

ASX ANNOUNCEMENT

ECHO ENTERTAINMENT GROUP



THE STAR



16 August 2011

To: Australian Securities Exchange
Companies Announcements Platform
20 Bridge Street
Sydney NSW 2000

PRELIMINARY FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2011

In accordance with ASX Listing Rule 4.3A, Echo Entertainment Group Limited (**Echo**) provides the following information in respect of the financial year ended 30 June 2011:

1. Media Release;
2. Directors' Report and Financial Report.

Paula Martin
General Counsel (QLD) & Company Secretary

MEDIA RELEASE

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16 August 2011

Echo Entertainment Group full year results

Highlights

- Reported net profit after tax, including non-recurring items, \$226 million
 - Statutory numbers below EBIT line not comparable to prior periods due to demerger
- Reported EBIT, including non-recurring items, \$347 million, up 33.6% on prior period
 - Strong win rate in VIP business of 1.97% vs 1.24% last year
 - VIP front money up 32%
 - Result fully absorbs impact of Queensland floods
- Normalised EBIT (excluding NRI's) \$305 million, up 6.0%
 - Revenues up 7.4%
 - Operating expenses up 5.2%
 - Excludes \$9.2m of one-off pre-opening expenses
- Earnings per share of 32.8 c, largely generated pre-demerger, therefore distributed through Tabcorp Holdings Limited (TAH)
- Sound balance sheet, with Gross Debt/EBITDA at 2.4x
- The Star expansion on timetable
 - Most attractions opening up between 15 September 2011 and end of year
 - Events centre to be completed in 2H FY 2013
- Investment program in place. Above sector growth prospect on back of investments and anticipated concessions.

Group performance overview

Echo Entertainment Group today reported a statutory net profit after tax (NPAT), including non-recurring items, of \$226 million for FY 2011. As Echo Entertainment was part of Tabcorp Holdings until its demerger, the NPAT is not comparable to previous years and includes interest and tax charges that are not reflective of future levels.

MEDIA RELEASE

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Reported earnings before interest and tax (EBIT) were \$347 million, up 33.7% on prior period. This strong result benefited significantly from a VIP business that expanded significantly but also experienced win rates well above theoretical and historical levels.

Management estimates that underlying earnings for the business grew by 6.0% to \$305 million. This analysis takes into account a new approach to normalisation which adjusts for fluctuations in win rate and turns of front money in the VIP business based on Echo's actual experience over a rolling five year period. In addition, expenses are adjusted by \$9.2m relating to pre-opening. Under the previous approach to normalisation of win rate, EBIT would have been \$278 million, up 0.8% on the pcp.¹

Actual revenue was \$1,648 million², up 13.5%. Echo Entertainment saw revenue grow in both states, despite the peak disruption to activities at The Star and the flood and cyclone events in Queensland.

Operating expenses (including one-off pre-opening expenses) were up 5.8%, in line with expectations which reflect the increased activity from the investment program.

Earnings per share were 32.8 cents. As indicated in the demerger scheme book, Echo Entertainment did not declare a separate dividend for FY 11 as the earnings were largely generated prior to the demerger from Tabcorp Holdings which will distribute these earnings to holders of Tabcorp shares per the record date.

Chairman John Story said: "Echo Entertainment's first stand alone financial result represents an encouraging outcome. It was pleasing that revenues grew in both states, despite construction and the weather. Importantly, the expansion program at The Star is making excellent progress. We are looking forward to the next 12 months with confidence and excitement as the new attractions become fully available to Sydney."

"The opportunities in Queensland continue to be developed in collaboration with the Government and the Regulator. We are committed to pursuing investment and growth in Queensland. Echo Entertainment has a strong balance sheet, a good growth profile and a conservative dividend policy that will allow us to fund these investments," Mr Story said.

¹ Echo Entertainment has changed its approach to normalisation of earnings. See the FY11 Full Year Results Presentation for more details on the new approach and reconciliation to the old approach.

² Revenue is shown as the net gaming win, but gross of commissions and rebates paid to third parties. In the prior year under Tabcorp, revenue was not grossed up for payments to third parties.

MEDIA RELEASE

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Segment performance

The segment results for the year to 30 June 2011 were:

- **The Star:** EBIT \$229 million, up 42.1%. EBITDA \$286 million, up 34.9%.

EBITDA at The Star in Sydney increased 34.9% based on actual earnings (8.5% on a normalised basis). Revenues were up 18.3% (10.0% on a normalised basis) as the business expanded its product offering and opened new gaming areas on the Main Gaming Floor. Electronic gaming continued to perform very well, with year on year growth of 13.7% despite an unchanged number of EGMs. Tables were up 3.6%, despite the peak construction experienced in Q4. Non-gaming declined by 3.5% as facilities were closed for redevelopment.

The \$870³ million expansion of The Star casino is progressing to plan with approximately 70% of the total project and 75% of the Main Gaming Floor completed. Most of the new gaming and non-gaming areas will open in Q2 of this financial year. A series of opening activities are scheduled from the middle of September (new harbourside entrance, large sections of the main gaming floor, signature restaurants, retail) to calendar year end (new hotel, spa, more restaurants, residual main gaming floor, VIP suites, nightclub). The events centre has now obtained the remaining outstanding approvals and will be completed in the second half of next financial year.

- **Queensland casinos⁴:** EBIT \$119 million, up 20.1%. EBITDA \$160 million, up 16.9%.

The three Queensland properties showed a continued recovery in performance following a difficult year in 2010. Revenues increased 6.9% and EBITDA grew by 16.9% on an actual basis (or 3.8% and 5.0% on a normalised basis). All main lines of business showed positive revenue growth, despite the impacts of the Brisbane floods and cyclone Yasi in Townsville.

In December 2010, the Group announced a proposed investment program of \$625 million for its Queensland casinos. This investment will deliver world class entertainment destinations, and includes the construction of two new hotels over the next 5 years. The investment is supported by a number of gaming concessions, and

³ Previous guidance of \$960m reduced by \$90m following decision to lease rather than purchase two jets. \$870m Project Star capex also includes \$100m license payment made to the NSW Government.

⁴ Queensland is the combination of Jupiters and Treasury as per the Statutory accounts.

MEDIA RELEASE

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TREASURY

is expected to increase EBITDA by at least \$90 million per annum upon completion. The planning of the Gold Coast investments is well advanced. Echo Entertainment continues to work with the Queensland Government and the Regulator through the various approvals required prior to committing the bulk of the targeted investment.

The VIP business results are imbedded in the divisional performance. Stand-alone, the VIP business had a good year, with actual (Gross) revenues of \$280 million, up 106.4%. Normalised for win rate and turns of front money, growth would have been 33.6%. Much of the growth was driven by the investments made into Echo Entertainment's marketing capabilities in the region and the addition of a private jet. This year's success bodes well for next financial year when the product at The Star will be strengthened by the addition of VIP gaming salons in the existing hotel, new VIP suites in the new hotel, an additional private jet, and a more diverse non-gaming offer at the property in Sydney.

Outlook for 2012

Chief Executive Officer, Larry Mullin, said that the coming financial year was an exciting time for Echo Entertainment as the company was about to reap the benefits of the capital investments made in Sydney over the last two years.

"We are now putting the finishing touches to the bulk of the investments at The Star. By the end of Q1, we will have opened most of the new areas on the main gaming floor which will mean there will be much less disruption to the core part of our property. From then on, we keep opening new facilities for 3 months," Mr Mullin said

"We have allowed \$30m of expenses for pre-opening activities such as staff recruitment and training, special events, and marketing. We will get one opportunity to reposition the new Star, and we are very confident in the product we have coming on, so we are making the appropriate investment to let people know about it. As a result of these activities, we expect to see significant revenue uplift at Star in the 2nd half of this financial year."

MEDIA RELEASE

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Mr Mullin said that he expected 2012 to be a story of two halves: "In Q4, we saw a much more cautious consumer than earlier in the year across the board. Current trading for the start of FY12 has been solid and in line with expectations with revenue up 12.6% (8.2% on a normalised basis) from 1 July 2011 to 9 August 2011. We expect revenue at Star to pick up from Q2 as we open more facilities, and to accelerate significantly in H2. In Queensland, H1 performance will depend on the business climate and consumer confidence, as nothing else will change in our business. In the absence of severe weather events as we experienced this year, we expect the 2nd half to be stronger" he said.

For more information:

Financial analysts: Matt Bekier, Chief Financial Officer, 02 9657 7439

Media: Brad Schmitt, GM Group Corporate Affairs, 0407 995 505

MEDIA RELEASE

ECHO ENTERTAINMENT GROUP

Jupiters

Jupiters
ENTERTAINMENT

THE STAR

TREASURY

Echo Entertainment full year results to 30 June 2011

- Reported
 - Revenue \$1,648 million, up 13.5%
 - EBITDA \$446 million, up 27.9%
 - EBIT \$347 million, up 33.6%
 - Net profit after tax \$226 million
 - Earnings Per Share 32.8 cents
- Underlying
 - Revenue \$1,598 million, up 7.4%
 - The Star Up 10.0%
 - Queensland Up 3.8%
 - Earnings Before Interest and Tax \$305 million, up 6.0%
 - The Star Up 7.3%
 - Queensland Up 3.7%
- Dividend per share, fully franked
 - Dividend None – covered by Tabcorp Holdings
- Balance sheet
 - Gross Debt \$1,071 million
 - Net Debt \$946 million
 - Gross Debt/EBITDA (actual) 2.4x

ECHO ENTERTAINMENT GROUP

**ECHO ENTERTAINMENT GROUP LIMITED
AND CONTROLLED ENTITIES**

**DIRECTORS' REPORT AND
FINANCIAL REPORT**

**FOR THE YEAR ENDED
30 JUNE 2011**

A.B.N. 85 149 629 023

ASX Code: EGP - Ordinary Shares

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Company directory

Directors

The Directors of Echo Entertainment Group Limited (the Company) at the date of this report (except as otherwise stated) are:

Name	Title
Current	
John Story	Chairman and Non Executive Director
John O'Neill AO	Non Executive Director
Brett Paton	Non Executive Director
Larry Mullin	Managing Director and Chief Executive Officer
Matt Bekier	Chief Financial Officer and Executive Director

Company Secretary

Paula Martin

Registered office

Level 3, 159 William Street
Brisbane, QLD 4000, Australia
Telephone: 07 3228 0000
Website: www.echoentertainment.com.au

Share registry

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235, Australia
Telephone: 1300 880 923 (local call cost within Australia)
Telephone: +61 2 8280 7504 (Overseas)
Website: www.linkmarketservices.com.au

Auditor

Ernst & Young

Corporate information

The Company is a company limited by shares that is incorporated and domiciled in Australia.

Stock exchange listings

The Company's ordinary shares are quoted on the Australian Securities Exchange (ASX) under the code EGP.

Currency

References to currency are in Australian dollars unless otherwise stated.

Directors' report

The Directors of the Company submit their report for the consolidated entity comprising the Company and its controlled entities (collectively referred to as the Echo Entertainment Group) in respect of the financial year ended 30 June 2011.

The Company was incorporated on 2 March 2011 to facilitate the demerger of Tabcorp Holdings Limited (Tabcorp). The demerger of the Company and its controlled entities from Tabcorp was implemented in June 2011 pursuant to the Tabcorp Scheme Booklet dated 15 April 2011, and resulted in the Company holding the casinos business previously held by Tabcorp, while Tabcorp retained its wagering, gaming and keno businesses (Demerger).

1. Directors

The names and 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. All Directors commenced as Directors of the Company prior to the Demerger being implemented.

Name	Qualifications, experience and special responsibilities
Current	
John Story	<p><i>Chairman and Non Executive Director from 17 March 2011</i></p> <p>Bachelor of Arts; Bachelor of Laws; Fellow of the Australian Institute of Company Directors</p> <p>John Story has over 18 years experience as a Director in the gambling industry, having previously been Chairman and Non Executive Director of Tabcorp Holdings Limited (Tabcorp) and a Non Executive Director of Jupiters Limited.</p> <p>Mr Story is Chairman of Suncorp Group Limited and a Director of CSR Limited. He is also Chancellor of the University of Queensland and Commissioner of the Public Service Commission (Queensland).</p> <p>Mr Story was a Partner of the law firm Corrs Chambers Westgarth for 36 years until his retirement on 30 June 2006. He practised in the areas of corporate and commercial law and served as the firm's Queensland Managing Partner and National Chairman.</p> <p>Mr Story is the Chairman of the Board and Chairman of the Nomination Committee. He is also a member of the Audit Committee, the Risk and Compliance Committee and the Remuneration Committee.</p>
John O'Neill AO	<p><i>Non Executive Director from 28 March 2011</i></p> <p>Diploma of Law; Fellow of Australian Institute of Bankers; Foundation Fellow of Australian Institute of Company Directors</p> <p>John O'Neill is Managing Director and Chief Executive Officer of Australian Rugby Union Limited.</p> <p>He is a former Chief Executive Officer of Football Federation Australia and was Managing Director and Chief Executive Officer of the State Bank of New South Wales and Chairman of the Australian Wool Exchange Limited. He 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.</p> <p>Mr O'Neill is the Chairman of the Risk and Compliance Committee and is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee.</p>

Name	Qualifications, experience and special responsibilities
Brett Paton	<p><i>Non Executive Director from 25 March 2011</i></p> <p>Bachelor of Economics; Member of the Institute of Chartered Accountants in Australia</p> <p>Brett Paton is Vice Chairman Institutional Clients Group for Australia and New Zealand at Citigroup Inc and is a member of the Citigroup Australian Management Committee. He is also a member of the ASX Capital Markets Advisory Panel.</p> <p>Mr Paton was Managing Director and Vice Chairman of Global Investment Banking at UBS and was a Member of its Australian Executive Committee, Chairman of the Equity Markets Committee and Chairman of the Capital Commitment Committee, its underwriting committee.</p> <p>Mr Paton is the Chairman of the Audit Committee and the Remuneration Committee. He is also a member of the Risk and Compliance Committee and the Nomination Committee.</p>
Larry Mullin	<p><i>Director from 2 March 2011, Managing Director and Chief Executive Officer upon Demerger</i></p> <p>Bachelor of Business Administration</p> <p>Larry Mullin was previously Tabcorp's Chief Executive – Casinos from February 2009 until the implementation of the Demerger in June 2011.</p> <p>Prior to joining Tabcorp, Mr Mullin was the President and Chief Operating Officer of Borgata Hotel Casino and Spa in Atlantic City. Mr Mullin has a 20-year career in casino operations, during which he held a variety of senior casino management positions and helped shape casino entertainment in the United States.</p>
Matt Bekier	<p><i>Director from 2 March 2011, Chief Financial Officer and Executive Director upon Demerger</i></p> <p>Master of Economics and Commerce; PhD in Finance</p> <p>Matt Bekier was previously Tabcorp's Chief Financial Officer since commencing with Tabcorp in late 2005 and until the Demerger was implemented in June 2011.</p> <p>Mr Bekier previously held various roles with McKinsey & Company, where he played an instrumental role in building a substantial practice in both post-merger management and financial services, working across four continents (Australia, Europe, Asia and North America).</p>
Former	
Kerry Willcock ⁽ⁱ⁾	<p><i>Executive Director from 2 March 2011 to 17 March 2011</i></p> <p>Bachelor of Arts; Bachelor of Laws; Member of the Mediation Panel of the Law Institute of Victoria; Member of the Australian Corporate Lawyers Association (ACLA) General Counsel Group</p> <p>Kerry Willcock joined Tabcorp in February 2005 as Executive General Manager – Corporate and Legal.</p> <p>She has extensive commercial, legal, litigation and government relations experience having worked with Allens Arthur Robinson, Clayton Utz and with the Australian Postal Corporation, where she held the position of General Counsel.</p>

(i) Ceased as a Director of the Company prior to the implementation of the Demerger. Information was applicable at the time of cessation as a Company Director.

2. Directorships of other listed companies

The following table shows, for each person who served as a Director during the financial year and up to the date of this report (unless otherwise stated), all directorships of companies that were listed on the ASX or other financial markets operating in Australia, other than Echo Entertainment Group Limited, since 1 July 2008, and the period for which each directorship has been held.

Name	Listed entity	Period directorship held
Current		
John Story	CSR Limited Suncorp Group Limited ⁽ⁱ⁾ Tabcorp Holdings Limited	April 2003 to present January 1995 to present January 2004 to June 2011
John O'Neill	Tabcorp Holdings Limited	May 2008 to June 2011
Brett Paton	Tabcorp Holdings Limited	October 2008 to June 2011
Larry Mullin	Nil	
Matt Bekier	Nil	
Former		
Kerry Willcock	Nil	

(i) Includes the period as a Director of Suncorp-Metway Limited prior to the corporate restructure of the Suncorp Group.

3. Company Secretary

Paula Martin joined the Company's casino businesses in October 2005 and holds the position of General Counsel (Qld). She holds a Bachelor of Business (Int. Bus.) and a Bachelor of Laws and has undertaken the Chartered Secretaries Australia Graduate Diploma in Applied Corporate Governance. She has extensive commercial legal experience having worked with Mallesons Stephen Jaques prior to joining the Company's casino businesses. Paula is also a member of the Queensland Law Society and Australian Corporate Lawyers Association.

4. Principal activities

The principal activities of the Echo Entertainment Group during the financial year comprised the provision of leisure and entertainment services (particularly in relation to casino gambling, entertainment and hospitality).

The Demerger of Echo Entertainment Group Limited from Tabcorp, which was implemented in June 2011, resulted in Tabcorp retaining its wagering, gaming and keno businesses while Echo Entertainment Group Limited now holds the casinos business previously held by Tabcorp.

5. Financial results

As part of the activities undertaken by Tabcorp to prepare the Echo Entertainment Group for demerger, the Company acquired Star City Holdings Limited and Jupiters Limited, effective 31 May 2011. The consolidated financial results presented for the Echo Entertainment Group for the current and comparative financial years reflect the results of the Tabcorp Group's casino business assuming the acquisitions had taken place prior to 1 July 2009. Refer to note 2 to the Financial Report.

Consolidated profit after income tax of the Echo Entertainment Group for the financial year was \$226.0 million, which was 16.6% above the previous financial year.

Earnings before interest and tax (EBIT) were \$347.2 million, which was 33.6% above the previous financial year.

Revenue was \$1,648.4 million, which was 13.6% above the previous financial year.

6. Earnings per share

Basic and diluted earnings per share for the financial year were 32.8 cents, up 16.3% on the previous financial year¹.

Earnings per share is disclosed in note 7 to the Financial Report.

7. Dividends

No dividends have been paid, declared or recommended by the Company since the Company's incorporation on 2 March 2011.

8. Review of operations

The Echo Entertainment Group's divisional structure comprises the following three operating divisions:

- Star City (rebranded following the end of the financial year to The Star and referred to as The Star from here onward in this report);
- Jupiters; and
- Treasury.

The activities and results for these operations are discussed below.

8.1. The Star

The Echo Entertainment Group operates The Star in Sydney.

The Star achieved EBIT of \$237.7 million, which was 43.6% above the previous financial year. The Star's revenue increased by 18.3% to \$996.3 million.

8.2. Jupiters

In Queensland, the Echo Entertainment Group operates the Jupiters Hotel and Casino on the Gold Coast, and Jupiters Townsville. In addition, the Echo Entertainment Group manages the Gold Coast Convention and Exhibition Centre, and has an interest in and manages the Townsville Entertainment and Convention Centre.

