significant items)	126	(12%)	119	(43%)
NPAT (before significant items)	67	(19%)	63	(50%)
Statutory NPAT	51	(33%)	-	-

[1] This release should be read in conjunction with The Star Entertainment Group Limited's 1H FY2021 Results Presentation and Directors' Report and Financial Report for the six months ended 31 December 2020.
[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.

Overview of 1H FY2021

Chairman John O'Neill AO said: "The Group continued executing its growth strategy despite the extraordinary challenges and significant impacts of COVID-19. The fundamental earnings prospects for The Star's domestic business remain unchanged. They are underpinned by valuable long-term licences in compelling locations and the continued transformation of our properties into globally competitive entertainment destinations. Major projects at Queen's Wharf Brisbane and The Star Gold Coast are proceeding to plan, with the upgraded and expanded Sovereign at The Star Sydney delivered on time and budget.

"Last week we broke ground on the construction of a further tower at The Star Gold Coast. A $400 million investment with our JV partners, this 63-storey mixed use tower will include a 210-room 5-star international hotel and 457 apartments. This will give us two new towers under construction, with the Dorsett hotel and apartments project well advanced and set for a 2022 completion.

"The Star remains committed to maintaining a balance sheet that positions the Group for the post COVID-19 recovery. The Board has not declared an interim dividend for 1H FY2021 as a cash dividend cannot be paid until gearing (net debt/trailing 12-month statutory EBITDA) is below 2.5 times, which was a condition for the June 2020 covenant waiver."

Sydney

- Earnings significantly impacted by the more onerous COVID-19 related operating restrictions imposed upon the property, especially the 300 patron cap per area
- Normalised EBITDA down 44%, Domestic EBITDA down 37%
- Operating expenses well-managed, down 45% to $176m

Normalised	1H FY2021	
	$m	*vs pcp*
Gross Revenue	390	(51%)
Domestic	379	(39%)
VIP	8	(95%)
EBITDA	107	(44%)
EBIT	45	(66%)

Gold Coast

- Normalised EBITDA down 20% to $51m, primarily driven by the absence of the International business
- Domestic EBITDA flat at $53m, margins improved from 25.1% to 31.1%
- Earnings impacted by border closures and the shutdown of non-gaming amenities
- Slots revenue up 8% in the period with a very strong performance in the December quarter
- Costs well-managed through the period, down 39%

Normalised	1H FY2021	
	$m	*vs pcp*
Gross Revenue	172	(48%)
Domestic	170	(19%)
VIP	1	(99%)
EBITDA	51	(20%)
EBIT	20	(43%)

Brisbane

- Record performance with normalised EBITDA up 29% to $68m despite a 3% decline in revenue
- Domestic EBITDA up 34% to $69m, margins improved from 28.5% to 38.2%
- Brisbane less impacted by border closures and shutdown of non-gaming amenities
- Slots revenue up 7% in the period with a stronger performance in the December quarter and a strong PGR performance
- Costs well-managed, down 21%

Normalised	1H FY2021	
	$m	*vs pcp*
Gross Revenue	180	(3%)
Domestic	179	(0%)
VIP	0	(94%)
EBITDA	68	29%
EBIT	53	37%

International VIP Rebate Business

- VIP turnover down 97% to $654m given the closure of international borders
- Reduced fixed costs to reflect the near and medium term outlook for the business

Bergin Inquiry Report

- The Star will engage with the regulator in relation to the recommendations of the Bergin Inquiry Report
- In relation to the International VIP Rebate business, The Star is reviewing the business model, reducing the fixed cost base and will increase the focus on International Premium Mass customers when the borders re-open

Balance sheet and capex

- Net debt reduced by $151m during the period
- Negotiated full waiver of debt covenants for the December 2020 testing date and an amendment of the covenant ratios for the June 2021 testing date
- 1H FY2021 capex down 65% to $54m, remains on plan for the full year at ~$100m
- JV contributions below guidance at ~$110m in FY2021 and ~$30m in FY2022

Trading Update and 2H FY2021 Outlook

- Early 2H FY2021 trading is exhibiting similar trends to the first half with all 3 properties experiencing positive domestic demand conditions
- Performance continues to be impacted by COVID-19 related operating restrictions
- In the period from 1 January 2021 to 14 February 2021, group domestic gaming revenue was ~81% of pcp with group domestic revenue ~80% of pcp
    - Group loyalty gaming revenue is up 3%
    - The Queensland properties are up slightly despite the Brisbane shutdown in January
    - Gold Coast domestic gaming revenue is up 9%
    - Sydney impacted by the more onerous constraints on the operations of the property early in the period, however, restrictions have since eased

