ASX ANNOUNCEMENT

ECHO ENTERTAINMENT GROUP

15 August 2012

RESULTS FOR ANNOUNCEMENT TO THE MARKET

PRELIMINARY FINAL REPORT &
FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2012

In accordance with ASX Listing Rule 4.3A, Echo Entertainment Group Limited (***Echo***) provides the following information in respect of the financial year ended 30 June 2012:

1. Appendix 4E; and

2. Directors' Report and Financial Report.

Paula Martin
General Counsel (QLD) & Company Secretary

Appendix 4E (Rule 4.1, 4.3)
Preliminary final report
for the year ended 30 June 2012

ECHO ENTERTAINMENT GROUP LIMITED AND ITS CONTROLLED ENTITIES	**ABN** 85 149 629 023

1. Results for announcement to the market
(All comparisons to the year ended 30 June 2011)

The Appendix 4E should be read in conjunction with Echo Entertainment Group Limited's audited Directors' Report and Financial Report lodged with the Australian Securities Exchange on 15 August 2012.

	Current period $m	% change increase/(decrease)
Revenue from ordinary activities	1,615.5	0.2%
Profit from ordinary activities after tax attributable to members	42.2	(81.3%)
Net profit for the period attributable to members of the parent	42.2	(81.3%)

2. Dividend information

			Amount per share (¢)	Franked amount per share at 30% tax (¢)
Interim dividend declared for the half year ended 31 December 2011.	Record Date Date Payable	6 March 2012 28 March 2012	4	4
No final dividend declared for the year ended 30 June 2012.	Record Date Date Payable	N/A N/A	0	0

Dividend Reinvestment Plan

The Echo Entertainment Group Limited's dividend reinvestment plan (DRP) will commence on a date to be determined by the Board.

The key terms of the DRP are as follows:
Shares issued under the DRP will rank equally in all respects with existing shares.
No brokerage, commission or other transaction costs will be payable by participants on shares acquired under the DRP.
The price at which shares are allocated under the DRP is the daily volume weighted average market price of Echo Entertainment shares sold in the ordinary course of trading on the Australian Securities Exchange and/or Chi-X over a period of 10 business days beginning on (and including) the second business day after the dividend record date, less any discount (not exceeding 5.0%) determined by the Board from time to time.

The last date for receipt of election notices for the dividend reinvestment plan is:	Not applicable

3. Net tangible assets per share

	Current period	Previous corresponding period
Net tangible asset backing per ordinary share ($)	1.15	0.75

Net tangible asset backing per ordinary share is calculated using 825,672,730 shares as at 30 June 2012.

4. Supplementary comments

Additional Appendix 4E disclosures and other significant information may be found in Echo Entertainment Group Limited's audited Directors' Report and audited Financial Report for the year ended 30 June 2012, and the Media Release lodged with the Australian Securities Exchange on 15 August 2012.

5. Independent auditor's report

The financial report of the Company for the year ended 30 June 2012 has been audited by the Company's independent external auditor, Ernst & Young. A copy of the independent auditor's report may be found on page 74 of the Financial Report.

ECHO ENTERTAINMENT GROUP

Echo Entertainment Group Limited

A.C.N. 149 629 023

ASX Code: EGP

and its controlled entities

Directors' Report and Financial Report

for the year ended 30 June 2012

Contents

Directors' report

Financial report

Directors' report

The Directors of the Company submit their report for the consolidated entity comprising the Company and its controlled entities (collectively referred to as the ***Echo Entertainment Group***) in respect of the financial year ended 30 June 2012.

