ANNUAL REPORT 2018

THE STAR ENTERTAINMENT GROUP

THE STAR

THE 2018 FINANCIAL YEAR SAW SEVERAL LANDMARK MILESTONES ACHIEVED, PROVIDING TANGIBLE ILLUSTRATIONS OF PROGRESS AS THE STAR ENTERTAINMENT GROUP CONTINUES TO FOCUS ON EXECUTING OUR STRATEGIC AGENDA, IN PURSUIT OF OUR VISION TO BE AUSTRALIA'S LEADING INTEGRATED RESORT COMPANY.

Cover: The Star Gold Coast with artist impression of completed Dorsett hotel and apartments tower. ©Destination Gold Coast Consortium. All rights reserved.

This page: The Star Gold Coast following the opening of The Darling hotel.

OUR VISION

TO BE AUSTRALIA'S LEADING INTEGRATED RESORT COMPANY BY FULLY HARNESSING OUR UNIQUE OPPORTUNITIES IN EACH PROPERTY, TO PROVIDE THE MOST THRILLING GUEST EXPERIENCES IN WAYS THAT TRULY REFLECT THE UNIQUE CHARACTER OF OUR CITIES.

PILLARS

THRILLING EXPERIENCES

ACCESSIBLE LUXURY

LOCAL SPIRIT

PRIORITIES

SHAREHOLDER VALUE

WORLD CLASS PROPERTIES

LEADERSHIP IN LOYALTY

EXCELLENCE IN GUEST SERVICE

TALENTED TEAMS

VALUES

OWNERSHIP

TRUE TEAMWORK

WELCOMING

CITY PRIDE

SERVICE COMMITMENTS

LIVE IT
Be Human

BRING IT
Be Your Best Self

OWN IT
Be a Star Player

DELIVER IT
Be the Perfect Host

EXCELLENCE IN GUEST SERVICES

WORLD CLASS PROPERTIES

EVOLUTION THROUGH TRANSFORMATION

THROUGHOUT THE 2018 FINANCIAL YEAR, THE STAR ENTERTAINMENT GROUP CONTINUED TO TAKE STRIDES TOWARDS ACHIEVING ITS VISION.

- The Star Gold Coast proudly opened a luxury suite hotel 'The Darling' prior to the commencement of the Gold Coast 2018 Commonwealth Games
- Approvals were received for a 53-storey tower housing the Dorsett hotel and The Star Residences
- The Queen's Wharf Brisbane development moved into the excavation phase, with the riverfront space expected to open to the public in calendar year 2019
- Development application lodged for proposed hotel and residences tower at The Star Sydney including The Ritz-Carlton brand.

PROPERTY INVESTMENTS PIPELINE*

$3.6BN
REDEVELOPMENT OF QUEEN'S WHARF BRISBANE

~$1BN
INVESTMENT IN THE STAR GOLD COAST (WITH POTENTIAL FOR ADDITIONAL TOURISM INVESTMENT)

UP TO $1BN
POTENTIAL INVESTMENT AT THE STAR SYDNEY (SUBJECT TO ALL APPROVALS)

NOW

7
HOTELS
Including 1,600 rooms across Sydney, Brisbane and Gold Coast

~60
RESTAURANTS & BARS
Including award winning and hatted restaurants in Sydney, Gold Coast and Brisbane

HOTEL
BRANDS
Including The Darling, The Star Grand, Sheraton Grand Mirage, Treasury Brisbane

FUTURE

~12
HOTELS
Including more than 3,200 rooms across Sydney, Brisbane and the Gold Coast

~130
RESTAURANTS & BARS
Featuring additional signature venues and celebrity chefs

HOTEL
BRANDS
Including Rosewood, Dorsett, The Ritz-Carlton, The Darling, The Star Grand, Sheraton Grand Mirage

*Investments include contributions from joint venture partners

OUR HIGHLIGHTS

AWARDS

Destination Gold Coast Consortium. All rights reserved. Artist impression only of proposed masterplan towers. Subject to planning approvals.

WINNER THE STAR SYDNEY

AHA National Awards for Excellence 2017

Best Environmental and Energy Efficiency Practice

5 STAR RATING

The Darling Sydney is the city's only luxury hotel to receive the prestigious Forbes Five-Star rating. The Darling has been awarded it two years in a row (2017, 2018)

GOLD AWARD WINNER

The Darling Sydney

NSW Tourism Awards 2017

Luxury Accommodation

FINALIST THE STAR ENTERTAINMENT GROUP

2018 Australian HR Awards

Employer of Choice (>1,000 employees),

Best workplace diversity & inclusion program

WINNER THE STAR GRAND

Queensland Hotels Association 2017 Awards for Excellence

Best Deluxe Accommodation

AWARDED

RobecoSAM Sustainability Award Gold Class 2018

(Dow Jones Sustainability Award)

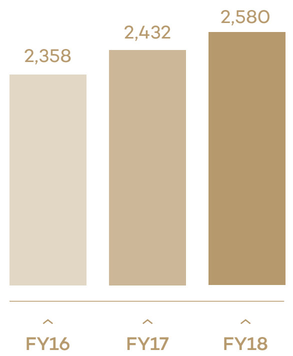
81%
OF PRE-TAX PROFITS PAID TO ALL LEVELS OF GOVERNMENT

$832M
ESTIMATED SPEND ON 4,300+ SUPPLIERS AUSTRALIA WIDE

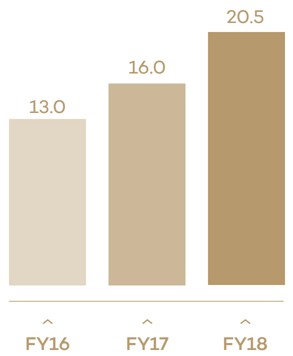
#1
“GLOBAL LEADER” CASINO AND GAMING INDUSTRY (DOW JONES SUSTAINABILITY INDEX)

$12M+
CONTRIBUTION TO CHARITIES, COMMUNITY GROUPS AND PARTNERSHIPS

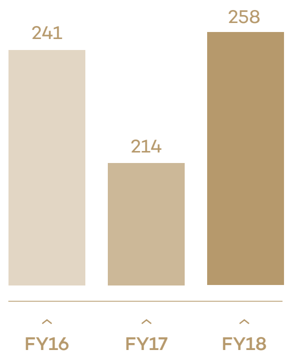
$2,580M
STATUTORY GROSS REVENUE ($M)



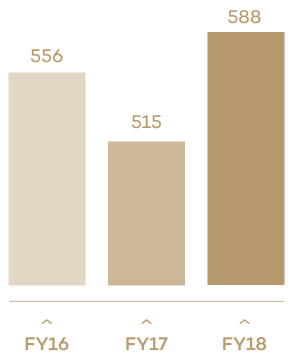
20.5¢
FULL YEAR DIVIDEND PER SHARE (CENTS)



$258M
NORMALISED NPAT ($M)



$588M
NORMALISED EBITDA ($M)



TRUE TEAMWORK

BRONZE EMPLOYER
‘Pride in Diversity’
Australian Workplace Equality Index for LGBTI Inclusion

MEMBER
Green Building Council of Australia
The Star Entertainment Group became a GBCA member in FY2018 and achieved a 5 Star Green Star Interiors rating for its new Sydney corporate office fitout

MEMBER
Dow Jones Sustainability Index 2018

CONSTITUENT
The Star Entertainment Group remains a constituent of the FTSE4Good Index

CHAIRMAN'S MESSAGE

I AM PLEASED TO REPORT TO SHAREHOLDERS THAT FY2018 SAW THE STAR ENTERTAINMENT GROUP COMPLETE A FURTHER YEAR DELIVERING ON OUR GROWTH STRATEGY, DELIVERING STRONG FINANCIAL RESULTS AND DELIVERING AS A TRUSTED COMMUNITY PARTNER IN OUR ATTRACTIVE LOCAL DESTINATIONS OF SYDNEY, THE GOLD COAST AND BRISBANE.

Our portfolio of tourism, entertainment and gaming assets continues to expand at scale and to a level of quality that positions us favourably with any global competitor. This ensures we are well placed to capitalise on opportunities within the domestic market, and from the sustained growth in international tourism.

This growth strategy is supported by the development of The Star's strategic alliance with our Hong Kong-based partners, Chow Tai Fook Enterprises (CTF) and Far East Consortium (FEC) as announced in March 2018. The expanded partnership with CTF and FEC not only further underpins the company's growth strategy, but also enhances the long-term value of The Star for all shareholders.

The strategic alliance agreement provides for further potential investment in the Group's business and a marketing alliance, which leverages our partners' customer networks. It also provided for welcoming CTF and FEC as shareholders via an equity placement, which aligns our collective interests. We are pleased to have developed such depth in the relationship with our partners in the short period since forming the successful joint venture - Destination Brisbane Consortium, bidding for the Queen's Wharf Brisbane development in 2014.

In FY2018, the Destination Brisbane Consortium continued to deliver project works to schedule and, importantly, secured planning approvals that support an enhanced Queen's Wharf Brisbane Integrated Resort with an approximately 25% increase in scope, which is expected to support a favourable capital return.

Also amongst the achievements in delivering against the Group's strategic priorities was the unveiling of the new luxury suite hotel tower at The Star Gold Coast – The Darling which, along with the reinvigorated existing complex, was open for the Gold Coast 2018 Commonwealth Games. The Star was very proud to be the First Official Partner of the Games, contributing to renewed positioning of the Gold Coast on the global stage. We are now looking forward to underlining The Star Gold Coast's standing as a global tourism destination with construction commencing on the first hotel and residential apartment tower on Broadbeach Island with our joint venture partners.

The proposed investment by The Star and its partners, CTF and FEC, across the Queen's Wharf Brisbane development and the first joint venture tower at The Star Gold Coast totals approximately $4 billion. As announced, the joint venture is also proposing to invest approximately $500 million to deliver The Ritz-Carlton hotel and residential tower development at The Star Sydney, subject to approvals being procured.

Ongoing stable leadership from Managing Director and Chief Executive Officer, Matt Bekier, and the executive management team enabled delivery of strong financial results for FY2018 - record gross revenues, record normalised earnings and record normalised net profit after tax (NPAT) for the Group. This was a high-quality result with broad-based growth across the domestic business, market share gains in key gaming segments and improving momentum in earnings over the year.

Statutory NPAT for the Group was $148 million, down 44% on the prior year. Statutory earnings before interest, tax, depreciation and amortisation (EBITDA) decreased 19.2% on last financial year to $484 million. Statutory results were impacted by a low actual win rate of 1.16% in the International VIP Rebate business (as compared with 1.59% in FY2017) and significant items, primarily from the restructure of the US Private Placement debt announced in FY2017 and Gold Coast pre-opening and launch expenses, which were in line with previous disclosures.

In normalised terms, at a win rate of 1.35%, the full year normalised NPAT result was $258 million, up 20.3% on FY2017 and normalised EBITDA was up 14.2% to $588 million.

As a reflection of the positive earnings momentum, and in line with the increased dividend payout policy, the Board declared a final dividend of 13 cents per share (fully franked), taking total dividends for the year to a record 20.5 cents per share (fully franked). This total dividend amount is up 28% on FY2017 and reflects a payout ratio of 122% of statutory NPAT and 70% of normalised NPAT. This record total dividend continues growth in dividends returned to shareholders in the last previous five years.

As in FY2017, the Group's results were achieved as transformational projects continued to be carried out and effectively delivered across the properties. The earnings momentum in our existing business, continued operating efficiency and efficient commercialising of investments combined with long-term tourism forecasts and our drive to achieve the Group's vision provide confidence in the Group's strategic priorities and transformative projects underway.

On behalf of the Board, I congratulate and thank Matt Bekier and the management team on their continued efforts and dedication to making The Star Entertainment Group Australia's leading integrated resort company and returning value to shareholders. Also, I would like to thank my fellow directors for their ongoing commitment, including Zlatko Todorcevski and Ben Heap who were appointed during FY2018 and joined the Board in May, bringing additional, complementary experience and skills to the Board.

I look forward to welcoming shareholders to the 2018 Annual General Meeting at The Star, Gold Coast, where construction work for our newest hotel and residential apartment tower will be well underway.

Thank you for your ongoing support for The Star Entertainment Group and our vision to be Australia's leading integrated resort company.

John O'Neill AO
Chairman

RECORD NORMALISED NPAT – UP 20.3% TO

$258M

RECORD FULL YEAR DIVIDEND – UP 28% TO

20.5¢

CEO'S MESSAGE

IN THE 2018 FINANCIAL YEAR, THE STAR ENTERTAINMENT GROUP DELIVERED IMPORTANT MILESTONES IN ITS CONTINUED GROWTH AND EVOLUTION. ALIGNED TO OUR VISION OF BECOMING AUSTRALIA'S LEADING INTEGRATED RESORT COMPANY, WE CONTINUED EXECUTING ON TRANSFORMATION PROJECTS IN EACH ONE OF OUR LOCATIONS. THIS WAS HIGHLIGHTED BY THE OPENING OF THE DARLING, OUR LUXURY SUITE HOTEL AT THE GOLD COAST, WHICH WE DELIVERED ON TIME AND ON BUDGET.

The growth strategy we are executing allowed us to deliver record statutory and normalised gross revenue in FY2018 and further establishes The Star as the leading International VIP Rebate operator across Australia and New Zealand.

Gold Coast was a focus on several fronts during FY2018. The Darling opened ahead of the Gold Coast 2018 Commonwealth Games, along with its rooftop restaurant and lounge, Nineteen at The Star. Approvals were also received to commence construction on a new 700-key tower at The Star Gold Coast, which will house Australia's first Dorsett hotel and The Star Residences. The project is a joint venture with valued Hong Kong-based partners Chow Tai Fook Enterprises (CTF) and Far East Consortium (FEC). Work commenced with a ground-breaking ceremony early in FY2019.

The project that heralded the formation of our partnership with CTF and FEC – the $3.6 billion Queen's Wharf Brisbane development – also continued to make progress, moving to excavation stage. Further works started on riverside enhancements that will open to the public during calendar year 2019.

In Sydney, a development application for The Ritz-Carlton hotel tower and apartments was lodged with the Department of Planning and Environment. Other important enhancements to our business strategy included developments in our loyalty program capabilities, building talented teams across all functions, and embedding a culture of guest service excellence.

These qualities will maximise shareholder value by ensuring The Star Entertainment Group is elevated as a primary consideration for an increased number of domestic and international visitors.

OPERATING PERFORMANCE

The 2018 financial year returned strong financial results and continued good progress in the performance of our core business. It was a high-quality result achieved on the back of broad-based growth domestically, the solid performance of new investments and impressive International VIP Rebate numbers.

The highlights on the domestic front were slots, Queensland tables and non-gaming.

We achieved increased share in key gaming segments including the International VIP Rebate business where turnover was up 54% at more than $61 billion. Normalised International VIP Rebate gross revenue increased 52% to $827 million. Statutory International VIP Rebate revenue was up 11% despite a low actual win rate of 1.16% compared to the high win rate of 1.59% in FY2017. Complementing this volume growth was the outstanding performance of the credit risk management and approval team.

The International VIP Rebate result reflects the success of the diversification strategy we embarked on more than two years ago, with continued growth in non-North Asian source markets; market normalisation; the attraction of new facilities; and investments in guest service. This year's Group financial results were also achieved despite capex peaking during FY2018.

For the full year, normalised gross revenue across the Group grew 15.3% to $2,695 million, with The Star Sydney growing by 17.5% to $1,875 million and the Queensland properties increasing 10.5% to $820 million. Actual gross revenue increased 6.1% to $2,580 million, with The Star Sydney up 3.0% and the Queensland properties up 12.9%.

Domestic gaming revenues grew 2.4% to $1,582 million across the Group in the 2018 financial year. Non-gaming cash revenue of $287 million was up 15.5% for the year.

Operating expenses for FY2018 were up 6.9% due to domestic and International VIP Rebate volume growth, increased non-gaming activity, new and upgraded facilities at The Star Gold Coast and higher wage rates, offset by continued cost management. Statutory gaming taxes, levies and commissions were up 22.7%, reflecting substantial growth in International VIP Rebate volumes.

AWARDS

The Star Entertainment Group and its properties continues to win acknowledgement and recognition for the quality of our tourism and workplace offerings, plus an enduring commitment to service excellence.

The Darling Sydney received for the second successive year a Forbes Five-Star Rating. The Darling is the only luxury hotel in NSW to be accorded the ultimate Five-Star accolade by Forbes Travel Guide.

The Star Grand at the Gold Coast was also awarded Best Deluxe Accommodation at the Queensland Hotels Association awards. Other achievements included The Star Entertainment Group being a finalist in the Australian HR Awards in the Employer of Choice and Best Workplace Diversity and Inclusion Program categories; and receiving Bronze Employer status from the Australian Workplace Equality Index for its LGBTI inclusion.

Pleasingly, The Star Entertainment Group also retained its global leadership position for the Casino and Gaming industry on the Dow Jones Sustainability Index (DJSI) for the second consecutive year.

FJMT's proposed design for The Ritz-Carlton hotel and residences tower at The Star Sydney (Concept image only, subject to all approvals).

TEAM AND COMMUNITY

The Star Entertainment Group is likely to significantly grow its workforce due to the transformation projects that are reimagining our properties across Queensland and Sydney and embedding them as genuine global destinations for the finest tourism and entertainment offerings. While we are growing, we remain focussed on improving guest service excellence, training and development for existing team members and working with educational institutions to ensure a pipeline of suitably qualified hospitality employees as tourism accelerates. The Star is proud to partner with TAFE NSW, TAFE Queensland and the Macquarie Graduate School of Management to deliver on these goals.

In FY2018, the value of contributions to community groups, charitable organisations and partnerships by The Star Entertainment Group's properties exceeded $12 million.

A highlight in FY2018 was our status as Official Partner of the Gold Coast 2018 Commonwealth Games. More broadly in Queensland, we provided ongoing support to Surf Lifesaving Queensland – an unbroken partnership since 1994 – Cancer Council Queensland, Gold Coast Hospital, the Currumbin Wildlife Hospital Foundation and Ronald McDonald House South East Queensland.

The Star Sydney committed collective funding of $1.5 million to Barnardos Australia, Taronga Conservation Society Australia and Chris O'Brien Lighthouse. The Star also provided seed funding to assist City West Housing and other community groups organise local events, while helping the Chamber of Commerce re-establish the Pyrmont Growers Market.

CAPITAL EXPENDITURE AND PRIORITIES

The Star Entertainment Group incurred capital expenditure of $477 million, up $57 million on the previous financial year. This growth was largely related to the construction of The Darling suite tower and the Main Gaming Floor expansion at The Star Gold Coast property, and preparatory works for the Sovereign Resorts expansion at The Star Sydney. Group capital expenditure will decline from FY2018 levels through FY2019-21.

The Star Entertainment Group has the following objectives for the 2019 financial year.

- Improve earnings across the Group through ongoing operating efficiency, continued diversification of the International VIP Rebate business and monetising capital investments
- Deliver the next stage of capital plans
- Commercialise the expanded strategic partnership with Chow Tai Fook and Far East Consortium by progressing joint venture developments and a Marketing Alliance.

I would like to extend my gratitude to the Board and management for their support and commitment during FY2018. Sincere thanks also to the wonderful team members across the Group whose commitment, enthusiasm and hard work has contributed so significantly to our ongoing growth and evolution.

As we strive to become Australia's leading integrated resort company, The Star is similarly indebted to the millions of guests who visited us and experienced the transformational changes already delivered. I'm proud to say there is more to come.

Matt Bekier
Managing Director and Chief Executive Officer

RECORD NORMALISED GROSS REVENUE – UP 15.3% TO

$2,695M

INTERNATIONAL VIP REBATE TURNOVER – UP 54.3% TO

$61.2BN

BOARD OF DIRECTORS

JOHN O'NEILL AO

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Diploma of Law; Foundation Fellow of the Australian Institute of Company Directors; Officer of the Order of Australia; French decoration of Chevalier de la Légion d'Honneur

John O'Neill was formerly Managing Director and Chief Executive Officer of Australian Rugby Union Limited, Chief Executive Officer of Football Federation Australia, Managing Director and Chief Executive Officer of the State Bank of New South Wales, and Chairman of the Australian Wool Exchange Limited. Mr O'Neill was also formerly a Director of Tabcorp Holdings Limited and Rugby World Cup Limited.

Mr O'Neill was also the inaugural Chairman of Events New South Wales, which flowed from the independent reviews he conducted into events strategy, convention and exhibition space, and tourism on behalf of the New South Wales Government.

Mr O'Neill is currently a member of the Advisory Council of China Matters.

MATT BEKIER

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Master of Economics and Commerce; PhD in Finance

Matt Bekier is a member of the Board of the Australasian Gaming Council.

Mr Bekier was previously Chief Financial Officer and Executive Director of the Company and also previously Chief Financial Officer of Tabcorp Holdings Limited from late 2005 and until the demerger of the Company and its controlled entities in June 2011.

Prior to his role at Tabcorp, Mr Bekier previously held various roles with McKinsey & Company.

GERARD BRADLEY

NON-EXECUTIVE DIRECTOR

Bachelor of Commerce; Diploma of Advanced Accounting; Fellow of the Institute of Chartered Accountants; Fellow of CPA Australia; Fellow of the Australian Institute of Company Directors; Fellow of the Institute of Managers and Leaders

Gerard Bradley is the Chairman of Queensland Treasury Corporation and related companies, having served for 14 years as Under Treasurer and Under Secretary of the Queensland Treasury Department. He has extensive experience in public sector finance in both the Queensland and South Australian Treasury Departments.

Mr Bradley has previously served as Chairman of the Board of Trustees at QSuper. His previous non-executive board memberships also include Funds SA, Queensland Investment Corporation, Suncorp (Insurance & Finance), Queensland Water Infrastructure Pty Ltd, and South Bank Corporation.

Mr Bradley is currently a Non-Executive Director of Pinnacle Investment Management Group Limited and a Director of the Winston Churchill Memorial Trust.

BEN HEAP

NON-EXECUTIVE DIRECTOR

Bachelor of Commerce (Finance); Bachelor of Science (Mathematics)

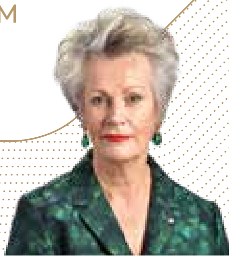
Ben Heap has wide-ranging experience and expertise in asset and capital management as well as financial technology and digital businesses.

Mr Heap is a Founding Partner of H2 Ventures, a financial technology, data and artificial intelligence focused venture capital investment firm and a Non-Executive Director of several high growth companies. He is also a member of the Australian Commonwealth Government's Fintech Advisory Group.

Mr Heap was previously Managing Director and the Head of Australasia for UBS Global Asset Management and prior to this, Head of Infrastructure for UBS Global Asset Management in the Americas. He also held a number of directorships associated with these roles and was a Non-Executive Director of the Financial Services Council from 2011 to 2013. Earlier in his career, Mr Heap was Group Executive, E-Commerce & Corporate Development for TAB Limited.

KATIE LAHEY AM

NON-EXECUTIVE DIRECTOR



Bachelor of Arts (First Class Honours), Master of Business Administration; Member of the Order of Australia

Katie Lahey has extensive experience in the retail, tourism and entertainment sectors and previously held chief executive roles in the public and private sectors.

Ms Lahey is currently the Chair of Tourism & Transport Forum and Executive Chairman Australasia for Korn Ferry International.

Ms Lahey was previously the Chair of Carnival Australia and also a member of the boards of David Jones Limited, Australia Council Major Performing Arts, Hills Motorway Limited, Australia Post and Garvan Research Foundation.

SALLY PITKIN

NON-EXECUTIVE DIRECTOR

Doctor of Philosophy (Governance); Master of Laws; Bachelor of Laws; Fellow of the Australian Institute of Company Directors

Sally Pitkin is a company director and lawyer with extensive corporate experience and over 20 years' experience as a Non-Executive Director and board member across a wide range of industries in the private and public sectors.

Dr Pitkin is currently the Chair of Super Retail Group Limited and a Non-Executive Director of Link Administration Holdings Limited. She is also a member of the National Board of the Australian Institute of Company Directors and chairs its Corporate Governance Committee

RICHARD SHEPPARD

NON-EXECUTIVE DIRECTOR

Bachelor of Economics (First Class Honours), Fellow of the Australian Institute of Company Directors

Richard Sheppard has had an extensive executive career in the banking and finance sector including an executive career with Macquarie Group Limited spanning more than 30 years.

Mr Sheppard was previously the Managing Director and Chief Executive Officer of Macquarie Bank Limited and chaired the boards of a number of Macquarie's listed entities. He has also served as Chairman of the Commonwealth Government's Financial Sector Advisory Council.

Mr Sheppard is currently the Chairman and a Non-Executive Director of Dexus Property Group and a Non-Executive Director of Snowy Hydro Limited. He is also a Director of the Bradman Foundation.

ZLATKO TODORCEVSKI

NON-EXECUTIVE DIRECTOR

Bachelor of Commerce (Accounting); Masters of Business Administration; Fellow of CPA Australia; Fellow of Governance Institute of Australia

Zlatko Todorcevski is an experienced executive with over 30 years' experience in the oil and gas, logistics and manufacturing sectors. He has a strong background in corporate strategy and planning, mergers and acquisitions, and strategic procurement. He also has deep finance expertise across capital markets, investor relations, accounting and tax.

Mr Todorcevski was previously the Chief Financial Officer of Brambles Limited. Prior to that, he was Chief Financial Officer of Oil Search Limited and the Chief Financial Officer for Energy at BHP.

Mr Todorcevski is currently Chairman of Adelaide Brighton Limited and a member of the Council of the University of Wollongong. Mr Todorcevski is also a proposed Non-Executive Director of the Coles Board, subject to shareholder and other approvals of the demerger from Wesfarmers Limited in November 2018.

EXECUTIVE TEAM

THE STAR ENTERTAINMENT GROUP'S EXPERIENCED EXECUTIVE TEAM LEADS THE COMPANY TO DELIVER WORLD-CLASS INTEGRATED RESORT ASSETS, DEVELOP ITS PEOPLE AND CREATE SHAREHOLDER VALUE.

FROM LEFT TO RIGHT

PAULA MARTIN
GROUP GENERAL COUNSEL & COMPANY SECRETARY

GEOFF PARMENTER
GROUP EXECUTIVE BRAND & CORPORATE AFFAIRS

PAUL MCWILLIAMS
CHIEF RISK OFFICER

GEORGE HUGHES
CHIEF MARKETING OFFICER

GEOFF HOGG
MANAGING DIRECTOR QUEENSLAND

MATT BEKIER
MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

CHAD BARTON
GROUP CHIEF FINANCIAL OFFICER

JOHN DE ANGELIS
CHIEF INFORMATION OFFICER

GREG HAWKINS
MANAGING DIRECTOR THE STAR SYDNEY

KIM LEE
CHIEF HUMAN RESOURCES OFFICER

GROUP PERFORMANCE

THREE YEAR STATUTORY FINANCIAL RESULTS SUMMARY*

REPORTED RESULTS	FY2016	FY2017		FY2018	
	$m	$m	vs pcp (%)**	$m	vs pcp (%)**
Gross Revenue	2,357.7	2,432.2	↑ 3.2	2,579.5	↑ 6.1
Revenue***	2,268.1	2,344.0	↑ 3.3	2,472.0	↑ 5.5
EBITDA	488.8	586.2	↑ 19.9	474.8	↓ 19.0
EBIT	325.0	421.7	↑ 29.8	287.6	↓ 31.8
NPAT	194.4	264.4	↑ 36.0	148.1	↓ 44.0
Significant Items (after tax)	0	8.9	↑ 100.0	36.7	↑ 312.4
NPAT before Significant Items	194.4	273.3	↑ 40.6	184.8	↓ 32.4
Earnings Per Share	23.6 cents	32.0 cents	↑ 36.0	17.5	↓ 45.3
Full Year Dividend	13.0 cents	16.0 cents	↑ 23.1	20.5	↑ 28.1

*For further information please refer to the financial report contained in the Annual Report for the relevant financial year.
**Prior comparable period
***Nett of player rebates and promotional allowance

FY2018 GROUP PERFORMANCE HIGHLIGHTS

STRONG FINANCIAL RESULTS

	NORMALISED		STATUTORY	
	$m	vs pcp (%)	$m	vs pcp (%)
Gross Revenue	2,695	↑ 15.3	2,580	↑ 6.1
EBITDA	588	↑ 14.2	484	↓ 19.2
NPAT	258	↑ 20.3	148	↓ 44.0

- Record normalised and statutory Gross Revenue, record normalised EBITDA
- High quality result – broad-based growth, investments performing, 105% cash conversion
- Earnings momentum improved – 1H FY2018 normalised EBITDA up 11.8% vs pcp, 2H FY2018 up 16.4%.

BROAD-BASED DRIVERS AND MARKET SHARE GAINS

- Broad-based domestic growth – Slots, Queensland Tables, Non Gaming
- Share gains in key gaming segments – Slots (Sydney, Gold Coast), VIP
- VIP turnover up 54% – #1 Australia/New Zealand market share, record low bad debts as % of revenue.

RECORD DIVIDEND

- 13.0 cents per share fully franked final dividend up 53% on pcp (20.5 cents per share total dividend)
- Reflects business performance and enhanced dividend payout policy – minimum 70% of normalised NPAT from 2H FY2018.

EFFECTIVE PROJECT DELIVERY

- The Darling Gold Coast and enlarged main gaming floor opened on time and on budget in 3Q FY2018
- Construction of the first joint venture tower commenced, fixed price contract below the quantity surveyor's estimates and previous guidance.

EXPANDED PARTNERSHIPS

- Expanded strategic partnership announced with Chow Tai Fook and Far East Consortium
- Marketing alliance with near term deliverables
- Equity placement aligns interests to benefit all shareholders
- Developments identified.

CAPEX REDUCING

- Group capital expenditure peaked in FY2018 – substantially lower over FY2019-21
- Joint venture capital expenditure guidance for FY2019-21 lowered on positive contracting outcomes for first Gold Coast joint venture tower
- Gearing of 1.4x Net Debt/Statutory FY2018 EBITDA supports investment plans.

The Star Sydney.

FY2018 PROPERTY PERFORMANCE HIGHLIGHTS

SYDNEY:
Outstanding Underlying Growth

	NORMALISED		STATUTORY	
	$m	vs pcp (%)	$m	vs pcp (%)
Gross Revenue	1,875	↑ 17.5	1,737	↑ 3.0
EBITDA	410	↑ 27.9	286	↓ 28.7

- Record normalised and statutory Gross Revenue, record normalised EBITDA
- Normalised EBITDA margin growth from effective cost management
- Statutory results impacted by low actual International VIP Rebate win rate
- Visitation drives domestic growth – property visitation up 11.4% on pcp, record slots market share, Non-Gaming revenue up 15.0% on pcp
- $52.5 billion International VIP Rebate turnover, Sydney #1 VIP resort by turnover in Australia/New Zealand.

QUEENSLAND:
Gold Coast Momentum, Brisbane Stabilisation

	NORMALISED		STATUTORY	
	$m	vs pcp (%)	$m	vs pcp (%)
Gross Revenue	820	↑ 10.5	843	↑ 12.9
EBITDA	178	↓ 8.4	199	–

- Revenue growth across all segments, momentum improved as year progressed
- Successful relaunch of repositioned The Star Gold Coast – hosted Gold Coast 2018 Commonwealth Games celebrations and the 2018 TV WEEK Logie Awards
- Broad-based domestic growth – domestic revenue up 7.4% on pcp
- $8.7 billion International VIP Rebate turnover (up 40.9% on pcp, 2H FY2018 up 78.3% vs pcp).

DELIVERING ON OUR STRATEGY

OUR STRATEGY

INVESTMENTS
- Signature gaming
- Premium hotel rooms
- Food & Beverage
- Retail (on site and proximate).

VISITATION
- Locals – high frequency, high recommendation
- Visitors/ International VIP Rebate business – low frequency, high spend.

EARNINGS
- Enhanced return on assets and shareholder returns
- Supports further investment.

OUR DELIVERY

Evidence of investment delivering above system growth
- Broad-based growth
- Share gains in Slots (Sydney, Gold Coast), VIP
- Effective cost management.

Track record of on time, on budget delivery
- Gold Coast investments delivered on time, on budget
- Effective contracting reduces and reinforces capex guidance.

Partnership to support long-term growth opportunities
- Enhanced strategic partnership
- Queen's Wharf Brisbane – larger resort, increased revenue diversity and growth
- Gold Coast masterplan with multi-year growth, positive regulatory outcome (no additional slots).

Improving returns to shareholders
- Strategic positioning
- Earnings growth
- Increased dividends – minimum 70% of normalised NPAT.

KEY PROJECTS

QUEEN'S WHARF BRISBANE

THE STAR ENTERTAINMENT GROUP – TOGETHER WITH DESTINATION BRISBANE CONSORTIUM PARTNERS CHOW TAI FOOK ENTERPRISES LIMITED AND FAR EAST CONSORTIUM INTERNATIONAL LIMITED – HAS COMMENCED CONSTRUCTION ON QUEEN'S WHARF BRISBANE, WHICH WILL TRANSFORM BRISBANE INTO A GLOBALLY RECOGNISED DESTINATION BY 2022.

The 2018 financial year saw some significant milestones in relation to the Queen's Wharf Brisbane development. These included:

- The completion of demolition works across the site, including the demolition of three former government non-heritage buildings in the precinct, as well as the Margaret Street overpass
- The awarding of the coveted 6 Star Green Star Communities rating, seeing Queen's Wharf Brisbane become the first development awarded this rating in Brisbane
- The awarding of Queensland's biggest ever central business district excavation contract in relation to the project
- The formal commencement of excavation and shoring works at the site
- The announcement that the new and upgraded public areas located along the riverfront between the Goodwill Bridge and 1 William Street will open in calendar year 2019, seeing the pedestrian Mangrove Walk, upgrading of the existing Bicentennial Bikeway, and new recreational space at Waterline Park.

Main construction works on the site are expected to begin in calendar year 2019, once excavation of the foundations, basements and underground car park is complete.

The Star Entertainment Group will continue to operate Treasury Brisbane until the new integrated resort opens and the transition to a new casino occurs, at which point the two existing heritage buildings will be subsequently repurposed into a hotel operated by The Ritz-Carlton and a premium retail precinct.

The Queen's Wharf Brisbane integrated resort development includes a range of tourism, infrastructure and residential developments, including:

- 50 new bars and restaurants
- Four new hotels, including the world renowned The Ritz-Carlton and the 6-star Rosewood, which will provide more than 1,000 premium hotel rooms
- New retail space
- Restored and repurposed heritage buildings
- The equivalent of 12 football fields in size of public space
- A public Sky Deck more than 100 metres above William Street
- World-class gaming facilities (to replace Brisbane's existing Treasury casino) which will comprise less than 5% of the development footprint
- 2,000 apartments
- A new pedestrian bridge to South Bank.

The Queen's Wharf Brisbane integrated resort development is the largest private sector project in Queensland, and will employ more than 2,000 workers during peak construction and create more than 8,000 jobs in Queensland when fully operational.

Left to right: Geoff Hogg, The Star Entertainment Group Managing Director Queensland; Hon Cameron Dick MP, Minister for State Development, Manufacturing, Infrastructure and Planning; Hon Kate Jones MP Minister for Innovation and Tourism Industry Development and Minister for the Commonwealth Games; Hon Annastacia Palaszczuk, Queensland Premier; Hon Grace Grace MP, Minister for Education and Minister for Industrial Relations and Member for McConnel; John O'Neill AO, The Star Entertainment Group Chairman; Simon Crooks, Destination Brisbane Consortium Project Director.

PROJECT TIMELINE*

2018

COMMENCED EXCAVATION WORKS TO REMOVE AROUND 600,000M^3 OF SPOIL

2019

COMPLETION OF QUEEN'S WHARF BRISBANE STAGE 1 INCLUDING WATER'S EDGE PARKLAND AND WALKWAY

2021

INTERNAL FIT-OUT OF BUILDINGS IN THE DEVELOPMENT

2022

COMMENCE OPENING OF THE CORE INTEGRATED RESORT DEVELOPMENT

2024

OPENING OF THE REPURPOSED TREASURY BUILDING

*Timeline is indicative only. References to years are to calendar years.

THE STAR GOLD COAST

THE STAR GOLD COAST'S ON-GOING TRANSFORMATION, WORTH UP TO $850 MILLION IN COMBINED INVESTMENTS, HAS POSITIONED THE PROPERTY AS A WORLD-CLASS INTEGRATED RESORT, AND THE REGION'S PREMIER ENTERTAINMENT AND TOURISM DESTINATION.

Development works continued during the 2018 financial year at The Star Gold Coast, with the following projects across the property delivered to date:

- The Darling, the 57 all-suite luxury hotel forming the centrepiece of The Star Gold Coast's transformation
- The full refurbishment of all 596 hotel rooms at The Star Grand, including a refreshed and redesigned hotel lobby
- Eleven new food and beverage offerings, including the one-hatted Japanese restaurant Kiyomi and The Star Gold Coast's latest offering, Nineteen at The Star
- Canal front parkland upgrade in partnership with City of Gold Coast Council
- A refreshed property arrival experience
- The exterior refresh of the existing hotel and a rejuvenated events lawn and one of Australia's largest permanent outdoor projection systems
- Re-energised main gaming floor experience and private gaming area, Sovereign Resorts, connecting the existing building through to the luxury suite hotel
- A luxurious poolside experience and numerous other property upgrades.

With these projects fully delivered, the next phase of the redevelopment and expansion is advancing with the following works program:

- Upgrade of the Harvest Buffet seeing a new level of dining experience on the property
- New private gaming area, Oasis, being progressed
- The commencement of construction of the Dorsett hotel and apartments tower by Destination Gold Coast Consortium on the site.

The new hotel and apartment tower is a project of the joint venture vehicle – Destination Gold Coast Consortium – including The Star Entertainment Group and its partners Chow Tai Fook Enterprises Limited and Far East Consortium International Limited.

Having achieved successful apartment pre-sales, Destination Gold Coast Consortium will commence construction of the 700+ key hotel and apartment tower, with early works having already commenced. The tower is expected to be completed in the 2022 financial year.

The development is the first phase of a broader master plan concept that includes the potential for up to five hotel and/or residential towers, a world class recreational deck with water features, tropical gardens, pools and spa facilities, and new entertainment offerings.

Queensland Premier Hon Annastacia Palaszczuk joined The Star Entertainment Group Chairman John O'Neill AO to break ground for The Dorsett hotel and apartment tower.

PROJECT TIMELINE*

2018

COMPLETION OF THE DARLING SUITE HOTEL PRIOR TO GOLD COAST 2018 COMMONWEALTH GAMES IN APRIL

COMPLETION OF THE SPORTS BAR AND THE NEW SOVEREIGN ROOM

WORKS COMMENCED ON THE NEW DORSETT HOTEL AND APARTMENTS TOWER

2019

HARVEST BUFFET COMPLETION, ADDITIONAL GAMING AREAS TO OPEN

2022

COMPLETION OF THE NEW DORSETT HOTEL AND APARTMENTS TOWER

*Timeline is indicative only. References to years are to financial years.

THE STAR SYDNEY

THE STAR SYDNEY, ONE OF THE CITY'S MOST LUXURIOUS AND AWARDED ENTERTAINMENT AND TOURISM DESTINATIONS, HAS UP TO $1 BILLION IN CAPITAL WORKS PROJECTS COMPLETED, IN PROGRESS OR IN PLANNING.

The 2018 financial year saw the delivery, as well as commencement of a range of key projects, including:

- The completion of the new Hotel Club Lounge located in the Astral Tower
- The commencement of the Astral lobby and Porte Cochere upgrade and refresh
- The commencement of the upgraded and expanded Sovereign Resorts, expected to be completed in the 2020 financial year
- The commencement of works in relation to the main entry foyer upgrade.

The Star Entertainment Group is continuing to progress the additional proposed development works with its joint venture partners, Chow Tai Fook Enterprises Limited and Far East Consortium International Limited. Designed by internationally acclaimed architects FJMT, the proposed development works at The Star Sydney include:

- A new hotel and residential tower proposed to be operated by the world renowned The Ritz-Carlton
- Additional food and beverage, retail, function and event space, as well as other resort facilities and attractions.

FJMT's proposed design for The Ritz-Carlton hotel and residences tower at The Star Sydney (Concept image only, subject to all approvals).

PROJECT TIMELINE*

2018

ASTRAL HOTEL TOWER REFURBISHMENT, COMPLETED OPENING OF NEW EXECUTIVE LOUNGE

COMMENCED UPGRADES ON ASTRAL LOBBY AND PORT COCHERE

DEVELOPMENT APPLICATION LODGED FOR THE RITZ-CARLTON TOWER

2019

EXPANDED FOOD AND BEVERAGE OFFERINGS

2020

COMPLETION OF NEW SOVEREIGN RESORT

*Timeline is indicative only. References to years are to financial years.

SUSTAINABILITY

SUSTAINABILITY STRATEGY

THE STAR ENTERTAINMENT GROUP'S VIEW OF SUSTAINABILITY IS BROAD AND FOCUSES UPON CREATING LONG TERM VALUE IN THE MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS AND OPPORTUNITIES.

In the 2018 financial year, the Group's Sustainability Strategy 'Our Bright Future' continued into its second year. The Group progressed through key objective areas including:

- delivering advancements in supply chain management
- developing indigenous relationships
- growing the energy and water efficiency project pipeline
- building on existing relationships within our local communities while nurturing new partnerships
- developing talented teams.

The Group's Sustainability Strategy continues to combine key priorities and objectives in a four-pillar framework that supports The Star Entertainment Group's business plan.

Our four sustainability strategic objectives are:

- we strive to be Australia's leading integrated resort company
- we build and operate world class properties
- we actively support guest wellbeing
- we attract, develop and retain talented teams.

