THE STAR

# ASX Announcement

17 February 2022

## APPENDIX 4D & 2022 HALF-YEAR 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 Financial Report for the half-year ended 31 December 2021.

**Dividend Reinvestment Plan**

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

**Authorised by:**

The Board of Directors

**For more information contact:**


| | | |
|---|---|---|
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# Appendix 4D

## Financial Report

## for the half year ended 31 December 2021

### 1. Results for announcement to the market

### (all comparisons to the half year ended 31 December 2020)

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 2021 lodged with the Australian Securities Exchange (ASX) on 19 August 2021.

| **Results in accordance with Australian Accounting Standards** | **Current period $m** | **% change** |
|---|---|---|
| Revenue from ordinary activities | 577.1 | (22.2%) |
| Loss from ordinary activities after tax attributable to members of the parent | (74.2) | (249.3%) |
| Net loss after tax for the period attributable to members of the parent | (74.2) | (249.3%) |

| | Current Period Normalised [1] $m | % change | **Current Period Statutory [2] $m** | **% change** |
|---|---|---|---|---|
| Revenue | 575.8 | (21.5%) | 577.1 | (22.2%) |
| Earnings before interest, tax, depreciation and amortisation | 29.4 | (87.0%) | 30.7 | (86.8%) |
| Depreciation and amortisation | (103.1) | (2.6%) | (103.1) | (2.6%) |
| Earnings before interest, tax and significant items | (73.7) | N.M. [4] | (72.4) | N.M. [4] |
| Share of associates' profits | (6.6) | 407.7% | (6.6) | 407.7% |
| Net interest expense | (22.9) | (14.9%) | (22.9) | (14.9%) |
| Significant items (net of tax) [3] | N/A | - | (1.4) | (92.1%) |
| Income tax expense | 29.5 | N.M. [4] | 29.1 | N.M. [4] |
| **Net profit after tax** | (73.7) | N.M. [4] | **(74.2)** | **N.M. [4]** |

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

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

[3] Significant items include one-off COVID-19 related expenditure, accounting for software change, business interruption and Crown merger costs, disposal of jet and dispute settlement.

[4] Movement not meaningful.

### 2. Dividend information

| | **Current period** | **Previous corresponding period** |
|---|---|---|
| Interim fully franked dividend declared (amount per share)[1] | 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 2021. In accordance with terms associated with the waiver of covenants at 30 June 2020 from debt providers, no further cash dividends will be paid until gearing, which represents the ratio of net debt to 12 month trailing statutory EBITDA, is below 2.5 times.

**Dividend reinvestment plan**

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

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

### 3. Net tangible assets per share

| | **Current period** | **Previous corresponding period** |
|---|---|---|
| Net tangible asset backing per ordinary share [1] | $1.77 | $1.81 |

[1] Excludes Right-of-use assets.

Additional Appendix 4D disclosures and other significant information may be found in The Star Entertainment Group Limited's Directors' Report and Financial Report for the half year ended 31 December 2021, and the media release lodged with the ASX on 17 February 2022.

THE STAR ENTERTAINMENT GROUP LIMITED

# The Star Entertainment Group Limited

A.C.N. 149 629 023

ASX Code: SGR

**and its controlled entities**

## Directors' Report and Financial Report

## for the half year ended 31 December 2021

**For the half year ended 31 December 2021**

## Contents

# Directors' Report

**For the half year ended 31 December 2021**

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 2021.

## 1. Directors

The names and titles of the Company's Directors in office during the half year ended 31 December 2021 and until the date of this report are set out below. Directors were in office for this entire period.

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

## 2. Principal activities

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

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

The Group holds casino licences to operate its properties: The Star Sydney, expiring in 2093; The Star Gold Coast, perpetual licence; Treasury Brisbane, perpetual licence that expires in 2070. The Group owns Broadbeach Island on which The Star Gold Coast casino is located.

## 3. Financial results and review of operations

Group performance continued to be significantly impacted by COVID-19 in the current reporting period. The Sydney property was closed from 26 June to 11 October 2021 while the Queensland properties were both closed for up to twelve days during the reporting period. Fluctuating spatial distancing requirements, domestic border closures and other COVID-19 related health orders constrained domestic visitation. International border closures continue to substantially reduce the International VIP Rebate business. Overall, earnings before interest, tax, depreciation and amortisation (***EBITDA***) (excluding significant items) of $30.7 million was down 86.8% on the pcp. Normalised EBITDA of $29.4 million was down 87.0%. Statutory and normalised results for the current period are largely consistent given the limited International VIP Rebate business revenue.

Net statutory revenue of $577.1 million was down 22.2% on the prior comparative period (***pcp***), primarily due to the aforementioned COVID-19 closures and restrictions. Sydney performed strongly post re-opening on 11 October 2021, with revenue up 29% on pcp. Queensland had stable revenues when open despite the domestic and international border closures and COVID-19 restrictions.

Operating expenses (excluding significant items) of $400.6 million were up 23.6% on pcp. Excluding the impact of the $57.7 million JobKeeper benefit in the pcp, operating expenses are up 4.9%. This reflects investment in maintaining overall staffing levels and an operating footprint to position the business for the re-opening and increased costs due to staff shortages, staff absenteeism and other additional COVID-19 related operating restrictions. Additional investment was also made into regulatory, compliance and responsible gambling functions, including costs associated with the ongoing AUSTRAC and ILGA reviews. Government taxes and levies of $145.8 million were down 20.8%, in line with the reduction in gaming revenue.