- Operating costs continue to be well managed with the overall EBITDA margin in January in-line with the prior period
- Restrictions may change over the remainder of the year which could materially impact revenues and earnings

Managing Director and Chief Executive Officer, Matt Bekier said: "Execution of our long-standing growth strategy continued to plan over 1H FY2021. The initial response by our highest value domestic customers to the new Sovereign in Sydney since its July 2020 opening has been pleasing. Queen's Wharf Brisbane was further de-risked with ~88% of total project costs now under lump sum terms.

"Comprehensive actions to mitigate the impact of COVID-19 were implemented, safeguarding staff and customers, securing debt covenant waivers and amendments, and preserving cash. The properties reacted expediently to the many changes to operating conditions throughout the period.

"The Star's business is fundamentally strong. The long-term value uplift from investments in our network of integrated resorts and continuing operational improvements to drive visitation and earnings remains significant."

For further information:

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Media	Peter Jenkins General Manager Media and Communications	Tel: + 61 2 9657 9288

Key Financials – Half year results to 31 December 2020

Statutory[3]		Variance to pcp
Gross Revenue	$750m	(36%)
EBITDA	$233m	(4%)
EBIT	$126m	(12%)
NPAT	$51m	(33%)
Earnings Per Share[4]	5.4 cps	(35%)
Normalised[5] (Underlying)		**Variance to pcp**
Gross Revenue	$742m	(43%)
- Sydney	$390m	(51%)
- Gold Coast	$172m	(48%)
- Brisbane	$180m	(3%)
EBITDA	$226m	(27%)
- Sydney	$107m	(44%)
- Gold Coast	$51m	(20%)
- Brisbane	$68m	29%
EBIT	$119m	(43%)
- Sydney	$45m	(66%)
- Gold Coast	$20m	(43%)
- Brisbane	$53m	37%
NPAT (after equity accounted investments)	$63m	(50%)
Dividend per share		
Total dividends per share (fully franked)	N/A	N/A
Balance sheet		
Gross Debt	$1,407m	
Net Debt[6]	$1,232m	
Net Debt/ EBITDA (statutory)	4.5x (12-month trailing statutory EBITDA)	
Net Debt/ EBITDA (normalised)	3.5x (12-month trailing normalised EBITDA)	

[3] 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 A5 of the Financial Report for a reconciliation of significant items.
[4] Earnings per share based on weighted average number of shares on issue.
[5] Normalised results reflect the underlying performance of the business as they remove the inherent win rate volatility of the International VIP Rebate business. Normalised results are adjusted using an average win rate of 1.35% of turnover, taxes and revenue share commissions, unless otherwise stated. Normalised EBITDA and Normalised EBIT are before equity accounted investment profits/ losses and significant items. Normalised NPAT is after equity accounted investment profits/ losses and before significant items. Refer to Note A5 of the Financial Report for a reconciliation of significant items.
[6] Net debt shown as interest bearing liabilities (excluding lease liabilities of $54m), 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 2020

For the half year ended 31 December 2020

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Directors' Report

For the half year ended 31 December 2020

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 2020.

1. Directors

The names and titles of the Company's Directors in office during the half year ended 31 December 2020 and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

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

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

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

Group performance continued to be impacted by COVID-19 in the reporting period. Fluctuating spatial distancing requirements and other COVID-19 related health orders constrained domestic visitation, particularly in Sydney, while international border closures have substantially reduced the International VIP Rebate business, with turnover down 96.9%.

The Group has adapted to changing circumstances, delivering a sound performance. Statutory earnings before interest, tax, depreciation and amortisation (***EBITDA***) (excluding significant items) of $233.2 million was down 4.2% on the pcp. Normalised[1] EBITDA of $225.7 million was down 26.6%. Statutory and normalised results for the reporting period are largely consistent given the limited International VIP Rebate business revenue.

Net statutory revenue of $741.4 million was down $312.3 million or 29.6% on the prior comparative period (***pcp***). Of this decline, $302.6 million is attributable to Sydney, which was significantly impacted by health orders that restricted capacity to a maximum of 300 patrons per area for the majority of the reporting period. Gold Coast and Brisbane were down 4.9% and 0.4% respectively, with an increase in slots revenue offset by lower table game revenues, impacted by spatial distancing limitations, closed non-gaming venues and restricted international patrons.