In line with best practice, the Strategy is supported by an annual Materiality Assessment that identifies the Group's key emerging and operational environmental, social and governance (ESG) issues and seeks to respond to these as part of the Strategy's key priorities.

OUR SUSTAINABILITY HIGHLIGHTS

FJMT's proposed design for The Ritz-Carlton hotel and residences tower at The Star Sydney (Concept image only, subject to all approvals).

WINNER
BEST ENVIRONMENTAL & ENERGY EFFICIENCY PRACTICE
Australian Hotels Association National Winner The Star Sydney

$1.2M
TOTAL COST BENEFIT DELIVERED
from the completion of 11 projects within the Energy and Water Project Pipeline

$12M+
CONTRIBUTION
to charities, community groups and partnerships

#1
'GLOBAL LEADER' CASINO & GAMING INDUSTRY
The Star Entertainment Group retained its leadership position in the Dow Jones Sustainability Index (DJSI)

JOINED
THE GREEN BUILDING COUNCIL OF AUSTRALIA

$520K
DONATED
The Star Entertainment Group is proud to support its neighbours and the communities in the cities in which we operate

ACHIEVED
THE GROUP'S FIRST 5 STAR GREEN STAR INTERIORS RATING
for the Sydney corporate office

1,200+
INDOOR PLANTS INSTALLED
throughout the Sydney corporate office

$19.2M
CONTRIBUTED
to Responsible Gambling Fund (NSW)

EQUIVALENT OF
41,787
meals donated to OzHarvest

500+
REGIONAL BUSINESSES
and community members engaged during a tourism roadshow in partnership with Brisbane Airport Corporation

FINALIST
2017 AUSTRALIAN HOTELS ASSOCIATION NATIONAL AWARDS FOR EXCELLENCE
Excellence in Training

OVER
26,310
BARS OF SOAP
made from recycling hotel soaps through Soap Aid from our three properties

134
YEAR OLD
Edison Tubes retrieved, preserved and sent to museums in Australia, the UK and USA

80+
APPRENTICE CHEFS
enrolled at The Star Culinary Institute in FY2018

18M+
VISITORS
The approximate number of guests who visited The Star Sydney, The Star Gold Coast and Treasury Brisbane in FY2018

LEARNING & DEVELOPMENT TEAM AWARDED
TEAM OF THE YEAR
by Institute of Learning Professionals at the 2017 Australian Learning Impact Awards

TARGET
50%
FEMALE REPRESENTATION
in leadership levels 1-4 by 2020

A newly refurbished room at The Astral Tower.

DELIVERING WORLD CLASS PROPERTIES

THE STAR ENTERTAINMENT GROUP DEVELOPS AND OPERATES WORLD CLASS, ENVIRONMENTALLY SUSTAINABLE AND RESILIENT INTEGRATED RESORTS AND PRECINCTS.

TRANSITION TOWARDS A MORE SUSTAINABLE PORTFOLIO

The Star Entertainment Group continues to support its strategic commitment to developing and operating world class, environmentally sustainable and resilient integrated resorts by committing to future Green Star development and operational ratings.

During the 2018 financial year, The Star Sydney registered for its first Green Star Performance Rating to assess and benchmark the integrated resort's baseline operational performance.

As part of the Group's new office refurbishment project, The Star Entertainment Group's corporate office located at 60 Union Street, Pyrmont, New South Wales achieved a 5 Star Green Star Interiors rating, the first Green Star Interiors rating for the Group.

Destination Gold Coast Consortium (on behalf of its joint venture partners) registered a new project, committing the Dorsett hotel and apartments tower (to be constructed on Broadbeach Island, Broadbeach, Queensland) to achieve a 5 Star Green Star Design & As Built v1.1 rating.

In the 2017 financial year, Destination Brisbane Consortium (on behalf of The Star Entertainment Group and its joint venture partners) was awarded a 6 Star Green Star Communities Rating v1 rating for the Queen's Wharf Brisbane development. The consortium is continuing towards its commitments to achieving 6 Star Green Star Design & As Built ratings for all new non-residential buildings, and Australian best practice sustainability outcomes on the repurposing of existing heritage buildings.

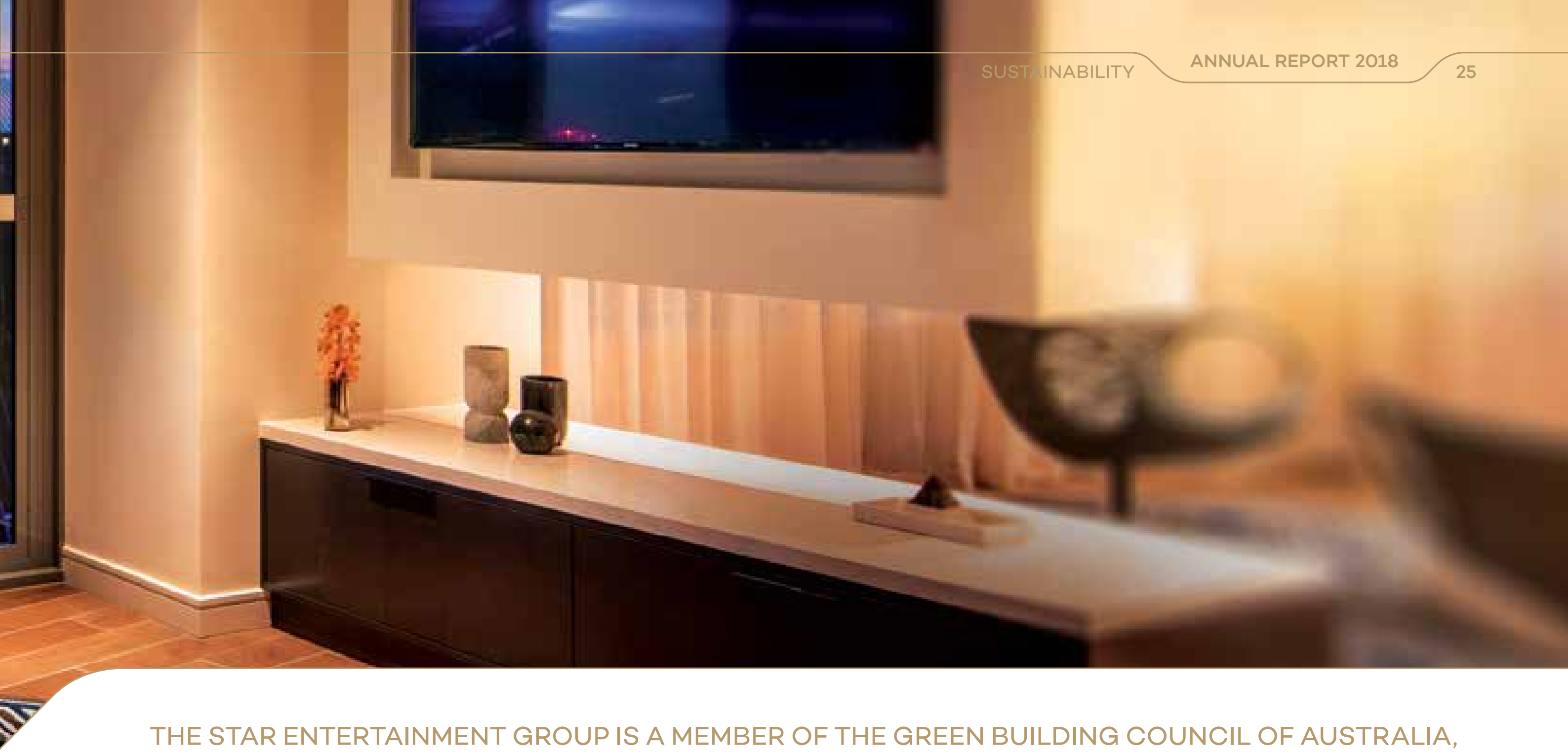
DOW JONES SUSTAINABILITY INDEX

The Star Entertainment Group is proud to have led the Dow Jones Sustainability Index (DJSI) for the 'Casinos and Gaming' Industry for the second year running in the 2018 financial year.

The Group achieved the industry best result in the Social Dimension, and received industry best scores for the Human Capital Development, Anti-crime Policy and Measures and Promoting Responsible Gaming aspects.

Compared to the previous year, the Group improved its performance in relation to a number of indicators, with particularly strong improvements noted for our environmental and social reporting, as well as Labour Practice Indicators and Stakeholder Engagement.

The Group remains committed to measuring our sustainability performance and reporting transparently to our stakeholders, and uses the results of the DJSI to identify areas for improvement. In particular, over the past year we have sought to enhance our approach to Human Rights and sustainable supply chain management, as well as continuing to deliver best practice projects with leading aspects in relation to energy and environmental eco-efficiency.



THE STAR ENTERTAINMENT GROUP IS A MEMBER OF THE GREEN BUILDING COUNCIL OF AUSTRALIA, AND COMMITTED TO THE FOLLOWING GREEN STAR DEVELOPMENT AND OPERATIONAL RATINGS.

Concept image only. Subject to all approvals.

QUEEN'S WHARF BRISBANE INTEGRATED RESORT DEVELOPMENT

ACHIEVED
a 6 Star Green Star Communities rating

COMMITTED
to achieving a 6 Star Green Star Design & As-built v1.1 rating for non-residential new buildings

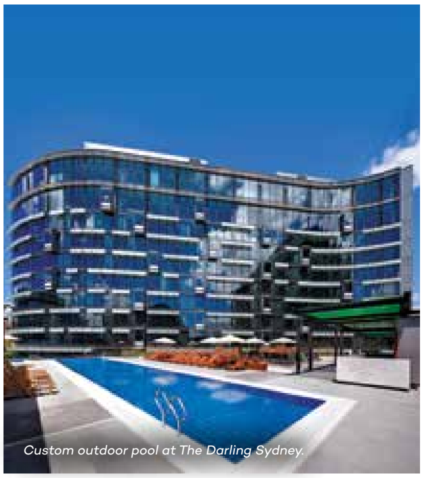
COMMITTED
to achieving Industry Best Practice Design & As-built v1.1 ratings for existing heritage buildings

COMMITTED
to achieving Green Star Performance ratings for each non-residential building

Rooftop infinity-edge pool at The Darling Gold Coast.

THE STAR GOLD COAST

COMMITTED
to achieving a 5 Star Green Star Design & As Built v1.1 rating at the Dorsett hotel and apartments tower, Broadbeach Island, Broadbeach Qld



Custom outdoor pool at The Darling Sydney.

THE STAR SYDNEY

ACHIEVED
a 5 Star Green Star Interiors rating

COMMITTED
to achieving a 5 Star Green Star Design & As Built v1.1 rating at the proposed The Ritz-Carlton hotel and residential tower

COMMITTED
to achieving a Green Star Performance rating at 80 Pyrmont Street, Pyrmont NSW

Newly renovated corporate offices at 60 Union Street, Pyrmont, NSW.

DELIVERING WORLD CLASS PROPERTIES

TARGETING AUSTRALIAN EXCELLENCE IN OFFICE DESIGN

60 UNION STREET, PYRMONT, NSW CORPORATE OFFICE

The Star Entertainment Group's Sydney corporate office at 60 Union Street, Pyrmont underwent an extensive refurbishment and relocation of floors during the 2018 financial year.

To ensure the new office design achieved our sustainability goals in line with our Sustainable Design and Operational Standards, and delivered targeted health and wellbeing benefits, the Group committed to achieving a 5 Star Green Star Interiors rating.

The 5 Star Green Star rating represents Australian excellence and will assist us in our journey to futureproof, tenant, own and operate efficient buildings, and ensure that the business is well placed to attract and grow our talented teams.

By surveying our teams before and after occupation the Group aims to deliver tangible wellbeing benefits and to create a more sustainability focused culture at our workplace, and as an employer of choice.

The new office fit out on levels 1 to 3 at 60 Union Street, Pyrmont has delivered the following features and benefits:

- Highly efficient energy systems and an air conditioning system delivering a high level of thermal comfort
- Sustainably sourced timber and PVC products
- Low pollution equipment (minimising the pollution within the fit out)
- High quality acoustic design, with high performance acoustic separations
- Full LED lighting system, flicker free and consistent illumination
- Blinds for external glare control and to control visual comfort
- Low Volatile Organic Compound (VOC) paint, carpet, sealants and adhesives, and low formaldehyde engineered wood to limit material off gassing
- Over 1,200 indoor plants.

A major focus of the fit out was to improve team member health, collaboration and productivity by:

- Introducing an internal staircase to encourage team members to walk between floors
- Providing all team members with electronic 'sit-to-stand' desks
- Creating collaboration and breakout spaces to encourage cohesive working
- Installing large kitchen areas to facilitate team members' relationship building.

TARGETING ENERGY AND CARBON REDUCTIONS

ENERGY AND CARBON EMISSIONS – PROGRESS TOWARDS TARGETS

In the 2017 financial year, the Group set targets to reduce carbon emissions by 30% from base year FY2013 by the 2023 financial year on an intensity basis. Reporting towards this target has seen the Group expand reporting metrics to include performance intensity per square meter of conditioned space in addition to measuring resource performance per visitor.

In the 2018 financial year, the Group's total emissions in carbon dioxide equivalents (CO2-e) from gas and electricity were 105,569 tonnes (Scope 1 emissions from purchased natural gas equal 10,321 tCO2-e and Scope 2 emissions from purchased electricity equal 95,248 tCO2-e). This footprint equates to an increase of 4.3% in absolute emissions from 2017, however a decrease of 2.8% from base year FY2013.

Measuring carbon emissions intensity by square meter, the Group's carbon emissions decreased by 8.4% from 0.38 tonnes CO2-e per square meter in FY2017 to 0.35 tonnes CO2-e per square meter in FY2018. The Group achieved a 16.7% reduction in emissions intensity from base year FY2013 which is in line with the Group's FY2023 carbon reduction targets.

Carbon emissions also decreased 15.7% on a visitor intensity basis from 6.65 kg CO2-e/visitor in base year FY2013 to 5.61kg CO2-e/visitor in FY2018.

The Group's total energy consumption from gas and electricity for the 2018 financial year was 624,729 gigajoules (GJ), which was a 4.4% increase from the 2017 financial year, and a 2.8% increase in absolute consumption from base year FY2013. Increases in total energy were expected in line with the opening of the new The Darling hotel at The Star Gold Coast.

However, energy consumption per visitor decreased from 33.74 MJ/visitor in FY2017 to 33.18 MJ/visitor in FY2018, and delivered a reduction of 10.9% against base year FY2013 intensity.

Energy consumption per square meter also decreased from 2.24 GJ per square meter in FY2017 to 2.06 GJ per square meter in FY2018. Energy intensity has decreased by 11.9% from the FY2013 baseline year.

DELIVERING RESOURCE EFFICIENCY PROJECTS

The Star Entertainment Group continues to target sustainable reductions in resource use through capital and operational energy and water improvement projects. To date, the Group has implemented over 37 projects delivering environmental savings, and over $2.7 million in cost savings in the last four financial years against a business as usual model.

To ensure the Group continues to prioritise energy efficiency in an expanding portfolio when energy prices are expected to continue to rise, an energy and water project pipeline was established in FY2015 to ensure projects are implemented each year that deliver cost savings and carbon benefits towards our reduction targets.

The Group set long term carbon and water targets in the 2017 financial year to achieve a 30% reduction in carbon and water intensity by FY2023 against the FY2013 baseline on a square meter basis. From the 2018 financial year, resource intensity reporting has moved from a visitation intensity metric to also include a consumption per square meter metric to align with our targets.

As the portfolio is expected to grow substantially through new developments and new loads coming on line (notably The Darling at The Star Gold Coast in FY2018), resource use is expected to increase in absolute terms. However, consumption per square meter is expected to decrease as energy and water retrofit projects occur and new, more efficient floor space opens over time.

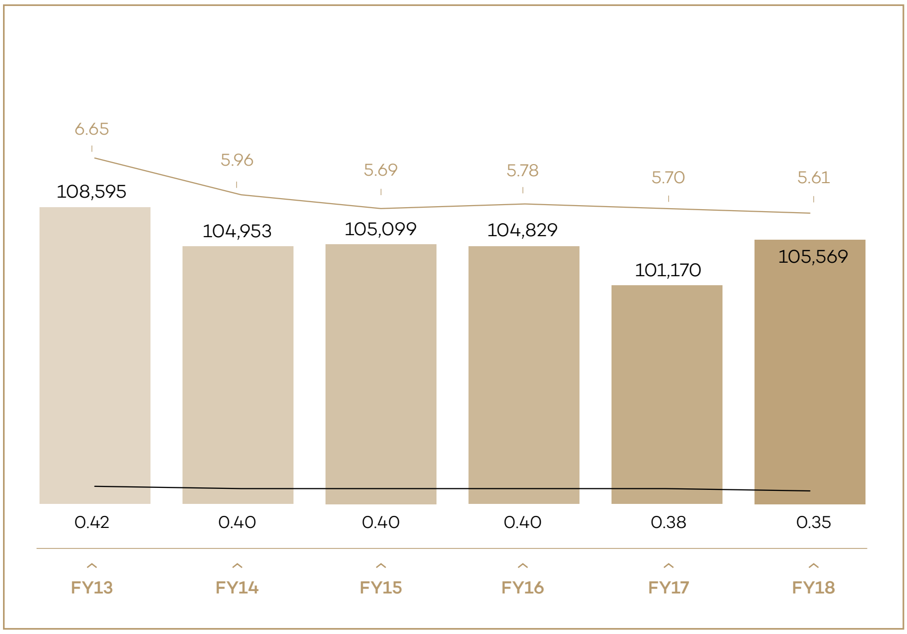
The Star Entertainment Group has set out its expectations for more sustainable developments in the Group's Sustainable Design and Operational Standards (located on our website), that specify mandatory and voluntary requirements for build projects aligned to Green Star and the National Australian Built Environment Rating System (NABERS).

The Group's Sustainable Design and Operational Standards encourage project teams to implement best practice sustainable opportunities through requirements for energy and water efficiency, waste management, standards for materials selection, requirements to consider charity partners within the project planning phase to account for furniture, fixtures and equipment, and to deliver against targets.

The following energy and carbon saving projects were delivered in the 2018 financial year:

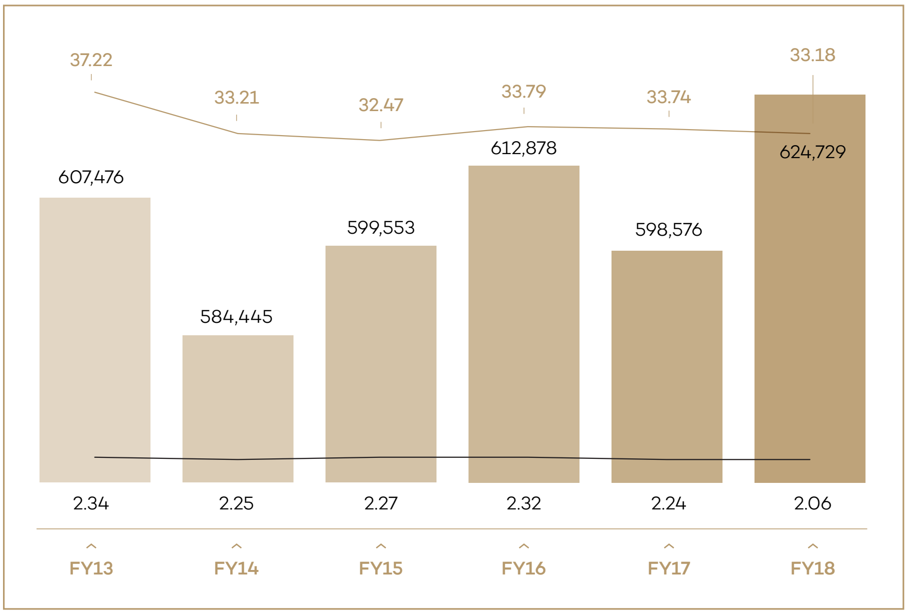
- The Star Gold Coast has implemented multiple energy efficiency projects, including the installation of run around heating coils in the air handling units of The Darling hotel development, estimated to save over $1 million and 2,332 MWh per annum
- The Star Gold Coast's new chilled and hot water plant and controls upgrade, as part of a site wide infrastructure project is expected to deliver over $400,000 in resource savings. The adoption of a building optimisation and fault detection analytics platform is providing real-time performance data of plant and equipment to maximise energy efficiency
- The Star Sydney continues to action lighting replacement programs to LEDs across the property, including lighting upgrades to The Darling hotel guest rooms, corridors and carpark, and back of house corridors, fire stairs and egress lighting
- Treasury Brisbane continued with LED lighting replacements and improving controls. In addition, the Treasury buildings and the corporate offices at 159 William Street, Brisbane, are realising the benefits this year from installing power factor correction.

CARBON EMISSIONS



Carbon Emissions (tonnes CO2-e)
Emissions Intensity (kg CO2-e/visitor)
Emissions Intensity (tonnes CO2-e/SQM)

ENERGY CONSUMPTION



Energy Consumption (GJ)
Energy Intensity (MJ/visitor)
Emissions Intensity (GJ/SQM)

The Group's total carbon emissions, as reported, equate to emissions from purchased gas and electricity only, which aligns with the Group's targets that cover our material sources of carbon emissions. Additional sources of Scope 1 emissions include refrigerant gases, and fuel consumption, both of which comprise less than 1% of total emissions for the year. Additionally, 1% of FY2018 utility invoices were unbilled at the time of reporting, based on cost. The missing usage has been estimated as 0.1% (82MWh) for electricity, 0.0% (15GJ) for gas.

Square meters, are square meters of conditioned space only, which is defined as space that has been mechanically heated or cooled that the Group had operational control over at the close of each financial year.

Visitation numbers have been restated for The Star Sydney in FY2016 impacting the FY2016 intensity per visitor metric.

The Star Sydney

DELIVERING WORLD CLASS PROPERTIES

REDUCING POTABLE WATER USE

WATER PERFORMANCE – PROGRESS TOWARDS TARGETS

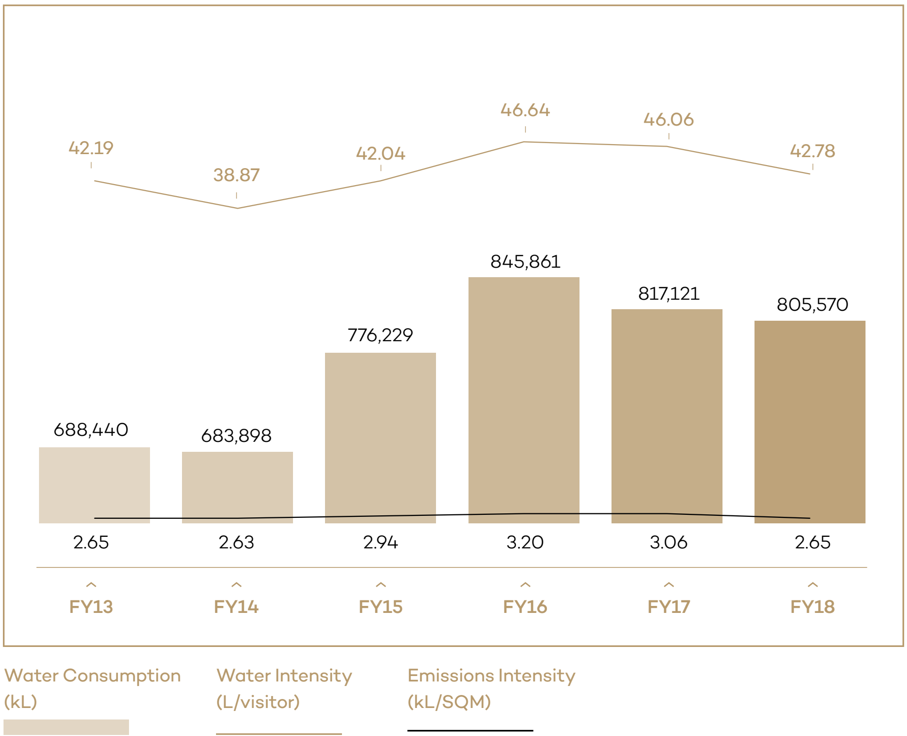
The Group's total potable water consumption was 805,570 kilolitres (kL) in the 2018 financial year, a 1.4% decrease from FY2017, however an overall increase of 17.0% from base year FY2013. On a visitor intensity basis, The Star Entertainment Group's water consumption decreased from 46.06 litres per visitor in FY2017 to 42.78 litres per visitor in FY2018, which is a year on year decrease of 7.1% however an overall increase of 1.4% from base year FY2013.

Measuring water intensity by square meter, consumption has decreased from 3.06 kilolitres per square meter in FY2017 to 2.65 kilolitres per square meter in FY2018 which represents a reduction of 13.4% year on year. Water intensity per square meter has remained the same at 2.65 kilolitres per square meter in FY2018 against the baseline year FY2013.

WATER SAVING PROJECTS

During the 2018 financial year, The Star Entertainment Group undertook significant capital building works which saw the temporary shutdown of The Star Gold Coast's reverse osmosis plant for upsizing purposes. This impeded our ability to utilize recycled water and therefore significantly increased our use of potable water on site and in the construction of The Darling.

WATER CONSUMPTION



1% of FY2018 utility invoices were unbilled at the time of reporting based on cost. The missing usage has been estimated as 4.2% (34ML) for water.

Square meters, are square meters of conditioned space only, which is defined as space that has been mechanically heated or cooled that the Group had operational control over at the close of each financial year.

Visitation numbers have been restated for The Star Sydney in FY2016 impacting the FY2016 intensity per visitor metric.

Chef at Harvest Buffet at The Star Sydney operating the knee levered 'waterless' woks.

To mitigate expected water usage increases in building works, the Group focused on operational water use reduction. Water audits were undertaken across the back of house areas, kitchen and food preparation spaces, team member amenities and support areas at The Star Sydney, The Star Gold Coast and Treasury Brisbane.

Several opportunities were identified, including leak rectification, flow restrictors, waterless wok installations, levered taps and changes to employee behaviour. The recommendations formed part of the Operational Resource Reduction Plans for each property and were consistently implemented across the properties. The Sustainability Team continues to work with each of the Property Operations teams and Food and Beverage teams to champion better use of water towards achieving our FY2023 water reduction target.

High impact water saving projects implemented in the 2018 financial year include:

- The Star Gold Coast upgrading the reverse osmosis unit with a new system, doubling its maximum capacity to generate 20kL of water per hour. This recycled water is being utilised for cooling towers and boilers across the property and in toilet flushing at The Darling hotel
- Treasury Brisbane is focussing on reducing water use across operations, that has saved an expected 2,800 kL through active leak detection and rectification.

WATERLESS WOKS

All properties focus on water efficiency in kitchens without compromising on productivity or guest experience.

Aligned to this plan, The Star Entertainment Group has a target to reduce potable water consumption by 30% on an intensity basis by 2023 against base year FY2013.

A water audit conducted across The Star Sydney's back of house kitchens and restaurants identified that two of the property's busiest kitchens operated older model, water-cooled woks rather than more efficient 'waterless', or air-cooled options.

Food Quarter and Soverign Resorts at The Star Sydney are both high volume kitchens, operating between 17 and 24 hours per day, delivering on average more than 2,000 covers per day.

Water-cooled woks require significant amounts of water when in operation. Water flows continuously across the deck of the wok burners to moderate the enormous amount of heat generated whilst cooking. Additional water is used to clean the woks after each meal is prepared. These applications combined require water-cooled woks to use between 5,000L and 7,000L of water per day, depending on time of use.

The introduction of knee levers to operate the wok cleaning tap, or 'laundry arm', eliminates the constant water flow usually associated with this function.

Following the water audit, The Star Sydney subsequently replaced the remaining five water-cooled woks with knee levered 'waterless' woks, and retrofitted existing waterless woks with knee levers. These combined efficiency improvements are estimated to deliver:

- 12,658kL of water savings per annum*
- annual cost savings of approximately $37,000.

The Star Entertainment Group's sustainability targets are supported by our Executive Chef and Director of Culinary, by encouraging kitchens and restaurants to save on water consumption while continuing to provide an excellent guest service experience.

The Star Gold Coast has installed waterless woks gradually since January 2016, completing installations across the entire property in January 2018 with the new Sovereign Resorts kitchen.

**Based on average 15 hours per day runtime per wok.*

Team members at The Star Gold Coast celebrating the launch of our engagement sustainability program.

DELIVERING WORLD CLASS PROPERTIES

INCREASING RECYCLING ACROSS OUR PROPERTIES

In line with its waste targets, the Group continues to take a holistic approach to improving landfill diversion across all operations at each property. The Waste Strategy has been further developed in 2018 to include education forums, training, spot audits and direct team member engagement roadshows to increase recycling streams in offices, bars, restaurants, hotel rooms and back of house operations.

The Group has been tracking recycling performance against base year FY2013 to ensure that improvements are measurable, continue to divert increased waste volumes from landfill and promote behavior change across the organisation.

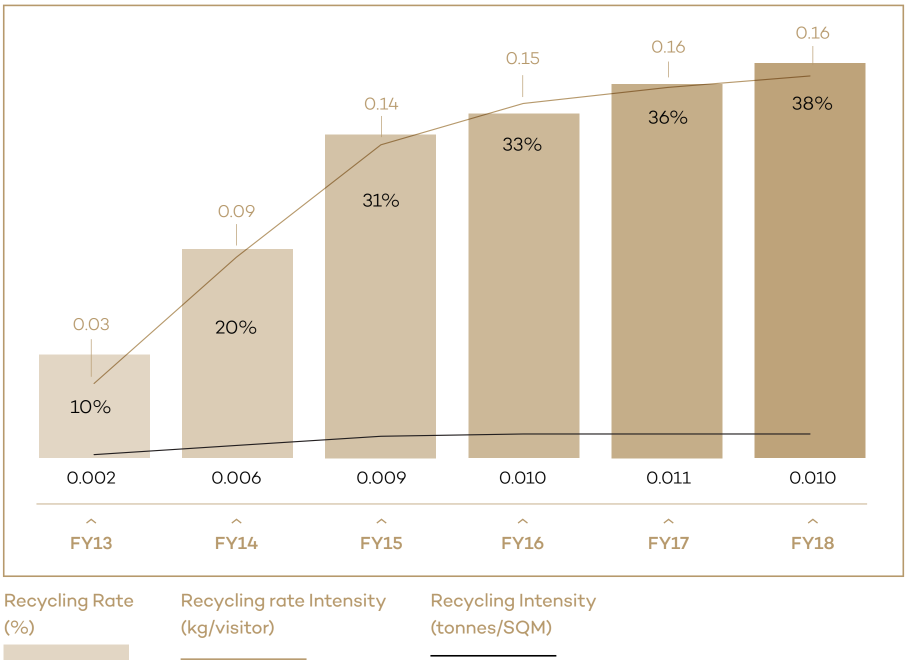
Across the Group, total recycling rates have increased from 10% diversion in FY2013 to 38% diversion across all operations in FY2018. The Star Sydney reached the highest diversion rate to date, achieving a rate of 54% within the financial year.

On an intensity basis, recycling per square meter and recycling per visitor has increased as the Group's recycling performance increased. During the 2018 financial year a number of initiatives were introduced to achieve continuous improvement in recycling, including:

- Working in partnership with OzHarvest, The Star Gold Coast and The Star Sydney have redistributed 13,929 kilograms of food, contributing to the charity's school program and providing the equivalent of 41,787 meals to vulnerable communities
- The Star Sydney continues to support charities through the redistribution of obsolete furniture, equipment and hotel linen, donating over 8,500 kilograms of linen, towels and bathrobes to local women's refuges and clothing charities
- At The Star Sydney, multiple site audits across the hotels, retail and bars have been undertaken. Specialised training has been conducted for housekeeping teams to maximise in-room recycling in Astral Hotel and Astral Residences guest rooms. Sign-in sheets have been introduced to monitor team members trained over the year and to promote accountability
- The Soap Aid used soap recycling program has been expanded to The Darling at The Star Sydney collecting over 2,631 kilograms of used soaps since the program began
- All hotels across the Group are participating in Nespresso's capsule recycling program, while The Star Gold Coast has recycled more than 12,000 capsules from hotel rooms and team members
- A sustainability roadshow for team members was launched to increase awareness of the Group's sustainability targets, with reusable coffee cups and water bottles as giveaways for team members who made sustainability pledges.

The celebration of National Recycling Week and Earth Hour provided opportunities to promote recycling and provide face to face support and education to team members.

RECYCLING RATES



The FY2013 baseline for waste has been recalculated. 'Recycling intensity' kg/visitor has been used in FY2018 and FY2017, not 'waste to landfill intensity kg/visitor' as used in FY2016, which better reflects recycling performance.

Square meters, are square meters of conditioned space only, which is defined as space that has been mechanically heated or cooled that the Group had operational control over at the close of each financial year.

Visitation numbers have been restated for The Star Sydney in FY2016 impacting the FY2016 intensity per visitor metric.

DEVELOPING A MORE SUSTAINABLE SUPPLY CHAIN

The Star Entertainment Group is committed to continuous improvement in supply chain management and takes a long-term view to managing and maintaining relationships with suppliers and contractors.

As part of our Sustainability Strategy, and supported by our materiality assessment process, the Group is working towards improving sustainability outcomes in its sourcing and procurement activities and reducing risk from our largest spend areas.

In the 2018 financial year, the Group completed a sustainable supply chain assessment and gap analysis, and released a publicly available Supplier Code of Conduct. The Code of Conduct sets out our expectations of suppliers and seeks to align the Group's commitments with that of our suppliers, leveraging global frameworks.

Results from the gap analysis determined that the largest risks and opportunities lie within the sourcing of food and within our capital developments. To support these key risk areas, The Star Entertainment Group undertook supplier segmentation analysis and then introduced a Supplier Risk Assessment focused on the areas of environment, workforce, ethical business practices, community and supply chain management to ensure the Group works towards the highest ethical, environmental and social standards. The Group continues to challenge suppliers to innovate and look for opportunities to continuously improve their business and reduce the sustainability impacts of their products and services offering.

SUSTAINABILITY SOURCING IN OPERATIONS

Managing close relationships with our suppliers leads to identifying and implementing operational improvements in the sustainability of our sourcing and property management activities.

Across the business we have been working with our suppliers on innovative and sustainable product and process solutions which include the following initiatives:

- Installing wine taps in high volume bar areas including the new Harvest Buffet and Oasis at The Star Gold Coast to reduce single use glass, plastics and packaging
- To reduce plastic straws being sent to landfill, straws have been removed from bench tops on the main gaming floor bars across all our properties, so that they are available upon request only, with a view to phase out their use over time
- Implementing self-serve still and sparkling water fountains for guest use, to reduce single-use water bottles
- Nineteen at The Star bar, Pool Bar and the Theatre at the Gold Coast, and Fat Noodle, Harvest Buffet and Marquee at The Star Sydney are using polycarb and melamine reusable products for beverages as well as reusable canape and dessert vessels
- Plastic takeaway containers are being phased out in favour of recyclable cardboard across casual dining offerings
- Napkins procured across our properties continue to be made with Forest Stewardship Council (FSC) certified pulp, and are carbon neutral
- Biodegradable cups and packaging continue to be purchased to reduce plastics going to landfill. Through the Group's purchasing arrangements with Biopak, 356 tonnes of carbon emissions have been offset
- Paper cups have been removed from The Star Gold Coast cafeteria, saving more than 365,000 cups per year and over $30,000.

ENGAGING OUR TEAM IN SUSTAINABILITY

In March 2018, The Star Entertainment Group launched a top down engagement sustainability program to encourage all team members to become environmental advocates in their professional and personal lives. Having evolved from the 'Echo Friendly' program which was launched in 2014, the program directly leverages 'Our Bright Future' sustainability strategy.

The Sustainability team, supported by the executive management team, held roadshows at each property to focus on the Group's carbon and water waste reduction targets which include:

- 30% reduction in carbon emission intensity by FY2023, based on the FY2013 baseline year (on a per square meter basis)
- 30% reduction in potable water consumption intensity by FY2023, based on the FY2013 baseline year (on a per square meter basis).

Roadshows held across The Star's properties in Sydney, Gold Coast and Brisbane encouraged all team members to be involved in a range of activities to drive behavioural changes, with the environment being top of mind. To support the roadshow, 'pledge trees' were installed at each property, sustainably sourced food was made available at our staff cafeterias and a limited number of The Star-branded KeepCups were given to those making pledges.

Through the engagement series, over 10% of our team members have made pledges, promising to reduce their environmental footprints in both their professional and personal lives.

The sustainability program improves awareness across properties, and amongst team members of what our goals are, as well as how their individual and team's actions will have a cumulative effect and positive impact on those desired outcomes. The impacts range from small to large and include:

- Improving guest experiences as team members increase their understanding of The Star's sustainability commitments
- Promotion of our 'Green Building' commitments and benchmarks such as Green Star, which assesses the sustainable design, construction and operation of buildings, fitouts and communities
- Food plate waste reduction initiatives
- Reduction in water consumption, particularly across our operations
- Increased recycling activities
- Reduction in the use of disposable coffee cups and straws.

Through multiple internal communication channels, we will continue to encourage team members to make more sustainable choices, and become change agents. We are also committed to following up on the pledges already made, supporting team members in their promises and assisting them in widening their circles of influence in reducing their impact on the environment.

The Star Gold Coast donated a new inflatable rescue boat to Surf Life Saving Queensland.

LEADING COMPANY

TRUSTED COMMUNITY PARTNERS

Our vision is for The Star Entertainment Group to be Australia's leading integrated resort company. We aim to achieve this by delivering thrilling experiences to our local and international guests and by fostering and maintaining close connections with the community. For this reason, our charitable partnerships reflect the relationships that our properties have with each of the cities in which they operate.

In the 2018 financial year, The Star Entertainment Group was proud to have contributed more than $12 million to a variety of community groups, events, charities and sporting organisations. Our support manifests in a variety of ways – from corporate philanthropy programs through to team members volunteering their time and expertise.

Each property is proud to also provide in-kind use of our world-class venues, including the provision of event management and food and beverage supplies, for community and charity events.

The Star Entertainment Group continued its long-term support and involvement with Queensland-based community organisations and charities, including Surf Life Saving Queensland and Choice, Passion, Life (formerly Cerebral Palsy League). More broadly, The Star also assisted, developed and revitalised important community initiatives that demonstrated natural affinity with our properties in Sydney, Brisbane and the Gold Coast.

THE STAR ENTERTAINMENT GROUP CONTINUED ITS UNBROKEN

24YEAR

PARTNERSHIP WITH SURF LIFE SAVING QUEENSLAND

Guests celebrating the Gold Coast 2018 Commonwealth Games at The Star Gold Coast.

Team members at The Star Sydney participating in the 2018 Sydney Gay & Lesbian Mardi Gras.

Leaders and team members from across The Star Entertainment Group participated in the 'Walk and Talk for Women's Leadership' in conjunction with International Women's Day 2018.

THE STAR SYDNEY

In the 2018 financial year, The Star Sydney committed collective financial funding of $1.5 million to Barnardos Australia, Taronga Conservation Society Australia and Chris O'Brien Lifehouse.

The Star Sydney also provided seed funding to assist City West Housing and other local community groups to organise the annual Ultimo-Pyrmont 'Uptown Festival', held in October 2017. The Star was a major sponsor of other local community events including the 'Pyrmont Food and Wine Festival' and 'Christmas in Pyrmont'. The Star also assisted the local Chamber of Commerce to re-establish the Pyrmont Growers Market.

The Star Sydney is proud to support its neighbours in the city of Sydney and, through its Grants Program, supported several local community groups and charities. Groups assisted included Glebe TreeHouse Before and After School Care, Beehive Industries, Kookaburra Kids Foundation and Freedom Hub.

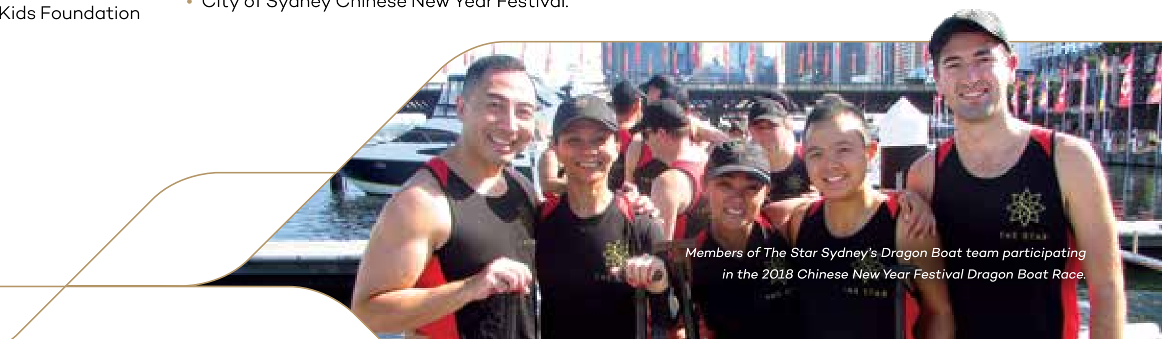
In addition to our local commitments, The Star Sydney was proud to continue its support and involvement in a variety of local event and sporting partnerships. In October 2017, The Star Sydney announced a two-year partnership with Hyundai A-League team Sydney FC, including a front-of-jersey sponsorship.

