THE STAR

ASX Announcement

22 August 2022

FY2022 PRELIMINARY FULL YEAR RESULTS (UNAUDITED)

The Star Entertainment Group Limited (ASX:SGR) (**The Star**) provides the following documents in accordance with ASX Listing Rule 4.3A:

1. Appendix 4E (unaudited Preliminary Final Report); and
2. Unaudited Preliminary Financial Report for the year ended 30 June 2022.

Dividend Reinvestment Plan suspended

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

Authorised by:

The Board of Directors

For more information contact:

Financial analysts	Christina Katsibouba Interim Chief Financial Officer	Tel: +61 2 9657 7154
	Mark Wilson General Manager Business Development and Investor Relations	Tel: +61 407 145 501
Media	Peter Jenkins Group Executive External Affairs	Tel: +61 439 015 292

Appendix 4E

Unaudited Preliminary Final Report

for the year ended 30 June 2022

1. Results for announcement to the market

(all comparisons to the year ended 30 June 2021)

The Appendix 4E should be read in conjunction with the attached Unaudited Preliminary Financial Report and the media release and financial results presentation lodged with the Australian Securities Exchange (ASX) on 22 August 2022.

Results in accordance with Australian Accounting Standards	Current period $m	% change
Revenue from ordinary activities	**1,527.1**	**(1.2%)**
Loss from ordinary activities after tax attributable to members of the parent	**(198.6)**	**N.M.[1]**
Net loss after tax for the period attributable to members of the parent	**(198.6)**	**N.M.[1]**

	Current Period Normalised [2] $m	% change	**Current Period Statutory [3] $m**	**% change**
Revenue	1,524.5	(1.6%)	1,527.1	(1.2%)
Earnings before interest, tax, depreciation and amortisation	236.7	(44.9%)	239.1	(44.0%)
Depreciation and amortisation	(208.3)	(1.0%)	(208.3)	(1.0%)
Earnings before interest and tax	28.4	(87.0%)	30.8	(85.8%)
Share of associates' profits	(8.6)	95.5%	(8.6)	95.5%
Net interest expense	(50.2)	(7.6%)	(50.2)	(7.6%)
Significant items (net of tax) [4]	-	-	(168.0)	226.2%
Income tax expense	(1.9)	(95.7%)	(2.6)	(94.6%)
Net profit / (loss) after tax	(32.3)	N.M.[1]	(198.6)	N.M.[1]

[1] The statutory change of (443.0%) and normalised change of (127.7%) is not meaningful as results moved from a profit to a loss position.

[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 turnover, taxes and revenue share commissions. Normalised earnings exclude significant items.

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

[4] Significant items include impairment of goodwill, regulatory matters legal defence, one-off COVID-19 related expenditure, underpaid casino duty, accounting for software change, business interruption and Crown unsolicited proposal costs, partially offset by the Group's share of gains on disposal of residential units in the Destination Gold Coast Consortium joint venture, disposal of Jet and dispute settlement.

2. Dividend information

	Year ended 30 June 2022	**Half year ended 31 December 2021**
Fully franked dividend (amount per share)[1]	N/A	N/A
Record Date	N/A	N/A
Date Payable	N/A	N/A

[1] No final dividend was declared for the year ended 30 June 2022. In accordance with agreed terms associated with the recent waiver of covenants from debt providers, no further cash dividends will be paid until gearing, which represents the ratio of net debt to 12 month trailing statutory EBITDA, is below 2.5 times.

Dividend reinvestment plan

The key terms of The Star Entertainment Group Limited's dividend reinvestment plan (***DRP***) in operation for the final 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]	$1.82	$1.85

[1] Net tangible asset backing per ordinary share excludes right of use assets.

4. Supplementary comments

Additional Appendix 4E disclosures and other significant information may be found in the attached Unaudited Preliminary Financial Report for the year ended 30 June 2022, and the media release and financial results presentation lodged with the ASX on 22 August 2022.

5. Independent auditor's report

This Unaudited Preliminary Final Report is based on the attached Unaudited Preliminary Financial Report for the year ended 30 June 2022 which is in the process of being audited. The Group is subject to ongoing regulatory and legal matters which may have a material impact on these results. Further information is included in the attached Unaudited Preliminary Financial Report, note C.

