THE STAR

ASX Announcement

29 February 2024

APPENDIX 4D & H1 FY24 FINANCIAL REPORT

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

1. Appendix 4D;
2. Directors' Report and Interim Financial Report for the half-year ended 31 December 2023.

Dividend Reinvestment Plan

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

Authorised by:

Board of Directors

For further information:

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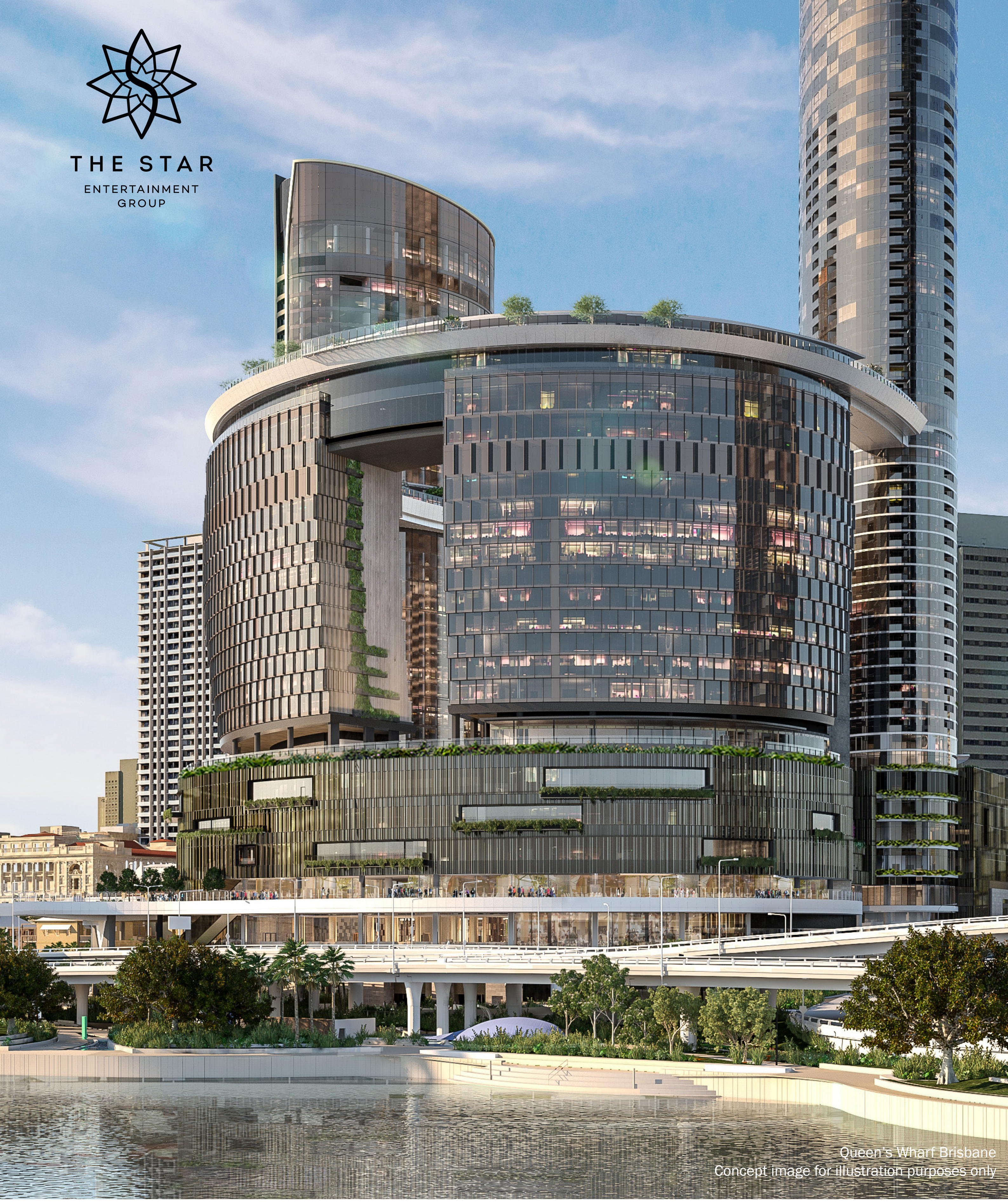
THE STAR
ENTERTAINMENT
GROUP



Queen's Wharf Brisbane
Concept image for illustration purposes only

THE STAR ENTERTAINMENT GROUP LIMITED

Appendix 4D and Interim Financial Report for the half-year ended 31 December 2023

ACN: 149 629 023 | ASX Code: SGR

Appendix 4D

Interim Financial Report
for the half year ended 31 December 2023

Name of Entity	**The Star Entertainment Group Limited**
ABN	**85 149 629 023**
Reporting Period	**For the half year ended 31 December 2023**
Previous Reporting Period	**For the half year ended 31 December 2022**

Results for announcement to the market

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 2023 lodged with the Australian Securities Exchange (ASX) on 29 August 2023.

			Half year ended		
		%	**31 Dec 2023 $'million**		**31 Dec 2022 $'million**
Revenue from ordinary activities	▼	14.6%	865.7	from	1,013.2
Profit/(loss) from ordinary activities after tax attributable to members of the parent	▲	>100.0%	9.1	from	(1,264.0)
Net profit/(loss) after tax for the period attributable to members of the parent	▲	>100.0%	9.1	from	(1,264.0)

Key Financial Results	**Current Period Normalised[1]**	**% change**	**Current Period Statutory[2]**	**% change**
	$'million	**%**	**$'million**	**%**
Revenue	**865.7**	**(14.6%)**	**865.7**	**(14.6%)**
Earnings before interest, tax, depreciation and amortisation	**113.6**	**(43.1%)**	**113.6**	**(43.1%)**
Depreciation and amortisation	(62.2)	(38.3%)	(62.2)	(38.3%)
Earnings before interest, tax and significant items	**51.4**	**(48.0%)**	**51.4**	**(48.0%)**
Share of associates' profits	3.7	>100.0%	3.7	>100.0%
Net interest expense	(18.6)	(44.6%)	(18.6)	(44.6%)
Significant items (net of tax)[3]	N/A	-	(15.9)	(98.8%)
Income tax expense	(11.5)	(42.2%)	(11.5)	(42.2%)
Net profit after tax	**25.0**	**(42.7%)**	**9.1**	**>100.0%**

1. *The Group suspended all international rebate programs in May 2022 in response to the Bell Review. Consequently, normalised earnings exclude significant items only.*
2. *Statutory results disclose revenues and expenses at actual win rates and include significant items.*
3. *Significant items include debt refinancing costs, regulatory, consultant, legal and other costs, partially offset by profit on the sale of assets.*

Appendix 4D (cont.)

Interim Financial Report
for the half year ended 31 December 2023

Dividend information

	Half year ended	
	31 Dec 2023	**31 Dec 2022**
Interim fully franked dividend declared (amount per share)[1,2]	N/A	N/A
Record Date	N/A	N/A
Date Payable	N/A	N/A

1. *No interim dividend was declared for the period ended 31 December 2023. In accordance with the conditions of the debt facilities which restrict further cash dividends from being paid until the Queen's Wharf Brisbane Casino Joint Venture facilities have been refinanced, expected regulatory fines from AUSTRAC have been determined, the Group's net leverage, which represents the ratio of net senior debt including known and expected fines and outgoings to 12 month trailing statutory EBITDA, is below 1.5 times prior to and immediately following a distribution and there are no default or review events.*
2. *The Group's Dividend Re-investment Plan (**DRP**) is suspended until such time as the Group declares a dividend.*

Net tangible assets per share

	Half year ended	
	31 Dec 2023	**31 Dec 2022**
Net tangible asset backing per ordinary share[1]	$0.76	$1.40

1. *Excludes Right-of-use assets.*

Other information

Additional Appendix 4D disclosures and other significant information can be found in The Star Entertainment Group Limited's Directors' Report and Interim Financial Report for the half year ended 31 December 2023, the Media Release and Results Presentation lodged with the ASX on 29 February 2024.

THE STAR ENTERTAINMENT GROUP

Directors' Report and Interim Financial Report

for the half year ended

31 December 2023

Contents

Interim Financial Report
for the half year ended 31 December 2023

Directors' Report

for the half year ended 31 December 2023

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 2023 (**1H FY24**).

1. DIRECTORS

The names and titles of the Company's Directors in office at any time during the half year ended 31 December 2023 and to the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Directors	
David Foster	Chair and Independent Non-Executive Director
Robbie Cooke	Group CEO | Managing Director
Peter Hodgson[a]	Independent Non-Executive Director
Michael Issenberg	Independent Non-Executive Director
Deborah Page AM	Independent Non-Executive Director
Antonia Thornton[b]	Independent Non-Executive Director
Anne Ward	Independent Non-Executive Director

[a] *Appointed as Independent Non-Executive Director on 7 February 2024 following the receipt of all necessary regulatory approvals.*
[b] *Appointed as Independent Non-Executive Director on 17 October 2023 following the receipt of all necessary regulatory approvals.*

2. PRINCIPAL ACTIVITIES

The principal activities of the Group are the management of entertainment and leisure destinations 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 (**QLD**) Government and invests in a number of strategic joint ventures.

The Group owns Broadbeach Island on which The Star Gold Coast is located.

Following a review conducted into the operations of The Star Sydney by Mr Adam Bell SC and a review conducted into the operations of The Star Gold Coast and Treasury Brisbane by the Hon. Robert Gotterson AO, the following actions were taken by the respective regulators relating to the Group's casino licences.

Sydney

On 17 October 2022, the Group received written notice from the New South Wales Independent Casino Commission (the **NICC**) under section 23(4)(a) of the *Casino Control Act 1992 (NSW)* (**NSW CCA**) that The Star Pty Limited, being the New South Wales (**NSW**) casino licence holder and wholly owned subsidiary of the Group, has had its licence suspended indefinitely, with effect from 9:00am (AEDT) on Friday, 21 October 2022.

Also effective from this date, the NICC appointed a Manager of the Sydney casino under section 28 of the NSW CCA. The Manager's appointment, initially for a period of 90 days, was subsequently extended on 16 December 2022 by a further 12 months to 19 January 2024, unless terminated earlier by the NICC.

The Group submitted a draft remediation plan (**Remediation Plan**) to the NICC, designed to address the issues identified by the Bell Review. The Remediation Plan includes approximately 640 milestones across 15 workstreams to be implemented over a multi-year period. The NICC has advised that it does not intend to formally approve the Remediation Plan and it is noted that, unlike under the Queensland regulatory regime, there is not a legislative requirement for approval in NSW. The Remediation Plan has been developed by the Group with oversight and input from the Manager.