In May 2018, alongside partners NSW Rugby League, The Star Sydney announced the introduction of BLUiE, a bionic 'Blatchy Blue' who delivered exclusive behind the scenes content to NSW Blues fans around the world. These were in addition to the continuation of other partnerships with:

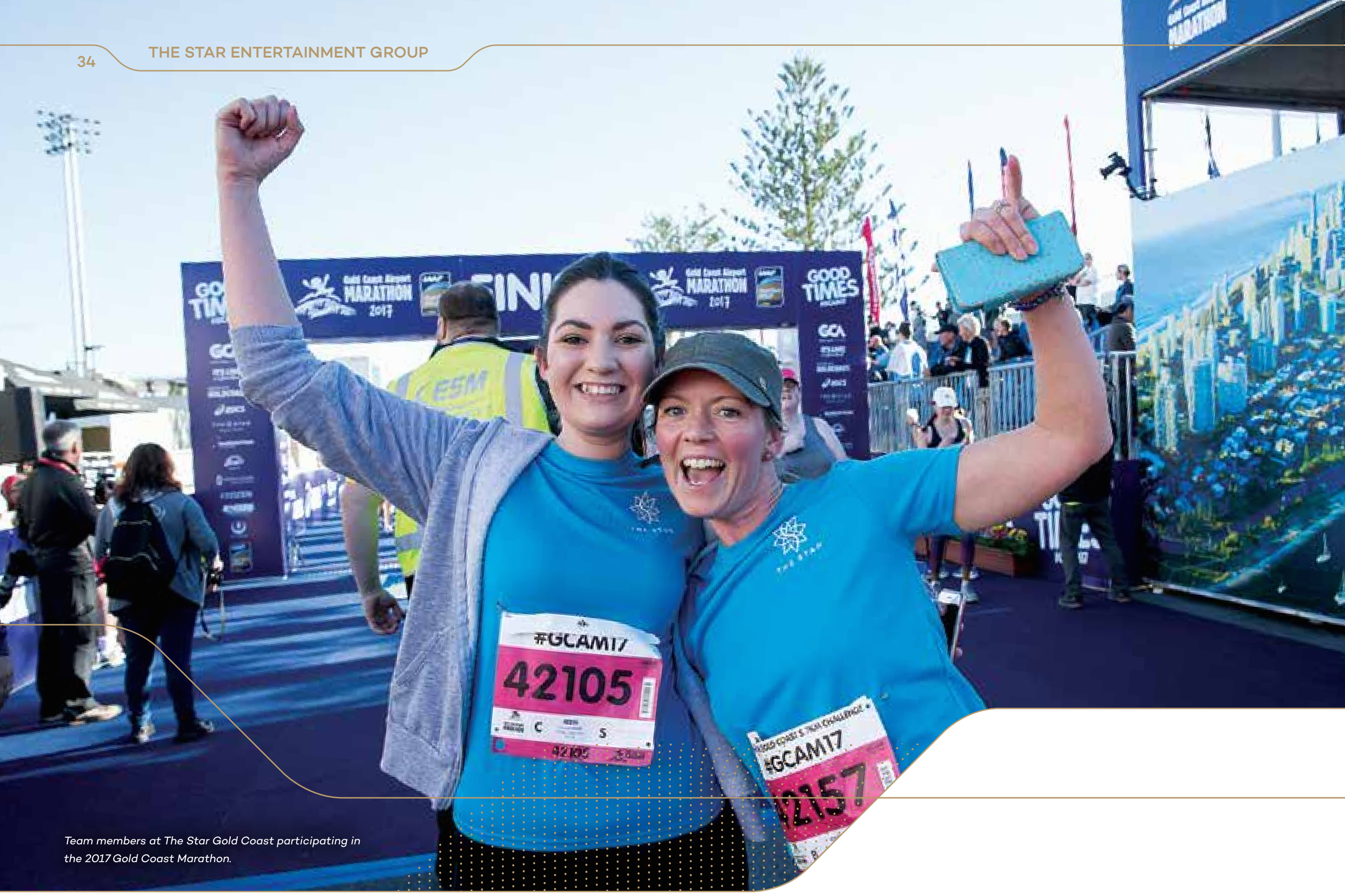
- Sydney Swans
- The Australian Turf Club's key race meets including The Star Doncaster Mile, The Everest and The Star Chinese Festival of Racing
- OzHarvest's 'Think. Eat. Save.' Campaign
- Sydney Gay & Lesbian Mardi Gras
- City of Sydney Chinese New Year Festival.

The Star continues to support Australia's creative industries, holding long-term partnerships with the ARIA Awards and AACTA Awards.

The Star is also the Founding Partner of Women in Gaming Australasia, dedicated to empowering women working in the gaming industry. The support group was launched at The Star Sydney in May 2017.



Members of The Star Sydney's Dragon Boat team participating in the 2018 Chinese New Year Festival Dragon Boat Race.



Team members at The Star Gold Coast participating in the 2017 Gold Coast Marathon.

LEADING COMPANY

THE STAR GOLD COAST

The Star Gold Coast maintains several long-term relationships with key charity partners in Queensland, and continues to actively encourage team members to contribute to the community in which they live, work and play.

The Star Gold Coast continued its unbroken support of Surf Life Saving Queensland (a partnership launched in 1994) through its rebranded fundraising initiative 'Save Our Savers Week'.

Surf lifesavers at Surfers Paradise received a much-needed and timely boost ahead of the peak summer months, through the donation of a new inflatable rescue boat to the club which was part of over $31,000 of equipment donated by The Star Gold Coast. Three rescue boards were donated to Bilinga, Coolangatta, Broadbeach Surf Life Saving Clubs and approximately 100 water safety rash vests were purchased to cover as many clubs as possible on the Gold Coast.

Continuing with its ongoing commitment of more than 20 years to Cancer Council Queensland, The Star Gold Coast helped raise much-needed awareness for cancer patients and their families through the unveiling of a moving daffodil projection on the property's iconic façade. The Gold Coast property further bolstered its commitment to Cancer Council Queensland as a Major Event Partner of the Gold Coast 'Relay for Life' for two years, combined with a $23,000 donation.

The Star Gold Coast also continued its partnership with the Gold Coast Hospital Foundation to assist their mission to provide the very best in health care facilities, health education and medical treatment for the people of the Gold Coast and visitors to the city, and the Currumbin Wildlife Hospital Foundation which delivers vital care for sick, injured and orphaned wildlife.

Team members nominated and supported local organisations and charities through our 'Open Your Hearts' program and other in-kind donations, collectively totalling close to $14,000.

The Star Gold Coast is also involved in various event and sporting partnerships on the Gold Coast, including:

- First Official Partner of the Gold Coast 2018 Commonwealth Games, providing live entertainment, nightly themed events, fireworks, and giant outdoor screens as part of The Star Gold Coast's highly successful 12-day schedule of events
- Official Partner of the Queensland Rugby League (QRL) and Home of the Queensland Maroons team, in conjunction with Treasury Brisbane
- Naming rights sponsor of The Star Gold Coast 5.7km Challenge, and Accommodation Partner of the Gold Coast Airport Marathon which attracts 25,000 participants of all ages and abilities from over 50 countries
- Official Partner of 'Blues on Broadbeach', an iconic Australian blues music festival that nurtures Australian talent and provides a stage for international acts.

Team members alongside former Olympian Brooke Hanson OAM (centre) celebrating the Gold Coast 2018 Commonwealth Games.

Kelvin Dodt, Treasury Brisbane Chief Operating Officer, with chefs, team members and families celebrating Christmas at Ronald McDonald House South Brisbane.

TREASURY BRISBANE

Treasury Brisbane has proudly supported numerous community-focused organisations across the sporting, charity and cultural sectors for more than two decades. During the 2018 financial year, Treasury Brisbane returned as Presenting Partner of Brisbane Festival for the fourth consecutive year. As one of Australia's major international arts and cultural events, Brisbane Festival complements our strategic community focus on city pride and local spirit and positions our city as a global player.

In conjunction with its sister property, The Star Gold Coast, Treasury Brisbane continued its support of Ronald McDonald House South East Queensland (RMHSEQ). Since December 2014, $3 million has been donated to RMHSEQ. In addition to raising vital funds and awareness, the team at Treasury Brisbane took pride in giving seriously ill children and their families a temporary break from their challenging circumstances via our 'Make-a-Meal' events. During the 2018 financial year, Treasury team members committed their time at two such events that included serving a buffet smorgasbord and visits from Santa and the Easter Bunny.

Treasury Brisbane's long-standing support for Choice, Passion, Life (formerly the Cerebral Palsy League) entered its 16th consecutive year, with $50,000 being donated to the charity partner in addition to over $10,000 raised for the annual 'We'll Make a Change' fundraising event.

As a proud corporate citizen, Treasury Brisbane supported several multicultural events, including the Festitalia Italian Festival and the Vietnamese Lunar Festival, and was the Presenting Partner of the Asia Pacific Screen Awards and the Brisbane Asia Pacific Film Festival.Treasury Brisbane was also proud to be involved in other events and partnerships, including:

- Participating in the National Trust of Queensland's 'Brisbane Open House' event by opening Treasury to the public and conducting tours
- Being a Partner of the Brisbane Racing Club with naming rights for Treasury Brisbane Ladies Oaks Day
- Participating in the annual 'Vinnies CEO Sleepout' to raise awareness for those experiencing homelessness.

Building on previous years, our 'Open Your Hearts' program engaged team members, enabling them to nominate worthy recipients for charitable causes. More than $20,000 was also donated to other community organisations through direct contributions.

Left to Right: Mixed team triathlon winners Ashleigh Gentle, Matthew Hauser Gillian Backhouse and Jacob Birtwhistle celebrate at The Celebration Lawn.

LEADING COMPANY

COMMUNITY FOCUSED

GOLD COAST 2018 COMMONWEALTH GAMES

THE STAR GOLD COAST – THE FIRST OFFICIAL PARTNER OF THE COMMONWEALTH GAMES AND A PROUD SPONSOR OF COMMONWEALTH GAMES AUSTRALIA TEAM – PROVED TO BE THE BEST PLACE OUTSIDE OF THE STADIUMS TO CHEER ON OUR AUSTRALIAN ATHLETES, AND WATCH ALL THE ACTION BROADCAST LIVE ON THE LAWN AND IN THE NEWLY UNVEILED SPORTS BAR.

The Star Gold Coast underwent a significant transformation in the lead up to the Gold Coast 2018 Commonwealth Games, providing guests with 11 new food and beverage offerings including a newly unveiled Sports Bar, 596 refurbished hotel rooms at The Star Grand and a premium poolside experience, as well as new luxury suite hotel, The Darling, and rooftop destination, Nineteen at The Star.

ENTERTAINMENT

Across 12 unforgettable days, The Star Gold Coast's entertainment program celebrated the multicultural diversity of the Games taking guests on a journey through the Best of British, Caribbean Celebration, Party Pasifika and The Great Aussie BBQ.

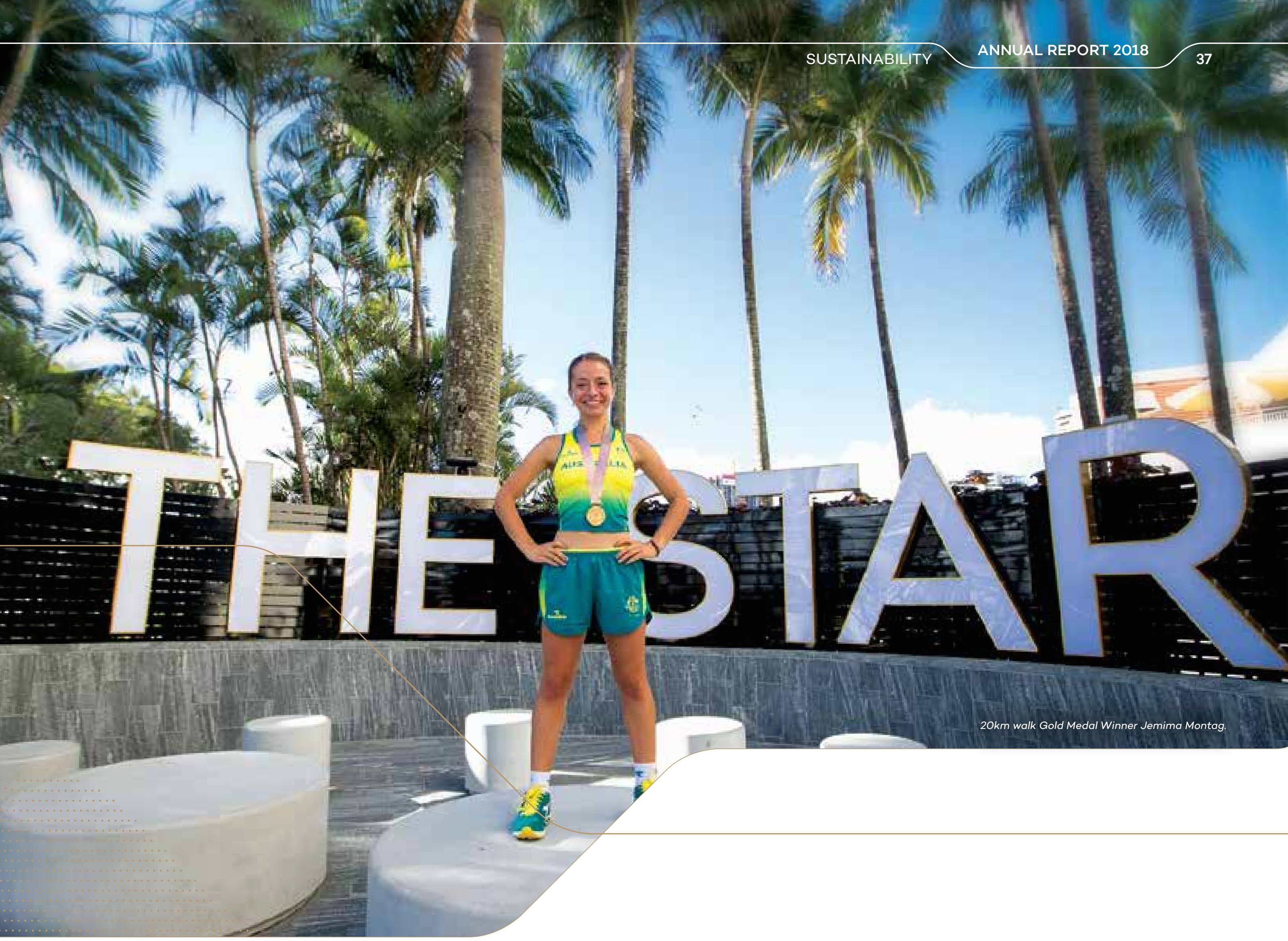
Approximately 180 entertainers and music artists including The Potbelleez, Havana Brown, Bobby Alu, Midnight Juggernauts, and Triple J favourites KLP and Alex Dyson, performed on the Celebration Lawn over the 12-day period, while in the Theatre, homegrown international superstar Dami Im graced the stage with a special one-off show and Australian favourite Jimmy Barnes performed 'Working Class Man: An Evening of Stories and Songs' to a sold-out crowd.

ATHLETES

More than 75 current athletes, including Australian medallists Tia-Clair Toomey, Rebecca Wiasak, Jordan Kerby, Stephanie Morton, Kaarle McCulloch, Melissa Wu, Dane Bird-Smith, Jemima Montag, Ken Hanson, Damien Schumann, Christopher McHugh and Daniel Repacholi, delighted fans with their visits to the Celebration Lawn, providing first-hand accounts of their phenomenal successes throughout the Games.

THE CELEBRATION LAWN

The Star Gold Coast was also a celebrity hot-spot as Channel Seven – the Official Australian Broadcaster of the Commonwealth Games whose custom-built lifeguard tower formed the centrepiece of the celebrations on the lawn – social media platform Facebook, and radio stations Nova and Hot Tomato, broadcasted live daily from the Celebration Lawn. Olympic and Commonwealth Games legends were in abundance as Ian Thorpe, Susie O'Neill, Brooke Hanson, Nat Cooke, Matthew Mitcham and Anna Meares all shared their support for the next generation of athletes competing on home soil.



20km walk Gold Medal Winner Jemima Montag.

AROUND 6,500 ROOMS FILLED

OVER 115,000 FOOD ITEMS & 360,000 DRINKS SERVED

2,000KG OF FIREWORKS LIT UP GOLD COAST AND DELIGHTED GUESTS

180 ENTERTAINERS AND MUSIC ARTISTS WOWED VISITORS ACROSS THE PROPERTY

2,000 CUSTOM-DESIGNED CHOCOLATE GC2018 SURFBOARDS DELIVERED TO HOTEL GUESTS

Cyclists Rebecca Wiasak (silver) and Jordan Kerby (gold).

Guests and visitors at The Celebration Lawn during the Gold Coast 2018 Commonwealth Games.

LEADING COMPANY

RESPONSIBLE GAMBLING

The Star Entertainment Group provides a variety of engaging entertainment experiences at its properties.

Most of our guests enjoy gambling as part of their leisure and entertainment experience and do so within their financial means. Unfortunately, some of our guests find it more difficult than others to control their gambling habits.

The Group's responsible gambling program seeks to identify, at an early stage, those guests who may be exhibiting signs of problem gambling.

The objective of the responsible gambling program is to minimise the potential harm that may be caused by gambling (such as financial hardship, emotional distress and relationship breakdown), and to provide guests with the means to make informed decisions about managing their gambling behaviours. Each property operates under a 'Responsible Gambling Code of Practice' which sets the standards and requirements to be followed for the responsible delivery of gambling products and services.

Key operational elements of our responsible gambling program are:

- We provide guests with readily accessible information about problem gambling, including symptoms and treatment options
- We work with external support agencies to provide assistance to problem gamblers
- We offer sensitive and confidential support to guests seeking to exclude themselves from attending one or more of our casinos (we have in place agreements with selected Gambling Help Services in Queensland and New South Wales to allow individuals to self-exclude from a casino without having to attend the casino in person)
- We assist guests who have self-excluded from our casinos to also self-exclude from other gambling venues
- We monitor the amount of time a guest spends on property and encourage regular breaks in play
- We prevent intoxicated guests from participating in gambling activities
- We prohibit the cashing of cheques to fund gambling activities (other than by prior arrangement)
- We do not allow betting on credit terms
- We conduct advertising and marketing campaigns in compliance with applicable regulations and industry codes of practice
- Our security and surveillance staff are trained to prevent minors and excluded persons from gaining access to gaming areas.

Board oversight of our responsible gambling program is provided by the People, Culture and Social Responsibility Committee.

At each of our casinos, a Patron Liaison Manager supports the business in giving effect to the responsible gambling program. Each of the Patron Liaison Managers is a member of the National Association for Gambling Studies Inc., which is a non-profit organisation that aims to promote discussion and research into all areas of gambling activity. The Patron Liaison Managers report directly to the Group's General Manager Compliance & Responsible Gambling.

In Queensland, a Patron Liaison Manager attends Responsible Gambling Network meetings on the Gold Coast, in Brisbane and on the Sunshine Coast. The meetings are conducted by the Gambling Help service in Queensland and are attended by industry participants and the Queensland Office of Liquor and Gaming Regulation. The Responsible Gambling Network provides a forum to exchange information and views about approaches to responsible gambling and finding solutions to improve the management of problem gambling.

A percentage of gaming taxes paid by the Group is directed to the Gambling Community Benefit Fund in Queensland (previously the Jupiters Casino Benefit fund). Since 1987 more than $100 million has been contributed to the Gambling Community Benefit Fund for grants to community groups across southern Queensland.

In the 2018 financial year, the Group contributed $19.2 million to the Responsible Gambling Fund (NSW). Funds are allocated, through the New South Wales government, to support various projects and services that aim to reduce and prevent the potential harms associated with problem gambling.

In New South Wales, we engage BetCare, a dedicated independent counselling service, to provide assistance for distressed guests, including 24/7 crisis intervention. BetCare also assists with gambling assessments for guests seeking revocation of self-exclusion agreements and provides specialised responsible gambling training to our Responsible Gambling Liaison Officers. We are putting in place arrangements to provide similar gambling support services for our Queensland casinos.

Team members at the Gold Coast 2018 Commonwealth Games.

In New South Wales, we are constructing a dedicated space adjacent to our main gaming area to offer guests safe and discrete access to specialist gambling support counselling services. We have plans to construct similar spaces at our Queensland casinos during FY2019.

RESPONSIBLE SERVICE OF ALCOHOL

Excessive consumption of alcohol can have serious adverse health, social and economic consequences for individuals, their family and friends, and for the broader community.

The Group's responsible service of alcohol (RSA) practices comply with relevant state-based legislation, regulations and liquor licences.

At each property, all team members who are directly involved in the service or supply of alcohol, including those supervising or managing these processes, must have a current RSA training course certificate. All other employees are also required to complete in-house RSA training upon commencement of employment, even though they are not directly involved in the service or supply of alcohol.

In addition to strict refusal of entry policies, each property has in place processes for:

- Monitoring that guests on the premises are not unduly affected by excess consumption of alcohol
- Empowering food and beverage managers to identify high-risk periods and manage consumption by limiting the amount of drinks that can be purchased at any one time
- Mandatory reporting of all serious RSA related incidents (to be documented within the approved incident reporting databases and records).

The Group's properties have also taken the following measures to support responsible service of alcohol:

- The use of toughened or tempered glass for many of the beverages served in the public areas of the Gold Coast and Brisbane casino properties (excluding restaurants)
- The use of toughened or tempered glass in the main gaming floor venues and the use of plastic drinking vessels at Sky Terrace, the Sports Bar and Marquee Nightclub during restricted periods at The Star Sydney.

SECURITY AND SURVEILLANCE

The Star Entertainment Group's properties maintain leading security and surveillance operations. All properties are supported by 24 hours-a-day seven-days-a-week security and surveillance operations.

More than 400 team members ensure continued security, surveillance and guest safety across our three properties.

Standard operating procedures are in place at each property to assess, respond to and manage any suspected undesirable conduct.

An incidents register is maintained at each property and the internal compliance team reviews all requirements, and conducts regular audits to support compliance with relevant legislation and policies.

A bar manager at Sokyo Lounge at The Star Sydney.

Richard Francis-Jones, Design Director of FMJT presenting at The Ritz-Carlton public exhibition engagement.

GUEST WELLBEING

ATTRACTING AROUND 18 MILLION GUESTS EACH YEAR, THE STAR ENTERTAINMENT GROUP'S PROPERTIES ACROSS SYDNEY, BRISBANE AND THE GOLD COAST ARE WORLD-CLASS TOURIST DESTINATIONS THAT OFFER VISITORS A DIVERSE SELECTION OF RESTAURANTS, BARS AND CAFES, ACCOMMODATION, THEATRE, LIVE ENTERTAINMENT AND GAMING OPTIONS.

We are committed to providing a safe, secure and comfortable experience to every guest at each of our properties. With a high level of oversight from regulatory bodies, we also maintain close relationships with police and community groups so that local and international visitors remain safe at our properties.

The Group upholds a zero-tolerance approach to anti-social behaviour to also ensure the amenity of our valued community neighbours.

NEIGHBOURHOOD ENGAGEMENT

The Star Entertainment Group continued to work with local community and neighbourhood groups across our properties to ensure they are informed and updated on operations.

The Star Sydney's 'Neighbourhood Advisory Panel', and dedicated community newsletter provides residents and local stakeholders with regular consultation opportunities and up-to-date information.

Throughout its redevelopment, The Star Gold Coast updated neighbourhood stakeholders via its website, while also working with Broadbeach Alliance to directly reach and inform that precinct.

To inform surrounding neighbours and the local community about the development of our future world-class Queen's Wharf Brisbane integrated resort, The Star Entertainment Group and its consortium partners rolled out a variety of engagement initiatives in the 2018 financial year. These included:

- Developing and distributing a six-page community newsletter to all households within a 10-kilometre radius of the city centre
- Running a community information session for residents of the McConnel electorate in October 2017
- Hosting a three-day community activation in Queen Street Mall, Brisbane in December 2017. The activation provided information and answered questions from the community and included running a competition to encourage people to sign up to receive the Queen's Wharf Brisbane newsletter and construction notices
- Maintaining and regularly updating online platforms including the Queen's Wharf Brisbane website and Facebook page. For example, a regular and popular update is a short time-lapse camera video showcasing the last month of progress on the construction site. When construction activities have an impact on the wider community, social media campaigns are run in conjunction with radio advertising for maximum coverage

Preserved sections of the Edison tubes.

- Working with archaeologists to retrieve and preserve the Edison Tubes – 134 year old electrical cabling – from underneath Brisbane's William Street, which have been sent to museums across Australia, the United Kingdom, and the USA for global audiences to enjoy.

In partnership with Brisbane Airport Corporation, The Star Entertainment Group visited eight surrounding regional communities between October 2017 and July 2018 to showcase its current and future South East Queensland tourism infrastructure assets, and discuss potential opportunities relating to jobs, training, and procurement. These communities were the Lockyer Valley, Moreton Bay, the Redlands, Ipswich, Scenic Rim, Sunshine Coast, Logan, and Toowoomba.

The Ritz-Carlton public exhibition engagement.

The Star Gold Coast celebrated the Gold Coast 2018 Commonwealth Games with 2,000kg of fireworks.

Momofuku Seiōbo Head Chef Paul Carmichael with apprentices at The Star Gold Coast.

TALENTED TEAMS

LEARNING AND DEVELOPMENT

To achieve The Star Entertainment Group's vision of being Australia's leading integrated resort company, there is a continued focus on developing talented teams to deliver excellence in guest service and, in turn, creating shareholder value. Through its work, The Star's Learning and Development Team won the Team of the Year award in the 2017 Australian Learning Impact Awards conducted by the Institute for Learning Professionals.

THE STAR ACADEMY

In March 2018, the Group launched The Star Academy, a one-stop shop for career development opportunities across The Star's properties. The Star Academy combines existing programs and provides access to new initiatives designed to provide ongoing investment in the development of its employees for greater capability and career options. The Star Academy is structured in three sections: The Foundations Centre, the Skills Centre and the Leadership Centre.

FOUNDATIONS CENTRE

The Foundations Centre covers the broad range of development opportunities to assist our employees in becoming 'thrill creators', including orientation, guest service training, online compliance training and career development.

In addition to developing our current employees, the Group has also made significant investment in developing future members of the industry. In the 2018 financial year, our school work experience program had approximately 100 students spend a week at one of The Star's properties to learn about a career in hospitality and tourism from behind the scenes. In addition, over 550 school students were taken on tours of our properties.

SKILLS CENTRE

The Skills Centre provides technical skills to our employees including table games, chefs, food and beverage, hotels and support functions.

In August 2017, the Group launched the Sydney School of Hospitality Excellence (SSHE) in conjunction with TAFE NSW at Parliament House in Sydney. Following on from a similar partnership with TAFE Queensland in 2015, SSHE aims to meet the growing demands of international visitors to Sydney and is overseen by an industry panel comprised of many of the state's leading hospitality brands.

The Star Entertainment Group continues to lead the way with its culinary arts apprenticeships program (offered through The Star Culinary Institute) having 80 apprentice chefs registered in its program, making it one of the largest private programs in Australia. The Group was recognised as one of three national finalists for the Australian Training Awards in the Australian Apprenticeships – Employer Award held in Canberra in November 2017.

LEADERSHIP CENTRE

The Leadership Centre provides numerous development opportunities to grow as a leader at The Star Entertainment Group. These opportunities are based on our Leadership Competencies (launched in 2017) which set an expectation for our leaders to think and act like owners by creating impact, inspiring and energising others, and leading change.

The Group develops its leaders through a mixture of internal and external programs and resources, ranging from its role as a founding partner of the 'Women in MBA' program with the Macquarie Graduate School of Management (MGSM) to coaching and mentoring opportunities, to online resources focused on delivering just-in-time learning, as well as other programs conducted internally. The Group recognises that its leaders must be highly skilled and empowered to develop talented teams.

DIVERSITY AND INCLUSION TARGETS

50%
FEMALE REPRESENTATION
IN LEADERSHIP LEVELS 1-4 BY 2020

20%
ASIAN REPRESENTATION
IN LEADERSHIP LEVELS 1-3 BY 2020

5%
YEAR-ON-YEAR INCREASE
IN AUSTRALIAN WORKPLACE EQUALITY INDEX SCORE

A WELCOMING CULTURE
FOR OUR MATURE AGED TEAM MEMBERS

The Star ambassador, Erin Holland celebrating the 2018 Sydney Gay & Lesbian Mardi Gras.

DIVERSITY AND INCLUSION

The Star Entertainment Group recognises the important contributions each team member makes to the organisation, and strives to ensure their workplace provides an environment that fosters and encourages them to strive to be the best they can be. Our policies, practices and behaviours all contribute to creating a safe, welcoming and inclusive workplace and support equitable and collaborative relationships and talented teams. This is underpinned by our Diversity and Inclusion Policy and is supported by our Diversity and Inclusion Strategy.

Our internal Diversity and Inclusion Steering Committee continues to oversee the diversity and inclusion initiatives across the Group, with support and input from Diversity Working Groups that focus on four key areas: gender, multicultural, lesbian, gay, bisexual, transgender and intersex (LGBTI) and age.

Each of these focus areas have measurable targets, with progress towards these goals reported back to the Board of Directors on a regular basis throughout the year.

To support our targets, and broaden the positive impact of our diversity and inclusion strategy across the organisation, our team members have participated in a wide range of initiatives and local and global events.

GENDER

The Group promotes gender equality in several ways.

Alongside Aristocrat Leisure Limited, the Group was a founding partner of Women in Gaming Australasia (WGA), with the organisation expanding across several Australian cities throughout the last financial year. WGA is dedicated to supporting the development and success of women who work in the gaming industry.

Education, awareness and training form a key part of The Star Entertainment Group's Diversity and Inclusion Strategy. On-site training programs in cultural awareness are offered to our employees, and LGBTQI-specific training for employees continues to be provided by our partner in LGBTQI inclusion, 'Pride in Diversity'.

The Group promotes women in leadership through its continuing commitment to the Women in MBA program, in conjunction with MGSM.

In celebration of International Women's Day, The Star Entertainment Group once again held its annual Walk and Talk for Women in Leadership events across each of our properties. These events provided a platform for female employees to connect with leaders in the business.

MULTICULTURAL

When asked about their ethnic background, two-thirds of the respondents in the 2018 employee engagement survey identified as non-Caucasian. In recognition of this rich diversity in our workforce, we celebrate Lunar New Year, Mid-Autumn Festival and Harmony Day across our properties. We also showcase this cultural diversity internally by profiling the career journeys and experiences of various multicultural team members, and we partner with external organisations to provide development opportunities to people of diverse cultural backgrounds.

LGBTQI

The Star Sydney has been a proud partner of the Sydney Gay and Lesbian Mardi Gras for three consecutive years. Our sponsorship includes team members taking part in the Mardi Gras parade and supporting Queer Screen (a not-for-profit arts organisation that showcases LGBTI screen content at the Mardi Gras Film Festival and the Queer Screen Film Festival).

In addition, The Star Entertainment Group also partners with the following LGBTQI organisations and events:

- Australian LGBTI Awards
- Sydney Swans Pride Round
- Gold Coast Glitter Festival
- Pride House Gold Coast for the 2018 Commonwealth Games.

We promote the following events internally to raise awareness amongst our team members:

- International Day Against Homophobia, Transphobia and Biphobia (IDAHOTB)
- Wear it Purple Day (to support LGBTI youth)
- World AIDS Day (raising awareness about the issues surrounding HIV and AIDS).

We have also produced and distributed our own guide to supporting gender-transitioning team members.

MATURE AGE

To drive greater inclusion of mature age workers, we provide a range of policies and practices that allow mature age workers to optimise their late careers, including transition to retirement and flexible working options. We also offer a seminar program that supports mature age team members in planning for the later stages of their careers.

RECOGNITION AND AWARDS

- Australian Workplace Equality Index (AWEI) – Bronze Award
- Australian HR Awards Finalist
  - Best Workplace Diversity & Inclusion Program
  - Employer of Choice (>1,000 employees).

Leaders and team members from across The Star Entertainment Group participated in the 'Walk and Talk for Women's Leadership' in conjunction with 2018 International Women's Day.

TALENTED TEAMS

OUR SAFETY VISION

TO ELIMINATE WORK RELATED INJURIES, ILLNESSES, UNSAFE WORK PRACTICES AND PROMOTE THE HEALTH, SAFETY AND WELFARE OF OUR TEAM MEMBERS AND GUESTS.

HEALTH AND SAFETY

The 2018 financial year was a year of further consolidation of processes and practices to pursue The Star Entertainment Group's goal of zero fatalities and serious injuries. Our focus has not only been on prevention using a risk based approach but also on continuous improvement in relation to injury management. Although improvement towards our target is fundamental, our performance and key metrics are testament to the initiatives put in place to meet our safety goals.

SAFETY CULTURE

Several initiatives and improvements were made during the year: 'Play it Safe' rebrand; the introduction of 'Safety Shares' being presented and discussed at team meetings; the establishment of the Senior Leadership Health & Safety Committee and an extension of the Senior Leadership Safety Walks to include a greater number of managers. There was also a greater focus on the co-creation of work area specific safety procedures and training between the Health & Safety team and departmental teams.

RISK MANAGEMENT

The Group's top health and safety risks were reviewed and it was validated that we have adequate critical risk controls in place.

SAFETY MANAGEMENT SYSTEMS

The Safety Management System was independently audited for our Queensland Self-Insurance licence and achieved a positive pass result.

During the 2018 financial year, The Group developed a new Safety Management System aimed at reducing administrative burden and making safety part of operational business as usual. This new approach to safety will continue to be implemented across the business throughout the 2019 financial year.

Another aspect of the Safety Management System that was reviewed was health and safety consultation and team member representation. This review resulted in an increase in the number of team member representatives elected by their workgroups. Training was provided to newly elected health and safety representatives to support them in their role. This has seen an increase in participation at health and safety committee meetings and has provided an avenue to effective health and safety consultation occurs across the Group whenever there is a change affecting the health and safety of our team members.

HUMAN FACTORS

Across all properties workgroups were formed to assess risks related to slips, trips and falls affecting team members, contractors and guests. Several physical changes were made to existing floor surfaces (such as improved cleaning methods and installation of slip resistant surfaces) and an awareness campaign was rolled out. As a result, there has been a decrease in the number of slip, trip and fall incidents.

SAFETY ASSURANCE AND INVESTIGATION

A focus during the year has been on gaining deeper insights from safety related incident investigations including root cause and impacts of organisational decision making on outcomes. Learnings have included a need for greater training, clearer understanding of roles and responsibilities throughout the business and ownership of actions to successfully create positive change.

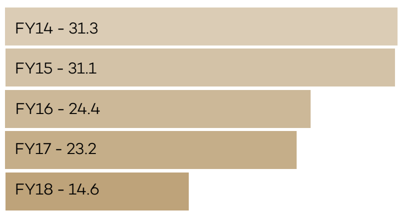
KEY PERFORMANCE INDICATORS

The Group continues to use several lead and outcome based safety indicators for team members, including:

- Total Recordable Injury Frequency Rate (TRIFR)
- Lost Time Injury Frequency Rate (LTIFR)
- % of incidents reported within 24 hours
- % of investigations commenced within 24 hours.

Our TRIFR reduced by a further 33% from the 2017 financial year, achieving the assigned annual target set by the Board.

TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR)



REWARD AND RECOGNITION

TO BUILD A GUEST-CENTRIC AND SERVICE FOCUSED CULTURE, THE STAR ENTERTAINMENT GROUP RECOGNISES THE IMPORTANCE OF CELEBRATING AND SHARING THE STORIES OF OUR TEAM MEMBERS AND LEADERS, WHO SET THE BENCHMARK FOR GUEST SERVICE EXCELLENCE AND DELIVER A CONSISTENTLY HIGH STANDARD OF PERFORMANCE.

'Star Awards' is one way The Star Entertainment Group recognises and rewards top performers. Annual awards are given to team members who are delivering thrilling guest experiences by demonstrating qualifying behaviours called 'Star Qualities', and to leaders who are living our 'Values' of City Pride, Ownership, Welcoming and True Teamwork.

LOIZALYN SANTIAGO

ATTENDANT AT M&G CAFÉ AND BAR, THE STAR GOLD COAST

Loizalyn has been a core team member of M&G Café and Bar as well as the entire Gold Coast property. Her bubbly personality and outstanding customer service is a true delight, having an incredible influence on everyone she encounters, both guests and fellow team members alike. She remembers individual guest orders, which is one way Loizalyn adds that special personal touch.

Loizalyn has provided a number of suggestions to the management team in streamlining procedures to offer our guests quicker and more efficient service. Loizalyn is one of our standout trainers for our team as she understands that everyone has different strengths. She is patient and encouraging when teaching new skills, and shows great pride in her work and in developing the team around her.

Due to her outstanding work ethic and dedication, Loizalyn has since been transferred to Sovereign (the premium private gaming room at The Star Gold Coast), where she continues to provide exceptional service to our VIP guests.

MARIE ANN BREIDI

GAMING MANAGER, THE STAR SYDNEY

Marie Ann is an excellent example of a true leader. She demonstrates high service commitments every day by juggling the multiple demands of her role whilst ensuring her team are engaged and heard when it comes to their working area and individual development.

Marie Ann leads the way in resolving difficult situations, always finding a positive outcome, and sets a great example of impactful leadership to the benefit of her team and the wider organisation. She inspires others through her success and dedication to her career in gaming, and through her participation in the 'Women @ The Star' diversity group.

BERNICE COLCOMB

CHEF DE CUISINE, CULINARY INSTITUTE, THE STAR ENTERTAINMENT GROUP

Bernice won the Employee of the Year award in the corporate team for her extraordinary leadership of the Apprentice Chef Program at The Star Culinary Institute. Through her leadership, Bernice has lifted the overall performance of her team by creating strong professional relationships and demonstrating true teamwork.

Under Bernice's guidance, The Star's apprentice chefs have achieved top three places in the Les Toques Blanches competition in Melbourne 2017, second place in the Queensland Apprentice Chef of the Year competition, and won gold medal at Sydney's Johnson's Competition. These accomplishments reflect Bernice's leadership and commitment to developing every one of her team members to reach their potential and elevate The Star as a leader in the culinary and hospitality industries.

RICHARD FIDELJ

VIP SERVICES MANAGER, TREASURY BRISBANE

As a Leader, Richard is known for his dedication to The Star's values and his ability to influence across the business. Leading by example, he treats everyone with respect, is highly inclusive and actively supports others to reach their goals. Richard is not content with ordinary; he seeks challenges and thrives on achieving outcomes that truly thrill our guests.

Since winning the Leader Award at Treasury Brisbane, Richard has been promoted to Senior Manager VIP Hospitality overseeing VIP hospitality at The Star Gold Coast. This is further testament to Richard's exceptional leadership.

DIRECTORS', REMUNERATION AND FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2018

THE STAR ENTERTAINMENT GROUP LIMITED
A.C.N. 149 629 023
ASX CODE: SGR
AND ITS CONTROLLED ENTITIES

CONTENTS

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

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 financial year ended 30 June 2018.

1. Directors

The names and titles of the Company's Directors in office during the financial year ended 30 June 2018 and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

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

a On 18 December 2017, the Company announced the appointment of Ben Heap as a Non-Executive Director, subject to casino regulatory approvals being obtained. Ben Heap commenced as a Non-Executive Director on 23 May 2018.

b On 23 October 2017, the Company announced the appointment of Zlatko Todorcevski as a Non-Executive Director, subject to casino regulatory approvals being obtained. Zlatko Todorcevski commenced as a Non-Executive Director on 23 May 2018.

c Ceased as Non-Executive Director on 26 October 2017 following the 2017 Annual General Meeting.

2. Operating and Financial Review

The Operating and Financial Review for the year ended 30 June 2018 has been designed to provide shareholders with a clear and concise overview of the Group's operations, financial position, business strategies and prospects. The review also discusses the impact of key transactions and events that have taken place during the reporting period and material business risks faced by the Group, to allow shareholders to make an informed assessment of the results and future prospects of the Company. The review complements the Financial Report and has been prepared in accordance with the guidance set out in ASIC's Regulatory Guide 247.

2.1. 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.

2.2. Business strategies

The key strategic priorities for the Group, in pursuit of its vision to be Australia's leading integrated resort company, are to:

- Create world class integrated resorts with local spirit;
- Manage planned capital expenditure programs to deliver value and returns for shareholders;
- Increase volume of high-value visitation from local, domestic and international markets through continued emphasis on loyalty and gaming strategies;
- Grow the domestic and International VIP Rebate business;
- Identify, retain, develop and engage a highly talented team of employees across properties and the Group; and
- Improve customer experience, including providing customers with tailored product and service offerings.

The Group has continued to make good progress on all these key strategic priorities during the year, with:

- Continuation of broad-based growth across all properties, reflecting operational improvements and investments;
- Balance sheet strengthened through US Private Placement (***USPP***) refinance and strategic placement share issue;
- Joint venture capital works progressing to plan, including Queen's Wharf Brisbane and preparing to commence construction of first Gold Coast joint venture tower;
- Ongoing delivery of a number of capital projects in Sydney and Gold Coast, including The Darling Gold Coast, with positive responses from customers; and
- Continued focus on international diversification.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

Looking forward into FY2019, the focus will be on the following key strategic priorities:

- Yield assets through gains in customer engagement, operating efficiency and marketing;
- Continue the drive to differentiate the value proposition at each of the Group's properties, through brand, loyalty, customer service, food and beverage, and tourism;
- Enhance operational leadership in marketing and gaming;
- Deliver capital programs on time and budget whilst minimising disruption;
- Continue diversification of the Group's international revenue base;
- Efficient commissioning and monetising of investments;
- Deliver on the next stage of the capital development programs at Queen's Wharf Brisbane;
- Progress joint venture developments in partnership with Chow Tai Fook Enterprises Limited (***CTF***) and Far East Consortium International Limited (***FEC***). Obtain planning consent for The Ritz-Carlton Hotel in Sydney and progress construction of the first tower and presales for the second tower of the masterplan on the Gold Coast; and
- Progress marketing alliance by leveraging joint venture partners' networks.

The Directors have excluded from this report any further information on the likely developments in the operations of the Group and the expected results of those operations in future financial years, as the Directors have reasonable grounds to believe that to include such information will be likely to result in unreasonable prejudice to the Group.

2.3. Group performance

Gross revenue of $2,579.5 million was up 6.1% on the prior comparable period (***pcp***), largely due to broad based growth in domestic gaming, non-gaming and International VIP Rebate business despite lower win rate of 1.16% (1.59% in the pcp). Normalised[1] revenues increased 15.3% for the period to $2,694.7 million, up from $2,337.3 million in the pcp, as a result of higher International VIP Rebate volumes, up 54.3%.