Depreciation and amortisation expense (excluding significant items) of $103.1 million was down 2.6% on the pcp primarily due to the disposal of the second Bombardier Jet. Capital expenditure was well below depreciation and amortisation expense in the period, which along with the asset impairments and write-downs at 30 June 2021, has contributed to the reduced asset base for depreciation.

Finance costs (excluding significant items) of $22.9 million are down 14.9% on pcp reflecting lower average drawn balances throughout the period.

Net loss after tax (***NLAT***) was $74.2 million, down 249.3%, including significant items of $1.4 million. Significant items include one-off COVID-19 related expenditure, accounting for software changes, business interruption and Crown merger costs, partially offset by gain on disposal of the second Bombardier Jet and settlement of supplier disputes. Refer to note A5 for more details of the Group's significant items.

# Directors' Report

**For the half year ended 31 December 2021**

Net debt was $1,223.2 million (30 June 2021: $1,171.4 million) with $419 million in undrawn facilities and a weighted average maturity of available facilities of 3.41 years. Gearing, representing net debt to trailing 12 months statutory EBITDA (excluding significant items), increased to 5.5x at 31 December 2021, given the property shutdowns during the reporting period. The Group obtained a complete waiver of debt financial covenants at 31 December 2021, and negotiated an amendment for 30 June 2022 testing, providing enhanced gearing and interest cover headroom. Current forecasts indicate the Group will satisfy debt covenants at both the 30 June 2022 and 31 December 2022 future testing dates, subject to COVID-19 related operating restrictions.

The Dorsett Gold Coast Hotel, located within the Gold Coast first tower, opened on 26 December 2021. The first tower construction is due to complete in 2H FY2022, with the Pool Club to open in February 2022 and the residential component of the development to complete in 4Q FY2022. Construction on the second tower, a $400 million 63-storey mixed use tower, remains on schedule to open in FY2025, with continuing strong residential pre-sales.

In Brisbane, Destination Brisbane Consortium (***DBC***)'s development of QWB is continuing with 64% of the gross floor area built and fit out of the podium gaming floor commencing in the period. Approximately 6,000 square metres of floor space has been leased for luxury retail while the food and beverage leasing strategy is progressing well, with agreement for lease expected to be executed mid-2022. As disclosed in the FY2021 results, DBC have been advised by the builder of expected delays to its construction program. An anticipated progressive opening is currently expected in the middle of calendar 2023, previously late 2022. The construction contract has provision for liquidated damages payable on key milestones (as adjusted in accordance with the contract). Following correspondence received from the builder in January 2022, the builder has purported that it has a claim against DBC for additional costs, extensions of time and damages, which DBC disputes. DBC are holding discussions with the builder on an ongoing basis.

The Group comprises the following three operating segments:

- Sydney;
- Gold Coast; and
- Brisbane.

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

***Sydney***

Gross revenue, before commissions was $240.3 million, down 39.5% on the pcp. Sydney was significantly impacted by the property closure from 26 June to 11 October 2021. Despite the lockdown, the property performed strongly post re-opening on 11 October 2021, with domestic revenues up 28.0% on pcp. Non-gaming revenue also performed well, up 46.5% on pcp post re-opening, driven by reactivation of several hospitality venues. International VIP Rebate revenue decreased 87.9% due to the ongoing international border closures, with the pcp comprising international patrons who remained in Sydney following the border closures.

Gaming taxes and levies decreased 33.6%, in line with reduced volumes. Operating expenses (excluding significant items) increased 10.4% due to the non-recurring impact of the JobKeeper benefit in the pcp. Excluding this, operating expenses declined 9.5%. The operating costs in the period reflect the decision to pay staff for a significant part of the shutdown period.

EBITDA (before significant items) was a loss of $24.0 million compared to earnings of $112.8 million in the pcp.

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

***Gold Coast***

Gross revenue, before commissions was $180.4 million, up 5.1% on the pcp, despite the COVID-19 property closure and other COVID-19 operating restrictions imposed in the period. Non-gaming revenue increased 35.1%, driven by the reactivation of hospitality venues throughout the property while domestic gaming was slightly down on pcp. Revenue performance represents strong weekend and holiday periods partially offset by softer performance in off-peak, given the lack of interstate visitation.

Gaming taxes and levies were down 0.8%, in line with reduced volumes. Operating expenses (excluding significant items) increased 42.7% on the pcp. Excluding the non-recurring JobKeeper benefit in the pcp, operating expenses increased 27.2% reflecting higher underlying activity levels, particularly non-gaming, higher staff costs and COVID-19 related costs. Costs in the pcp benefited from a deliberately slow ramp-up, which was not able to be replicated in the current period.

EBITDA (before significant items) was $25.8 million, down 50.6% on the pcp.

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

***Brisbane***
Gross revenue, before commissions was $160.6 million, down 11.1% on the pcp. The property was impacted by shutdowns and more onerous COVID-19 related operating restrictions in the period.

Operating expenses (excluding significant items) increased 35.3% on the pcp. Excluding the non-recurring JobKeeper benefit in the pcp, operating expenses increased 19.1% reflecting higher underlying activity levels, particularly non-gaming, COVID-19 related costs and investment in management capabilities ahead of the QWB opening.

EBITDA (before significant items) was $28.9 million down 57.6% on the pcp.

The property is a platinum partner of the Brisbane Fashion Festival and has partnered with The Royal National Agricultural and Industrial Association of Queensland, Brisbane Portrait Prize and contributed to GIVIT during the reporting period.