Operating expenses (excluding significant items) of $324.1 million were well managed, down 39.6% on pcp. Variable costs were managed in line with lower volumes and management initiatives contributed to further reductions to the fixed cost base. A cost reduction program is well advanced, with targeted annualised savings of up to $50 million in fixed costs.

The reduction in operating expenses included a $57.7 million net benefit in relation to the JobKeeper program. The Group is no longer eligible for JobKeeper and no staff remain stood down by the end of December 2020.

Depreciation and amortisation expense of $107.2 million was up 6.0% on the pcp primarily due to the opening of the new Sovereign private gaming room in Sydney. Impairment expense of $3.6 million relates to write-down to fair value of the aircraft held for sale since 30 June 2020, driven by appreciation of the AUD against the USD.

Finance costs (excluding significant items) of $26.9 million are up 9.8% on pcp reflecting higher average drawn balances throughout the reporting period.

Statutory net profit after tax (***NPAT***) was $51.2 million, down 33.1%, including significant items of $15.4 million in the reporting period, which are one off costs associated with COVID-19 related restructuring undertaken in the reporting period.

[1] Normalised results reflect the underlying performance of the business as they remove the inherent win rate volatility of the International VIP Rebate business. Normalised results are adjusted using an average win rate of 1.35% of actual turnover, gaming taxes and commissions on revenue share programs. Normalised earnings exclude significant items.

Directors' Report

For the half year ended 31 December 2020

Net debt[2] was $1,232.1 million (30 June 2020: $1,382.8 million) with $448 million in undrawn facilities and a weighted average maturity of available facilities of 3.82 years. The Group obtained a complete waiver of debt covenants at 31 December 2020, and negotiated an amendment for 30 June 2021 testing, providing enhanced gearing and interest cover headroom. Current forecasts indicate the Group will satisfy debt covenants at both the 30 June 2021 and 31 December 2021 future testing dates. Operating cash flow from operations was $289.6 million (including $103.0 million of JobKeeper), up $124.0 million on the pcp. Surplus funds were used to repay debt.

Trade and other payables of $219.9 million was down 32.1% on the pcp, primarily driven by settlement of the $96.2 million FY2020 interim dividend on 2 July 2020. Net overdue International VIP Rebate business receivables of $23.1 million were down from $53.3 million at 30 June 2020, reflecting lower business volumes and collections.

Major joint venture projects at Queen's Wharf Brisbane (***QWB***) and the Gold Coast are proceeding to plan and were not interrupted by any COVID-19 related operating restrictions. At QWB, construction has progressed above ground, with the shell, core and façade all underway. On the Gold Coast, construction of the Dorsett Hotel and Residences (first tower) remains on time and budget for completion in FY2022. Construction on the second tower, a 63-storey mixed use tower, will commence in February 2021.

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 $397.5 million, down 48.2% on the pcp. Sydney was significantly impacted by more onerous operating restrictions for the majority of the reporting period, including the 300 patron maximum capacity per area rule, no co-mingling between areas and social distancing requirements on table and machine utilisation. Domestic gaming revenue was down 35.3%, while non-gaming revenue was down 64.0%, driven by COVID-19 related closure of numerous venues across the property. International VIP Rebate business revenues were down 89.3%, with some turnover from international patrons still in Australia at the beginning of the reporting period.

EBITDA (before significant items) was $112.8 million, down 39.6% on the pcp. Gaming taxes and levies and operating expenses decreased 45.9% and 44.9% respectively, in line with reduced volumes. Operating expenses are net of the JobKeeper wage subsidy and include higher temporary COVID-19 related costs such as security, hygiene marshals and additional cleaning.

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

Gold Coast

Gross revenue, before commissions was $171.7 million, down 23.3% on the pcp. Slots revenue of $98.7 million was up 8.3% with strong performance in the December quarter assisted by a further easing of COVID-19 related restrictions. Non-gaming was down 45.4% due to the COVID-19 related closure of some areas, including the convention centre, theatre and buffet. International VIP Rebate business revenues were down 92.3%, with some turnover from international patrons still in Australia at the beginning of the reporting period. The Gold Coast property was also impacted by border closures, both domestic and international, in the reporting period.