Operating costs were up 6.9% due to domestic and International VIP Rebate volume growth, increased non-gaming activity, new and upgraded facilities at The Star Gold Coast and higher wage rates, offset by continued cost management. Gaming taxes, levies and commissions were up 22.7%, reflecting substantial growth in the International VIP Rebate volumes. Significant expense items ($52.4 million before tax) relate to Gold Coast pre-opening costs of $9.5 million for The Darling Gold Coast and USPP refinance costs of $42.9 million.

Earnings before interest, tax, depreciation, amortisation (***EBITDA***) of $474.8 million was down 19.0% on the pcp. Normalised EBITDA (excluding significant items) of $588.1 million was up 14.2% on the pcp.

Depreciation and amortisation expense of $187.2 million was up 13.8% on the pcp as new investments are commissioned. Finance costs, excluding significant items, of $34.3 million were down 17.7% on the pcp.

Net profit after tax (***NPAT***) was $148.1 million, down 44.0% on the pcp. Normalised NPAT, excluding significant items, was $258.1 million, up 20.3% on the pcp.

Basic and Diluted Earnings per Share were both 17.5 cents (32.0 cents Basic and 31.9 cents Diluted in the pcp). A final dividend of 13.0 cents fully franked was declared, totalling 20.5 cents per share for the year, up 28.1% on the pcp. This reflects the Board's confidence in the business and new dividend policy announced on 29 March 2018, with a minimum dividend of 70% of normalised NPAT. This amounts to 122% of statutory NPAT (70% of normalised NPAT) for the year ended 30 June 2018.

2.4. Group financial position

The Group's net assets increased by 15.4% compared with the previous year, due to increased capital expenditure and a reduction in debt as a result of the USPP refinance and the placement share issue.

Receivables remain well managed, with receivables not impaired less than one year comprising over 95% of the total. Net receivables past due, not impaired, greater than 30 days of $28.2 million, were down 15.3% on the pcp, reflecting strong collections during the period.

Net debt[2] was $678.0 million (30 June 2017: $787.5 million) with $580.0 million in undrawn facilities and an average drawn debt maturity of 5.95 years. Gearing levels remain conservative at 1.4 times FY2018 net debt to statutory EBITDA, positioning the Group well to continue executing on its growth projects. Operating cash flow before interest and tax was $496.7 million (30 June 2017: $567.9 million) with an EBITDA to cash conversion ratio of 105% (30 June 2017: 97%).

Trade and other payables of $365.8 million were up 12.7%, predominately relating to players' funds deposited at 30 June 2018, which increased in line with the International VIP Rebate volume.

[1] Normalised results reflect the underlying performance of the business as they remove the inherent win rate volatility of the International VIP Rebate business. Normalised results are adjusted using an average win rate of 1.35% of actual turnover.

[2] Net debt is shown as interest bearing liabilities, less cash and cash equivalents, less net position of derivative financial instruments. Derivative financial instruments reflect the position of currency swaps and interest rate hedges entered into for the Group's debt.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

2.5. Segment operations

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 was $1,736.7 million, up 3.0% on the pcp and EBITDA was $285.8 million, down 28.7% on the pcp. Normalised EBITDA was $410.0 million, up 27.9% on the pcp.

Normalised gross revenue in Sydney was $1,874.7 million, up 17.5% on the pcp. Revenue increased due to higher International VIP Rebate business volumes (up 56.7% on the pcp) and solid domestic revenue growth. Electronic gaming machine market share increased in FY2018 with revenue in Q4 up 9.8% on pcp. Non-gaming cash revenue was up 15.0% with increased hotel capacity following the hotel refurbishment and new food and beverage offerings.

Taxes, levies, rebates and commissions of $811.6 million were up 21.0% on the pcp as a result of higher International VIP Rebate business volumes. Sydney's average non-rebate tax rate was 32.0%, down from 32.6% in the pcp (top marginal tax rate of 50.0% in both years). Operating expenditure of $639.3 million (up 4.1% on the pcp) was driven by domestic and International VIP Rebate business volume growth, strong non-gaming volume growth and higher wage rates, offset by continued cost management. Normalised EBITDA margin of 21.9% was up from 20.1% on the pcp.

The Sydney property is a Leadership Partner of City of Sydney's Chinese New Year Festival, a proud participant in the Sydney Gay and Lesbian Mardi Gras, and a Foundation Partner of the Australian Turf Club in addition to participating in The Everest horse race. The Sydney property is also a sponsor of the Sydney Swans, New South Wales Rugby League (NSW Blues) and Sydney FC.

The property also contributed to various charities during the period, including Barnardos Australia and Taronga Conservation Society Australia.

Queensland (Gold Coast and Brisbane)

Gross revenue was $842.8 million up 12.9% on the pcp and EBITDA was $198.6 million, flat on the pcp. Normalised EBITDA was $178.1 million, down 8.4% on the pcp.

Normalised gross revenue in Queensland was $820.0 million, up 10.5% on the pcp. Revenue increased due to higher International VIP Rebate volumes, up 40.9% on the pcp. Queensland revenue increased with all business segments contributing to growth. Non-gaming revenue was up 15.3% on the pcp, with customers responding favourably to increased hotel capacity following The Star Gold Coast refurbishment, opening of The Darling hotel and new food and beverage offerings.

Taxes, levies, rebates and commissions were up 28.4% on the pcp, driven by increased International VIP Rebate business gaming through the period. Operating expenses of $398.9 million across the Queensland properties was up 11.8% on the pcp. This was driven by increased domestic and international volumes, newly commissioned investments in the Gold Coast (The Darling and enlarged main gaming floor (***MGF***)) and higher wage rates, offset by continued cost management. Normalised EBITDA margin of 21.7% was down from 26.2% on the pcp.

The Gold Coast property was the First Official Partner of the Gold Coast 2018 Commonwealth Games. During the year the Gold Coast property became the official host of the TV Week Logie Awards and the named sponsor for the iconic Magic Millions Raceday and Carnival.

The Brisbane property was a sponsor of the Brisbane Festival.

The Queensland properties also contribute to various charities and not-for-profit organisations including Surf Life Saving Queensland and Cerebral Palsy League Queensland.

International VIP Rebate business

The results of the International VIP Rebate business are embedded in the segment performance overviews above. The International VIP Rebate business turnover was $61.2 billion, up 54.3% on the pcp. The actual win rate of 1.16% was below both the win rate for the pcp of 1.59% and the normalised rate of 1.35%. Normalised International VIP Rebate business revenue was $826.7 million, up 51.8% on the pcp, compared to statutory revenue of $711.5 million (up 11.2% on the pcp).

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

2.6. Significant changes in the state of affairs and future developments

Other than those stated within this report, there were no significant changes in the state of affairs of the Group during the financial year. The section below discusses the impact of key transactions and events that have taken place during the reporting period.

Sydney

Sydney's casino licence continues until 2093 and includes exclusivity arrangements with the New South Wales Government that support the operation of a single casino in NSW until November 2019.

The Group has previously disclosed a proposed investment for up to $1 billion (subject to various approvals) which includes a new tower to be developed with joint venture partners CTF and FEC. The scale of the property is proposed to be expanded to approximately 1,000 hotel rooms and residences (including The Ritz-Carlton hotel and luxury residences), with signature gaming experiences including new and refurbished VIP suites and gaming salons, and over 50 food and beverage offerings. The Group's share of the proposed investment is expected to be approximately $667 million (prior to the sale of any apartments).

Capital expenditure in the year was approximately $190 million, including the completion of the Astral Residences refurbishment. The redevelopment of the Astral Lobby and Porte Cochere and the Sovereign Resorts expansion continues.

Gold Coast

The Group currently holds a perpetual casino licence to operate The Star Gold Coast. The Group owns Broadbeach Island on which the casino is located. The Group has previously disclosed a major redevelopment of the property of up to $845 million capital spend, including a new tower with joint venture partners CTF and FEC. The construction cost of the new tower is expected to be approximately $370 million. The Group officially opened The Darling, Gold Coast, a new 6 star hotel on 22 March 2018. Construction has commenced on the first joint venture tower. Once developed, the scale of the property under the masterplan is proposed to be expanded to approximately 1,400 hotel rooms and residences with signature gaming facilities, over 20 restaurants and bars, and substantial resort facilities and attractions. The Group's share of the proposed investment is expected to be approximately $578 million (prior to the sale of any apartments).

Progress on the redevelopment project includes the completion of The Darling, Gold Coast, a 6 star hotel, private gaming room (Sovereign), VIP salons, level 19 dining, club and pool deck, MGF expansion and sports stadium. Capital expenditure in the current year was approximately $260 million.

The Group also continues to manage the Gold Coast Convention and Exhibition Centre adjacent to the casino.

Brisbane

In November 2015 contractual close was reached between the Queensland Government and Destination Brisbane Consortium (***DBC***) on the Queen's Wharf Brisbane development. DBC's Integrated Resort ownership structure requires capital to be contributed 50% by the Group and 25% each by CTF and FEC. The Group will act as the operator under a long dated casino management agreement.

The Group holds a perpetual casino licence in Queensland that is attached to the lease of the current Treasury site that expires in 2070. Upon opening of the Integrated Resort, the Group's casino licence will be surrendered and DBC will hold a casino licence for 99 years including an exclusivity period of 25 years.

CTF and FEC will each contribute 50% of the capital to undertake the residential and related components of the broader Queen's Wharf Brisbane development. The Group is not a party to the residential apartments development joint venture.

Initial work on the Integrated Resort is on schedule and on budget, with demolition works completed and foundation excavation work commenced. Approval of the Plan of Development was received during the year with an enlarged gross floor area, expanding the podium and sky deck. Target total project costs are estimated to be approximately $2.4 billion, excluding Government payments and Treasury Brisbane repurposing costs, with increased capital return expectations.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

2.7. Risk management

The Group takes a structured approach to identifying, evaluating and managing those risks which have the potential to affect achievement of strategic objectives. The commentary relating to Principle 7 in the Company's Corporate Governance Statement describes the Group's risk management framework which is based on ISO31000, the international standard on risk management. The Corporate Governance Statement can be viewed on the Company's website.

Details of the Group's major risks and associated mitigation strategies are set out below. The mitigation strategies are designed to reduce the likelihood of the risk occurring and/or to minimise the adverse consequences of the risk should it happen. However, some risks are affected by factors external to, and beyond the control of, the Group.

Risk and description	Mitigation strategy
Competitive Position	
The potential effect of increased competition in the Group's key markets of Sydney, Brisbane and the Gold Coast	The Group's vision is to be Australia's leading integrated resort company. The Group is making substantial investments in developing new or improved venue facilities in all key markets, diversifying revenue sources and in improving the customer service capabilities of employees.
Realising value from capital projects	
The ability to generate adequate returns from the financial capital invested in capital projects.	The Group has implemented a comprehensive project management framework and employed a number of appropriately skilled and experienced project managers to reduce the risk of delays in completion and/or overruns in costs of capital projects. The Group has also developed plans to market and promote its portfolio of attractive resort facilities to achieve the level of customer patronage required to deliver the expected returns on investment.
Human capital management	
The ability to attract, recruit and retain the right people for key leadership and operational roles.	The Group has in place a variety of avenues to attract, recruit and develop high performing and high potential employees, including an in-house talent acquisition team. The Group runs a number of training and development programs to provide employees with career development opportunities, and regularly conducts an employee engagement survey to monitor for emerging issues which might affect the ability to retain talented employees. The Group's diversity and inclusion programs are widely recognised as being among the best in the industry.
Effective management of key stakeholders	
The ability to engage with key stakeholders to satisfy their competing interests without compromising the Group's operations or achievement of the Group's strategic objectives.	The Group has developed strong communication lines with a variety of stakeholder groups, including State governments in New South Wales and Queensland, regulators in both States, investors, media and unions. The Group has also developed partnerships with a number of local community groups and charitable organisations.
Geo-political and regulatory changes	
The potential effect of political or regulatory changes in Australia affecting the operation of casinos, or the potential effect of changes in the administration of laws in foreign countries affecting the ability of foreign nationals to travel to and/or bring funds to Australia.	The Group continuously monitors for potential legislative changes or changes in relevant government policy in the States and countries in which it conducts business operations. The Group also makes representations to governments and industry groups to promote effective, appropriate and consistent regulatory and policy outcomes.
Data and systems security and reliability	
The ability to protect the integrity of confidential business or customer data which is collected, used, stored, and disposed of in the course of business operations, and the ability to maintain the security and operating reliability of key business systems.	The Group has a dedicated IT security function which continuously tests and monitors our technology systems to detect and block viruses and other threats to the security of our data. Employees are regularly trained on the importance of maintaining effective cyber security and data privacy processes.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

Risk and description	Mitigation strategy
Major business disruption events The ability to anticipate, prevent, respond to and recover from events which have the potential to prevent the continued operation of one of its resort facilities, or which inhibit the ability of guests being able to visit one of its resort facilities for a sustained period of time.	The Group's business continuity framework enables early identification of material risks to the continued operation of a resort facility. The framework is supported by a suite of emergency response, crisis management, and disaster recovery plans that are regularly tested and updated.
People health and safety The ability to operate the Group's resort facilities without affecting the safety, security and wellbeing of its guests and employees.	The Group takes a risk based approach to managing health and safety. Critical safety risks have been identified with mitigation plans in place. Dedicated health and safety and injury management specialists are employed at each resort facility. To assist in maintaining the safety and security of its guests and employees, each resort facility employs a substantial number of security and surveillance personnel to provide support in monitoring existential threats and managing potential incidents on a real time basis.
Financial management The ability to maintain financial performance and a strong balance sheet which enables the Group to fund future growth opportunities on commercially acceptable terms.	The Group annually establishes a financial budget and 5 year plan which underpin the setting of performance targets incorporated in management incentive plans. Financial performance is continuously monitored for any variations from annual financial budgets and market expectations. The Group's core business produces strong cashflow, allowing the Group to maintain low to moderate levels of debt while allowing shareholders to be paid dividends.
Corporate governance The ability to maintain a strong and effective governance structure which supports a culture of transparency, accountability, and compliance.	The Group has a well-defined governance framework which identifies the roles and responsibilities of the Board, the Board Committees and senior management. The Group also has a complementary set of key policies, compliance with which is monitored on an ongoing basis. The Group operates an integrated "3 lines of defence" model to identify and manage key risks and to provide assurance that critical controls are effective in managing those risks.

2.8. Environmental regulation and performance

The Group is committed to sustainability leadership in the entertainment sector and reducing resource consumption across its operations.

The Group has in place a five-year Sustainability Strategy, 'Our Bright Future', which is focused on building business capacity and delivering continuous improvement in the management of environmental, social and governance issues (***ESG***). The Sustainability Strategy is aligned to the business strategy and groups ESG objectives and targets into four key pillars:

- we strive to be Australia's leading integrated resort company;
- we actively support guest wellbeing;
- we attract, develop and retain talented teams; and
- we develop and operate world class properties.

The Sustainability Strategy is underpinned by a structured materiality assessment process that is conducted annually to ensure ESG issues remain relevant. As part of the Group's commitment to building world class properties, the Group continues to target sustainable reductions in resource use through capital, and operational energy and water improvement projects. To support this commitment, the Group has in place carbon and water targets to achieve a 30% reduction in carbon and water intensity by FY2023 against a baseline of FY2013 on a square meter basis. An active energy and water project pipeline, first established in FY14, continues to monitor and track projects that deliver cost and environmental benefits.

To ensure energy and water efficiency is achieved in refurbishment and development projects, the Group's Sustainable Design and Operational Standards have been applied to achieve greener building outcomes by specifying energy efficient technologies and best practice water and waste management. Implementation of these Standards has led to the Sydney property committing to obtaining a Green Star Performance Rating. The Company's offices at 60 Union Street, Pyrmont are targeting a 5 Star Green Star Interiors Rating as part of the refurbishment process.

The Group retained the global leadership position of the Casino and Gaming Industry in the Dow Jones Sustainability Index for the second year running. The Sydney property received the accolade as the winner of the Best

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

Environmental & Energy Efficiency Practice award at the Australian Hotels Association National Awards for Excellence.

The Company is registered under the National Greenhouse Energy Reporting System (NGERS) and reports all energy consumption and greenhouse gas emissions to the Federal Government every year. The Company's Environmental Management Policy, Sustainability Strategy, Materiality Assessment and Sustainable Design and Operational Standards can be found on the Company's website. Sustainability performance and progress against the Sustainability Strategy is reported to the People, Culture and Social Responsibility Committee regularly.

3. Earnings per share (EPS)

Basic EPS for the financial year was 17.5 cents (2017: 32.0 cents), 45.3% down on the pcp as a result of the reduction in net profit after tax attributable to ordinary shareholders and the increase in the number of shares, driven by the placement share issue completed in April 2018. Diluted EPS was 17.5 cents (2017: 31.9 cents). EPS is disclosed in note F3 of the Financial Report.

4. Dividends

4.1. Dividend payout

An interim dividend of 7.5 cents per share (fully franked) was paid on 22 March 2018.

A final dividend per share of 13.0 cents (fully franked) was declared, totalling 20.5 cents per share for the year, up 28.1% on the pcp and reflecting a payout ratio of 122% of statutory NPAT (70% of normalised NPAT) for the year ended 30 June 2018.

4.2. Dividend Reinvestment Plan (DRP)

The Company's DRP is in operation for the final dividend. The last date for receipt of election notices to enable participation for the final dividend is 31 August 2018. The price at which shares are allocated under the DRP is the daily volume weighted average market price of the Company's shares sold in the ordinary course of trading on the ASX over a period of 10 trading days beginning on (and including) the fourth trading day after the Record Date (30 August 2018). Shares allocated under the DRP will rank equally with the Company's existing fully paid ordinary shares.

5. Significant events after the end of the financial year

On 16 August 2018, Destination Gold Coast Consortium (the Group's 33% equal share joint venture with Chow Tai Fook Enterprises Limited and Far East Consortium International Limited) entered into an agreement to commence construction in relation to the first residential, hotel and retail tower in the Gold Coast. Destination Gold Coast Consortium's total commitment for development of the tower is $370 million, 8% lower than initial expectations.

Other than those events that have already been disclosed in this report or elsewhere in the Financial Report, there have been no other significant events occurring after 30 June 2018 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.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

6. Directors' qualifications, experience and special responsibilities

The details of the Company's Directors in office during the financial year and until the date of this report (except as otherwise stated) are set out below.

Current Directors	
John O'Neill AO	**Chairman** (from 8 June 2012)**; Non-Executive Director** (from 28 March 2011) *Diploma of Law; Foundation Fellow of the Australian Institute of Company Directors* **Experience:** John O'Neill was formerly Managing Director and Chief Executive Officer of Australian Rugby Union Limited, Chief Executive Officer of Football Federation Australia, Managing Director and Chief Executive Officer of the State Bank of New South Wales, and Chairman of the Australian Wool Exchange Limited. Mr O'Neill was also formerly a Director of Tabcorp Holdings Limited and Rugby World Cup Limited. Mr O'Neill was also the inaugural Chairman of Events New South Wales, which flowed from the independent reviews he conducted into events strategy, convention and exhibition space, and tourism on behalf of the New South Wales Government. Mr O'Neill is currently a member of the Advisory Council of China Matters. **Special Responsibilities:** Mr O'Neill is Chairman of the Board and an ex-officio member of all Board committees. **Directorships of other Australian listed companies held during the last 3 years:** Nil
Matt Bekier	**Managing Director and Chief Executive Officer** (from 11 April 2014) **Executive Director** (from 2 March 2011) *Master of Economics and Commerce; PhD in Finance* **Experience:** Matt Bekier is a member of the Board of the Australasian Gaming Council. Mr Bekier was previously Chief Financial Officer and Executive Director of the Company and also previously Chief Financial Officer of Tabcorp Holdings Limited from late 2005 and until the demerger of the Company and its controlled entities in June 2011. Prior to his role at Tabcorp, Mr Bekier held various roles with McKinsey & Company. **Special Responsibilities:** Nil **Directorships of other Australian listed companies held during the last 3 years:** Nil

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

Current Directors	
Gerard Bradley	**Non-Executive Director** (from 30 May 2013) *Bachelor of Commerce; Diploma of Advanced Accounting; Fellow of the Institute of Chartered Accountants; Fellow of CPA Australia; Fellow of the Australian Institute of Company Directors; Fellow of the Australian Institute of Managers and Leaders* **Experience:** Gerard Bradley is the Chairman of Queensland Treasury Corporation and related companies, having served for 14 years as Under Treasurer and Under Secretary of the Queensland Treasury Department. He has extensive experience in public sector finance in both the Queensland and South Australian Treasury Departments. Mr Bradley has previously served as Chairman of the Board of Trustees at QSuper. His previous non-executive board memberships also include Funds SA, Queensland Investment Corporation, Suncorp (Insurance & Finance), Queensland Water Infrastructure Pty Ltd, and South Bank Corporation. Mr Bradley is currently a Non-Executive Director of Pinnacle Investment Management Group Limited and a Director of the Winston Churchill Memorial Trust. **Special Responsibilities:** • Chair of the Risk and Compliance Committee • Member of the Audit Committee (Acting Chair from 1 November 2017 to 22 May 2018) • Member of the Investment and Capital Expenditure Review Committee • Member of the Remuneration Committee (to 1 February 2018) **Directorships of other Australian listed companies held during the last 3 years:** • Pinnacle Investment Management Group Limited (1 September 2016 to present)
Ben Heap	**Non-Executive Director** (from 23 May 2018) *Bachelor of Commerce (Finance); Bachelor of Science (Mathematics)* **Experience:** Ben Heap has wide-ranging experience and expertise in asset and capital management as well as financial technology and digital businesses. Mr Heap is a Founding Partner of H2 Ventures, a financial technology, data and artificial intelligence focused venture capital investment firm and a Non-Executive Director of several high growth companies. He is also a member of the Australian Commonwealth Government's Fintech Advisory Group. Mr Heap was previously Managing Director and the Head of Australasia for UBS Global Asset Management and prior to this, Head of Infrastructure for UBS Global Asset Management in the Americas. He also held a number of directorships associated with these roles and was a Non-Executive Director of the Financial Services Council from 2011 to 2013. Earlier in his career, Mr Heap was Group Executive, E-Commerce & Corporate Development for TAB Limited. **Special Responsibilities:** • Member of the Risk and Compliance Committee • Member of the Remuneration Committee • Member of the People, Culture and Social Responsibility Committee **Directorships of other Australian listed companies held during the last 3 years:** Nil

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

Current Directors	
Katie Lahey AM	**Non-Executive Director** (from 1 March 2013) *Bachelor of Arts (First Class Honours); Master of Business Administration* **Experience:** Katie Lahey has extensive experience in the retail, tourism and entertainment sectors and previously held chief executive roles in the public and private sectors. Ms Lahey is currently the Chair of Tourism & Transport Forum and Executive Chairman Australasia for Korn Ferry International. Ms Lahey was previously the Chair of Carnival Australia and also a member of the boards of David Jones Limited, Australia Council Major Performing Arts, Hills Motorway Limited, Australia Post and Garvan Research Foundation. **Special Responsibilities:** • Chair of the People, Culture and Social Responsibility Committee • Member of the Remuneration Committee • Member of the Risk and Compliance Committee **Directorships of other Australian listed companies held during the last 3 years:** Nil
Sally Pitkin	**Non-Executive Director** (from 19 December 2014) *Doctor of Philosophy (Governance); Master of Laws; Bachelor of Laws; Fellow of the Australian Institute of Company Directors* **Experience:** Sally Pitkin is a Queensland based company director and lawyer with extensive corporate experience and over 20 years' experience as a Non-Executive Director and board member across a wide range of industries in the private and public sectors. Dr Pitkin is currently Chairman of Super Retail Group Limited and a Non-Executive Director of Link Administration Holdings Limited. She is also a member of the National Board of the Australian Institute of Company Directors. **Special Responsibilities:** • Chair of the Remuneration Committee • Member of the Audit Committee • Member of the People, Culture and Social Responsibility Committee **Directorships of other Australian listed companies held during the last 3 years:** • Super Retail Group Limited (1 July 2010 to present) • Link Administration Holdings Limited (23 September 2015 to present) • Billabong International Limited (28 February 2012 to 15 August 2016) • IPH Limited (23 September 2014 to 20 November 2017)

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

Current Directors	
Richard Sheppard	**Non-Executive Director** (from 1 March 2013) *Bachelor of Economics (First Class Honours); Fellow of the Australian Institute of Company Directors* **Experience:** Richard Sheppard has had an extensive executive career in the banking and finance sector including an executive career with Macquarie Group Limited spanning more than 30 years. Mr Sheppard was previously the Managing Director and Chief Executive Officer of Macquarie Bank Limited and chaired the boards of a number of Macquarie's listed entities. He has also served as Chairman of the Commonwealth Government's Financial Sector Advisory Council. Mr Sheppard is currently the Chairman and a Non-Executive Director of Dexus Property Group and a Non-Executive Director of Snowy Hydro Limited. He is also a Director of the Bradman Foundation. **Special Responsibilities:** • Chair of the Investment and Capital Expenditure Review Committee • Member of the Audit Committee • Member of the Risk and Compliance Committee **Directorships of other Australian listed companies held during the last 3 years:** • Dexus Property Group (1 January 2012 to present)
Zlatko Todorcevski	**Non-Executive Director** (from 23 May 2018) *Bachelor of Commerce (Accounting); Masters of Business Administration; Fellow of CPA Australia; Fellow of Governance Institute of Australia* **Experience:** Zlatko Todorcevski is an experienced executive with over 30 years' experience in the oil and gas, logistics and manufacturing sectors. He has a strong background in corporate strategy and planning, mergers and acquisitions, and strategic procurement. He also has deep finance expertise across capital markets, investor relations, accounting and tax. Mr Todorcevski was previously the Chief Financial Officer of Brambles Limited. Prior to that, he was Chief Financial Officer of Oil Search Limited and the Chief Financial Officer for Energy at BHP. Mr Todorcevski is currently Chairman of Adelaide Brighton Limited and a member of the Council of the University of Wollongong. **Special Responsibilities:** • Chair of the Audit Committee • Member of the Risk and Compliance Committee • Member of the Investment and Capital Expenditure Review Committee **Directorships of other Australian listed companies held during the last 3 years:** • Adelaide Brighton Limited (22 March 2017 to present)

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

Former Director	
Greg Hayes	**Non-Executive Director** (from 24 April 2015 to 26 October 2017) *Master of Applied Finance; Graduate Diploma in Accounting; Bachelor of Arts; Advanced Management Programme (Harvard Business School, Massachusetts); Member of Institute of Chartered Accountants* **Experience:** Greg Hayes is an experienced executive and director having worked across a range of industries including energy, infrastructure and logistics. Mr Hayes brings to the Board skills and experience in the areas of strategy, finance, mergers and acquisitions, and strategic risk management, in particular in listed companies with global operations. He is currently a Director of Precision Group, Aurrum Holdings Pty Ltd and Home Investment Consortium Company Pty Ltd. Mr Hayes was previously Chief Financial Officer and Executive Director of Brambles Limited, Chief Executive Officer & Group Managing Director of Tenix Pty Ltd, Chief Financial Officer and later interim CEO of the Australian Gaslight Company (AGL), Chief Financial Officer Australia and New Zealand of Westfield Holdings, and Executive General Manager, Finance of Southcorp Limited. **Special Responsibilities:** • Chair of the Audit Committee • Member of the Investment and Capital Expenditure Review Committee • Member of the Risk and Compliance Committee **Directorships of other Australian listed companies held during the last 3 years:** • Incitec Pivot Limited (1 October 2014 to 21 December 2017)

7. Directors' interests in securities

At the date of this report (except as otherwise stated), the Directors had the following relevant interests in the securities of the Company:

Name	Ordinary Shares	Performance Rights
Current		
John O'Neill AO	78,926	Nil
Matt Bekier	748,702	1,781,478
Gerard Bradley	40,000	Nil
Ben Heap [a]	20,000	Nil
Katie Lahey AM	36,907	Nil
Sally Pitkin	45,900	Nil
Richard Sheppard	100,000	Nil
Zlatko Todorcevski [a]	50,000	Nil
Former		
Greg Hayes [b]	10,000	Nil

a Appointed as a Non-Executive Director on 23 May 2018.

b Ceased as Non-Executive Director on 26 October 2017. The number of The Star Entertainment Group Limited securities disclosed above was applicable at the time of cessation.

8. Company Secretary

Paula Martin holds the position of Group General Counsel and Company Secretary. She holds a Bachelor of Business (Int. Bus.) and a Bachelor of Laws and a Graduate Diploma in Applied Corporate Governance. She has extensive commercial legal experience having worked with King & Wood Mallesons (formerly Mallesons Stephen Jaques) prior to joining the Company. Ms Martin is a member of the Queensland Law Society, Association of Corporate Counsel (Australia) and the Governance Institute of Australia.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

9. Board and Committee meeting attendance

During the financial year ended 30 June 2018, the Company held 9 meetings of the Board of Directors (including one unscheduled meeting which was attended by all Directors). The numbers of Board and Committee meetings attended by each of the Directors during the year are set out in the table below.

	Board of Directors		Audit Committee		Risk and Compliance Committee		Remuner-ation Committee		People, Culture & Social Responsibility Committee		Investment & Capital Expenditure Review Committee	
Directors	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
John O'Neill AO	9	9	4	4	4	4	5	5	4	4	4	4
Matt Bekier [c]	9	9	-	-	-	-	-	-	-	-	-	-
Gerard Bradley	9	9	4	4	4	4	3	3	1	-	4	4
Ben Heap	4	1	2	1	2	1	2	1	3	-	2	-
Katie Lahey AM	9	9	-	-	4	4	5	5	4	4	3	-
Sally Pitkin	9	9	3	4	4	-	5	5	3	4	4	-
Richard Sheppard	9	9	4	4	4	4	1	-	-	-	4	4
Zlatko Todorcevski	4	1	3	1	3	1	2	-	2	-	3	1
Former												
Greg Hayes	4	4	-	-	1	1	1	-	-	-	1	1

A - Number of meetings attended as a Director, Committee member or Observer.

B - Maximum number of meetings available for attendance as a Board or Committee member.

c The Managing Director and Chief Executive Officer is not a member of any Board Committee but may attend Board Committee meetings upon invitation. This attendance is not recorded here.

Details of the functions and memberships of the Committees of the Board and the terms of reference for each Board Committee are available from the Corporate Governance section of the Company's website.

10. Indemnification and insurance of Directors and Officers

The Directors and Officers of the Company are indemnified against liabilities pursuant to agreements with the Company. The Company has entered into insurance contracts with third party insurance providers, in accordance with normal commercial practices. Under the terms of the insurance contracts, the nature of the liabilities insured against and the amount of premiums paid are confidential.

11. Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the end of the financial year.

12. Non-audit services

Ernst & Young, the external auditor to the Company and the Group, provided non-audit services to the Company during the financial year ended 30 June 2018. The Directors are satisfied that the provision of non-audit services during this period was compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001 (Cth)*. The nature and scope of each type of non-audit service provided did not compromise auditor independence. These statements are made in accordance with advice provided by the Audit Committee.

The Audit Committee reviews the activities of the independent external auditor and reviews the auditor's performance on an annual basis.

Limited authority is delegated to the Company's Group Chief Financial Officer for the pre-approval of audit and non-audit services proposed by the external auditor, limited to $50,000 per engagement and capped at 40% of the relevant year's audit fee. Delegated authority is only exercised in relation to services that are not in conflict with the role of statutory auditors, where management does not consider the services to impair the independence of the external auditor and the external auditor has confirmed that the services would not impair their independence. Any other non-audit related work to be undertaken by the external auditor must be approved by the Chair of the Audit Committee.

Further details relating to the Audit Committee and the engagement of auditors are available in the Corporate Governance Statement.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

Ernst & Young, acting as the Company's external auditor, received or is due to receive the following amounts in relation to the provision of non-audit services to the Company:

Description of services	**$000**
Other assurance related services in relation to the Company and any other entity in the consolidated group	22.0
Other non-audit services including taxation services	116.3
Total of all non-audit and other services	138.3

Amounts paid or payable by the Company for audit and non-audit services are disclosed in note F11 of the Financial Report.

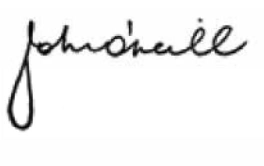
13. Rounding of amounts

The Star Entertainment Group Limited is a company of the kind specified in the Australian Securities and Investments Commission's *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. In accordance with that Instrument, amounts in the Financial Report and the Directors' Report have been rounded to the nearest hundred thousand dollars unless specifically stated to be otherwise.

14. 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 year ended 30 June 2018. 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
24 August 2018

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

Building a better working world

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Fax: +61 2 9248 5959
ey.com/au

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

As lead auditor for the audit of The Star Entertainment Group for the financial year ended 30 June 2018, 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 audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of The Star Entertainment Group and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Megan Wilson

Megan Wilson
Partner
24 August 2018

REMUNERATION REPORT (AUDITED)

FOR THE YEAR ENDED 30 JUNE 2018

THE STAR ENTERTAINMENT GROUP LIMITED
A.C.N. 149 629 023
ASX CODE: SGR
AND ITS CONTROLLED ENTITIES

REMUNERATION REPORT (AUDITED)

FOR THE YEAR ENDED 30 JUNE 2018

Introduction from the Remuneration Committee Chair

Dear Shareholder,

*On behalf of the Board, I am pleased to present the Remuneration Report for the year ended 30 June 2018 (**FY18**). This report is prepared on a consistent basis to the previous year for ease of reference.*

2017 Annual General Meeting (AGM)

The FY17 Remuneration Report received positive shareholder support at the 2017 AGM, with 98.95% of votes in favour of the resolution.

*At the 2017 AGM, shareholders approved a grant to the Managing Director and Chief Executive Officer of performance rights under the Long Term Performance Plan (**LTPP**). His total remuneration for FY18 was unchanged from the prior year. His at risk remuneration comprises more than 70% of his total target annual reward.*

FY18 Performance and Incentive Outcomes

*The Group delivered Normalised Net Profit after Tax (NPAT) of $258.1 million, 20.3% above the prior comparable period (**pcp**) and 12.2% above the target set by the Board at the beginning of the performance period for the Short Term Performance Plan (**STPP)**.*

Statutory NPAT of $148.1 million was 44.0% below the pcp largely due to the adverse win rate in the International Rebate Business and significant items of $52.4 million before tax, relating to debt restructuring costs ($42.9 million) and costs associated with the pre-opening of the new hotel on the Gold Coast ($9.5 million). Total dividends paid to shareholders in FY18 were 20.5 cents per share, up 28.1% on the pcp.

While the Group achieved both its financial and non-financial targets under the STPP, only 85% of the total target pool was crystallised for payment following varying levels of performance of the respective divisions and business units. Further details are provided in section 3.4 of this report.

*The FY14 award under the Long Term Performance Plan (**LTPP**) was tested for vesting during the period and 461,198 performance rights (granted to executives for the financial year ended 30 June 2014), vested in their entirety as both performance hurdles were met. This was the first LTPP award that comprised 50% Earnings per Share (**EPS**) and 50% Relative Total Shareholder Return (**TSR)** hurdles.*

*For the FY18 LTPP, the Board approved the introduction of a third performance hurdle, namely Return on Invested Capital (**ROIC**), alongside EPS and TSR. ROIC was introduced to create alignment of the long term incentive plan in driving the execution of the Company's capital intensive strategy to build new assets and improve existing properties, with the aim of generating additional revenue and ultimately sustainable value for shareholders.*

Future events

The FY15 LTPP is due to be tested for vesting in September 2018. The LTPP award comprises 50% EPS and 50% TSR hurdles. Details on vesting outcomes will be provided ahead of the 2018 AGM.

We thank you for your support in FY18 and welcome your feedback on our Remuneration Report.

Yours sincerely,

Sally Pitkin

Remuneration Committee Chair

REMUNERATION REPORT (AUDITED)

FOR THE YEAR ENDED 30 JUNE 2018

Summary for FY18

Remuneration Reviews	In accordance with the Reward Strategy, the Company annually assesses the remuneration levels and mix for Executives to identify where adjustments are appropriate based on market benchmarking against relevant peer groups. The Company considers companies with a market capitalisation within the range of 70%-160% of The Star Entertainment Group's market capitalisation and appropriate gaming and entertainment peers. Following the annual remuneration review completed in September 2017, no changes were made to the Managing Director and Chief Executive Officer's total annual reward for FY18. The average total annual reward increases for senior executives was 5%, with the majority of the increases being to the long term variable pay component of their remuneration to align more closely with the target benchmarks and shareholder interests. Further details on Executive employment arrangements are provided in Table 9. For FY19, the Board has approved an increase of 2% to the Managing Director and Chief Executive Officer's fixed remuneration and short-term incentive. There were no changes to his LTPP award. The average total annual reward increase for senior executives was 3.3% for FY19.
Short Term Performance Plan (*STPP*)	Payments under the STPP only accrue if the financial performance gateway for Normalised Net Profit After Tax (***NPAT***) for the Group is met. As the financial performance for FY18 of $258.1 million was above the target of $230.1 million, set by the Board at the commencement of performance period, incentives accrued to Executives in FY18. The Managing Director and Chief Executive Officer received 97% of his target short term incentive. Senior executives received an average of 85% of their STI target. This was in line with the overall Group average payout of 85% of target. Further details are provided in section 3.4 of this report.
Long Term Performance Plan (*LTPP*)	Performance rights relating to the FY14 LTPP were tested in October 2017. The TSR performance of the Group was 113.5%, with a percentile ranking of 85.9. As this was above the 50th percentile required for vesting, the TSR component of the FY14 Grant vested. The EPS performance for FY17 was 24.9 cents and was above the target of 21.8 cents approved by the Board. Accordingly, 100% of the EPS component of the FY14 Grant vested. The FY15 LTPP grant is due for testing in September 2018 and comprises an EPS and TSR performance hurdle. An update will be provided to shareholders ahead of the 2018 AGM. For FY18, the Company introduced a third performance hurdle, namely ROIC. The performance hurdles are weighted 33.3% for TSR, 33.3% for EPS and 33.4% for ROIC.
Non-Executive Director fees	There were no changes to base NED fees for FY18. There was one increase to align the Investment & Capital Expenditure Review Committee fees to those of the Audit, Risk & Compliance and Remuneration Committees. For FY19, the Board approved an increase of 2% to Board member fees (including the fees for the Chairman of the Board). The fees for the Chair and members of the People, Culture and Social Responsibility Committee will be increased to align with the fees for other committees in FY19. There will not be any changes to the Non-Executive Directors' fee pool limit of $2.5 million per annum.

REMUNERATION REPORT (AUDITED)

FOR THE YEAR ENDED 30 JUNE 2018

CONTENTS

The Directors of The Star Entertainment Group Limited (***The Star Entertainment Group*** or the ***Company***) have approved this Remuneration Report for the consolidated entity comprising the Company and its controlled entities (collectively referred to as the ***Group***) in respect of the financial year ended 30 June 2018.

This Remuneration Report outlines the remuneration arrangements for Key Management Personnel (***KMP***) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of The Star Entertainment Group Limited. This report has been prepared in accordance with the requirements of the *Corporations Act 2001(Cth)* (the ***Corporations Act***) and its regulations. The information has been audited as required by section 308(3C) of the Corporations Act where indicated.

For purposes of this report, the term ***Executives*** means the executive director (Managing Director and Chief Executive Officer) and senior executives (the Group Chief Financial Officer and the Managing Directors of The Star Sydney and Queensland properties), but excludes Non-Executive Directors *(**NEDs**)*.

1. Key Management Personnel

The names and titles of the Company's KMP for the year ended 30 June 2018 are set out below. KMP were in office for the entire duration of the financial year, with the exception of Greg Hayes, Zlatko Todorcevski and Ben Heap. There have been no changes to KMP since the end of the financial year.

Non-Executive Directors	Position
John O'Neill AO	Chairman and Non-Executive Director
Gerard Bradley	Non-Executive Director
Greg Hayes (i)	Non-Executive Director
Katie Lahey AM	Non-Executive Director
Sally Pitkin	Non-Executive Director
Richard Sheppard	Non-Executive Director
Zlatko Todorcevski (ii)	Non-Executive Director
Ben Heap (iii)	Non-Executive Director
Executives	
Matt Bekier	Managing Director and Chief Executive Officer
Chad Barton	Group Chief Financial Officer
Greg Hawkins	Managing Director, The Star Sydney
Geoff Hogg	Managing Director, Queensland

(i) Greg Hayes retired as a Non-Executive Director on 26 October 2017 following the 2017 Annual General Meeting.
(ii) On 23 October 2017, the Company announced the proposed appointment of Zlatko Todorcevski as a Non-Executive Director, subject to regulatory approvals being obtained. Mr Todorcevski commenced as a Non-Executive Director on 23 May 2018.
(iii) On 18 December 2017, the Company announced the proposed appointment of Ben Heap as a Non-Executive Director, subject to regulatory approvals being obtained. Mr Heap commenced as a Non-Executive Director on 23 May 2018.

REMUNERATION REPORT (AUDITED)

FOR THE YEAR ENDED 30 JUNE 2018

2. Remuneration Governance

The Remuneration Committee (the ***Committee***) considers matters relating to the remuneration of KMP as well as the remuneration policies of the Group generally. This includes reviewing and recommending to the Board, the remuneration of Executives and of the Chairman and NEDs. The main responsibilities of the Committee are outlined in the Remuneration Committee Terms of Reference, available on the corporate governance page of the Company's website: https://www.starentertainmentgroup.com.au/corporate-governance/.

Under the Remuneration Committee Terms of Reference, the majority of Committee members must be independent non-executive directors and the Chair of the Committee must be an independent non-executive director. All members of the Remuneration Committee (including the Chair of the Committee) are independent non-executive directors. Details of members of the Committee and their background are included in the Directors' Report on pages 8 to 12.