## 4. Regulatory and other matters

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

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

As announced on 14 January 2022, the Group has subsequently been advised by AUSTRAC that it has expanded the scope of its investigation to other entities within the Group. AUSTRAC advised that it will request information and documents from the Group as part of its investigation. AUSTRAC also advised that it has not made a decision regarding the appropriate regulatory response that it may apply to the Group, including whether or not enforcement action will be taken.

The Group takes its anti-money laundering obligations very seriously and will continue to fully co-operate with AUSTRAC in relation to its requests for information and documents and the investigation. While there is a prospect that AUSTRAC may take enforcement action, whether it will remains uncertain, as does the type of that enforcement action, including whether a financial penalty is involved.

**Independent Liquor & Gaming Authority Review**
As announced on 14 September 2021, the Group was advised by the Independent Liquor & Gaming Authority (***ILGA***) that Mr Adam Bell SC is undertaking the next regular review of The Star Sydney's casino operations in accordance with the Casino Control Act 1992 (NSW).

On 19 October 2021, ILGA advised, following advice from Mr Bell, that the review would include public hearings on matters including but not limited to the Group's maintenance and administration of systems to counter money laundering and infiltration by organised crime.

The public hearings are expected to commence in March 2022. The publicly available report is expected to be provided to ILGA by 30 June 2022. The terms of reference for the review are publicly available on the NSW Government Liquor & Gaming website at www.liquorandgaming.nsw.gov.au.

**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 total in dispute for this period is approximately $105.5 million (primary tax of $81.9 million and interest of $23.6 million). During 1H FY2022 the Group paid $40.9 million as a deposit to the ATO during the dispute process. The deposit is held as a current other 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 Group considers that it has paid the correct amount of tax and will pursue all available avenues of objection (including, if necessary, court proceedings) to the amended assessments.

## 5. Earnings per share (EPS)

Basic EPS for the period was (7.8) cents (31 December 2020: 5.3 cents), down 247.2% on pcp. Diluted EPS was (7.8) cents (31 December 2020: 5.2 cents).

# Directors' Report

**For the half year ended 31 December 2021**

## 6. Dividends

The Group remains committed to maintaining a balance sheet that positions it for post-COVID-19 recovery. No interim dividend was declared, given the continuing impacts of COVID-19 on the Group and in accordance with the conditions of debt covenant waivers at 30 June 2020 which restrict further cash dividends from being paid until the Group's gearing, which represents the ratio of net debt to 12 month trailing statutory EBITDA, is below 2.5 times.

## 7. Significant events after the end of the half year

Other than those events that have already been disclosed in this report or elsewhere in the Interim Financial Report, there have been no other significant events occurring after 31 December 2021 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 2021. The auditor's independence declaration forms part of this Directors' Report.

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

**John O'Neill AO**
Chairman
Sydney
17 February 2022

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 2021, 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

Ernst & Young

Megan Wilson

Megan Wilson
Partner
17 February 2022

# Financial Report
## Consolidated income statement
### For the half year ended 31 December 2021

| | Note | December 2021 $m | December 2020 Restated* $m |
|---|---|---|---|
| Revenue | A2 | **577.1** | 741.4 |
| Other income | A3 | **14.4** | - |
| Government taxes and levies | | **(145.8)** | (184.1) |
| Employment costs | A3 | **(277.4)** | (219.6) |
| Depreciation, amortisation and impairment | | **(103.1)** | (109.4) |
| Cost of sales | | **(28.6)** | (27.0) |
| Property costs | | **(27.4)** | (27.4) |
| Advertising and promotions | | **(24.9)** | (23.5) |
| Other expenses | | **(56.6)** | (44.2) |
| Share of net loss of associate and joint venture entities accounted for using the equity method | D2 | **(6.6)** | (1.3) |
| **(Loss)/earnings before interest and income tax (LBIT/EBIT)** | | **(78.9)** | 104.9 |
| Net finance costs | | **(25.0)** | (31.2) |
| **(Loss)/profit before income tax (LBT/PBT)** | | **(103.9)** | 73.7 |
| Income tax benefit/(expense) | | **29.7** | (24.0) |
| **Net (loss)/profit after tax (NLAT/NPAT)** | | **(74.2)** | 49.7 |
| **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 | | **8.6** | (10.8) |
| **Total comprehensive (loss)/income for the period** | | **(65.6)** | 38.9 |
| **Earnings per share:** | | | |
| Basic earnings per share | | **(7.8) cents** | 5.3 cents |
| Diluted earnings per share | | **(7.8) cents** | 5.2 cents |

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

** Comparatives have been restated due to a change in the Software-as-a-Service (SaaS) arrangements accounting policy which was adopted at 30 June 2021 (refer to note E).*