EBITDA (before significant items) was $52.2 million. Gaming taxes and levies and operating expenses decreased 10.0% and 39.0% respectively. JobKeeper eligibility ceased at the end of the September quarter. Operating expenses include higher temporary COVID-19 related costs such as security, hygiene marshals and additional cleaning.

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

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

Directors' Report

For the half year ended 31 December 2020

Brisbane

Gross revenue, before commissions was $180.7 million, down 1.6% on the pcp. Brisbane slots revenue was up 7.4% driven by a strong December quarter. Brisbane was the property least impacted by international and interstate border closures. EBITDA (before significant items) was $68.2 million, up 31.7% on the pcp. Gaming taxes and levies and operating expenses decreased 0.2% and 20.5% respectively. JobKeeper eligibility ceased at the end of the September quarter.

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

4. Earnings per share (EPS)

Basic and diluted EPS for the half year were both 5.4 cents (31 December 2019: 8.3 cents), down 34.9% on the pcp.

5. Dividends

The Group remains committed to maintaining a balance sheet that positions it for post COVID-19 recovery. In accordance with agreed terms associated with the waiver of covenants at 30 June 2020 and 31 December 2020 from debt providers, as announced on 31 March 2020, no further cash dividends will be paid until gearing, which represents the ratio of net debt to 12 month trailing statutory EBITDA, is below 2.5 times. Consequently, no dividend was declared.

6. Significant events after the end of the half year

On 1 February 2021, the Honourable PA Bergin SC released her report from the inquiry conducted under section 143 of the Casino Control Act NSW (the ***Report***) to the Independent Liquor and Gaming Authority in NSW (the ***Regulator***). The Report has two main focus areas: first, the suitability of a Crown Resorts Limited subsidiary to hold a licence for the Sydney gaming facility at Barangaroo and of Crown Resorts Limited to be a 'close associate' of that licence holder, and second, the regulatory framework, including structure of the regulatory authority and legislative instruments applying to the operation of casinos in NSW. The Group will engage with the Regulator in relation to these recommendations. It is currently unknown when and to what extent they will be implemented. In relation to the International VIP Rebate business, the Group will continue to reduce junket related fixed costs to reflect the near and medium term outlook and further increase the focus on the International Premium Mass customers when the borders re-open.

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 2020 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 2020. 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
18 February 2021

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

As lead auditor for the review of the half-year financial report of The Star Entertainment Group Limited for the half-year ended 31 December 2020, 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
18 February 2021

Financial Report
Consolidated income statement
For the half year ended 31 December 2020

	Note	December 2020 $m	December 2019 $m
Revenue	A2	**741.4**	1,053.7
Other income		**-**	1.1
Government taxes and levies		**(184.1)**	(273.4)
Employment costs	A3	**(217.6)**	(334.3)
Depreciation, amortisation and impairment		**(110.8)**	(108.8)
Cost of sales		**(27.0)**	(51.4)
Property costs		**(27.4)**	(35.9)
Advertising and promotions		**(23.5)**	(58.0)
Other expenses		**(42.7)**	(58.4)
Share of net loss of associate and joint venture entities accounted for using the equity method	D2	**(1.3)**	(0.2)
Earnings before interest and tax (EBIT)		**107.0**	134.4
Net finance costs		**(31.2)**	(24.5)
Profit before income tax (PBT)		**75.8**	109.9
Income tax expense		**(24.6)**	(33.4)
Net profit after tax (NPAT)		**51.2**	76.5
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss			
Change in fair value of cash flow hedges taken to equity, net of tax		**(10.8)**	0.2
Total comprehensive income for the period		**40.4**	76.7
Earnings per share:			
Basic earnings per share		**5.4 cents**	8.3 cents
Diluted earnings per share		**5.4 cents**	8.3 cents
Fully franked dividend per share	A4	**-**	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 2020