1. Directors

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

Name	Qualifications, experience and special responsibilities
Current	
John O'Neill AO	*Chairman (initially as Acting Chairman) from 8 June 2012, Non Executive Director from 28 March 2011* Diploma of Law; Fellow of Australian Institute of Bankers; Foundation Fellow of Australian Institute of Company Directors John O'Neill is Managing Director and Chief Executive Officer of Australian Rugby Union Limited. He is a former Chief Executive Officer of Football Federation Australia and was Managing Director and Chief Executive Officer of the State Bank of New South Wales and Chairman of the Australian Wool Exchange Limited. He was also the inaugural Chairman of Events New South Wales, which flowed from the independent reviews he conducted into events strategy, convention and exhibition space, and tourism on behalf of the New South Wales Government. Mr O'Neill was appointed Acting Chairman of the Board on 8 June 2012 following the resignation of Mr John Story. He later assumed the role of Chairman of the Board as announced to the Australian Securities Exchange on 23 July 2012. He is also the Chairman of the Nomination Committee and is a member of the Risk and Compliance Committee, the Audit Committee and the Remuneration Committee.
Larry Mullin	*Director from 2 March 2011, Managing Director and Chief Executive Officer from 15 June 2011* Bachelor of Business Administration Larry Mullin was previously Chief Executive – Casinos of Tabcorp Holdings Limited from February 2009 until the implementation of the demerger of the Company and its controlled entities in June 2011. Prior to joining Tabcorp, Mr Mullin was the President and Chief Operating Officer of Borgata Hotel Casino and Spa in Atlantic City. Mr Mullin has a 20-year career in casino operations, during which he held a variety of senior casino management positions and helped shape casino entertainment in the United States.
Matt Bekier	*Director from 2 March 2011, Chief Financial Officer and Executive Director from 15 June 2011* Master of Economics and Commerce; PhD in Finance Matt Bekier was previously Chief Financial Officer of Tabcorp Holdings Limited since commencing with Tabcorp in late 2005 and until the demerger of the Company and its controlled entities was implemented in June 2011. Mr Bekier previously held various roles with McKinsey & Company.
Brett Paton	*Non Executive Director from 25 March 2011* Bachelor of Economics; Member of the Institute of Chartered Accountants in Australia Brett Paton is Vice Chairman Institutional Clients Group for Australia and New Zealand at Citigroup Inc and is a member of the Citigroup Australian Management Committee. He is also a member of the ASX Capital Markets Advisory Panel. Mr Paton was Managing Director and Vice Chairman of Global Investment Banking at UBS and was a Member of its Australian Executive Committee, Chairman of the Equity Markets Committee and Chairman of the Capital Commitment Committee, its underwriting committee. Mr Paton is the Chairman of the Audit Committee. He is also a member of the Remuneration Committee, the Risk and Compliance Committee and the Nomination Committee.

Name	Qualifications, experience and special responsibilities
Anne Brennan	*Non Executive Director from 23 March 2012* Bachelor of Commerce; Fellow of the Australian Institute of Chartered Accountants; Fellow of the Australian Institute of Company Directors Anne Brennan has extensive chartered accounting experience, including at Partner level, across three major accounting firms. More recently Ms Brennan has held financial executive positions including Chief Financial Officer at CSR Limited and Finance Director at the Coates Group. Ms Brennan is an experienced board and audit committee member and is currently a Non Executive Director of Argo Investments Limited, Charter Hall Group Limited, Myer Holdings Limited, Nufarm Limited and Nufarm Finance (NZ) Limited. Ms Brennan is the Chair of the Remuneration Committee. She is also a member of the Audit Committee, the Risk and Compliance Committee and the Nomination Committee.
John Redmond	*Non Executive Director from 23 March 2012* John Redmond has a wealth of international casino management experience, including an executive management career spanning more than 20 years in the United States of America. Mr Redmond previously held executive positions with Caesars World Inc. including as Senior Vice President and Chief Financial Officer of Caesars Palace and Sheraton Desert Inn. He was subsequently Co-CEO of MGM Grand Inc. and then Co-CEO of MGM Mirage, following MGM Grand's acquisition of Mirage Resorts Inc. Mr Redmond later held the position of President and CEO of MGM Grand Resorts with a portfolio including Mandalay Bay, Luxor, New York, Excalibur, MGM Grand, Borgata and MGM Grand Detroit casinos. Mr Redmond was a director of MGM Mirage for over 7 years and is currently a Non-Executive Director of Tropicana Las Vegas Hotel & Casino as well as Vail Resorts Inc and Allegiant Travel. Mr Redmond is the Chairman of the Risk and Compliance Committee. He is also a member of the Remuneration Committee and the Nomination Committee.
Former	
John Story [(i)]	*Chairman and Non Executive Director from 17 March 2011 to 8 June 2012* Bachelor of Arts; Bachelor of Laws; Fellow of the Australian Institute of Company Directors John Story has over 18 years experience as a Director in the gambling industry, having previously been Chairman and Non Executive Director of Tabcorp Holdings Limited (Tabcorp) and a Non Executive Director of Jupiters Limited. Mr Story is Chancellor of the University of Queensland and Commissioner of the Public Service Commission (Queensland). Mr Story was a Partner of the law firm Corrs Chambers Westgarth for 36 years until his retirement on 30 June 2006. He practised in the areas of corporate and commercial law and served as the firm's Queensland Managing Partner and National Chairman. Mr Story was the Chairman of the Board and Chairman of the Nomination Committee. He was also a member of the Audit Committee, the Risk and Compliance Committee and the Remuneration Committee.