## Consolidated balance sheet

**For the half year ended 31 December 2021**

| | Note | December 2021 $m | June 2021 Restated* $m |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | | **100.8** | 67.9 |
| Trade and other receivables | | **20.8** | 23.3 |
| Inventories | | **17.1** | 15.2 |
| Income tax receivable | | **9.3** | - |
| Derivative financial instruments | B1 | **2.7** | 2.9 |
| Asset held for sale | | **-** | 30.6 |
| Other assets | | **81.8** | 23.8 |
| **Total current assets** | | **232.5** | 163.7 |
| Property, plant and equipment | | **2,664.9** | 2,695.4 |
| Intangible assets | | **1,825.6** | 1,831.4 |
| Derivative financial instruments | B1 | **35.0** | 13.9 |
| Investment in associate and joint venture entities | D2 | **636.2** | 631.7 |
| Other assets | | **39.4** | 37.2 |
| **Total non current assets** | | **5,201.1** | 5,209.6 |
| **TOTAL ASSETS** | | **5,433.6** | 5,373.3 |
| **LIABILITIES** | | | |
| Trade and other payables | | **215.7** | 179.1 |
| Interest bearing liabilities | | **4.8** | 6.8 |
| Income tax payable | | **-** | 1.0 |
| Provisions | | **102.5** | 94.5 |
| Derivative financial instruments | B1 | **5.9** | 5.6 |
| Other liabilities | | **25.1** | 23.5 |
| **Total current liabilities** | | **354.0** | 310.5 |
| Interest bearing liabilities | | **1,396.1** | 1,285.9 |
| Deferred tax liabilities | | **111.1** | 134.3 |
| Provisions | | **10.0** | 10.0 |
| Derivative financial instruments | B1 | **1.3** | 8.0 |
| Other liabilities | | **9.4** | 9.8 |
| **Total non current liabilities** | | **1,527.9** | 1,448.0 |
| **TOTAL LIABILITIES** | | **1,881.9** | 1,758.5 |
| **NET ASSETS** | | **3,551.7** | 3,614.8 |
| **EQUITY** | | | |
| Share capital | B2 | **3,170.5** | 3,159.3 |
| Retained earnings | | **376.1** | 450.3 |
| Reserves | | **5.1** | 5.2 |
| **TOTAL EQUITY** | | **3,551.7** | 3,614.8 |

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

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

# Consolidated statement of cash flows

**For the half year ended 31 December 2021**

| | Note | December 2021 $m | December 2020 Restated* $m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net cash receipts from customers (inclusive of GST) | | **612.9** | 816.9 |
| Payments to suppliers and employees (inclusive of GST) | | **(425.3)** | (485.7) |
| Payment of government levies, gaming taxes and GST | | **(176.6)** | (144.4) |
| Income taxes paid | | **(8.0)** | (3.7) |
| Receipt of government grants | | **-** | 103.0 |
| **Net cash inflow from operating activities** | | **3.0** | 286.1 |
| **Cash flows from investing activities** | | | |
| Payments for property, plant, equipment and intangibles | | **(66.3)** | (50.5) |
| Payments for investment in associate and joint venture entities | D2 | **(11.1)** | (48.7) |
| Proceeds from sale of property, plant and equipment | | **40.8** | 4.3 |
| **Net cash outflow from investing activities** | | **(36.6)** | (94.9) |
| **Cash flows from financing activities** | | | |
| Proceeds from interest bearing liabilities | | **375.9** | 55.0 |
| Repayment of interest bearing liabilities | | **(277.0)** | (196.0) |
| Dividends paid | A4 | **-** | (75.1) |
| Finance costs | | **(24.3)** | (34.1) |
| Proceeds from issue of shares | | **-** | 75.0 |
| Purchase of treasury shares | | **(1.9)** | - |
| Disposal of treasury shares | | **-** | 11.7 |
| Interest payment on lease liabilities | | **(1.8)** | (1.9) |
| Payment of lease liabilities | | **(4.4)** | (3.3) |
| **Net cash inflow/(outflow) from financing activities** | | **66.5** | (168.7) |
| Net increase in cash and cash equivalents | | **32.9** | 22.5 |
| Cash and cash equivalents at beginning of the year | | **67.9** | 66.1 |
| **Cash and cash equivalents at end of the period** | | **100.8** | 88.6 |

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

** Comparatives have been restated due to a change in the Software-as-a-Service (SaaS) arrangements accounting policy which was adopted at 30 June 2021 (refer to note E).*

## Consolidated statement of changes in equity

**For the half year ended 31 December 2021**

| | Note | Ordinary shares $m | Treasury shares $m | Retained earnings $m | Hedging reserve $m | Cost of hedging reserve $m | Share based payment reserve $m | Total $m |
|---|---|---|---|---|---|---|---|---|
| **2022** | | | | | | | | |
| **Balance at 1 July 2021 Restated*** | | **3,177.9** | **(18.6)** | **450.3** | **(21.4)** | **1.6** | **25.0** | **3,614.8** |
| Loss for the year | | **-** | **-** | **(74.2)** | **-** | **-** | **-** | **(74.2)** |
| Other comprehensive loss | | **-** | **-** | **-** | **6.4** | **2.2** | **-** | **8.6** |
| **Total comprehensive income** | | **-** | **-** | **(74.2)** | **6.4** | **2.2** | **-** | **(65.6)** |
| Purchase of treasury shares | B2 | **-** | **(1.9)** | **-** | **-** | **-** | **-** | **(1.9)** |
| Shares allocated to settle employee share programs | B2 | **-** | **13.1** | **-** | **-** | **-** | **-** | **13.1** |
| Employee share based payments | | **-** | **-** | **-** | **-** | **-** | **(8.7)** | **(8.7)** |
| **Balance at 31 December 2021** | | **3,177.9** | **(7.4)** | **376.1** | **(15.0)** | **3.8** | **16.3** | **3,551.7** |
| | | | | | | | | |
| **2021 Restated*** | | | | | | | | |
| **Balance at 1 July 2020** | | 3,069.7 | (18.9) | 392.4 | (16.6) | 3.2 | 16.8 | 3,446.6 |
| Profit for the year | | - | - | 49.7 | - | - | - | 49.7 |
| Issue of share capital | B2 | 108.2 | - | - | - | - | - | 108.2 |
| Other comprehensive income | | - | - | - | (6.9) | (3.9) | - | (10.8) |
| **Total comprehensive income** | | 108.2 | - | 49.7 | (6.9) | (3.9) | - | 147.1 |
| Purchase of treasury shares | B2 | - | (12.0) | - | - | - | - | (12.0) |
| Disposal of treasury shares | B2 | - | 11.7 | - | - | - | - | 11.7 |
| Shares allocated to settle employee share programs | B2 | - | 0.6 | - | - | - | - | 0.6 |
| Employee share based payments | | - | - | - | - | - | 6.6 | 6.6 |
| **Balance at 31 December 2020** | | 3,177.9 | (18.6) | 442.1 | (23.5) | (0.7) | 23.4 | 3,600.6 |