	Note	December 2020 $m	June 2020 $m
ASSETS			
Cash and cash equivalents		**88.6**	66.1
Trade and other receivables		**61.7**	99.5
Inventories		**16.4**	16.4
Income tax receivable		**-**	7.5
Derivative financial instruments	B1	**43.9**	65.8
Asset held for sale		**28.9**	37.2
Other assets		**41.7**	59.9
Total current assets		**281.2**	352.4
Property, plant and equipment		**2,787.2**	2,837.0
Intangible assets		**1,850.1**	1,853.1
Derivative financial instruments	B1	**13.6**	67.9
Investment in associate and joint venture entities	D2	**580.0**	525.1
Other assets		**33.8**	40.4
Total non current assets		**5,264.7**	5,323.5
TOTAL ASSETS		**5,545.9**	5,675.9
LIABILITIES			
Trade and other payables		**219.9**	324.0
Interest bearing liabilities		**144.6**	162.9
Income tax payable		**1.6**	-
Provisions		**85.0**	70.9
Derivative financial instruments	B1	**8.9**	7.7
Other liabilities		**25.9**	21.5
Total current liabilities		**485.9**	587.0
Interest bearing liabilities		**1,262.2**	1,462.1
Deferred tax liabilities		**144.5**	138.4
Provisions		**10.4**	10.5
Derivative financial instruments	B1	**16.8**	7.0
Other liabilities		**5.6**	5.9
Total non current liabilities		**1,439.5**	1,623.9
TOTAL LIABILITIES		**1,925.4**	2,210.9
NET ASSETS		**3,620.5**	3,465.0
EQUITY			
Share capital	B2	**3,159.3**	3,050.8
Retained earnings		**462.0**	410.8
Reserves		**(0.8)**	3.4
TOTAL EQUITY		**3,620.5**	3,465.0

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 2020

	Note	December 2020 $m	December 2019 $m
Cash flows from operating activities			
Net cash receipts from customers (inclusive of GST)		**816.9**	1,063.9
Payments to suppliers and employees (inclusive of GST)		**(482.2)**	(598.6)
Payment of government levies, gaming taxes and GST		**(144.4)**	(250.5)
Interest received		**-**	0.1
Income taxes paid		**(3.7)**	(49.3)
Receipt of government grants		**103.0**	-
Net cash inflow from operating activities		**289.6**	165.6
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		**(54.0)**	(157.6)
Payments for investment in associate and joint venture entities	D2	**(48.7)**	(73.8)
Dividends received from joint venture entities	D2	**-**	1.2
Proceeds from sale of property, plant and equipment		**4.3**	-
Net cash outflow from investing activities		**(98.4)**	(230.2)
Cash flows from financing activities			
Proceeds from interest bearing liabilities		**55.0**	771.0
Repayment of interest bearing liabilities		**(196.0)**	(594.0)
Dividends paid	A4	**(75.1)**	(91.7)
Finance costs		**(34.1)**	(32.4)
Proceeds from issue of shares		**75.0**	-
Purchase of treasury shares		**-**	(0.7)
Disposal of treasury shares		**11.7**	-
Interest payment on lease liabilities		**(1.9)**	-
Payment of lease liabilities		**(3.3)**	(3.9)
Net cash (outflow)/inflow from financing activities		**(168.7)**	48.3
Net increase/(decrease) in cash and cash equivalents		**22.5**	(16.3)
Cash and cash equivalents at beginning of the year		**66.1**	114.3
Cash and cash equivalents at end of the period		**88.6**	98.0

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 2020

	Note	Ordinary shares $m	Treasury shares $m	Retained earnings $m	Hedging reserve $m	Cost of hedging reserve $m	Share based payment reserve $m	Total $m
2021								
Balance at 1 July 2020		**3,069.7**	**(18.9)**	**410.8**	**(16.6)**	**3.2**	**16.8**	**3,465.0**
Profit for the year		**-**	**-**	**51.2**	**-**	**-**	**-**	**51.2**
Issue of share capital	B2	**108.2**	**-**	**-**	**-**	**-**	**-**	**108.2**
Other comprehensive income		**-**	**-**	**-**	**(6.9)**	**(3.9)**	**-**	**(10.8)**
Total comprehensive income		**108.2**	**-**	**51.2**	**(6.9)**	**(3.9)**	**-**	**148.6**
Purchase of treasury shares	B2	**-**	**(12.0)**	**-**	**-**	**-**	**-**	**(12.0)**
Disposal of treasury shares	B2	**-**	**11.7**	**-**	**-**	**-**	**-**	**11.7**
Shares issued to settle employee share programs	B2	**-**	**0.6**	**-**	**-**	**-**	**-**	**0.6**
Employee share based payments		**-**	**-**	**-**	**-**	**-**	**6.6**	**6.6**
Balance at 31 December 2020		**3,177.9**	**(18.6)**	**462.0**	**(23.5)**	**(0.7)**	**23.4**	**3,620.5**
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	A4	-	-	(91.7)	-	-	-	(91.7)
Purchase of treasury shares		-	(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