(i) Ceased as a Director of the Company on 8 June 2012. Information was applicable at the time of cessation as a Director.

2. Directorships of other listed companies

The following table shows, for each person who served as a Director during the financial year and up to the date of this report (unless otherwise stated), all directorships of companies that were listed on the ASX or other financial markets operating in Australia, other than Echo Entertainment Group Limited, since 1 July 2009, and the period for which each directorship has been held.

Name	Listed entity	Period directorship held
Current		
John O'Neill	Tabcorp Holdings Limited	May 2008 to June 2011
Brett Paton	Tabcorp Holdings Limited	October 2008 to June 2011
Larry Mullin	Nil	
Matt Bekier	Nil	
Anne Brennan	Myer Holdings Limited Argo Investments Limited Charter Hall Group Limited Nufarm Limited Nufarm Finance (NZ) Limited	September 2009 to present September 2010 to present October 2010 to present February 2011 to present February 2011 to present
John Redmond	Nil	
Former		
John Story (i)	CSR Limited Suncorp Group Limited (ii) Tabcorp Holdings Limited	April 2003 to 12 July 2012 January 1995 to 27 October 2011 January 2004 to June 2011

(i) Ceased as a Director of the Company on 8 June 2012.

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

3. Company Secretary

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

4. Principal activities

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

5. Financial results and review of operations

The Echo Entertainment Group's consolidated profit after income tax for the financial year ended 30 June 2012 was $42.2 million, which was 81.3% below the previous financial year (this is not comparable due to the demerger from Tabcorp Holdings Limited).

Earnings before interest and tax (EBIT) were $143.8 million, which was 58.6% below the previous financial year. This was due to significant items of $74.1 million, including pre-opening expenses, higher initial operating costs post The Star's new venue openings and increased bad debt provisions including the write down associated with the liquidation of SilkStar Global Marketing Limited.

Revenue was $1,615.5 million, which was 0.2% above the previous financial year. Trading conditions remained difficult in 2H12 with revenues negatively affected by soft consumer sentiment and volatility in IRB revenues.

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

- The Star;
- Jupiters; and
- Treasury.

The activities and results for these operations are discussed below.

5.1. The Star

The Echo Entertainment Group operates The Star in Sydney.

The Star achieved EBIT of $111.3 million, which was 53.2% below the previous financial year. The Star's gross revenue increased by 2.7% to $1,023.6 million.

5.2. Jupiters

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

Jupiters achieved EBIT of $59.2 million, which was 1.2% above the previous financial year. The division's gross revenue increased by 5.6% to $394.8 million.

5.3. Treasury

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

Treasury achieved EBIT of $47.4 million, which was 21.3% below the previous financial year. The division's gross revenue decreased by 2.6% to $270.9 million.

6. Earnings per share

Basic and diluted earnings per share for the financial year were 5.9 cents, down 81.2% on the previous financial year. This is not comparable due to the demerger from Tabcorp Holdings Limited.

Earnings per share is disclosed in note 15 to the Financial Report.

7. Dividends

The Company's dividend policy has been amended to now reflect an intention to pay dividends equal to 50% of statutory (rather than normalised) net profit after tax.