THE STAR ENTERTAINMENT GROUP LIMITED

The Star Entertainment Group Limited

A.C.N 149 629 023

ASX Code: SGR

and its controlled entities

Unaudited Preliminary Financial Report

For the year ended 30 June 2022

Consolidated income statement (unaudited)

For the year ended 30 June 2022

	Note	2022 $m	2021 $m
Revenue	A2	**1,527.1**	1,545.4
Other income	A3	**15.0**	12.6
Government taxes and levies	A3	**(387.7)**	(378.7)
Employment costs	A3	**(597.1)**	(501.7)
Depreciation, amortisation and impairment	A4	**(370.8)**	(243.8)
Cost of sales		**(77.1)**	(64.8)
Property costs		**(60.2)**	(56.2)
Advertising and promotions		**(64.5)**	(54.3)
Other expenses		**(148.8)**	(115.7)
Share of net profit/(loss) of associate and joint venture entities accounted for using the equity method	D1	**16.4**	(4.4)
Earnings before interest and income tax (EBIT)		**(147.7)**	138.4
Net finance costs	A5	**(52.3)**	(58.6)
(Loss)/profit before income tax (LBT/PBT)		**(200.0)**	79.8
Income tax benefit / (expense)		**1.4**	(21.9)
Net (loss)/profit after tax (NLAT/NPAT)		**(198.6)**	57.9
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Change in fair value of cash flow hedges taken to equity, net of tax		**20.5**	(6.4)
Total comprehensive (loss)/income for the period		**(178.1)**	51.5
Earnings per share:			
Basic earnings per share	E1	**(20.9)**	6.1 cents
Diluted earnings per share	E1	**(20.9)**	6.1 cents

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

Consolidated balance sheet (unaudited)

For the year ended 30 June 2022

	Note	2022 $m	2021 Restated* $m
ASSETS			
Cash and cash equivalents	B1	**82.0**	67.9
Trade and other receivables		**18.0**	23.3
Inventories		**16.2**	15.2
Income tax receivable		**4.4**	-
Derivative financial instruments		**1.4**	2.9
Asset held for sale		**-**	30.6
Other assets		**79.5**	23.8
Total current assets		**201.5**	163.7
Property, plant and equipment		**2,635.5**	2,695.4
Intangible assets		**1,662.0**	1,831.4
Derivative financial instruments		**62.9**	13.9
Investment in associate and joint venture entities		**669.6**	631.7
Other assets		**39.9**	37.2
Total non current assets		**5,069.9**	5,209.6
TOTAL ASSETS		**5,271.4**	5,373.3
LIABILITIES			
Trade and other payables		**206.4**	179.1
Interest bearing liabilities	B3	**6.1**	6.8
Income tax payable		**-**	1.0
Provisions		**109.6**	94.5
Derivative financial instruments		**5.7**	5.6
Other liabilities		**23.1**	23.5
Total current liabilities		**350.9**	310.5
Interest bearing liabilities	B3	**1,326.4**	1,285.9
Deferred tax liabilities		**142.6**	134.3
Provisions		**8.3**	10.0
Derivative financial instruments		**-**	8.0
Other liabilities		**9.0**	9.8
Total non current liabilities		**1,486.3**	1,448.0
TOTAL LIABILITIES		**1,837.2**	1,758.5
NET ASSETS		**3,434.2**	3,614.8
EQUITY			
Share capital		**3,171.0**	3,159.3
Retained earnings		**251.7**	450.3
Reserves		**11.5**	5.2
TOTAL EQUITY		**3,434.2**	3,614.8

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

** Comparatives have been restated due to wage compliance underpayments (refer to note F).*

Consolidated statement of cash flows (unaudited)

For the year ended 30 June 2022

	Note	2022 $m	2021 $m
Cash flows from operating activities			
Net cash receipts from customers (inclusive of GST)		**1,665.9**	1,689.7
Payments to suppliers and employees (inclusive of GST)		**(1,112.9)**	(995.9)
Payment of government levies, gaming taxes and GST		**(371.7)**	(335.2)
Income taxes paid		**(5.1)**	(6.8)
Receipt of government grants		**-**	112.7
Net cash inflow from operating activities		**176.2**	464.5
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		**(141.1)**	(102.1)
Proceeds from sale of plant and equipment		**40.8**	33.1
Payments for investment in associate and joint venture entities		**(21.7)**	(118.3)
Net cash outflow from investing activities		**(122.0)**	(187.3)
Cash flows from financing activities			
Proceeds from interest bearing liabilities		**125.9**	154.0
Repayment of interest bearing liabilities		**(104.0)**	(369.0)
Dividends paid	A6	**-**	(75.1)
Proceeds from issue of shares	A6	**-**	75.0
Finance costs		**(48.9)**	(61.3)
Purchase of treasury shares		**(1.9)**	-
Disposal of treasury shares		**-**	11.7
Interest payment of lease liabilities		**(3.5)**	(3.8)
Principal payment of lease liabilities		**(7.7)**	(6.9)
Net cash outflow from financing activities		**(40.1)**	(275.4)
Net increase in cash and cash equivalents		**14.1**	1.8
Cash and cash equivalents at beginning of the year		**67.9**	66.1
Cash and cash equivalents at end of the year	B1	**82.0**	67.9