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

Notes to the interim financial statements

For the half year ended 31 December 2020

A Key income statement disclosures

A1 Segment information

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

The Group has three reportable segments:

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

	Sydney	Gold Coast	Brisbane	Total
For the half year ended 31 December 2020	**$m**	**$m**	**$m**	**$m**
Gross revenues - VIP [a]	**14.9**	**0.9**	**0.6**	**16.4**
Gross revenues - domestic [a]	**382.6**	**170.8**	**180.1**	**733.5**
Segment revenue	**397.5**	**171.7**	**180.7**	**749.9**
Segment earnings before interest, tax, depreciation, amortisation and significant items	**112.8**	**52.2**	**68.2**	**233.2**
Depreciation and amortisation	**61.8**	**30.9**	**14.5**	**107.2**
Capital expenditure	**32.4**	**13.3**	**7.7**	**53.4**

	Sydney	Gold Coast	Brisbane	Total
For the half year ended 31 December 2019	**$m**	**$m**	**$m**	**$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

a Gross revenue is presented as the gross gaming win before player rebates and promotional allowances of $8.5 million (31 December 2019: $121.9 million).

Notes to the interim financial statements

For the half year ended 31 December 2020

	December 2020 $m	December 2019 $m
Reconciliation of reportable segment profit to profit before income tax		
Segment earnings before interest, tax, depreciation, amortisation and significant items	**233.2**	243.4
Depreciation and amortisation	**(107.2)**	(101.1)
Significant items (refer to note A5)	**(22.0)**	(7.7)
Unallocated items:		
- net finance costs	**(26.9)**	(24.5)
- share of net loss of associate and joint venture entities accounted for using the equity method (refer to note D2)	**(1.3)**	(0.2)
Profit before income tax (PBT)	**75.8**	109.9

A2 Revenue

Domestic gaming	**565.0**	707.9
International VIP Rebate business	**12.3**	43.8
Non-gaming	**159.4**	295.2
Other	**4.7**	6.8
Total revenue	**741.4**	1,053.7

A3 Employment costs

Salaries, wages, bonuses, redundancies and other benefits [a]	**190.9**	308.1
Defined contribution plan expense (superannuation guarantee charges)	**21.2**	24.4
Share based payment expense	**5.5**	1.8
	217.6	334.3

[a] Salaries and wages have reduced significantly due to the COVID-19 restrictions. This amount is net of $87.9 million of financial support provided by the Federal Government under the JobKeeper wage subsidy scheme. As a result of the JobKeeper subsidy, the Group has received a $57.7 million benefit towards salaries and wages expenses, for employees who have been stood up or are working reduced hours.

A4 Dividends

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

The Group remains committed to maintaining a balance sheet that positions it for post COVID-19 recovery. In accordance with agreed terms associated with the waiver of covenants at 30 June 2020 and 31 December 2020 from debt providers, as announced on 31 March 2020, no further cash dividends will be paid until gearing, which represents the ratio of net debt to 12 month trailing statutory EBITDA, is below 2.5 times. Consequently, no dividend was declared.

	$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
Interim dividend paid during the period in respect of the half year ended 31 December 2019 [b]	**75.1**	-

a No final dividend was declared for the year ended 30 June 2020 (30 June 2019: 10.0 cents per ordinary share, fully franked).

Notes to the interim financial statements
For the half year ended 31 December 2020

	December 2020 $m	December 2019 $m
Dividends declared after the end of the half year		
Interim dividend declared for the half year ended 31 December [b]	**-**	96.2

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

A5 Significant items

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

	December 2020 $m	December 2019 $m
Restructuring costs [a]	**13.0**	-
One-off COVID-19 related expenditure [b]	**5.4**	-
Impairment [c]	**3.6**	-
Sydney tower planning costs [d]	**-**	7.7
Net significant items	**22.0**	7.7
Tax on significant items	**(6.6)**	(2.3)
Significant items net of tax	**15.4**	5.4

a Restructuring and redundancy costs relating to Group reorganisation as a result of the impact of COVID-19.

b Incremental one-off COVID-19 related expenditure including support payments for employees experiencing sudden and severe financial hardship and finance costs associated with COVID-19 affected loan facilities.

c Impairment expense for write-down to fair value of asset held for sale at 31 December 2020.