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

** Comparatives have been restated due to a change in the Software-as-a-Service (SaaS) arrangements accounting policy which was adopted at 30 June 2021 and wage compliance underpayments (refer to note E) .*

# Notes to the financial statements

**For the half year ended 31 December 2021**

## A Key income statement disclosures

## A1 Segment information

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

The Group has three reportable segments:

**Sydney** Comprises The Star Sydney's casino operations, including hotels, restaurants, bars and other entertainment facilities.

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

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

| For the half year ended 31 December 2021 | Sydney $m | Gold Coast $m | Brisbane $m | Total $m |
|---|---|---|---|---|
| Gross revenues - VIP [a] | **1.8** | **-** | **-** | **1.8** |
| Gross revenues - domestic [a] | **238.5** | **180.4** | **160.6** | **579.5** |
| **Segment revenue** | **240.3** | **180.4** | **160.6** | **581.3** |
| **Segment earnings before interest, tax, depreciation, amortisation and significant items** | **(24.0)** | **25.8** | **28.9** | **30.7** |
| **Depreciation and amortisation** | **58.8** | **30.8** | **13.5** | **103.1** |
| **Capital expenditure** | **26.9** | **33.5** | **6.2** | **66.6** |

| For the half year ended 31 December 2020 Restated* | Sydney $m | Gold Coast $m | Brisbane $m | Total $m |
|---|---|---|---|---|
| Gross revenues - VIP [a] | 14.9 | 0.9 | 0.6 | 16.4 |
| Gross revenues - domestic [a] | 382.6 | 170.8 | 180.1 | 733.5 |
| Segment revenue | 397.5 | 171.7 | 180.7 | 749.9 |
| Segment earnings before interest, tax, depreciation, amortisation and significant items | 112.8 | 52.2 | 68.2 | 233.2 |
| Depreciation and amortisation | 60.4 | 30.9 | 14.5 | 105.8 |
| Capital expenditure | 32.4 | 13.3 | 7.7 | 53.4 |

a Total gross revenue is presented as the gross gaming win before player rebates and promotional allowances of $4.2 million (31 December 2020: $8.5 million).

# Notes to the financial statements
**For the half year ended 31 December 2021**

| | December 2021 $m | December 2020 Restated* $m |
|---|---|---|
| **Reconciliation of reportable segment profit to profit before income tax** | | |
| Segment earnings before interest, tax, depreciation, amortisation and significant items | **30.7** | 233.2 |
| Depreciation and amortisation | **(103.1)** | (105.8) |
| Significant items (refer to note A5) | **(2.0)** | (25.5) |
| Unallocated items: | | |
| Net finance costs | **(22.9)** | (26.9) |
| Share of net loss of associate and joint venture entities accounted for using the equity method (refer to note D2) | **(6.6)** | (1.3) |
| **(Loss)/profit before income tax (LBT/PBT)** | **(103.9)** | 73.7 |

** Comparatives have been restated due to a change in the Software-as-a-Service (SaaS) arrangements accounting policy which was adopted at 30 June 2021 (refer to note E).*

## A2 Revenue

| | | |
|---|---|---|
| Gaming | **411.4** | 577.3 |
| Non-gaming | **162.7** | 159.4 |
| Other | **3.0** | 4.7 |
| **Total revenue** | **577.1** | 741.4 |

## A3 Other income and expenses

**Other income**
Profit before income tax is stated after charging the following expenses and significant items:

| | | |
|---|---|---|
| Net foreign exchange gain | **0.1** | - |
| Gain on disposal of assets | **9.6** | - |
| Other | **4.7** | - |
| | **14.4** | - |

**Employment costs***

| | | |
|---|---|---|
| Salaries, wages, bonuses, redundancies and other benefits [a] | **252.6** | 192.9 |
| Defined contribution plan expense (superannuation guarantee charges) | **20.5** | 21.2 |
| Share based payment expense | **4.3** | 5.5 |
| | **277.4** | 219.6 |

[a] The comparative amount is net of $87.9 million of financial support provided by the Federal Government under the JobKeeper wage subsidy scheme. As a result of the JobKeeper subsidy, the Group received a $57.7 million benefit towards salaries and wages expenses, for employees who had been stood up or were working reduced hours.