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

Consolidated statement of changes in equity (unaudited)

For the year ended 30 June 2022

	Ordinary shares $m	Treasury shares $m	Retained earnings $m	Hedging reserve $m	Cost of hedging reserve $m	Share based payment reserve $m	Total $m
2022							
Balance at 1 July 2021 Restated*	**3,177.9**	**(18.6)**	**450.3**	**(21.4)**	**1.6**	**25.0**	**3,614.8**
Loss for the year	**-**	**-**	**(198.6)**	**-**	**-**	**-**	**(198.6)**
Other comprehensive loss	**-**	**-**	**-**	**19.5**	**1.0**	**-**	**20.5**
Total comprehensive income	**-**	**-**	**(198.6)**	**19.5**	**1.0**	**-**	**(178.1)**
Purchase of treasury shares	**-**	**(1.9)**	**-**	**-**	**-**	**-**	**(1.9)**
Shares issued to settle employee share programs	**-**	**13.6**	**-**	**-**	**-**	**-**	**13.6**
Employee share based payments	**-**	**-**	**-**	**-**	**-**	**(14.2)**	**(14.2)**
Balance at 30 June 2022	**3,177.9**	**(6.9)**	**251.7**	**(1.9)**	**2.6**	**10.8**	**3,434.2**
2021 Restated*							
Balance at 1 July 2020*	3,069.7	(18.9)	392.4	(16.6)	3.2	16.8	3,446.6
Profit for the year	-	-	57.9	-	-	-	57.9
Other comprehensive income	-	-	-	(4.8)	(1.6)	-	(6.4)
Total comprehensive income	-	-	57.9	(4.8)	(1.6)	-	51.5
Issue of share capital	108.2	-	-		-	-	108.2
Purchase of treasury shares	-	(12.0)	-	-	-	-	(12.0)
Disposal of treasury shares	-	11.7	-	-	-	-	11.7
Shares issued to settle employee share programs	-	0.6	-	-	-	-	0.6
Employee share based payments	-	-	-	-	-	8.2	8.2
Balance at 30 June 2021*	3,177.9	(18.6)	450.3	(21.4)	1.6	25.0	3,614.8

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

** Comparatives have been restated due to wage compliance underpayments (refer to note F).*

Notes to the financial statements (unaudited)

For the year ended 30 June 2022

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Notes to the financial statements (unaudited)

For the year ended 30 June 2022

A Key income statement disclosures

A1 Segment information

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 hotels, theatre, restaurants, bars and other entertainment facilities.

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

	Sydney	Gold Coast	Brisbane	Total
2022	**$m**	**$m**	**$m**	**$m**
Gross revenues - VIP	**4.7**	**0.6**	**0.2**	**5.5**
Gross revenues - domestic	**778.8**	**423.8**	**326.0**	**1,528.6**
Segment revenue	**783.5**	**424.4**	**326.2**	**1,534.1**
Segment earnings before interest, tax, depreciation, amortisation and significant items	**84.4**	**89.6**	**65.1**	**239.1**
Depreciation, amortisation and impairment before significant items (refer to note A4)	**118.3**	**63.1**	**26.9**	**208.3**
Capital expenditure	**60.8**	**65.2**	**13.6**	**139.6**
2021				
Gross revenues - VIP [a]	8.5	0.6	0.4	9.5
Gross revenues - domestic [a]	819.7	380.7	347.2	1,547.6
Segment revenue	828.2	381.3	347.6	1,557.1
Segment earnings before interest, tax, depreciation, amortisation and significant items	199.8	112.5	114.4	426.7
Depreciation and amortisation before significant items (refer to note A4)	119.9	61.9	28.7	210.5
Capital expenditure	58.5	59.3	13.5	131.3

a Total gross revenue is presented as the gross gaming win before player rebates and promotional allowances of $7.0 million (2021: $11.7 million).

	2022 $m	2021 $m
Reconciliation of reportable segment profit to profit before income tax		
Segment earnings before interest, tax, depreciation, amortisation and significant items	**239.1**	426.7
Depreciation and amortisation[a] (refer to note A4)	**(208.3)**	(210.5)
Significant items (refer to note A7)	**(172.0)**	(77.7)
Unallocated items:		
- net finance costs [a] (refer to note A5)	**(50.2)**	(54.3)
- share of net loss of associate and joint venture entities accounted for using the equity method [a] (refer to note D1)	**(8.6)**	(4.4)
(Loss)/profit before income tax (LBT/PBT)	**(200.0)**	79.8

[a] These items are before significant items (refer to note A7).