Use of remuneration advisors

The Committee seeks external advice from time to time to ensure it is fully informed when making remuneration decisions. Remuneration advisors are engaged by, and report directly to, the Committee. PricewaterhouseCoopers (***PwC***) are the Group's appointed independent external remuneration consultants. No remuneration recommendations as defined by the Corporations Act were provided by PwC during FY18.

*Remuneration Report approval at 2017 Annual General Meeting (**AGM**)*

The FY17 Remuneration Report received positive shareholder support at the 2017 AGM, with 98.95% of votes in favour of the resolution.

Gender pay equity

The Group is committed to ensuring all employees are remunerated fairly and equitably. The Group conducts annual gender pay equity reviews that are presented to the Remuneration Committee. No significant gaps were identified during FY18.

3. Remuneration Strategy and Reward Programs

The remuneration strategy at The Star Entertainment Group is designed to support a high performance culture, achieve superior performance and as a result, sustainable value for shareholders. The reward programs are designed to promote individual accountability and entrepreneurship in employees and are aligned to Company values, prudent risk taking and the Company's long term financial soundness.

To achieve these objectives, the key reward principles are shaped around:

- Being market competitive to attract and retain high performing individuals (refer section 3.1 – fixed remuneration),
- Paying above market for superior performance behaviours (variable – at risk remuneration) that drive sustainable value for shareholders (refer section 3.2 – variable (at risk) remuneration),
- Delivering a meaningful quantum of awards in equity to create alignment with shareholder interests and manage risk, and
- Linking remuneration components and outcomes to the achievement of the Group's strategic priorities.

Total Annual Reward (***TAR***) is comprised of a fixed and a variable component. The variable component includes both a short term and long term incentive opportunity. The Group balances the level of fixed versus variable remuneration based on the industry's market for talent, the views of shareholders and the need for effective reward mechanisms to connect short and long-term performance against the Group's strategic priorities.

Fixed remuneration and total target remuneration (fixed remuneration plus variable remuneration) is targeted at the median of the relevant market, with an opportunity to earn above median pay, up to the 75th percentile, where higher levels of performance are realised.

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Table 1 illustrates the components of Executives' Total Annual Reward (***TAR***) opportunity and how these are linked to the strategic objectives of the Group.

Table 1: Components of Executives' TAR Opportunity

<table>
<tr><th>Component</th><th>Delivery</th><th>Link to strategy and performance measures</th><th>Performance period</th></tr>
<tr><td>Fixed Remuneration
• MD and CEO 27% of TAR
• Senior executives 45% of TAR (average)</td><td>Cash (including superannuation) (100% of fixed remuneration is cash)</td><td>Fixed remuneration forms an integral component of the overall employee value proposition at The Star Entertainment Group, designed to attract and retain the talented teams required to operate the business. These teams will be critical in delivering on our business plan to achieve excellence in guest service, build and operate world class properties, thereby creating long term shareholder value.</td><td>Annual pay reviews occur in August each year with remuneration changes effective from 1 September.</td></tr>
<tr><td>Short term incentive (STI)
• MD and CEO 27% of TAR
• Senior executives 28% of TAR (average)</td><td>Cash
(2/3 award)
• MD and CEO 18% of TAR
• Senior executives 19% of TAR
Restricted Shares
(1/3 award) (vested equity instruments subject to a holding lock. Participant receives dividends and voting rights during the lock up period)
Equity
• MD and CEO 9% of TAR
• Senior executives 9% of TAR</td><td>Incentive plans are designed to drive the execution of the business plan in the short and long term and aligns performance outcomes to shareholder value creation.
Short term incentive performance targets are underpinned by the Group's strategic priorities that include[1]:
○ excellence in guest service
○ leadership in loyalty
○ world class properties
○ talented teams
○ shareholder value
A financial gateway is in place to determine any payments under the short term incentive plan and the overall size of the bonus pool. The size of the pool is moderated to consider non-financial performance, including measures such as guest service and safety.
Individual payments are performance based and assessed using a weighted balanced scorecard approach.[1]
Outcomes are capped at 150% of the target amount.</td><td>Short term performance is assessed over a 12 month performance period (1 July to 30 June). Cash payments (if any) are made in September.

Restricted shares are acquired in September and subject to a 12 month holding lock and retention period.</td></tr>
<tr><td>Long term incentive (LTI)
• MD and CEO 46% of TAR
• Senior executives 27% of TAR (average)</td><td>Performance rights (zero exercise price options)</td><td>Long term incentives are designed to reward Executives for their contributions towards achieving the Group's strategic priorities orientated around the achievement of sustainable shareholder value creation.
Performance is measured against three criteria:
○ Relative Total Shareholder Return (TSR)
○ Earnings per Share (EPS)
○ Return on Invested Capital (ROIC)
These measures are used as they are aligned to shareholder interests, business performance and returns on capital developments, and collectively drive the creation of sustainable shareholder value.</td><td>Equity awards are granted annually in September / October (subject to shareholder approval for the MD and CEO) and subject to a four year vesting period. Performance against targets is tested at the end of the four year period and there is no retesting of awards.</td></tr>
<tr><td>Total Annual Remuneration (TAR)</td><td colspan="3">Total annual remuneration is targeted at the median of the relevant market with an opportunity to earn above median pay, up to the 75th percentile, where higher levels of performance are realised.
Benchmark peer groups include comparable ASX-listed organisations, determined based on similar market capitalisation (range 70% to 160% of The Star Entertainment Group's market capitalisation) as well as appropriate gaming and entertainment peers).</td></tr>
</table>

[1] Refer Figure 3 and table 4 for details of measures used to assess performance

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3.1 Fixed remuneration

The fixed remuneration received by Executives may include base salary, superannuation and non-monetary benefits. The amount of fixed remuneration an Executive receives is based on the following:

- Scope and responsibilities of the role,
- Reference to the level of remuneration paid to Executives of comparable ASX-listed organisations, with similar market capitalisation (range 70% to 160% of The Star Entertainment Group's market capitalisation) and appropriate gaming and entertainment peers, and
- Level of international and domestic gaming knowledge, skills and experience of the individual.

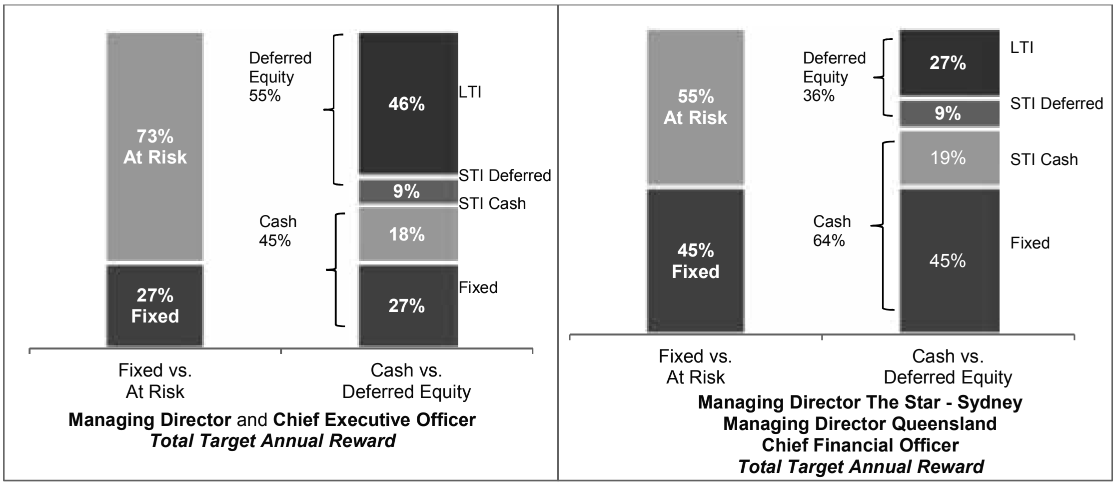
Fixed remuneration is reviewed annually, and the policy is to target fixed remuneration at the median of the market. Fixed remuneration may deviate from the market median depending on individual capabilities and other business factors.

3.2 Variable (at risk) remuneration

The Star Entertainment Group has two variable reward programs designed to drive performance and execution of the Board approved business plan to ultimately deliver superior returns and long-term value creation for shareholders. They are the Short Term Performance Plan (***STPP***) and the Long Term Performance Plan (***LTPP***). Further details of these two programs are set out in sections 3.3 and 3.5 respectively.

Figure 1 illustrates the remuneration mix for the Managing Director and Chief Executive Officer and senior executives (the Chief Financial Officer and the Managing Directors of The Star Sydney and the Queensland properties) respectively.

Figure 1: Remuneration mix for FY18



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3.3 Short Term Performance Plan Design

The STPP is designed to reward Executives for execution of the Group's strategy during the performance period.

Payments only accrue under the plan if the Group achieves its financial performance gateway, thereby aligning to shareholder interests and achieving a direct link between pay and performance (refer Figure 2). Payments are further moderated based on satisfactory performance against key non financial performance indicators. Individual payments are performance based and assessed using a weighted balanced scorecard approach (refer Figure 3). The Board retains overarching discretion to adjust outcomes as deemed appropriate.

As the Group achieved the financial performance gateway for FY18, incentives accrued under the STPP for FY18. Bonus awards ranged from 0%-150% of participants' target award. The average short term incentive award was 85% of target (refer Figure 2).

The number of employees who participated in the STPP for FY18 was 783 (increased from 692 for FY17).

Table 2 sets out the key features of the STPP, all of which are consistent with the prior year.

Table 2: Key design features of the STPP

Purpose	To reward Executives for execution of the Group's strategy during the performance period.
Gateway	The minimum level of financial performance required before any incentives accrue under the STPP is referred to as the gateway. The gateway hurdle is 95% of the budgeted Normalised[1] NPAT of the Group as approved by the Board. This gateway applies to all Executives and other participants in the plan. The Board may use its discretion to make payments to reward for significant non-financial performance.
Pool size	The pool size is determined by the Board through an assessment of Group performance, including: 1. Financial performance (Normalised NPAT) 0% of target pool vests at below 95% of budgeted NPAT 50% of target pool vests at 95% of budgeted NPAT 100% of target pool vests at 100% of budgeted NPAT 150% of target pool vests at 110% of budgeted NPAT 2. Non-financial performance measures and strategic priorities (Guest Service and Safety).
Incentive opportunity levels	Opportunities are based on the Executive's incentive target in their employment contract (refer Table 9). The payment range available is 0%-150% of the Executive's incentive target.
Payment calculation	Individual performance is determined by using a weighted scorecard of measures (Figure 3) to arrive at a performance rating. Performance ratings link to payment ranges as follows: 5 = Outstanding (125 – 150% of target) 4 = Exceeds (100 – 125% of target) 3 = Meets (75 – 100% of target) 2 = Meets some (0 – 75% of target) 1 = Did not meet (0% of target) An Executive's individual STI award is based on the following calculation: Fixed Remuneration x Individual Target STI % x Group Performance Multiplier % (0-150%) x Individual Performance Multiplier % (0-150%) = Individual STI award (capped at 150% x target) Payments are capped at 150% of the Executive's STPP target. Where performance and/or behaviours have been deemed unsatisfactory, no incentives are awarded.
Delivery of payments (including deferrals)	Two-thirds of payments are delivered in cash in September. One-third of all payments are held in restricted shares for a period of twelve months from the date of the award. These shares are forfeited in the event that the Executive voluntarily terminates from the Group. Executives are entitled to receive dividends and have voting rights during the restriction period, however they are unable to vote on remuneration resolutions at the AGM.
Clawback	Incentives may be clawed back where there has been a material misrepresentation of the financial outcomes on which the payment had been assessed and/or the Executive's actions have been found to be fraudulent, dishonest or in breach of the Group's Code of Conduct (e.g. misconduct). This provision may extend up to the prior three financial years of STPP payments.

[i] Normalised results reflect the underlying performance of the business as they remove the inherent volatility of the International VIP Rebate business and exclude significant items that are considered by their nature and size unusual or not in the ordinary course of business. This methodology has been consistently applied since FY12.

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3.4 Reward Outcomes under STPP

In determining whether any incentives are being paid and the size of the incentive pool, the Board considers both financial and non-financial performance against targets.

- **Financial performance**

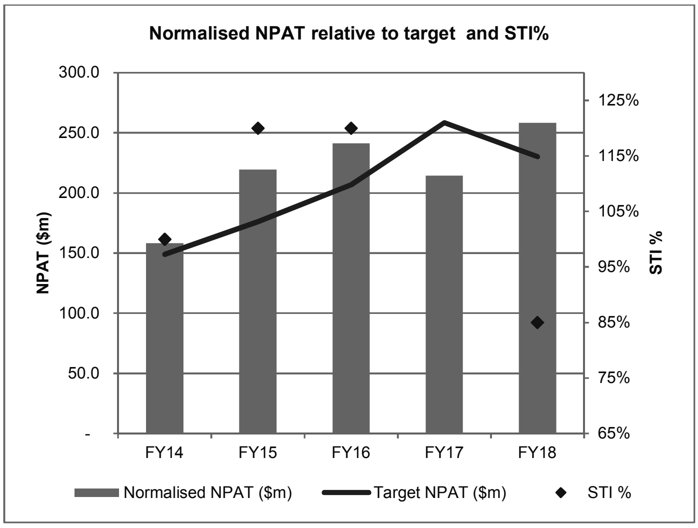
The financial performance measure driving the size of the STPP pool is Normalised NPAT of the Group.

Figure 2 shows the Company's reported Normalised NPAT relative to target over the last five financial years and the percentage of STIs awarded relative to the 'on target' amount.

As Normalised NPAT for FY18 of $258.1 million exceeded the NPAT target of $230.1 million, incentives accrued under the STPP.

As illustrated in the figure below, the FY18 Target NPAT was exceeded, however only 85% of the STI pool vested. This was largely due to the varying performance levels of the underlying business units.

Figure 2: Normalised NPAT relative to target and percentage STI paid



No awards were made in FY17, as targets were not achieved

- **STPP pool moderating measures**

The two non-financial measures considered when determining the size of the STPP pool are Guest Satisfaction and Safety - total reportable injury frequency rate (***TRIFR***).

Guest Satisfaction is an indicator of the value delivered from the quality of our customer experience and Safety TRIFR is a critical focus area of the Group, particularly during the current capital expansion and redevelopment phase.

For FY18, the Group met the overall Guest Satisfaction target and achieved better than the Safety TRIFR limit set by the Board at the commencement of the performance period.

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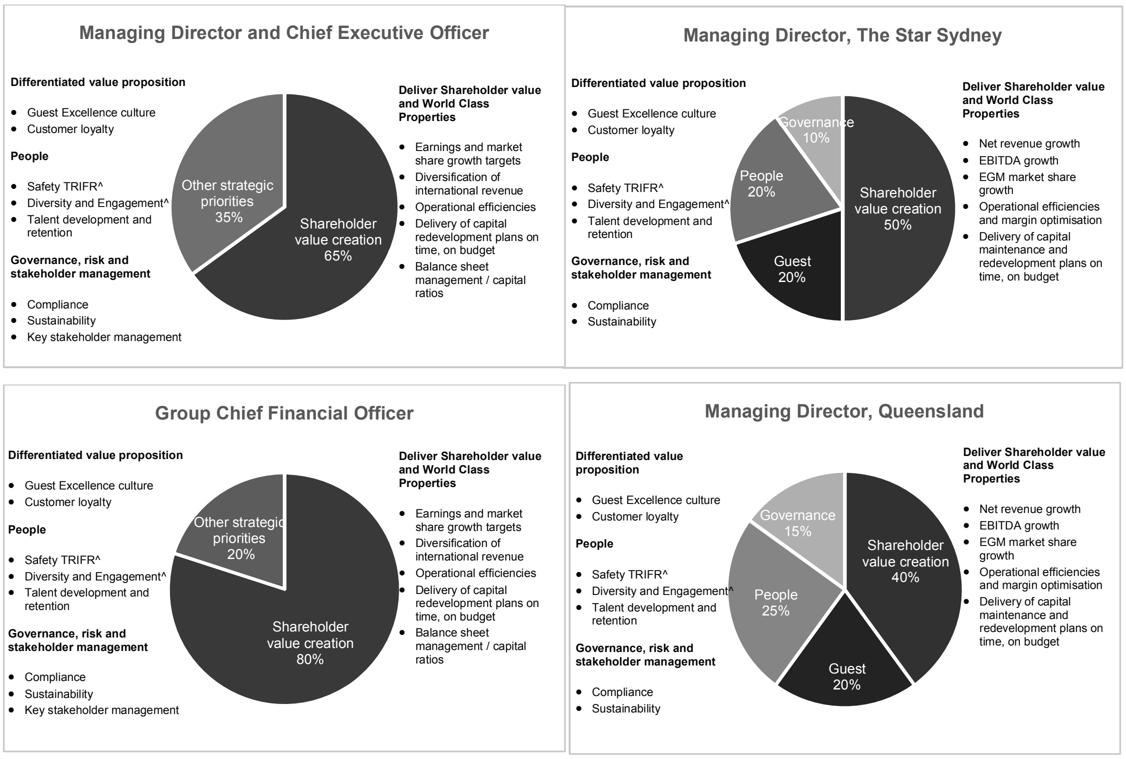
In determining the individual STPP outcomes for Executives, performance is assessed against their individual weighted balanced scorecard objectives as shown in Figure 3 below.

The objectives are based on the Group's key performance indicators (outlined in Table 4). Executives' behaviour, relative to the qualities and values of The Star Entertainment Group, is also taken into account when determining their individual performance ratings and outcomes for the purposes of the STPP.

Figure 3: Weighted balanced scorecard



^External providers are engaged to report on TRIFR, Guest Satisfaction and Employee Engagement scores as applicable.

The table below illustrates the individual incentive outcomes accruing to Executives in respect of the FY18 performance year.

Table 3: FY18 STI Awards

Details	Matt Bekier Managing Director and Chief Executive Officer	Chad Barton Group Chief Financial Officer	Greg Hawkins Managing Director, The Star Sydney	Geoff Hogg Managing Director, Queensland
STI award as % of target	97%	105%	70%	80%
Total award $	**1,647,540**	**486,721**	**529,200**	**304,920**
Delivered as Cash $	1,098,360	324,481	352,800	203,280
Delivered as Restricted shares $	549,180	162,240	176,400	101,640

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Table 4 provides a summary of performance against the strategic priorities of the Group for FY18.

Table 4: FY18 Performance outcomes against strategic priorities and key performance indicators

<table>
<tr><th>Strategic Priorities</th><th>Key performance indicator</th><th>Performance outcomes/ commentary</th><th>Overall Rating</th></tr>
<tr><td rowspan="2">Shareholder Value and World Class Properties</td><td>FINANCIAL PERFORMANCE
• Deliver budgeted Normalised NPAT and EBITDA (improving earnings and operating efficiencies)
• Grow revenues and market share in domestic and International Rebate Business (IRB), including diversification of revenue
• Grow EGM Market Share
• Manage operational benchmarks, cash and receivables</td><td>• The Group's normalised EBITDA of $588m and NPAT of $258m were up 14.2% and 20.3% on the pcp respectively.
• International VIP Rebate normalised revenue was up 51.8% on the pcp.
• Group Domestic Revenue was up 4.1% on the pcp, Slots were up 5.5%, Tables were flat (in Qld this was up 6.3%) and Non-Gaming was up 15.2%.
• EGM market share for Sydney and Gold Coast up on pcp with Brisbane flat on pcp
• Benefits of around $43.7m in FY18 from "Fit for Growth" program that is focused at driving year on year sustainable improvements/operational efficiencies</td><td>Above target</td></tr>
<tr><td>CAPITAL REDEVELOPMENT PLANS
• Deliver capital works within scope, timing and budget
• Progress master planning for Sydney and the Gold Coast in line with business strategy
• Progress Queen's Wharf Brisbane (QWB) development in line with approved time frames
• Manage balance sheet and key ratios in line with target
• Open The Darling hotel at The Star Gold Coast</td><td>• Master planning and redevelopment works progressing in line with expectations. Sydney Sovereign Resorts expansion and upgrade proceeding to plan with gaming capacity maintained, enhanced offer and customer engagement to manage disruption in place.
• Gold Coast's The Darling and MGF expansion opened on time and on budget in 3Q FY2018. First mixed-use JV tower being advanced – 80% of apartments presold, contract awarded below previous guidance, construction commencing in 1Q2019
• QWB development progressing well to budget. Enlarged footprint driving return on capital expectations above initial bid.
• Gearing and other key ratios were within target range</td><td>On track</td></tr>
<tr><td rowspan="2">Differentiated value proposition</td><td>GUEST SERVICE CULTURE
• Elevate the customer service culture through:
  o Implementation of world class Guest Service System (refers to a comprehensive system geared towards creating sustainable service culture)
  o Measuring the internal level of customer service through an independently managed Internal Customer Survey (ICS)</td><td>• Guest service scores on target except The Star Sydney, which was slightly below target
• Over 91.3% of staff completed the 'Star Quality' service foundations training that is also embedded in induction programs across the Group
• Over 20,404 guest surveys completed during FY18
• Satisfactory ICS results from FY18 survey</td><td>On target</td></tr>
<tr><td>LEADERSHIP IN LOYALTY
• To achieve a leadership position in Loyalty and thereby achieve growth in market share and earnings
• Execution on Loyalty targets include:
  o focus on existing customer engagement levels to increase rated play and offer attainable mid-tier benefits and exemplary customer service, improving new member quality and acquisition metrics</td><td>• Electronic gaming rated play in FY18 above 70% of total EGM revenue
• Continuing improvement from Loyalty investments as part of overall member acquisition and yield enhancement
• Deeper and wider member base – number of active members increased at all properties in FY18 vs pcp</td><td>On track</td></tr>
<tr><td rowspan="2">People</td><td>EMPLOYEE ENGAGEMENT
• Focus on ensuring continuous improvements in employee engagement and diversity through identification and delivery of appropriate targeted action plans and initiatives
• Support a culture of continuous learning through implementation of contemporary Learning Management System (LMS) and effective leadership behaviours and competencies</td><td>• Employee Opinion Survey (EOS) results below expectations with remedial reviews underway
• The Star Entertainment Group shortlisted in four categories of the 2018 Australian HR Awards:
  o Employer of Choice (>1,000 employees)
  o Best Recruitment Campaign – for the opening of the new tower at The Star Gold Coast
  o Australian HR Team of the Year (>1,000 employees) – for all of HR across the Group
  o Best Workplace Diversity & Inclusion Program</td><td>Below target</td></tr>
<tr><td>SAFETY
• Deliver a safe environment for guests and team members across the Group
• Measure Work, Health & Safety (WHS) progress, including Total Reportable Injury Frequency Rate (TRIFR), Lost Time Injury Frequency Rate (LTIFR)
• Operationalise strategy and measures of progress, including implementation of robust WHS information technology platform and increased reporting</td><td>• Progress with implementation of WHS strategy
• Significant Improvement in TRIFR limit set by the Board for FY18
• LTIFR for FY18 was below limit set by the Board for FY18
• Work Safety Management System implemented
• Review of KPIs and introduction of lead indicators as measures for success commenced</td><td>On track</td></tr>
<tr><td>Governance, risk and stakeholder management</td><td>RISK, COMPLIANCE & SUSTAINABILITY
• Foster a sound control and compliance environment underpinned by a strong governance framework, including:
  o Effective implementation and monitoring of compliance with company policies and procedures
  o Active monitoring of regulatory and other legislative compliance requirements
• Deliver on the Sustainability Strategy and achieve resource consumption reduction
• Maintain and develop key stakeholder relationships including with regulatory and law enforcement agencies, community organisations, shareholders, trade unions and other key business partners.</td><td>• No material compliance or risk breaches
• The Group was ranked first amongst global peers in the Casino and Gaming industry sector in the Dow Jones Sustainability Index in 2017, matching the result achieved in 2016, and remains a member of the FTSE4Good Index.
• During FY18, The Star Sydney was awarded Australian Hotels Association National Winner for the 'Best Environmental & Energy Efficiency Practice'
• Over $10m contributed to partnerships, community groups and charities</td><td>Above target</td></tr>
</table>

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3.5 Long Term Performance Plan

The LTPP is principally designed to reward Executives for their contributions towards achieving the Group's strategic priorities orientated around the achievement of sustainable shareholder value creation. For FY18 the Board approved a third performance hurdle, namely ROIC, alongside the existing EPS and TSR hurdles. There were no other changes made to the plan.

For FY18, there were 31 participants invited into the plan (increased from 17 participants for FY17). Each of the Executives participates in the plan.

Table 5: Key design features of the LTPP

Purpose	To reward Executives for executing the Group's strategy and delivering long term sustainable shareholder value creation.
Type of equity award	Performance Rights (zero exercise price options) are used for the long term incentive. No amount is payable on the grant of the Performance Rights or upon vesting of Performance Rights. If the Performance Rights vest, an equivalent number of fully paid ordinary shares will be automatically delivered to the holder. Upon vesting of the Performance Rights and subject to the holder remaining employed with the Company, the Company will deliver to the holder fully paid ordinary shares in the Company. The holder will receive full voting and dividend rights corresponding to the rights of all other holders of ordinary shares in the Company.
Determination of the number of rights	The number of performance rights allocated to an Executive is based on their Target LTI award, divided by the Moderated face value of a performance right as shown in the following calculation: Target LTI ($) ÷ Moderated face value of a performance right = Number of performance rights allocated The Moderated face value reflects the face value of the share at the allocation date, less the value of any dividends foregone during the vesting period. A dividend discount factor is used determine the dividends foregone during the vesting period (i.e. *Share price x Dividend Discount Factor*) and takes into account past dividends, and future dividend yield projections. The moderated face value is used so participants are compensated for the dividends foregone during the vesting period. The dividend discount factor is reviewed annually to ensure this aligns with actual dividends paid and forecast dividends to shareholders. Details of annual grants to Executives are set out in Table 8.
Test Date and Vesting date	Performance rights are tested on the fourth anniversary of the grant dates and are not subject to retesting.
Cessation of employment, Change of Control and Clawback	All unvested performance rights lapse immediately upon cessation of employment with The Star Entertainment Group. However, the Board has discretion in special circumstances to determine the number of performance rights retained and the terms applicable. Special circumstances include events such as retirement, redundancy, death and permanent disability. If a Change of Control Event occurs, or the Board determines in its absolute discretion that a Change of Control Event may occur, the Board will determine in its absolute discretion appropriate treatment regarding any Awards. Unvested rights may be clawed back where there has been a material misrepresentation of the financial outcomes on which the award had been assessed and/or the Executive's actions have been found to be fraudulent, dishonest or in breach of the Group's Code of Conduct (e.g. misconduct).

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Table 5: Key design features of the LTPP (cont.)

<table>
<tr>
<td rowspan="2">Vesting conditions (hurdles) and schedule</td>
<td>TSR (33.3% of the award)

The Company's TSR ranking against the peer group of companies (relative TSR) is used as a performance hurdle, as it directly aligns the interests of senior executives participating in the LTPP with the interests of shareholders, and reflects performance as measured against the Company's key strategic objective, which is to maximise its TSR compared with the TSR for peer companies.</td>
<td>EPS (33.3% of the award)

The EPS hurdle measures statutory earnings per ordinary share adjusted for the theoretical win rate in the VIP Rebate business. It drives a line of sight between shareholder value creation and management's financial performance.

The threshold hurdle is set by the Board by reference to market consensus. The target hurdle is set by the Board by reference to the Company's Board approved five-year business plan.

While the Board may exercise certain discretions under the LTPP, the Board will only consider exercising its discretion with respect to any applicable adjustments to thresholds and targets, at the time of testing for vesting purposes.</td>
<td>ROIC (33.4% of the award)

The ROIC hurdle measures statutory EBIT, adjusted for the theoretical win rate in the VIP Rebate business, as a proportion of average Net Debt and average Shareholder Equity. That is:
ROIC =
$$\frac{\text{EBIT adjusted for theoretical win rate in the VIP Rebate business}}{\text{Average Net Debt + average Shareholder Equity}}$$
The ROIC hurdle measures the efficiency of earnings generated from capital investments made by the Company and seeks to create alignment of incentive programs in driving the execution of the Company's capital intensive strategy to build new assets and improve existing properties, with the aim of generating additional revenue and ultimately sustainable value for shareholders.

The threshold hurdle is set by the Board by reference to the Company's present ROIC levels and the target hurdle is set by the Board by reference to the Company's Board approved five-year business plan.

While the Board may exercise certain discretions under the LTPP, the Board will only consider exercising its discretion with respect to adjustments to thresholds and targets at the time of testing for vesting purposes.</td>
</tr>
<tr>
<td>The table below sets out the vesting scale for TSR. The Company's TSR ranking, compared to its peer group, must be at least at the 50th percentile for any vesting to occur.

<table>
<tr><th>TSR Ranking</th><th>Percentage of Performance Rights that will vest</th></tr>
<tr><td>Below 50th percentile</td><td>0%</td></tr>
<tr><td>At 50th percentile</td><td>50%</td></tr>
<tr><td>Above 50th percentile and below 75th percentile</td><td>Pro-rata between 50% (at 50th percentile) and 100% (at 75th percentile)</td></tr>
<tr><td>At or above 75th percentile</td><td>100%</td></tr>
</table></td>
<td>The table below sets out the percentage of Performance Rights that will vest depending on the Company's EPS performance as at the Test Date.

<table>
<tr><th>EPS performance</th><th>Percentage of Performance Rights that will vest</th></tr>
<tr><td>Below threshold</td><td>0%</td></tr>
<tr><td>At threshold</td><td>50%</td></tr>
<tr><td>Between threshold and stretch</td><td>Pro-rata between threshold and stretch</td></tr>
<tr><td>Stretch target</td><td>100%</td></tr>
</table></td>
<td>The table below sets out the percentage of Performance Rights that will vest depending on the Company's ROIC performance as at the Test Date.

<table>
<tr><th>ROIC performance</th><th>Percentage of Performance Rights that will vest</th></tr>
<tr><td>Below threshold</td><td>0%</td></tr>
<tr><td>At threshold</td><td>50%</td></tr>
<tr><td>Between threshold and stretch</td><td>Pro-rata between threshold and stretch</td></tr>
<tr><td>Stretch target</td><td>100%</td></tr>
</table></td>
</tr>
<tr>
<td>Disclosure of performance hurdles</td>
<td colspan="3">The Company will disclose the actual EPS and ROIC targets on a retrospective basis to ensure that the Company's competitive position is not undermined.</td>
</tr>
</table>

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3.6 Vesting under the LTPP

Since the Group's inception in 2011, there have been seven grants made under the LTPP, with three grants tested and one vesting outcome (FY14 award). Table 6 sets out the details of performance rights issued over the last five financial years.

Table 6: Details of performance rights issued to date

Detail	FY14 Grant	FY15 Grant	FY16 Grant	FY17 Grant	FY18 Grant
Grant date	1 Oct 2013	26 Sep 2014	21 Sep 2015	5 Oct 2016	2 Oct 2017
Test date	1 Oct 2017	26 Sep 2018	21 Sep 2019	5 Oct 2020	2 Oct 2021
Vesting hurdle(s)	TSR & EPS	TSR & EPS	TSR & EPS	TSR & EPS	TSR, EPS & ROIC
Test result	100% vested	N/A	N/A	N/A	N/A

During FY18, the FY14 Grant was tested and vested as performance hurdles were met. The next test date will be in September 2018, for performance rights granted in FY15.

Performance rights relating to the FY14 grant were tested in October 2017. The TSR performance of the Group was 113.5% (excluding the value of franking credits), with a percentile ranking of 85.9. As this was above the 75th percentile, 100% of the TSR component of the FY14 Grant vested under LTPP for FY14. The EPS performance hurdle of 24.9 cents was above the target of 21.8 cents and accordingly 100% of the EPS component of the FY14 Grant vested.

The FY15 Grant, due to be tested on 26 September 2018, has EPS and TSR performance hurdles that each comprise 50% of the award outcome. Details will be provided to shareholders ahead of the 2018 AGM and reported in the FY19 Remuneration Report.

Table 7 outlines the performance of the Group and shareholder returns over the last five financial years.

Table 7: Statutory key performance indicators

Performance metric	FY14	FY15	FY16	FY17	FY18
Statutory NPAT	$106.3m	$169.3m	$194.4m	$264.4m	**$148.1m**
Basic EPS (statutory)	12.9c	20.5c	23.6c	32.0c	17.5c
Full year dividend (fully franked, cents per share)	8.0c	11.0c	13.0c	16.0c	20.5c
Share price at year end	$3.14	$4.36	$5.40	$5.05	$4.93
Increase/(decrease) in share price	+3%	+39%	+24%	(6%)	(2%)

Table 8 summarises the unvested performance rights held by Executives as at 30 June 2018.

Table 8: Performance rights by grant held by Executives at 30 June 2018

Executive	FY15 Grant	FY16 Grant	FY17 Grant	FY18 Grant	Total performance rights held
Matt Bekier	352,112	253,456	548,204	627,706	**1,781,478**
Chad Barton	91,549	62,903	67,108	100,048	**321,608**
Greg Hawkins	169,014	110,599	117,958	163,636	**561,207**
Geoff Hogg	70,422	50,691	54,064	82,500	**257,677**
Total performance rights	**683,097**	**477,649**	**787,334**	**973,890**	**2,921,970**

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4. Executive Contracts and Remuneration

Remuneration arrangements for Executives are formalised in employment contracts. Table 9 sets out details of Executive employment contracts, including remuneration.

Table 9: Executive Employment Contracts

Contract Details	Matt Bekier Managing Director and Chief Executive Officer		Chad Barton Chief Financial Officer		Greg Hawkins Managing Director, The Star Sydney		Geoff Hogg Managing Director, Queensland	
	FY18	FY17	FY18	FY17	FY18	FY17	FY18	FY17
Fixed remuneration	$1,695,000	$1,695,000	$770,372	$733,688	$1,260,000	$1,260,000	$635,250	$605,000
Superannuation	The Star Entertainment Group deducts superannuation from the Executives' fixed remuneration as per the Australian Tax Office Superannuation Guarantee Cap.							
Short-term incentive target	$1,695,000	$1,695,000	$462,223	$440,213	$756,000	$756,000	$381,150	$363,000
Long-term incentive (annual grant value)	$2,900,000	$2,900,000	$462,223	$355,000	$756,000	$624,000	$381,150	$286,000
Total Target Annual Reward	$6,290,000	$6,290,000	$1,694,818	$1,528,901	$2,772,000	$2,640,000	$1,397,550	$1,254,000
Non-monetary benefits	N/A		N/A		N/A		N/A	
Other benefits	N/A		N/A		N/A		N/A	
Notice by the Executive	12 months		6 months		9 months		6 months	
Notice by the Group	12 months		9 months		9 months		9 months	
Restraint (i)	12 months		Notice period or 6 months following the notice of termination by the Group for any reason.		12 months		12 months	
Non solicitation	12 months		12 months		12 months		12 months	
Contract duration	Open ended		Open ended		Open ended		Open ended	

(i) Exclusion from being engaged in any business or activity in Australia which competes with or is substantially similar to the business of The Star Entertainment Group.

REMUNERATION REPORT (AUDITED)

FOR THE YEAR ENDED 30 JUNE 2018

5. Statutory Executive Remuneration

Table 10 sets out Executive remuneration as required by the Corporations Act and its regulations, including the relevant Australian Accounting Standard principles.

Table 10: Statutory Executive Remuneration

Executive	Financial year	Short-term			Long-term	Post-Employment	Charge for share based allocations		Total remuneration $	Performance related %
		Salary & fees (i) $	Bonus (ii) $	Non-monetary benefits (iii) $	Accrued leave $	Superannuation (iv) $	Performance rights (v) $	Restricted shares (ii) $		
Matt Bekier	**2018**	**1,677,041**	**1,098,360**	**545**	**28,248**	**37,517**	**1,497,760**	**549,180**	**4,888,651**	**64%**
	2017	1,657,785	-	1,040	36,018	35,000	976,850	-	2,706,693	36%
Chad Barton	**2018**	**754,592**	**324,481**	**-**	**14,722**	**20,049**	**258,619**	**162,240**	**1,534,703**	**49%**
	2017	676,241	-	1,040	14,001	30,000	165,235	-	886,517	19%
Greg Hawkins	**2018**	**1,204,967**	**352,800**	**-**	**20,999**	**35,649**	**450,350**	**176,400**	**2,241,165**	**44%**
	2017	1,246,727	-	1,317	22,819	35,216	295,427	-	1,601,506	18%
Geoff Hogg	**2018**	**613,517**	**203,280**	**1,488**	**15,256**	**20,049**	**207,754**	**101,640**	**1,162,984**	**44%**
	2017	556,937	-	4,929	17,655	19,616	162,743	-	761,880	21%
TOTAL FY18		**4,250,117**	**1,978,921**	**2,033**	**79,225**	**113,264**	**2,414,483**	**989,460**	**9,827,503**	
TOTAL FY17		**4,137,690**	**-**	**8,326**	**90,493**	**119,832**	**1,600,255**	**-**	**5,956,596**	

(i) Comprises salary, salary sacrificed benefits (including motor vehicle novated leases) and annual leave expense. FY17 amounts have been restated to match presentation in FY18.
(ii) Represents STPP award delivered as two-thirds cash award and one-third restricted shares. For accounting purposes, the charge relating to the grant of restricted shares is recognised as a share based payment expense in the income statement over the vesting period. The amounts recognised in share based payments expense in FY18 in respect of FY16 and FY18 awards were: Matt Bekier $307,486, Chad Barton $88,286, Greg Hawkins $104,987 and Geoff Hogg $57,714.
(iii) Comprises car parking, accommodation, airfares, travel costs, relocation expenses, living away from home benefits and taxation services where applicable.
(iv) Comprises superannuation contributions per Superannuation Guarantee legislation and salary sacrificed superannuation.
(v) Represents the fair value of share based payments expensed by The Star Entertainment Group in relation to LTPP awards.

REMUNERATION REPORT (AUDITED)

FOR THE YEAR ENDED 30 JUNE 2018

5. Statutory Executive Remuneration cont.

Table 11 summarises the Executives' remuneration for FY18 based on awards made and vested (or forfeited) during FY18.
These outcomes differ to the statutory remuneration disclosed in Table 10 that are based on Australian Accounting Standard principles.

Table 11: Remuneration outcomes for the year ended 30 June 2018 – Executives

Executive	Fixed pay Cash $	Short-term incentives		Total short-term incentives $	Long-term incentives vested during the year (ii) $	Total remuneration $	Long-term incentives lapsed during the year $
		Cash $	Shares(i) $				
Matt Bekier	1,695,000	1,098,360	549,180	3,342,540	1,033,305	**4,375,845**	-
Chad Barton	770,372	324,481	162,240	1,257,093	-	**1,257,093**	-
Greg Hawkins (ii)	1,260,000	352,800	176,400	1,789,200	-	**1,789,200**	-
Geoff Hogg	635,250	203,280	101,640	940,170	330,658	**1,270,828**	-
TOTAL FY18	**4,360,622**	**1,978,921**	**989,460**	**7,329,003**	**1,363,963**	**8,692,966**	**-**

(i) As the financial performance gateway under the STPP were met for FY18, incentives accrued to Executives under the STPP in FY18.
(ii) Performance rights from the FY14 Grant vested in their entirety in FY18, as performance hurdles were met. The amount represents the value at vesting date of $5.25 per share.

REMUNERATION REPORT (AUDITED)

FOR THE YEAR ENDED 30 JUNE 2018

6. NED Remuneration

Remuneration Policy

- NEDs receive a Board fee and a Committee fee for their participation as Chair or member of each Committee.
- NEDs do not receive any performance or incentive payments and are not eligible to participate in any of The Star Entertainment Group's reward programs. This policy aligns with the principle that NEDs act independently and impartially.
- Board fees are not paid to the Managing Director and Chief Executive Officer. Executives do not receive fees for directorships of any subsidiaries.

NED Fees

The aggregate fees payable to NEDs for their services as directors are limited to the maximum annual amount approved by shareholders, currently set at $2,500,000 including superannuation contributions.

There were no changes to base NED fees for FY18. There was one increase to align the Investment & Capital Expenditure Review Committee fees to those of the Audit, Risk & Compliance and Remuneration Committees.

Board and Committee fees effective from 1 July 2017 are shown in Table 12.

Table 12: Annual NED Fees (inclusive of superannuation)

	Board	Audit	Risk & Compliance	Remuneration	People, Culture & Social Responsibility	Investment & Capital Expenditure Review
Chair	$475,000	$35,000	$35,000	$35,000	$30,000	$35,000
Member	$160,000	$17,500	$17,500	$17,500	$15,000	$17,500

The Star Entertainment Group remunerates NEDs for the full month of fees irrespective of their commencement date. Observer fees are paid where the NED appointment is subject to casino regulatory approvals being obtained. Observer fees are equivalent to applicable Board and Committee fees.

A summary of the total remuneration received by each NED is set out in Table 13.

Table 13: NED Remuneration

NED	Financial year	Board and Committee Fees $	Superannuation (i) $	Total $
John O'Neill AO	**2018**	**442,789**	**32,211**	**475,000**
	2017	439,168	35,832	475,000
Gerard Bradley	**2018**	**230,376**	**20,041**	**250,417**
	2017	225,384	19,616	245,000
Greg Hayes (ii)	**2018**	**70,044**	**6,623**	**76,667**
	2017	207,965	19,535	227,500
Katie Lahey AM	**2018**	**205,479**	**19,521**	**225,000**
	2017	205,580	19,420	225,000
Sally Pitkin	**2018**	**207,763**	**19,737**	**227,500**
	2017	207,983	19,517	227,500
Richard Sheppard	**2018**	**210,110**	**19,890**	**230,000**
	2017	205,562	19,438	225,000
Zlatko Todorcevski (iii)	**2018**	**148,331**	**13,961**	**162,292**
Ben Heap (iv)	**2018**	**95,890**	**9,110**	**105,000**
TOTAL FY18	**2018**	**1,610,782**	**141,094**	**1,751,876**
TOTAL FY17	2017	1,491,642	133,358	1,625,000

(i) Comprises superannuation contributions per Superannuation Guarantee legislation and salary sacrificed superannuation.