** Comparatives have been restated due to a change in the Software-as-a-Service (SaaS) arrangements accounting policy which was adopted at 30 June 2021 (refer to note E).*

# Notes to the financial statements

**For the half year ended 31 December 2021**

## A4 Dividends

**The Group remains committed to maintaining a balance sheet that positions it for post-COVID-19 recovery. No interim dividend was declared, given the continuing impacts of COVID-19 on the Group and in accordance with the conditions of debt covenant waivers at 30 June 2020 which restricts further cash dividends from being paid until the Group's gearing, which represents the ratio of net debt to 12 month trailing statutory EBITDA, is below 2.5 times.**

| | December 2021 $m | December 2020 $m |
|---|---|---|
| **Dividends declared and paid during the half year on ordinary shares** | | |
| Interim dividend paid during the period in respect of the half year ended 31 December 2019 [a] | - | 75.1 |

[a] No interim dividend was declared for the half year ended 31 December 2021 and 31 December 2020 (2019: 10.5 cents per share fully franked was declared on 19 February 2020 and paid on 2 July 2020. The interim dividend payment was deferred from the original payment date of 1 April 2020 due to the exceptional circumstances associated with COVID-19 requiring the closure of the properties, and a revised Dividend Reinvestment Plan (DRP) which was fully underwritten by Credit Suisse Equities (Australia) Limited. On 2 July 2020, the Group issued 30,730,998 new shares to settle the interim dividend. Existing shareholders who elected to participate in the DRP received 6,849,977 new shares. In accordance with the underwriting agreement, Credit Suisse Equities (Australia) Limited received 23,881,021 new shares in exchange for $75.1 million cash to fund the interim dividend cash payment.

## A5 Significant items

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

| | December 2021 $m | December 2020 $m |
|---|---|---|
| One-off COVID-19 related expenditure [a] | **12.0** | 5.4 |
| Accounting for software change [b] * | **2.8** | 3.5 |
| Business Interruption and Crown Merger costs [c] | **1.1** | - |
| Disposal of Jet [d] | **(9.2)** | - |
| Dispute Settlement [e] | **(4.7)** | - |
| Restructuring costs [f] | **-** | 13.0 |
| Impairment [g] | **-** | 3.6 |
| **Net significant items** | **2.0** | 25.5 |
| Tax on significant items | **(0.6)** | (7.7) |
| **Significant items net of tax** | **1.4** | 17.8 |

* Comparatives have been restated due to a change in the Software-as-a-Service (SaaS) arrangements accounting policy which was adopted at 30 June 2021 (refer to note E).

a Incremental one-off COVID-19 related expenditure including support payments for employees impacted by property shutdowns and covenant amendment fees for COVID-19 affected loan facilities.

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

c Business Interruption insurance claim and the proposed Crown Merger costs.

d In September 2021, sale of the second Bombardier Jet was completed.

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

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

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

# Notes to the financial statements

**For the half year ended 31 December 2021**

## 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 2021 $m | June 2021 $m |
|---|---|---|
| **Current assets** | | |
| Cross currency swaps | **2.7** | 2.9 |
| | **2.7** | 2.9 |
| **Non current assets** | | |
| Cross currency swaps | **34.2** | 13.7 |
| Interest rate swaps | **0.8** | 0.2 |
| | **35.0** | 13.9 |
| **Current liabilities** | | |
| Cross currency swaps | **3.7** | 2.9 |
| Interest rate swaps | **2.2** | 2.7 |
| | **5.9** | 5.6 |
| **Non current liabilities** | | |
| Cross currency swaps | **-** | 4.3 |
| Interest rate swaps | **1.3** | 3.7 |
| | **1.3** | 8.0 |
| **Net financial assets** | **30.5** | 3.2 |

*Valuation of derivatives and other financial instruments*

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

*Financial Instruments - fair value hierarchy*

The fair value of the Group's financial assets and financial liabilities approximates their carrying value 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.

# Notes to the financial statements

**For the half year ended 31 December 2021**

## B2 Share capital

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

| | Share capital | | Treasury shares | | Net outstanding | |
|---|---|---|---|---|---|---|
| | **Shares** | **$m** | **Shares** | **$m** | **Shares** | **$m** |
| Opening balance 1 July 2021 | 952,014,210 | 3,177.9 | (5,525,183) | (18.6) | 946,489,027 | 3,159.3 |
| Shares purchased for future employee share programs | - | - | (464,958) | (1.9) | (464,958) | (1.9) |
| Shares allocated to settle employee share programs | - | - | 3,900,491 | 13.1 | 3,900,491 | 13.1 |
| **Closing balance 31 December 2021** | **952,014,210** | **3,177.9** | **(2,089,650)** | **(7.4)** | **949,924,560** | **3,170.5** |
| | | | | | | |
| Opening balance 1 July 2020 | 917,322,730 | 3,069.7 | (5,318,135) | (18.9) | 912,004,595 | 3,050.8 |
| Issue of share capital - 2 July 2020 [a] | 30,730,998 | 96.2 | - | - | 30,730,998 | 96.2 |
| Issue of share capital - 16 September 2020 [b] | 3,960,482 | 12.0 | (3,960,482) | (12.0) | - | - |
| Disposal of treasury shares | - | - | 3,717,053 | 11.7 | 3,717,053 | 11.7 |
| Shares allocated to settle employee share programs | - | - | 36,381 | 0.6 | 36,381 | 0.6 |
| Closing balance 31 December 2020 | 952,014,210 | 3,177.9 | (5,525,183) | (18.6) | 946,489,027 | 3,159.3 |

[a] On 2 July 2020, the Group issued 30,730,998 new shares to settle the FY2020 interim dividend. 23,881,021 shares were purchased by the underwriter in accordance with the dividend underwriting agreement and the balance went to existing shareholders participating in the DRP.

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

# Notes to the financial statements

**For the half year ended 31 December 2021**

## C Commitments, contingencies and subsequent events

## C1 Commitments and contingent liabilities

**Other commitments** [a]

| | December 2021 $m | June 2021 $m |
|---|---|---|
| Not later than one year | **28.7** | 13.8 |
| Later than one year but not later than five years | **9.9** | 3.7 |
| Later than five years | **-** | - |
| | **38.6** | 17.5 |

a Other commitments as at 31 December 2021 mainly include Sydney redevelopment projects including the Darling Hotel refurbishment and Gold Coast redevelopment projects.