Notes to the financial statements (unaudited)

For the year ended 30 June 2022

A2 Revenue

	2022 $m	2021 $m
Gaming	**1,070.7**	1,150.9
Non-gaming	**448.1**	385.1
Other	**8.3**	9.4
Total revenue	**1,527.1**	1,545.4

A3 Other income and expenses

(Loss)/profit before income tax is stated after charging the following expenses and significant items:

	2022 $m	2021 $m
Other income		
Gain on disposal of assets (refer to note A7)	**10.1**	10.2
Net foreign exchange gain	**0.1**	-
Other	**4.8**	2.4
	15.0	12.6
Government taxes and levies (including gaming GST):		
New South Wales	**219.9**	208.0
Queensland	**167.8**	170.7
	387.7	378.7
Employment costs:		
Salaries, wages, bonuses, redundancies and other benefits [a]	**553.0**	451.3
Defined contribution plan expense (superannuation guarantee charges)	**44.9**	42.2
Share based payment expense	**(0.8)**	8.2
	597.1	501.7

[a] Salaries and wages have increased due to the COVID-19 restrictions being lifted. In the prior comparable period (***pcp***), the amount is net of $88.2 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 $58.0 million benefit towards salaries and wages expenses, for employees who have been stood up or are working reduced hours.

A4 Depreciation, amortisation and impairment

	2022 $m	2021 $m
Property, plant and equipment	**171.5**	176.2
Intangible assets	**36.2**	33.4
Other	**0.6**	0.9
Total depreciation and amortisation	**208.3**	210.5
Impairment - Property, plant and equipment	**-**	33.3
Impairment - Goodwill	**162.5**	-
Total impairment	**162.5**	33.3
Total depreciation, amortisation and impairment	**370.8**	243.8

Notes to the financial statements (unaudited)

For the year ended 30 June 2022

A5 Net finance costs

	2022 $m	2021 $m
Interest paid on borrowings	**37.6**	46.1
Borrowing costs	**13.3**	13.7
US Private Placement premium unwind	**-**	(5.4)
Fair value hedging adjustment	**(2.1)**	0.4
Leases interest	**3.5**	3.8
Net finance costs recognised in the income statement [a]	**52.3**	58.6

a Net finance costs include $2.1 million (2021: $4.3 million) of finance costs associated with COVID-19 affected loan facilities (refer to note A7).

Net finance costs of $52.3 million were down 10.8% on the pcp primarily due to lower average debt balances and cancellation of the $200 million club facility in December 2020.

A6 Dividends

The Group remains committed to maintaining a balance sheet that positions it for post-COVID-19 recovery. No final dividend was declared, given the continuing impacts of COVID-19 on the Group and in accordance with the conditions of debt covenant waivers which restrict further cash dividends from being paid until the Group's gearing, which represents the ratio of net debt to 12 month trailing statutory EBITDA, is below 2.5 times.

	2022 $m	2021 $m
Dividends declared and paid during the year on ordinary shares		
Final dividend paid during the year in respect of the year ended 30 June [a]	**-**	-
Interim dividend paid during the year in respect of the half year ended 31 December 2019 [b]	**-**	96.4

a No final dividend was declared for the year ended 30 June 2022 and 30 June 2021.

b No interim dividend was declared for the half year ended 31 December 2021 or 31 December 2020. The 2020 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 worth $21.3 million. 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.

	2022 $m	2021 $m
Franking credit balance		
Amount of franking credits available to shareholders	**92.0**	86.9

Notes to the financial statements (unaudited)

For the year ended 30 June 2022

A7 Significant items

(Loss)/profit before income tax (LBT/PBT) is stated after charging the following significant items:

	2022 $m	2021 $m
Goodwill impairment [a]	**162.5**	-
Bell review costs [b]	**17.4**	-
One-off COVID-19 related expenditure [c]	**11.9**	21.1
Underpaid casino duty [d]	**8.7**	-
Software-as-a-Service project costs [e]	**7.7**	7.1
Business Interruption and Crown unsolicited proposal costs [f]	**2.7**	1.1
JV profit on sale of units [g]	**(25.0)**	-
Disposal of Jet [h]	**(9.2)**	-
Dispute settlement [i]	**(4.7)**	-
Impairment [j]	**-**	36.5
Expected credit losses [k]	**-**	21.3
Gain on disposal of land [l]	**-**	(9.4)
Net significant items	**172.0**	77.7
Tax on significant items	**(4.0)**	(26.2)
Significant items net of tax	**168.0**	51.5

a Impairment of goodwill for The Star Sydney (see note B2)

b Legal costs associated with the Bell review (see note C1).

c Incremental one-off COVID-19 related expenditure including support payments for employees impacted by property shutdowns and covenant amendment fees for COVID-19 affected loan facilities. In the pcp, restructuring and redundancy costs relating to Group reorganisation as a result of the impact of COVID-19.

d Liability for underpaid casino duty (see note C1).