(ii) Greg Hayes retired on 26 October 2017.

(iii) Zlatko Todorcevski was appointed on 23 May 2018. Payment of Observer fees commenced from 23 October 2017, following the announcement of appointment subject to casino regulatory approvals being obtained.

(iv) Ben Heap was appointed on 23 May 2018. Payment of Observer fees commenced from 18 December 2017, following the announcement of appointment subject to casino regulatory approvals being obtained.

REMUNERATION REPORT (AUDITED)

FOR THE YEAR ENDED 30 JUNE 2018

7. Other information

7.1. KMP shareholdings

To align the interests of the Board and Executives with the interests of shareholders generally, the Company has a minimum shareholding policy for KMP. There is also a separate Minimum Shareholding Policy that applies to other executives who report directly to the Managing Director and Chief Executive Officer.

Minimum Shareholding Policy for Executives

Executives are encouraged to progressively acquire shares over a five year period from the date of their appointment (for new Executives), or within five years from the date of commencement of the policy (for existing Executives).

The Managing Director and Chief Executive Officer is to hold a minimum number of shares which is of equal value to 150% of one year's base salary at the time of his unconditional appointment.

Other Executives are to hold a minimum number of shares which is of equal value to 100% of one year's base salary at the time of their unconditional appointment.

Direct and indirect holdings in shares or performance rights will each count towards the minimum shareholding target.

Minimum Shareholding Policy for NEDs

NEDs are encouraged to progressively acquire shares over a three year period from the date of commencement of their unconditional appointment, or within three years from the date of commencement of the policy (for existing directors). NEDs are to hold shares of equal value to their respective annual base fees applicable at the time of their unconditional appointment.

Direct and indirect holdings will both count towards the minimum shareholding target.

Tables 14 and 15 show the number of shares and performance rights held by NEDs and Executives respectively at the beginning and end of the financial year.

Table 14: Shares held by NEDs at 30 June 2018

NED	Balance at start of the year	Number acquired	Number divested	Balance at the end of the year
John O'Neill AO	54,348	24,578	-	**78,926**
Gerard Bradley	25,000	15,000	-	**40,000**
Greg Hayes[(i)]	10,000	-	-	**10,000**
Katie Lahey AM	27,080	9,827	-	**36,907**
Sally Pitkin	45,900	-	-	**45,900**
Richard Sheppard	80,000	20,000	-	**100,000**
Zlatko Todorcevski[(ii)]	-	50,000	-	**50,000**
Ben Heap[(ii)]	-	20,000	-	**20,000**
Total ordinary shares	**242,328**	**139,405**	**-**	**381,733**

[(i)] Represents shares held at date of cessation with the Company on 26 October 2017.

[(ii)] Includes shares held at date of commencement with the Company and acquired during the period.

REMUNERATION REPORT (AUDITED)

FOR THE YEAR ENDED 30 JUNE 2018

Table 15: Shares and Performance Rights held by Executives at 30 June 2018

Executive	Holding	Balance at start of the year	Acquired or granted as compensation[i]	Disposed of, lapsed or transferred during the year [ii]	Balance at the end of the year
Matt Bekier	Performance Rights	1,350,622	627,706	(196,850)	**1,781,478**
	Ordinary Shares	509,773	338,929	(100,000)	**748,702**
	Restricted Shares	139,789	2,290	(142,079)	**-**
Chad Barton	Performance Rights	221,560	100,048	-	**321,608**
	Ordinary Shares	33,273	31,398	(64,671)	**-**
	Restricted Shares	30,356	497	(30,853)	**-**
Greg Hawkins	Performance Rights	397,571	163,636	-	**561,207**
	Ordinary Shares	48,868	58,791	-	**107,659**
	Restricted Shares	55,597	910	(56,507)	**-**
Geoff Hogg	Performance Rights	238,169	82,500	(62,992)	**257,677**
	Ordinary Shares	94,019	86,852	-	**180,871**
	Restricted Shares [iii]	21,315	934	(20,719)	**1,530**

[i] Includes shares acquired under the Dividend Reinvestment Plan and transfers from restricted shares where the holding lock has been lifted.
[ii] Restricted shares that are no longer subject to a holding lock are converted into ordinary shares.
[iii] Includes 600 ordinary shares acquired in FY18 through salary sacrifice under the General Employee Share Plan. The closing balance of restricted shares is wholly comprised of ordinary shares acquired through salary sacrifice under the General Employee Share Plan and are subject to holding locks of one year and three years from the relevant acquisition dates. The holding locks will end in FY19 and FY20.

7.2. Loans and other transactions with KMP

There have been no loans or other transactions with KMP during the year.

REMUNERATION REPORT (AUDITED)

FOR THE YEAR ENDED 30 JUNE 2018

7.3. Variable Remuneration

Table 16 shows the variable remuneration of Executives under the STPP and LTPP during the period. Details of the number of performance rights granted, vested or lapsed during the period are also provided as required under the Corporations Act and its regulations, including the relevant Australian Accounting Standard principles.

Table 16: Variable Remuneration

		STPP				LTPP							
Executive	Financial year	Cash award $	Restricted share grant $	As a % of total remuneration	STI not achieved as a % of target (i)	Number of performance rights granted	Fair value of performance rights granted $	Average Fair value per right at grant date $	Grant date	Test date	As a % of total remuneration (ii)	Number of performance rights vested (iii)	Number of performance rights lapsed
Matt Bekier	**2018**	**1,098,360**	**549,180**	**34%**	**3%**	**627,706**	**2,525,470**	**4.02**	2/10/2017	2/10/2021	**31%**	**196,850**	**-**
	2017	-	-	0%	100%	548,204	2,338,090	4.27	5/10/2016	5/10/2020	36%	-	(227,272)
Chad Barton	**2018**	**324,481**	**162,240**	**32%**	**0%**	**100,048**	**402,526**	**4.02**	2/10/2017	2/10/2021	**17%**	**-**	**-**
	2017	-	-	0%	100%	67,108	286,216	4.27	5/10/2016	5/10/2020	18%	-	-
Greg Hawkins	**2018**	**352,800**	**176,400**	**24%**	**30%**	**163,636**	**658,362**	**4.02**	2/10/2017	2/10/2021	**20%**	**-**	**-**
	2017	-	-	0%	100%	117,958	503,091	4.27	5/10/2016	5/10/2020	18%	-	-
Geoff Hogg	**2018**	**203,280**	**101,640**	**26%**	**20%**	**82,500**	**331,925**	**4.02**	2/10/2017	2/10/2021	**18%**	**62,992**	**-**
	2017	-	-	0%	100%	54,064	230,583	4.27	5/10/2016	5/10/2020	21%	-	(63,636)
TOTAL FY18		**1,978,921**	**989,460**			**973,890**	**3,918,283**					**259,842**	**-**
TOTAL FY17		**-**	**-**			**787,334**	**3,357,980**					**-**	**(290,908)**

(i) Maximum opportunity available is 150% of the Executives' target incentive level.
(ii) Percentage calculation based on accounting LTI expense and total remuneration as reported in Table 10.
(iii) Performance rights granted in FY14 were tested in October 2017 and resulted in 100% vesting of performance rights. Performance rights granted in FY15 are due for testing in September 2018.

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2018

THE STAR ENTERTAINMENT GROUP LIMITED
A.C.N. 149 629 023
ASX CODE: SGR
AND ITS CONTROLLED ENTITIES

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $m	2017 $m
Revenue	A2	**2,472.0**	2,344.0
Other income	A3	**-**	1.1
Government taxes and levies	A3	**(538.5)**	(526.2)
Commissions and fees	A3	**(410.9)**	(247.3)
Employment costs	A3	**(669.4)**	(609.1)
Depreciation and amortisation	A4	**(187.2)**	(164.5)
Cost of sales	A3	**(91.5)**	(85.7)
Property costs		**(81.9)**	(77.9)
Advertising and promotions		**(93.0)**	(91.5)
Other expenses		**(111.9)**	(120.5)
Share of net loss of associate and joint venture entities accounted for using the equity method	D5	**(0.1)**	(0.7)
Earnings before interest and tax (EBIT)		**287.6**	421.7
Net finance costs	A5	**(77.2)**	(41.7)
Profit before income tax (PBT)		**210.4**	380.0
Income tax expense	F2	**(62.3)**	(115.6)
Net profit after tax (NPAT)		**148.1**	264.4
Other comprehensive 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	F1	**(3.4)**	(13.4)
Total comprehensive income for the period		**144.7**	251.0
Earnings per share:			
Basic earnings per share	F3	**17.5 cents**	32.0 cents
Diluted earnings per share	F3	**17.5 cents**	31.9 cents
Fully franked dividend per share	A6	**20.5 cents**	16.0 cents

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

CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $m	2017 $m
ASSETS			
Cash and cash equivalents	B1	**110.3**	113.7
Trade and other receivables	B2	**221.5**	192.7
Inventories		**15.5**	11.9
Derivative financial instruments	B3	**3.9**	48.4
Other assets	F4	**44.8**	60.9
Total current assets		**396.0**	427.6
Property, plant and equipment	B4	**2,658.6**	2,360.5
Intangible assets	B5	**1,858.7**	1,851.8
Derivative financial instruments	B3	**57.4**	151.1
Investment in associate and joint venture entities	D5	**288.9**	212.4
Other assets	F4	**11.2**	11.9
Total non current assets		**4,874.8**	4,587.7
TOTAL ASSETS		**5,270.8**	5,015.3
LIABILITIES			
Trade and other payables	F5	**365.8**	324.5
Interest bearing liabilities	B7	**133.8**	130.0
Income tax payable	F2	**0.3**	28.8
Provisions	F6	**64.5**	66.5
Derivative financial instruments	B3	**4.2**	18.4
Other liabilities	F7	**20.3**	21.1
Total current liabilities		**588.9**	589.3
Interest bearing liabilities	B7	**686.2**	915.0
Deferred tax liabilities	F2	**175.9**	188.2
Provisions	F6	**12.9**	9.9
Derivative financial instruments	B3	**25.4**	37.3
Total non current liabilities		**900.4**	1,150.4
TOTAL LIABILITIES		**1,489.3**	1,739.7
NET ASSETS		**3,781.5**	3,275.6
EQUITY			
Share capital	F8	**3,070.2**	2,580.5
Retained earnings		**718.3**	702.3
Reserves	F8	**(7.0)**	(7.2)
TOTAL EQUITY		**3,781.5**	3,275.6

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $m	2017 $m
Cash flows from operating activities			
Net cash receipts from customers (inclusive of GST)		**2,386.9**	2,348.3
Payments to suppliers and employees (inclusive of GST)		**(1,371.2)**	(1,259.4)
Payment of government levies, gaming taxes and GST		**(519.0)**	(521.0)
Interest received		**1.0**	1.0
Income taxes paid	F2	**(100.6)**	(95.6)
Net cash inflow from operating activities	F9	**397.1**	473.3
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		**(475.6)**	(407.6)
Payments for investment in associate and joint venture entities		**(76.5)**	(183.9)
Net cash outflow from investing activities		**(552.1)**	(591.5)
Cash flows from financing activities			
Proceeds from interest bearing liabilities	E2	**1,268.4**	434.5
Repayment of interest bearing liabilities	E2	**(1,517.1)**	(185.0)
Proceeds from settlement of derivative financial instruments	E2	**102.5**	-
Dividends paid	A6	**(132.1)**	(123.9)
Finance costs		**(59.5)**	(52.7)
Proceeds from issue of shares	F8	**489.4**	-
Net cash inflow from financing activities		**151.6**	72.9
Net decrease in cash and cash equivalents		**(3.4)**	(45.3)
Cash and cash equivalents at beginning of the year		**113.7**	159.0
Cash and cash equivalents at end of the year	B1	**110.3**	113.7

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Note	Ordinary shares $m	Retained earnings $m	Hedging reserve $m	Share based payment reserve $m	Total $m
2018						
Balance at 1 July 2017		**2,580.5**	**702.3**	**(13.8)**	**6.6**	**3,275.6**
Profit for the year		**-**	**148.1**	**-**	**-**	**148.1**
Other comprehensive income	F1	**-**	**-**	**(3.4)**	**-**	**(3.4)**
Issue of share capital	F8	**489.7**	**-**	**-**	**-**	**489.7**
Total comprehensive income		**489.7**	**148.1**	**(3.4)**	**-**	**634.4**
Dividends paid	A6	**-**	**(132.1)**	**-**	**-**	**(132.1)**
Employee share based payments	F10	**-**	**-**	**-**	**3.6**	**3.6**
Balance at 30 June 2018		**3,070.2**	**718.3**	**(17.2)**	**10.2**	**3,781.5**
2017						
Balance at 1 July 2016		2,580.5	561.8	(0.4)	5.8	3,147.7
Profit for the year		-	264.4	-	-	264.4
Other comprehensive income	F1	-	-	(13.4)	-	(13.4)
Total comprehensive income		-	264.4	(13.4)	-	251.0
Dividends paid	A6	-	(123.9)	-	-	(123.9)
Employee share based payments	F10	-	-	-	0.8	0.8
Balance at 30 June 2017		2,580.5	702.3	(13.8)	6.6	3,275.6

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Refer to the Operating and Financial Review (OFR) within the Directors' Report for details of the key transactions during the year.

CONTENTS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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 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, apartment complex, restaurants and bars.

Gold Coast Comprises The Star Gold Coast's casino operations, including hotels, theatre, restaurants and bars.

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

2018	Sydney $m	Gold Coast $m	Brisbane $m	Total $m
Gross revenues - VIP [a]	**571.4**	**132.8**	**7.3**	**711.5**
Gross revenues - domestic [a]	**1,165.3**	**376.9**	**325.8**	**1,868.0**
Segment revenue (refer to note A2)	**1,736.7**	**509.7**	**333.1**	**2,579.5**
Segment earnings before interest, tax, depreciation, amortisation and significant items	**285.8**	**116.9**	**81.7**	**484.4**
Depreciation and amortisation (refer to note A4)	**114.2**	**42.3**	**30.7**	**187.2**
Capital expenditure	**192.0**	**258.5**	**39.5**	**490.0**

2017	Sydney $m	Gold Coast $m	Brisbane $m	Total $m
Gross revenues - VIP [a]	547.9	66.3	25.4	639.6
Gross revenues - domestic [a]	1,137.9	331.3	323.4	1,792.6
Segment revenue (refer to note A2)	1,685.8	397.6	348.8	2,432.2
Segment earnings before interest, tax, depreciation, amortisation and significant items	401.1	94.4	104.2	599.7
Depreciation and amortisation (refer to note A4)	100.2	36.3	28.0	164.5
Capital expenditure	180.0	209.1	30.5	419.6

a Gross revenue is presented as the gross gaming win before player rebates and promotional allowances.

	2018 $m	2017 $m
Reconciliation of reportable segment profit to profit before income tax		
Segment earnings before interest, tax, depreciation, amortisation and significant items	**484.4**	599.7
Depreciation and amortisation	**(187.2)**	(164.5)
Significant items (refer to note A7)	**(52.4)**	(12.8)
Unallocated items:		
- net finance costs (refer to note A5)	**(34.3)**	(41.7)
- share of net profit/(loss) of associate and joint venture entities accounted for using the equity method (refer to note D5)	**(0.1)**	(0.7)
Profit before income tax (PBT)	**210.4**	380.0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

A2 Revenue

	2018 $m	2017 $m
Gaming	**2,293.0**	2,184.2
Non-gaming and other	**286.5**	248.0
Total gross revenue	**2,579.5**	2,432.2
Player rebates and promotional allowances	**(107.5)**	(88.2)
	2,472.0	2,344.0

Revenue is up $128.0 million or 5.5% on the prior comparable period (*pcp*) driven by growth in domestic gaming and in the International VIP Rebate business, despite the low win rate.

Revenue

Revenue is measured at the fair value of the consideration received or receivable from the sale of goods and services in the ordinary course of the Group's activities. Revenue is recognised to the extent that it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue and associated costs incurred can be reliably measured. Revenue comprises net gaming win less player rebates and promotional allowances, as well as other non-gaming revenue from the hotels, restaurants and bars.

Customer loyalty programs

The Group operates customer loyalty programs enabling customers to accumulate award credits for gaming and on-property spend. A portion of the spend, equal to the fair value of the award credits earned and reduced for expected breakage, is treated as deferred revenue (refer to note F7). Revenue from the award credits is recognised in the income statement when the award is redeemed or expires.

A3 Expenses

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

	2018 $m	2017 $m
Other income		
Net foreign exchange gain	**-**	1.1
Government taxes and levies (including gaming GST):		
New South Wales	**368.9**	369.4
Queensland	**169.6**	156.8
	538.5	526.2

Government taxes and levies is up $12.3 million or 2.3% on the pcp in line with higher domestic gaming revenues.

	2018 $m	2017 $m
Commissions and fees	**410.9**	247.3

Commission and fees are up 66.2% reflecting substantial growth in the International VIP Rebate volumes.

	2018 $m	2017 $m
Employment costs:		
Salaries, wages, bonuses and other benefits	**616.7**	559.8
Defined contribution plan expense (superannuation guarantee charges)	**47.2**	45.5
Share based payment expense (refer to note F10)	**5.5**	3.8
	669.4	609.1
Cost of inventories recognised as an expense during the year	**91.5**	85.7
Movement in provision for impairment of trade receivables (refer to note B2)	**7.6**	18.7
Operating lease charges	**12.0**	13.0
Significant items (refer to note A7)	**52.4**	12.8

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

A4 Depreciation and amortisation

	2018 $m	2017 $m
Property, plant and equipment (refer to note B4)	**155.2**	137.1
Intangible assets (refer to note B5)	**30.8**	26.2
Other	**1.2**	1.2
	187.2	164.5

Depreciation is calculated using a straight line method. The useful lives over which the assets are depreciated are as follows (for further details of the useful lives of intangible assets refer to note B5):

Freehold and leasehold buildings	10 - 95 years
Leasehold improvements	4 - 75 years
Plant and equipment	5 - 20 years
Software	3 - 10 years
Licences	Until expiry

Operating equipment (which includes uniforms, casino chips, kitchen utensils, crockery, cutlery and linen) is recognised as a depreciation expense based on usage. The period of usage depends on the nature of the operating equipment and averages up to 3 years.

The residual values and useful lives are reviewed annually, and adjusted if appropriate, at each financial reporting date.

A5 Net finance costs

	2018	2017
Interest paid on borrowings	**49.1**	49.4
Capitalised to property, plant and equipment [a]	**(10.0)**	(10.0)
Borrowing costs	**3.3**	3.3
US Private Placement premium unwind	**(5.2)**	-
Fair value hedging adjustment	**(1.9)**	-
Interest income	**(1.0)**	(1.0)
Net finance costs before significant items	**34.3**	41.7
US Private Placement tender and reissue costs	**42.9**	-
Net finance costs recognised in the income statement	**77.2**	41.7

a Borrowing costs of $10.0 million were capitalised during the year and are included in 'Additions' in note B4. The capitalisation rate was equal to the Group's weighted average cost of borrowings applicable to the Group's outstanding borrowings during the year.

Net finance costs of $77.2 million were up 85.1% on the pcp predominately due to the one-off loss relating to the restructure of the US Private Placement note program.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

A6 Dividends

	2018 Cents per share	2017 Cents per share
Dividends per share		
Interim dividend	**7.5** [b]	7.5
Final dividend	**13.0** [c]	8.5[a]
Total dividend	**20.5**	16.0

A final dividend per share of 13.0 cents fully franked was declared, totalling 20.5 cents per share for the year, up 28.1% on the pcp, reflecting the enhanced dividend payout policy, improved performance and financial position of the Group.

	2018 $m	2017 $m
Dividends declared and paid during the year on ordinary shares		
Final dividend paid during the year in respect of the year ended 30 June 2017 [a]	**70.2**	61.9
Interim dividend paid during the year in respect of the half year ended 31 December 2017 [b]	**61.9**	62.0
	132.1	123.9

a A final dividend of 8.5 cents per share fully franked for the year ended 30 June 2017 (30 June 2016: 7.5 cents) was declared on 22 August 2017 and paid on 26 September 2017 (2016: declared on 25 August 2016 and paid on 30 September 2016).

b An interim dividend of 7.5 cents per share fully franked for the half year ended 31 December 2017 (31 December 2016: 7.5 cents) was declared on 15 February 2018 and paid on 22 March 2018 (2017: declared on 15 February 2017 and paid on 22 March 2017).

	2018 $m	2017 $m
Dividends declared after balance date		
Final dividend declared for the year ended 30 June 2018 [c]	**119.3**	70.2

c Since the end of the financial year, the Directors have declared a final dividend of 13.0 cents per ordinary share (2017: 8.5 cents), fully franked. The aggregate amount is expected to be paid on 4 October 2018 out of retained earnings at 30 June 2018, but not recognised as a liability at the end of the year.

	2018 $m	2017 $m
Franking credit balance		
Amount of franking credits available to shareholders	**165.8**	121.7

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

A7 Significant items

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

	2018 $m	2017 $m
Finance costs relating to US Private Placement tender and reissue [a]	**42.9**	-
Pre opening expenses [b]	**9.5**	-
Costs associated with the International VIP Rebate business [c]	**-**	12.8
Net significant items	**52.4**	12.8
Tax on significant items	**(15.7)**	(3.9)
Significant items net of tax	**36.7**	8.9

a In August 2017, the Group completed a tender and reissue offer in relation to 73% of the Group's US Private Placement borrowings. This was undertaken to extend the Group's tenor on average drawn debt maturity by 3 years to 5.2 years, reduce finance costs on a like for like basis and lower refinancing requirements for the Group. The average blended cost of debt on all US Private Placement notes following the issue was 5% (down from over 9% on previous notes). The transaction resulted in a one-off loss relating to the crystallisation of an existing obligation for the related out of the money interest rate swaps and other costs.

b Consistent with previous accounting treatment, pre opening expenses such as marketing, operating and training expenses incurred prior to the opening of The Darling Gold Coast, have been treated as significant due to their size and non-recurring nature.

c Costs relating to the unutilised aircraft, including unavoidable lease payments, maintenance and other costs.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

B Key balance sheet disclosures
Assets

B1 Cash and cash equivalents

	2018 $m	2017 $m
Cash on hand and in banks	**95.4**	107.7
Short term deposits, maturing within 30 days	**14.9**	6.0
	110.3	113.7

B2 Trade and other receivables

	2018 $m	2017 $m
Trade receivables [a]	**208.4**	176.6
Less provision for impairment	**(16.0)**	(14.0)
Net trade receivables	**192.4**	162.6
Other receivables	**29.1**	30.1
	221.5	192.7

a Includes patron cheques not deposited of $145.1 million (2017: $123.2 million).

Past due not impaired receivables of $28.7 million were down from $33.3 million in the pcp.

(i) Provision for impairment reconciliation

	2018 $m	2017 $m
Balance at beginning of year	**(14.0)**	(12.8)
Provision for impairment recognised during the year [b]	**(7.6)**	(18.7)
Less amounts written off as uncollectible	**5.6**	17.5
Balance at end of year	**(16.0)**	(14.0)

b These amounts are included in other expenses in the income statement (refer to note A3).

Trade receivables are non-interest bearing and are generally on 30 day terms.

(ii) Ageing of trade and other receivables

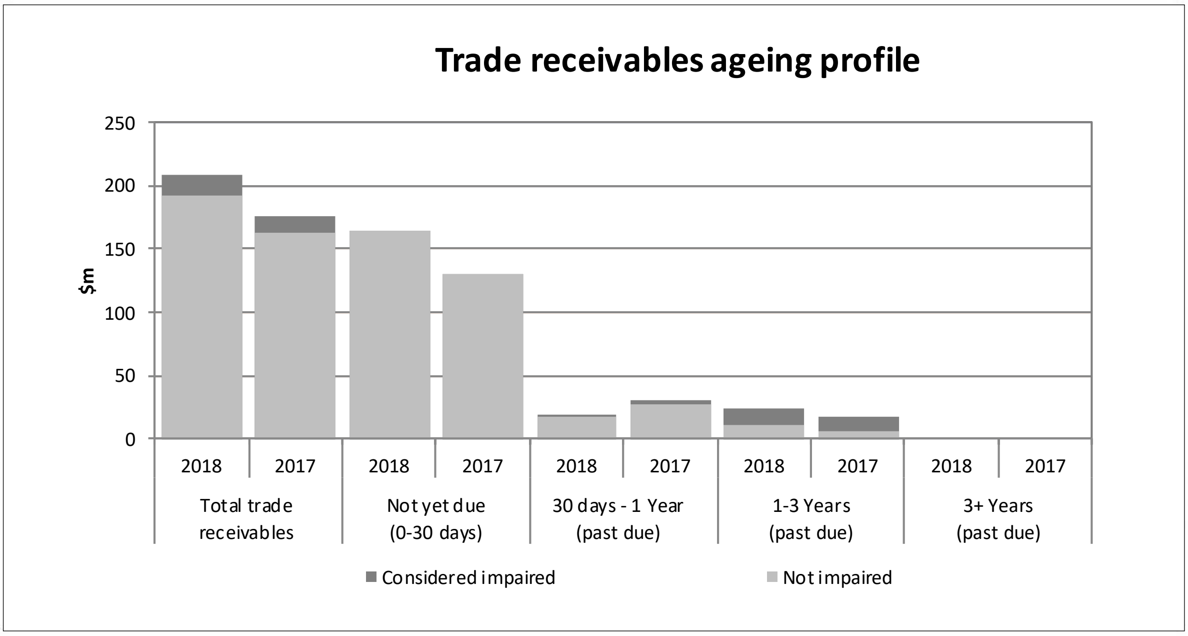
Trade receivables	**0 - 30 days $m**	**30 days - 1 year $m**	**1 - 3 years $m**	**3 years + $m**	**Total $m**
2018					
Not yet due	**163.7**	**-**	**-**	**-**	**163.7**
Past due not impaired	**0.5**	**17.8**	**10.4**	**-**	**28.7**
Considered impaired	**1.0**	**0.6**	**14.4**	**-**	**16.0**
	165.2	**18.4**	**24.8**	**-**	**208.4**
2017					
Not yet due	129.3	-	-	-	129.3
Past due not impaired	-	27.1	6.2	-	33.3
Considered impaired	-	2.8	11.2	-	14.0
	129.3	29.9	17.4	-	176.6

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Other receivables
Other receivables are not past due or considered impaired. It is expected that these balances will be received as they fall due.

The chart below compares the ageing of trade receivables and amounts considered impaired as at 30 June 2018 and 30 June 2017 respectively.



Provision for impairment of trade receivables
The Group recognises a provision for impairment of trade receivables when there is objective evidence that an individual trade debt is impaired. Factors considered when determining if an impairment exists include the age of the debt, discussions with the patron, management's experienced judgement, and other specific facts related to the debt.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

B3 Derivative financial instruments

	2018 $m	2017 $m
Current assets		
Cross currency swaps	**3.6**	47.0
Forward currency contracts	**0.3**	1.4
	3.9	48.4
Non current assets		
Cross currency swaps	**57.4**	150.0
Forward currency contracts	**-**	0.2
Interest rate swaps	**-**	0.9
	57.4	151.1
Current liabilities		
Cross currency swaps	**0.3**	-
Interest rate swaps	**3.9**	18.4
	4.2	18.4
Non current liabilities		
Cross currency swaps	**18.4**	-
Interest rate swaps	**7.0**	37.3
	25.4	37.3
Net financial assets	**31.7**	143.8

Net derivative assets down $112.1 million due to the refinancing of the USPP.

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.

Refer to note E2 for additional financial instruments disclosure.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

B4 Property, plant and equipment

	Note	Freehold land $m	Freehold and leasehold buildings $m	Leasehold improvements $m	Plant and equipment $m	Total $m
2018						
Cost						
Opening balance at beginning of the year		**81.5**	**2,047.9**	**286.1**	**1,001.7**	**3,417.2**
Additions		**-**	**281.6**	**7.0**	**160.9**	**449.5**
Disposals		**-**	**(1.5)**	**-**	**(18.7)**	**(20.2)**
Reclassification / transfer [a]		**-**	**12.0**	**(0.4)**	**(8.8)**	**2.8**
Closing balance at end of the year [b]		**81.5**	**2,340.0**	**292.7**	**1,135.1**	**3,849.3**
Accumulated depreciation						
Opening balance at beginning of the year		**-**	**341.6**	**98.7**	**616.4**	**1,056.7**
Depreciation expense	A4	**-**	**63.7**	**10.7**	**80.8**	**155.2**
Disposals / transfers		**-**	**(2.7)**	**-**	**(18.5)**	**(21.2)**
Closing balance at end of the year		**-**	**402.6**	**109.4**	**678.7**	**1,190.7**
Carrying Amount						
Opening balance at beginning of the year		**81.5**	**1,706.3**	**187.4**	**385.3**	**2,360.5**
Closing balance at end of the year		**81.5**	**1,937.4**	**183.3**	**456.4**	**2,658.6**
2017						
Cost						
Opening balance at beginning of the year		81.5	1,794.7	279.7	922.8	3,078.7
Additions		-	267.8	6.8	102.5	377.1
Disposals		-	(9.3)	(0.3)	(30.5)	(40.1)
Reclassification / transfer		-	(5.3)	(0.1)	6.9	1.5
Closing balance at end of the year		81.5	2,047.9	286.1	1,001.7	3,417.2
Accumulated depreciation						
Opening balance at beginning of the year		-	306.7	88.6	562.5	957.8
Depreciation expense	A4	-	43.6	10.4	83.1	137.1
Disposals		-	(8.7)	(0.3)	(29.2)	(38.2)
Closing balance at end of the year		-	341.6	98.7	616.4	1,056.7
Carrying Amount						
Opening balance at beginning of the year		81.5	1,488.0	191.1	360.3	2,120.9
Closing balance at end of the year		81.5	1,706.3	187.4	385.3	2,360.5

a Includes reclassifications of $2.8 million (2017: $1.5 million) from intangibles to plant and equipment (refer to note B5).

	2018 $m	2017 $m
b Includes capital works in progress of:		
Buildings - at cost	**40.7**	33.0
Leasehold improvements - at cost	**3.0**	3.8
Plant and equipment - at cost	**147.2**	47.8
Total capital works in progress	**190.9**	84.6

Additions of $449.5 million, up 19.2% on the pcp consist predominantly of redevelopment works in the Gold Coast and Sydney properties. For details on capital activities refer to section 2.6 of the Directors' Report.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Property, plant and equipment is comprised of the following assets:

- Freehold land - Gold Coast property;
- Freehold and leasehold buildings - Brisbane, Gold Coast and Sydney properties;
- Leasehold improvements - Brisbane property; and
- Plant and equipment - operational and other equipment.

Asset useful lives and residual values

For the accounting policy on depreciation and useful lives of property, plant and equipment refer to note A4.

Capital works in progress

Major ongoing projects include the refurbishment at the Sydney property and the expansion and refurbishment of the Gold Coast property. Minor refurbishment is also being undertaken at the Brisbane property.

Impairment

Refer to note B6 for details of the accounting policy and key assumptions included in the impairment calculation.

B5 Intangible assets

	Note	Goodwill $m	Sydney and Brisbane casino licences $m	Sydney casino concessions $m	Software [a] $m	Other $m	Total $m
2018							
Cost							
Opening balance at beginning of the year		**1,442.2**	**294.7**	**100.0**	**195.7**	**27.2**	**2,059.8**
Additions [a]		**-**	**-**	**-**	**40.5**	**-**	**40.5**
Disposals		**-**	**-**	**-**	**(3.6)**	**(7.1)**	**(10.7)**
Reclassification / transfer [b]		**-**	**-**	**-**	**(2.8)**	**-**	**(2.8)**
Closing balance at end of the year		**1,442.2**	**294.7**	**100.0**	**229.8**	**20.1**	**2,086.8**
Accumulated amortisation							
Opening balance at beginning of the year		**-**	**66.1**	**23.1**	**108.6**	**10.2**	**208.0**
Amortisation expense	A4	**-**	**3.2**	**2.9**	**22.4**	**2.3**	**30.8**
Disposals		**-**	**-**	**-**	**(3.6)**	**(7.1)**	**(10.7)**
Closing balance at end of the year		**-**	**69.3**	**26.0**	**127.4**	**5.4**	**228.1**
Carrying Amount							
Opening balance at beginning of the year		**1,442.2**	**228.6**	**76.9**	**87.1**	**17.0**	**1,851.8**
Closing balance at end of the year		**1,442.2**	**225.4**	**74.0**	**102.4**	**14.7**	**1,858.7**
2017							
Cost							
Opening balance at beginning of the year		1,442.2	294.7	100.0	162.4	27.2	2,026.5
Additions		-	-	-	42.5	-	42.5
Disposals		-	-	-	(7.7)	-	(7.7)
Reclassification / transfer		-	-	-	(1.5)	-	(1.5)
Closing balance at end of the year		1,442.2	294.7	100.0	195.7	27.2	2,059.8
Accumulated amortisation							
Opening balance at beginning of the year		-	62.9	20.2	99.5	7.2	189.8
Amortisation expense	A4	-	3.2	2.9	17.1	3.0	26.2
Disposals		-	-	-	(8.0)	-	(8.0)
Closing balance at end of the year		-	66.1	23.1	108.6	10.2	208.0
Carrying Amount							
Opening balance at beginning of the year		1,442.2	231.8	79.8	62.9	20.0	1,836.7
Closing balance at end of the year		1,442.2	228.6	76.9	87.1	17.0	1,851.8

a Includes capital works in progress of $27.2 million (2017: $24.5 million).

b Includes reclassifications of $2.8 million (2017: $1.5 million) to property, plant and equipment (refer to note B4).

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Intangible asset additions relate predominantly to software as the Group progresses its strategic priority to maximise value from technology, including further enhancing gaming and loyalty experience and delivering integrated and new IT platforms.

Asset useful lives and residual values
Intangible assets are amortised using the straight line method as follows:
- The Sydney casino licence is amortised from its date of issue until expiry in 2093.
- The Sydney casino concessions granted by the New South Wales government include effective casino exclusivity and product concessions in New South Wales which are amortised over the period of expected benefits, which is until 2019 and 2093 respectively.
- The Brisbane casino licence is amortised over the remaining life of the lease to which the licence is linked, which expires in 2070. The Group will continue to amortise the casino licence over its current term up until it is surrendered, following the opening of the Integrated Resort at Queen's Wharf Brisbane (***QWB***) which is expected in 2022.
- Software is amortised over useful lives of 3 to 10 years.
- Other assets include the contribution to the construction costs of the state government owned Gold Coast Convention and Exhibition Centre. The Group's Gold Coast casino is deriving future benefits from the contribution, which is being amortised over a period of 50 years.

Goodwill and impairment testing
Goodwill is assessed for impairment on an annual basis and is carried at cost less accumulated impairment losses. Refer to note B6 for the accounting policy on asset impairment and details of key assumptions included in the impairment testing calculation.

B6 Impairment testing and goodwill

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

Carrying amount of goodwill allocated to each cash generating unit

Cash generating unit (Reportable segment)	Sydney $m	Gold Coast $m	Brisbane $m	Total carrying amount $m
2018	1,013.5	165.5	263.2	1,442.2
2017	1,013.5	165.5	263.2	1,442.2

The recoverable amount of each of the three cash generating units at year end (Sydney, Gold Coast and Brisbane) is determined based on 'fair value less costs of disposal', which is calculated using the discounted cash flow approach. This approach utilises cash flow forecasts that represent a market participant's view of the future cash flows that would arise from operating and developing the Group's assets. These cash flows are principally based upon Board approved business plans for a five-year period, together with longer term projections and approved capital investment plans, extrapolated using an implied terminal growth rate of 2.5% (2017: 2.5%). These cash flows are then discounted using a relevant long term post-tax discount rate specific to each cash generating unit, ranging between 8.3% to 8.9% (2017: 8.9% to 9.7%). The pre-tax discount rates range between 10.2% to 11.0% (2017: 12.7% to 13.8%).

No impairment was recognised in any of the cash generating units at 30 June 2018 (2017: nil). The performance of the Group was driven by growth in the domestic business (+4.1%) and in the International VIP Rebate Business (IRB) with revenue up 11.2%, despite a low win rate.

Key assumptions
The fair value measurement is valued using level 3 valuation techniques (refer to note E2(vi) for details of the levels). The key assumptions on which management based its cash flow projections when determining 'fair value less costs of disposal' are as follows:

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

iii. Discount rates
Discount rates applied are based on the post tax weighted average cost of capital applicable to the relevant cash generating unit.

iv. Regulatory changes
Queensland
Upon opening of the Integrated Resort in 2022, the existing Brisbane casino will cease to operate and the Group will act as the operator of the QWB casino.

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

The Group will surrender the Brisbane casino licence in exchange for the right to operate the new QWB casino.

New South Wales
On 8 July 2014, Liquor and Gaming NSW issued a restricted gaming licence to Crown Resorts Limited (***Crown***) to operate a restricted gaming facility at Barangaroo South, Crown Sydney Hotel Resort (***Crown Sydney***). On 28 June 2016, Crown announced that conditional planning approval had been received from the NSW Planning Assessment Commission, and that Crown is expecting to complete construction and open Crown Sydney in 2021. The expected impact of Crown Sydney has been taken into consideration in determining the recoverable amount of Sydney's cash generating unit at 30 June 2018. As further details of the final scope and timing of the proposed gaming facility become known, management will continue to consider the impact that this may have on the cash generating unit's carrying value.

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

For the Gold Coast, management considers that a 20% reduction in the expected growth rate is a reasonably possible change that could give rise to a potential impairment.

For the Sydney property, the impact of Crown Sydney on the projected earnings and cash generating unit's carrying value has been assessed, taking into consideration the expected increase in competition as well as the expected increase in market size. A reasonably possible change in any of the assumptions used does not result in an impairment charge at 30 June 2018, however management will continue to monitor the assumptions with regards to the expected impact of Crown Sydney on Sydney's carrying value.

Impairment of assets
Goodwill and indefinite life intangible assets are tested for impairment at least annually. Property, plant and equipment, other intangible assets and other financial assets are considered for impairment if there is a reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of a larger economic entity, the viability of the unit itself.

NOTES TO THE FINANCIAL STATEMENTS

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Liabilities

B7 Interest bearing liabilities

	2018 $m	2017 $m
Current		
Bank loans - unsecured (net of unamortised borrowing costs) (i)	**128.7**	-
Private placement - US dollar - amortised cost (ii)	**5.1**	130.0
	133.8	130.0
Non current		
Bank loans - unsecured (net of unamortised borrowing costs) (i)	**88.3**	446.9
Private placement - US dollar - amortised cost (ii)	**597.9**	468.1
	686.2	915.0

The Group has undrawn bank facilities of $580.0 million at year end and an average drawn debt maturity of 5.95 years.

Net debt was $678.0 million, down 13.9% on the pcp with gearing levels increased to 1.4x at 30 June 2018 compared to 1.3x at 30 June 2017.

Refer to note F8 (iii) for Capital management disclosures and the calculation of the gearing ratio.

(i) Bank loans - unsecured (net of unamortised borrowing costs)

Syndicated revolving facility

The Group has drawn down $90.0 million of the syndicated revolving facility (***SFA***).

2018 Type	Facility amount $m	Unutilised at 30 June $m	Maturity date
Syndicated revolving facility - tranche A	100.0	10.0	July 2021
Syndicated revolving facility - tranche B	250.0	250.0	July 2019
Syndicated revolving facility - tranche C	100.0	100.0	July 2022
Syndicated revolving facility - tranche D	200.0	200.0	July 2023
	650.0	560.0	

2017 Type	Facility amount $m	Unutilised at 30 June $m	Maturity date
Syndicated revolving facility - tranche A	250.0	-	July 2018
Syndicated revolving facility - tranche B	250.0	200.5	July 2019
	500.0	200.5	

Interest is variable, linked to BBSY (Bank Bill Swap Bid Rate), plus a margin tiered against the reported gearing ratio at the end of certain test dates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Working capital facility

2018 Type	Facility amount $m	Unutilised at 30 June $m	Maturity date
Working capital facility	150.0	20.0	January 2019

2017 Type	Facility amount $m	Unutilised at 30 June $m	Maturity date
Working capital facility	150.0	-	January 2019

Interest is variable, linked to BBSY, plus a margin tiered against the reported gearing ratio at the end of certain test dates.

The Group has entered into interest rate swaps agreements to hedge underlying debt obligations and allow $100 million of floating rate borrowings (comprising syndicated revolving facility and working capital facility) to be swapped to fixed rate borrowings. Further details about the Group's exposure to interest rate movements are provided in notes E1 and E2.

(ii) US Private Placement (*USPP*)

The Group's USPP borrowings are summarised below.

2018

Type	$m USD	$m (AUD)	Maturity date
Series B	105.0	98.1	June 2021
Series C	9.0	11.5	August 2025
Series D	12.5	16.0	August 2027
Series E	10.0	12.8	August 2025
Series F	60.0	76.9	August 2027
Series G	31.0	39.7	August 2025
Series H	215.9	276.5	August 2027
	443.4	531.5	

2017

Type	$m USD	$m (AUD)	Maturity date
Series A	100.0	94.0	June 2018
Series B	360.0	336.0	June 2021
	460.0	430.0	

The $531.5 million (2017: $430.0 million) USPP borrowings are stated in the table above at the AUD amount repayable under cross currency swaps at maturity. Interest is a combination of fixed and variable, linked to BBSW (Bank Bill Swap Rate), and a defined gearing ratio at the end of certain test dates. The $443.4 million USD (2017: $460.0 million) translated at 30 June 2018 spot rate is $598.8 million AUD (2017: $598.1 million).

All of the above borrowings are subject to financial undertakings as to gearing and interest cover.

Fair value disclosures

Details of the fair value of the Group's interest bearing liabilities are set out in note E2.