The Group completed equity contributions to Destination Brisbane Consortium (***DBC***) to fund construction of the Integrated Resort, which is expected to open in 1H CY2023 (subject to various approvals). Remaining construction costs are to be funded out of committed project financing.

For Destination Gold Coast Consortium (***DGCC***), construction is underway on two towers at 31 December 2021. Equity contributions towards Tower 1 are complete, with remaining construction costs to be funded out of committed project financing. The Group has $19.4 million of committed equity contributions towards Tower 2. Project financing for the remaining build costs is currently under negotiation.

## C2 Contingent liabilities

**AUSTRAC Enforcement Investigation**

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

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

As announced on 14 January 2022, the Group has subsequently been advised by AUSTRAC that it has expanded the scope of its investigation to other entities within the Group. AUSTRAC advised that it will request information and documents from the Group as part of its investigation. AUSTRAC also advised that it has not made a decision regarding the appropriate regulatory response that it may apply to the Group, including whether or not enforcement action will be taken.

The Group takes its anti-money laundering obligations very seriously and will continue to fully co-operate with AUSTRAC in relation to its requests for information and documents and the investigation. While there is a prospect that AUSTRAC may take enforcement action, whether it will remains uncertain, as does the type of that enforcement action, including whether a financial penalty is involved.

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

**Legal challenges**

There are outstanding legal actions between the Company and its controlled entities and third parties as at 31 December 2021. The Group has notified its insurance carrier of all relevant litigation and believes that any damages (other than exemplary damages) that may be awarded against the Group, in addition to its costs incurred in connection with the action, will be covered by its insurance policies where such policies are in place. Where there are no policies in place, provisions are made for known obligations where the existence of a liability is probable and can be reasonably quantified. As the outcomes of these actions remain uncertain, contingent liabilities exist for possible amounts eventually payable that are in excess of the amounts covered for by the insurance policies in place or of the amounts provided for.

# Notes to the financial statements

**For the half year ended 31 December 2021**

## C3 Subsequent events

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.

## C4 Other matters

**Independent Liquor & Gaming Authority Review**

As announced on 14 September 2021, the Group was advised by the Independent Liquor & Gaming Authority (***ILGA***) that Mr Adam Bell SC is undertaking the next regular review of The Star Sydney's casino operations in accordance with the Casino Control Act 1992 (NSW).

On 19 October 2021, ILGA advised, following advice from Mr Bell, that the review would include public hearings on matters including but not limited to the Group’s maintenance and administration of systems to counter money laundering and infiltration by organised crime.

The public hearings are expected to commence in March 2022. The publicly available report is expected to be provided to ILGA by 30 June 2022. The terms of reference for the review are publicly available on the NSW Government Liquor & Gaming website at www.liquorandgaming.nsw.gov.au.

**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 total in dispute for this period is approximately $105.5 million (primary tax of $81.9 million and interest of $26.3 million). During 1H FY2022 the Group paid $40.9 million as a deposit to the ATO during the dispute process. The deposit is held as a current other 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 Group considers that it has paid the correct amount of tax and will pursue all available avenues of objection (including, if necessary, court proceedings) to the amended assessments.

# Notes to the financial statements

**For the half year ended 31 December 2021**

## 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 2021. The financial years of all controlled entities are the same as that of the Company with the exception of The Star Entertainment (Macau) Limited which has a 31 December financial year end.

## D2 Investment in associate and joint venture entities

Set out below are the investments of the Group as at 31 December 2021 which, in the opinion of the Directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held by the Group. The country of incorporation is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

| For the half year ended 31 December 2021<br>Name of entity | Country of incorporation | % of ownership | Nature of ownership | Measurement method | Carrying amount<br>$m |
|---|---|---|---|---|---|
| **Material** | | | | | |
| Destination Brisbane Consortium Integrated Resort Holdings Pty Ltd | Australia | 50 | Associate | Equity method | 540.0 |
| Destination Gold Coast Consortium Pty Ltd | Australia | 33.3 | Joint venture | Equity method | 40.3 |
| Destination Gold Coast Investments Pty Ltd | Australia | 50 | Joint venture | Equity method | 34.5 |
| **Non material** | | | | | |
| Festival Car Park Pty Ltd | Australia | 50 | Joint venture | Equity method | 14.3 |
| Destination Sydney Consortium Investments Pty Ltd | Australia | 50 | Joint venture | Equity method | 7.1 |
| **Total equity accounted investments** | | | | | **636.2** |

The carrying amount of the equity-accounted investments has changed in the six months to 31 December 2021, as follows:

| Name of entity | Balance at 1 July 2021<br>$m | Net movement<br>$m | Profit/(loss) for the period<br>$m | Distributions<br>$m | Balance at 31 December 2021<br>$m |
|---|---|---|---|---|---|
| Destination Brisbane Consortium Integrated Resort Holdings Pty Ltd | 543.9 | - | (3.9) | - | 540.0 |
| Destination Gold Coast Consortium Pty Ltd | 30.4 | 10.1 | (0.2) | - | 40.3 |
| Destination Gold Coast Investments Pty Ltd | 35.9 | - | (1.4) | - | 34.5 |
| Festival Car Park Pty Ltd | 14.0 | - | 0.3 | - | 14.3 |
| Destination Sydney Consortium Investments Pty Ltd | 7.5 | 1.0 | (1.4) | - | 7.1 |
| | **631.7** | **11.1** | **(6.6)** | **-** | **636.2** |

**Commitments and contingent liabilities**

DBC has current capital commitments of approximately $0.8 billion (31 December 2020: $1.6 billion) to fund the construction of the Integrated Resort, which is expected to open in 1H CY2023 (subject to various approvals).