In November 2023, the NICC notified the Group that the NICC has requested that the term of the appointment of the Manager be extended by regulation to 30 June 2024, unless terminated earlier by the NICC. The NICC has advised that this is intended to be the final extension of the Manager's term. During the period of extension, the Group will need to demonstrate to the NICC that it is capable of undertaking the action required for it to become suitable including demonstrating capability of implementing the proposed Remediation Plan.

Directors' Report (cont.)

for the half year ended 31 December 2023

Gold Coast and Brisbane

On 9 December 2022, the Group received written notice from the Queensland Attorney-General and the Queensland regulator, the Office of Liquor and Gaming Regulation (**OLGR**), of the following disciplinary action under section 31 of the *Casino Control Act 1982 (Qld)* in relation to its subsidiaries, The Star Entertainment QLD Limited (the licensee of Treasury Brisbane) and lessee of The Star Gold Coast and The Star Entertainment QLD Custodian Pty Ltd (the licensee of The Star Gold Coast):

- The Treasury Brisbane and The Star Gold Coast casino licences are to be suspended for a period of 90 days on a deferred basis with effect from 1 December 2023; and
- A Special Manager has been appointed to monitor operations of Treasury Brisbane and The Star Gold Coast.

On 24 November 2023, the Group received confirmation that the Remediation Plan has been approved by the Attorney-General of Queensland in accordance with the provisions of the *Casino Control Act (QLD)*, as applying to the casino entities for The Star Gold Coast and Treasury Brisbane casinos. Following this decision, on the recommendation of the Attorney-General, the Governor-in-Council approved:

- changing the date of effect of the 90-day casino licence suspensions for The Star Gold Coast and Treasury Brisbane casinos from 1 December 2023 (the originally determined date) to 31 May 2024; and
- extending the term of the Special Manager for The Star Gold Coast and Treasury Brisbane casinos by 12 months to 8 December 2024.

Accordingly, the Group will be required, prior to 31 May 2024 when the deferred suspensions would otherwise take effect, to demonstrate to the Queensland Government, that it is capable of delivering upon the Remediation Plan and returning to suitability.

3. FINANCIAL RESULTS AND REVIEW OF OPERATIONS

The Group's focus in the period was prioritised to remediation and demonstrating to the respective state regulators that it is capable to undertake the actions required to become suitable. Significant progress was made in the period relating to remediation with the Group completing 200 milestones, out of a total 638 milestones in accordance with the Remediation Plan timetable. Of these, 57 have been reviewed and independently verified and then provided to the Manager/Special Manager for acceptance. The Manager/Special Manager has accepted 8 of the 57 milestones provided. It should be noted that ultimately it will be for the relevant regulator in each jurisdiction to make its own assessment of the adequacy of the completion of the milestones. Detail of these items and progress against other major business challenges, includes:

3.1. A continued focus on remediation and returning to suitability

The Group has undertaken a significant program to uplift its AML/CTF capabilities, Safer Gambling capabilities and risk and compliance processes as well as introducing a new culture, embedding greater accountability and governance and undergoing an organisational restructure. The key progress made to date is provided below:

Uplift of AML/CTF capabilities

- Expanded the AML team from 26 to 115 full time employees with growth and recruitment continuing.
- Re-wrote the AML/CTF Program Manual and subsequently implemented it in January 2024.
- Established new and updated screening and monitoring solutions for AML/CTF risks.
- Implemented new and updated screening and monitoring solutions for AML/CTF risks.
- Established new governance forums to manage changes in financial crime controls such as changes to transaction monitoring rules and screening settings, to escalate and manage patron risks and to ensure executive level oversight of financial crime matters, with the creation of a Financial Crime Operating Committee, chaired by the Group CEO | Managing Director.

Uplift of Safer Gambling capabilities

- More than quadrupled the safer gambling team with 82 full time employees, up from 18.
- Introduced expanded time play management rules to increase guest engagement on safer gambling matters and putting in place the supporting software and technology.
- Created a standardised exclusions and governance forum to ensure alignment across Queensland and New South Wales.
- Engaged with global leaders in Safer Gambling to develop solutions and approaches for an industry code in Queensland, working closely with other Queensland casino operators.
- Enhanced Safer Gambling reporting including at risk patron reports, intervention reports, controls checklists and time play analysis.

Directors' Report (cont.)

for the half year ended 31 December 2023

3. FINANCIAL RESULTS AND REVIEW OF OPERATIONS (cont.)

- Introduced a new organisational value "*Take Good Care*".
- Updated the Group's Safer Gambling Policy.
- Updated and enhanced the Safer Gambling training program to ensure team members have the right capabilities and competencies.
- Developed an internal predictive model to identify patterns of guest play that could be indicative of gambling harm.

Uplift of risk and compliance processes

- Increased the risk team to 95 full time employees from 53.
- Engaged Deloitte to complete an independent root cause analysis of the failings identified in the Gotterson and Bell reviews.
- Replaced all Sydney internal controls - a project completed in 8 months by approximately 150 team members and involving 546 unique controls.
- Materially enhanced governance and controls environments and operationalised and embedded these processes and controls including the establishment of a program of work to prioritise the review and uplift of the Queensland Internal Control Manuals with Phase 1 and Phase 2 ICMs submitted to the OLGR.
- Implemented enhanced risk assessment processes, new know-your-customer processes, new screening solutions, new transaction monitoring rules, and updated policy, program and training artefacts.
- Established Compliance Committees for each of our wholly owned subsidiaries which hold casino licences to provide independent oversight of the Group's compliance with our obligations under regulatory statutes applicable to the operation of a casino.
- Established new breach reporting processes and protocols.
- Launched the "Raise It" campaign to encourage internal reporting of any matters of concern.

Introducing a new culture and embedding greater accountability and governance

- Developed a strategic "*North Star*" along with a new purpose statement and a new set of values and principles.
- Engaged the highly respected, The Ethics Centre, who completed an intensive culture review, the recommendations of which are being fully implemented.
- Started to embed greater accountability and more robust governance in ways of working.
- Established a Safer Gambling, Ethics and Governance Board Committee.

Board and Leadership Team

- Commenced an organisational restructure designed to create a simpler framework with more decision-making authority at a property level, while maintaining appropriate oversight from a Group level.
- Replaced the entire Board with all new Independent Non-Executive Directors.
- Refreshing the senior leadership team with key external appointments:
  - New Group Chief Executive Officer | Managing Director
  - New Group Chief Risk Officer
  - New Group General Counsel
  - New Star Sydney Chief Executive Officer
  - New Star Brisbane Chief Executive Officer
  - New Group Chief Audit Officer (commencing appointment on 30 April 2024)
  - New Group Chief Controls Officer

The Group takes its obligations seriously and considers the ability to hold a casino licence as a privilege. The Board and senior management are learning from the lessons of the past, acknowledge the gravity of the conduct raised in the Bell and Gotterson Reports, and accept that the Group did not live up to the trust placed in it by the people of NSW and Queensland.

3.2. Reaching agreement with the NSW Government to amend the casino duty rates

- Creating a sustainable path forward for The Star Sydney which seeks to protect the jobs of thousands of NSW team members.

Directors' Report (cont.)

for the half year ended 31 December 2023

3. FINANCIAL RESULTS AND REVIEW OF OPERATIONS (cont.)

3.3. The successful completion of debt refinancing and equity raising

- Secured $450 million of new debt facilities with $150 million as a 4-year revolving credit facility and $300 million as a 4-year underwritten term loan.
- Repaid and cancelled all previously existing debt.
- Strengthened the Balance Sheet with no debt maturities until FY28.
- Secured a more flexible covenant package.

3.4 Settling the litigation with Multiplex

- Destination Brisbane Consortium (**DBC**) (50% owned by the Group) entering into a settlement deed with Multiplex in late December 2023.
- Settlement of all outstanding claims between both DBC and Multiplex.
- The removal of considerable uncertainty and distraction.
- The Group's share of settlement arrangements expected to be in the range of $30 million to $85 million.

FINANCIAL PERFORMANCE

Net revenue of $865.7 million was down by 14.6% on the prior comparative period (**pcp**). The lower revenue reflects the implementation of necessary uplifted control environment which led to higher rates of exclusions and the time play management of customers. Furthermore the increased competitive environment and the weaker consumer discretionary environment as a result of increased interest rates also had an impact on revenue.

Operating expenses (excluding significant items) of $541.6 million were down 5.0% on pcp. Despite higher levels of risk and compliance resourcing, higher remediation costs and inflationary pressures on input costs, cost savings were achieved aligned with the benefit of the cost-out program completed in FY23 and lower activity levels within the properties. Government taxes and levies of $210.5 million were down 13.6%, aligned with the decrease in domestic gaming revenue, partially offset by the increase in NSW casino duty rates.

Overall, earnings before interest, tax, depreciation and amortisation (**EBITDA**) (excluding significant items) of $113.6 million was down 43.1% driven by the lower revenue slightly offset by the benefits of the ~$100 million annualised cost out program.

Depreciation and amortisation (excluding significant items) expense of $62.2 million was down 38.3% on pcp due to the impact of impairments to property, plant and equipment and intangibles in FY23. Finance costs (excluding significant items) of $18.6m were down 44.6% on pcp. Proceeds from the capital raise were used to repay and terminate existing bank loans and USPPs in October 2023. The new syndicated facility was not drawn until December 2023, providing approximately two months where no debt was drawn.

Significant items (net of tax) of $15.9 million include finance costs associated with the close out of derivatives and debt termination fees and regulatory, consultant, legal and other costs, partially offset by gain on disposal of the Sheraton Grand Mirage. Significant items in the pcp of $1,307.6 million included impairment of the Sydney property, regulatory, fines, penalties, duty, consultant and legal costs and accounting for software changes, partially offset by gain on disposal of the DGCC residential apartments and DSCI Pyrmont Tower.

Net profit after tax (**NPAT**) (after significant items) was $9.1 million, up on a loss of $1,264.0 million in the pcp. Normalised[1] NPAT was $25.0 million.

FINANCIAL POSITION

The Group's major refinancing projects were completed during the half, with $750 million of capital raised and execution of a $450 million, four-year syndicated debt facility. Proceeds from the capital raising were used to repay and terminate existing bank loans and USPP, while the $300 million term facility was fully drawn in December 2023. Other significant receipts included settlement of the cross currency and interest rate swaps for $49.7 million and a portion of the Group's share of proceeds on disposal of the Sheraton Grand Mirage of $55.9 million. At 31 December 2023, the Group was in a net cash position of $171.1 million (30 June 2023: net liability of $595.5 million), comprising cash and cash equivalents of $436.3 million partially offset by gross debt (excluding lease liabilities) of $265.2 million. The Group continues to pursue the recycling of other non-core assets, including the Treasury buildings and Benetti Boat.