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

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

g Equity accounted share of Destination Gold Coast Consortium's profit relating to the sale of Tower 1 residential units.

h In September 2021, sale of the 2018 Bombardier Jet was completed.

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

j Impairment expense for write-down 2018 Bombardier Jet held for sale to its recoverable amount, venue closures and excess office space due to the closure of international junket operations following outcomes of Bergin Inquiry recommendations and write-off of combustible cladding used in property upgrades.

k Increased expected credit loss provisioning and impairment of other receivables as a result of the ongoing COVID-19 impacts on border closures and cessation of international junket operations due to the outcomes of the Bergin Inquiry recommendations.

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

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

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

Notes to the financial statements (unaudited)

For the year ended 30 June 2022

B Key balance sheet disclosures
Assets

B1 Cash and cash equivalents

	2022 $m	2021 $m
Cash on hand and in banks	**82.0**	64.1
Short term deposits, maturing within 30 days	**-**	3.8
	82.0	67.9

B2 Impairment testing and goodwill

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

Carrying amount of goodwill allocated to each cash generating unit

Cash generating unit (Reportable segment)	Sydney $m	Gold Coast $m	Brisbane $m	Total carrying amount $m
2022	851.0	165.5	263.2	1,279.7
2021	1,013.5	165.5	263.2	1,442.2

The recoverable amount of each of the three cash generating units at year end (Sydney, Gold Coast and Brisbane) is determined based on 'fair value less costs of disposal', which is calculated using the discounted cash flow approach. This approach utilises cash flow forecasts that represent a market participant's view of the future cash flows that would arise from operating and developing the Group's assets. These cash flows are principally based upon Board approved business plans for a five-year period, together with longer term projections and approved capital investment plans, extrapolated using an implied terminal growth rate of 2.5% (2021: 2.5%). These cash flows are then discounted using a relevant long term post-tax discount rate specific to each cash generating unit, ranging between 8.9% to 9.3% (2021: 7.9% to 8.4%). The pre-tax discount rates range between 11.4% to 11.8% (2021: 10.0% to 10.4%).

An impairment of $162.5 million was recognised in the Sydney cash generating unit at 30 June 2022 (2021: nil). No other impairments were recognised (2021: nil).

Key assumptions

The key assumptions on which management based its cash flow projections when determining 'fair value less costs of disposal' are as follows:

i. Cash flow forecasts

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

ii. Terminal value

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

iii. Discount rates

Discount rates applied are based on the post tax weighted average cost of capital applicable to the relevant cash generating unit. The FY2022 discount rate for Sydney includes a risk premium for the uncertainty associated with ongoing regulatory and other matters.

iv. Regulatory changes

Bergin Inquiry

Following the release of the Bergin Report in February 2021, in May 2021 the Group agreed with the Independent Liquor and Gaming Authority in NSW to terminate business with international junket operators. The Group is applying the undertaking to all of its casino operations (New South Wales and Queensland). This has been reflected in the cash flow forecasts.

Bell review

The Group has taken several additional remedial steps, including terminating the use of China Union Pay cards for gaming purposes and suspending all domestic and international rebate programs. This has been reflected in the cash flow forecasts.

Brisbane

Upon opening of the Integrated Resort in 1H FY2024, the existing Brisbane casino will cease to operate and the Group will act as the operator of the Queens Wharf Brisbane (***QWB***) casino.

The Group currently holds a perpetual casino licence in Brisbane that is attached to the lease of the current Brisbane site that expires in 2070. Upon opening of the QWB casino, the Group's casino licence will be surrendered and Destination Brisbane Consortium (***DBC***) will be granted a casino licence for 99 years including an exclusivity period of 25 years. The Group will surrender the Brisbane casino licence and some operational assets in exchange for the right to operate the new QWB casino.

The Group's assessment of the Brisbane cash generating unit's recoverable amount considered the remaining year of existing operations and a terminal value based on either the exchange of assets for management rights over the new QWB casino or applying a terminal growth to the final year of operations. Neither model resulted in an impairment.