Financial Risk Management

As a result of the USPP borrowings, the Group is exposed to foreign currency risk through the movements in USD/AUD exchange rate. The Group has entered into cross currency swaps in order to hedge this exposure. As at 30 June 2018, 100% of the USPP borrowings balance of US$443.4 million (2017: $460.0 million) is hedged.

The Group is also exposed to the interest rate risk as a result of bank loans and the USPP borrowings. To hedge against this risk, the Group has entered into interest rate swaps. As at 30 June 2018, out of the total interest bearing liabilities, 56.2% (2017: 60.3%) has been hedged against the interest rate risk. Further details about the Group's exposure to interest rate and foreign currency movements are provided in notes E1 and E2.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

C Commitments, contingencies and subsequent events

C1 Commitments

(i) Operating lease commitments [a]

	2018 $m	2017 $m
Not later than one year	**10.4**	14.3
Later than one year but not later than five years	**29.0**	11.4
Later than five years	**97.0**	79.1
	136.4	104.8

a The Group leases property (including Sydney and Brisbane property leases) under operating leases expiring between 1 to 75 years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the CPI or are subject to market rate review. Operating lease commitments also include commitments in relation to the leasing of aircraft.

(ii) Other commitments [b]

	2018 $m	2017 $m
Not later than one year	**64.3**	197.5
Later than one year but not later than five years	**1.3**	4.2
Later than five years	**-**	-
	65.6	201.7

b Other commitments as at 30 June 2018 mainly include capital construction and related costs in connection with the Gold Coast refurbishment and redevelopment in Sydney.

The Group has current capital commitments of approximately $1.1 billion into Destination Brisbane Consortium to fund the construction of the Integrated Resort which is expected to open in 2022 (subject to various approvals, including Board approvals of the proposed detailed design).

Commitments include operating lease commitments for the Sydney and Brisbane properties, as well as capital commitments in relation to the redevelopment of the Gold Coast and Sydney, both of which are well underway. Refer to note D5 for commitments in respect of investment in associate and joint venture entities.

C2 Contingent liabilities

Legal challenges

There are outstanding legal actions between the Company and its controlled entities and third parties as at 30 June 2018. 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.

Financial guarantees

Refer to note E1 for details of financial guarantees provided by the Group at the reporting date.

C3 Subsequent events

On 16 August 2018, Destination Gold Coast Consortium (the Group’s 33% equal share joint venture with Chow Tai Fook Enterprises Limited and Far East Consortium International Limited) entered into an agreement to commence construction in relation to the first residential, hotel and retail tower in the Gold Coast. Destination Gold Coast Consortium’s total commitment for development of the tower is $370 million, 8% lower than initial expectations.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

D Group structure

D1 Related party disclosures

(i) Parent entity

The ultimate parent entity within the Group is The Star Entertainment Group Limited.

(ii) Investments in controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in note G. The financial years of all controlled entities are the same as that of the Company (unless stated otherwise below).

Name of controlled entity	Note	Country of incorporation	Equity type	Equity interest at 30 June 2018 %	Equity interest at 30 June 2017 %
Parent entity					
The Star Entertainment Group Limited		Australia	ordinary shares		
Controlled entities					
The Star Entertainment Sydney Holdings Limited	a b	Australia	ordinary shares	**100.0**	100.0
The Star Pty Limited	a b	Australia	ordinary shares	**100.0**	100.0
The Star Entertainment Pty Ltd	a	Australia	ordinary shares	**100.0**	100.0
The Star Entertainment Sydney Properties Pty Ltd	a b	Australia	ordinary shares	**100.0**	100.0
The Star Entertainment Sydney Apartments Pty Ltd	a	Australia	ordinary shares	**100.0**	100.0
Star City Investments Pty Limited	a	Australia	ordinary shares	**100.0**	100.0
Star City Share Plan Company Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment QLD Limited		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment QLD Custodian Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment Gold Coast Trust		Australia	units	**100.0**	100.0
The Star Entertainment International No.1 Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment International No.2 Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment (Macau) Limited		Macau	ordinary shares	**100.0**	100.0
The Star Entertainment International No.3 Pty Ltd		Australia	ordinary shares	**100.0**	100.0
EEI Services (Hong Kong) Holdings Limited		Hong Kong	ordinary shares	**100.0**	100.0
EEI Services (Hong Kong) Limited		Hong Kong	ordinary shares	**100.0**	100.0
EEI C&C Services Pte Ltd		Singapore	ordinary shares	**100.0**	100.0
The Star Entertainment RTO Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment Finance Limited		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment International Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment Technology Services Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment Training Company Pty Ltd		Australia	ordinary shares	**100.0**	100.0
PPIT Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment International No.4 Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment Online Holdings Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment Online Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment Brisbane Holdings Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment Brisbane Operations Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment DBC Holdings Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Brisbane Car Park Holdings Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment Gold Coast Holdings Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment GC Investments Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment GC Investments No.1 Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The Star Entertainment International No.5 Pty Ltd		Australia	ordinary shares	**100.0**	100.0
EEI Services Holdings No.1 Pty Ltd	c	Australia	ordinary shares	**100.0**	0.0
EEI Services Holdings No.2 Pty Ltd	c	Australia	ordinary shares	**100.0**	0.0
EEI Services (Macau) Limited	d	Macau	ordinary shares	**100.0**	0.0
The Star Entertainment International Tourism Pty Ltd	e	Australia	ordinary shares	**100.0**	0.0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

a These companies entered into a deed of cross guarantee with The Star Entertainment Sydney Holdings Limited on 31 May 2011, and as such are members of the closed group as defined in Australian Securities and Investments Commission Instrument 2016/785 (refer to note D3).

b These companies have provided a charge over their assets and undertakings as explained in note E1.

c Incorporated on 1 February 2018

d Incorporated on 27 April 2018

e Incorporated on 15 June 2018

(iii) Transactions with controlled entities

The Star Entertainment Group Limited

During the period, the Company entered into the following transactions with controlled entities:

- loans of $602.6 million were advanced by controlled entities (2017: the Company advanced loans of $128.4 million); and
- income tax and GST paid on behalf of controlled entities was $230.3 million (2017: $230.6 million).

The amount receivable by the Company from controlled entities at year end is $882.3 million (2017: $279.7 million). All the transactions were undertaken on normal commercial terms and conditions.

(iv) Transactions with other related parties

Other transactions

During the period, in addition to equity contributions (refer to note D5), the Group entered into the following transactions with related parties:

- Amount recharged to Destination Brisbane Consortium Integrated Resort Holdings Pty Ltd was $0.3 million (2017: $0.2 million);
- Amount paid to Destination Brisbane Consortium Integrated Resort Holdings Pty Ltd was nil (2017: $1.5 million) relating to capital works; and
- Amount recharged to Destination Gold Coast Consortium Pty Ltd was $8.3 million (2017: nil), of which $4.7 million (2017: nil) was held as a receivable at 30 June 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

D2 Parent entity disclosures

The Star Entertainment Group Limited, the parent entity of the Group, was incorporated on 2 March 2011.

	2018 $m	2017 $m
Result of the parent entity		
Profit for the year	**263.2**	244.8
Total comprehensive income for the year [a]	**263.2**	244.8

a Since the end of the financial year, the Company has declared a final dividend of 13.0 cents per ordinary share (2017: 8.5 cents), which is expected to be paid on 4 October 2018 out of retained earnings at 30 June 2018 to its shareholders (refer to note A6).

	2018 $m	2017 $m
Financial position of the parent entity		
Current assets	**1,912.3**	1,310.0
Non current assets	**2,590.1**	2,589.5
Total assets	**4,502.4**	3,899.5
Current liabilities	**22.3**	43.5
Non current liabilities	**1,031.4**	1,031.5
Total liabilities	**1,053.7**	1,075.0
Net assets	**3,448.7**	2,824.5
Total equity of the parent entity		
Issued capital	**3,070.2**	2,580.5
Retained earnings	**368.4**	237.2
Shared based payments benefits reserve	**10.1**	6.8
Total equity	**3,448.7**	2,824.5

Contingent liabilities

There were no contingent liabilities for the parent entity at 30 June 2018 (2017: nil).

Capital expenditure

The parent entity does not have any capital expenditure commitments for the acquisition of property, plant and equipment contracted but not provided for at 30 June 2018 (2017: nil).

Guarantees

The Star Entertainment Group Limited has guaranteed the liabilities of The Star Entertainment Finance Limited and The Star Entertainment International No.3 Pty Ltd. As at 30 June 2018, the carrying amount included in current liabilities at 30 June 2018 was nil (2017: nil), and the maximum amount of these guarantees was $218.3 million (2017: $117.7 million) (refer to note E1). The Company has also undertaken to support its controlled entities when necessary to enable them to pay their debts as and when they fall due.

Accounting policy for investments in controlled entities

All investments are initially recognised at cost, being the fair value of the consideration given. Subsequently, investments are carried at cost less any impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

D3 Deed of cross guarantee

The Star Entertainment Sydney Holdings Limited, The Star Pty Limited, The Star Entertainment Pty Ltd, The Star Entertainment Sydney Properties Pty Ltd, The Star Entertainment Sydney Apartments Pty Ltd and Star City Investments Pty Limited are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirements to prepare a Financial Report and Directors' Report under Instrument 2016/785 issued by the Australian Securities and Investments Commission.

Consolidated income statement and summary of movements in consolidated earnings

The above companies represent a 'closed group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by The Star Entertainment Sydney Holdings Limited, they also represent the 'extended closed group'.

Set out below is a consolidated income statement and a summary of movements in consolidated retained earnings for the year ended 30 June 2018 of the closed group.

Consolidated income statement

	2018 $m	2017 $m
Revenue	**1,584.9**	1,620.4
Other income	**(0.2)**	(0.1)
Government taxes and levies	**(368.9)**	(369.4)
Commissions and fees	**(279.9)**	(222.4)
Employment costs	**(349.5)**	(338.3)
Depreciation, amortisation and impairment	**(103.7)**	(88.1)
Cost of sales	**(50.6)**	(48.7)
Property costs	**(48.1)**	(50.3)
Advertising and promotions	**(52.9)**	(53.7)
Other expenses	**(209.9)**	(229.1)
Earnings before interest and tax (EBIT)	**121.2**	220.3
Net finance costs	**-**	-
Profit before income tax (PBT)	**121.2**	220.3
Income tax expense	**(37.1)**	(67.9)
Net profit after tax (NPAT)	**84.1**	152.4
Total comprehensive income for the period	**84.1**	152.4
Summary of movements in consolidated retained earnings		
Accumulated profit/(loss) at the beginning of the financial year	**130.0**	141.6
Profit for the year	**84.1**	152.4
Dividends paid	**(191.0)**	(164.0)
Accumulated profit at the end of the financial year	**23.1**	130.0

Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2018 of the closed group consisting of The Star Entertainment Sydney Holdings Limited, The Star Pty Limited, The Star Entertainment Pty Ltd, The Star Entertainment Sydney Properties Pty Limited, The Star Entertainment Sydney Apartments Pty Limited, and Star City Investments Pty Limited.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Consolidated balance sheet

	2018 $m	2017 $m
ASSETS		
Cash assets	**52.7**	28.7
Trade and other receivables	**190.9**	145.0
Inventories	**8.5**	8.0
Other	**26.2**	21.9
Total current assets	**278.3**	203.6
Property, plant and equipment	**1,341.4**	1,315.0
Intangible assets	**281.1**	287.7
Other assets	**11.1**	11.8
Total non current assets	**1,633.6**	1,614.5
TOTAL ASSETS	**1,911.9**	1,818.1
LIABILITIES		
Trade and other payables	**647.3**	437.7
Provisions	**34.8**	38.3
Other liabilities	**11.3**	12.2
Total current liabilities	**693.4**	488.2
Deferred tax liabilities	**51.3**	54.5
Provisions	**4.2**	5.5
Total non current liabilities	**55.5**	60.0
TOTAL LIABILITIES	**748.9**	548.2
NET ASSETS	**1,163.0**	1,269.9
EQUITY		
Issued Capital	**1,139.9**	1,139.9
Retained Earnings	**23.1**	130.0
TOTAL EQUITY	**1,163.0**	1,269.9

D4 Key Management Personnel disclosures

	2018 $000	2017 $000
Compensation of Key Management Personnel		
Short term	**7,842**	5,757
Long term	**334**	344
Share based payments	**2,973**	2,304
Total compensation	**11,149**	8,405

The above reflects the compensation for individuals who are Key Management Personnel of the Group. The note should be read in conjunction with the Remuneration Report.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

D5 Investment in associate and joint venture entities

Set out below are the investments of the Group as at 30 June 2018 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.

2018 Name of entity	Country of incorporation	% of ownership	Nature of ownership	Measurement method	Carrying amount $m
Destination Brisbane Consortium Integrated Resort Holdings Pty Ltd (i)	Australia	50	Associate	Equity method	223.7
Festival Car Park Pty Ltd (ii)	Australia	50	Joint venture	Equity method	13.8
Destination Gold Coast Investments Pty Ltd (iii)	Australia	50	Joint venture	Equity method	44.6
Destination Gold Coast Consortium Pty Ltd (iv)	Australia	33.3	Joint venture	Equity method	6.8
Total equity accounted investments					288.9

(i) Destination Brisbane Consortium Integrated Resort Holdings Pty Ltd

The Group has partnered with Hong Kong-based organisations Chow Tai Fook Enterprises Limited (***CTF***) and Far East Consortium International Limited (***FEC***) to form Destination Brisbane Consortium ***(DBC)*** for the Queen's Wharf Brisbane Project. The parties have formed two vehicles (the Integrated Resort Joint Venture and the Residential Joint Venture), which together are responsible for completing the Queen's Wharf Brisbane project.

Consistent with the ownership structure, the Group will contribute 50% of the capital to the development of the Integrated Resort and act as the casino operator under a long dated casino management agreement. CTF and FEC will each contribute 25% of the capital to the development of the Integrated Resort. CTF and FEC will each contribute 50% of the capital to undertake the residential and related component of the broader Queen's Wharf Brisbane development. The Group is not a party to the residential apartments development joint venture.

Commitments and contingent liabilities

DBC has current capital commitments of approximately $2.2 billion to fund the construction of the Integrated Resort, which is expected to open in 2022 (subject to various approvals, including Board approvals of the proposed detailed design).

Summarised financial information

The financial statements of the associate is prepared for the same reporting period as the Group and follow the same accounting policies of the Group.

	2018 $m	2017 $m
Balance sheet		
Total current assets	**112.1**	53.2
Total non current assets	**423.2**	327.2
Total current liabilities	**(17.4)**	(14.8)
Total non current liabilities	**(75.0)**	(75.0)
Net assets	**442.9**	290.6
Reconciliation to investment carrying amount:		
Carrying amount at the beginning of the year	**152.6**	16.2
Share of equity contributions for the Group	**72.2**	136.7
Share of loss for the period	**(1.1)**	(1.1)
Capitalised costs	**-**	0.8
Carrying amount at the end of the year	**223.7**	152.6

NOTES TO THE FINANCIAL STATEMENTS

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	2018 $m	2017 $m
Income statement		
Loss before tax	**(2.2)**	(2.1)
Income tax benefit	**-**	-
Loss for the year (continuing operations)	**(2.2)**	(2.1)
Total comprehensive loss for the year (continuing operations)	**(2.2)**	(2.1)
Group's share of loss for the year	**(1.1)**	(1.1)
Dividends received from the associate entity	**-**	-

(ii) Festival Car Park Pty Ltd

The Group has a 50% interest in Festival Car Park Pty Ltd, a joint venture that operates the Festival Car Park on Charlotte Street in Brisbane. This is a joint venture with CTF and FEC.

Commitments and contingent liabilities

The joint venture had capital commitments of $0.1 million (2017: $0.1 million) as at 30 June 2018. There were no other contingent liabilities.

Summarised financial information

The financial statements of the joint venture are prepared on financial information that is unaudited and prepared for reporting purposes. The joint venture has a financial year end date of 31 March.

	2018 $m	2017 $m
Balance sheet		
Cash and cash equivalents	**2.7**	1.7
Total current assets excluding cash and cash equivalents	**0.1**	0.1
Total non current assets	**48.3**	48.3
Total current liabilities	**(0.6)**	(0.6)
Total non current liabilities - financial liabilities	**(22.5)**	(22.5)
Net assets	**28.0**	27.0
Reconciliation to investment carrying amount:		
Carrying amount at the beginning of the year	**13.5**	13.1
Share of profit for the period	**0.3**	0.4
Carrying amount at the end of the year	**13.8**	13.5
Income statement		
Revenue	**3.4**	3.1
Interest expense	**(0.7)**	(0.7)
Other expenses	**(1.3)**	(1.4)
Profit before tax	**1.4**	1.0
Income tax expense	**(0.4)**	(0.3)
Profit for the year (continuing operations)	**1.0**	0.7
Total comprehensive income for the year (continuing operations)	**1.0**	0.7
Group's share of profit for the year	**0.3**	0.4

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

(iii) Destination Gold Coast Investments Pty Ltd

On 20 October 2016, a 50% interest was acquired in Destination Gold Coast Investments Pty Ltd (***DGCI***). DGCI is a joint venture with CTF and FEC involved in the operation of the Sheraton Grand Mirage Resort, Gold Coast. The Group's interest is accounted for using the equity method.

The Securityholders' Deed for Destination Gold Coast Investments Pty Ltd requires unanimous consent for each Board resolution. Due to the unanimous requirement for decisions, each party has joint control of the entity. The entity is designed to exist on its own and the Deed does not grant the rights to assets and liabilities directly to the Group. The investment has therefore been classified as a joint venture.

Commitments and contingent liabilities

The joint venture had capital commitments of $0.3 million (2017: $0.2 million) as at 30 June 2018. There were no other contingent liabilities.

Summarised financial information

The financial statements of the joint venture are prepared for the same reporting period as the Group and follow the same accounting policies of the Group.

	2018 $m	2017 $m
Balance sheet		
Cash and cash equivalents	**11.1**	6.7
Total current assets excluding cash and cash equivalents	**4.4**	0.9
Total non current assets	**173.6**	167.1
Total current liabilities	**(12.4)**	(11.9)
Total non current liabilities - financial liabilities	**(72.2)**	(72.2)
Other non current liabilities	**(15.1)**	(14.3)
Net assets	**89.4**	76.3
Reconciliation to investment carrying amount:		
Carrying amount at the beginning of the year	**46.3**	-
Share of profit for the period	**2.4**	-
Share of equity contributions for the Group	**(4.1)**	46.3
Carrying amount at the end of the year	**44.6**	46.3
Income statement		
Revenue	**47.0**	16.2
Interest expense	**(1.8)**	(0.9)
Depreciation expense	**(3.1)**	(1.2)
Operating expenses	**(36.4)**	(13.9)
Profit before tax	**5.7**	0.3
Income tax expense	**(0.9)**	(0.3)
Profit for the year (continuing operations)	**4.8**	-
Total comprehensive income for the year (continuing operations)	**4.8**	-
Group's share of profit for the year	**2.4**	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

(iv) Destination Gold Coast Consortium Pty Ltd

On 22 November 2016, a 33.3% interest was acquired in Destination Gold Coast Consortium Pty Ltd (***DGCC***). DGCC is a joint venture with CTF and FEC for the purpose of constructing a new residential and hotel tower in the Gold Coast. The Group's interest is accounted for using the equity method.

Commitments and contingent liabilities

The joint venture had no capital commitments as at 30 June 2018. On 16 August 2018, DGCC entered in to an agreement to commence construction in relation to the first residential, hotel and retail tower in the Gold Coast. DGCC's total commitments for the development of the tower is $370.0 million, 8% lower than initial expectations.

Summarised financial information

The financial statements of the joint venture are prepared for the same reporting period as the Group and follow the same accounting polices of the Group.

	2018 $m	2017 $m
Balance sheet		
Cash and cash equivalents	4.5	-
Total current assets excluding cash and cash equivalents	0.6	-
Total non current assets	22.7	-
Total current liabilities	(7.3)	-
Total non current liabilities	-	-
Net assets	**20.5**	-
Reconciliation to investment carrying amounts:		
Share of loss for the period	(1.7)	-
Share of equity contributions for the Group	8.5	-
Carrying amount at the end of the year	**6.8**	-
Income statement		
Loss before tax	(5.1)	-
Income tax benefit	-	-
Loss for the year (continuing operations)	(5.1)	-
Total comprehensive loss for the year (continuing operations)	(5.1)	-
Group's share of loss for the year	(1.7)	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

E Risk Management

E1 Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise cash, short term deposits, bank bills, Australian denominated bank loans, and foreign currency denominated notes.

The main purpose of these financial instruments is to raise debt capital for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. Derivative transactions are also entered into by the Group, being interest rate swaps, cross currency swaps and forward currency contracts, the purpose being to manage interest rate and currency risks arising from the Group's operations and sources of finance.

The Group's risk management policy is carried out by the Corporate Treasury function under the Group Treasury Policy approved by the Board. Corporate Treasury reports regularly to the Board on the Group's risk management activities and policies. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

Details of significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in note G.

Interest rate risk

The Group has a policy of controlling exposure to interest rate fluctuations by the use of fixed and variable rate debt and by the use of interest rate swaps or caps. The Group has entered into interest rate swap agreements to hedge underlying debt obligations and allow floating rate borrowings to be swapped to fixed rate borrowings. Under these arrangements, the Group will pay fixed interest rates and receive the bank bill swap rate calculated on the notional principal amount of the contracts.

At 30 June 2018 after taking into account the effect of interest rate swaps, approximately 56.2% (2017: 60.3%) of the Group's borrowings are at a fixed rate of interest.

Foreign currency risk

As a result of issuing private notes denominated in US Dollars (***USD***), the Group's balance sheet can be affected by movements in the USD/AUD exchange rate. In order to manage this exposure, the Group has entered into cross currency swaps to fix the exchange rate on the notes until maturity. The Group agrees to exchange a fixed USD amount for an agreed Australian Dollar (***AUD***) amount with swap counterparties, and re-exchange this again at maturity. These swaps are designated to hedge the principal and interest obligations under the private notes.

The Group has operating leases for two aircrafts invoiced in USD. The Group has entered into foreign exchange forward contracts to hedge against the USD currency risk, by exchanging the future USD lease payments to AUD amounts.

Credit risk

Credit risk on financial assets which have been recognised on the balance sheet, is the carrying amount less any allowance for non recovery. The Group minimises credit risk via adherence to a strict credit risk management policy. Collateral is not held as security.

Credit risk in trade receivables is managed in the following ways:

- The provision of cheque cashing facilities for casino gaming patrons is subject to detailed policies and procedures designed to minimise any potential loss, including the use of a central credit agency which collates information from the major casinos around the world; and
- The provision of non gaming credit is covered by a risk assessment process for customers using the Credit Reference Association of Australia, bank opinions and trade references.

Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is carefully managed and controlled.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents (including short term deposits and bank bills), the maximum exposure of the Group to credit risk from default of a counterparty is equal to the carrying amount of these instruments.

In relation to financial liabilities, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The Group's maximum credit risk exposure in respect of interest rate swap contracts, cross currency swap contracts and forward currency contracts is detailed in note E2.

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Credit risk includes liabilities under financial guarantees. For financial guarantee contract liabilities, the fair value at initial recognition is determined using a probability weighted discounted cash flow approach. The fair value of financial guarantee contract liabilities has been assessed as nil (2017: nil), as the possibility of an outflow occurring is considered remote. Details of the financial guarantee contracts in the balance sheet are outlined below.

Fixed and floating charges
The controlled entities denoted (b) in note D1 have provided Liquor and Gaming NSW with a fixed and floating charge over all of the assets and undertakings of each company to secure payment of all monies and the performance of all obligations which they have to Liquor and Gaming NSW.

Guarantees and indemnities
The controlled entities denoted (b) in note D1 have entered into a guarantee and indemnity agreement in favour of Liquor and Gaming NSW whereby all parties to the agreement are jointly and severally liable for the performance of the obligations and liabilities of each company participating in the agreement with respect to agreements entered into and guarantees given.

The Star Entertainment Finance Limited and The Star Entertainment International No. 3 Pty Ltd are called upon to give in the ordinary course of business, guarantees and indemnities in respect of the performance of their contractual and financial obligations. The maximum amount of these guarantees and indemnities is $218.3 million (2017: $117.7 million).

Liquidity risk
Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet its obligations to repay its financial liabilities as and when they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and notes.

The Group manages liquidity risk by maintaining a forecast of expected cash flow which is monitored and reviewed on a regular basis. To help reduce liquidity risk, the Group targets a minimum level of cash and cash equivalents to be maintained, and has revolving facilities in place with sufficient undrawn funds available.

The Group's policy is that not more than 33% of debt facilities should mature in any financial year within the next four years. At 30 June 2018, the Group's debt facilities that will mature in less than one year is $150.0 million (2017: $130.0 million), representing 11.3% of total debt facilities. The next debt maturity is the Syndicated Facility (tranche B) Agreement facility of $250.0 million maturing in July 2019. This represents 18.8% of total debt facilities and is within the Group's policy.

Refer to notes B7 and E2 for maturity of financial liabilities.

The contractual cash flows including principal and estimated interest receipts or payments of financial assets or liabilities are as follows:

(i) Non-derivative financial instruments

	2018			2017		
	< 1 year $m	**1 - 5 years $m**	**> 5 years $m**	**< 1 year $m**	**1 - 5 years $m**	**> 5 years $m**
Financial assets						
Cash assets	**95.4**	**-**	**-**	107.7	-	-
Short term deposits	**14.9**	**-**	**-**	6.0	-	-
Net trade and other receivables	**221.5**	**-**	**-**	192.7	-	-
	331.8	**-**	**-**	306.4	-	-
Financial liabilities						
Trade creditors and accrued expenses	**363.3**	**-**	**-**	322.4	-	-
Bank loans - unsecured	**132.3**	**99.8**	**-**	12.9	453.8	-
Private placement - US dollar	**32.9**	**246.4**	**531.5**	163.0	546.9	-
	528.5	**346.2**	**531.5**	498.3	1,000.7	-
Net outflow	**(196.7)**	**(346.2)**	**(531.5)**	(191.9)	(1,000.7)	-

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(ii) Derivative financial instruments

	2018			2017		
	< 1 year $m	1 - 5 years $m	> 5 years $m	< 1 year $m	1 - 5 years $m	> 5 years $m
Financial assets						
Interest rate swaps - receive AUD floating	**4.2**	**12.5**	**1.9**	9.0	24.0	3.2
Cross currency swaps - receive USD fixed	**32.9**	**246.4**	**531.5**	163.0	546.9	-
Forward currency contract - receive USD fixed	**1.2**	**-**	**-**	9.2	1.2	-
	38.3	**258.9**	**533.4**	181.2	572.1	3.2
Financial liabilities						
Interest rate swaps - pay AUD fixed	**8.4**	**21.3**	**2.4**	29.1	72.3	4.7
Cross currency swaps - pay AUD floating	**15.7**	**144.9**	**235.0**	163.0	546.9	-
Cross currency swaps - pay AUD fixed	**13.5**	**54.2**	**280.3**	-	-	-
Forward currency contract - pay AUD fixed	**0.9**	**-**	**-**	7.8	0.9	-
	38.5	**220.4**	**517.7**	199.9	620.1	4.7
Net (outflow)/inflow	**(0.2)**	**38.5**	**15.7**	(18.7)	(48.0)	(1.5)

For floating rate instruments, the amount disclosed is determined by reference to the interest rate at the last repricing date. For foreign currency receipts and payments, the amount disclosed is determined by reference to the AUD/USD rate at balance sheet date.

(iii) Financial instruments - sensitivity analysis

Interest rates - AUD and USD

The following sensitivity analysis is based on interest rate risk exposures in existence at year end.

At 30 June, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	Net profit after tax higher/(lower) $m	Other comprehensive income higher/(lower) $m
2018		
AUD		
+ 0.5% (50 basis points)	**(1.0)**	**12.8**
- 0.5% (50 basis points)	**1.0**	**(13.3)**
USD		
+ 0.5% (50 basis points)	**-**	**(20.7)**
- 0.5% (50 basis points)	**-**	**21.6**
2017		
AUD		
+ 0.5% (50 basis points)	(1.6)	7.3
- 0.5% (50 basis points)	1.6	(7.5)
USD		
+ 0.5% (50 basis points)	-	(7.0)
- 0.25% (25 basis points)	-	(3.5)

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The movements in profit are due to higher/lower interest costs from variable rate debt and investments. The movement in other comprehensive income is due to an increase/decrease in the fair value of financial instruments designated as cash flow hedges.

The numbers derived in the sensitivity analysis are indicative only.

Significant assumptions used in the interest rate sensitivity analysis include:

- reasonably possible movements in interest rates were determined based on the Group's current credit rating and mix of debt, relationships with financial institutions and the level of debt that is expected to be renewed, as well as a review of the last two years' historical movements and economic forecaster's expectations;
- price sensitivity of derivatives is based on a reasonably possible movement of spot rates at the balance sheet dates; and
- the net exposure at the balance sheet date is representative of what the Group was, and is expecting to be, exposed to in the next twelve months.

Foreign Exchange

The following sensitivity analysis is based on foreign currency risk exposures in existence at the balance sheet date. At 30 June, had the AUD moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

Judgements of reasonably possible movements:

	Net profit after tax higher/(lower)	Other comprehensive income higher/(lower)	Net profit after tax higher/(lower)	Other comprehensive income higher/(lower)
	2018	**2018**	**2017**	**2017**
	$m	**$m**	**$m**	**$m**
AUD/USD + 10 cents	**-**	**(11.1)**	-	(53.8)
AUD/USD - 10 cents	**-**	**14.6**	-	69.8

There is no movement in net profit after tax as the Group has fully hedged its foreign currency exposure to the USPP.

The movement in other comprehensive income is due to an increase/decrease in the fair value of financial instruments designated as cash flow hedges. Management believes the balance sheet date risk exposures are representative of the risk exposure inherent in the financial instruments. The numbers derived in the sensitivity analysis are indicative only.

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- reasonably possible movements in foreign exchange rates were determined based on a review of the last two years' historical movements and economic forecaster's expectations;
- the reasonably possible movement of 10 cents was calculated by taking the USD spot rate as at balance sheet date, moving this spot rate by 10 cents and then re-converting the USD into AUD with the 'new spot-rate'. This methodology reflects the translation methodology undertaken by the Group;
- price sensitivity of derivatives is based on a reasonably possible movement of spot rates at the balance sheet dates; and
- the net exposure at the balance sheet date is representative of what the Group was, and is expecting to be, exposed to in the next twelve months.

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FOR THE YEAR ENDED 30 JUNE 2018

E2 Additional financial instruments disclosures

(i) Fair values

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

Swaps
Fair value is calculated using discounted future cash flow techniques, where estimated cash flows and estimated discount rates are based on market data at the balance sheet date.

Forward currency contracts
Fair value is calculated using forward exchange market rates at the balance sheet date.

USPP
Fair value is calculated using discounted future cash flow techniques, where estimated cash flows and estimated discount rates are based on market data at the balance sheet date, in combination with restatement to current foreign exchange rates.

(ii) Interest rate risk

The Group had the following classes of financial assets and financial liabilities exposed to floating interest rate risk:

	2018 $m	2017 $m
Financial assets		
Cash assets	**95.4**	29.8
Short term deposits	**14.9**	6.0
Total financial assets	**110.3**	35.8
Financial liabilities		
Bank loans - unsecured [a]	**220.0**	449.5
USPP cross currency swaps	**311.5**	430.0
Derivatives [b]	**(198.0)**	(430.0)
Total financial liabilities	**333.5**	449.5

a Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. The floating rates represent the most recently determined rate applicable to the instrument at the balance sheet date.

b Notional principal amounts.

(iii) Financial instruments - interest rate swaps

Interest rate swaps meet the requirements to qualify for cash flow hedge accounting and are stated at fair value.

These swaps are being used to hedge the exposure to variability in cash flows attributable to movements in the reference interest rate of the designated debt or instrument and are assessed as highly effective in offsetting changes in the cash flows attributable to such movements. Hedge effectiveness is measured by comparing the change in the fair value of the hedged item and the hedging instrument respectively each quarter. Any difference represents ineffectiveness and is recorded in the income statement.

The notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2018	2017
Less than one year	**-**	94.0
One to five years	**148.0**	336.0
More than five years	**50.0**	100.0
Notional Principal	**198.0**	530.0
Fixed interest rate range p.a.	**2.4% - 6.0%**	2.4% - 7.3%
Variable interest rate range p.a.	**2.1%**	1.7%

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Net settlement receipts and payments are recognised as an adjustment to interest expense on an accruals basis over the term of the swaps, such that the overall interest expense on borrowings reflects the average cost of funds achieved by entering into the swap agreements.

(iv) Financial instruments - cross currency swaps (cash flow hedges)
Cross currency swap contracts are classified as cash flow hedges and are stated at fair value.

These cross currency swaps, in conjunction with interest rate swaps are being used to hedge the exposure to the cash flow variability in the value of the USD debt under the USPP and are assessed as highly effective in offsetting changes in movements in the forward USD exchange rate. Hedge effectiveness is measured by comparing the change in the fair value of the hedged item and the hedging instrument respectively each quarter. Any difference represents ineffectiveness and is recorded in the income statement.

Financial instruments - cross currency swaps (fair value hedges)
These cross currency swaps are being used to hedge the exposure to fair value changes of the USD debt under the USPP as a result of fluctuations in the underlying USD to AUD exchange rate and US interest benchmark and are assessed as highly effective. The decrease in fair value of the cross currency swaps at fair value of $12.1 million (2017: nil) has been recognised in finance costs and offsetting gain on the USPP borrowings. The ineffectiveness recognised in FY18 was immaterial.

The principal amounts and periods of expiry of the cross currency swap contracts are as follows:

	2018		**2017**	
	AUD $m	**USD $m**	**AUD $m**	**USD $m**
Less than one year	**-**	**-**	94.0	100.0
One to five years	**98.1**	**105.0**	336.0	360.0
More than five years	**433.4**	**338.4**	-	-
Notional principal	**531.5**	**443.4**	430.0	460.0
Fixed interest rate range p.a.		**4.3% - 5.9%**		5.1% - 5.7%
Variable interest rate range p.a.	**4.7% - 5.5%**		4.6% - 4.9%	

The terms and conditions in relation to interest rate and maturity of the cross currency swaps are similar to the terms and conditions of the underlying hedged USPP borrowings as set out in note B7.

(v) Financial instruments - forward currency contracts
Forward currency contracts meet the requirements to qualify for cash flow hedge accounting and are stated at fair value.

These contracts are being used to hedge the exposure to variability in the movement USD exchange rate arising from the Group's operations and are assessed as highly effective hedges as they are matched against known and committed payments. Any gain or loss on the hedged risk is taken directly to equity.

The notional amounts and periods of expiry of the foreign currency contracts are as follows:

	2018	**2017**
	$m	**$m**
Buy USD / sell AUD		
Less than one year	**0.9**	7.8
One to five years	**-**	0.9
More than five years	**-**	-
Notional principal	**0.9**	8.7
Average exchange rate (AUD/USD)	**0.97**	0.92

NOTES TO THE FINANCIAL STATEMENTS

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(vi) Financial instruments - fair value hierarchy

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 year.

(vii) Reconciliation of movement in financing activities

	2017	Cash flows	Changes in fair values	Foreign exchange movement	Option premium	Borrowing costs	2018
	$m	$m	$m	$m	$m	$m	$m
Interest bearing liabilities (refer to note B7)	(1,045.0)	248.7	12.1	(19.9)	(16.4)	0.5	**820.0**
Net derivative assets (refer to note B3)	143.8	(102.5)	(9.6)	-	-	-	**31.7**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

F Other disclosures

F1 Other comprehensive income

	2018 $m	2017 $m
Net loss on derivatives	**(18.9)**	(38.3)
Transfer of hedging reserve to the income statement [a]	**14.1**	19.2
Tax on above items recognised in other comprehensive income	**1.4**	5.7
	(3.4)	(13.4)

a The transfer related to the foreign exchange spot retranslation of the foreign debt is offset by the retranslation on the cross currency swaps in the net foreign exchange gain line in the income statement.

F2 Income tax

(i) Income tax expense

	2018 $m	2017 $m
The major components of income tax expenses are:		
Current tax expense	**(77.2)**	(106.2)
Adjustments in respect of current income tax of previous years	**4.3**	2.6
Deferred income tax benefit/(expense)	**10.6**	(12.0)
Income tax expense reported in the income statement	**(62.3)**	(115.6)
Aggregate of current and deferred tax relating to items charged or credited to equity:		
Current tax benefit reported in equity	**0.5**	-
Deferred tax benefit reported in equity	**1.7**	5.7
Income tax benefit reported in equity	**2.2**	5.7
Income tax expense		
A reconciliation between income tax expense and the product of accounting profit before income tax multiplied by the income tax rate is as follows:		
Accounting profit before income tax expense	**210.4**	380.0
At the Group's statutory income tax rate of 30%	**(63.1)**	(114.0)
- Recognition of temporary differences	**(2.2)**	(1.7)
- Research & Development tax offset	**2.9**	2.5
- Tax consolidation reset	**2.6**	-
- Other items	**(2.5)**	(2.4)
Aggregate income tax expense	**(62.3)**	(115.6)
Effective income tax rate	**29.6 %**	30.4 %

NOTES TO THE FINANCIAL STATEMENTS

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(ii) Deferred tax balances

The balance comprises temporary differences attributable to:

2018	Balance 1 July 2017 $m	Recognised in the income statement $m	Recognised directly in equity $m	Balance 30 June 2018 $m
Employee provisions	**18.3**	**1.6**	**-**	**19.9**
Other provisions and accruals	**10.7**	**4.2**	**-**	**14.9**
Provision for trade impaired debtors	**4.2**	**0.6**	**-**	**4.8**
Unrealised financial liabilities	**67.0**	**(38.7)**	**1.8**	**30.1**
Other	**6.4**	**(2.5)**	**0.3**	**4.2**
Deferred tax assets set off	**106.6**	**(34.8)**	**2.1**	**73.9**
Intangible assets	**(73.7)**	**1.6**	**-**	**(72.1)**
Property, plant and equipment	**(135.7)**	**1.4**	**-**	**(134.3)**
Unrealised financial assets	**(59.7)**	**41.9**	**(0.4)**	**(18.2)**
Other	**(25.7)**	**0.5**	**-**	**(25.2)**
	(294.8)	**45.4**	**(0.4)**	**(249.8)**
Net deferred tax (liabilities)/assets	**(188.2)**	**10.6**	**1.7**	**(175.9)**

2017	Balance 1 July 2016 $m	Recognised in the income statement $m	Recognised directly in equity $m	Balance 30 June 2017 $m
Employee provisions	18.2	0.1	-	18.3
Other provisions and accruals	14.6	(3.9)	-	10.7
Provision for trade impaired debtors	3.9	0.3	-	4.2
Unrealised financial liabilities	78.8	(6.2)	(5.6)	67.0
Other	6.6	(0.2)	-	6.4
Deferred tax assets set off	122.1	(9.9)	(5.6)	106.6
Intangible assets	(72.4)	(1.3)	-	(73.7)
Property, plant and equipment	(133.8)	(1.9)	-	(135.7)
Unrealised financial assets	(76.8)	5.8	11.3	(59.7)
Other	(21.0)	(4.7)	-	(25.7)
	(304.0)	(2.1)	11.3	(294.8)
Net deferred tax (liabilities)/assets	(181.9)	(12.0)	5.7	(188.2)

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(iii) Tax consolidation

Effective June 2011, The Star Entertainment Group Limited (the ***Head Company***) and its 100% owned subsidiaries formed an income tax consolidation group. Members of the tax consolidation group entered into a tax sharing arrangement that provides for the allocation of income tax liabilities between the entities should the Head Company default on its tax payment obligations. At balance date, the possibility of default is remote.

Tax effect accounting by members of the tax consolidation group

Members of the tax consolidation group have entered into a tax funding agreement effective June 2011. Under the terms of the tax funding agreement, the Head Company and each of the members in the tax consolidation group have agreed to make a tax equivalent payment to or from the Head Company, based on the current tax liability or current tax asset of the member. Deferred taxes are recorded by members of the tax consolidation group in accordance with the principles of AASB 112 'Income Taxes'. Calculations under the tax funding agreement are undertaken for statutory reporting purposes.

The allocation of taxes under the tax funding agreement is recognised as either an increase or decrease in the subsidiaries' intercompany accounts with the Head Company. The Group has chosen to adopt the Group Allocation method as outlined in Interpretation 1052 'Tax Consolidation Accounting' as the basis to determine each members' current and deferred taxes. The Group Allocation method as adopted by the Group will not give rise to any contribution or distribution of the subsidiaries' equity accounts as there will not be any differences between the current tax amount that is allocated under the tax funding agreement and the amount that is allocated under the Group Allocation method.

(iv) Income tax payable

The balance of income tax payable is the net of current tax and tax instalments/refunds during the year. A current tax liability arises where current tax exceeds tax instalments paid and a current tax receivable arises where tax instalments paid exceed current tax.

The income tax (payable) balance is attributable to:

2018	(Payable) 1 July 2017 $m	(Increase) / decrease in tax payable $m	Tax instalment paid $m	Over provision of tax $m	Other $m	(Payable) / receivable 30 June 2018 $m
Tax consolidated group - year ended 30 June 2018	-	(76.7)	74.6	-	-	(2.1)
Tax consolidated group - year ended 30 June 2017 [a]	(28.8)	1.7	26.0	2.6	0.3	1.8
Prior years	-	-	-	-	-	-
Total Australia	(28.8)	(75.0)	100.6	2.6	0.3	(0.3)
Overseas subsidiaries	-	-	-	-	-	-
Total	(28.8)	(75.0)	100.6	2.6	0.3	(0.3)

a The decrease in tax payable is an amendment to the income tax return relating to the application of the tax consolidation reset.