1. *The Group suspended all International VIP rebate programs in May 2022 in response to the Bell Review. Consequently, normalised earnings exclude significant items only.*

Directors' Report (cont.)

for the half year ended 31 December 2023

3. FINANCIAL RESULTS AND REVIEW OF OPERATIONS (cont.)

In Gold Coast, construction of the second tower (Tower 2) is up to level 42, with Green Star performance ratings received. All 450 residential apartments have been pre-sold. Upon expected completion in FY25, The Star Gold Coast will have in excess of 2,000 hotel rooms and apartments on the island.

In Brisbane, Destination Brisbane Consortium (**DBC**)'s development of Queen's Wharf Brisbane (**QWB**) is continuing with the final section of the SkyDeck lifted into place, topping out of The Star Grand Hotel and receipt of 'the keys' to several dining, entertainment and gaming areas on levels 5 and 6. Restoration and repurposing of the heritage buildings is in progress and the Neville Bonner bridge is complete. Settlement with Multiplex included a revised program of works that means phased opening is expected to commence in August 2024.

OPERATING SEGMENT PERFORMANCE

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

Net revenue was $450.0 million, down 16.9% on the pcp. The decrease reflects the implementation of necessary uplifted control environment, which led to increased exclusions and impacted guest experience. It also reflects increased competition. The provision of complimentary services and benefits in private gaming areas resumed from November 2023. Non-gaming revenue performed better than gaming, however was still down on pcp, primarily driven by restaurants and bars, aligned with lower visitation.

EBITDA (before significant items) was $37.4 million, down 57.2% on the pcp. Operating expenditure decreased $21.1 million reflecting the benefits of the cost-out program, partially offset by an increase in employee enterprise rates, risk, compliance and remediation costs. Gaming taxes and levies decreased $20.1 million, aligned with lower gaming revenues, partially offset by the increase in NSW casino duty rates.

Gold Coast

Net revenue was $238.1 million, down 13.6% on the pcp. The decrease reflects the implementation of necessary uplifted control environment, which led to increased exclusions and impacted guest experience. The decrease is also due to the normalisation of consumer spend in the Gold Coast market following the benefit of post-COVID demand experienced in the pcp and the resurgence of outbound international travel, resulting in a drop off in domestic leisure travel. Non-gaming revenue performed better than gaming, however was still down on pcp, primarily driven by restaurants and bars, aligned with lower visitation.

EBITDA (before significant items) was $44.6 million, down 32.6% on the pcp. Operating expenditure decreased $7.6 million reflecting the benefits of the cost-out program, partially offset by an increase in employee enterprise rates, risk, compliance and remediation costs. Gaming taxes and levies decreased $8.3 million, aligned with lower gaming revenues.

Brisbane

Net revenue was $177.6 million, down 9.6% on the pcp. The decrease reflects the implementation of necessary uplifted control environment, which led to increased exclusions and impacted guest experience. Non-gaming revenue performed better than gaming, however was still down on pcp, primarily driven by restaurants, aligned with lower visitation.

EBITDA (before significant items) was $31.6 million, down 31.5% on the pcp. Operating expenditure increased $0.4 million reflecting an increase in employee enterprise rates, risk, compliance and remediation costs partially offset by the benefits of the cost-out program. Gaming taxes and levies decreased $4.7 million, aligned with lower gaming revenues.

Directors' Report (cont.)

for the half year ended 31 December 2023

4. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS, REGULATORY MATTERS AND FUTURE DEVELOPMENTS

AUSTRAC civil proceedings

As announced on 7 June 2021, and 14 January 2022, entities within the Group were the subject of an Australian Transaction Reports and Analysis Centre (**AUSTRAC**) enforcement investigation. This followed potential non-compliance concerns identified in the course of a compliance assessment which was commenced by AUSTRAC in September 2019.

On 30 November 2022 The Star Pty Limited and The Star Entertainment QLD Limited (collectively **The Star Entities**), were served with a statement of claim from AUSTRAC, commencing Federal Court civil penalty proceedings in relation to alleged contraventions of obligations under the *Anti-Money Laundering and Counter Terrorism Financing (AML/ CTF) Act 2006*. The claims include that The Star Entities:

1. Failed to appropriately assess money laundering and terrorism financing risks.
2. Did not include in their AML/CTF programs appropriate risk-based systems and controls to mitigate and manage risks.
3. Failed to establish an appropriate framework for Board and senior management oversight of the AML/CTF programs.
4. Did not have a transaction monitoring program to monitor transactions and identify suspicious activity that was appropriately risk-based or appropriate to the nature, size and complexity of The Star Entities.
5. Did not have an appropriate enhanced customer due diligence program to carry out additional checks on higher risk customers.
6. Did not conduct appropriate ongoing customer due diligence on a range of customers who presented higher money laundering risks 1,189 times in New South Wales and 325 times in Queensland.

The Star Entities filed a Statement of Admissions and Factual Contentions (SAFC) on 10 November 2023. Following further case management hearings in November and December 2023, the parties are continuing to negotiate, with a current focus on narrowing the issues subject to discussion. The Star Entities filed further admissions on 12 February 2024 and the parties are due to file a joint list of issues in dispute as well as a list of topics for expert evidence by 8 March 2024.

AUSTRAC has commenced civil penalty proceedings against other companies on five occasions, one of which is yet to conclude. The four concluded AUSTRAC proceedings to date have led to the Federal Court approving and / or ordering the respondent to pay significant penalties (Tabcorp $45 million (2017); CBA $700 million (2018); Westpac $1.3 billion (2020) and most recently, Crown $450 million (2023)). The determination of the Federal Court's penalty (including where a penalty has been jointly proposed by AUSTRAC and the defendant to the Court) is specific to the facts of each case and arrived at after consideration of admissions made and evidence and submissions in relation to the appropriateness of the penalty.

The Statement of Claim from AUSTRAC alleges that the number of breaches committed by The Star Entities is innumerable. Following a review of the Statement of Claim from AUSTRAC, and an analysis of penalties against other companies (described above), the relative size of the Group and capacity to pay, the Group has determined a provision on the Balance Sheet at 31 December 2023. This provision was, and is, recognised at a time where there remains considerable uncertainty as to the approach the Federal Court will ultimately take when considering any agreed penalty and where The Star Entities continue to engage with AUSTRAC and the Australian Government Solicitor in relation to remediation activities designed to address allegations of ongoing deficiencies in The Star Entities' AML/CTF programs. Any actual penalty paid by the Group may differ materially to the provision recorded at 31 December 2023.

Underpaid casino duty

During the Bell review, concerns were raised regarding the characterisation of residency for rebate patrons and the potential consequences for the Group's calculations of rebate duty payable to the NSW Government. As a result, the Group undertook an independent assessment of residency status and consequential rebate gaming activity for a number of patrons that had changed their residency status from ordinarily resident in New South Wales to being ordinarily resident interstate or overseas between 28 November 2016 to 9 May 2022.

The Bell report recommended the NICC engage an independent expert to perform their own audit of all patrons that engaged in rebate play at The Star Sydney since 28 November 2016 and a clear and objective test regarding the residency of players be included in The Star Sydney's Duty Agreement.

The Group and NSW Liquor and Gaming have reached an in-principle agreement for the scope of rebate players to be assessed by way of an independent review to be completed by 30 June 2024. The Group is also continuing to work with the NICC and NSW Treasury to develop a clear and objective test for the residency of players. Such a test will require an amendment to The Star Sydney's Duty agreement and result in changes to relevant internal controls.

The Group has determined a provision on the Balance Sheet at 31 December 2023 of the potential impact of the review of rebate play for all patrons. The final quantum of casino duty may be materially different to the amount provided as it is subject to further analysis and discussions with the Department of Enterprise, Investment and Trade and NSW Treasury.

Directors' Report (cont.)

for the half year ended 31 December 2023

4. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS, REGULATORY MATTERS AND FUTURE DEVELOPMENTS (cont.)

ASIC civil penalty proceedings against former directors and officers of the Company

In December 2022, the Australian Securities and Investment Commission (ASIC) commenced civil penalty proceedings in the Federal Court of Australia against 11 former directors and officers of the Company alleging contraventions of their duties under s180(1) of the *Corporations Act 2001 (Cth)*. The alleged contraventions arise from certain matters considered in the Bell and Gotterson Reviews.

As no entity of the Group is party to these proceedings, it is not possible to predict the timing and any financial impact of these claims on the Group (including in terms of the Group bearing costs for the defendants, or the extent to which those costs might be covered by available insurances and indemnities in place for previous officers and directors).

The Group has determined a provision on the Balance Sheet at 31 December 2023 relating to an estimate of legal costs.

Class actions

On 30 March 2022, 7 November 2022 and 3 and 6 February 2023, the Company was served by Slater & Gordon, Maurice Blackburn, Phi Finney McDonald and Shine Lawyers respectively with separate statements of claim for securities class actions in the Supreme Court of Victoria.

The claims were substantially similar and allege the Group failed to comply with continuous disclosure requirements and engaged in misleading or deceptive conduct between 2016 and 2022 through various alleged disclosures or nondisclosures about its systems, controls, operations and regulatory risks. The allegations reference the Bell review and previous media reporting.

On 27 and 28 June 2023, the Court heard carriage and costs order applications from each of the four plaintiff law firms. On 19 September 2023, the Court delivered judgment, ruling that the proceeding commenced by DA Lynch (represented by Slater & Gordon) would proceed, with the other three proceedings to be permanently stayed.

The Company intends to defend the proceedings with a defence due to be filed by 12 March 2024.

The outcome and any potential financial impacts are unknown, including the extent to which any costs might be covered by the Group's insurance policies.

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 $146.2 million (primary tax of $81.9 million and interest of $64.3 million). In FY22 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 ATO disallowed the Group's objections in October 2023. On 5 December 2023 the Group appealed the objection decision by commencing proceedings in the Federal Court.

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 rebates paid to junket operators for the 2015 to 2020 income tax years. The Group objected to the ATO's decision to issue the penalty. Following an internal review of this matter, the ATO disallowed the Group's objections in October 2023. On 5 December 2023 the Group appealed the objection decision by commencing proceedings in the Federal Court.

NEW SOUTH WALES

Regulatory reforms

On 11 August 2022 the *Casino Legislation Amendment Act 2022 (NSW)* was passed in Parliament to give effect to amendments to the Casino Control Act 1992 (NSW). These amendments include reforms to the NSW casino regulatory framework, including to address the recommendations of the Bergin Inquiry and certain additional measures and to establish the NICC as a new independent regulator. The reforms also purported to override compensation rights previously available to the Group for specified regulatory changes. The amendments were effective from 5 September 2022 with the exception of compulsory carded play and cash play limits, which commence on 19 August 2024 (unless an earlier date is set by NSW Government). The amendments include expanding the definition of gaming revenue to include slots free play.