Gold Coast

The Group continues to focus on delivery of its major investment projects in Queensland in joint venture with Chow Tai Fook and Far East Consortium.

Sydney

As announced on 1 June 2020, The Star Sydney and the New South Wales (***NSW***) Government entered into an agreement which gave The Star Sydney regulatory certainty in the Sydney market for a 20 year period. This included preserving The Star Sydney's exclusivity over electronic gaming machines in the Sydney casino market and flat rates of gaming tax (from FY2022) as a percentage of revenue until the end of FY2041.

Reforms to the NSW regulatory framework (see Note C2) purport to override compensation arrangements for specific regulatory actions taken by the NSW Government. The NSW Government has stated that there are various commercial arrangements, including restrictions or exclusivities applying to each of the licences, that should be honoured. The Group is considering the reforms and the potential implications for The Star Sydney.

In June 2022, the Independent Liquor and Gaming Authority granted a conditional licence for Crown Resorts Limited (***Crown***) to operate its Sydney Casino. The casino opened to the public on 8 August 2022. The expected impact of Crown Sydney has been taken into consideration in determining the recoverable amount of Sydney's cash generating unit at 30 June 2022. Management will continue to monitor actual impacts against the assumptions taken to determine the impact, if any, that this may have on the cash generating unit's carrying value.

v. Impairment

The Sydney property and broader casino industry is in a state of significant uncertainty. Recent regulatory changes have resulted in the cessation of the junket business, the pausing of international and domestic rebate businesses while COVID-19 restrictions continue to affect international visitation. The outcome from the Bell review and AUSTRAC investigation remain uncertain. In combination, these factors have reduced the valuation of the Sydney cash generating unit, requiring an impairment of $162.5 million to be recognised at 30 June 2022. The impairment is recognised in the line 'Depreciation, amortisation and impairment expense' in the Consolidated Income Statement and has been applied wholly to the cash generating units goodwill balance.

vi. Sensitivities

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

An increase or decrease of 0.5% in the Sydney discount rate (9.3%) would result in either a further impairment of $176.1 million or no impairment.

For Gold Coast, the recoverable amount is sensitive to changes in the compound average growth rate and discount rate. A 1.6% decline to compound average growth rate or a 0.4% increase in discount rate are reasonably possible changes that individually could give rise to a potential impairment.

For the Brisbane property, a reasonably possible change in any of the assumptions used does not result in an impairment charge. Management will continue to monitor the assumptions on the respective carrying values.

Notes to the financial statements (unaudited)

For the year ended 30 June 2022

Liabilities

B3 Interest bearing liabilities

	2022 $m	2021 $m
Current		
Lease liabilities	**6.1**	6.8
	6.1	6.8
Non current		
Bank loans - unsecured (net of unamortised borrowing costs)	**705.7**	776.5
Private placement - US dollar - amortised cost	**583.9**	466.0
Lease liabilities	**36.8**	43.4
	1,326.4	1,285.9

The bank facilities have maturities between one and five years, with an average weighted maturity of 2.9 years (2021: 3.7 years).

Net debt was $1,149.0 million, down 1.9% on the pcp. Adjusted gearing levels, calculated as agreed with the financiers on an annualised 2H FY2022 run rate, were 2.8x (2021: 2.7x unadjusted).

2022 Type	Facility amount $m USD	Facility amount $m AUD [a]	Unutilised at 30 June $m	Maturity date
Bank loans	-	75.0	75.0	July 2022
Bank loans	-	150.0	56.0	July 2023
Bank loans	-	765.0	225.0	July 2024
Bank loans	-	175.0	100.0	July 2025
Bank loans	-	40.0	40.0	July 2026
Total bank loans	**-**	**1,205.0**	**496.0**	
USPP	50.0	64.0	-	August 2025
USPP	288.4	369.4	-	August 2027
USPP	70.0	93.9	-	September 2028
Total USPP	**408.4**	**527.3**	**-**	
Total	**408.4**	**1,732.3**	**496.0**	

2021 Type	Facility amount $m USD	Facility amount $m AUD [a]	Unutilised at 30 June $m	Maturity date
Bank loans	-	75.0	31.0	July 2022
Bank loans	-	150.0	5.0	July 2023
Bank loans	-	765.0	257.0	July 2024
Bank loans	-	175.0	100.0	July 2025
Bank loans	-	40.0	31.0	July 2026
Total bank loans	-	1,205.0	424.0	
USPP	50.0	64.0	-	August 2025
USPP	288.4	369.4	-	August 2027
Total USPP	338.4	433.4	-	
Total	338.4	1,638.4	424.0	

[a] USPP Notes are issued in USD and converted to AUD for presentation purposes.