Jupiters achieved EBIT of \$58.5 million, which was 58.1% above the previous financial year. The division's revenue increased by 10.6% to \$374.0 million.

8.3. Treasury

The Echo Entertainment Group operate the Treasury Casino and Hotel in Brisbane

Treasury achieved EBIT of \$60.2 million, which was 2.7% below the previous financial year. The division's revenue increased by 2.5% to \$278.1 million.

¹ The weighted average number of shares in the prior period has been restated to the number of ordinary shares issued under the Tabcorp demerger scheme of arrangement in June 2011 as the Company had no outstanding shares during the comparative period.

9. Significant changes in the state of affairs

The following events, which may be considered to be significant changes in the state of affairs of the Echo Entertainment Group, have occurred during the financial year.

9.1. Demerger

The Demerger of the Company from Tabcorp was implemented in June 2011 by way of a Scheme of Arrangement in accordance with Tabcorp's Scheme Booklet dated 15 April 2011. The Demerger resulted in the Echo Entertainment Group holding the casinos business previously held by Tabcorp and the Company's shares were listed on the Australian Securities Exchange on 6 June 2011.

9.2. The Star and Queensland Redevelopment

Prior to the Demerger, Tabcorp made the following announcements relating to the Echo Entertainment Group in connection with the Demerger:

- an additional \$285 million investment at The Star, bringing the total capital for The Star redevelopment to \$860 million, in addition to the \$100 million licence payment to the NSW Government; and
- an expansion of the investment program in the Queensland casinos, increasing the total proposed investment at these properties to \$625 million subject to the satisfactory conclusion of negotiations with the Queensland Government.

In relation to the additional investment at The Star, the total capital for the project was reduced by \$90m following a decision to lease rather than purchase two private charter jets.

In June 2011 a Memorandum of Understanding was entered into with the State of Queensland. The Memorandum of Understanding outlines the proposed investment program for the Queensland casinos and provides a framework for the obtaining of approvals and gaming regulatory changes which are required to support the delivery of that investment program.

9.3. Impact from floods

During December 2010 and January 2011 large areas of Queensland were affected by extreme flooding including, in January 2011, the Brisbane central business district where the Treasury Hotel and Casino is located and surrounding suburbs. In early February 2011, North Queensland, including Townsville, was affected by cyclone Yasi.

The Echo Entertainment Group has several insurance policies in place designed to respond to the damage caused by the floods and cyclone. The Company is currently working with their insurance underwriters on the recovery of the losses.

10. Business strategies

The key strategic priorities for the Echo Entertainment Group are as follows:

- Create world class destinations, including delivering the expansion of The Star and proposed expansion of the Queensland casinos;
- Grow international VIP business, including providing world class private gaming facilities and expanding international rebate business market share;
- Improve customer experience, including providing customers with improved product and service offering; and
- Maximise value from technology, including further enhancing gaming and loyalty experience and delivering integrated and new IT platforms.

11. Significant events after the end of the financial year

The expected completion of the events centre as part of the additional investment at The Star has been delayed to the second half of financial year 2013 due to the time to obtain building approvals, which are now held.

The Echo Entertainment Group is working with the Queensland State Government and casino regulatory authority to progress the proposed investment program in the Queensland casinos, including obtaining approvals for the gaming regulatory changes sought to support the investment.

No other matters or circumstances have arisen since the end of the financial year which are not otherwise dealt with in this report or in the Financial Report, that have significantly affected or may significantly affect the operations of the Echo Entertainment Group, the results of those operations or the state of affairs of the Echo Entertainment Group in subsequent financial years. Refer also to note 26 to the Financial Report.

12. Likely developments and expected results

The Echo Entertainment Group will continue with its strategies, as set out in this report.

The Directors have excluded from this report any further information on the likely developments in the operations of the Echo Entertainment 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 Echo Entertainment Group.

13. Auditors

The Echo Entertainment Group's external auditor is Ernst & Young.

The Echo Entertainment Group's internal audit function is fully resourced by the Echo Entertainment Group, with KPMG providing specialist independent external support where necessary.

14. Directors' interests in contracts

Some Directors of the Company, or related entities of the Directors, conduct transactions with entities within the Echo Entertainment Group that occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the entity would have adopted if dealing with the Director or Director-related entity on normal commercial terms and conditions.

15. Environmental regulation and performance

The Echo Entertainment Group's environmental obligations and waste discharge quotas are regulated under both state and federal laws. The Echo Entertainment Group has a record of complying with, and in most cases exceeding, its environment performance obligations.

No environmental breaches have been notified to the Echo Entertainment Group by any government agency.

The Echo Entertainment Group is registered for the Federal Government's Energy Efficiency Opportunities (EEO) initiative, which requires companies that use over 0.5 petajoules of energy per annum to identify opportunities to reduce energy consumption. The Echo Entertainment Group publishes its EEO report under the corporate governance section of its website.

The Echo Entertainment Group is also registered for the Federal Government's National Greenhouse Energy Reporting System (NGERS), which requires organisations that meet certain thresholds in energy consumption or greenhouse gas emissions to report to the Government all energy consumption and greenhouse gas emissions every year.

Each Echo Entertainment Group property applies environmental management procedures and systems which assist in maintaining high levels of environmental regulation and performance.

16. Risk management

The Echo Entertainment Group has a structured and proactive approach to understanding and managing risk. The key focus of the risk management approach is to align strategy, processes, people, technology and knowledge with evaluating and managing the uncertainties and opportunities faced by the Echo Entertainment Group. A summary of the Echo Entertainment Group's risk management framework and processes are disclosed in the corporate governance statement section of the Concise Annual Report.

17. Directors' interests in Echo Entertainment Group securities

At the date of this report (except as otherwise stated), the Directors had the following relevant interests in the securities of the Company, as notified to the ASX in accordance with section 205G(1) of the Corporations Act 2001:

Name	Ordinary Shares
Current	
John Story	58,194
John O'Neill	Nil
Brett Paton	23,181
Larry Mullin	154,703
Matt Bekier	184,136
Former	
Kerry Willcock ⁽ⁱ⁾	Nil

(i) Ceased as a Director of the Company prior to the implementation of the Demerger. The number of Echo Entertainment Group Limited securities disclosed above was applicable at the time of cessation.

18. Board and Committee meeting attendance

During the financial year ended 30 June 2011 the Company held 5 meetings of the Board of Directors. Four of these meetings were held prior to the implementation of the Demerger, with a focus on matters relating to establishment of the Company and the Demerger process. One meeting, at which all current Directors were present, was held following the implementation of the Demerger.

The attendance of the Directors at meetings of the Board and its Committees during the year in review were:

Name	Board of Directors		Audit Committee		Risk and Compliance Committee		Nomination Committee		Remuneration Committee	
	A	B	A	B	A	B	A	B	A	B
Current										
John Story	4	4	1	1	1	1	0	0	0	0
John O'Neill	4	4	1	1	1	1	0	0	0	0
Brett Paton	2	4	1	1	1	1	0	0	0	0
Larry Mullin ⁽ⁱ⁾	4	5	1	1	1	1	0	0	0	0
Matt Bekier ⁽ⁱ⁾	5	5	1	1	1	1	0	0	0	0
Former										
Kerry Willcock ⁽ⁱⁱ⁾	1	1	-	-	-	-	-	-	-	-

A – Number of meetings attended

B – Maximum number of possible meetings available for attendance following appointment as a director

(i) The Executive Directors are members of the Board Nomination Committee but are not members of any other Board Committee, however they do attend the other Board Committee meetings.

(ii) Ceased as a Director following the holding of one Board meeting and prior to the implementation of the Demerger.

Details of the functions and memberships of the Committees of the Board are set out in the corporate governance statement section of the Concise Annual Report. The terms of reference for each Board Committee are available from the corporate governance section of the Company's website.

19. Indemnification and insurance of Directors and Officers

The Directors and Officers of the Echo Entertainment Group are indemnified against liabilities pursuant to agreements with the Echo Entertainment Group. The Echo Entertainment Group has entered into insurance contracts with third party insurance providers, and 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.

20. Non-statutory audit and other services

Ernst & Young, the external auditor to the Company and the Echo Entertainment Group, provided non-statutory audit services to the Company during the financial year ended 30 June 2011. The Directors are satisfied that the provision of non-statutory audit services during this period was compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-statutory audit service provided means that auditor independence was not compromised. These statements are made in accordance with advice provided by the Company's Audit Committee.

The Company's Board Audit Committee reviews the activities of the independent external auditor and reviews the auditor's performance on an annual basis. The Chairman of the Audit Committee must approve all non-statutory audit and other work to be undertaken by the auditor (if any). Further details relating to the Audit Committee and the engagement of auditors are available in the corporate governance statement section of the Concise Annual Report.

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

Description of services	\$000
Other audit services	165
Total of all non-statutory audit and other services	165

Amounts paid or payable by the Company for audit and non-statutory audit services are disclosed in note 4 to the Financial Report.

21. Corporate Governance Statement

The Directors of the Company support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. In recognition of changes stemming from the Demerger the Company adopted new practices and optimised its existing practices. The Company's corporate governance statement was lodged with the ASX prior to listing, and is available under the corporate governance section of the Company's website at <http://www.echoentertainment.com.au/About/CorporateGovernance/Pages/default.aspx>.

22. Rounding of amounts

Echo Entertainment Group Limited is a company of the kind specified in Australian Securities and Investments Commission Class Order 98/0100. In accordance with that Class Order, amounts in the financial report and the Directors' report have been rounded to the nearest hundred thousand dollars unless specifically stated to be otherwise.

23. Auditor's independence declaration

Attached is a copy of the auditor's independence declaration provided under section 307C of the Corporations Act 2001 in relation to the audit for the financial year ended 30 June 2011. This auditor's independence declaration forms part of this Directors' report.

Directors' report

for the financial year ended 30 June 2011

ECHO



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

In relation to our audit of the financial report of Echo Entertainment Group Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink, appearing to read 'Tim Wallace'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Tim Wallace'.

Tim Wallace
Partner

Melbourne
16 August 2011

Remuneration report (audited)

for the financial year ended 30 June 2011

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Remuneration report (audited)

for the financial year ended 30 June 2011

Introduction

This Remuneration report outlines the remuneration policy and arrangements for Echo's Directors, executives and senior management in accordance with the requirements of the Corporations Act 2001 and its Regulations. The information provided in this Remuneration report has been audited as required by section 308(3C) of the Corporations Act.

In June 2011, Echo Entertainment Group Limited ('the Company') was demerged from Tabcorp Holdings Limited ('Tabcorp') by way of a Scheme of Arrangement in accordance with Tabcorp's Scheme Booklet dated 15 April 2011 ('the Demerger'). The Demerger separated the Casino business from Tabcorp, with the Company acquiring Star City Holdings Limited and Jupiters Limited prior to the Demerger. Following the Demerger the Company ceased to be a wholly owned subsidiary of Tabcorp Holdings Limited, and became a separately listed entity on the Australian Securities Exchange (ASX). Accordingly the Remuneration Report of the Company and its subsidiaries (collectively referred to as 'the Echo Entertainment Group') for the financial year ended 30 June 2011 covers two periods:

- Prior to the Demerger as part of the Tabcorp Group; and
- Post Demerger as a separate listed entity.

The KMP of the Echo Entertainment Group prior to the Demerger have been determined as the KMP of Tabcorp who had KMP responsibility for the Casino business. KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Echo Entertainment Group, and comprises all the Directors of the Company and certain members of the Executive Committee. The KMP subsequently identified and disclosed in this report for the 2011 and 2010 financial years were employed by Tabcorp prior to the Demerger, and were therefore paid in accordance with Tabcorp's remuneration framework and policies.

Post Demerger, the Board will review the remuneration for Non Executive Directors each calendar year. The current and prior period remuneration shown for Non Executive Directors represent policies implemented by Tabcorp up until the Demerger. Post Demerger, the Board will implement Non Executive Director remuneration policies that reflect the Company as a separate entity. As a result, the fees for the 2012 financial year will be initially lower than the fees for the 2011 financial year. The details of Non Executive Director remuneration are included in Section 5.3.

As detailed in this Remuneration report, the annual reward structure for the most senior managers comprises three components: a fixed base salary, a short term cash incentive and a long term incentive in the form of Performance Rights. For KMP at least 45% of the total annual reward is 'at risk' in the form of short term or long term incentives tied to the achievement of specific business objectives and performance targets.

For the year ending 30 June 2011, short term incentives were awarded by Tabcorp to senior managers, and were, on average, higher than the previous financial year. With regard to long term incentives, an allocation of Performance Rights by Tabcorp was made to certain senior managers for the year ending 30 June 2010, in accordance with their employment contracts. An allocation of Performance Rights under the long term incentive plan for the former Managing Director and Chief Executive Officer was made following Tabcorp shareholder approval.

As a result of the Demerger, the Tabcorp Board determined to collapse all its existing Employee Share Schemes prior to the implementation of the Demerger. Details of the treatment of these schemes are set out in Sections 6.3.2.8, 6.3.3.1 and 6.5.1.4.

1. Significant changes since 30 June 2010

As a result of the Demerger, the Echo Board was established. The founding members of the Board have been drawn from Tabcorp's Board and senior executives. Going forward, Echo will seek to identify appropriate candidates to join the Board as additional Non Executive Directors.

1.1 Non Executive Directors

Upon the implementation of the Demerger, three Non Executive Directors resigned from the Tabcorp Board on 8 June 2011, to be the Non Executive Directors of Echo.

Following the Demerger, the Echo Board will initially comprise:

- Mr John Story as Non Executive Chairman; and
- Mr Brett Paton and Mr John O'Neill as Non Executive Directors.

Remuneration report (audited)

for the financial year ended 30 June 2011

1.2 Executive Directors

Larry Mullin is Echo's Managing Director and Chief Executive Officer, and commenced this role on 9 June 2011. Prior to the Demerger, Mr Mullin was Chief Executive Officer, Casinos for Tabcorp.

Matt Bekier commenced as Chief Financial Officer and Executive Director of Echo on 9 June 2011. Prior to the Demerger, Mr Bekier was Chief Financial Officer for Tabcorp.

Tabcorp's former Managing Director and Chief Executive Officer, Mr Elmer Funke Kupper, led Tabcorp for most of the 2011 financial year and through the Demerger period. On Demerger Mr Larry Mullin became Managing Director and Chief Executive Officer of Echo and Mr David Attenborough became Managing Director and Chief Executive Officer of Tabcorp.

1.3 Executives

Geoff Hogg (Managing Director Treasury) commenced as a KMP on 9 June 2011, following the Demerger.

Frederic Luvisutto (Managing Director Jupiters) commenced as a KMP on 9 June 2011, following the Demerger.

Sid Vaikunta (Managing Director Star City) commenced as a KMP on 9 June 2011, following the Demerger.

Kerry Willcock (Executive General Manager, Corporate and Legal of Tabcorp) ceased as a KMP on 8 June 2011, following the Demerger. Ms Willcock continued as a KMP for Tabcorp.

Louise Marshall (Executive General Manager, Human Resources) ceased as a KMP on 8 June 2011, following the Demerger. Ms Marshall remains with Tabcorp and continues to act in the same role for Echo until 30 September 2011.

1.4 Treatment of Employee Share Schemes under the Demerger

The Tabcorp Board considered the impact of the Demerger on Tabcorp's various Employee Share Schemes and made decisions in relation to the treatment of each of the schemes under the Demerger. The details of this treatment were set out in the Scheme Booklet sent to shareholders on 15 April 2011.

The treatment of the relevant securities under the Demerger is described in Sections 6.3.2.8, 6.3.3.1 and 6.5.1.4.

2. Governance

The main responsibilities of the Board Remuneration Committee are:

- Establishing and maintaining fair and reasonable remuneration policies and practices that apply to the Echo Entertainment Group;
- Reviewing and recommending to the Board the remuneration of KMP and the terms and conditions of any incentive plans; and
- Agreeing benchmarks against which annual salary reviews are evaluated.

In exercising its responsibilities, the Board Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Directors and executives every year by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality and high performing Board and executive team.

To assist in exercising its responsibilities, the Board Remuneration Committee will seek independent advice on matters such as remuneration strategies, mix and structure.

The remuneration strategy for Echo up until the Demerger is that of Tabcorp. Post Demerger, a remuneration strategy will be implemented by the Board Remuneration Committee that is representative of the operations of the Echo Entertainment Group.

3. Remuneration philosophy

The key objective of Echo's remuneration philosophy is to enable Echo to attract, motivate and retain high calibre individuals at both Board and senior management level. To achieve this, Echo's remuneration framework is based upon the following key principles:

- Creating shareholder value relative to our peer group;
- Maintaining market competitiveness; and
- Measuring and rewarding individual, divisional and Group performance.

For executive and senior management remuneration, this involves aligning the reward components with the individual's ability to influence results and to increase the focus on variable reward that is leveraged for superior performance.

Remuneration report (audited)

for the financial year ended 30 June 2011

4. Key management personnel (KMP)

Name	Entity	Position held	Period in position if less than full year
Non Executive Directors			
Current			
John Story	Echo	Chairman and Director (Non Executive)	From 17 March 2011
	Tabcorp	Chairman and Director (Non Executive)	Until 8 June 2011
John O'Neill	Echo	Director (Non Executive)	From 28 March 2011
	Tabcorp	Director (Non Executive)	Until 8 June 2011
Brett Paton	Echo	Director (Non Executive)	From 25 March 2011
	Tabcorp	Director (Non Executive)	Until 8 June 2011
Executives			
Current Executive Directors			
Larry Mullin ⁽ⁱ⁾	Echo	Managing Director and Chief Executive Officer	From 9 June 2011
	Tabcorp	Chief Executive Officer, Casinos (not a Director)	Until 8 June 2011
Matt Bekier ⁽ⁱⁱ⁾	Echo	Chief Financial Officer	From 9 June 2011
	Tabcorp	Chief Financial Officer (not a Director)	Until 8 June 2011
Current Executives			
Geoff Hogg	Echo	Managing Director Treasury	From 9 June 2011
Frederic Luvisutto	Echo	Managing Director Jupiters	From 9 June 2011
Sid Vaikunta	Echo	Managing Director Star City	From 9 June 2011
Former Executives			
Elmer Funke Kupper	Tabcorp	Managing Director and Chief Executive Officer	Until 8 June 2011
Louise Marshall ⁽ⁱ⁾	Tabcorp	Executive General Manager, Human Resources	Until 8 June 2011
Kerry Willcock ⁽ⁱ⁾⁽ⁱⁱⁱ⁾	Tabcorp	Executive General Manager, Corporate and Legal	Until 8 June 2011

(i) Position continues to be held with Tabcorp.

(ii) Appointed as a Director of Echo Entertainment Group Limited on 2 March 2011.

(iii) Held position as Director of Echo Entertainment Group Limited from 2 March 2011 until 17 March 2011.

Details of Director qualifications, experience and other responsibilities are set out on pages 2 to 4 of the Directors' report.

5. Non Executive Director remuneration

5.1 Remuneration framework

The Board Remuneration Committee has responsibility for reviewing and recommending to the Board appropriate remuneration arrangements for Non Executive Directors, taking into consideration factors including:

- The Echo Entertainment Group's remuneration philosophy;
- The level of fees paid to Board members of other publicly listed Australian companies;
- Operational and regulatory complexity;
- The responsibilities and workload requirements of each Board member; and
- Advice from independent remuneration consultants.