Directors' Report (cont.)

for the half year ended 31 December 2023

4. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS, REGULATORY MATTERS AND FUTURE DEVELOPMENTS (cont.)

Bell report

The Bell Report was published by the NICC on 13 September 2022. Mr Adam Bell SC made a total of 30 recommendations and found The Star unsuitable to hold a casino licence in NSW.

Disciplinary action

After considering the Bell Report recommendations and The Star Sydney's response to the show cause notice issued on 13 September 2022, the NICC issued a $100 million fine (payable in 3 instalments on 31 March 2023, 30 June 2023 and 29 December 2023), suspended The Star Sydney's casino licence and appointed a Manager for the Sydney casino. The Manager was appointed initially for 90 days, however on 16 December 2022 this was extended to 19 January 2024. The Manager has assumed the responsibility and control of The Star Sydney's casino operations.

In November 2023, the NICC requested that the term of the appointment of the Manager be extended by regulation to 30 June 2024, unless terminated earlier by the NICC. The NICC has advised that this is intended to be the final extension of the Manager's term. During the period of extension the Group will need to demonstrate to the NICC that it is capable of undertaking the remedial action required for it to become suitable including demonstrating capability of implementing the proposed Remediation Plan. Failure to satisfy this assessment could result in a range of outcomes being taken against the Group, the worst of which would see the Sydney casino licence taken away with no, or minimal, financial compensation. The NICC has advised that it does not intend to formally approve the Remediation Plan and it is noted that, unlike under the Queensland regulatory regime, there is not a legislative requirement for approval in NSW. The Remediation Plan has been developed by the Group with oversight and input from the Manager.

Casino duty reforms

On 11 August 2023 the NSW Treasurer and the Group announced an in-principle agreement had been reached in relation to changes to casino duty rates for casinos in New South Wales and their impact on The Star Sydney. An agreement was finalised between NSW Treasury and The Star Sydney on 20 November 2023. The agreement delivers a sustainable outcome for The Star Sydney and protects the jobs of thousands of NSW team members.

The changes include rate increases for rebate duty (10% to 12.5%) and Table Games (17.91% to 20.25%) from 1 July 2023. Poker Machine duty rates will remain unchanged until 2030 (currently 20.91%, 21.91% from 1 July 2024 and 22.91% from 1 July 2027). From 1 July 2030 poker machines will be taxed based on average poker machine revenue using a progressive rate scale with a maximum of 51.6%. In the period 1 July 2023 to 30 June 2030 an additional levy will apply equal to 35% of The Star Sydney's gaming revenue above $1.125 billion per financial year. There is no change to the Responsible Gambling Levy rate.

Furthermore, the agreement includes an undertaking that provides employment certainty for team members as agreed with the United Workers Union. Subject to Regulatory approvals, The Star Sydney plans to introduce a trial of its cashless gaming machine technology in February 2024 on 50 gaming machines and 8 gaming tables.

QUEENSLAND

Gotterson Report

In July 2022 an independent review commenced of the Group's Queensland casinos, The Star Gold Coast and Treasury Brisbane.

The Attorney-General appointed the Hon. Robert Gotterson AO, to examine whether the Group's Queensland casinos operate in a way that is consistent with achieving the objectives of the *Casino Control Act 1982 (Qld)* and the ongoing suitability of the Group's Queensland casino licensees. The Gotterson Report was publicly released on 6 October 2022, making 12 recommendations, which have been accepted in-principle by the Queensland Government. On 25 October 2022 the Attorney-General formally determined that the Group's Queensland casino licensees, and other associated entities of The Star Entertainment Group, were not suitable to be associated or connected with the management and operations of a hotel-casino complex or casino in Queensland, by reason of it not being a person of good repute.

Directors' Report (cont.)

for the half year ended 31 December 2023

4. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS, REGULATORY MATTERS AND FUTURE DEVELOPMENTS (cont.)

Disciplinary action

On 9 December 2022 the Attorney-General announced a total penalty of $100 million in relation to the Group's Queensland casinos (payable in three instalments on 31 March 2023, 30 June 2023 and 31 December 2023); suspended the Group's Queensland casino licences for a period of 90 days on a deferred basis with effect from 1 December 2023 unless postponed or rescinded due to satisfactory progress towards suitability, and appointed a Special Manager to monitor the operations of the Group's Queensland casinos.

On 24 November 2023, the Group received confirmation that the Remediation Plan has been approved by the Attorney-General of Queensland in accordance with the provisions of the *Casino Control Act (QLD)*, as applying to the Queensland casinos. Following this decision, on the recommendation of the Attorney- General, the Governor-in-Council approved changing the date of effect of the 90 day casino licence suspensions to 31 May 2024 and extending the term of the Special Manager by 12 months to 8 December 2024. The Star will be required, prior to 31 May 2024 when the deferred suspensions would otherwise take effect, to demonstrate to the Queensland Government that it is capable of delivering upon the Remediation Plan and returning to suitability. Failure to satisfy this assessment could result in a range of outcomes being taken against the Group, the worst of which would see the Queensland casino licences taken away with no, or minimal, financial compensation.

Regulatory reforms

On 24 November 2023, the Queensland Government introduced the Casino Control and Other Legislation Amendment Bill 2023 (Qld) to Parliament, which implements the balance of the recommendations of the Gotterson Report and certain other casino reforms. The proposed reforms include the introduction of mandatory carded play, restrictions on the use of cash, mandatory player pre-commitments including play and break limits, and a supervisory levy payable by casino licence holders. The Bill is subject to the usual consultation and parliamentary processes.

FUTURE DEVELOPMENTS

Future developments in the Group's activities will be dependent on several factors outlined in this Directors' Report, notably the resolution of the AUSTRAC civil proceedings, and timely execution of the extensive program of remediation activities necessary for a return to suitability in both NSW and Queensland.

There were no other significant changes in the state of affairs of the Group during the half year.

5. EARNINGS PER SHARE (EPS)

Basic EPS for the period was 0.4 cents (31 December 2022: loss of (133.2) cents) and Diluted EPS for the period was 0.4 cents (31 December 2022: loss of (133.2) cents).

6. DIVIDENDS

No final dividend was declared in accordance with the conditions of the debt facilities which restrict further cash dividends from being paid until the Queen's Wharf Brisbane Casino Joint Venture facilities have been refinanced, expected regulatory fines from AUSTRAC have been determined, the Group's net leverage, which represents the ratio of net senior debt including known and expected fines and outgoings to 12 month trailing statutory EBITDA, is below 1.5 times prior to and immediately following a distribution and there are no default or review events.

7. SIGNIFICANT EVENTS AFTER THE END OF THE HALF YEAR

On 19 February 2024, the NICC announced an inquiry (**Bell Two**) to investigate the suitability of The Star Pty Ltd (**The Star**) and its close associate, The Star Entertainment Group Limited, to be concerned in or associated with the management and operation of The Star Sydney Casino.

The NICC has appointed Mr Adam Bell SC to preside over an inquiry with the powers of a royal commissioner in NSW. The NICC anticipates the inquiry will take approximately 15 weeks from 19 February 2024 to 31 May 2024 and will be held in-camera. The Star understands Mr Adam Bell SC's findings are to be provided to the NICC by 31 May 2024.

The NICC has informed The Star that the purpose of the inquiry is to assist the NICC in forming a view as to what action the NICC should take in respect of The Star prior to the end of the manager's appointment on 30 June 2024.

The Star intends to participate in the inquiry in an open, transparent and facilitative manner.

Directors' Report (cont.)

for the half year ended 31 December 2023

7. SIGNIFICANT EVENTS AFTER THE END OF THE HALF YEAR (cont.)

Other than those events that have already been disclosed in this report or elsewhere in the Interim Financial Report, there have been no other significant events occurring after 31 December 2023 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.

8. 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 Interim Financial Report and the Directors' Report have been rounded to the nearest hundred thousand dollars unless specifically stated to be otherwise.

9. 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 2023. The auditor's independence declaration forms part of this Directors' Report.

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

David Foster

Chair

Sydney

29 February 2024

Building a better working world

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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 2023, 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;

b. No contraventions of any applicable code of professional conduct in relation to the review; and

c. No non-audit services provided that contravene 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

Scott Jarrett
Partner
29 February 2024

Interim Financial Report

Consolidated Income Statement

For the half year ended 31 December 2023

	NOTE	December 2023 $'million	December 2022* $'million
Revenue	A2	865.7	1,013.2
Other income	A3	2.4	0.6
Government taxes and levies		(210.5)	(243.6)
Employment costs	A3	(357.7)	(376.5)
Depreciation, amortisation and impairment		(62.2)	(1,089.2)
Cost of sales		(45.1)	(52.0)
Property costs		(34.0)	(36.1)
Advertising and promotions		(25.5)	(35.7)
Regulatory and legal costs		(17.9)	(384.4)
Other expenses		(81.7)	(69.5)
Share of net profit of associate and joint venture entities accounted for using the equity method	D2	26.6	8.1
Profit/(loss) before interest and income tax (PBIT/LBIT)		**60.1**	**(1,265.1)**
Net finance costs		(42.0)	(35.1)
Profit/(loss) before income tax (PBT/LBT)		**18.1**	**(1,300.2)**
Income tax (expense)/benefit		(9.0)	36.2
Net profit/(loss) after tax (NPAT/NLAT)		**9.1**	**(1,264.0)**

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	5.8	(9.6)
Total comprehensive income/(loss) for the period	**14.9**	**(1,273.6)**

	Cents per Share	Cents per Share
Earnings/(loss) per share		
Basic earnings/(loss) per share	0.4	(133.2)
Diluted earnings/(loss) per share	0.4	(133.2)

The above Consolidated Income Statement should be read in conjunction with the accompanying Notes.