Notes to the financial statements (unaudited)

For the year ended 30 June 2022

C Commitments, contingencies and subsequent events

C1 Contingent assets and liabilities

AUSTRAC Enforcement Investigation

As announced on 7 June 2021, the Company was informed by AUSTRAC's Regulatory Operations Team that it has identified potential serious non-compliance by The Star Pty Limited (***The Star Sydney***) with the Australian Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (***AML/CTF Act***) and the Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No.1) (***AML/CTF Rules***).

The potential non-compliance includes concerns regarding ongoing customer due diligence, adopting and maintaining an AML/CTF Program and compliance with Part A of that Program. These concerns have been identified in the course of a compliance assessment which was commenced by AUSTRAC in September 2019. The compliance assessment focused on The Star Sydney's management of customers identified as high risk and politically exposed persons.

The matter was referred to AUSTRAC's Enforcement Team to conduct an enforcement investigation. In January 2022, AUSTRAC expanded the scope of its investigation to other entities within the Group and has served notices requiring the production of information and documents to AUSTRAC.

AUSTRAC has advised that it has not made a decision regarding the appropriate regulatory response that it may apply to the Group, including the extent to which enforcement action will be taken.

The Group takes its anti-money laundering obligations very seriously and will continue to fully co-operate with AUSTRAC in relation to its requests for information and documents and the investigation. While AUSTRAC may take enforcement action, the type of that enforcement action and quantum of financial penalty imposed by the Federal Court is not known.

Bell Review

In September 2021 the Group was notified by the Independent Liquor & Gaming Authority (***ILGA***) that Adam Bell SC will undertake the next regular review of The Star Sydney's casino operations in accordance with the *Casino Control Act 1992 (NSW)*.

On 19 October 2021 ILGA advised the review would include public hearings relating to The Star Sydney's casino operations. The public hearings ran from March to May 2022 and considered various matters concerning suitability to hold a casino licence, including the Group's maintenance and administration of systems to counter money laundering and infiltration by organised crime. Mr Bell's report will be provided to ILGA by 31 August 2022.

In FY2021 the Group had taken remedial steps to cease business with international junket operators following agreement with ILGA. Use of China Union Pay for gaming purposes also ceased. In FY2022 the Group suspended all rebate programs.

The outcome of the review is unknown and the extent of a financial impact is uncertain.

Underpaid casino duty

The Group has commenced an independent assessment of residency status and consequential rebate gaming activity for a number of patrons, as identified in the Bell review. To date, the review has identified some instances where the eligibility for rebate play was not properly supported. While errors were made, the Group is confident there was no systemic effort to encourage patrons to change their residency status. A liability for underpaid casino duty has been recognised in the balance sheet at 30 June 2022. The review is not yet complete, and the final quantum of casino duty and interest is unknown and may be materially different to the liability recognised as it is subject to further analysis and discussions with the NSW Government.

Class Action

In March 2022 The Star Entertainment Group Limited was served by Slater & Gordon with a statement of claim for a securities class action in the Supreme Court of Victoria.

The claim alleges the Group failed to comply with continuous disclosure requirements and engaged in misleading or deceptive conduct between 29 March 2016 and 16 March 2022 through various alleged disclosures or non-disclosures about its systems, controls, operations and regulatory risks. The allegations reference the ongoing Bell review and previous media reporting. The matter is listed for case management conference for a date to be set after 14 September 2022. The Group intends to defend the proceedings.

The outcome and any potential financial impacts are unknown.

GST Amended Assessments

On 11 August 2021 the Group received amended assessments from the Australian Taxation Office (***ATO***) in respect of a dispute for the period October 2013 to August 2017 (inclusive) in relation to the GST treatment of rebates paid to junket operators for The Star Pty Limited. The amount in dispute for this period is approximately $138.8 million (primary tax of $81.9 million and interest of $56.9 million). During 1H FY2022 the Group paid $40.9 million as a deposit to the ATO on a no-admissions basis. The deposit is held as a current asset on the balance sheet.

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

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

Withholding tax penalty

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

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

Legal challenges

There are outstanding legal actions between the Company and its controlled entities and third parties as at 30 June 2022. The Group has notified its insurance carrier of all relevant litigation and believes that any damages (other than exemplary damages) that may be awarded against the Group, in addition to its costs incurred in connection with the action, will be covered by its insurance policies where such policies are in place. Where there are no policies in place, provisions are made for known obligations where the existence of a liability is probable and can be reasonably quantified. As the outcomes of these actions remain uncertain, contingent liabilities exist for possible amounts eventually payable that are in excess of the amounts covered by the insurance policies in place or of the amounts provided for.