Non Executive Directors' fees are to be reviewed annually on a calendar year basis and, in accordance with Echo's constitution, the current aggregate limit (including superannuation contributions) is set at \$2 million.

Non Executive Directors do not receive any performance or incentive payments and are not eligible to participate in any of Echo's incentive plans. This policy aligns with the principle that Non Executive Directors act independently and impartially.

Remuneration report (audited)

for the financial year ended 30 June 2011

5.2 Structure

Non Executive Directors' remuneration comprises the following components:

- Board fee;
- Board Committee fees; and
- Superannuation (9% of total fees, uncapped).

Some Directors may receive additional remuneration and associated superannuation (where applicable) for:

- Observer fees equivalent to the applicable Board and Committee fees (for attending Board and Committee meetings and induction whilst awaiting regulatory approval); and
- Membership of other Committees, such as the Demerger Due Diligence Committee.

Board fees are structured by having regard to the responsibilities of each position within the Board. Board Committee fees are structured to recognise the differing responsibilities and workload associated with each Committee, and the additional responsibilities of each Committee Chairman.

Board fees are not paid to the Managing Director and Chief Executive Officer and the Chief Financial Officer, or to executives for directorships of any subsidiaries.

5.3 Current annual fees

The annual fees are detailed in Figure 1 for Non Executive Directors and Board Committee memberships. Fees disclosed up to the Demerger represent the fee structure of Tabcorp. Following the Demerger, the Echo Non Executive Directors are remunerated with a base fee plus additional committee fees for chairing or sitting on an Echo Board Committee.

Figure 1: Non Executive Director and Board Committee fixed annual fees

Position	Board fees ⁽ⁱ⁾ \$	Board Committee fees ⁽ⁱ⁾					
		Audit \$	Risk and Compliance \$	Remuneration \$	Nomination \$	Technology ⁽ⁱⁱ⁾ \$	Due Diligence ⁽ⁱⁱⁱ⁾ \$
Tabcorp fees up to the Demerger (8 June 2011)							
Chairman	380,000						
Non Executive Director	140,000						
Committee Chairman		50,000	25,000	25,000	7,500	25,000	40,000
Committee Member		15,000	15,000	10,000	7,500	10,000	40,000
Echo fees following the Demerger (9 June 2011)							
Chairman	350,000						
Non Executive Director	120,000						
Committee Chairman		40,000	25,000	25,000	7,500	N/A	N/A
Committee Member		15,000	15,000	10,000	7,500	N/A	N/A

(i) Fees exclude superannuation contributions.

(ii) Committee commenced 1 May 2010 and ceased in 2011 as a result of the Demerger.

(iii) Committee commenced 1 December 2010 to oversee the due diligence process for the Demerger and concluded 30 June 2011.

6. Senior management remuneration (including Executive Directors)

The Remuneration Committee and the Board has responsibility for reviewing the remuneration framework of the Company and recommending to the Board the appropriate remuneration arrangements. The Remuneration Committee approves the remuneration and incentives for members of the Executive Committee and makes recommendations to the Board in relation to the Managing Director and Chief Executive Officer.

Remuneration report (audited)

for the financial year ended 30 June 2011

6.1 Remuneration framework

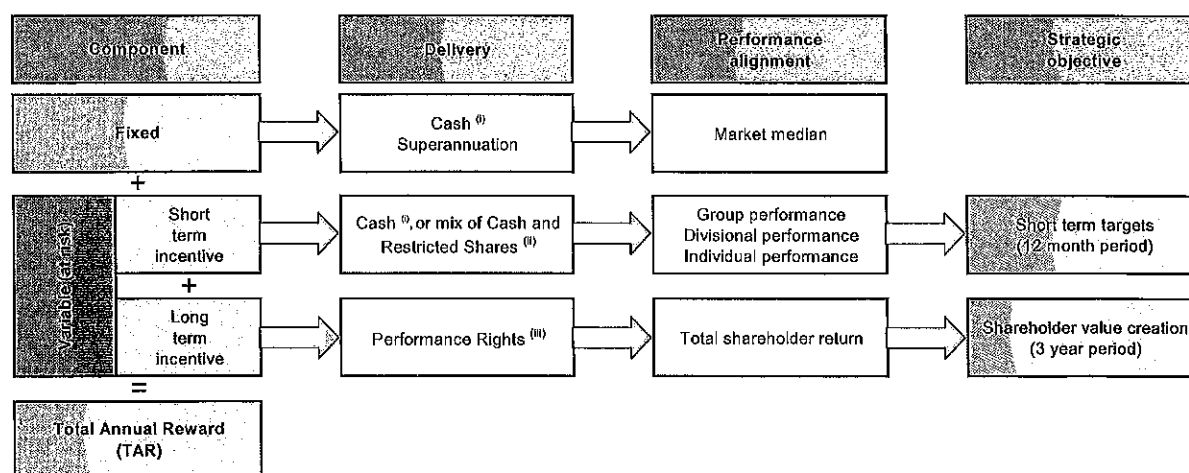
The remuneration framework for senior management comprises a mix of both fixed and variable remuneration components. The level of fixed remuneration reflects the scope and responsibilities of the role and the level of knowledge, skills and experience of the individual. Variable remuneration depends on the achievement of Group, divisional and individual performance targets, and shareholder value hurdles. Variable remuneration may be delivered in the form of cash or a mix of cash and Restricted Shares for achievement of short term performance targets, and Performance Rights for achievement of long term performance targets.

The objective of structuring a remuneration framework comprising both fixed and variable components is to ensure remuneration is market competitive and aligned to:

- Shareholders' interests through:
 - The use of financial measures, such as net profit after tax (to date measured on a normalised basis and before non-recurring items) as the primary reward measure for short term performance outcomes.
 - Rewarding long term company performance measured by reference to a comparable group of companies in the S&P/ASX 100 index, which over the long term should lead to attractive value creation for shareholders.
 - Aligning Group, divisional and individual performance targets to the performance objectives in Echo's annual and long term strategic plans.
 - Attracting, motivating and retaining individuals of the highest calibre.
 - Fostering a culture of high performance in a team based environment.
- Senior managements' interests through:
 - Differentiating reward outcomes based upon individual performance and capability.
 - Linking the form of reward delivery with the ability to influence results.
 - Providing upside opportunity for superior Group performance and increased shareholder value.

The reward structure is outlined in Figure 2.

Figure 2: Senior management reward structure



- (i) May voluntarily elect to salary sacrifice for additional superannuation contributions and motor vehicle novated leases (for fixed component only).
- (ii) Applicable to certain senior management, issued under the Echo Employee Deferred Share Plan and subject to a three year service condition.
- (iii) May vest on the third anniversary after the grant, subject to meeting relevant performance based hurdles.

Remuneration report (audited)

for the financial year ended 30 June 2011

6.2 KMP target reward mix

The target reward mix aims to position Total Annual Reward (TAR) at the market median when all performances have been achieved at target. It is set after benchmarking against a wide range of organisations to ensure that the incentive and TAR are competitive, fair and reasonable. Senior management with greater responsibility in key divisions have a greater proportion of at risk remuneration.

The target reward mix for the KMP (other than Non Executive Directors and the Managing Director and Chief Executive Officer) is outlined in Figure 3. This target reward mix excludes appointment incentives (refer section 6.3.3). Refer section 6.4 for details of the Managing Director and Chief Executive Officer's remuneration and section 6.5 for details of the former Managing Director and Chief Executive Officer's remuneration.

Figure 3: KMP target reward mix

KMP	% target reward mix			
	Fixed	Variable (at risk) incentives		Total Annual Reward
		Short term (cash)	Long term (equity)	
Current				
Matt Bekier	45	30	25	100
Geoff Hogg	53.4	30	16.6	100
Frederic Luvisutto	55	27.5	17.5	100
Sid Vaikunta	50	30	20	100
Former				
Louise Marshall	50	25	25	100
Kerry Willcock	50	25	25	100

6.3 Variable (at risk) remuneration**6.3.1 Short term incentive (STI)**

The Board plans to approve a STI plan for its senior management in late 2011. Under the STI plan, participants will have the opportunity to receive a short term incentive equal to their target STI (as determined during their annual remuneration review), multiplied by a factor determined to the extent to which individual and group performance targets are satisfied. The STI will be delivered in cash, or a mix of cash and Restricted Shares.

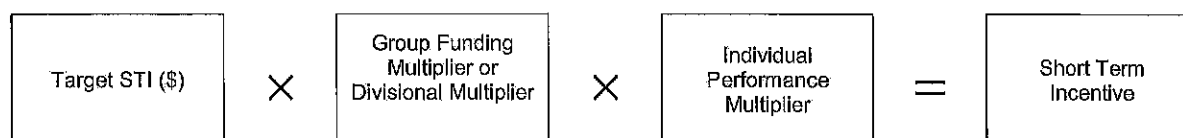
Prior to the Demerger, senior management for Echo were senior management of Tabcorp. The STI payments disclosed in section 7 of this report represent payments made under the Tabcorp STI. The information below therefore relates to the Tabcorp STI.

6.3.1.1 Overview

The Tabcorp STI was designed to reward employees for the achievement of the Tabcorp Group (including Echo prior to the Demerger), divisional and individual performance goals over the relevant 12 month performance period, which were aligned to and supportive of the Tabcorp Group's annual objectives for each financial year.

6.3.1.2 Determining Factors

The incentive was based upon three key factors:

Figure 4: STI calculation

- **Target STI**

This amount was based on a percentage of the individual's Total Annual Reward (TAR) (refer to Figure 3 above).

Remuneration report (audited)

for the financial year ended 30 June 2011

- *Group Funding Multiplier (GFM) or Divisional Multiplier (DM)*

The first step was to determine the GFM. This was linked to the achievement of Tabcorp's target normalised net profit after tax before non recurring items as approved by the Tabcorp Board. The GFM determined the overall STI pool available for distribution. If the minimum financial performance target was not met, individual awards may have been funded at a reduced level, at the discretion of the Tabcorp Board.

If the minimum financial performance target was met, the second step was to determine the DM. This created differentiation between divisions based on their performance and contribution to the Tabcorp Group. The DM was determined by reference to the performance of each division against financial targets, non financial targets and execution of the division's key strategic objectives. Senior management working in Group functions generally received the GFM.

- *Individual Performance Multiplier (IPM)*

Individual performance was assessed using a balanced scorecard of individual measures that aligned to and supported the Tabcorp Group's annual objectives. The balanced scorecard assessed four performance areas – customers, people, organisation, and shareholders. Specific key performance objectives (KPOs) were agreed upon for each performance area at the start of the financial year against which the individual was assessed.

To be eligible to receive a STI, participants needed to demonstrate required levels of behaviours in line with the Tabcorp Group values and must not have had any significant controllable compliance breaches.

6.3.1.3 Delivery

The STI was delivered in cash for the year ended 30 June 2011. Commencing the year ending 30 June 2012, it is mandatory for participants at a senior management level, where the target STI was 30% or more of TAR and who do not participate in the long term incentive, to defer one third of their total STI into Restricted Shares. Restricted Shares are subject to a three year service condition during which time the shares may not be traded, however participants have full entitlement to dividends and voting rights.

As a result of the Demerger, the Tabcorp Board waived the disposal restrictions for past allocations. At the date disposal restrictions and forfeiture provisions were waived, the fair value of the Restricted Shares were fully expensed.

6.3.1.4 Accounting treatment

The financial impact of the STI is expensed in the relevant financial year and is reflected in the remuneration disclosures for KMP. Restricted Shares are expensed on a straight line basis over a three year period, commencing from the time the Restricted Shares are granted to the participant, which occurs after the end of the financial year.

6.3.1.5 STI performance

For the year ended 30 June 2011, short term incentive targets were derived from the Tabcorp Board approved business plan. The Tabcorp Board awarded short term incentives to senior management (including the senior management of Echo) that reflected the financial performance of Tabcorp, prior to Demerger, against the targets set. On average, they were higher than the previous year.

6.3.2 Long term incentive (LTI)

The Board plans to approve a LTI plan for its senior management in September 2011. LTI will be delivered through either Performance Rights (which will provide the senior manager with the opportunity to acquire Echo Shares, subject to meeting market based performance hurdles and service conditions, at no cost to the senior manager) or Performance Options (which will provide the senior manager with the opportunity to acquire Echo Shares, subject to meeting market based performance hurdles and service conditions, upon payment of a specified exercise price). Participants will not be required to pay any consideration in respect of the grant of Performance Rights or Performance Options.

Prior to the Demerger, senior management for Echo were senior management of Tabcorp. The LTI payments disclosed in section 7 of this report represent payments made under the Tabcorp LTI plan. The information below therefore relates to the Tabcorp LTI.

6.3.2.1 Overview

The Tabcorp LTI was principally designed to reward senior management for contributions to long-term Tabcorp shareholder value creation, measured on the third anniversary after the date of grant (grants prior to 1 July 2010 were measured between the third and fourth anniversary). Ultimate value from the LTI was only delivered to the senior management if certain Tabcorp shareholder returns were achieved on the test date, resulting in the equity instruments vesting.

The LTI was delivered through Performance Rights that provided the senior manager with the opportunity to acquire shares, subject to meeting market based performance hurdles and service conditions, at no cost to the senior manager. Performance Rights were considered an effective instrument for delivering incentives to senior management which is aligned to achieving Tabcorp shareholder value over the three year period.

Remuneration report (audited)

for the financial year ended 30 June 2011

Performance Rights issued under the Tabcorp LTI plan had the following features:

- Tested against the relevant performance hurdle at the third anniversary of the date of grant (and at a further two subsequent six monthly intervals for grants prior to 1 July 2010);
- May vest at the third anniversary of the date of grant (and a further two times up to the fourth anniversary for grants prior to 1 July 2010), with any unvested Performance Rights lapsing immediately;
- Senior management had until the seventh anniversary of the date of grant to exercise vested Performance Rights, otherwise they lapse;
- Upon exercise Tabcorp issued or transferred ordinary shares to the senior manager; and
- The fair value was expensed over a three year period (and four year periods for grants prior to 1 July 2010) from the grant date in accordance with Accounting Standards.

6.3.2.2 Allocation

The Performance Rights under the Tabcorp LTI were generally allocated annually in September in arrears. The number of Performance Rights allocated is calculated as outlined in Figure 5.

Figure 5: Allocation calculation

$$\boxed{\text{Target LTI (\$)}} \div \boxed{\text{Fair Value of Performance Right}} = \boxed{\text{Number of Performance Rights allocated}}$$

6.3.2.3 Vesting conditions

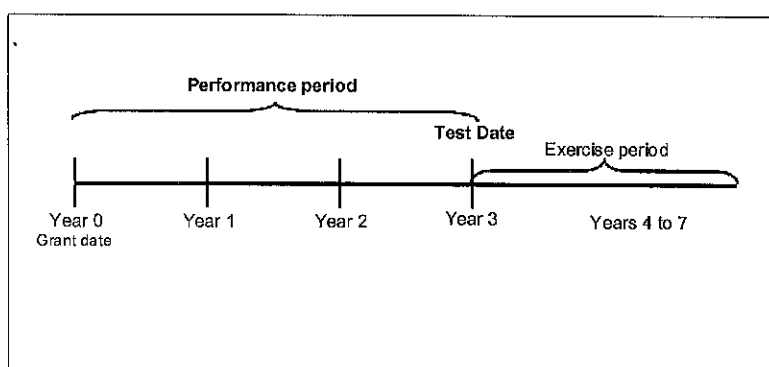
The vesting of Performance Rights issued under the Tabcorp LTI was dependent on two conditions, as discussed below.

□ Time based

Performance Rights may have vested at the third anniversary of the date of grant (Test Date), subject to meeting the relevant performance based hurdle (refer Figure 6). The Test Period aligned with the timeframe for Tabcorp's long term business strategy. The Performance Rights were tested against the performance hurdle at six monthly intervals during the Test Period.

Retesting was removed under the LTI in relation to offers made after 30 June 2010. For allocations made prior to 1 July 2010, Performance Rights were tested against the performance hurdle at six monthly intervals over a twelve month period commencing on the third anniversary of the date of the grant.

Figure 6: Time based vesting conditions (subject to meeting performance hurdle)



□ Performance based

The performance hurdle for Performance Rights issued under the LTI was relative Tabcorp Total Shareholder Return (TSR).

TSR measured the return received by shareholders (capital returns, dividends and share price movement) over a specific period relative to a peer group of companies. If there was any change in the dividend payment timetable of a company in the peer group (including Echo), then the TSR performance of that company was adjusted to remove any artificial distortion in the outcome. Tabcorp engaged an external consultant to calculate Tabcorp's TSR relative to the peer group of companies.

Remuneration report (audited)

for the financial year ended 30 June 2011

The peer group used for assessing Tabcorp's relative TSR was based upon the following companies.

Basis	Exclusions
S&P/ASX 100 index	<ul style="list-style-type: none"> Property trusts; Infrastructure groups; and Mining companies <p>Represented by the S&P Global Industry Classification Standards of Oil & Gas, Metals & Mining, Transportation Infrastructure and Real Estate.</p>

The composition of the peer group may change as a result of specific external events, such as mergers and acquisitions, capital returns, delistings and capital reconstruction. The Tabcorp Board Remuneration Committee agreed guidelines for adjusting the peer group following such events, and has the discretion to determine any adjustment to the peer group of companies.

The table below sets out the percentage of Performance Rights that will vest depending on Tabcorp's relative TSR ranking as at the applicable test dates:

Tabcorp's relative TSR ranking	Percentage of Performance Rights that will vest
Below 50th percentile	0%
At 50th percentile	50%
Above 50th and below 75th percentile	Pro-rata between 50% (at 50th percentile) and 100% (at 75th percentile)
At or above 75th percentile	100%

For grants prior to 1 July 2010, if Tabcorp's relative TSR ranking on a test date is higher than that measured on a previous test date(s), then a further number of Performance Rights may vest to senior management in addition to those that may have already vested. Alternatively, if Tabcorp's relative TSR ranking is lower than as measured on a previous test date(s), then no further Performance Rights will vest. The maximum number of Performance Rights that will have vested to senior management will accord with the highest measure of Tabcorp's relative TSR ranking on test dates during the test period.

This testing schedule and vesting criteria are common practices adopted by the companies in the S&P/ASX100 index, which is consistent with Echo's remuneration philosophy (refer to section 3) and senior management remuneration framework (refer to section 6.1).

Upon exercise of Performance Rights, senior management will be allocated an equivalent number of fully paid ordinary shares in the Company, and will receive full voting and dividend rights corresponding to the rights of all other holders of ordinary shares.

6.3.2.4 Lapsing conditions

Performance Rights that have not vested after testing will lapse.

Performance Rights which have vested will be exercisable by senior management until the seventh anniversary after the grant date. Following the seventh anniversary, any vested Performance Rights which have not been exercised will lapse.

6.3.2.5 Cessation of employment

All unvested Performance Rights lapsed immediately upon cessation of employment with Tabcorp. However, the Board Remuneration Committee has discretion in special circumstances to determine the number of Performance Rights (and Performance Options, where applicable) retained and the terms applicable. Special circumstances include events such as retirement, redundancy, death and permanent disability.

Vested Performance Rights are exercisable by the individual for a period of 90 days after termination of employment with Tabcorp, following which they will lapse.