** Comparatives have been re-presented to match current period presentation*

Consolidated Balance Sheet

For the half year ended 31 December 2023

	NOTE	December 2023 $'million	June 2023 $'million
ASSETS			
Cash and cash equivalents		436.3	88.7
Trade and other receivables		27.7	20.8
Inventories		15.1	14.9
Income tax receivable		16.3	30.8
Derivative financial instruments	B1	-	2.6
Asset held for sale		8.3	-
Other assets		95.5	93.7
Total current assets		**599.2**	**251.5**
Property, plant and equipment		1,714.1	1,752.3
Intangible assets		336.0	332.8
Derivative financial instruments	B1	-	37.4
Investment in associate and joint venture entities	D2	686.9	669.2
Other assets		27.0	26.7
Deferred tax assets		183.5	190.4
Total non current assets		**2,947.5**	**3,008.8**
TOTAL ASSETS		**3,546.7**	**3,260.3**
LIABILITIES			
Trade and other payables		191.7	184.9
Interest bearing liabilities	B4	6.2	6.0
Provisions	B3	434.5	505.7
Derivative financial instruments	B1	-	3.8
Other liabilities		74.7	18.6
Total current liabilities		**707.1**	**719.0**
Interest bearing liabilities	B4	294.2	751.2
Provisions	B3	8.5	8.0
Other liabilities		9.4	11.1
Total non current liabilities		**312.1**	**770.3**
TOTAL LIABILITIES		**1,019.2**	**1,489.3**
NET ASSETS		**2,527.5**	**1,771.0**
EQUITY			
Share capital	B2	4,695.7	3,955.6
Accumulated losses		(2,178.3)	(2,187.4)
Reserves		10.1	2.8
TOTAL EQUITY		**2,527.5**	**1,771.0**

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 2023

	NOTE	December 2023 $'million	December 2022* $'million
Cash flows from operating activities			
Net cash receipts from customers (inclusive of GST)		907.1	1,066.5
Payments to suppliers and employees (inclusive of GST)		(585.0)	(626.4)
Payment of government levies, gaming taxes and GST		(196.3)	(240.7)
Interest received		1.9	0.1
Income taxes refunded/(paid)		14.6	(15.6)
Regulatory, fines, penalties, duty, consultant, legal and other costs		(90.3)	(27.4)
Net cash inflow from operating activities		**52.0**	**156.5**
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		(33.6)	(76.0)
Loans to joint venture entities		(14.3)	-
Loans from joint venture entities		55.9	-
Payments for investment in associate and joint venture entities	D2	-	(8.2)
Distributions received from joint venture entities	D2	8.9	20.2
Proceeds from sale of property, plant and equipment		0.3	-
Net cash inflow/(outflow) from investing activities		**17.2**	**(64.0)**
Cash flows from financing activities			
Proceeds from interest bearing liabilities		318.0	30.0
Repayment of interest bearing liabilities		(752.2)	(54.0)
Proceeds from settlement of derivative financial instruments		49.7	-
Finance costs		(67.2)	(30.4)
Proceeds from issue of shares	B2	734.6	-
Purchase of treasury shares		-	(6.4)
Interest payment on lease liabilities		(1.5)	(1.6)
Principal payment of lease liabilities		(3.0)	(3.0)
Net cash inflow/(outflow) from financing activities		**278.4**	**(65.4)**
Net increase in cash and cash equivalents		347.6	27.1
Cash and cash equivalents at beginning of the year		88.7	82.0
Cash and cash equivalents at end of the period		**436.3**	**109.1**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying Notes.

** Comparatives have been re-presented to match current period presentation*

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2023

	NOTE	Ordinary Shares $'million	Treasury Shares $'million	(Accumulated Losses)/ Retained Earnings $'million	Hedging Reserve $'million	Cost of Hedging Reserve $'million	Share Based Payment Reserve $'million	Total $'million
2024								
Balance at 1 July 2023		3,962.9	(7.3)	(2,187.4)	(8.2)	2.4	8.6	1,771.0
Profit for the half year		-	-	9.1	-	-	-	9.1
Other comprehensive income		-	-	-	8.2	(2.4)	-	5.8
Total comprehensive loss		**-**	**-**	**9.1**	**8.2**	**(2.4)**	**-**	**14.9**
Issue of share capital	B2	739.2	-	-	-	-	-	739.2
Shares issued to settle employee share programs	B2	-	0.9	-	-	-	-	0.9
Employee share based payments		-	-	-	-	-	1.5	1.5
Balance at 31 December 2023		**4,702.1**	**(6.4)**	**(2,178.3)**	**-**	**-**	**10.1**	**2,527.5**
2023								
Balance at 1 July 2022		3,177.9	(6.9)	247.8	(1.9)	2.6	10.8	3,430.3
Loss for the half year		-	-	(1,264.0)	-	-	-	(1,264.0)
Other comprehensive loss		-	-	-	(10.3)	0.7	-	(9.6)
Total comprehensive loss		**-**	**-**	**(1,264.0)**	**(10.3)**	**0.7**	**-**	**(1,273.6)**
Purchase of treasury shares	B2	-	(6.4)	-	-	-	-	(6.4)
Shares issued to settle employee share programs	B2	-	0.3	-	-	-	-	0.3
Employee share based payments		-	-	-	-	-	2.8	2.8
Balance at 31 December 2022		**3,177.9**	**(13.0)**	**(1,016.2)**	**(12.2)**	**3.3**	**13.6**	**2,153.4**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying Notes.

Notes to the Financial Statements

For the half year ended 31 December 2023

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 those in the roles of executive decision makers, being the Group CEO | Managing Director and the Group Chief Financial Officer, for decision making regarding resource allocation and performance assessment.

The Group has three reportable segments:

Sydney	Comprises The Star Sydney's casino operations, including hotels, 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 Brisbane's casino operations, including hotel, restaurants and bars.

	Sydney $'million	**Gold Coast $'million**	**Brisbane $'million**	**Total $'million**
For the half year ended 31 December 2023				
Segment revenue	450.0	238.1	177.6	**865.7**
Segment earnings before interest, tax, depreciation, amortisation and significant items (**EBITDA**)	37.4	44.6	31.6	**113.6**
Depreciation and amortisation	33.4	18.3	10.5	**62.2**
Capital expenditure	15.8	11.9	3.5	**31.2**
For the half year ended 31 December 2022				
Segment revenue	541.2	275.6	196.4	**1,013.2**
Segment earnings before interest, tax, depreciation, amortisation and significant items (**EBITDA**)	87.4	66.2	46.1	**199.7**
Depreciation and amortisation	57.2	30.6	13.0	**100.8**
Capital expenditure	46.9	21.6	7.2	**75.7**

	December 2023 $'million	**December 2022 $'million**
Reconciliation of reportable segment profit to profit before income tax		
Segment earnings before interest, tax, depreciation, amortisation and significant Items (**EBITDA**)	113.6	199.7
Depreciation and amortisation[a]	(62.2)	(100.8)
Significant items (refer to note A5)	(18.4)	(1,363.7)
Unallocated items:		
Net finance costs[a]	(18.6)	(33.6)
Share of net profit/(loss) of associate and joint venture entities accounted for using the equity method[a] (refer to note D2)	3.7	(1.8)
Profit/(loss) before income tax (PBT/LBT)	**18.1**	**(1,300.2)**

[a] *These items are before significant items (refer to note A5).*

Notes to the Financial Statements (cont.)

For the half year ended 31 December 2023

A: Key Income Statement Disclosures (cont.)

A2. Revenue

	December 2023 $'million	December 2022 $'million
Gaming	569.7	689.2
Non-gaming	290.0	317.8
Other	6.0	6.2
Total Revenue	**865.7**	**1,013.2**

A3. Other Income and Expenses

	December 2023 $'million	December 2022 $'million
Other Income		
Profit/(loss) before income tax is stated after charging the following expenses and significant items:		
Net foreign exchange gain	0.4	0.1
Gain on disposal of assets	0.6	0.5
Other	1.4	-
Total Other Income	**2.4**	**0.6**
Employment Costs		
Salaries, wages, bonuses, redundancies and other benefits	326.7	346.4
Defined contribution plan expense (superannuation guarantee charges)	28.8	28.3
Share based payment expense	2.2	1.8
Total Employment Costs	**357.7**	**376.5**

A4. Dividends

No final dividend was declared in accordance with the conditions of the debt facilities which restrict further cash dividends from being paid until the Queen's Wharf Brisbane Casino Joint Venture facilities have been refinanced, expected regulatory fines from AUSTRAC have been determined, the Group's net leverage, which represents the ratio of net senior debt including known and expected fines and outgoings to 12 month trailing statutory EBITDA, is below 1.5 times prior to and immediately following a distribution and there are no default or review events.

THE STAR
ENTERTAINMENT
GROUP

Notes to the Financial Statements (cont.)

For the half year ended 31 December 2023

A: Key Income Statement Disclosures (cont.)

A5. Significant Items

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

	December 2023 $'million	December 2022 $'million
Impairment[a]	-	988.4
Debt refinancing costs[b]	23.4	-
Regulatory, fines, penalties, duty, consultant, legal and other costs[c]	17.9	384.4
Accounting for software change[d]	-	0.9
Profit on sale[e]	(22.9)	(10.0)
Net significant items	**18.4**	**1,363.7**
Tax on significant items	(2.5)	(56.1)
Significant items net of tax	**15.9**	**1,307.6**

a. *Impairment of The Star Sydney's goodwill, property, plant & equipment, intangibles and other non-current assets.*
b. *Derivative settlement costs and debt termination fees.*
c. *Regulatory, fines, penalties, underpaid casino duty, consultant, legal, Manager, Special Manager and other costs.*
d. *Software-as-a-Service (SaaS) arrangement project implementation costs. Major projects include the implementation of new payroll and customer management Salesforce systems.*
e. *Equity accounted share of Destination Gold Coast Investment's profit relating to the sale of Sheraton Grand Mirage Resort. In the pcp, equity accounted share of Destination Gold Coast Consortium's profit relating to the sale of Tower 1 residential units and Destination Sydney Consortium's profit on the NSW Government's compulsory acquisition of its Pyrmont property.*

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 2023 $'million	June 2023 $'million
Current Assets		
Interest rate swaps	-	2.6
	-	**2.6**
Non Current Assets		
Cross currency swaps	-	36.5
Interest rate swaps	-	0.9
	-	**37.4**
Current Liabilities		
Cross currency swaps	-	3.8
	-	**3.8**
Net Financial Assets	**-**	**36.2**

In October 2023, all interest rate swaps and cross currency swaps were terminated following the repayment of the Group's outstanding bank loans and USPP notes. The termination of derivatives resulted in $49.7 million of net proceeds and recognition of a $20.4 million loss in finance costs.

Notes to the Financial Statements (cont.)

For the half year ended 31 December 2023

B: Key Balance Sheet Disclosures (cont.)

B1. Derivative Financial Instruments (cont.)

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 financial 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 as 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.