The Group has no other contingent liabilities at 30 June 2022.

C2 Subsequent events

NSW casino regulatory framework reforms

On 11 August 2022 the *Casino Legislation Amendment Act 2022 (NSW)* was enacted to give effect to amendments to the *Casino Control Act 1992*. These amendments enact reforms to the NSW casino regulatory framework, including to address all 19 recommendations of the Bergin Inquiry and certain additional measures. This included establishing the New South Wales Independent Casino Commission as a new independent regulator. The Group is considering the impact and will implement the changes required for The Star Sydney.

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

C3 Regulatory matters

External Review of the Group's Queensland operations

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

The review, led by the Honourable Robert Gotterson AO, will examine whether these casinos operate in a way that is consistent with achieving the objectives of the *Casino Control Act* and the ongoing suitability of the Group's casino licensees. Public hearings will take place from 23-29 August 2022.

The review will report to the Attorney-General by 30 September 2022.

Notes to the financial statements (unaudited)

For the year ended 30 June 2022

D Group structure

D1 Investment in associate and joint venture entities

Set out below are the investments of the Group as at 30 June 2022. The entities listed below have share capital consisting solely of ordinary shares, which are held by the Group. The country of incorporation is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. All investments listed below are measured using the equity accounting method.

2022 Name of entity	Country of incorporation	% of ownership	Nature of ownership	2022 $m	2021 $m
Material					
Destination Brisbane Consortium Integrated Resort Holdings Pty Ltd	Australia	50	Associate	**(5.3)**	**(2.7)**
Destination Gold Coast Investments Pty Ltd	Australia	50	Joint venture	**0.2**	**(0.2)**
Destination Gold Coast Consortium Pty Ltd	Australia	33.3	Joint venture	**23.6**	**(0.2)**
Non material					
Festival Car Park Pty Ltd	Australia	50	Joint venture	**0.4**	**0.5**
Destination Sydney Consortium Investments Pty Ltd	Australia	50	Joint venture	**(2.5)**	**(1.8)**
Total share of profit / (loss)				**16.4**	**(4.4)**

Total share of profit is up $20.8 million on the pcp primarily due to Destination Gold Coast Consortium Pty Ltd, which is the joint venture responsible for development of residential and hotel towers on the Gold Coast. In 2H2022 a significant portion of the Tower 1 residential unit sales settled resulting in a gain of $25.0 million (refer to note A7).

E Other disclosures

E1 Earnings per share

	2022 $m	2021 $m
Net profit after tax attributable to ordinary shareholders	**(198.6)**	57.9
Basic earnings per share (cents per share)	**(20.9)**	6.1
Diluted earnings per share (cents per share)	**(20.9)**	6.1

	2022 Number	2021 Number
Weighted average number of shares used as the denominator		
Number of ordinary shares issued at the beginning of the year	**946,489,027**	912,004,595
Adjustment for issue of new share capital on 2 July 2020	**-**	30,646,803
Movement in treasury shares	**2,754,899**	2,865,392
Weighted average number of shares used as the denominator	**949,243,926**	945,516,790
Adjustment for calculation of diluted earnings per share:		
Adjustment for Performance Rights	**-**	6,355,397
Weighted average number of ordinary shares and potential ordinary shares as used as the denominator in calculating diluted earnings per share at the end of the year	**949,243,926**	951,872,187

Notes to the financial statements (unaudited)

For the year ended 30 June 2022

F Accounting policies and corporate information

Wage compliance

The Group announced to the ASX it had identified the underpayment of wages to certain current and former salaried team members. The underpayment was identified through a six-year retrospective wage review of salaried team members underpinned by modern awards. In some cases, team members were found to not be 'better off overall' as the annual salary was not sufficient to compensate the team member for their equivalent award entitlements such as overtime and penalty rates.

While this review is ongoing, based on preliminary analysis, the Group determined a liability of $13.2 million was required at 30 June 2020. The liability includes estimated back payments, interest, and superannuation contributions, where applicable.

The impact of the restatement on the profit before income tax for the year ended 30 June 2022 and 30 June 2021 is 'nil' with the remaining amount recorded in retained earnings as a prior period restatement in accordance with Australian Accounting Standard AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

The impact of the restatement on the balance sheet is an increase in trade and other payables of $13.2 million and a decrease in deferred tax liabilities and retained earnings of $4.0 million and $9.2 million retrospectively at 30 June 2021.