

ASX ANNOUNCEMENT

ECHO ENTERTAINMENT GROUP



THE STAR



29 September 2011

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

Attached is a copy of Echo Entertainment Group Limited's Financial Report for the year ended 30 June 2011.

The company's Concise Annual Report 2011 and Financial Report 2011 will be available for download from the company's website at www.echoentertainment.com.au.

ECHO ENTERTAINMENT GROUP

Financial Report 2011

Echo Entertainment Group Limited
ACN 149 629 023

THE
ARRIVAL
OF ECHO
ENTERTAINMENT

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Echo Entertainment Group Limited
ACN 149 629 023

ABOUT THIS FINANCIAL REPORT

This Financial Report should be read in conjunction with Echo Entertainment’s Concise Annual Report which is available free-of-charge on request and can be accessed from the website www.echoentertainment.com.au.

ANNUAL GENERAL MEETING

The Annual General Meeting of Echo Entertainment Group Limited will be held at The Lyric Theatre, **The Star**, 80 Pyrmont St, Pyrmont, New South Wales, on **Thursday 10 November 2011 at 10.00 AM**.



Introducing Echo Entertainment Group.

More than 18 million visitors were entertained at Echo Entertainment venues in Sydney, Brisbane, the Gold Coast and Townsville over the past 12 months.

We are excited to see the realisation of one of the most significant tourism investment programs in Australia today.

Income Statement

For the year ended 30 June 2011

	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

	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

	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

	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

Notes to the Financial Statements

For the year ended 30 June 2011

	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)
	0.7	(1.3)
(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
	84.3	77.2
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
	14.4	11.9
	98.7	89.1
(c) Employment costs include:		
Defined contribution plan expense	32.7	31.4
Share based payments expense	0.9	0.9
	33.6	32.3
(d) Operating lease rentals		
Minimum lease payments	5.7	4.3
(e) Finance income		
Interest revenue	0.3	0.4
(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
	5.0	7.7

(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
	892	523

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.

Notes to the Financial Statements

For the year ended 30 June 2011

	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	(116.5)	(58.7)
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	2.3	-
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	(116.5)	(58.7)
(i) Refer to note 5(d).		
(b) Deferred tax assets		
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in the income statement</i>		
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
<i>Amounts recognised directly in equity</i>		
Fair value of cash flow hedges	2.3	-
	33.5	33.5
Deferred tax assets set off	(33.5)	(33.5)
Net deferred tax assets	-	-
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	33.5	33.5

	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.

Notes to the Financial Statements

For the year ended 30 June 2011

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 ^{(i) (ii)}	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 ⁽ⁱ⁾	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 ⁽ⁱ⁾	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.

Notes to the Financial Statements

For the year ended 30 June 2011

15. Payables

Current

Trade creditors and accrued expenses - unsecured
Amounts owing to related parties

	2011 \$m	2010 \$m
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
Private placement - US dollar ⁽ⁱ⁾

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.

17. Provisions

Current

Employee benefits
Workers' compensation
Other

	2011 \$m	2010 \$m
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
Other

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

	2011 \$m	2010 \$m
Deferred revenue	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.

	2011 Number of shares
Movements in ordinary share capital	
Balance at 2 March 2011 ⁽ⁱ⁾	2
Shares issued under the Tabcorp Holdings Limited demerger scheme of arrangement ⁽ⁱⁱ⁾	688,019,735
Balance at end of year	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.

Notes to the Financial Statements

For the year ended 30 June 2011

19. Capital and reserves (continued)

(b) Reserves

	2011 \$m	2010 \$m
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
Gearing ratio	2.4

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

Notes to the Financial Statements

For the year ended 30 June 2011

21. Commitments

(a) Capital expenditure commitments

Property, plant and equipment

Contracted but not provided for and payable:

Not later than one year

Later than one year but not later than five years

2011
\$m

2010
\$m

115.8

179.6

-

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.

Notes to the Financial Statements

For the year ended 30 June 2011

22. Segment information (continued)

Reconciliation of reportable segment profit

	2011 \$m	2010 \$m
(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 Bekier	-	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	1 - 5 years	> 5 years	< 1 year	1 - 5 years	> 5 years
	\$m	\$m	\$m	\$m	\$m	\$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.

Directors' Declaration

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



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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.

Liability limited by a scheme approved
under Professional Standards Legislation

Independent Auditor's Report

To the members of Echo Entertainment Group Limited



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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*.

A handwritten signature in dark ink, appearing to read 'Ernst & Young', written over the printed name.

Ernst & Young

A handwritten signature in dark ink, appearing to read 'Tim Wallace', written over the printed name.

Tim Wallace
Partner

Melbourne
16 August 2011

**Company
directory****Registered Office**

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Telephone: +61 2 9777 9000

Queensland office

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Telephone: +61 7 3228 0000

Stock exchange listing

Echo Entertainment's securities are quoted on the Australian Securities Exchange (ASX) under the share code "EGP".

Auditors

Ernst & Young

Share Registry

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Website: www.linkmarketservices.com.au

ABOUT THIS FINANCIAL REPORT

Echo Entertainment's Annual Report consists of two documents – the Concise Annual Report (which includes the concise financial statements) and the Financial Report. The concise financial statements included in the Concise Annual Report cannot be expected to provide as full an understanding of Echo Entertainment's performance and financial position as provided by this full Financial Report. Both the Financial Report and Echo Entertainment's Concise Annual Report are available, free of charge, on request and can be accessed via the Echo Entertainment website at www.echoentertainment.com.au.

Currency

References to currency in this Financial Report are in Australian dollars unless otherwise stated.

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Investment warning

Past performance of shares is not necessarily a guide to future performance. The value of investments and any income from them is not guaranteed and can fall as well as rise. Echo Entertainment recommends investors seek independent professional advice before making investment decisions.

Privacy

Echo Entertainment respects the privacy of its stakeholders. Echo Entertainment's Privacy Policy Statement is available on Echo Entertainment's website at www.echoentertainment.com.au.

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