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	**$'million**	**Shares**	**$'million**	**Shares**	**$'million**
Opening balance 1 July 2023	1,618,680,877	3,962.9	(2,485,032)	(7.3)	1,616,195,845	3,955.6
Issue of share capital (net of tax) - 6 October 2023[a]	925,933,112	547.6	-	-	925,933,112	547.6
Issue of share capital (net of tax) - 19 October 2023[b]	324,066,888	191.6	-	-	324,066,888	191.6
Shares issued to settle employee share programs	-	-	340,133	0.9	340,133	0.9
Closing balance 31 December 2023	**2,868,680,877**	**4,702.1**	**(2,144,899)**	**(6.4)**	**2,866,535,978**	**4,695.7**
Opening balance 1 July 2022	952,014,210	3,177.9	(1,895,443)	(6.9)	950,118,767	3,171.0
Shares purchased for future employee share programs	-	-	(2,255,061)	(6.4)	(2,255,061)	(6.4)
Shares allocated to settle employee share programs	-	-	123,877	0.3	123,877	0.3
Closing balance 31 December 2022	**952,014,210**	**3,177.9**	**(4,026,627)**	**(13.0)**	**947,987,583**	**3,164.9**

a. *On 6 October 2023, the Group issued 925,933,112 shares for the private placement to institutional investors under the accelerated nonrenounceable entitlement offer. The capital raising is after $8.0 million of costs, net of tax.*

b. *On 19 October 2023, the Group issued 324,066,888 shares for the retail component of the accelerated non-renounceable entitlement offer. The capital raising is after $2.8 million of costs, net of tax.*

Notes to the Financial Statements (cont.)

For the half year ended 31 December 2023

B: Key Balance Sheet Disclosures (cont.)

B3. Provisions, Contingent Liabilities and Regulatory Matters

	December 2023 $'million	June 2023 $'million
Current		
Regulatory and legal provisions[a]	350.8	423.1
Employee benefits	77.6	76.2
Worker's compensation	6.1	6.4
	434.5	**505.7**
Non-current		
Employee benefits	7.1	6.6
Other	1.4	1.4
	8.5	**8.0**

a. *The Group recognised provisions relating to various regulatory and legal matters including fines issued by the NICC and OLGR, AUSTRAC civil proceedings, underpaid casino duty in NSW, consultants, Manager, Special Manager, legal and other costs. Disclosing individual amounts would seriously prejudice these matters considering the present status and range of potential outcomes.*

AUSTRAC civil proceedings

As announced on 7 June 2021, and 14 January 2022, entities within the Group were the subject of an Australian Transaction Reports and Analysis Centre (**AUSTRAC**) enforcement investigation. This followed potential non-compliance concerns identified in the course of a compliance assessment which was commenced by AUSTRAC in September 2019.

On 30 November 2022 The Star Pty Limited and The Star Entertainment QLD Limited (collectively **The Star Entities**), were served with a statement of claim from AUSTRAC, commencing Federal Court civil penalty proceedings in relation to alleged contraventions of obligations under the *Anti-Money Laundering and Counter Terrorism Financing (AML/ CTF) Act 2006*. The claims include that The Star Entities:

1. Failed to appropriately assess money laundering and terrorism financing risks.
2. Did not include in their AML/CTF programs appropriate risk-based systems and controls to mitigate and manage risks.
3. Failed to establish an appropriate framework for Board and senior management oversight of the AML/CTF programs.
4. Did not have a transaction monitoring program to monitor transactions and identify suspicious activity that was appropriately risk-based or appropriate to the nature, size and complexity of The Star Entities.
5. Did not have an appropriate enhanced customer due diligence program to carry out additional checks on higher risk customers.
6. Did not conduct appropriate ongoing customer due diligence on a range of customers who presented higher money laundering risks 1,189 times in New South Wales and 325 times in Queensland.

The Star Entities filed a Statement of Admissions and Factual Contentions (SAFC) on 10 November 2023. Following further case management hearings in November and December 2023, the parties are continuing to negotiate, with a current focus on narrowing the issues subject to discussion. The Star Entities filed further admissions on 12 February 2024 and the parties are due to file a joint list of issues in dispute as well as a list of topics for expert evidence by 8 March 2024.

AUSTRAC has commenced civil penalty proceedings against other companies on five occasions, one of which is yet to conclude. The four concluded AUSTRAC proceedings to date have led to the Federal Court approving and / or ordering the respondent to pay significant penalties (Tabcorp $45 million (2017); CBA $700 million (2018); Westpac $1.3 billion (2020) and most recently, Crown $450 million (2023)). The determination of the Federal Court's penalty (including where a penalty has been jointly proposed by AUSTRAC and the defendant to the Court) is specific to the facts of each case and arrived at after consideration of admissions made and evidence and submissions in relation to the appropriateness of the penalty.

The Statement of Claim from AUSTRAC alleges that the number of breaches committed by The Star Entities is innumerable. Following a review of the Statement of Claim from AUSTRAC, and an analysis of penalties against other companies, the relative size of the Group and capacity to pay, the Group has determined a provision on the Balance Sheet as at 31 December 2023. This provision was, and is, recognised at a time where there remains considerable uncertainty as to the approach the Federal Court will ultimately take when considering any agreed penalty and where The Star Entities continue to engage with AUSTRAC and the Australian Government Solicitor in relation to remediation activities designed to address allegations of ongoing deficiencies in The Star Entities' AML/CTF programs. Any actual penalty paid by the Group may differ materially to the provision recorded at 31 December 2023.

Notes to the Financial Statements (cont.)

For the half year ended 31 December 2023

B: Key Balance Sheet Disclosures (cont.)

B3. Provisions, Contingent Liabilities and Regulatory Matters (cont.)

Underpaid casino duty

During the Bell review, concerns were raised regarding the characterisation of residency for rebate patrons and the potential consequences for the Group's calculations of rebate duty payable to the NSW Government. As a result, the Group undertook an independent assessment of residency status and consequential rebate gaming activity for a number of patrons that had changed their residency status from ordinarily resident in New South Wales to being ordinarily resident interstate or overseas between 28 November 2016 to 9 May 2022.

The Bell report recommended the NICC engage an independent expert to perform their own audit of all patrons that engaged in rebate play at The Star Sydney since 28 November 2016 and a clear and objective test regarding the residency of players be included in The Star Sydney's Duty Agreement.

The Group and NSW Liquor and Gaming have reached an in-principle agreement for the scope of rebate players to be assessed by way of an independent review to be completed by 30 June 2024. The Group is also continuing to work with the NICC and NSW Treasury to develop a clear and objective test for the residency of players. Such a test will require an amendment to The Star Sydney's Duty agreement and result in changes to relevant internal controls.

The Group has determined a provision on the Balance Sheet at 31 December 2023 of the potential impact of the review of rebate play for all patrons. The final quantum of casino duty may be materially different to the amount provided as it is subject to further analysis and discussions with the Department of Enterprise, Investment and Trade and NSW Treasury.

ASIC civil penalty proceedings against former directors and officers of the Company

In December 2022, the Australian Securities and Investment Commission (ASIC) commenced civil penalty proceedings in the Federal Court of Australia against 11 former directors and officers of the Company alleging contraventions of their duties under s180(1) of the *Corporations Act 2001 (Cth)*. The alleged contraventions arise from certain matters considered in the Bell and Gotterson Reviews.

As no entity of the Group is party to these proceedings, it is not possible to predict the timing and any financial impact of these claims on the Group (including in terms of the Group bearing costs for the defendants, or the extent to which those costs might be covered by available insurances and indemnities in place for previous officers and directors).

The Group has determined a provision on the Balance Sheet at 31 December 2023 relating to an estimate of legal costs.

Class actions

On 30 March 2022, 7 November 2022 and 3 and 6 February 2023, the Company was served by Slater & Gordon, Maurice Blackburn, Phi Finney McDonald and Shine Lawyers respectively with separate statements of claim for securities class actions in the Supreme Court of Victoria.

The claims were substantially similar and allege the Group failed to comply with continuous disclosure requirements and engaged in misleading or deceptive conduct between 2016 and 2022 through various alleged disclosures or non-disclosures about its systems, controls, operations and regulatory risks. The allegations reference the Bell review and previous media reporting.

On 27 and 28 June 2023, the Court heard carriage and costs order applications from each of the four plaintiff law firms.

On 19 September 2023, the Court delivered judgment, ruling that the proceeding commenced by DA Lynch (represented by Slater & Gordon) would proceed, with the other three proceedings to be permanently stayed.

The Company intends to defend the proceedings with a defence due to be filed by 12 March 2024.

The outcome and any potential financial impacts are unknown, including the extent to which any costs might be covered by the Group's insurance policies.

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 $146.2 million (primary tax of $81.9 million and interest of $64.3 million). In FY22 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 ATO disallowed the Group's objections in October 2023. On 5 December 2023 the Group appealed the objection decision by commencing proceedings in the Federal Court.

Notes to the Financial Statements (cont.)

For the half year ended 31 December 2023

B: Key Balance Sheet Disclosures (cont.)

B3. Provisions, Contingent Liabilities and Regulatory Matters (cont.)

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 rebates paid to junket operators for the 2015 to 2020 income tax years. The Group objected to the ATO's decision to issue the penalty. Following an internal review of this matter, the ATO disallowed the Group's objections in October 2023. On 5 December 2023 the Group appealed the objection decision by commencing proceedings in the Federal Court.

Legal challenges

There are outstanding legal actions between the Company and its controlled entities and third parties as at 31 December 2023. 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. Provisions are made for known obligations where the existence of a liability is probable and can be reasonably estimated. As the outcomes of these actions remain uncertain, contingent liabilities exist for possible amounts eventually payable.

The Group has no other contingent liabilities other than those disclosed in these financial statements.

NEW SOUTH WALES

Regulatory reforms

On 11 August 2022 the *Casino Legislation Amendment Act 2022 (NSW)* was passed in Parliament to give effect to amendments to the Casino Control Act 1992 (NSW). These amendments include reforms to the NSW casino regulatory framework, including to address the recommendations of the Bergin Inquiry and certain additional measures and to establish the NICC as a new independent regulator. The reforms also purported to override compensation rights previously available to the Group for specified regulatory changes. The amendments were effective from 5 September 2022 with the exception of compulsory carded play and cash play limits, which commence on 19 August 2024 (unless an earlier date is set by NSW Government). The amendments include expanding the definition of gaming revenue to include slots free play.

Bell report

The Bell Report was published by the NICC on 13 September 2022. Mr Adam Bell SC made a total of 30 recommendations and found The Star unsuitable to hold a casino licence in NSW.

Disciplinary action

After considering the Bell Report recommendations and The Star Sydney's response to the show cause notice issued on 13 September 2022, the NICC issued a $100 million fine (payable in 3 instalments on 31 March 2023, 30 June 2023 and 29 December 2023), suspended The Star Sydney's casino licence and appointed a Manager for the Sydney casino. The Manager was appointed initially for 90 days, however on 16 December 2022 this was extended to 19 January 2024. The Manager has assumed responsibility and control of The Star Sydney's casino operations.