An interim dividend of four cents per share (fully franked) was paid on 28 March 2012. No final dividends have been paid, declared or recommended by the Company for the financial year ended 30 June 2012.

8. Significant changes in the state of affairs

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

8.1. Entitlement Offer

On 14 June 2012, the Company announced a fully underwritten 1 for 5 accelerated renounceable entitlement offer of new ordinary shares of the Company at an offer price of $3.30 per new share to raise approximately $454 million (***Entitlement Offer***). The proceeds less associated costs were used to repay debt and provide a revised capital structure that is appropriate given growth in the Company's International Rebate Business. Refer note 27 to the Financial Report for additional information on the Entitlement Offer.

8.2. Shareholder Activity

During the year, the Company's shareholder composition changed, resulting in three significant shareholders: Crown Limited (via its wholly owned subsidiary Pennwin Pty Limited); the Genting Group (comprising Genting Singapore PLC and its subsidiaries, Genting Hong Kong Limited and its subsidiaries, and Genting Berhad); and Perpetual Limited (including its subsidiaries), each holding up to approximately 10% of the voting rights in the Company at points in time.

Applications to increase shareholding/voting power above 10%

On 11 November 2011, Perpetual Investment Management Limited (***Perpetual***) applied for approval to increase its shareholding in the Company above the 10% limit up to a maximum of 15% of issued shares. This was approved by the Queensland Attorney General and Minister for Justice and the New South Wales Independent Liquor and Gaming Authority, with all approvals received by 2 July 2012.

On 24 February 2012, Crown Limited via its wholly owned subsidiary Pennwin Pty Limited (***Crown***) announced that it was seeking consents from the New South Wales and Queensland authorities to increase its voting power in the Company beyond 10%. On 4 July 2012 Crown announced that it was now seeking approval to acquire more than 10% and up to 25% of issued shares in the Company. This application is still pending approval by the casino regulators.

On 27 June 2012, the Company became aware that the Genting Group made an application to the New South Wales Independent Liquor and Gaming Authority for approval to acquire more than 10% voting power in the Company and they have also made an application to the Queensland Minister. This application is still pending approval by the casino regulators.

8.3. Section 143 Casino Control Act 1992 (NSW) Inquiry

On 2 February 2012, the Company announced the replacement of the Managing Director of The Star, Mr Sid Vaikunta.

On 16 February 2012, the New South Wales Independent Liquor and Gaming Authority (the ***Authority***) announced that it would conduct an inquiry under section 143 of the *Casino Control Act (NSW)* to inquire into, and report upon the circumstances surrounding the cessation of the employment with the Company of Mr Sid Vaikunta as Managing Director of The Star (the ***Inquiry***).

The public hearing was conducted between 2 April and 11 April 2012, and on 17 May 2012, the report of the Inquiry was released by the Authority.

The report found that the Company properly and thoroughly investigated the allegations against The Star's former Managing Director, the investigation occurred free from external influence, and the findings from that investigation warranted the cessation of the Managing Director's employment.

In relation to the consideration of whether any obligations to disclose information to the Authority had been breached, the report referred this matter to the Authority. Following consideration of the matter, the Authority issued a notice to The Star (as the licensee of the casino) under section 23 of the *Casino Control Act (NSW)* to show cause why disciplinary action should not be taken against The Star in relation to the timely provision of notification of certain events to the Authority.

Consideration of any disciplinary action to be taken against The Star is yet to be determined by the Authority.

9. Business strategies

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

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

10. Significant events after the end of the financial year

Issue of Shares and repayment of debt

On 18 June 2012, the Company completed the institutional offer (including the institutional shortfall bookbuild) under the fully underwritten 1 for 5 accelerated renounceable entitlement offer of new ordinary shares that was announced on 14 June 2012 (***Entitlement Offer***). The Company issued 79,613,949 new ordinary shares to institutional shareholders on 2 July 2012.

On 13 July 2012, the Company completed the retail component of the Entitlement Offer (including the Retail Shortfall Bookbuild) and issued an additional 58,039,044 new ordinary shares.

A total of 137,652,993 new ordinary shares were issued and commenced trading after the end of the financial year. Following the share issues under Entitlement Offer, the Company's total issued capital is 825,672,730 ordinary shares.