2017	(Payable) 1 July 2016 $m	(Increase) in tax payable $m	Tax instalment paid $m	Over provision of tax $m	Other $m	(Payable) 30 June 2017 $m
Tax consolidated group - year ended 30 June 2017	-	(106.2)	77.4	-	-	(28.8)
Tax consolidated group - year ended 30 June 2016	(20.8)	-	18.2	2.6	-	-
Prior years	-	-	-	-	-	-
Total Australia	(20.8)	(106.2)	95.6	2.6	-	(28.8)
Overseas subsidiaries	-	-	-	-	-	-
Total	(20.8)	(106.2)	95.6	2.6	-	(28.8)

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F3 Earnings per share

	2018 $m	2017 $m
Net profit after tax attributable to ordinary shareholders	**148.1**	264.4
Basic earnings per share (cents per share)	**17.5**	32.0
Diluted earnings per share (cents per share)	**17.5**	31.9

	2018 Number	2017 Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares issued at the beginning of the year	**825,672,730**	825,672,730
Adjustment for issue of new share capital on 16 April 2018 [a]	**19,083,288**	-
Weighted average number of shares used as the denominator	**844,756,018**	825,672,730
Adjustment for calculation of diluted earnings per share:		
Adjustment for Performance Rights	**1,243,216**	2,037,596
Weighted average number of ordinary shares and potential ordinary shares as used as the denominator in calculating diluted earnings per share at the end of the year	**845,999,234**	827,710,326

a New shares issued during the year of 91,650,000, being a weighted average for 76 days of 19,083,288.

F4 Other assets

	2018 $m	2017 $m
Current		
Prepayments	**41.4**	56.7
Other assets	**3.4**	4.2
	44.8	60.9
Non current		
Rental paid in advance	**9.7**	9.9
Other assets	**1.5**	2.0
	11.2	11.9

Other assets above are shown net of impairment of nil (2017: nil).

F5 Trade and other payables

	2018 $m	2017 $m
Trade creditors and accrued expenses	**363.3**	322.4
Interest payable	**2.5**	2.1
	365.8	324.5

Trade and other payables of $365.8 million were up 12.7%, predominately relating to players' funds deposited at 30 June 2018, which increased in line with the International VIP Rebate volume.

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F6 Provisions

	2018 $m	2017 $m
Current		
Employee benefits	**57.6**	52.8
Workers' compensation	**6.9**	7.6
Other	**-**	6.1
	64.5	66.5
Non-current		
Employee benefits	**7.9**	8.2
Other	**5.0**	1.7
	12.9	9.9

Reconciliation

Reconciliations of each class of provision, except for employee benefits and other, at the end of each financial year are set out below:

Workers' compensation reconciliation

	Workers' compensation (current) $m	Other (non-current) $m
2018		
Carrying amount at beginning of the year	**7.6**	**1.7**
Provisions made during the year	**0.9**	**3.3**
Provisions utilised during the year	**(1.6)**	**-**
Carrying amount at end of the year	**6.9**	**5.0**
2017		
Carrying amount at beginning of the year	7.8	3.4
Provisions made during the year	1.3	-
Provisions utilised during the year	(1.5)	(1.7)
Carrying amount at end of the year	7.6	1.7

Nature and timing of provisions

Workers' compensation

The Group self insures for workers' compensation in both New South Wales and Queensland. A valuation of the estimated claims liability for workers' compensation is undertaken annually by an independent actuary. The valuations are prepared in accordance with the relevant legislative requirements of each state and 'Professional Standard 300' of the Institute of Actuaries. The estimate of claims liability includes a margin over case estimates to allow for the future development of known claims, the cost of incurred but not reported claims and claims handling expenses, which are determined using a range of assumptions. The timing of when these costs will be incurred is uncertain.

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F7 Other liabilities (current)

	2018 $m	2017 $m
Customer loyalty deferred revenue [a]	**18.7**	18.2
Other deferred revenue	**1.6**	2.9
	20.3	21.1

a The Group operates customer loyalty programs enabling customers to accumulate award credits for gaming and on-property spend. A portion of the spend, equal to the fair value of the award credits earned, is treated as deferred revenue, and recognised in the income statement when the award is redeemed or expires.

F8 Share capital and reserves

(i) Share capital

Ordinary shares - issued and fully paid [a]	**2,580.5**	2,580.5
Issue of share capital [b]	**489.7**	-
	3,070.2	2,580.5

a 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.

b On 16 April 2018, the Company issued fully paid ordinary shares to nominated entities of CTF and FEC, as announced to the market on 29 March 2018.

	2018 Number of shares	2017 Number of shares
Movements in ordinary share capital		
Balance at beginning of the year	**825,672,730**	825,672,730
Issue of fully paid ordinary shares on 16 April 2018	**91,650,000**	-
Balance at the end of the year	**917,322,730**	825,672,730

(ii) Reserves (net of tax)

	2018 $m	2017 $m
Hedging reserve [a]	**(17.2)**	(13.8)
Share based payments reserve [b]	**10.2**	6.6
	(7.0)	(7.2)

Nature and purpose of reserves

a The hedging reserve records fair value changes on the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

b The share based payments reserve is used to recognise the value of equity settled share based payment transactions provided to employees, including Key Management Personnel as part of their remuneration. Refer to note F10 for further details on these plans.

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(iii) Capital management

The Group's objectives when managing capital are to ensure the Group continues as a going concern while providing optimal returns to shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to be paid to shareholders, return capital to shareholders or issue new shares. Gearing is managed primarily through the ratio of net debt to earnings before interest, tax, depreciation, amortisation, impairment, significant items and share of the net loss of associate and joint venture entities.

Net debt comprises interest bearing liabilities, with US dollar borrowings translated at the 30 June 2018 USD/AUD spot rate of 1.3505 (2017: 1.3003), after adjusting for cash and cash equivalents and derivative financial instruments.

The Group's capital management also aims to ensure that it meets financial covenants attached to the interest bearing loans and borrowings that define capital structure requirements. There have been no breaches of the financial covenants of any interest bearing loans and borrowings in the current period. Other than these banking covenants, the Group is not subject to externally imposed capital requirements.

	2018 $m	2017 $m
Gross Debt	**820.0**	1,045.0
Net Debt [a]	**678.0**	787.5
EBITDA	**474.8**	586.2
Gearing ratio (times)	**1.4 x**	1.3 x

a Net debt is stated after adjusting for cash and cash equivalents less the net position of derivative financial instruments.

F9 Reconciliation of net profit after tax to net cash inflow from operations

	Note	2018 $m	2017 $m
Net profit after tax		**148.1**	264.4
- Depreciation and amortisation	A4	**187.2**	164.5
- Employee share based payments expense	F10	**5.5**	3.8
- Unrealised foreign exchange gain	A3	**-**	(1.1)
- Bad and doubtful debts expense	A3	**7.6**	18.7
- Finance costs	A5	**78.2**	42.7
- Share of net loss of associate and joint venture entities	D5	**0.1**	0.7
Working capital changes			
- Increase in trade and other receivables and other assets		**(19.8)**	(99.4)
- Increase in inventories		**(3.6)**	(2.9)
- Increase in trade and other payables, accruals and provisions		**32.2**	62.0
- (Decrease)/increase in tax provisions		**(38.4)**	19.9
Net cash inflow from operating activities		**397.1**	473.3

Operating cash flow before interest and tax was $496.7 million, down 12.5% on the pcp following the low win rate in the International Rebate Business, with 105% EBITDA to cash conversion ratio.

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F10 Employee share plans

During the current and prior periods, the Company issued Performance Rights under the Long Term Performance Plan to eligible employees. The share based payment expense of $5.5 million (2017: $3.8 million) in respect of the equity instruments granted is recognised in the income statement.

The number of Performance Rights granted to employees and forfeited or lapsed during the year are set out below.

2018 **Grant Date**	**Balance at start of year**	**Granted during the year**	**Forfeited during the year**	**Lapsed during the year**	**Vested during the year** [a]	**Balance at end of year**
1 October 2013	**461,198**	**-**	**-**	**-**	**461,198**	**-**
26 September 2014	**921,619**	**-**	**-**	**-**	**-**	**921,619**
21 September 2015	**694,470**	**-**	**28,922**	**-**	**-**	**665,548**
5 October 2016	**1,141,975**	**47,904**	**43,464**	**-**	**-**	**1,146,415**
2 October 2017	**-**	**1,785,585**	**50,868**	**-**	**-**	**1,734,717**
	3,219,262	**1,833,489**	**123,254**	**-**	**461,198**	**4,468,299**

2017 Grant Date	Balance at start of year	Granted during the year	Forfeited during the year	Lapsed during the year [b]	Vested during the year	Balance at end of year
19 September 2012	540,583	-	-	540,583	-	-
1 October 2013	461,198	-	-	-	-	461,198
26 September 2014	895,208	26,411	-	-	-	921,619
21 September 2015	662,328	32,142	-	-	-	694,470
5 October 2016	-	1,158,988	17,013	-	-	1,141,975
	2,559,317	1,217,541	17,013	540,583	-	3,219,262

Grants from 1 October 2013 include a market based hurdle (relative TSR) and an EPS component. The Performance Rights have been independently valued. For the relative TSR component, valuation was based on assumptions underlying the Black-Scholes methodology to produce a Monte-Carlo simulation model. For the EPS component, a discounted cash flow technique was utilised. The total value does not contain any specific discount for forfeiture if the employee leaves the Group during the vesting period. This adjustment, if required, is based on the number of equity instruments expected to vest at the end of each reporting period.

a Performance rights granted on 1 October 2013 were tested and vested on 1 October 2017. The TSR percentile rank for the Company was 85.9%, above the target percentile of 75%. Accordingly 100% of the TSR component vested. The EPS performance was 24.9 cents and was above the target of 21.8 cents approved by the Board. Accordingly 100% of the EPS component vested.

b Performance rights granted on 19 September 2012 were tested on 19 September 2016 and did not vest. The TSR percentile rank for the Company was 46.77% and TSR was 54.54%; as a result these Performance Rights lapsed and no shares were issued to participants.

The key assumptions underlying the Performance Rights valuations are set out below:

Effective grant date	**Test and vesting date**	**Share price at date of grant** **$**	**Expected volatility in share price** **%**	**Expected dividend yield** **%**	**Risk free interest rate** **%**	**Average Fair Value per Performance Right** **$**
1 October 2013	1 October 2017	2.68	27.00 %	1.75 %	3.03 %	2.01
26 September 2014	26 September 2018	3.31	27.00 %	2.90 %	2.88 %	2.45
21 September 2015	21 September 2019	4.82	28.00 %	2.70 %	1.98 %	3.53
5 October 2016	5 October 2020	5.89	25.03 %	2.74 %	1.68 %	4.27
2 October 2017	2 October 2021	5.17	24.40 %	2.98 %	2.28 %	4.02

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F11 Auditor's remuneration

	2018 $	2017 $
Amounts received or due and receivable by Ernst & Young (Australia) for:		
- An audit or review of the Financial Report of the Company and any other entity in the consolidated group	**1,005,000**	899,603
- Other services in relation to the Company and any other entity in the consolidated group:		
- Assurance related	**22,000**	-
- Other non-audit services including taxation services	**116,253**	272,439
	1,143,253	1,172,042
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
- Assurance related services	**-**	-

The auditor of the Company and its controlled entities is Ernst & Young. From time to time, Ernst & Young provides other services to the Group, which are subject to strict corporate governance procedures encompassing the selection of service providers and the setting of their remuneration. The Chair of the Audit Committee (or authorised delegate) must approve any other services provided by Ernst & Young to the Group.

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G Accounting policies and corporate information

Significant accounting policies are contained within the financial statement notes to which they relate and are not detailed in this section.

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 year ended 30 June 2018 comprises the Company and its controlled entities (collectively referred to as the ***Group***). The Company's registered office is Level 3, 159 William Street, Brisbane QLD 4000.

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

The Financial Report was authorised for issue by the Directors on 24 August 2018.

Basis of preparation

The Financial Report is a general purpose Financial Report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory Financial Reporting requirements in Australia.

The financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below and elsewhere in this report. The policies used in preparing the financial statements are consistent with those of the previous year except as indicated under 'Changes in accounting policies and disclosures'.

Significant accounting judgements, estimates and assumptions

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

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

- Asset useful lives and residual values (refer notes A4 and B5);
- Impairment of assets (refer note B6);
- Valuation of derivatives and other financial instruments (refer note B3);
- Provision for impairment of trade receivables (refer note B2);
- Significant items (refer note A7); and
- Provisions (refer note F6).

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 and amended accounting standards, which became applicable from 1 July 2017:

Reference	Title
AASB 2016-2	Amendments to Australian Accounting Standards - Disclosure Initiative: Amendment to AASB 107
AASB 2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses
AASB 2017-2	Amendments to Australian Accounting Standards – Further Annual Improvements to Australian Accounting Standards 2014-2016 Cycle

The adoption of these standards did not have any material effect on the financial position or performance of the Group, additional disclosures have been made where required.

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. Those significant pronouncements are disclosed in the table below:

Reference	Title	Application date
AASB 9 *	Financial Instruments	1 January 2018
AASB 15 *	Revenue from Contracts with Customers	1 January 2018
AASB 16 *	Leases	1 January 2019

*AASB 9 will replace the incurred loss model under AASB 139 with a new expected-loss impairment model, which will accelerate the recognition of expected credit losses. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all its trade receivables and other receivables. The Group has determined that the adoption of AASB 9 will not have a material impact on the provision for impairment on its trade receivables.

AASB 9 also simplifies the requirements for hedge effectiveness testing in relation to general hedge accounting. The Group has determined the adoption of AASB 9 will not result in a significant change to the classification of financial assets and liabilities nor a material impact on the Group's financial position or net profit. The Group adopted the new standard on 1 July 2018 on a cumulative basis rather than retrospectively adjusting prior periods.

*AASB 15 establishes a single comprehensive model for accounting for revenue arising from contracts with customers. The core principles of AASB 15 is that an entity should recognise revenue equating to the transfer of promised goods or

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services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. It also requires more detailed disclosures to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Group adopted the new standard on 1 July 2018 on a cumulative basis rather than retrospectively adjusting prior periods.

The standard changes the accounting for complimentary services (including rooms, food and beverage, and other services) that are provided to casino guests as incentives related to gaming play. Complimentary revenues are currently excluded from revenues in the accompanying consolidated income statement prepared in accordance with AASB 118. Upon adoption of the new standard, gaming revenue will decrease due to complimentary services provided and revenue will be recognised in the resulting business category of the goods or services provided when the services are rendered. The cost of providing such complimentary services will be regrouped in the respective business categories. Certain rebate commission arrangements with third parties will be reclassified out of expenses and netted with revenue. The adoption of this standard is not expected to have a material impact on the Group's financial position or net profit.

*Under AASB 16, the distinction between finance and operating leases is eliminated for lessees (with the exception of short-term and low value leases). Both finance leases and operating leases will result in the recognition a right-of-use ("ROU") asset and a corresponding lease liability on the balance sheet. The liability is initially measured at the present value of future lease payments for the lease term and the ROU asset reflects the lease liability and initial direct costs, less any lease incentives and amounts required for dismantling.

AASB 16 must be implemented retrospectively, however the Group has the option as to whether to restate comparatives or have the cumulative impact of application recognised in opening retained earnings on 1 July 2019 ("modified retrospective approach").

The standard is expected to have a material impact on the Group's consolidated balance sheet and income statement. The ROU asset and lease liability is expected to be material for the Group's current lease portfolio, including long-term leases for the Sydney and Brisbane properties. The transition to AASB 16 will result in a change in presentation in the consolidated income statement. Rental expenses currently disclosed under property costs will be replaced by an interest expense attributable to the lease liability and a depreciation charge for the ROU asset.

The Group will continue to assess the impact of the standard with the next steps including a detailed review of all agreements.

Basis of consolidation

Controlled entities

The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Controlled entities are consolidated from the date control is transferred to the Group and are no longer consolidated from the date control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

Foreign currency

The consolidated financial statements are presented in Australian dollars ($) which is the Group's functional and presentation currency.

Transactions and balances

Transactions denominated in foreign currencies are translated at the rate of exchange ruling on the transaction date.

Monetary items denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Gains and losses arising from the translation are credited or charged to the income statement, with the exception of differences on foreign currency borrowings that are in an effective hedge relationship. These are taken directly to equity until the liability is extinguished, at which time they are recognised in the income statement.

Net finance costs

Finance income is recognised as the interest accrues, using the effective interest method. Finance costs consist of interest and other borrowing costs incurred in connection with the borrowing of funds. Finance costs directly associated with qualifying assets are capitalised, all other finance costs are expensed, in the period in which they occur.

Taxation

Income tax

Income tax comprises current and deferred income tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- goodwill; and
- the initial recognition of an asset or liability in a transaction which is not a business combination and that affect neither accounting nor taxable profit at the time of the transaction.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

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Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Goods and Services Tax (GST)
Revenues, expenses, assets and liabilities are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- casino revenues, due to the GST being offset against government taxes; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Cash and cash equivalents
Cash and cash equivalents are carried in the balance sheet at face value. Cash and cash equivalents include cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash for the purpose of the statement of cash flows.

Trade and other receivables
Trade receivables are recognised and carried at original settlement amount less a provision for impairment, where applicable. Bad debts are written off when they are known to be uncollectible. Subsequent recoveries of amounts previously written off are credited to the income statement. Other receivables are carried at amortised cost less impairment.

Inventories
Inventories include consumable stores, food and beverage and are carried at the lower of cost and net realisable value. Inventories are costed on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business.

Property, plant and equipment
Refer to notes A4 and B4 for further details of the accounting policy, including useful lives of property, plant and equipment.

Freehold land is included at cost and is not depreciated. All other items of property, plant and equipment are stated at historical cost net of depreciation, amortisation and impairment, and depreciated over periods deemed appropriate to reduce carrying values to estimated residual values over their useful lives. Historical cost includes expenditure that is directly attributable to the acquisition of these items.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Costs arising subsequent to the acquisition of an asset are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial year in which they are incurred.

Costs relating to development projects are recognised as an asset when it is:

- probable that any future economic benefit associated with the item will flow to the entity; and
- it can be measured reliably.

If it becomes apparent that the development will not occur, the amount is expensed to the income statement.

Intangible assets
Goodwill
Goodwill represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired and liabilities assumed. Goodwill is assessed for impairment on an annual basis and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose.

Other intangible assets
Indefinite life intangible assets are not amortised and are assessed annually for impairment. Expenditure on gaming licences acquired, casino concessions acquired, computer software and other intangibles are capitalised and amortised using the straight line method as described in note B5.

Software
Costs associated with developing or maintaining computer software programs are recognised as expenses as incurred. However, costs that are directly associated with identifiable and unique software products controlled by the Group and which have probable economic benefits exceeding the costs beyond one year are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of the relevant overheads. Expenditure meeting the definition of an asset is recognised as a capital improvement and added to the

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original cost of the asset. These costs are amortised using the straight line method, as described in note B5.

Casino licences and concessions
Refer to note B5 for details and accounting policy.

Impairment of assets
Assets that have an indefinite useful life are not subject to depreciation or amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units). Refer to note B6 for further details of key assumptions included in the impairment calculation.

Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Investment in associate and joint venture entities
Associates are all entities over which the Group has significant influence but not control or joint control. Joint control is the contractually agreed sharing of the joint arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. A joint venture is a type of arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. The Group's investments in associate and joint venture entities are accounted for using the equity method of accounting, after initially being recognised at cost. Under the equity method of accounting, the investments are initially recognised at cost and are subsequently adjusted to recognise the Group's share of the post-acquisition profits or losses of the investee in the income statement, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received are recognised as a reduction in the carrying amount of the investment. The carrying amount of equity-accounted investments is tested for impairment in accordance with the Group's policy.

Interest bearing liabilities
Interest bearing liabilities are recognised initially at fair value and include transaction costs. Subsequent to initial recognition, interest bearing liabilities are recognised at amortised cost using the effective interest rate method. Any difference between proceeds and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest rate method.

Interest bearing liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Leases
Leases of assets where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Leases of assets under which substantially all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

Employee benefits
Post-employment benefits
The Group's commitment to defined contribution plans is limited to making the contributions in accordance with the minimum statutory requirements. There is no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees relating to current and past employee services.

Superannuation guarantee charges are recognised as expenses in the income statement as the contributions become payable. A liability is recognised when the Group is required to make future payments as a result of employees' services provided.

Long service leave
The Group's net obligation in respect of long term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using rates attached to bonds with sufficiently long maturities at the balance sheet date, which have maturity dates approximating to the terms of the Group's obligations.

Annual leave
Liabilities for annual leave are calculated at discounted amounts based on remuneration rates the Group expects to pay, including related on-costs when the liability is expected to be settled. Annual leave is another long term benefit and is measured using the projected credit unit method.

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Share based payment transactions
The Company operates the Long Term Performance Plan (***LTPP***), which is available to employees at the most senior executive levels. Under the LTPP, employees may become entitled to Performance Rights which may potentially convert to ordinary shares in the Company. The fair value of Performance Rights is measured at grant date and is recognised as an employee expense (with a corresponding increase in the share based payment reserve) over four years from the grant date irrespective of whether the Performance Rights vest to the holder. A reversal of the expense is only recognised in the event the instruments lapse due to cessation of employment within the vesting period.

The fair value of the Performance Rights is determined by an external valuer and takes into account the terms and conditions upon which the Performance Rights were granted.

Under the Company's short term performance plan (***STPP***), eligible employees receive two thirds of their annual STPP entitlement in cash and one third in the form of restricted shares which are subject to a holding lock for a period of twelve months. These shares are forfeited in the event that the employee voluntarily terminates from the Company during the 12 month holding lock period.

The cost is recognised in employment costs, together with a corresponding increase in equity (share based payment reserve) over the service period. No expense is recognised for awards that do not ultimately vest. A liability is recognised for the fair value of cash settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employment costs.

Derivative financial instruments
The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its Treasury Policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value at the date the derivative contract is entered into and are subsequently remeasured to fair value at the end of each reporting period. The resulting gain or loss is recognised immediately in the income statement. However, where derivatives qualify for cash flow hedge accounting, the effective portion of the gain or loss is deferred in equity while the ineffective portion is recognised in the income statement.

The fair value of interest rate swap, cross currency swap and forward currency contracts is determined by reference to market values for similar instruments. Refer to note E2 for details of fair value determination.

Derivative assets and liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if:

- there is a currently enforceable legal right to offset the recognised amount; and
- there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Hedging
Cash flow hedges
Where a derivative financial instrument is designated as a hedge of the exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecast transaction subsequently results in the recognition of a non financial asset or liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, then the associated gains and losses that were recognised directly in equity are reclassified into the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement (i.e. when interest income or expense is recognised). For cash flow hedges, the effective part of any gain or loss on the derivative financial instrument is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects the income statement. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the designation of the hedge relationship is revoked but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

Fair value hedges
Where a derivative financial instrument is designated as a hedge of the exposure to variability in the fair value of a recognised asset or liability, any change in the fair value of the hedge is recognised in the income statement as a finance cost. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the income statement as a finance cost.

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Issued capital
Issued and paid up capital is recognised at the fair value of the consideration received. Issued capital comprises ordinary shares. Any transaction costs directly attributable to the issue of ordinary shares are recognised directly in equity, net of tax, as a reduction of the share proceeds received.

Operating segment
An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's executive decision makers to allocate resources and assess its performance.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:
- nature of the products and services;
- type or class of customer for the products and services;
- methods used to distribute the products or provide the services; and
- nature of the regulatory environment.

Segment results include revenue and expenses directly attributable to a segment and exclude significant items.

Capital expenditure represents the total costs incurred during the period to acquire segment assets, including capitalised interest.

Dividend distributions
Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are declared.

Basic earnings per share
Basic earnings per share is calculated by dividing the net earnings after tax for the period by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share
Diluted earnings per share is calculated by dividing the net earnings attributable to ordinary equity holders adjusted by the after tax effect of:
- any dividends or other items related to dilutive potential ordinary shares deducted in arriving at profit or loss attributable to ordinary equity holders;
- any interest recognised in the period related to dilutive potential ordinary shares; and
- any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares;

by the weighted average number of issued ordinary shares plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2018

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

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

(i) giving a true and fair view of the Group's consolidated financial position as at 30 June 2018 and of its performance for the year ended on that date; and

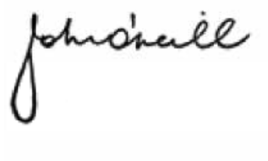
(ii) complying with the Accounting Standards and the Corporations Regulations 2001;

(b) the Financial Report also complies with International Financial Reporting Standards as disclosed in note G; and

(c) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of Directors.



John O'Neill AO
Chairman
Sydney
24 August 2018

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2018

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of The Star Entertainment Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2018

EY
Building a better working world

Recoverability of trade receivables

Why significant to the audit	How our audit addressed the key audit matter
As disclosed in Note B2, the Group's consolidated statement of financial position included \$208.4m of gross trade receivables and an associated provision for impairment of \$16m at 30 June 2018. The Directors' assessment as to the recoverability of trade receivables relating to VIP revenue involves judgment, specifically relating to the individual circumstances of each aged debtor. This was a key audit matter due to the inherent subjectivity that is involved in making judgments in relation to credit exposures to determine the recoverability of trade receivables.	Our audit procedures included the following: • Reviewed the Group's data around historical collections of aged receivables to determine the reasonableness of the provisioning. • Selected samples of the larger aged trade receivable balances where both a provision for impairment of trade receivables was recognised and was not recognised and assessed the rationale behind the provisioning decisions made by the Group for each debtor. We considered historical payment patterns, whether any post year-end payments had been received and examined the Group's available information regarding individual debtor circumstances. • Reviewed the accuracy of historical provisions recorded by the Group by analysing actual outcomes for debt recovery and/or write off against historical provisions. • We assessed the Group's receivables disclosures and related impairment provisions in the financial report.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2018

Building a better working world

Goodwill impairment assessment

Why significant to the audit	How our audit addressed the key audit matter
At 30 June 2018, the Group's consolidated statement of financial position included $1,442.2m of goodwill. As disclosed in Note B6 to the consolidated financial statements, the Directors' impairment testing of goodwill involved critical accounting estimates and assumptions, specifically relating to future discounted cash flows. These estimates and assumptions, summarised in Note B6 to the consolidated financial statements, are impacted by the future performance of the Group, market and regulatory environments. We considered this to be a key audit matter due to the magnitude of the balance and the significant judgments and assumptions involved in the impairment testing process.	Our audit procedures included the following: • Assessed whether the methodology used by the Directors met the requirements of Australian Accounting Standards. • Tested the mathematical accuracy of the Group's discounted cash flow model. • Compared the cash flow forecasts with the Board approved five-year business. • Together with our valuation specialists, we assessed the assumptions supporting the cash flow forecasts. • Considered the discount rate and the terminal growth rate used with involvement from our valuation specialists. • Evaluated the sensitivity analysis performed by the Group focusing on the Cash-Generating Units where we believed a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount. • Evaluated whether the impairment disclosures including the judgments and estimates disclosures in the consolidated financial report met the requirements of Australian Accounting standards.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2018

EY
Building a better working world

Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Group's 2018 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2018

Building a better working world

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 35 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of The Star Entertainment Group Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Megan Wilson

Megan Wilson
Partner
Sydney
24 August 2018

SHAREHOLDER INFORMATION

AS AT 24 AUGUST 2018

ORDINARY SHARE CAPITAL

The Star Entertainment Group Limited has 917,322,730 fully paid ordinary shares on issue.

SHAREHOLDING RESTRICTIONS

The Star Entertainment Group's Constitution, as well as certain agreements entered into with the New South Wales Independent Liquor and Gaming Authority and the Queensland Office of Liquor and Gaming Regulation, contain certain restrictions prohibiting an individual from having a voting power of more than 10% in The Star Entertainment Group without the written consent of the New South Wales Independent Liquor and Gaming Authority and of the Queensland Minister. The Star Entertainment Group may refuse to register any transfer of shares which would contravene these shareholding restrictions or require divestiture of the shares that cause an individual to exceed the shareholding restrictions.

In July 2012, written consent was granted by the New South Wales Independent Liquor and Gaming Authority and the relevant Queensland Minister for Perpetual Investment Management Limited to increase its shareholding in The Star Entertainment Group from 10% up to a maximum of 15% of issued shares.

In December 2015, written consent was granted by the New South Wales Independent Liquor and Gaming Authority and the relevant Queensland Minister for Genting Hong Kong Limited and its associates to increase their aggregate potential voting power in The Star Entertainment Group from 10% up to an effective maximum of 23% (which may be adjusted in certain circumstances).

VOTING RIGHTS

All ordinary shares issued by The Star Entertainment Group Limited carry one vote per share. Performance rights do not carry any voting rights.

Gambling legislation in New South Wales and Queensland and The Star Entertainment Group's Constitution contain provisions regulating the exercise of voting rights by persons with prohibited shareholding interests, as well as the regulation of shareholding interests.

The relevant Minister has the power to request information to determine whether a person has a prohibited shareholding interest. If a person fails to furnish these details within the time specified or, in the opinion of the Minister, the information is false or misleading, then the Minister can declare the voting rights of those shares suspended.

Failure to comply with gambling legislation in New South Wales and Queensland or The Star Entertainment Group's Constitution, including the shareholder restrictions mentioned above, may result in suspension of voting rights.

EQUITY PLACEMENT

On 29 March 2018, The Star Entertainment Group Limited announced that:

a. it had entered into a subscription agreement dated 28 March 2018 with its joint venture partners, Chow Tai Fook Enterprises Limited (**CTF**) and Far East Consortium International Limited (**FEC**) (**Subscription Agreement**) under which the respective nominated entities of each of CTF and FEC separately acquire 45,825,000 new fully paid ordinary shares in The Star Entertainment Group (equivalent to a 4.99% stake each) at $5.35 per share, for a total consideration of $245,163,750 each; and

b. in addition to existing agreements, The Star Entertainment Group had entered into a Strategic Alliance Agreement with CTF and FEC which provides a framework for the three parties to work together further to grow The Star Entertainment Group's properties and businesses, collaborate on potentially mutually beneficial development opportunities and establish a marketing alliance (**Strategic Alliance**).

In accordance with the terms of the Subscription Agreement, 45,825,000 new fully paid ordinary shares were issued to each of the respective nominated entities of CTF and FEC on 16 April 2018.

TOP-UP RIGHT

The Subscription Agreement grants to CTF and FEC certain top-up rights that entitles each of them to participate in future equity raisings undertaken by The Star Entertainment Group during the term of the Strategic Alliance in order to maintain their pre-equity raising ownership interests (**Top-Up Right**).

The ASX has granted The Star Entertainment Group a waiver from listing rule 6.18 which prohibits an entity from granting an option exercisable over a percentage of the entity's capital. The waiver granted by ASX permits CTF and FEC (and their nominees) to maintain, by way of a right to participate in any issue of shares or to subscribe for shares, their percentage relevant interest in the issued share capital of The Star Entertainment Group in respect of a diluting event.

The waiver from listing rule 6.18 is subject to the terms and conditions imposed by ASX which are set out in The Star Entertainment Group's ASX Announcement dated 21 May 2018, including a requirement that a summary of the Top-Up Right be included in each Annual Report.

SHAREHOLDER INFORMATION

AS AT 24 AUGUST 2018

In accordance with the Top-Up Right, if The Star Entertainment Group undertakes an equity raising during the term of the Strategic Alliance which would result in The Star Entertainment Group issuing 1% or more of its share capital (or would have such an effect in the case of an issue of convertible securities) (**Equity Raising**), then The Star Entertainment Group must give each of CTF and FEC (or their respective nominees) an opportunity to participate in the Equity Raising on a basis that allows them to maintain their pre-Equity Raising shareholding percentage.

CTF and FEC (or their respective nominees) will be entitled to participate in the Equity Raising on the same terms and conditions (including price) as all other participants in the Equity Raising.

The Top-Up Right does not operate in respect of issues of securities:

- under a dividend or distribution plan;
- under an employee incentive scheme (including on the conversion of any convertible securities issued under any such scheme);
- pursuant to any takeover bid or scheme of arrangement; or
- as consideration for the acquisition of an asset by The Star Entertainment Group or any of its related bodies corporate.

The Top-Up Right will automatically terminate in circumstances where:

- CTF or FEC or their respective nominees and affiliates (as applicable) cease to hold the shares issued under the Subscription Agreement; or
- the waiver of ASX Listing Rule 6.18 ceases to apply (either as a result of the lapse of time or CTF or FEC no longer complying with the terms and conditions of the waiver), whichever occurs first.

If the Top-Up Right ceases or terminates, and The Star Entertainment Group undertakes an Equity Raising then (subject to any applicable laws, rules or regulations) it must consider making (but is not obliged to make) an offer to CTF and FEC (or their respective nominees) to participate in the Equity Raising on a basis that allows them to maintain their pre-Equity Raising shareholding percentage.

SUBSTANTIAL SHAREHOLDERS

The following is a summary of the substantial shareholders as at 24 August 2018 pursuant to notices lodged with ASX in accordance with section 671B of the Corporations Act 2001:

NAME	DATE OF INTEREST	NUMBER OF ORDINARY SHARES (i)	% OF ISSUED CAPITAL (ii)
National Australia Bank Limited and its associated entities	12 February 2018	44,668,903	5.41%
Firmament Investment Pte. Ltd and its associated entities	16 April 2018	45,825,000	4.995%
Far East Consortium International Limited, its controlled entities and its associated entities	16 April 2018	45,825,000	4.995%
Commonwealth Bank of Australia and its related bodies corporate	18 April 2018	56,654,931	6.18%
Perpetual Limited and its related bodies corporate (including Perpetual Investment Management Limited)	4 May 2018	96,392,380	10.51%

(i) As disclosed in the last notice lodged with the ASX by the substantial shareholder.
(ii) The percentage set out in the notice lodged with the ASX is based on the total issued share capital of The Star Entertainment Group Limited at the date of interest.

LESS THAN MARKETABLE PARCELS

There were 6,715 shareholders holding less than a marketable parcel of 95 ordinary shares (valued at $500 or less, based on a market price of $5.30) at the close of trading on 24 August 2018 and they hold a total of 425,524 ordinary shares.

SECURITIES PURCHASED ON-MARKET

The following securities were purchased on-market during the financial year for the purposes of The Star Entertainment Group's Long Term Performance Plan (LTPP) and General Employee Share Plan (GESP).

	NUMBER OF SHARES PURCHASED	AVERAGE PRICE PAID PER SHARE
Ordinary Shares (for GESP)	94,835	$5.5582
Ordinary Shares (for LTPP)	461,198	$5.2492

SHAREHOLDER INFORMATION

AS AT 24 AUGUST 2018

TWENTY LARGEST REGISTERED SHAREHOLDERS – ORDINARY SHARES*

RANK	NAME	NUMBER OF SHARES HELD	% OF ISSUED CAPITAL
1	HSBC CUSTODY NOMINEES	335,299,129	36.55%
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	151,148,395	16.48%
3	CITICORP NOMINEES PTY LIMITED	124,464,939	13.57%
4	NATIONAL NOMINEES LIMITED	73,657,304	8.03%
5	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	26,491,201	2.89%
6	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	23,250,943	2.53%
7	BNP PARIBAS NOMS PTY LTD <DRP>	13,940,145	1.52%
8	UBS NOMINEES PTY LTD	13,195,425	1.44%
9	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	8,474,097	0.92%
10	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING COLLATERAL >	7,165,000	0.78%
11	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	5,717,003	0.62%
12	NATIONAL NOMINEES LIMITED <N A/C>	4,873,518	0.53%
13	AMP LIFE LIMITED	2,075,652	0.23%
14	SEYMOUR GROUP PTY LTD	1,750,000	0.19%
15	BNP PARIBAS NOMS (NZ) LTD <DRP>	1,597,059	0.17%
16	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	1,583,384	0.17%
17	MUTUAL TRUST PTY LTD	1,536,349	0.17%
18	ARGO INVESTMENTS LIMITED	1,500,000	0.16%
19	NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	1,329,112	0.14%
20	PACIFIC CUSTODIANS PTY LIMITED <SGR PLANS CONTROL A/C>	1,070,443	0.12%
	Total of top 20 registered shareholders	**800,119,098**	**87.21%**

** on a grouped basis*

DISTRIBUTION OF SECURITIES HELD

	ORDINARY SHARES		PERFORMANCE RIGHTS [1]	
Range of Holding	No. of Holders	No. of Securities	No. of Holders	No. of Securities
1 to 1,000	47,793	16,421,985	0	0
1,001 to 5,000	19,666	41,912,024	0	0
5,001 to 10,000	2,563	17,935,394	0	0
10,001 to 100,000	1,177	23,258,065	23	840,257
100,001 and over	73	817,795,262	8	3,628,042
Total	**71,272**	**917,322,730**	**31**	**4,468,299**

[1] Performance Rights were issued pursuant to The Star Entertainment Group's Long Term Performance Plan. Refer to the Remuneration Report for more information about The Star Entertainment Group's Long Term Performance Plan.

SHAREHOLDER INFORMATION

AS AT 24 AUGUST 2018

VOLUNTARY ESCROW

There are no securities under voluntary escrow.

SHARE BUY-BACKS

There is no current or planned buy-back of The Star Entertainment Group's shares.

ANNUAL REPORT

This Annual Report is available on-line from The Star Entertainment Group's website www.starentertainmentgroup.com.au. Annual Reports will only be sent to those shareholders who have requested to receive a copy. Shareholders who no longer wish to receive a hard copy of the Annual Report or wish to receive the Annual Report electronically are encouraged to contact the share registry. This will assist with reducing the costs of production of the hard copy of the Annual Report.

WEBSITE

The Star Entertainment Group's website www.starentertainmentgroup.com.au offers investors a wide range of information regarding its activities and performance, including Annual Reports, interim and full year financial results, webcasts of results and Annual General Meeting presentations, major news releases and other company statements.

SHAREHOLDER RELATIONS

Investors seeking more information about the Company are invited to contact The Star Entertainment Group's Shareholder Relations Team:

Address:	GPO Box 13348 George Street Post Shop Brisbane QLD 4003
Telephone:	+61 7 3228 0000
Facsimile:	+61 7 3228 0099
Email:	investor@star.com.au

SHAREHOLDER ENQUIRIES

Investors seeking information about their shares in The Star Entertainment Group should contact The Star Entertainment Group's share registry. Investors should have their Shareholder Reference Number (SRN) or Holder Identification Number (HIN) available to assist the share registry in responding to their enquiries.

SHARE REGISTRY

LINK MARKET SERVICES LIMITED

Address:	Level 12, 680 George Street Sydney NSW 2000
Postal address:	The Star Entertainment Group Limited C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235 Australia
Telephone:	+61 1300 880 923 (toll free within Australia)
Facsimile:	+61 2 9287 0303
E-mail:	starentertainment@linkmarketservices.com.au
Website:	www.linkmarketservices.com.au

GENERAL ENQUIRIES

Investor information is available on The Star Entertainment Group's website www.starentertainmentgroup.com.au, including major announcements, Annual Reports, and general company information.

2018 CORPORATE GOVERNANCE STATEMENT

The 2018 Corporate Governance Statement can be found on The Star Entertainment Group's website www.starentertainmentgroup.com.au/corporate-governance.

2018 ANNUAL GENERAL MEETING

The Annual General Meeting of The Star Entertainment Group Limited will be held on Thursday, 1 November 2018 in the Theatre at The Star Gold Coast, Broadbeach Island, Broadbeach, Queensland, commencing at 10:00am (Queensland time).

COMPANY DIRECTORY

REGISTERED OFFICE

The Star Entertainment Group Limited
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Telephone: + 61 7 3228 0000
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Email: investor@star.com.au

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NEW SOUTH WALES OFFICE

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Pyrmont NSW 2009
Telephone: + 61 2 9657 7600

QUEENSLAND OFFICE

Level 3, 159 William Street
Brisbane QLD 4000
Telephone: + 61 7 3228 0000

STOCK EXCHANGE LISTING

The Star Entertainment Group's securities are quoted on the Australian Securities Exchange (ASX) under the share code "SGR".

THE STAR SYDNEY

80 Pyrmont Street
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www.thestarsydney.com.au

THE STAR GOLD COAST

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Broadbeach QLD 4218
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Telephone: + 61 7 5592 8100
www.thestargoldcoast.com.au

TREASURY CASINO AND HOTEL BRISBANE

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www.treasurybrisbane.com.au

QUEEN'S WHARF BRISBANE GENERAL ENQUIRIES

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qwbenquiries@destinationbrisbane.com.au
www.queenswharfbrisbane.com.au

AUDITOR

Ernst & Young

ABOUT THIS ANNUAL REPORT

CURRENCY

References to currency in this Annual Report are in Australian Dollars unless otherwise stated.

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INVESTMENT WARNING

This Annual Report may include forward looking statements and references which, by their very nature, involve inherent risks and uncertainties. These risks and uncertainties may be matters beyond The Star Entertainment Group's control and could cause actual results to vary (including materially) from those predicted.

Forward looking statements are not guarantees of future performance. Past performance of shares is not indicative of future performance and should not be relied upon as such. The value of investments and any income from them is not guaranteed and can fall as well as rise. The Star Entertainment Group recommends that investors make their own assessments and seek independent professional advice before making investment decisions.

PRIVACY

The Star Entertainment Group respects the privacy of its stakeholders. The Star Entertainment Group's Privacy Policy Statement is available on The Star Entertainment Group's website at www.starentertainmentgroup.com.au.

KEY DATES FOR FY2018/19*

FY2017 FULL YEAR RESULTS ANNOUNCEMENT:

24 August 2018

FINAL DIVIDEND RECORD DATE:

30 August 2018

FINAL DIVIDEND PAYMENT DATE:

4 October 2018

2018 ANNUAL GENERAL MEETING:

1 November 2018

FY2019 HALF YEAR RESULTS ANNOUNCEMENT:

21 February 2019

2019 FINANCIAL YEAR END:

30 June 2019

FY2019 FULL YEAR RESULTS ANNOUNCEMENT:

16 August 2019

2019 ANNUAL GENERAL MEETING:

24 October 2019

**2019 dates are subject to change.*

THE STAR