In November 2023, the NICC requested that the term of the appointment of the Manager be extended by regulation to 30 June 2024, unless terminated earlier by the NICC. The NICC has advised that this is intended to be the final extension of the Manager's term. During the period of extension, the Group will need to demonstrate to the NICC that it is capable of undertaking the action required for it to become suitable including demonstrating capability of implementing the proposed Remediation Plan. Failure to satisfy this assessment could result in a range of outcomes being taken against the Group, the worst of which would see the Sydney casino licence taken away with no, or minimal, financial compensation. The NICC has advised that it does not intend to formally approve the Remediation Plan and it is noted that, unlike under the Queensland regulatory regime, there is not a legislative requirement for approval in NSW. The Remediation Plan has been developed by the Group with oversight and input from the Manager.

Casino duty reforms

On 11 August 2023 the NSW Treasurer and the Group announced an in-principle agreement had been reached in relation to changes to casino duty rates for casinos in New South Wales and their impact on The Star Sydney. An agreement was finalised between NSW Treasury and The Star Sydney on 20 November 2023. The agreement delivers a sustainable outcome for The Star Sydney and protects the jobs of thousands of NSW team members.

Notes to the Financial Statements (cont.)

For the half year ended 31 December 2023

B: Key Balance Sheet Disclosures (cont.)

B3. Provisions, Contingent Liabilities and Regulatory Matters (cont.)

The changes include rate increases for rebate duty (10% to 12.5%) and Table Games (17.91% to 20.25%) from 1 July 2023. Poker Machine duty rates will remain unchanged until 2030 (currently 20.91%, 21.91% from 1 July 2024 and 22.91% from 1 July 2027). From 1 July 2030 poker machines will be taxed based on average poker machine revenue using a progressive rate scale with a maximum of 51.6%. In the period 1 July 2023 to 30 June 2030 an additional levy will apply equal to 35% of The Star Sydney's gaming revenue above $1.125 billion per financial year. There is no change to the Responsible Gambling Levy rate.

Further more, the agreement includes an undertaking that provides employment certainty for team members as agreed with the United Workers Union. Subject to Regulatory approvals, The Star Sydney plans to introduce a trial of its cashless gaming machine technology in February 2024 on 50 gaming machines and 8 gaming tables.

QUEENSLAND

Gotterson Report

In July 2022 an independent review commenced of the Group's Queensland casinos, The Star Gold Coast and Treasury Brisbane.

The Attorney-General appointed The Hon. Robert Gotterson AO to examine whether the Group's Queensland casinos operate in a way that is consistent with achieving the objectives of the *Casino Control Act 1982 (Qld)* and the ongoing suitability of the Group's Queensland casino licensees. The Gotterson Report was publicly released on 6 October 2022, making 12 recommendations, which have been accepted in-principle by the Queensland Government. On 25 October 2022 the Attorney-General formally determined that the Group's Queensland casino licensees, and other associated entities of The Star Entertainment Group, were not suitable to be associated or connected with the management and operations of a hotel-casino complex or casino in Queensland, by reason of it not being a person of good repute.

Disciplinary action

On 9 December 2022 the Attorney-General announced a total penalty of $100 million in relation to the Group's Queensland casinos (payable in three instalments on 31 March 2023, 30 June 2023 and 31 December 2023); suspended the Group's Queensland casino licences for a period of 90 days on a deferred basis with effect from 1 December 2023 unless postponed or rescinded due to satisfactory progress towards suitability, and appointed a Special Manager to monitor the operations of the Group's Queensland casinos.

On 24 November 2023, the Group received confirmation that the Remediation Plan has been approved by the Attorney-General of Queensland in accordance with the provisions of the *Casino Control Act (QLD)*, as applying to the Queensland casinos. Following this decision, on the recommendation of the Attorney- General, the Governor-in-Council approved changing the date of effect of the 90 day casino licence suspensions to 31 May 2024 and extending the term of the Special Manager by 12 months to 8 December 2024. The Star will be required, prior to 31 May 2024 when the deferred suspensions would otherwise take effect, to demonstrate to the Queensland Government that it is capable of delivering upon the Remediation Plan and returning to suitability. Failure to satisfy this assessment could result in a range of outcomes being taken against the Group, the worst of which would see the Queensland casino licences taken away with no, or minimal, financial compensation.

Regulatory reforms

On 24 November 2023, the Queensland Government introduced the Casino Control and Other Legislation Amendment Bill 2023 (Qld) to Parliament, which implements the balance of the recommendations of the Gotterson Report and certain other casino reforms. The proposed reforms include the introduction of mandatory carded play, restrictions on the use of cash, mandatory player pre-commitment including play and break limits, and a supervisory levy payable by casino licence holders. The Bill is subject to the usual consultation and parliamentary processes.

Notes to the Financial Statements (cont.)

For the half year ended 31 December 2023

B: Key Balance Sheet Disclosures (cont.)

B4. Interest Bearing Liabilities

	December 2023 $'million	June 2023 $'million
Current		
Lease liabilities	6.2	6.0
	6.2	**6.0**
Non-current		
Bank loans - unsecured (net of unamortised borrowing costs)	-	362.9
Private placement - US dollar - amortised cost	-	357.5
Syndicated facility (net of unamortised borrowing costs)	265.2	-
Lease liabilities	29.0	30.8
	294.2	**751.2**

On 8 November 2023, a new Australian dollar syndicated facility agreement was executed, providing $450 million of commitment across two debt facilities:

- $300 million four-year term facility, fully drawn on 8 December 2023.
- $150 million four-year revolving working capital facility, undrawn.

The syndicated facility matures in December 2027 and is subject to covenants and undertakings typical of this type of facility. Interest on the facilities is variable, linked to the Australian Bank Bill Swap Bid Rate, plus a margin.

In October 2023, following completion of the capital raising, existing bank loans were repaid and the USPP notes were prepaid and terminated. The bank loan facilities were subsequently terminated in November 2023 following execution of the syndicated facility agreement. Fees of $3.0 million were recognised in finance costs in relation to the terminations.

FINANCIAL RISK MANAGEMENT

The Group is exposed to interest rate risk as a result of the syndicated facility. Proceeds from the syndicated facility are held in short-term investments. The Group Treasury Policy allows for variable rate borrowings to be netted against cash investments for the purpose of interest rate risk management. At 31 December 2023, the Group's net exposure to interest rates was immaterial (2023: approximately 50.5% of the Group's borrowings are hedged at a fixed rate of interest).

C: Commitments and Subsequent Events

C1. Other Commitments

	December 2023 $'million	June 2023 $'million
Capital commitments		
Not later than one year[a]	8.9	13.6
Later than one year but not later than five years	-	-
Later than five years	-	-
	8.9	**13.6**

a. Capital commitments as at 31 December 2023 mainly include Sydney and Gold Coast development projects.

Destination Brisbane Consortium's (**DBC**) development of the entertainment and leisure destination continues. Any project cost over-runs will be funded via additional equity contributions in proportion with the existing joint venture interests. The Group's expected contribution to the cost over-runs is between $250 million to $305 million.

For the Destination Gold Coast Consortium (**DGCC**), construction is underway on Tower 2 at 31 December 2023. DGCC is seeking project level debt facilities for the remainder of the Tower 2 construction costs. Until such a facility is secured, committed spend is to be funded by joint venturer loans or equity contributions in proportion with existing joint venture interests.

Refer to note D2 for commitments in respect of investment in associate and joint venture entities.

Notes to the Financial Statements (cont.)

For the half year ended 31 December 2023

C: Commitments and Subsequent Events (cont.)

C2. Subsequent Events

On 19 February 2024, the NICC announced an inquiry (**Bell Two**) to investigate the suitability of The Star Pty Ltd (**The Star**) and its close associate, The Star Entertainment Group Limited, to be concerned in or associated with the management and operation of The Star Sydney Casino.

The NICC has appointed Mr Adam Bell SC to preside over an inquiry with the powers of a royal commissioner in NSW. The NICC anticipates the inquiry will take approximately 15 weeks from 19 February 2024 to 31 May 2024 and will be held in-camera. The Star understands Mr Adam Bell SC's findings are to be provided to the NICC by 31 May 2024.

The NICC has informed The Star that the purpose of the inquiry is to assist the NICC in forming a view as to what action the NICC should take in respect of The Star prior to the end of the manager's appointment on 30 June 2024.

The Star intends to participate in the inquiry in an open, transparent and facilitative manner.

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.

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 2023. 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 at 31 December 2023. 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.

Name of Entity	Country of Incorporation	% of Ownership	Nature of Ownership	Measurement Method	Carrying Amount $'million
For the half year ended 31 December 2023					
Material					
Destination Brisbane Consortium Integrated Resort Holdings Pty Ltd	Australia	50.0%	Associate	Equity method	533.2
Destination Gold Coast Consortium Pty Ltd	Australia	33.3%	Joint venture	Equity method	67.5
Destination Gold Coast Investments Pty Ltd	Australia	50.0%	Joint venture	Equity method	65.3
Non-material					
Festival Car Park Pty Ltd	Australia	50.0%	Joint venture	Equity method	15.0
Destination Sydney Consortium Investments Pty Ltd	Australia	50.0%	Joint venture	Equity method	5.9
Total equity accounted investments					**686.9**

Notes to the Financial Statements (cont.)

For the half year ended 31 December 2023

D: Group Structure (cont.)

D2. Investment in Associate and Joint Venture Entities (cont.)

The carrying amount of the equity-accounted investments has changed in the six months to 31 December 2023, as follows:

Name of Entity	Balance at 1 July 2023	Equity Contributions	(Loss)/ Profit for the Period	Distributions	Balance at 31 December 2023
Destination Brisbane Consortium Integrated Resort Holdings Pty Ltd	535.3	-	(2.1)	-	533.2
Destination Gold Coast Consortium Pty Ltd	76.4	-	-	(8.9)	67.5
Destination Gold Coast Investments Pty Ltd[a]	36.7	-	28.6	-	65.3
Festival Car Park Pty Ltd	14.8	-	0.2	-	15.0
Destination Sydney Consortium Investments Pty Ltd	6.0	-	(0.1)	-	5.9
	669.2	**-**	**26.6**	**(8.9)**	**686.9**

a. *The Group's share of the profit on the sale of the Sheraton Grand Mirage Resort was $22.9 million (refer to note A5).*

Commitments and contingent liabilities

DBC has current capital commitments of approximately $717.3 million (31 December 2022: $498.0 million) to fund the construction of the entertainment and leisure destination, which is expected to have a phased opening from August 2024 (subject to various approvals).