By 24 July 2012, the Company had repaid $443.0 million of its bank loans using the proceeds from the Entitlement Offer.

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

Refer also to note 40 to the Financial Report.

11. Likely developments and expected results

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

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

12. Auditors

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

Echo Entertainment Group's internal audit function is fully resourced by the Echo Entertainment Group.

13. Directors' interests in contracts

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

14. Environmental regulation and performance

As one of the world's largest publicly listed casino gambling companies, Echo Entertainment Group is committed to achieving environmental performance across all its operations and seeks to identify opportunities to reduce energy consumption.

Echo Entertainment Group's business activities are managed in a manner that seeks to minimise adverse environmental impacts and deliver continual improvement in environmental performance which exceeds state and federal regulations.

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

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

15. Risk management

Echo Entertainment Group has a structured and proactive approach to understanding and managing risk. The key focus of the risk management approach is to align technology and knowledge resources in evaluating and managing strategic, financial, people and compliance risks and opportunities faced by the Echo Entertainment Group.

16. Directors' interests in Echo Entertainment Group securities

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

Name	Ordinary Shares	Performance Rights
Current		
John O'Neill	18,600	Nil
Brett Paton	90,000	Nil
Larry Mullin	185,644	465,116
Matt Bekier	220,964	232,558
Anne Brennan	Nil	Nil
John Redmond	Nil	Nil
Former		
John Story(i)	123,194	Nil

(i) Ceased as a Director of the Company on 8 June 2012. The number of Echo Entertainment Group Limited securities disclosed above was applicable at the time of cessation.

17. Board and Committee meeting attendance

During the financial year ended 30 June 2012 the Company held 21 meetings of the Board of Directors. The attendance of the Directors at meetings of the Board and its Committees during the year in review were:

	Board of Directors		Audit Committee		Risk and Compliance Committee		Nomination Committee		Remuneration Committee	
Name	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Current										
John O'Neill	21	21	5	5	5	5	3	3	7	7
Brett Paton	21	21	5	5	5	5	3	3	7	7
Larry Mullin (i)	21	21	0	0	0	0	3	3	0	0
Matt Bekier (i)	21	21	0	0	0	0	3	3	0	0
Anne Brennan (ii)	19	11	3	1	3	1	1	1	4	2
John Redmond (ii)	18	11	2	1	3	1	0	1	3	2
Former										
John Story (iii)	14	14	4	4	4	4	2	2	6	6

A – Number of meetings attended

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

(i) The Executive Directors ceased to be members of the Board Nomination Committee following the Board Nomination Committee meeting on 18 June 2012. They are not members of any other Board Committee however they may attend Board Committee meetings upon invitation.

(ii) The number of meetings attended by Anne Brennan and John Redmond includes meetings which they attended as observers prior to their appointment as directors on 23 March 2012. John Redmond attends Audit Committee meetings as an observer only.

(iii) Ceased as a Director on 8 June 2012.

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

18. Indemnification and insurance of Directors and Officers

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

19. Non-audit services

Ernst & Young, the external auditor to the Company and the Echo Entertainment Group, provided non-audit services to the Company during the financial year ended 30 June 2012. The Directors are satisfied that the provision of non-audit services during this period was compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. These statements are made in accordance with advice provided by the Company's Audit Committee.

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

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

Description of services	$000
Other assurance related services in relation to the Company and any other entity in the consolidated group	74
Other non-audit services including due diligence services	877
Total of all non-audit and other services	**951**

Amounts paid or payable by the Company for audit and non-audit services are disclosed in note 38 to the Financial Report.

20. Rounding of amounts

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

21. Auditor's independence declaration

Attached is a copy of the auditor's independence declaration provided under section 307C of the Corporations Act 2001 in relation to the audit for the financial year ended 30 June 2012. This auditor's independence declaration forms part of this Directors' report.