Remuneration report (audited)

for the financial year ended 30 June 2011

6.3.2.6 Accounting treatment

Performance Rights issued under the LTI are expensed on a straight line basis over a three year period, commencing from the grant date (or four year period for grants prior to 1 July 2010). Under Accounting Standards, Tabcorp is required to recognise an expense irrespective of whether the Performance Right ultimately vests to the senior manager. A reversal of the expense is only recognised in the event the Performance Rights lapse due to cessation of employment within the three or four year period.

The 'Remuneration of KMP' tables at section 7.1 (Figures 8B & 8D) reflect the accounting expense recognised in the relevant financial year, not the total fair value of Performance Rights allocated to the Executive Directors and Executives during the year, which is disclosed in Figure 9E.

6.3.2.7 LTI performance

In the 2011 financial year there were five scheduled test dates for past allocations under the Tabcorp LTI. The performance based criteria for vesting was achieved during the second test for the 29 November 2007 grant, however, was not achieved for any other allocations. Therefore Performance Rights only vested for the 29 November 2007 grant.

6.3.2.8 Treatment of LTI under the Demerger (other than the former Managing Director and Chief Executive Officer)

As a result of the Demerger, the application of performance hurdles for unvested Performance Rights and Performance Options would be distorted, as Tabcorp's relative TSR would exclude (at least in part) the value of Echo shares and distributions on such Shares during the testing period. As a consequence, the financial performance of Tabcorp would not be fairly accurately represented if the performance hurdles were applied in these circumstances. Further, the value of a Tabcorp Share received upon the exercise of a vested Performance Right or Performance Options would be diminished by the value of an Echo Share.

Accordingly, the Tabcorp Board decided to accelerate the testing of relevant performance conditions to the date on which the Scheme became effective on 3 June 2011. The acceleration applied only to the pro rata portion of the unvested Performance Rights that was equal to the proportion of the standard vesting period of three years that had elapsed at 3 June 2011.

The performance conditions tested remained unchanged, i.e. they were the same performance conditions applied since the grant of the relevant Performance Right or Performance Option, except only to the extent that the testing date is brought forward.

Any Performance Rights or Performance Options that did not vest upon testing lapsed.

Any Performance Rights that did not qualify for testing on a pro rata basis were cancelled. With respect to these cancelled Performance Rights, Tabcorp paid the holder an amount equal to 50% of their fair value as at their date of grant.

The fair value of all Performance Rights and Performance Options were fully expensed at the date of accelerated testing or cancellation.

6.3.3 Appointment/retention incentives**6.3.3.1 Criteria for issue**

Restricted Shares may be issued to senior managers as an incentive upon appointment (either on joining Echo or transfer to a new position internally) or for retention. These are ordinary shares in the Company, and in order to act as a retention mechanism are subject to time based restrictions of up to three years.

Additionally, senior managers may also be issued Performance Rights upon appointment. These instruments are expected to be issued under the LTI, once approved, and will be subject to specific performance hurdles and vesting conditions.

A combination of equity instruments such as Restricted Shares, subject to time based restrictions, and Performance Rights, subject to performance and time based hurdles, are employed to attract, retain and compensate senior management for equity forfeited.

Appointment incentives that were provided in prior financial years by Tabcorp that remained subject to trading restrictions or vesting criteria are disclosed in section 6.4.2 and 6.6.2.

As a result of the Demerger, the Tabcorp Board determined to waive the disposal restrictions and forfeiture provisions in respect of the Tabcorp Shares issued pursuant to the Tabcorp Deferred Share Plan Rules.

6.3.3.2 Accounting treatment

The fair value of Restricted Shares is expensed as remuneration over the relevant restriction period. At the date disposal restrictions and forfeiture provisions were waived, the fair value of the Restricted Shares was fully expensed.

As Performance Rights (and Performance Options prior to 30 June 2007) are issued under the LTI, they are expensed in the same manner as described in section 6.3.2.6.

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6.3.4 Policy prohibiting hedging

Participants in the incentive plans (STI and LTI), once approved, will be restricted from hedging the value of Restricted Shares and unvested Performance Options and Performance Rights, and must not enter into a derivative arrangement in respect of the equity instruments granted under these plans. Breaches of the restriction will result in equity instruments being forfeited by the senior manager. This policy is consistent with that of Tabcorp which would have impacted Echo employees who were participants in the Tabcorp incentive plans prior to the Demerger.

These prohibitions are included in Echo's Securities Trading Policy, available from the Corporate Governance section of Echo's website at www.echoentertainment.com.au and will be in the terms and conditions of the incentive plans.

Equity instruments granted under the incentive plans can only be registered in the name of the participant, are identified as non tradable on the share register, and cannot be traded or transferred to another party until vested or until any trading restriction period has expired (where applicable).

The Board, at its discretion, can request a senior manager to provide a statutory declaration that the senior manager has complied with this policy. During the period, the Board did not require any such declarations.

6.4 Executive Director contract – Managing Director and Chief Executive Officer

6.4.1 Current contract

Larry Mullin commenced his new role as Managing Director and Chief Executive Officer on 9 June 2011 after all conditions precedent to implement the Demerger were satisfied or waived. In accordance with his employment contract, Mr Mullin receives fixed remuneration and the opportunity to receive variable remuneration through short term and long term incentive arrangements. Mr Mullin's contract is for a continuing term (subject to visa status) capable of being terminated on 6 months' notice by Mr Mullin and 12 months' notice by Echo. The contract does not require any termination payments, other than payment in lieu of notice (if applicable).

6.4.1.1 Fixed remuneration

Mr Mullin receives fixed remuneration of \$1,500,000 per annum which is to be reviewed annually by the Board. Mr Mullin receives cash in lieu of superannuation, due to being an Executive Director temporary resident of Australia.

6.4.1.2 Short term incentive

Mr Mullin is eligible to receive a short term performance award based on his individual performance and the Company's performance over the annual performance review period. Mr Mullin's short term performance award is equivalent to \$1,500,000 if targets are met, and is delivered in cash. This short term incentive is expected to be similar to that which applies to the Tabcorp STI in section 6.3.1, other than as set out above.

6.4.1.3 Long term incentive

The Company intends that the long term incentive component of Mr Mullin's remuneration package will involve annual grants of Performance Rights or Options, which would be subject to meeting performance hurdles, with the grant of such Performance Rights or Options being subject to obtaining any necessary shareholder approvals at the relevant time. The Echo Board is expected to formally approve awards to Mr Mullin under the LTI Plan, including relevant performance conditions, in late 2011. This long term incentive is expected to be similar to that which applies to the Tabcorp LTI in section 6.3.2, other than as set out in this section.

The Performance Rights or Options granted will be tested on the test date to determine whether the applicable performance hurdles have been met. The performance hurdle is relative TSR, which is based on the Company's TSR ranking compared to a peer group of companies measured over the period from the effective date to the applicable test date. If performance targets are met, the Long Term Performance Plan reward for the 30 June 2012 financial year is \$1,000,000.

Upon termination of employment (other than at the discretion of the Board in special circumstances such as, but not limited to, death and permanent disablement), all unvested Performance Rights or Options will lapse immediately. In all circumstances of termination of employment (other than for serious misconduct, in which case all vested [but not exercised] and all unvested Performance Rights or Options will lapse immediately), all Performance Rights or Options that have vested at the date of termination will be exercisable by Mr Mullin for a period of 90 days following termination of employment, following which they will lapse.

6.4.1.4 Out performance incentive

Mr Mullin's contract includes an Out Performance Incentive (OPI), which is payable if certain earnings threshold results are met for the 30 June 2014 financial year. The maximum OPI payable is \$3,000,000 and any payment is to be made following the release of the 30 June 2014 financial results.

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6.4.1.5 Other benefits

Mr Mullin's contract includes benefits comprising of living away from home expenses and home leave for a period of four years. These benefits are consistent with Mr Mullin's previous contract.

6.4.2 Previous contract

Mr Mullin's contract with Tabcorp for his previous role as Chief Executive Officer, Casinos was for a period of four years, and did not provide for any termination payment, other than payment in lieu of notice. The minimum notice period was 6 months (Mr Mullin) and 9 months (Tabcorp).

Mr Mullin was provided an appointment incentive in the year ended 30 June 2009 of approximately \$1,500,000 comprising cash of \$900,000 and Restricted Shares of approximately \$600,000 as follows:

Instrument type	Number	Trading restrictions and vesting conditions
Restricted Shares	90,931	Subject to trading restrictions lifting in 3 tranches on 2 February 2010, 2011 and 2012

As a result of the Demerger, the Tabcorp Board determined to waive the disposal restrictions and forfeiture provisions in respect of the Tabcorp Shares issued pursuant to the Deferred Share Plan Rules.

Mr Mullin's contract included an Out Performance Incentive (OPI), which was payable if certain earnings threshold results for the Casinos Division were met for the 30 June 2012 financial year. The maximum OPI payable was \$2,700,000, and any payment was to be made following the release of the 30 June 2012 financial results. However, as a result of the Demerger, Mr Mullin was issued a new employment contract with Echo and therefore, the Tabcorp OPI no longer applies.

6.5 Executive contract – former Managing Director and Chief Executive Officer (Tabcorp)**6.5.1 Current contract**

Elmer Funke Kupper was Managing Director and Chief Executive Officer of Tabcorp until 8 June 2011. In accordance with an employment contract, Mr Funke Kupper received fixed remuneration and the opportunity to receive variable remuneration through short term and long term incentive arrangements. Mr Funke Kupper's contract was for a continuing term capable of being terminated on 6 months' notice by Mr Funke Kupper and 12 months' notice by Tabcorp. The contract does not require any termination payments, other than payment in lieu of notice (if applicable).

6.5.1.1 Fixed remuneration

Mr Funke Kupper received fixed remuneration (inclusive of superannuation) of \$1,500,000 per annum.

6.5.1.2 Short term incentive

Mr Funke Kupper was eligible to receive a short term performance award based on his individual performance and Tabcorp's performance over the annual performance review period. Mr Funke Kupper's short term performance award was equivalent to \$1,500,000 if targets were met, and was delivered in cash, with the opportunity for Mr Funke Kupper to voluntarily sacrifice part of the award into additional superannuation contributions. This short term incentive was similar to that which applies to the STI in section 6.3.1, other than as set out above.

Following an assessment by the Board of Mr Funke Kupper's performance for the 2011 financial year, a short term performance award of \$2,475,000 was made. The award reflected the Board's assessment that Mr Funke Kupper's leadership and performance exceeded targeted outcomes with regard to a range of financial and non-financial goals including but not exclusive to, positioning the business for the execution of the Demerger, the award of the Victorian Keno Licence and the submission of the Victorian Wagering and Betting Licence.

6.5.1.3 Long term incentive

The long term incentive component of Mr Funke Kupper's remuneration package would involve annual grants of Performance Rights, which were subject to performance hurdles, with the grant of such Performance Rights subject to obtaining any necessary Tabcorp shareholder approvals at the relevant time. This long term incentive was similar to that which applies to the LTI in section 6.3.2, other than as set out in this section.

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Since his appointment as Managing Director and Chief Executive Officer, Mr Funke Kupper received four grants of Performance Rights under the Tabcorp Long Term Performance Plan, which were approved by Tabcorp shareholders at the Tabcorp's 2007, 2008, 2009 and 2010 Annual General Meetings. These were as follows:

Effective Date	Number	Test dates	Expiry date
13 July 2007	100,000	30 June 2011 and 30 June 2012	26 November 2014
15 September 2008	281,425	15 September 2011, 15 March 2012 and 15 September 2012	15 September 2015
17 June 2009	326,086	17 June 2012, 17 December 2012 and 17 June 2013	17 June 2016
14 September 2010	413,223	14 September 2013	14 September 2017

The Performance Rights granted were to be tested on each test date to determine whether the applicable performance hurdles were met. However, due to the Demerger, no stated test dates occurred and the treatment of unvested Performance Rights is detailed in Section 6.5.1.4. The performance hurdle was relative TSR, which was based on Tabcorp's TSR ranking compared to a peer group of companies measured over the period from the effective date to the applicable test date.

Further information relating to these Performance Rights is available in the notices of meeting for Tabcorp's 2007, 2008, 2009 and 2010 Annual General Meetings.

6.5.1.4. Treatment under the Demerger – Performance Rights held by Mr Funke Kupper

The Tabcorp Board determined that the 100,000 Performance Rights granted to Mr Funke Kupper in 2007 would automatically lapse upon him ceasing employment, in accordance with Mr Funke Kupper's contract.

In relation to the Performance Rights granted in 2008, 2009 and 2010, upon Mr Funke Kupper ceasing employment a pro-rata portion were to remain in existence, with the balance of those grants automatically lapsing, in accordance with Mr Funke Kupper's contract and the terms and conditions applicable to those Performance Rights. The pro-rata portion of each of those grants that remained in existence were determined on the basis of the period of employment from the relevant grant date to the cessation date. The Performance Rights that remained in existence are referred to collectively as the **Pro-rated Rights**.

No payment was made to Mr Funke Kupper in respect of any of the Performance Rights that lapse.

The Tabcorp Board determined that, in relation to the Pro-rated Rights, it would exercise its discretion under Mr Funke Kupper's contract and under the terms and conditions of the Performance Rights to allow potential vesting of those Performance Rights immediately following cessation of his employment.

Pro-rated Rights that were allowed to vest in this way were the lesser of 340,245 (being one third of the total Performance Rights granted in 2008, 2009 and 2010) and the number determined according to the extent that the applicable performance conditions were met at the effective date of the Demerger.

Vesting was determined as if the testing date for measuring the performance hurdles applicable to each grant was the effective date of the Demerger (3 June 2011). If any of the Pro-rated Rights did not vest in this way, they did not lapse at that time but remained on foot and will be tested on the testing dates originally provided for under their terms of grant. However, the performance hurdles applying in respect of those Performance Rights that remain on foot will not be adjusted to reflect the fact that following the Demerger, the total shareholder return on Tabcorp Shares will exclude (at least in part) the value of Echo Shares and any distributions on such shares during the testing period.

Where Performance Rights have lapsed, the remuneration previously recognised in relation to these Performance Rights was reversed on cessation of employment. The fair value of all other Performance Rights was fully expensed on cessation of employment.

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6.6 Executive contracts (including Chief Financial Officer) - KMP**6.6.1 Current contracts**

The table below contains details of the contracts of the Executives who are KMPs, including the Chief Financial Officer who is an Executive Director. The current contracts do not provide for any termination payments, other than payment in lieu of notice.

			Minimum notice period (months)	
Name	Position	Contract duration	Executive	Echo
Current				
Matt Bekier	Chief Financial Officer and Executive Director	Open ended	6	9
Geoff Hogg ⁽ⁱ⁾	Managing Director Treasury	Open ended	3	6
Frederic Luvisutto ⁽ⁱ⁾⁽ⁱⁱ⁾	Managing Director Jupiters	4 years	3	6
Sid Vaikunta ⁽ⁱ⁾⁽ⁱⁱⁱ⁾	Managing Director Star City	4 years	6	9
Former				
Louise Marshall ⁽ⁱⁱⁱ⁾	Executive General Manager, Human Resources	Open ended	3	9
Kerry Willcock ⁽ⁱⁱⁱ⁾	Executive General Manager, Corporate and Legal	Open ended	3	9

(i) Commenced as a KMP on 9 June 2011.

(ii) Covered by a sponsored s457 visa.

(iii) Ceased as a KMP of Echo on 8 June 2011. Position continues to be held with Tabcorp.

6.6.2 Appointment incentives**Managing Director Star City**

Mr Vaikunta was provided an appointment incentive during the prior year of approximately \$700,000 comprising cash of \$280,000 and Restricted Shares of approximately \$420,000 as follows:

Instrument type	Number	Trading restrictions and vesting conditions
Restricted Shares	59,183	Subject to trading restrictions lifting in 3 tranches on 27 July 2010, 2011 and 2012

As a result of the Demerger, the Tabcorp Board determined to waive the disposal restrictions and forfeiture provisions in respect of the Tabcorp Shares issued pursuant to the Deferred Share Plan Rules.

6.6.3 Out performance incentives**Managing Director Star City**

Mr Vaikunta's contract includes an Out Performance Incentive (OPI), which is payable if certain earnings threshold results are met for the 30 June 2014 financial year. The maximum OPI payable is \$1,450,000, and any payment will be made following the release of the 30 June 2014 financial results.

6.6.4 Other benefits**Chief Financial Officer**

Mr Bekier's contract includes benefits comprising of living away from home expenses and relocation costs for a period of two years.

Managing Director Star City

Mr Vaikunta's contract includes benefits comprising of living away from home expenses and home leave for a period of four years. These benefits are consistent with Mr Vaikunta's previous contract.

Managing Director Jupiters

Mr Luvisutto's contract includes benefits comprising of living away from home expenses and home leave for a period of four years.

6.7 Performance of Echo and shareholder wealth

The statutory requirement is to present a five year discussion of the link between company performance and shareholder wealth. As the Company was incorporated on 2 March 2011 and has only been listed since June 2011, it is not possible to present five years of financial data. The statutory financial data presented may therefore not be fully reflective of the underlying performance of the Company.

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6.7.1 Net profit after tax

As part of the activities undertaken by Tabcorp Holdings Limited to prepare the Echo Entertainment Group for the Demerger, the Company acquired Star City Holdings Limited and Jupiters Limited effective 31 May 2011. In order to provide more meaningful current and comparative data, the current and comparative amounts below reflect the results of the Tabcorp Group's Casino business assuming the acquisitions had taken place prior to 1 July 2009.

	30 June 2011 \$m	30 June 2010 \$m
Net profit after tax	226.0	193.8

6.7.2 Earnings per share (basic)

	30 June 2011 (cents per share)	30 June 2010 (cents per share)
Earnings per share	32.8	28.2

The earnings per share for the prior period has been calculated using the number of ordinary shares issued under the Tabcorp Holdings Limited demerger scheme of arrangement in June 2011, as the Company had no outstanding shares during the prior period.

6.7.3 Full year dividend

No dividends have been proposed or declared for the financial year ended 30 June 2011.

The dividends disclosed in Note 6 in the Financial Report for the years ended 30 June 2011 and 30 June 2010 represent dividends paid by Star City Holdings Limited and Jupiters Limited whilst wholly owned subsidiaries of Tabcorp.

6.7.4 Company share price at end of financial year

	30 June 2011 \$
Share price at year end	4.11

Figure 7 shows Tabcorp's TSR performance relative to the peer group of companies at test dates during the test periods for LTI allocations.