DGCC has current capital commitments of $436.0 million (31 December 2020: $148.0 million) in relation to the two towers. Committed spend is to be funded out of a combination of project level debt facilities and equity.

# Notes to the financial statements

**For the half year ended 31 December 2021**

## 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 2021 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 17 February 2022.

**Basis of preparation of the interim report**

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 2021.

The interim financial statements for the six months ended 31 December 2021 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 Financial Report for the year ended 30 June 2021, and any public announcements made by the Company during the interim reporting period in accordance with its continuous disclosure obligations under ASX listing rules.

**Going concern**

The interim financial statements have been prepared and approved by the Directors on a going concern basis. At 31 December 2021, the Group has a net asset position of $3,551.7 million (2020: $3,600.6 million). For the half year, the Group generated a loss after tax of $74.2 million (2020: profit after tax of $49.7 million) and a net increase in cash of $32.9 million (2020: $22.5 million). The loss after tax is a consequence of the extended property closure in Sydney from 26 June to 11 October 2021. Both Queensland properties were also disrupted, with closures of up to twelve days and other COVID-19 operating restrictions imposed during the half.

While COVID-19 is expected to have an ongoing impact on the Group’s operations and results, it remains unclear to what extent. Current forecasts incorporate the existing Government roadmap for managing the COVID-19 Omicron variant, after which operations are expected to gradually improve to more normal levels by 30 June 2022. Whilst a significant new COVID-19 event could materially impact the Group’s operations and ability to continue as a going concern, the likelihood of this is considered remote given the mitigating actions available to the Group. This is further supported by the continuing improvement of the tools available to both the Government and Group to manage the impact of a new variant, including vaccinations, operating restrictions and spatial distancing.

The 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. The Directors have taken the following matters into consideration in forming a view that the going concern basis of accounting is appropriate, amongst other matters:

- The Group has cash on hand and on deposit of $100.8 million at 31 December 2021;
- The Group has $419 million available facility capacity, of which $344 million has maturities beyond 12 months;
- Forecast operating cashflows for the next 12 months support operations which will generate operating cash flows to cover committed investing activities;
- The Group has entered into an agreement for sale of an interest in the Treasury Brisbane assets (subject to Government approval). Execution of the new deal, which could happen as early as 2H FY2022, may deliver up to $170 million of additional funding; and
- The Group secured full covenant waivers at 31 December 2021 and covenant amendments at 30 June 2022. Based on current forecasts, the Group expects to satisfy amended covenants at 30 June 2022 and covenants at 31 December 2022. This demonstrates the Group's ability to successfully negotiate waivers and amendments during the impact of COVID-19 to date.

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

# Notes to the financial statements

**For the half year ended 31 December 2021**

**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;
- Asset held for sale;
- Impairment of assets;
- Valuation of derivatives and other financial instruments (refer note B1);
- Impairment of trade receivables;
- Significant items (refer note A5); and
- Provisions.

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

**Changes in accounting policies and disclosures**

The Group has adopted the following new accounting standards, which became applicable from 1 July 2021:

| Reference | Title |
|---|---|
| AASB 7 | Amendments to AASB 7: Interest Rate Benchmark Reform - Phase 2 |

**Amendments to AASB 7: Interest Rate Benchmark Reform - Phase 2**

The amendments to AASB 7 Financial Instruments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (***IBOR***) is replaced with an alternative nearly risk-free interest rate (***RFR***).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; and
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the interim financial statements of the Group as it does not have any interest rate hedge relationships affected by the interest rate benchmark reforms.

**Standards and amendments issued but not yet effective**

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

| Reference | Title | Application date |
|---|---|---|
| AASB 3 | Amendments to AASB 3 Business Combinations | 1 January 2022 |
| AASB 16 | Amendments to AASB 16 Leases | 1 January 2022 |
| AASB 37 | Amendments to AASB 37 Provisions, Contingent Liabilities & Contingent Assets | 1 January 2022 |
| AASB 2020-1 | Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current | 1 January 2023 |
| AASB 2015-2 | Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates | 1 January 2023 |
| AASB 2021-5 | Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2023 |

# Notes to the financial statements

**For the half year ended 31 December 2021**

**Impact of prior year restatement**

**Software-as-a-Service**

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision for configuration and customisation costs incurred related to a Software as a Service (***SaaS***) arrangement. The Group changed its accounting policy in relation to configuration and customisation costs incurred in implementing SaaS arrangements at 30 June 2021. Due to the timing of the agenda decision the 31 December 2020 interim financial statements did not incorporate the new policy. Consequently, the consolidated income statement comparatives for 31 December 2020 have been restated in accordance with Australian Accounting Standard AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The impact of the restatement was to increase employment costs and other expenses by $2.0 million and $1.5 million respectively, and decrease depreciation, amortisation and impairment and income tax expense by $1.4 million and $0.6 million respectively.

**Wage compliance underpayments**

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

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

The impact of the restatement on the profit before income tax for the half year ended 31 December 2021 is 'nil' with the remaining amount recorded in retained earnings as a prior period restatement in accordance with Australian Accounting Standard AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

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

# 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 2021 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.

**John O'Neill AO**
Chairman
Sydney
17 February 2022

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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 2021, 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 2021 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.

## 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 2021 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*.

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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

Ernst & Young

Megan Wilson

Megan Wilson
Partner
Sydney
17 February 2022