d 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 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 2020 $m	June 2020 $m
Current assets		
Cross currency swaps	**43.9**	65.8
	43.9	65.8
Non current assets		
Cross currency swaps	**13.6**	67.9
	13.6	67.9
Current liabilities		
Cross currency swaps	**3.7**	-
Interest rate swaps	**5.2**	7.7
	8.9	7.7
Non current liabilities		
Cross currency swaps	**10.7**	-
Interest rate swaps	**6.1**	7.0
	16.8	7.0
Net financial assets	**31.8**	119.0

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 interim financial statements

For the half year ended 31 December 2020

B2 Share capital

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

	Share capital		Treasury shares		Net outstanding	
	Shares	$m	Shares	$m	Shares	$m
Opening balance 1 July 2020	917,322,730	3,069.7	(5,318,135)	(18.9)	912,004,595	3,050.8
Issue of share capital - 2 July 2020 [a]	30,730,998	96.2	-	-	30,730,998	96.2
Issue of share capital - 16 September 2020 [b]	3,960,482	12.0	(3,960,482)	(12.0)	-	-
Disposal of treasury shares	-	-	3,717,053	11.7	3,717,053	11.7
Shares issued to settle employee share programs	-	-	36,381	0.6	36,381	0.6
Closing balance 31 December 2020	**952,014,210**	**3,177.9**	**(5,525,183)**	**(18.6)**	**946,489,027**	**3,159.3**
Opening balance 1 July 2019	917,322,730	3,069.7	(1,458,361)	(6.7)	915,864,369	3,063.0
Treasury shares purchased	-	-	(3,859,774)	(12.2)	(3,859,774)	(12.2)
Closing balance 30 June 2020	917,322,730	3,069.7	(5,318,135)	(18.9)	912,004,595	3,050.8

a On 2 July 2020, the Group issued 30,730,998 new shares to settle the FY20 interim dividend. 23,881,021 shares were purchased by the underwriter in accordance with the dividend underwriting agreement and the balance went to existing shareholders participating in the DRP (see Note A4).

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

Notes to the interim financial statements

For the half year ended 31 December 2020

C Commitments, contingencies and subsequent events

C1 Commitments and contingent liabilities

Other commitments [a]

	December 2020 $m	June 2020 $m
Not later than one year	**15.9**	12.5
Later than one year but not later than five years	**3.3**	8.1
Later than five years	**-**	-
	19.2	20.6

a Other commitments as at 31 December 2020 mainly include information technology project costs for the Queensland properties.

The Group has current capital commitments of approximately $0.1 billion in Destination Brisbane Consortium (***DBC***) to fund the construction of the Integrated Resort which is expected to open in late 2022 (subject to various approvals).

Equity contributions by the Group towards the Queen's Wharf Brisbane development are forecast to complete in FY21. Remaining construction costs will be funded by project finance, which was fully committed at 31 December 2020.

The Group has fulfilled its equity contributions to Destination Gold Coast Consortium (***DGCC***) to fund the construction of the first residential, hotel and retail tower on the Gold Coast. Remaining construction costs will be funded by project finance, which was fully committed at 31 December 2020.

C2 Subsequent events

On 1 February 2021, the Honourable PA Bergin SC released her report from the inquiry conducted under section 143 of the Casino Control Act NSW (the ***Report***) to the Independent Liquor and Gaming Authority in NSW (the ***Regulator***). The Report has two main focus areas: first, the suitability of a Crown Resorts Limited subsidiary to hold a licence for the Sydney gaming facility at Barangaroo and of Crown Resorts Limited to be a 'close associate' of that licence holder, and second, the regulatory framework, including structure of the regulatory authority and legislative instruments applying to the operation of casinos in NSW. The Group will engage with the Regulator in relation to these recommendations. It is currently unknown when and to what extent they will be implemented. In relation to the International VIP Rebate business, the Group will continue to reduce junket related fixed costs to reflect the near and medium term outlook and further increase the focus on the International Premium Mass customers when the borders re-open.

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

Notes to the interim financial statements

For the half year ended 31 December 2020

D Group structure

D1 Related party disclosure

Investments in controlled entities

The interim financial statements incorporate the assets, liabilities and results of the Company's controlled entities in accordance with the accounting policy described in the Financial Report for the year ended 30 June 2020. The financial years of all controlled entities are the same as that of the Company with the exception of The Star Entertainment (Macau) Limited which has a 31 December financial year end.