Figure 7: Relative TSR ranking

Grant date	Expiry date per original grant	Accelerated expiry date ⁽ⁱ⁾	TSR result at test date			
			First	Second	Third	Accelerated test date 3 June 2011 ⁽ⁱⁱ⁾
1 Dec 2003	1 Dec 2010	N/A	44.1	33.3	31.0	N/A
7 Sep 2004	7 Sep 2011	N/A	17.3	12.2	21.4	N/A
3 Mar 2005	3 Mar 2012	N/A	32.9	31.5	18.9	N/A
7 Sep 2005	7 Sep 2012	N/A	16.5	21.1	24.3	N/A
3 Mar 2006	3 Mar 2013	N/A	39.7	21.5	37.3	N/A
17 Nov 2006	17 Nov 2013	N/A	16.7	20.3	27.7	N/A
17 Nov 2006	17 Nov 2013	9 June 2011	16.7	27.7	N/A	42.3
29 Nov 2007	29 Nov 2014	9 June 2011	40.9	50.7	N/A	50.7
15 Sep 2008	15 Sep 2015	9 June 2011	N/A	N/A	N/A	78.2
23 Oct 2008	15 Sep 2015	N/A	N/A ⁽ⁱⁱⁱ⁾	N/A ⁽ⁱⁱⁱ⁾	N/A ⁽ⁱⁱⁱ⁾	78.2
17 Jun 2009	17 Jun 2016	9 June 2011	N/A	N/A	N/A	68.1
19 Oct 2009	17 Jun 2016	N/A	N/A ⁽ⁱⁱⁱ⁾	N/A ⁽ⁱⁱⁱ⁾	N/A ⁽ⁱⁱⁱ⁾	68.1
14 Sep 2010	14 Sep 2017	9 June 2011	N/A	N/A	N/A	95.8
25 Oct 2010	14 Sep 2017	N/A	N/A ⁽ⁱⁱⁱ⁾	N/A ⁽ⁱⁱⁱ⁾	N/A ⁽ⁱⁱⁱ⁾	95.8

(i) Refer Section 6.3.2.8 for details.

(ii) As outlined in Section 6.3.2.8, the accelerated testing of performance conditions applied to all Performance Rights and Performance Options retained by holders who are employees and former employees, other than the Performance Rights retained by the former Managing Director and Chief Executive Officer as outlined in Section 6.5.1.4.

(iii) In relation to the former Managing Director and Chief Executive Officer as outlined in Section 6.5.1.4, there are 232,136 Performance Rights left on foot and will continue to be tested at the respective dates. The performance hurdles applying in respect of those Performance Rights that remain on foot will not be adjusted to reflect the fact that following the Demerger, the TSR on Tabcorp Shares will exclude (at least in part) the value of Echo Shares and distributions on such shares during the testing period.

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7. Remuneration tables

7.1 Remuneration of KMP (including five highest paid executives, in accordance with the Corporations Act 2001)

Figure 8A: KMP remuneration for the year ended 30 June 2011 – Non Executive Directors

KMP	Short term	Post employment	Total
	Salary & fees ⁽ⁱ⁾	Super-annuation	
	\$	\$	\$
Current			
John Story	425,682	38,311	463,993
John O'Neill	188,894	16,820	203,714
Brett Paton	228,712	20,584	249,296
Total	841,288	75,715	917,003

(i) Comprises salary and fees.

Remuneration report (audited) for the financial year ended 30 June 2011

Figure 8B: KMP remuneration for the year ended 30 June 2011 – Executives (including five highest paid executives)

Mr Mullin, Mr Bekier and Mr Valkunta were a KMP or Top 5 for the year ended 30 June 2011 for Echo. They were joined by Mr Hogg and Mr Luvisutto on 9 June 2011.

KMP	Salary & fees ⁽¹⁾	Short term			Long term	Post Employment	Total excluding charge for share based allocations	Charge for share based allocations ⁽¹⁾		Accelerated Charge for Share based allocations ⁽¹⁾		Total \$	Performance related ⁽²⁾ %	Termination benefits \$
		Bonus	Non-monetary benefits ⁽¹⁾	Other ⁽¹⁾				Performance Options & Rights	Restricted Shares	Performance Options & Share Rights	Restricted shares & former LTI loans			
Current Executive Directors														
Larry Mullin ^{(a)(b)}	1,384,022	1,350,000	277,610	307,403	4,061	-	3,323,116	182,292	119,508	500,000	44,533	4,169,449	37%	-
Mr Bekker ^(a)	795,726	625,000	-	35,779	7,428	18,466	1,480,388	417,120	-	661,991	-	2,559,509	41%	-
Current Executives														
Gawff Hogg ⁽¹⁾	20,232	8,476	1,039	-	84	1,287	31,158	-	-	-	-	31,158	27%	-
Fredrick Luvisetto ^(a)	21,923	-	-	-	37	921	22,881	-	-	-	-	22,881	0%	-
Sid Valkunta ^{(a)(b)(c)(d)}	784,447	543,750	57,008	156,000	1,449	-	1,522,654	85,013	106,965	195,040	56,484	1,946,156	31%	-
Former Executives														
Elmer Funks Kupper ^(a)	1,386,938	2,475,000	-	-	(58,106)	15,199	3,819,031	1,330,928	-	(294,357)	-	4,855,602	78%	3,000,000
Louise Marshall ^{(a)(b)}	379,661	263,636	-	-	3,972	14,278	651,537	107,612	-	253,425	-	1,012,474	36%	337,500
Kerry Willcock ^{(a)(b)}	481,125	328,768	-	-	25,888	62,409	850,077	244,314	-	394,171	-	1,488,562	38%	-
Total	5,234,123	5,584,650	335,657	499,182	(15,168)	12,673	11,700,852	2,347,179	226,473	1,710,270	101,017	16,085,791	-	3,337,500

(i) Comprises salary, salary sacrificed benefits (including superannuation and motor vehicle novated leases) and annual leave expense.

(ii) Comprises car parking, accommodation, airfares and travel costs, where applicable.

(iii) Comprises cash appointment incentives, relocation expenses and living away from home benefits, where applicable.

(iv) Represents the fair value of share based payments expensed by Tabcorp, which includes amounts expensed on cessation of employment where equity instruments are retained, and reversal of previously recognised remuneration on cessation of employment where equity instruments lapse. Value only accrues to the KMP when conditions have been met.

(v) As a result of the Demerger, the remaining fair value of share based payments not already recognised was expensed where the date of testing was accelerated, the equity instruments were cancelled or disposal restrictions and forfeiture provisions were waived. The balance includes the reversal of previously recognised remuneration where equity instruments lapse on cessation of employment resulting from the Demerger.

(vi) Represents the sum of bonus (excluding non-performance related bonus), Performance Options, Performance Rights and Restricted Shares (excluding appointment incentives) as a percentage of total remuneration, excluding termination payments.

(vii) Share based allocations include Restricted Shares that were granted as appointment incentives.

(viii) Received cash in lieu of superannuation, due to being a senior executive temporary resident of Australia. These amounts are disclosed under salary and fees.

(ix) Long service leave reflects new employment conditions.

(x) Commenced as a KMP on 9 June 2011. The above remuneration only reflects the period whilst a KMP.

(xi) Did not commence as a KMP until 9 June 2011, however remuneration disclosed for the full year as included in top five highest paid executives for the Company. Total remuneration for the period whilst a KMP was \$91,776.

(xii) Ceased employment and as a KMP on 8 June 2011. In addition to the amounts disclosed above, payment of annual leave on cessation amounted to \$183,335.

(xiii) Ceased as a KMP on 8 June 2011 as a result of the Demerger. Termination benefits will be paid during the year ended 30 June 2012.

(xiv) Ceased as a KMP for Echo on 8 June 2011, position continues to be held with Tabcorp.

The amounts that appear under the heading 'charge for share based allocations' are the amounts required under the Accounting Standards to be expensed by the Company in respect of the allocation of long term incentives and Restricted Shares to KMP. Each year, the Board may decide to allocate long term incentives to executives. Currently, these long term incentives are allocated in the form of Performance Rights, which are expensed by the Company over the three to four year vesting period. Figures 8B and 8D represent the expenses incurred during the year in respect of current and past incentive allocations. These amounts are therefore not amounts actually received by executives during the year. Whether executives receive any value from the allocation of long term incentives in the future will depend on the performance of the Company relative to a peer group of listed companies. The mechanism which determines whether or not long term incentives vest in the future is described in Sections 6.3.2 and 6.4.1.3.

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Figure 8C: KMP remuneration for the year ended 30 June 2010 – Non Executive Directors

KMP	Short term Salary & fees ⁽ⁱ⁾ \$	Post employment Super- annuation \$	Total \$
Current			
John Story	410,500	36,945	447,445
John O'Neill	181,500	16,335	197,835
Brett Paton	173,171	15,585	188,756
Total	765,171	68,865	834,036

(i) Comprises salary and fees.

Figure 8D: KMP remuneration for the year ended 30 June 2010 – Executives (including five highest paid executives)

KMP	Short term				Long term	Post employment	Total excluding charge for share based allocations	Charge for share based allocations ^(vi)		Total \$	Performance related ^(v) %	Termination benefits \$
	Salary & fees ⁽ⁱ⁾ \$	Bonus \$	Non- monetary benefits ⁽ⁱⁱ⁾ \$	Other ⁽ⁱⁱⁱ⁾ \$	Long service leave \$	Super- annuation \$		Performance Options & Rights \$	Restricted Shares \$			
Current Executives												
Elmer Funke Kupper ^(iv)	1,549,319	1,125,000	-	-	17,879	14,461	2,706,659	909,749	-	3,616,408	56%	-
Larry Mullin ^{(v)(vi)}	1,428,172	800,000	866,467	292,763	4,903	-	3,192,305	82,500	283,250	3,538,055	24%	-
Matt Bekier	747,237	375,000	-	-	8,991	14,461	1,145,689	353,658	-	1,499,347	49%	-
Louise Marshall	388,677	150,000	-	-	3,128	14,461	534,266	62,741	-	597,007	38%	-
Sid Valkunte ^{(v)(vii)(viii)}	704,359	284,463	67,983	473,466	1,660	-	1,531,961	-	256,549	1,788,510	16%	-
Kerry Willcock	476,372	210,000	-	-	13,847	14,461	714,680	202,955	-	917,635	45%	-
Total	5,272,136	2,944,493	734,450	766,229	50,408	57,844	9,825,580	1,591,603	539,799	11,956,982		

(i) Comprises salary, salary sacrificed benefits (including superannuation and motor vehicle novated leases) and annual leave expense.

(ii) Comprises car parking, accommodation, airfares, travel costs and entertainment, where applicable.

(iii) Comprises cash appointment incentives, relocation expenses and living away from home benefits, where applicable.

(iv) Represents the fair value of share based payments expensed by Tabcorp, which includes amounts expensed on cessation of employment where equity instruments are retained, and reversal of previously recognised remuneration on cessation of employment where equity instruments lapse. Value only accrues to the KMP when conditions have been met.

(v) Represents the sum of bonus (excluding non-performance related bonus), Performance Options, Performance Rights and Restricted Shares (excluding appointment incentives) as a percentage of total remuneration, excluding termination payments.

(vi) Share based allocations include Restricted Shares that were granted as appointment incentives.

(vii) Received cash in lieu of superannuation, due to being a senior executive temporary resident of Australia. These amounts are disclosed under salary and fees.

(viii) Did not commence as a KMP until 9 June 2011 however remuneration disclosed as included in top five highest paid executives for the Company. Total remuneration for the period whilst a KMP was nil.

Remuneration report (audited)

for the financial year ended 30 June 2011

7.2 Other remuneration tables (including five highest paid executives, in accordance with the Corporations Act 2001)**Figure 9A: Short term incentive (STI) achieved (including five highest paid executives)**

For the year ended 30 June 2011

KMP	Actual STI payment \$	Actual STI payment as a % of maximum STI ⁽ⁱ⁾	Actual STI payment as a % of target STI	STI not achieved as a % of target STI
Current				
Larry Mullin	1,350,000	44%	100%	-
Matt Bekier	625,000	53%	120%	-
Geoff Hogg	8,476	33%	75%	25%
Frederic Luvistutto	-	n/a	n/a	n/a
Sid Vaikunta	543,750	56%	125%	-
Former				
Elmer Funke Kupper	2,475,000	73%	165%	-
Louise Marshall	253,636	53%	120%	-
Kerry Willcock	328,788	59%	133%	-

(i) Maximum STI for KMPs may vary, as it is subject to Board discretion.

Figure 9B: Terms and conditions of Performance Rights granted during the year (including five highest paid executives)

Grant date	Fair value at grant date \$	Exercise price \$	First exercise date	Last exercise/ expiry date per original grant	Accelerated exercise /expiry date ⁽ⁱⁱ⁾
For the year ended 30 June 2011:					
14 September 2010 ⁽ⁱ⁾	3.63	-	14 September 2013	14 September 2017	9 June 2011
25 October 2010 ⁽ⁱ⁾	4.50	-	14 September 2013	14 September 2017	9 June 2011
For the year ended 30 June 2010:					
19 October 2009 ⁽ⁱⁱⁱ⁾	3.92	-	17 June 2012	17 June 2016	N/A ⁽ⁱⁱⁱ⁾

(i) Terms and conditions of the Performance Rights are the same. Grant date differs due to Performance Rights granted to the former Managing Director and Chief Executive Officer which required shareholder approval at the Tabcorp AGM. Fair value is determined at grant date.

(ii) Refer section 6.3.2.8 and 6.5.1.4 for details

(iii) Allocation to the former Managing Director and Chief Executive Officer. Unvested Performance Rights remain on foot per original grant conditions. Refer Section 6.5.1.4 for details.

Figure 9C: Performance Rights granted during the year (including five highest paid executives)

For the year ended 30 June 2011

KMP	Rights granted 14 September 2010 Number	Rights granted 25 October 2010 Number
Current		
Larry Mullin	137,741	-
Matt Bekier	114,784	-
Sid Vaikunta	71,640	-
Former		
Elmer Funke Kupper	-	413,223
Louise Marshall	55,096	-
Kerry Willcock	68,871	-
Total	448,132	413,223

For the year ended 30 June 2010

KMP	Rights granted 19 October 2009 Number
Current	
Elmer Funke Kupper	326,086
Larry Mullin	-
Matt Bekier	-
Sid Vaikunta	-
Kerry Willcock	-
Louise Marshall	-
Total	326,086

Remuneration report (audited)

for the financial year ended 30 June 2011

Figure 9D: Performance Options and Performance Rights vested and exercised during the year (including five highest paid executives)

For the years ended 30 June 2011 and 30 June 2010

KMP	During the year ended 30 June 2011		
	Vested Number	Exercised Number	Amount paid per Performance Right
Current			
Larry Mullin	63,772	63,772	Nil
Matt Bekler	166,253	166,253	Nil
Geoff Hogg ⁽ⁱ⁾	-	19,536	Nil
Sid Vaikunta	17,206	17,206	Nil
Former			
Elmer Funke Kupper ⁽ⁱⁱ⁾	340,245	340,245	Nil
Louise Marshall ⁽ⁱⁱⁱ⁾	49,594	49,594	Nil
Kerry Willcock ⁽ⁱⁱⁱ⁾	97,875	97,875	Nil
Total	734,945	754,481	Nil

(i) Commenced as a KMP on 9 June 2011. No Performance Options or Performance Rights vested after this date.

(ii) Vesting and exercise of Performance Rights occurred after the individual ceased as a KMP.

(iii) For Performance Rights tested on 3 June 2011, exercise occurred after the individual ceased as a KMP.

No Performance Options and Performance Rights vested or were exercised during the prior year.

Figure 9E: Value of Performance Options and Performance Rights granted as part of remuneration (including five highest paid executives)

KMP	During the year ended 30 June 2011			
	Granted ⁽ⁱ⁾ \$	Exercised ⁽ⁱⁱ⁾ \$	Lapsed ⁽ⁱⁱⁱ⁾ \$	As a % of remuneration ^(iv) %
Current				
Larry Mullin	500,000	476,377	36,524	16%
Matt Bekler	416,666	1,241,910	211,245	42%
Geoff Hogg ^(v)	-	145,934	-	-
Sid Vaikunta	260,053	128,529	-	13%
Former				
Elmer Funke Kupper ^(vi)	1,859,504	2,541,630	4,204,413	21%
Louise Marshall ^(vi)	199,998	370,467	19,486	36%
Kerry Willcock ^(vi)	250,002	734,103	162,154	43%
Total	3,486,223	5,638,950	4,633,822	

(i) Represents the value of Performance Rights granted during the year, granted in arrears.

(ii) Represents the value of Performance Rights exercised during the year. The value is calculated based on the market value of Tabcorp shares at the date of exercise.

(iii) Represents the value of Performance Rights as a result of not satisfying the performance conditions during the year and at the accelerated test date for all holders other than Mr Funke Kupper. In relation to Mr Funke Kupper, the value of the lapsed Performance Rights are in relation to those that lapsed (a) upon cessation of employment and (b) as a result of not satisfying the performance conditions during the year. The value is determined assuming the performance conditions had been achieved, and is calculated based on the market value of Tabcorp shares at the date of lapsing, less any exercise amount payable.

(iv) Represents the fair value of Performance Options and Performance Rights expensed during the year (including accelerated charge) as a percentage of total remuneration, excluding termination payments. Total remuneration includes the charge for share based allocations.

(v) Commenced as a KMP on 9 June 2011. No Performance Options or Performance Rights were granted or lapsed after this date.

(vi) For Performance Rights tested on 3 June 2011, exercise occurred after the individual ceased as a KMP.

Remuneration report (audited)

for the financial year ended 30 June 2011

Figure 9F: Modification to Performance Rights during the year

During the year to 30 June 2011 as a result of the Demerger, the testing of relevant performance conditions for a pro rata portion of outstanding unvested Performance Rights (other than for the former Managing Director and Chief Executive Officer [Tabcorp]) was accelerated to the date on which the Scheme became effective. The effective date was 3 June 2011, and the modification to the affected Performance Rights occurred on that date.

The conditions affecting the vesting and exercise of the Performance Rights prior to the alteration are outlined in section 6.3.2.3, and after the alteration are outlined in section 6.3.2.8.

The market price of the underlying instruments, being Tabcorp Shares, at the date of the alteration was \$7.72.

The alteration, being the bringing forward of the test date, has made no difference to the total fair value of the Performance Rights.

All of the modified Performance Rights expired on 9 June 2011.

Details of the modification to Performance Rights is outlined below:

	Performance Rights – granted:							
	29 November 2007		15 September 2008		17 June 2009		14 September 2010	
	Testing brought forward Number	Original expiry date	Testing brought forward Number	Original expiry date	Testing brought forward Number	Original expiry date	Testing brought forward Number	Original expiry date
KMP								
Current								
Larry Mullin	n/a	n/a	n/a	n/a	35,586	17 Jun 2016	33,082	14 Sep 2017
Matt Bekier	20,156	29 Nov 2014	66,098	15 Sep 2015	59,311	17 Jun 2016	27,569	14 Sep 2017
Sid Valkunta	n/a	n/a	n/a	n/a	n/a	n/a	17,206	14 Sep 2017
Former								
Louise Marshall	n/a	n/a	19,994	15 Sep 2015	18,979	17 Jun 2016	13,233	14 Sep 2017
Kerry Willcock	11,662	29 Nov 2014	38,242	15 Sep 2015	35,586	17 Jun 2016	16,541	14 Sep 2017
Total	31,818		124,334		149,462		107,631	

Modifications to Performance Rights for the former Managing Director and Chief Executive Officer (Tabcorp) are outlined in section 6.5.1.4, with original conditions outlined in section 6.5.1.3.

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



John Story
Chairman

Sydney
16 August 2011

Income statement
For the year ended 30 June 2011

ECHO ENTERTAINMENT GROUP

	Note	2011 \$m	2010 \$m
Revenue		1,648.4	1,451.6
Other income	3	0.7	(1.3)
Government taxes and levies		(317.2)	(288.5)
Commissions and fees		(125.6)	(96.8)
Employment costs		(465.8)	(449.1)
Depreciation and amortisation	3	(98.7)	(89.1)
Cost of sales		(70.9)	(70.1)
Property costs		(54.1)	(50.9)
Advertising and promotions		(62.0)	(53.5)
Other expenses		(107.6)	(92.5)
Profit before income tax expense and net finance costs		347.2	259.8
Finance income	3	0.3	0.4
Finance costs	3	(5.0)	(7.7)
Profit before income tax expense		342.5	252.5
Income tax expense	5	(116.5)	(58.7)
Net profit after tax		226.0	193.8
Other comprehensive income			
Change in fair value of cash flow hedges taken to equity		(7.6)	-
Income tax benefit on items of other comprehensive income	5	2.3	-
Other comprehensive income/(loss) for the period, net of income tax		(5.3)	-
Total comprehensive income for the period		220.7	193.8
Earnings per share:			
Basic and diluted earnings per share (cents per share)	7	32.8	28.2

The accompanying notes form an integral part of this income statement.