On 14 February 2018, Destination Brisbane Consortium Integrated Resort Operations Pty Ltd as trustee for the Destination Brisbane Consortium Integrated Resort Operating Trust (**Operating Trust**) entered into a $200 million performance guarantee facility with Australia and New Zealand Banking Group Limited (**ANZ**) as Lender. This facility guarantee is in favour of the State of Queensland and provided to secure due performance as developer under the Development Agreement – Queen's Wharf Brisbane. The parent entities of the unitholders of the Operating Trust guarantee on a several basis the Operating Trust's performance under the facility. On 8 July 2020, $125 million of the $200 million performance guarantee was returned by the State of Queensland and subsequently cancelled by ANZ.

DGCC has current capital commitments of $86.6 million in relation to Tower 2 (31 December 2022: $102.6 million). DGCC is seeking project level debt facilities for the remainder of the Tower 2 construction costs. Until such time as a facility is secured, committed spend is to be funded by equity contributions. There were no other contingent liabilities.

Dispute with Probuild

DBC is in the process of finalising a statement of claim to be filed in the Supreme Court of Queensland. DBC seeks recovery of certain mitigation costs (~$27m) which it alleges arise from Probuild's breach of contract, negligence and breach of the Australian Consumer Law.

Dispute with Multiplex

Further to the announcements of 21 August and 29 August 2023, the Group advises that DBC (50% owned by the Group) has entered into a settlement deed (**Deed**) with Multiplex Constructions Qld Pty Ltd (**MPX**). The Deed settles the matters which are the subject of separate Supreme Court of Queensland proceedings and the adjudication application lodged with the Queensland Building and Construction Commission under the Building Industry Fairness (Security of Payment) Act 2017 (Qld) in relation to the Queen's Wharf Project.

The key terms of the settlement are as follows:

- MPX will discontinue its Supreme Court proceedings and release DBC from all claims arising prior to the settlement, with each party bearing its own costs in relation to those proceedings.
- The adjudication process will be terminated by agreement, with each party sharing the adjudicator's costs and each party bearing its own costs in relation to the adjudication process.
- DBC will release MPX from any delay claims arising prior to the settlement becoming effective.
- MPX will release DBC from all claims arising prior to the settlement date, save for a limited number of defined variation claims.
- DBC will make certain payments to MPX.
- For the outstanding variations referred to above (if the parties can not resolve any variation, it will be referred to an independent certifier for determination);
- To facilitate subcontractor support, to be repaid by MPX at practical completion.

D: Group Structure (cont.)

- DBC has also agreed to repay a portion of liquidated damages previously deducted by DBC, such payment to be made 50% on opening of the Queens Wharf Project and the balance paid by equal monthly instalments over the following 2 years.
- DBC has also agreed to cease deducting liquidated damages from future payment claims and waive its entitlement to liquidated damages not deducted beyond the October 2023 payment claim.
- DBC and MPX have agreed to revised completion dates for the remaining works and increased liquidated damages (subject to a cap) to be set-off against the payments referred to above if the revised dates are not met.

The revised program of work agreed between DBC and MPX means that the phased opening of Queen's Wharf Brisbane is now expected to occur from August 2024.

The total amount payable by DBC to MPX as part of the settlement arrangements will depend on the project delivery dates achieved by MPX, however is expected to be within the range of $60 million to $170 million.

It is expected that DBC will satisfy its obligation to pay the additional amounts to MPX as part of the settlement arrangements through a combination of existing resources and additional equity contributions from the joint venture participants. Each party to the DBC joint venture has indicated it will provide additional equity contributions in proportion with their interests in DBC to meet these obligations and other expected additional costs to achieve completion of the Queen's Wharf Project.

It is currently anticipated that the costs (in addition to the settlement arrangements above) to complete the Queen's Wharf Project (subject to the delivery dates achieved by Multiplex and certain other factors) will be approximately $220 million.

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 2023 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 Interim 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 Interim Financial Report was authorised for issue by the Directors on 29 February 2024.

BASIS OF PREPARATION

The principal accounting policies adopted in the preparation of this Interim Financial Report are consistent with those applied in the Annual Financial Report for the year ended 30 June 2023. The Interim Financial Statements for the six months ended 31 December 2023 have been prepared in accordance with the Australian Accounting Standards Board (AASB) 134 *Interim Financial Reporting*.

The Interim 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 Annual Financial Report for the year ended 30 June 2023, 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 following matters detailed in note B3 create a material uncertainty as to the Group's ability to remain a going concern:

- The capability of the Group to return to suitability, which will be assessed by regulators in Queensland by 31 May 2024 and NSW by 30 June 2024; and
- The outcomes of provisions and contingent liabilities including the AUSTRAC civil penalty proceedings, underpaid casino duty and outstanding class action.

Return to suitability

In November 2023, the NICC requested that the term of the appointment of the Manager at the Sydney Casino be extended by regulation to 30 June 2024, unless terminated earlier by the NICC. The NICC has advised that this is intended to be the final extension of the Manager's term. In Queensland, the date of effect of the 90-day deferred casino licence suspensions was changed to 31 May 2024 and the term of the Special Manager was extended by 12 months to 8 December 2024.

Notes to the Financial Statements (cont.)

For the half year ended 31 December 2023

E: Accounting Policies and Corporate Information (cont.)

GOING CONCERN (cont.)

The Remediation Plan has been developed by the Group with oversight and input from the Manager and Special Manager. In Queensland, the Remediation Plan has been approved by the Attorney-General of Queensland in accordance with the provisions of the *Casino Control Act (QLD)*. The NICC has advised that it does not intend to formally approve the Remediation Plan and it is noted that, unlike under the Queensland regulatory regime, there is not a legislative requirement for approval in NSW.

The Group will be required, prior to 31 May 2024, to demonstrate to the respective state regulators that it is capable of undertaking the actions required for it to become suitable including demonstrating capability of implementing the Remediation Plan.

The Group's resolute focus is on implementing the Remediation Plan and demonstrating to the respective state regulators that it is capable to undertake the actions required to become suitable. The Group considers that it has allocated the requisite resources to deliver the plan. To date, the Group has completed 200 milestone items, out of a total 638 milestones in accordance with the Remediation Plan timetable. Of these, 57 have been reviewed and independently verified and then provided to the Manager/Special Manager for acceptance. The Manager/Special Manager has accepted 8 of the 57 milestones provided. It should be noted that ultimately it will be for the relevant regulator in each jurisdiction to make its own assessment on the adequacy of the completion of the milestones.

The NICC on its website noted that The Star Pty Limited (**The Star**) and its close associate, The Star Entertainment Group Limited, have not yet satisfied the NICC that The Star is suitable, or capable of becoming suitable, to hold a casino licence. To assist the NICC in making an assessment of the Group's ability to return to suitability before the Manager's term expires on 30 June 2024, the NICC announced on 19 February 2024 an inquiry will be conducted by Mr Adam Bell SC (**Bell Two**). The inquiry will conduct a fair and forensic assessment of The Star's response to the Bell Review and its success in remediating its business. The inquiry will include consideration of four key areas being:

- the culture of The Star and the Star Group, including risk management culture;
- whether The Star has or is able to obtain financial resources that are both suitable and adequate for ensuring the financial viability of The Star Casino;
- The Star and The Star Group's management and reporting lines;
- compliance by The Star with its internal control manuals numbered 3, 11 and 12.

Failure to satisfy these capability assessments in NSW and/or Queensland could result in a range of outcomes being taken against the Group, the worst of which would see the casino licences taken away with no, or minimal, financial compensation.

Provisions and Contingent Liabilities

As detailed in note B3, there remains material uncertainty as to the outcome of the AUSTRAC civil penalty proceedings, the underpaid casino duty and the outstanding class action. While completion of the $750 million capital raise and execution of the four-year, $450 million syndicated debt facility has provided financial flexibility to meet anticipated cashflow requirements, there will be insufficient capacity available should the outcome of the provisions and contingent liabilities as a whole be of such magnitude and timing that they render the Group unable to pay its debts as and when they fall due.

Opinion

In the Directors' opinion, whilst there is material uncertainty as to the outcome of the matters outlined above which may cast significant doubt on the Group's ability to continue as a going concern, the Group is likely to be able to meet its liabilities as and when they fall due over the next twelve months and continues to remain a going concern on the basis that:

- the Directors believe the Group is able to demonstrate to its respective state regulators that it is capable of undertaking the actions required for it to be found suitable to hold its casino licences; and
- the Directors' expectation that outcomes of the provisions and contingent liabilities outlined in note B3 will be of such magnitude, and with adequate flexibility on timing of payments, so as to not render the Group unable to pay its debts as and when they fall due.

The Interim Financial Report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

Notes to the Financial Statements (cont.)

For the half year ended 31 December 2023

E: Accounting Policies and Corporate Information (cont.)

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).
- Significant items (refer note A5).
- Provisions and contingent liabilities (refer note B3).

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

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new accounting standards, which became applicable from 1 July 2023:

Reference	Title
AASB 101	Amendments to AASB 101 - Disclosure of Accounting Policies
AASB 112	Amendments to AASB 112 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to AASB 101: Disclosure of Accounting Policies

The amendments to AASB 101 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful. This is achieved by replacing the requirements for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no impact on the interim consolidated financial statements of the Group, but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

Amendments to AASB 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to AASB 112 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the interim consolidated financial statements of the Group.

STANDARDS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

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

Reference	Title	Application date
AASB 2020-1	Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current	1 January 2024
AASB 2022-5	Amendments to Australian Accounting Standards - Lease Liability in a Sale and Leaseback	1 January 2024
AASB 2023-3	Amendments to Australian Accounting Standards - Disclosure of Non-current Liabilities with Covenants: Tier 2	1 January 2024

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 2023 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 Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors.

David Foster
Chair
Sydney
29 February 2024

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

Conclusion

We have reviewed the accompanying half-year financial report of The Star Entertainment Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 31 December 2023, the consolidated income statement, 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, we have not become aware of any matter that makes us believe that the half year financial report of the Group does not comply 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 2023 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-Year Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (*including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material Uncertainties Relating to Going Concern

We draw attention to Note E of the financial report which outlines the Directors' assessment of the ability of the Group to continue as a going concern. These matters indicate that material uncertainties exist that may cast significant doubt on the Company's ability to continue as a going concern. Note E describes the basis for the Directors' assessment that the Group has the ability to continue as a going concern and the actions they are going to take to respond to these uncertainties. Our conclusion is not modified in respect of this matter.

Emphasis of Matter – Regulatory and Legal Matters

We draw attention to the regulatory and legal matters disclosed in Note B3 of the financial report. Our conclusion is not modified in respect of this matter.

Building a better working world

Directors' Responsibilities 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us 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 financial position as at 31 December 2023 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.

Ernst & Young

Scott Jarrett
Partner
Sydney
29 February 2024

The Star Entertainment Group

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