D2 Investment in associate and joint venture entities

Set out below are the investments of the Group as at 31 December 2020 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 2020 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	488.7
Festival Car Park Pty Ltd	Australia	50	Joint venture	Equity method	13.7
Destination Gold Coast Investments Pty Ltd	Australia	50	Joint venture	Equity method	35.9
Destination Gold Coast Consortium Pty Ltd	Australia	33.3	Joint venture	Equity method	33.6
Destination Sydney Consortium Investments Pty Ltd	Australia	50	Joint venture	Equity method	8.1
Total equity accounted investments					**580.0**

The carrying amount of the equity-accounted investments has changed in the six months to 31 December 2020, as follows:

Name of entity	Balance at 1 July 2020 $m	Net movement $m	Profit/(loss) for the period $m	Distributions $m	Balance at 31 December 2020 $m
Destination Brisbane Consortium Integrated Resort Holdings Pty Ltd	443.0	47.0	(1.3)	-	488.7
Festival Car Park Pty Ltd	13.5	-	0.2	-	13.7
Destination Gold Coast Investments Pty Ltd	35.2	0.9	(0.2)	-	35.9
Destination Gold Coast Consortium Pty Ltd	33.4	-	0.2	-	33.6
Destination Sydney Consortium Investments Pty Ltd	-	8.3	(0.2)	-	8.1
	525.1	**56.2**	**(1.3)**	**-**	**580.0**

Commitments and contingent liabilities

DBC has current capital commitments of approximately $1.6 billion (31 December 2019: $1.9 billion) to fund the construction of the Integrated Resort, which is expected to open in late 2022 (subject to various approvals).

DGCC has current commitments of approximately $148.0 million (31 December 2019: $269.0 million) to fund the construction of the first residential, hotel and retail tower, which is expected to open in 2022.

Notes to the interim financial statements

For the half year ended 31 December 2020

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 2020 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 18 February 2021.

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 2020.

The interim financial statements for the six months ended 31 December 2020 have been prepared in accordance with the Australian Accounting Standards Board (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 2020, and any public announcements made by the Company during the interim reporting period in accordance with its continuous disclosure obligations under ASX listing rules.

Going concern

The interim financial statements have been approved by the Directors on a going concern basis. At 31 December 2020, the Group has a net asset position of $3,620.5 million (2019: $3,727.7 million). For the half year, the Group generated a profit after tax of $51.2 million (2019: $76.5 million) and a net increase in cash of $22.5 million (2019: net decrease $16.3 million).

COVID-19 is expected to continue to have an impact on the Group, including spatial distancing restrictions and border closures. A detailed assessment of Going Concern was performed at 30 June 2020 and included a broad range of scenarios. Since then, the Group has achieved a number of initiatives to strengthen its underlying financial position, including:

- Gained significant experience operating under and reacting to Government imposed restrictions;
- Undertook an organisational restructure to streamline the underlying cost base;
- Obtained a waiver from banks and USPP holders, providing relief against loan covenants at 31 December 2020. An amendment has been agreed for the 30 June 2021 testing date, resulting in enhanced gearing and interest cover ratio headroom. The Group expects to pass future covenant tests based on the current earnings forecasts;
- Contracted the sale of an aircraft and vessel, delivering over $30 million in additional cashflows; and
- Repaid outstanding debt using surplus operating cashflows. The Group has $448 million available facility capacity, which has a maturity beyond 12 months.

Based on the above, the Directors are satisfied that sufficient cashflows will be generated such that the Group will be able to meet its liabilities, as and when they fall due, over the next twelve months.

Significant accounting judgements, estimates and assumptions

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

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

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

- Going concern (refer note above);
- Asset useful lives and residual values;
- Impairment of assets;
- Valuation of derivatives and other financial instruments (refer note B1);
- Impairment of trade receivables;
- Significant items (refer note A5); 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.

Notes to the interim financial statements

For the half year ended 31 December 2020

Changes in accounting policies and disclosures
The Group has adopted the following new accounting standards, which became applicable from 1 July 2020:

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

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

(ii) Amendments to AASB 101: Definition of Material
The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".
The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim financial statements of, nor is there expected to be any future impact to the Group.

(iii) Amendments to AASB 7: Interest Rate Benchmark Reform
The amendments to AASB 7 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.
These amendments had no impact on the interim financial statements of the Group as it does not have any interest rate hedge relationships affected by the interest rate benchmark reforms.

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

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

Directors' Declaration

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

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

(i) giving a true and fair view of the Group's consolidated financial position as at 31 December 2020 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
18 February 2021

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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 2020, 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 2020 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 2020 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
18 February 2021