Balance sheet

As at 30 June 2011

ECHO ENTERTAINMENT GROUP

	Note	2011 \$m	2010 \$m
Current assets			
Cash and cash equivalents	8	124.5	110.8
Receivables	9	71.3	12.7
Inventories	10	6.3	6.5
Current tax assets		0.5	-
Other	11	26.0	12.3
Total current assets		228.6	142.3
Non current assets			
Property, plant and equipment	12	1,764.6	1,476.0
Intangible assets	13	1,863.2	1,839.3
Derivative financial instruments	28	11.7	-
Other	11	23.4	11.2
Total non current assets		3,662.9	3,326.5
TOTAL ASSETS		3,891.5	3,468.8
Current liabilities			
Payables	15	155.0	3,043.2
Provisions	17	56.8	54.3
Derivative financial instruments	28	27.7	-
Other	18	2.1	8.3
Total current liabilities		241.6	3,105.8
Non current liabilities			
Interest bearing liabilities	16	1,070.8	-
Deferred tax liabilities	5	171.6	150.5
Provisions	17	7.4	6.4
Derivative financial instruments	28	22.1	-
Total non current liabilities		1,271.9	156.9
TOTAL LIABILITIES		1,513.5	3,262.7
NET ASSETS		2,378.0	206.1
Equity			
Issued capital	19	2,138.0	-
Retained earnings/(accumulated losses)		245.3	(161.8)
Reserves	19	(5.3)	367.9
TOTAL EQUITY		2,378.0	206.1

The accompanying notes form an integral part of this balance sheet.

Cash flow statement

For the year ended 30 June 2011

ECHO ENTERTAINMENT GROUP

	Note	2011 \$m	2010 \$m
Cash flows from operating activities			
Net cash receipts in the course of operations		1,477.4	1,384.7
Payments to suppliers, service providers and employees		(799.6)	(766.4)
Payment of government levies, gaming taxes and GST		(315.7)	(274.6)
Interest revenue received		0.3	0.4
Finance costs paid		(2.5)	-
Net cash flows from operating activities	20	359.9	344.1
Cash flows from investing activities			
Payment for property, plant and equipment and intangibles		(410.8)	(278.4)
Net cash flows used in investing activities		(410.8)	(278.4)
Cash flows from financing activities			
Proceeds from long term borrowings		1,090.0	-
Repayment of loans from related parties		(1,025.4)	(57.9)
Net cash flows from/(used in) financing activities		64.6	(57.9)
Net increase in cash held		13.7	7.8
Cash at beginning of year		110.8	103.0
Cash at end of year	8	124.5	110.8

The accompanying notes form an integral part of this cash flow statement.

Statement of changes in equity

For the year ended 30 June 2011

ECHO ENTERTAINMENT GROUP

	Issued capital: Ordinary shares \$m	Retained earnings/ (accumulated losses) \$m	Net unrealised gains reserve \$m	Common control reserve \$m	Total equity \$m
2011					
Balance at beginning of year	-	(161.8)	-	367.9	206.1
Profit for the period	-	226.0	-	-	226.0
Other comprehensive income	-	-	(5.3)	-	(5.3)
Total comprehensive income for the period	-	226.0	(5.3)	-	220.7
Dividends paid	-	(198.8)	-	-	(198.8)
Shares issued under the Tabcorp Holdings Limited demerger scheme of arrangement	2,138.0	-	-	-	2,138.0
Application of common control accounting policy	-	-	-	12.0	12.0
Transfers	-	379.9	-	(379.9)	-
Balance at end of year	2,138.0	245.3	(5.3)	-	2,378.0
2010					
Balance at beginning of year	-	(241.0)	-	354.8	113.8
Profit for the period	-	193.8	-	-	193.8
Total comprehensive income for the period	-	193.8	-	-	193.8
Dividends paid	-	(114.6)	-	-	(114.6)
Application of common control accounting policy	-	-	-	13.1	13.1
Balance at end of year	-	(161.8)	-	367.9	206.1

The accompanying notes form an integral part of this statement of changes in equity.

1. Significant accounting policies and corporate information

Echo Entertainment Group Limited ('the Company') is a company limited by shares which began trading on the Australian Securities Exchange on 6 June 2011. The Company was incorporated on 2 March 2011 and is domiciled in Australia. The financial report of the Company for the year ended 30 June 2011 comprises the Company and its subsidiaries (collectively referred to as 'the Group') and the Group's interest in joint ventures.

As part of the activities undertaken by Tabcorp Holdings Limited ('Tabcorp') to prepare the Group for demerger, the Company acquired Star City Holdings Limited and Jupiters Limited, effective 31 May 2011. The Group's consolidated financial results presented for the current and comparative financial years reflect the results of the Tabcorp Holdings Limited Group's ('Tabcorp Group') Casino business, assuming the acquisitions had taken place prior to 1 July 2009 (refer note 2 for further details).

The financial report was authorised for issue by the directors on 16 August 2011.

(a) Statement of compliance

(i) Changes in accounting policy and disclosures

The Group has adopted the following new and amended accounting standards, which became applicable from 1 July 2010:

AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project
AASB 2009-8	Amendments to Australian Accounting Standards - Group cash-settled share based payments
AASB 2009-10	Amendments to Australian Accounting Standards - Classification of rights issues
AASB 2009-13	Amendments to Australian Accounting Standards arising from Interpretation 19
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The adoption of these standards did not have any effect on the financial position or performance of the Group.

(ii) New Australian Accounting Standards issued but not yet effective

Australian Accounting Standards that have been recently issued or amended but are not yet effective have not been applied to the financial report.

The following amendments by the AASB to Australian Accounting Standards and the IASB to International Financial Reporting Standards are not expected to have a material impact on the Group's financial position and performance, however increased disclosures will be required in the Group's financial statements.

AASB Reference	Title	Application date for Group
AASB 9	Financial Instruments	1 July 2013
AASB 124	Related Party Disclosures	1 July 2011
AASB 1054	Australian Additional Disclosures	1 July 2011
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9	1 July 2013
AASB 2009-12	Amendments to Australian Accounting Standards	1 July 2011
AASB 2010-4	Further amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 July 2011
AASB 2010-5	Amendments to Australian Accounting Standards	1 July 2011
AASB 2010-6	Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets	1 July 2011
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	1 July 2013
AASB 2011-1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project	1 July 2011
IFRS 10	Consolidated Financial Statements	1 July 2013
IFRS 11	Joint Arrangements	1 July 2013
IFRS 12	Disclosure of Interests in Other Entities	1 July 2013
IFRS 13	Fair Value Measurement	1 July 2013

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board. The financial report also complies with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

(b) 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 report is presented in Australian dollars.

The financial report is prepared on the historical cost basis, except for derivative financial instruments which have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged with fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged. Non current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The accounting policies have been applied consistently throughout the Group for the purposes of this financial report.

The Company is a Company of the kind specified in Australian Securities and Investments Commission ('ASIC') Class Order 98/0100. In accordance with that Class Order, amounts in the financial report and the Directors' report have been rounded to the nearest hundred thousand dollars, unless specifically stated to be otherwise.

1. Significant accounting policies and corporate information (continued)

(c) Accounting estimates and assumptions

Significant accounting estimates and assumptions

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities recognised in the financial statements are described in the following notes:

- note 1 - Significant accounting policies
- (j) Taxation
- (l) Receivables
- (p) Intangible assets
- (s) Provisions
- (u) Employee benefits
- note 2 - Businesses acquired
- note 5 - Income tax
- note 14 - Impairment testing of goodwill

(d) Basis of consolidation

Controlled entities

Controlled entities are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

The financial statements of controlled entities are included in the consolidated financial report from the date control commences until the date that control ceases, except for acquisitions occurring while under common control. For acquisitions occurring while under common control, the financial statements of the acquired entities are included in the consolidated financial statements from the beginning of the earliest reported period until the date control ceases.

The financial statements of the controlled entities are prepared for the same reporting period as the Company, using consistent accounting policies.

Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement.

Jointly controlled entities

Investments in jointly controlled entities are accounted for using equity accounting principles and are carried at the lower of the equity accounted amount and the recoverable amount.

The Group's share of the jointly controlled entity's net profit or loss is recognised in the consolidated income statement from the date joint control commences until the date joint control ceases. Other movements in reserves are recognised directly in consolidated reserves.

Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(e) Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in 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. Refer to note 1(g) for further detail.

Non monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

(f) 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 cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value 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.

1. Significant accounting policies and corporate information (continued)**(g) 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 variability of changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, any gain or loss on the derivative is recognised directly in the income statement.

(h) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Casino revenue

Revenue is recognised as the net gaming win plus the retail sale of food, beverages, accommodation and other services.

Sale of goods

Revenue is recognised when:

- the significant risks and rewards of ownership of the goods have passed to the buyer;
- it is probable consideration will pass from the buyer in accordance with an established arrangement; and
- the amount of consideration can be reliably measured.

Customer loyalty programmes

The Group operates loyalty programmes enabling customers to accumulate award credits for gaming spend. A portion of the spend, equal to the fair value of the award credits earned, is treated as deferred revenue. Revenue from the award credits is recognised when the award is redeemed or expires.

Dividends

Revenue is recognised when the right to receive payment is established.

(i) Net finance costs

Finance income is recognised as the interest accrues, using the effective interest rate method.

Finance costs are recognised as an expense when incurred.

Borrowing costs directly associated with qualifying assets are capitalised, including any other associated costs directly attributable to the borrowing.

1. Significant accounting policies and corporate information (continued)

(j) 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.

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

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 cash flow statement 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 are classified as operating cash flows.

(k) Cash

Cash comprises 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 cash flow statement.

(l) Receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amount (where applicable). An allowance for doubtful debts is made when there is objective evidence that collection of the full amount is no longer probable. Factors considered when determining if an impairment exists include ageing and timing of expected receipts, management's experienced judgement and facts in the individual situation. Bad debts are written off when identified.

(m) Inventories

Inventories include consumable stores, food and beverages and are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(n) Non current assets held for sale and discontinued operations

Assets classified as held for sale (and all assets and liabilities in a disposal group) are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in the income statement. The same applies to gains and losses on subsequent re-measurement. No depreciation or amortisation is charged on these assets while they are classified as held for sale.

A discontinued operation is a component of the Group's business that represents a separate major line of business or is a controlled entity acquired or held exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

1. Significant accounting policies and corporate information (continued)

(o) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (refer to note 1(q)).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leased assets

Leases where the lessee assumes substantially all the risks and rewards of ownership of the asset are classified as finance leases.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

Depreciation

Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment other than land, which is not depreciated.

Useful life

Buildings	10 - 95 years
Leasehold improvements	4 - 75 years
Plant and equipment	5 - 19 years

(p) Intangible assets

Goodwill arising from business combinations

All business combinations are accounted for by applying the acquisition method. Goodwill represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired and liabilities assumed.

Impairment

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to each cash generating unit or group of cash generating units expected to benefit from the business combination's synergies and is not amortised, but is tested for impairment annually or whenever there is an indicator of impairment. Impairment is determined by assessing the recoverable amount of the cash generating unit or units, to which the goodwill relates. When the recoverable amount of the cash generating unit or units is less than the carrying amount, an impairment loss is recognised. Impairment losses are recognised directly in the income statement and are not subsequently reversed.

Negative goodwill arising on an acquisition is recognised directly in the income statement.

Refer to note 14 for further details of key assumptions included in the impairment calculation.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses (refer to note 1(q)). The cost of internally developed software includes the cost of materials, direct labour and an appropriate proportion of overheads. Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Amortisation

Amortisation of intangible assets is charged to the income statement as follows:

Star City casino licence:

The licence is amortised on a straight line basis from its date of issue until expiry in 2093.

Treasury casino licence:

The licence is amortised on a straight line basis over the remaining life of the licence from the date of acquisition until expiry in 2070.

Star City casino concessions:

The concessions granted by the NSW government include product concessions and effective casino exclusivity in NSW. Amortisation is on a straight line basis over the period of expected benefits, which is until 2093 and 2019 respectively.

Software:

Software is amortised on a straight line basis over its useful life, which varies from 5 to 8 years.

Other:

Other intangible assets relate to 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.

(q) Impairment of non financial assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. When an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

1. Significant accounting policies and corporate information (continued)

(q) Impairment of non financial assets (continued)

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's recoverable value cannot be estimated as it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Impairment losses are recognised immediately in the income statement.

Refer to note 14 for further details of key assumptions included in the impairment calculation.

(r) Payables

Payables are stated at amortised cost.

(s) 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. Where discounting is used, the increase in the provision due to the passage of time is recorded as a finance cost.

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced, has been announced publicly, or has no realistic probability of withdrawal. Future operating costs are not provided for in the provision for restructuring.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Self insurance

Where the Group self insures for workers' compensation, a provision is recognised in the balance sheet.

(t) Interest bearing liabilities

Interest bearing liabilities are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, interest bearing liabilities are recognised at fair value or amortised cost. Amortised cost is calculated using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised in addition to the amortisation process.

(u) Employee benefits

Post-employment benefits

Accumulation plan

The Group's commitment to accumulation 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.

Contributions to accumulation plans 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 the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the Group's obligations.

Wages, salaries and annual leave

Liabilities for employee benefits of salaries, wages and annual leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration rates the Group expects to pay, including related on-costs when the liability is expected to be settled.

Share based payment transactions

The Group operates the Long Term Performance Plan ('LTTP'), which is available at the most senior executive levels. Under the LTTP, employees may become entitled to Performance Rights 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 equity) over four years 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 four year period.

1. Significant accounting policies and corporate information (continued)

(u) Employee benefits (continued)

Post-employment benefits (continued)

Share based payment transactions (continued)

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.

The dilutive effect, if any, of outstanding Performance Rights is reflected in the computation of diluted earnings per share.

In addition, the Group operates the Short Term Performance Plan ('STPP'). For certain senior executives, it is mandatory to defer one third of their STPP into Restricted Shares, which are subject to a three year service condition.

The cost of the Restricted Shares is based on the market price at grant date and is recognised over a three year period for STPP.

Restricted Shares may be issued to executives as an incentive upon appointment or for retention. The fair value of Restricted Shares is recognised as an employee expense over the relevant vesting period.

Prior to the demerger in June 2011, Tabcorp Holdings Limited operated the LTPP and issued Restricted Shares in relation to the Casino business employees.

(v) Rental in advance

The payment made for rental in advance in respect of a property adjacent to the Star City casino has been deferred in the balance sheet at the nominal amount and is being amortised on a straight line basis over 95 years from the commencement of the rental in 1997.

(w) Deferred revenue

Deferred revenue includes the fair value of unredeemed customer loyalty award credits.

(x) Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received.

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.

(y) 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 chief operating decision maker to make decisions about resources to be allocated to the segment and assesses its performance, and for which discrete financial information is available.

Operating segments have been identified based on the information provided to the chief operating decision maker, being the Managing Director and Chief Executive Officer.

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.

(z) Earnings per share

Basic earnings per share is calculated as net profit after tax, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit after tax, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non discretionary changes in revenue or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(aa) Capitalised costs

Capitalised 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 reliably measured.

If it becomes apparent that the development will not occur the amount is expensed to the Income statement.

(ab) Investment 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.

2. Businesses acquired

On 18 October 2010, Tabcorp Holdings Limited ('Tabcorp') announced its intention to demerge the Casino business. In preparation for the demerger, the intended holding company for the demerged Casino business, Echo Entertainment Group Limited ('the Company'), was incorporated on 2 March 2011.

As part of the activities undertaken by Tabcorp to prepare the Group for demerger, Echo Entertainment Group Limited acquired Star City Holdings Limited and Jupiters Limited, effective 31 May 2011.

These acquisitions occurred while under the common control of Tabcorp, and for consolidation purposes have been accounted for as business combinations under common control at carrying value by the Company. Management have elected to apply the pooling of interest method in accounting for business combinations involving entities under common control. Consequently no acquisition accounting in the form of a purchase price allocation has been undertaken, and therefore the assets and liabilities have not been remeasured to fair value, nor has any goodwill arisen. Accordingly, the assets and liabilities continue to reflect their carrying values in the Tabcorp Group accounting records immediately prior to the transfer to the Group, using Tabcorp's accounting policies prior to the business combinations occurring.

The Group's financial results presented for the current and comparative financial years reflect the results of the Casino business assuming the acquisitions had taken place prior to 1 July 2009, under the pooling of interests policy adopted by the Company where an acquisition has been accounted for under common control.

Two alternative approaches of presenting the financial statements were considered:

- (i) the legal entity approach, where the results of the acquired entity were presented from the date of acquisition; and
- (ii) the reverse acquisition approach whereby an accounting acquirer of the Company will have been identified.

It was determined the approach adopted provides the most meaningful current and comparative data of the business.

The results contributed by the entities acquired under common control since the acquisition date (as per the legal entity approach) are as follows:

	\$m
Revenue	105.1
Loss before income tax expense	(8.5)

The carrying amounts of assets and liabilities of the entities acquired through businesses under common control on the acquisition date are as follows:

	31 May 2011
	\$m
Current assets	
Cash and cash equivalents	108.5
Receivables	77.1
Inventories	6.3
Other	29.5
Total current assets	221.4
Non current assets	
Property, plant and equipment	1,705.7
Intangible assets	1,842.8
Other	17.4
Total non current assets	3,565.9
TOTAL ASSETS	3,787.3
Current liabilities	
Payables	709.2
Provisions	55.5
Other	2.3
Total current liabilities	767.0
Non current liabilities	
Deferred tax liabilities	159.8
Provisions	7.1
Total non current liabilities	166.9
TOTAL LIABILITIES	933.9
NET ASSETS	2,853.4

	2011 \$m	2010 \$m
3. Revenue and expenses		
(a) Other income		
Net loss on disposal of non current assets	-	(1.1)
Net foreign exchange gain/(loss)	0.7	(0.2)
	<u>0.7</u>	<u>(1.3)</u>
(b) Depreciation and amortisation		
Depreciation		
- buildings	19.0	16.6
- leasehold improvements	7.2	6.9
- plant and equipment	53.4	48.7
- other	4.7	5.0
	<u>84.3</u>	<u>77.2</u>
Amortisation		
- Star City and Treasury casino licences	3.2	3.1
- Star City casino concessions	2.8	2.9
- software	7.7	5.2
- rental in advance	0.3	0.3
- other	0.4	0.4
	<u>14.4</u>	<u>11.9</u>
	<u>98.7</u>	<u>89.1</u>
(c) Employment costs include:		
Defined contribution plan expense	32.7	31.4
Share based payments expense	0.9	0.9
	<u>33.6</u>	<u>32.3</u>
(d) Operating lease rentals		
Minimum lease payments	<u>5.7</u>	<u>4.3</u>
(e) Finance income		
Interest revenue	<u>0.3</u>	<u>0.4</u>
(f) Finance costs ⁽ⁱ⁾		
Interest costs	16.4	3.6
Capitalised interest ⁽ⁱⁱ⁾	(12.3)	(3.6)
Other finance costs	0.9	-
Unwinding of discount on provisions	-	7.7
	<u>5.0</u>	<u>7.7</u>

(i) Prior to the demerger of the Group from Tabcorp, the funding of the Group was provided through a centralised treasury function within the Tabcorp Group. All finance costs were paid by Tabcorp, and as such the finance costs during the periods presented do not reflect the anticipated financing arrangements of the Group going forward.