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

John O'Neill

John O'Neill AO
Chairman

Sydney
15 August 2012

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

In relation to our audit of the financial report of Echo Entertainment Group Ltd for the financial year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Tim Wallace
Partner
15 August 2012

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Remuneration report (audited)

for the financial year ended 30 June 2012

Introduction

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

In June 2011, Echo was demerged from Tabcorp Holdings Limited ('Tabcorp') by way of a Scheme of Arrangement in accordance with Tapcorp's Scheme Booklet dated 15 April 2011 ('the Demerger'). The Demerger separated the Casino business from Tabcorp, with the Company acquiring Star City Holdings Limited and Jupiters Limited prior to the Demerger. Following the Demerger the Company ceased to be a wholly owned subsidiary of Tabcorp Holdings Limited, and became a separately listed entity on the Australian Securities Exchange (ASX).

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

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

For the year ended 30 June 2012, short term incentives were not awarded as performance targets were not achieved, reflecting the link between performance and variable reward outcomes. With regard to long term incentives, an allocation of Performance Rights by Echo was made to certain senior managers in accordance with their employment contracts. In addition, an allocation of Performance Rights under the long term incentive plan were made to nine other senior managers in order to engage and retain key managers to focus their efforts to driving longer term outcomes and creating shareholder value.

1. Significant changes since 30 June 2011

1.1 Non Executive Directors

On 29 September 2011, Echo announced the proposed appointment of Mr John Redmond and Ms Anne Brennan as Non Executive Directors subject to receipt of regulatory approvals. They were formally appointed on 23 March 2012 following receipt of all necessary approvals.

On 8 June 2012, Echo announced the resignation of Mr John Story from the Board and appointed Mr John O'Neill AO as Acting Chairman. Mr O'Neill later assumed the role of Chairman of the Board as announced to the Australian Securities Exchange on 23 July 2012.

1.2 Executives

Sid Vaikunta (Managing Director The Star) ceased as a KMP on 2 February 2012.

Frederic Luvisutto was appointed as Managing Director-The Star on 2 February 2012 subject to regulatory approvals. Mr Luvisutto commenced in the role on 5 April 2012 after his special employee casino licence was approved by the NSW Independent Liquor and Gaming Authority.

2. Governance

The main responsibilities of the Board Remuneration Committee are:

- Establishing and maintaining fair and reasonable remuneration policies and practices that apply to the Echo Entertainment Group;
- Reviewing and recommending to the Board the remuneration of KMP and the terms and conditions of any incentive plans;
- Engaging a remuneration consultant that provides remuneration recommendations on KMPs directly to the Remuneration Committee; and
- Agreeing benchmarks against which annual salary reviews are evaluated.

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

To assist in exercising its responsibilities, the Board Remuneration Committee will seek independent advice on matters such as remuneration strategies, mix and structure. The appointment of independent remuneration consultants will be made directly by the Chairman of the Remuneration Committee on an assignment basis. For the year ended 30 June 2012, the Remuneration Committee did not receive any recommendations from remuneration consultants in relation to the remuneration arrangements of KMP.

3. Remuneration philosophy

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

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

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

4. Key management personnel (KMP)

Name		Position held	Period in position if less than full year
Non Executive Directors			
Current			
John O'Neill AO(i)		Acting Chairman and Director (Non Executive)	From 8 June 2012
		Director (Non Executive)	Until 7 June 2012
Brett Paton		Director (Non Executive)	
Anne Brennan		Director (Non Executive)	From 23 March 2012
John Redmond		Director (Non Executive)	From 23 March 2012
Former			
John Story		Chairman and Director (Non Executive)	Until 8 June 2012
Executives			
Current Executive Directors			
Larry Mullin		Managing Director and Chief Executive Officer	
Matt Bekier		Chief Financial Officer and Executive Director	
Current Executives			
Geoff Hogg		Managing Director Treasury	
Frederic Luvisutto		Managing Director The Star	From 5 April 2012
		Managing Director Jupiters	Until 4 April 2012
Former Executives			
Sid Vaikunta		Managing Director The Star	Until 2 February 2012

(i) Mr O'Neill AO was appointed Acting Chairman of the Echo Board from 8 June 2012 following the resignation of Mr John Story. He later assumed the role of Chairman of the Board as announced to the Australian Securities Exchange on 23 July 2012.