(ii) The capitalisation rate to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, in this case 7.8% (2010: 7.7%)

	2011 \$000	2010 \$000
4. Auditor's remuneration		
Amounts received or due and receivable by Ernst & Young for:		
- audit and review of the financial report of the Group and entities in the Group	727	512
- other services in relation to the Group:		
- other audit services	165	11
	<u>892</u>	<u>523</u>

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 Chairman of the Audit Committee must approve any other services provided by Ernst & Young to the Group.

	2011 \$m	2010 \$m
5. Income tax		
(a) Income tax expense		
The major components of income tax expense are:		
Current tax expense	(100.4)	(71.3)
Adjustments in respect of current income tax of previous years	7.3	2.5
Deferred income tax expense relating to the origination and reversal of temporary differences	(23.4)	10.1
Income tax expense reported in the income statement	<u>(116.5)</u>	<u>(58.7)</u>
 Aggregate current and deferred tax relating to items charged or credited to equity:		
Change in value of cash flow hedges	2.3	-
Income tax benefit reported in equity	<u>2.3</u>	<u>-</u>
 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	342.5	252.5
At the Group's statutory income tax rate of 30%	(102.8)	(75.8)
- Recognition of tax expense upon establishment of the tax consolidation group and resetting tax values ⁽ⁱ⁾	(14.0)	-
- prepaid rent	-	11.7
- research and development claims	-	4.2
- sundry items	(2.2)	(1.2)
- over provision in prior years	2.5	2.4
Aggregate income tax expense	<u>(116.5)</u>	<u>(58.7)</u>
(i) Refer to note 5(d).		
(b) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Amounts recognised in the income statement		
Provisions		
- employee benefits	14.3	14.1
- other	0.5	0.5
Accrued expenses	3.8	3.6
Allowance for doubtful debts	10.0	8.1
Deferred revenue	0.6	2.5
Jackpots	1.5	1.5
Other	0.5	3.2
Amounts recognised directly in equity		
Fair value of cash flow hedges	2.3	-
	<u>33.5</u>	<u>33.5</u>
Deferred tax assets set off	(33.5)	(33.5)
Net deferred tax assets	<u>-</u>	<u>-</u>
 Movements		
Carrying amount at beginning of year	33.5	40.4
Charged to the income statement	(2.3)	(6.9)
Credited to equity	2.3	-
Carrying amount at end of year	<u>33.5</u>	<u>33.5</u>

	2011 \$m	2010 \$m
5. Income tax (continued)		
(c) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in the income statement</i>		
Intangible assets	72.4	74.3
Property, plant and equipment	113.9	94.3
Rent in advance	2.9	3.0
Consumables	5.8	5.5
Prepayments	0.7	2.2
Research and development	8.9	3.4
Other	0.5	1.3
	205.1	184.0
Deferred tax assets set off	(33.5)	(33.5)
Net deferred tax liabilities	171.6	150.5
Movements		
Carrying amount at beginning of year	184.0	201.0
Charged/(credited) to the income statement	21.1	(17.0)
Carrying amount at end of year	205.1	184.0

(d) Tax consolidation

Effective in June 2011, Echo 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.

On forming the tax consolidation group, an exercise to calculate the impact of tax consolidation on the recognised values of deferred tax balances was undertaken. An income tax expense of \$14.0 million was recognised in the current year as a result of resetting the tax values of certain assets. The Federal Government's Mid-Year Economic and Fiscal Outlook of 9 November 2010 announced that, for demergers occurring after 9 November 2010, the tax costs of assets held by subsidiary members of the new tax consolidated group would be retained. If this law is enacted as announced, this adjustment will reverse at that time.

Prior to demerger, Echo Entertainment Group Limited and its 100% controlled entities were members of the Tabcorp tax consolidation group. The Group left the Tabcorp tax consolidation group with effect in June 2011.

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 tax consolidation group 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.

6. Dividends

Dividends declared and paid during the year on ordinary shares:

	2011 \$m	2010 \$m
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Final dividend paid as wholly owned subsidiary ^{(1) (2)}	198.8	114.6
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- (i) On 14 October 2010, whilst a wholly owned subsidiary of Tabcorp, the directors of Star City Holdings Limited declared and settled through intercompany, a dividend to Tabcorp Investments Pty Limited, a related entity, of \$142.5 million (2010: \$69.0 million).
- (ii) On 14 October 2010, whilst a wholly owned subsidiary of Tabcorp, the directors of Jupiters Limited declared and settled through intercompany, a dividend to Tabcorp Investments No.2 Pty Limited, a related entity, of \$56.3 million (2010: \$45.6 million).

Franking credit balance

Prior to the demerger in June 2011, any franking credits attributable to the Group companies previously included in the Tabcorp Group were transferred to Tabcorp as head company of the tax consolidation group. At the effective date of the demerger, all franking credits were retained by the head company, being Tabcorp Holdings Limited.

7. Earnings per share

(a) Earnings used in calculating earnings per share

Basic and diluted earnings per share

	2011 \$m	2010 \$m
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Net profit after tax	226.0	193.8
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(b) Weighted average number of shares used as the denominator

	2011 Number	2010 Number
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Weighted average number of ordinary shares used in calculating earnings per share ⁽¹⁾	688,019,737	688,019,737
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- (i) The weighted average number of shares in the prior period has been restated as the number of ordinary shares issued under the Tabcorp Holdings Limited demerger scheme of arrangement in June 2011, as the Company had no outstanding shares during the prior period.

8. Cash and cash equivalents

	2011 \$m	2010 \$m
Cash on hand and in banks	101.2	110.8
Short term deposits, maturing within 30 days	23.3	-
	124.5	110.8

9. Receivables

Current

Trade debtors	87.4	33.8
Allowance for doubtful debts ^(a)	(34.2)	(26.9)
	53.2	6.9
Sundry debtors	18.1	5.8
	71.3	12.7

(a) Allowance for doubtful debts

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

Movements in the allowance for doubtful debts:

Balance at beginning of year	(26.9)	(25.3)
Net doubtful debt expense for the year ⁽ⁱ⁾	(7.9)	(2.2)
Amounts written off ⁽¹⁾	0.6	0.6
Balance at end of year	(34.2)	(26.9)

- (i) Amounts are included in other expenses.

9. Receivables (continued)
Ageing analysis of trade debtors

	0 - 30 days \$m	> 30 days \$m	Total \$m
2011			
Current	2.9	-	2.9
Past due not impaired	-	50.3	50.3
Considered impaired	-	34.2	34.2
	2.9	84.5	87.4
2010			
Current	3.3	-	3.3
Past due not impaired	-	3.6	3.6
Considered impaired	-	26.9	26.9
	3.3	30.5	33.8

Other balances within receivables do not contain doubtful debts and are not past due. It is expected that these other balances will be received when due.

10. Inventories

	2011 \$m	2010 \$m
Inventories at cost	6.3	6.5

11. Other assets
Current

Prepayments	14.5	11.5
Rental in advance	0.3	0.3
Other	11.2	0.5
	26.0	12.3

Non current

Prepayments	6.5	0.4
Rental in advance	10.6	10.8
Other	6.3	-
	23.4	11.2

12. Property, plant and equipment

Freehold land		
- at cost	104.4	104.4
Buildings		
- at cost ⁽ⁱ⁾	1,371.2	1,085.1
- accumulated depreciation and impairment	(149.4)	(132.6)
	1,221.8	952.5
Leasehold improvements		
- at cost ⁽ⁱ⁾	257.6	248.4
- accumulated depreciation	(49.4)	(42.5)
	208.2	205.9
Plant and equipment		
- at cost ⁽ⁱ⁾	593.4	541.3
- accumulated depreciation and impairment	(363.2)	(328.1)
	230.2	213.2
	1,764.6	1,476.0
 (i) Includes capital works in progress of:		
Buildings - at cost	395.7	175.2
Leasehold improvements - at cost	7.6	3.4
Plant and equipment - at cost	28.8	34.2
Total capital works in progress	432.1	212.8

12. Property, plant and equipment (continued)

Reconciliations

	Freehold land \$m	Buildings \$m	Leasehold improvements \$m	Plant and equipment \$m	Total \$m
2011					
Carrying amount at beginning of year	104.4	952.5	205.9	213.2	1,476.0
Additions	-	288.3	9.0	69.7	367.0
Net additions from demerger from Tabcorp	-	-	0.5	4.4	4.9
Reclassification/transfer	-	-	-	(3.7)	(3.7)
Depreciation expense	-	(19.0)	(7.2)	(53.4)	(79.6)
Carrying amount at end of year	104.4	1,221.8	208.2	230.2	1,764.6
2010					
Carrying amount at beginning of year	104.4	804.3	209.8	212.5	1,331.0
Additions	-	163.3	2.9	52.3	218.5
Reclassification/transfer	-	1.5	0.1	(1.8)	(0.2)
Disposals	-	-	-	(1.1)	(1.1)
Depreciation expense	-	(16.6)	(6.9)	(48.7)	(72.2)
Carrying amount at end of year	104.4	952.5	205.9	213.2	1,476.0

13. Intangible assets

	2011 \$m	2010 \$m
Goodwill		
- at cost	1,443.7	1,443.7
Star City and Treasury casino licences		
- at cost	294.7	294.7
- accumulated amortisation	(46.9)	(43.7)
	247.8	251.0
Star City casino concessions		
- at cost	100.0	100.0
- accumulated amortisation	(5.9)	(3.1)
	94.1	96.9
Software		
- at cost ⁽ⁱ⁾	99.0	64.5
- accumulated amortisation and impairment	(38.8)	(34.6)
	60.2	29.9
Other		
- at cost	20.1	20.1
- accumulated amortisation	(2.7)	(2.3)
	17.4	17.8
	1,863.2	1,839.3
(i) Includes capital works in progress of	30.8	9.0

13. Intangible assets (continued)

Reconciliations

	Goodwill	Star City and Treasury casino licences	Star City casino concessions	Software	Other	Total
	\$m	\$m	\$m	\$m	\$m	\$m
2011						
Carrying amount at beginning of year	1,443.7	251.0	96.9	29.9	17.8	1,839.3
Additions - acquired	-	-	-	8.4	-	8.4
- internally developed	-	-	-	18.9	-	18.9
Net additions from demerger from Tabcorp	-	-	-	7.0	-	7.0
Reclassification/transfer	-	-	-	3.7	-	3.7
Amortisation expense	-	(3.2)	(2.8)	(7.7)	(0.4)	(14.1)
Carrying amount at end of year	1,443.7	247.8	94.1	60.2	17.4	1,863.2
2010						
Carrying amount at beginning of year	1,443.7	254.1	99.8	29.0	18.7	1,845.3
Additions - acquired	-	-	-	3.6	-	3.6
- internally developed	-	-	-	2.1	-	2.1
Reclassification/transfer	-	-	-	0.4	(0.5)	(0.1)
Amortisation expense	-	(3.1)	(2.9)	(5.2)	(0.4)	(11.6)
Carrying amount at end of year	1,443.7	251.0	96.9	29.9	17.8	1,839.3

14. Impairment testing of goodwill

Goodwill acquired through business combinations have 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)	Star City (Star City) \$m	Jupiters Gold Coast (Jupiters) \$m	Jupiters Townsville (Jupiters) \$m	Treasury (Treasury) \$m	Total carrying amount \$m
2011	1,013.5	165.5	1.5	263.2	1,443.7
2010	1,013.5	165.5	1.5	263.2	1,443.7

The recoverable amount of each cash generating unit is determined based on fair value less costs to sell, which is calculated using the discounted cash flow approach. This approach utilises cash flow forecasts that are principally based upon Board approved business plans for a five-year period and extrapolated using growth rates ranging from 3.0% to 5.0%. These cash flows are then discounted using a relevant long term pre tax discount rate of 13.8%.

Key assumptions

The following describes the key assumptions on which management based its cash flow projections when determining fair value less costs to sell to undertake impairment testing of goodwill:

i. Cash flow forecasts

The cash flow forecasts are based upon the Board approved five-year business plan for each cash generating unit.

Cash flows beyond the five-year period are extrapolated using growth rates which are either in line with or do not exceed the long-term average growth rate for the industry in which the cash generating unit operates.

The terminal growth rate used is in line with the forecast long term underlying growth rate in CPI.

ii. State tax regimes

The state tax regimes in which the Group currently operates remain largely unchanged.

iii. Regulatory

There are no regulatory amendments which would adversely impact gaming patronage or profitability of the casino properties.

iv. Discount rates

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

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

	2011 \$m	2010 \$m
15. Payables		
Current		
Trade creditors and accrued expenses - unsecured	155.0	179.4
Amounts owing to related parties	-	2,863.8
	155.0	3,043.2

16. Interest bearing liabilities

Non current

Bank loans - unsecured	643.9	-
Private placement - US dollar ⁽ⁱ⁾	426.9	-
	1,070.8	-

(i) Mature in June 2018 and June 2021.

Fair value disclosures

Details of the fair value of the Group's interest bearing liabilities are set out in note 28.

Financing arrangements

Bank loans - the facilities at the end of the current period consist of:

Type	Amount \$m	2011 Expiry date
Syndicated revolving facility	480.0	June 2014
	480.0	June 2016

The above facility is subject to financial undertakings as to gearing and interest cover.

	2011 \$m	2010 \$m
17. Provisions		
Current		
Employee benefits	41.7	40.8
Workers' compensation	12.3	12.0
Other	2.8	1.5
	56.8	54.3
Non current		
Employee benefits	6.2	6.3
Other	1.2	0.1
	7.4	6.4

17. Provisions (continued)

Reconciliations

Reconciliations of each class of provision, except for employee benefits, at the end of the current year are set out below:

	Workers' compensation \$m	Other \$m
Carrying amount at beginning of year	12.0	1.6
Provisions made during the year	1.7	2.5
Payments made during the year	(1.4)	(0.1)
Carrying amount at end of year	12.3	4.0
Carrying amount at end of year		
- current	12.3	2.8
- non current	-	1.2
	12.3	4.0
Carrying amount at beginning of year		
- current	12.0	1.5
- non current	-	0.1
	12.0	1.6

Nature and timing of provisions

Workers' compensation

The casinos self insure 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 ('IBNR') claims and claims handling expenses, which are determined using a range of assumptions.

18. Other liabilities

Current

Deferred revenue

2011 \$m	2010 \$m
2.1	8.3

19. Capital and reserves

(a) Issued capital

Ordinary shares - issued and fully paid ⁽ⁱ⁾

2,138.0	-
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(i) Ordinary shares

There is only one class of share (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 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.

Movements in ordinary share capital

Balance at 2 March 2011 ⁽ⁱ⁾

Shares issued under the Tabcorp Holdings Limited demerger scheme of arrangement ⁽ⁱⁱ⁾

Balance at end of year

2011 Number of shares
2
688,019,735
688,019,737

(i) Shares issued on date of Incorporation of Echo Entertainment Group Limited.

(ii) One Echo Entertainment Group Limited ordinary share was issued for each Tabcorp Holdings Limited share held at the Record Date for the demerger in June 2011.

	2011 \$m	2010 \$m
19. Capital and reserves (continued)		
(b) Reserves		
Net unrealised gains reserve ⁽ⁱ⁾	(5.3)	-
Common control reserve ⁽ⁱⁱ⁾	-	367.9
	(5.3)	367.9

Nature and purpose of reserves

- (i) 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.
- (ii) The Company elected to account for business combinations under common control at carrying value. The common control reserve recorded the portion of asset or liability relating to the Tabcorp Group's Casino business that, prior to demerger, had been recognised by the Tabcorp Group. As the demerger has been implemented and the Group is no longer within the Tabcorp Group, this reserve was transferred to retained earnings during the year.

(c) 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 gross debt to earnings before interest, tax, depreciation, amortisation and impairment (EBITDA). Gross debt comprises interest bearing liabilities, with US dollar borrowings stated at the AUD amount repayable under cross currency swaps.

The Group is not subject to any externally imposed capital requirements.

Prior to the demerger of the Group from the Tabcorp Group, the funding of the Group was provided through a centralised treasury function within the Tabcorp Group. Capital was managed at the Tabcorp Group level, therefore no comparatives have been shown in the capital management ratio below.

	2011 \$m	
Gross debt	1,090.0	
EBITDA	445.9	
	2.4	
	2011	2010
	\$m	\$m

20. Notes to the cash flow statement

Reconciliation of net profit after tax to net cash flows from operating activities

Net profit after tax	226.0	193.8
Add/(less) items classified as investing/financing activities:		
- net loss on disposal of non current assets	-	1.1
Add/(less) non cash income and expense items:		
- depreciation and amortisation	98.7	89.1
- share based payments expense	0.9	0.9
- income tax expense paid via intercompany	93.6	58.7
- other	(5.1)	7.7
Net cash provided by operating activities before changes in assets and liabilities	414.1	351.3
Changes in assets and liabilities:		
(Increase)/decrease in:		
- trade and sundry receivables	(52.8)	6.3
- inventories	0.2	(0.6)
- prepayments	(9.1)	(4.5)
- other assets	(17.1)	1.1
(Decrease)/increase in:		
- payables	4.4	21.1
- provisions	3.5	(18.3)
- provision for income tax	(0.5)	-
- deferred tax liabilities	23.4	-
- other liabilities	(6.2)	(12.3)
Net cash flows from operating activities	359.9	344.1

	2011 \$m	2010 \$m
21. Commitments		
(a) Capital expenditure commitments		
Property, plant and equipment		
Contracted but not provided for and payable:		
Not later than one year	115.8	179.6
Later than one year but not later than five years	-	18.6
	115.8	198.2
Software		
Contracted but not provided for and payable:		
Not later than one year	5.9	-
(b) Operating lease commitments ^{(i) (ii)}		
Contracted but not provided for and payable:		
Not later than one year	5.8	1.6
Later than one year but not later than five years	20.8	5.2
Later than five years	80.2	74.6
	106.8	81.4
Non cancellable sub-leases exist in relation to the operating lease commitments disclosed above with the following future minimum lease payments contracted to be received:		
Not later than one year	-	0.7
Later than one year but not later than five years	-	0.8
	-	1.5

- (i) The Group leases property under operating leases expiring from 1 to 82 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 Consumer Price Index or are subject to market rate review.
- (ii) Operating lease commitments include commitments in relation to the leasing of an aircraft.

22. 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 management for decision making regarding resource allocation and performance assessment.

The Group has three operating segments:

Star City	Star City casino operations including hotels, apartment complex, theatres, restaurants and bars.
Jupiters	Casino operations at two Queensland locations, including hotels, theatre, restaurants and bars.
Treasury	Treasury casino operations including hotel, restaurants and bars.

	Star City \$m	Jupiters \$m	Treasury \$m	Total \$m
2011				
Segment revenues - external ⁽ⁱ⁾	996.3	374.0	278.1	1,648.4
Segment profit before interest and tax ⁽ⁱⁱ⁾	237.7	58.5	60.2	356.4
Depreciation and amortisation	57.8	24.4	16.5	98.7
Capital expenditure	343.7	27.1	23.5	394.3
2010				
Segment revenues - external ⁽ⁱ⁾	842.1	338.2	271.3	1,451.6
Segment profit before interest and tax ⁽ⁱⁱ⁾	165.5	37.0	61.9	264.4
Depreciation and amortisation	51.4	23.2	14.5	89.1
Capital expenditure	192.6	23.1	14.8	230.5

(i) Revenue is presented as the net gaming win, gross of commissions paid to third parties. In the Tabcorp Group 2010 financial statements, revenue was presented net of payments to third parties.

(ii) Segment revenue and results are presented on an actual basis. In the Tabcorp Group 2010 financial statements, the segment information note was presented on a normalised basis.

	2011 \$m	2010 \$m
22. Segment information (continued)		
Reconciliation of reportable segment profit		
(a) Profit before income tax		
Segment profit before interest and tax	356.4	264.4
Pre opening costs ⁽ⁱⁱⁱ⁾	(9.2)	(4.6)
Unallocated items:		
- finance income	0.3	0.4
- finance costs	(5.0)	(7.7)
Consolidated profit before income tax	342.5	252.5

(iii) Pre opening costs are the costs incurred in relation to the expansion of the Star City property prior to the commencement of new operations.

23. Director and executive disclosures

(a) Compensation of KMP

	2011 \$	2010 \$
Short term	11,065,380	8,952,178
Other long term	(16,531)	48,748
Post employment	138,124	126,709
Share based payments	3,961,437	1,874,853
Termination benefits	3,337,500	-
	18,485,910	11,002,488

The above reflects the compensation for individuals who are KMP of the Group. This includes remuneration paid in the current and prior year by the Tabcorp Group prior to the demerger in June 2011.

(b) Shareholdings of KMP

Shares held in Echo Entertainment Group Limited (number)

Echo Entertainment Group Limited's shares commenced trading on the ASX on 6 June 2011.

	Balance at				Balance at	
	6 June 2011	KMP start date	Number acquired ⁽ⁱ⁾	Net change other	KMP cessation date	end of year
2011						
Non Executive Directors						
Current						
John Story	-	n/a	58,194	-	n/a	58,194
John O'Neill	-	n/a	-	-	n/a	-
Brett Paton	-	n/a	23,181	-	n/a	23,181
Executives						
Current Executive Directors						
Larry Mullin	-	n/a	154,703	-	n/a	154,703
Matt Bekler	-	n/a	184,136	-	n/a	184,136
Current Executives						
Geoff Hogg	n/a	-	30,579	-	n/a	30,579
Frederic Luvisutto	n/a	-	-	-	n/a	-
Sid Vaikunta	n/a	-	76,389	-	n/a	76,389
Former Executives						
Elmer Funke Kupper	-	n/a	-	-	-	n/a
Louise Marshall	-	n/a	-	-	-	n/a
Kerry Willcock ⁽ⁱⁱ⁾	-	n/a	-	-	-	n/a
Total	-	-	527,182	-	-	527,182

(i) Includes Echo Entertainment Group Limited shares acquired through purchases and through the demerger of the Company via a scheme of arrangement.

(ii) Held the position of director of Echo Entertainment Group Limited from 2 March 2011 to 17 March 2011 inclusive.

24. Related party disclosure**(a) Parent entity**

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

(b) 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 1(d). The financial years of all controlled entities are the same as that of the Company.

Name of controlled entity		Country of incorporation	Equity type	Equity interest at 30 June
	Note			2011 %
Parent entity				
Echo Entertainment Group Limited	(a)	Australia		
Controlled entities				
Star City Holdings Limited	(b)(c)(d)	Australia	ordinary shares	100.0
Star City Pty Ltd	(b)(c)(d)	Australia	ordinary shares	100.0
Star City Entertainment Pty Ltd	(b)(c)	Australia	ordinary shares	100.0
Sydney Harbour Casino Properties Pty Ltd	(b)(c)(d)	Australia	ordinary shares	100.0
Sydney Harbour Apartments Pty Ltd	(b)(c)	Australia	ordinary shares	100.0
Star City Investments Pty Ltd	(b)(c)	Australia	ordinary shares	100.0
Star City Share Plan Company Pty Ltd	(b)(g)	Australia	ordinary shares	100.0
Star City Superannuation Fund Pty Ltd	(b)(e)(g)	Australia	ordinary shares	100.0
Jupiters Limited		Australia	ordinary shares	100.0
Breakwater Island Limited		Australia	ordinary shares	100.0
Breakwater Island Trust		Australia	units	100.0
Jupiters Custodian Pty Ltd		Australia	ordinary shares	100.0
Jupiters Trust		Australia	units	100.0
Jupwind Superannuation Pty Ltd	(e)	Australia	ordinary shares	100.0
Echo Entertainment International No.1 Pty Ltd	(h)	Australia	ordinary shares	100.0
Echo Entertainment International No.2 Pty Ltd	(h)	Australia	ordinary shares	100.0
Jupiters Resorts (Macau) Limited		Macau	ordinary shares	100.0
Echo Entertainment International No.3 Pty Ltd	(h)	Australia	ordinary shares	100.0
Vanuatu Casino Management Services Limited		Vanuatu	ordinary shares	99.9
Echo Entertainment Finance Limited	(f)	Australia	ordinary shares	100.0
Echo Entertainment Technology Services Pty Ltd	(f)	Australia	ordinary shares	100.0
Echo Entertainment International Pty Ltd	(f)	Australia	ordinary shares	100.0

(a) This company was incorporated on 2 March 2011.

(b) These companies entered into a deed of cross guarantee with Tabcorp Investments Pty Ltd dated 11 May 2001. These companies entered into revocation deeds, dated 12 April 2011, revoking the deed of cross guarantee dated 11 May 2001. The revocation deeds were lodged with ASIC on 14 April 2011. These companies therefore will remain a party to that deed from the effective date of the demerger of Echo Entertainment Group Limited from Tabcorp Holdings Limited until 14 October 2011.

(c) These companies entered into a deed of cross guarantee with Star City Holdings Limited dated 31 May 2011.

(d) These companies have provided a charge over their assets and undertakings as explained in note 27.

(e) These companies are not considered to be controlled entities in accordance with section 50AA(4) of the Corporations Act (2001).

(f) These companies were incorporated on 1 April 2011.

(g) The registration of these companies was reinstated as of 21 March 2011 in order to facilitate the revocation of the deed of cross guarantee, to which these entities (among others) were a party. This revocation is required in respect of the demerger of the Group by Tabcorp Holdings Limited.

(h) These companies changed their name on 10 June 2011 from Tabcorp International No. 1 Pty Ltd, Tabcorp International No. 2 Pty Ltd and Tabcorp International No. 3 Pty Ltd to Echo Entertainment International No. 1 Pty Ltd, Echo Entertainment International No. 2 Pty Ltd and Echo Entertainment International No. 3 Pty Ltd respectively.

24. Related party disclosure (continued)

(c) Transactions with controlled entities

Echo Entertainment Group Limited

During the period, since the date of incorporation, the Company entered into the following transactions with controlled entities:

- loans received of \$451.2 million; and
- income tax and GST paid on behalf of controlled entities of \$18.3 million.

The amount payable by the Company to controlled entities at year end is \$451.2 million.

All the transactions were undertaken on normal commercial terms and conditions.

(d) Transactions with Tabcorp Group

During the year, group entities entered into the following transactions with the Tabcorp Group (comprising Tabcorp Holdings Limited and its controlled entities):

- acquisitions whilst under common control (refer note 2) and shares issued under the Tabcorp Holdings Limited demerger scheme of arrangement (refer note 19);
- dividends paid by the Group (refer note 6);
- repayment of loans of \$1,146.4 million (2010: \$161.6 million);
- income tax and GST paid on behalf of the Group by Tabcorp as head of the tax consolidation group of \$202.5 million (2010: \$149.8 million);
- payments made for services rendered of \$22.3 million (2010: \$22.6 million); and
- receipts for services rendered of \$3.0 million (2010: \$3.3 million).

The amounts owed to the Tabcorp Group at 30 June 2010 was \$2,863.8 million.

All transactions were undertaken on normal commercial terms and conditions.

25. Contingent liabilities

Details of contingent liabilities where the probability of future payments is not considered remote are set out below as well as details of contingent liabilities, which although considered remote, the directors consider should be disclosed as they are not disclosed elsewhere in the notes to the financial statements.

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Legal challenges

There are outstanding legal actions between controlled entities and third parties as at 30 June 2011. The Group has notified its insurance carrier of all 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. However, given the nature of insurance, no assurance can be given that any such claims are not likely to have a material adverse effect on the Group.

In the case of possible actions which, due to the demise of an underwriter do not have insurance cover, the Group considers that, on the balance of probability, no material losses will arise. This position will be monitored and in the event that a loss becomes probable, an appropriate provision will be made.

26. Subsequent events

There have been no significant events occurring after the balance sheet date which may affect either the Company's operations or results of those operations or the Company's state of affairs unless otherwise stated in the financial report.

27. 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 finance 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. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

27. Financial risk management objectives and policies (continued)

The main risks arising from the Group's financial instruments are cash flow 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 1.

Cash flow 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. It 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 2011 after taking into account the effect of interest rate swaps, approximately 83.9% 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 hedge 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 in exchange for an agreed 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.

Commodity price risk

The Group is not exposed to commodity price risk.

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 cash 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 taking up of bank opinions and the use of a central credit agency which collates information from 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 not significant.

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 28.

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 (2010: nil), as the possibility of an outflow occurring is considered remote. Details of the financial guarantee contracts at balance date are outlined below:

Charge

The controlled entities denoted (d) in note 24 have provided the Casino Liquor and Gaming Control Authority ('CLGCA') 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 the CLGCA. The maximum prospective liability under the charge is \$1.5 billion.

27. Financial risk management objectives and policies (continued)**Guarantees and indemnities**

The controlled entities denoted (d) in note 24 have entered into a guarantee and indemnity agreement in favour of the CLGCA 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.

Entities in the Group 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 \$122.0 million. Prior to the demerger, a number of these guarantees were given by the Tabcorp Group's entities on behalf of entities of the Group. The maximum amount of these guarantees and indemnities at 30 June 2010 was \$118.1 million.

Demerger Deed

The Demerger Deed between the Company and Tabcorp, entered into on 14 April 2011, deals with various transitional and other commercial and legal issues arising in connection with the legal and economic separation of the Company from Tabcorp. A key part of the Demerger Deed is the agreement between the parties in relation to the 'Fundamental Demerger principle'. The fundamental demerger principle is that, subject to limited exceptions and except to the extent that a risk arises independently of the prior relationship of Tabcorp and the Company as members of the same corporate group, on and from the demerger date, the Group will have the entire economic benefit and risk of the Casinos business as if it has owned and operated that business at all times, and none of the economic benefit or risk of the remaining Tabcorp businesses. To support this principle, the Company and Tabcorp indemnify each other (subject to limited exceptions) against all claims, and liabilities relating to any claim brought by the other, relating to liabilities which are liabilities of their businesses or former businesses following the application of the demerger principle. The Demerger Deed also contains specific indemnities with respect to certain matters. Further details can be found in section 10.12.3 of the demerger Scheme Booklet released to the ASX by Tabcorp Holdings Limited on 15 April 2011.

All investment and financial instrument activity is with approved counterparties with investment grade credit ratings. To manage credit risk, compliance with counterparty exposure limits is reviewed on a continuous basis. The aggregate value of transactions are spread amongst the approved counterparties.

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.

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 2011, 0% of the Group's debt facilities will mature in less than one year. The next debt maturity of the syndicated revolving facility is \$480.0 million in June 2014. Whilst this represents 35% of total debt (and outside Treasury Policy risk levels), this refinancing risk is not considered significant due to the measures in place for managing liquidity and access to capital markets.

Refer to notes 16 and 28 for maturity of financial liabilities.

The contractual cash flows including principal and estimated interest receipts/payments of financial assets/liabilities are as follows:

(a) Non-derivative financial instruments

	2011			2010		
	< 1 year \$m	1 - 5 years \$m	> 5 years \$m	< 1 year \$m	1 - 5 years \$m	> 5 years \$m
Financial assets						
Cash assets	101.2	-	-	110.8	-	-
Short term deposits	23.3	-	-	-	-	-
Receivables	71.3	-	-	12.7	-	-
	195.8	-	-	123.5	-	-
Financial liabilities						
Trade creditors and accrued expenses	155.0	-	-	179.4	-	-
Amounts owing to related parties	-	-	-	2,863.8	-	-
Bank loans - unsecured	49.6	782.8	-	-	-	-
- US dollar - pay USD fixed	23.8	95.3	533.0	-	-	-
	228.4	878.1	533.0	3,043.2	-	-
Net outflow	(32.6)	(878.1)	(533.0)	(2,919.7)	-	-

27. Financial risk management objectives and policies (continued)

(b) Derivative financial instruments

The derivative financial instruments as at 30 June 2011 are as follows:

	2011		
	< 1 year \$m	1 - 5 years \$m	> 5 years \$m
Financial assets			
Interest rate swaps - receive AUD floating	45.7	156.3	92.3
Cross currency swaps - receive USD fixed	23.8	95.3	533.0
Forward currency contract - receive USD fixed	3.2	12.8	5.6
	72.7	264.4	630.9
Financial liabilities			
Interest rate swaps - pay AUD fixed	56.7	194.9	115.9
Cross currency swaps - pay AUD floating	34.8	139.4	580.4
Forward currency contract - pay AUD fixed	3.9	15.5	6.8
	95.4	349.8	703.1
Net outflow	(22.7)	(85.4)	(72.2)

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 USD/AUD rate at balance date.

At 30 June 2010, the Group did not have any derivative financial instruments therefore no comparatives are shown above.

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:

Judgements of reasonably possible movements:

	Post tax profit higher/(lower)	Other comprehensive income higher/(lower)
	2011	2011
	\$m	\$m
AUD		
+ 1% (100 basis points)	(1.1)	34.5
- 1% (100 basis points)	1.1	(37.2)
USD		
+ 1% (100 basis points)	-	(28.1)
- 0.5% (50 basis points)	-	13.1

The movements in profit are due to higher/lower interest costs from variable rate debt and investments, and an increase/decrease in the fair value of financial instruments designated as fair value hedges. 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 balance dates; and
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months.

27. Financial risk management objectives and policies (continued)

Financial instruments - sensitivity analysis (continued)

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:

	Post tax profit higher/ (lower)	Other comprehensive income higher/ (lower)
	2011	2011
	\$m	\$m
AUD/USD + 10 cents	-	(7.8)
AUD/USD - 10 cents	-	6.1

The movements in profit are due to an increase/decrease in the fair value of financial instruments designated as fair value hedges. 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 believe the balance 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 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 balance dates; and
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months.

28. Additional financial instruments disclosure

(a) Fair values

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 balance date.

US Private Placement

Fair value is calculated using discounted future cash flow techniques, where estimated cash flows and estimated discount rates are based on market data at balance date, in combination with restatement to current foreign exchange rates.

(b) Interest rate risk

The Group had the following classes of financial assets and financial liabilities exposed to floating interest rate risk:

	2011 \$m	2010 \$m
Financial assets		
Cash assets	15.2	37.3
Short term deposits	23.3	-
Total financial assets	38.5	37.3
Financial liabilities		
Bank loans - unsecured ⁽ⁱ⁾	643.9	-
Interest rate swaps ⁽ⁱⁱ⁾	915.0	-
Cross currency swaps	430.0	-
Total financial liabilities	1,988.9	-

- (i) 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 balance date.
- (ii) Notional principal amounts.

28. Additional financial instruments disclosure (continued)

(c) 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 for 2011 are as follows:

	Notional principal 2011 \$m
Less than one year	-
One to five years	485.0
More than five years	430.0
Notional principal	<u>915.0</u>
Fixed interest rate range p.a.	5.9% - 7.6%
Variable interest rate range p.a.	5.0%

At 30 June 2010, the Group did not have any interest rate swaps therefore no comparatives are shown above.

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.

(d) Financial instruments - cross currency swaps

Cross currency swap contracts are classified as either cash flow hedges or fair value hedges and are stated at fair value.

These cross currency swaps are being used to hedge the exposure to the variability in the fair value of the USD debt under the US Private Placement 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.

The principal amounts and periods of expiry of the cross currency swap contracts are as follows:

	2011	
	Pay principal AUD \$m	Receive principal USD \$m
One to five years	-	-
More than five years	430.0	460.0
Notional principal	<u>430.0</u>	<u>460.0</u>
Fixed interest rate range p.a.	-	5.1% - 5.7%
Variable interest rate range p.a.	7.9% - 8.2%	-

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 Private Placement borrowings as set out in note 16.

(e) 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:

	Notional amounts 2011 \$m
Buy USD / sell AUD	
One to five years	18.4
More than five years	7.8
Notional principal	<u>26.2</u>
Average exchange rate	0.88

28. Additional financial instruments disclosure (continued)

(f) 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.

The fair value of the derivative financial instruments, as well as the methods used to estimate the fair value for the Group, are as follows:

	Valuation technique			Total \$m
	Quoted market price (Level 1) \$m	Observable inputs (Level 2) \$m	Non market observable inputs (Level 3) \$m	
2011				
Financial assets - Non current				
Cross currency swaps	-	11.7	-	11.7
Financial liabilities - Current				
Interest rate swaps	-	11.3	-	11.3
Cross currency swaps	-	15.8	-	15.8
Forward currency contracts	-	0.6	-	0.6
	-	27.7	-	27.7
Financial liabilities - Non current				
Interest rate swaps	-	21.2	-	21.2
Forward currency contracts	-	0.9	-	0.9
	-	22.1	-	22.1
Total financial liabilities	-	49.8	-	49.8

Echo Entertainment
Group Limited
2011
\$m

29. Parent entity disclosures

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

Result of the parent entity

Profit for the period	-
Other comprehensive income	-
Total comprehensive income for the period	-

Financial position of the parent entity

Current assets	6.2
Total assets	3,173.1
Current liabilities	4.8
Total liabilities	1,035.1
Total equity of the parent entity comprising of:	
Issued capital	2,138.0
Retained earnings	-
Total equity	2,138.0

Contingent liabilities

There were no contingent liabilities for the parent entity at 30 June 2011.

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 2011.

Guarantees

Echo Entertainment Group Limited has guaranteed the liabilities of Echo Entertainment Finance Limited and Echo International No. 3 Pty Ltd. The maximum amount of these guarantees at 30 June 2011 is \$1,451.8 million.

In the opinion of the directors of Echo 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 financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1; and
- (c) there are reasonable grounds to believe that the Company 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 sections 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors.



John Story
Chairman

Sydney
16 August 2011

Independent auditor's report to the members of Echo Entertainment Group Limited

Report on the Financial Report

We have audited the accompanying financial report of Echo Entertainment Group Limited, which comprises the consolidated balance sheet as at 30 June 2011, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company Echo Entertainment Group Limited and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company Echo Entertainment Group Limited 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

- a. the financial report of Echo Entertainment Group Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 32 of the directors' report for the year ended 30 June 2011. 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.

Opinion

In our opinion, the Remuneration Report of Echo Entertainment Group Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.


Ernst & Young


Tim Wallace
Partner

Melbourne
16 August 2011