Details of Directors' qualifications, experience and other responsibilities are set out in the Directors' report.

5. Non Executive Director remuneration

5.1 Remuneration framework

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

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

Non Executive Directors' fees are to be reviewed annually on a calendar year basis and, in accordance with Echo's constitution; the current aggregate limit (including superannuation contributions) is set at $2 million. These fees are reviewed annually on the basis of a comparison to market rates. Non Executive Directors do not receive any performance or incentive payments and are not eligible to participate in any of Echo's incentive plans. This policy aligns with the principle that Non Executive Directors act independently and impartially.

5.2 Structure

Non Executive Directors' remuneration comprises the following components:

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

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

- Observer fees equivalent to the applicable Board and Committee fees (for attending Board and Committee meetings and induction whilst awaiting regulatory approval).
- Allowances for attending meetings which involve long distance air travel.

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

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

5.3 Current annual fees

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

A review and benchmarking against disclosed data from GuerdonData® and ASX100 companies' annual reports was conducted during the year. The Board proposes to increase NED fees from the 2013 financial year, in order to remain market competitive and to reflect the increased accountability and time commitment of NEDs. It is proposed that these adjustments will be implemented over a two year period in order to bring the fees in line with market comparators.

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

		Board Committee fees (i)			
Position	Board fees (i) $	Audit $	Risk and Compliance $	Remuneration $	Nomination $
Echo fees following the Demerger (9 June 2011)					
Chairman	350,000				
Non Executive Director	120,000				
Committee Chairman		40,000	25,000	25,000	7,500
Committee Member		15,000	15,000	10,000	7,500

(i) Fees exclude superannuation contributions.

6. Senior management remuneration (including Executive Directors)

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

6.1 Remuneration framework

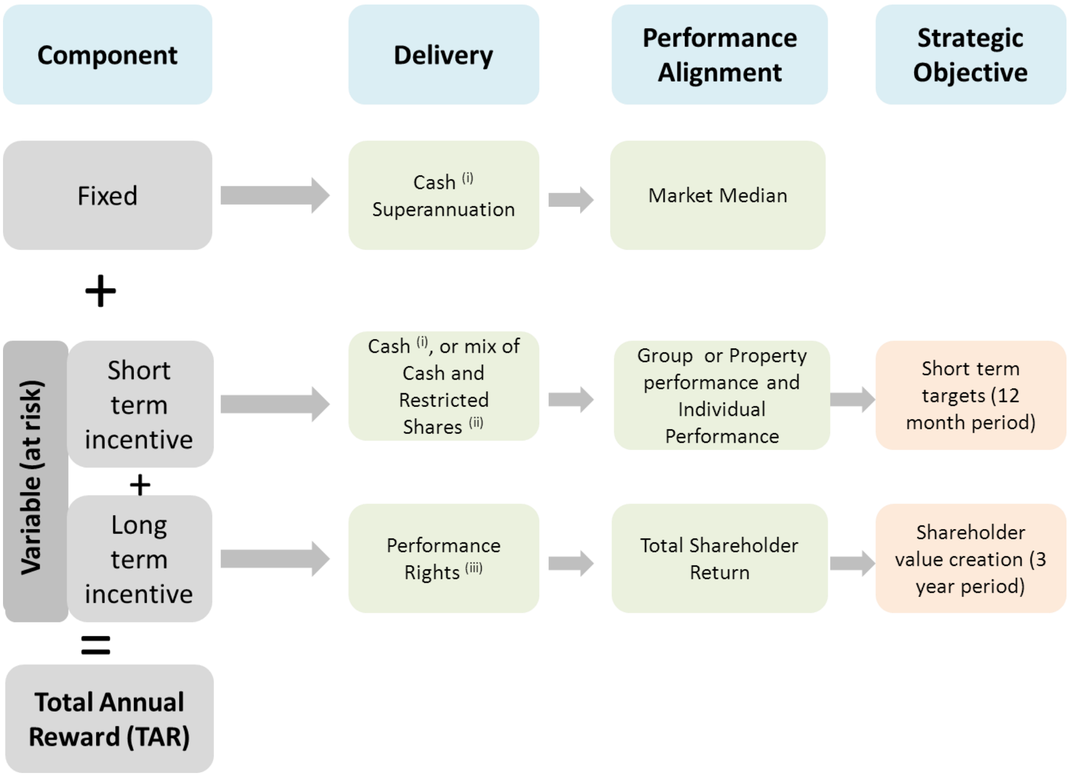
The remuneration framework for senior management comprises a mix of both fixed and variable remuneration components. The level of fixed remuneration reflects the scope and responsibilities of the role and the level of knowledge, skills and experience of the individual. Variable remuneration depends on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

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

- Shareholders' interests through:
  - The use of financial measures, such as net profit after tax (to date measured on a normalised basis and before non-recurring items) as the primary reward measure for short term performance outcomes.
  - Rewarding long term company performance measured by reference to a comparable group of companies in the S&P/ASX100 index, which over the long term should lead to attractive value creation for shareholders.
  - Aligning Group or property and individual performance targets to the performance objectives in Echo's annual and long term strategic plans.
  - Attracting, motivating and retaining individuals of the highest calibre.
  - Fostering a culture of high performance in a team based environment.
- Senior managements' interests through:
  - Differentiating reward outcomes based upon individual performance, potential and capability.
  - Linking the form of reward delivery with the ability to influence results.
  - Providing upside opportunity for superior Group or property performance and increased shareholder value.

The reward structure is outlined in Figure 2.

Figure 2: Senior management reward structure



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

6.2 KMP target reward mix

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

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

Figure 3: KMP target reward mix

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

(i) Delivered in a mix of cash and Restricted Shares

The Board has determined to review this structure for the 2013-2014 financial years. A review of some specific aspects of Echo's remuneration arrangements will be undertaken in relation to performance-based remuneration having regard to risk and alignment to company performance and shareholders' expectations. Echo's review will consider but will not be limited to (i) further deferred remuneration arrangements; (ii) clawback provisions under the short term incentive plan; and (iii) a second performance hurdle under the long term incentive plan.

The discussion below explains the operation of the structure in place for the 2012 financial year.

6.3 Variable (at risk) remuneration

6.3.1 Short term incentive (STI)

The Board approved a STI plan for its senior management in late 2011. Under the STI plan, participants will have the opportunity to receive a short term incentive equal to their target STI (as determined during their annual remuneration review), multiplied by a factor determined to the extent to which individual and group or property performance targets are satisfied. The STI will be delivered in cash, or a mix of cash and Restricted Shares. Generally, the maximum multiple is 2.25 under the plan.

Prior to the Demerger, senior management for Echo were senior management of Tabcorp. The STI payments disclosed in section 7 (Figure 7E) of this report represent payments previously made under the Tabcorp STI plan. Echo adopted Tabcorp's STI plan and made only minor adjustments.

6.3.1.1 Overview

The Echo STI plan is designed to reward employees for the achievement of the Echo Group or property and individual performance goals over the relevant 12 month performance period, which are aligned to and supportive of the Echo Group's annual objectives for each financial year.

6.3.1.2 Determining Factors

The incentive is based upon three key factors:

Figure 4: STI calculation

Target STI ($) × Group Funding or Property Multiplier × Individual Performance Multiplier = Short Term Incentive

- *Target STI*

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

- *Group Funding Multiplier (GFM) or Property Multiplier (PM)*

  The first step is to determine the GFM. This is linked to the achievement of Echo's target normalised net profit after tax before non-recurring and/or significant items as approved by the Echo Board. The GFM determines the overall STI pool available for distribution. If the minimum financial performance target is not met, individual awards may be funded at a reduced level, at the discretion of the Echo Board.

  If the minimum financial performance target is met, the Board may also determine a PM for each property of the group. The PM for a particular property may differ from the PM for other properties or from the GFM, allowing for differentiation between the contributions of the properties to the group's overall performance. Senior management working in group functions generally received the GFM.

- *Individual Performance Multiplier (IPM)*

  Individual performance is assessed using a balanced scorecard of individual measures that align to and support the Echo Group's annual objectives. The balanced scorecard assesses four performance areas – customers, people, organisation, and shareholders. Specific key performance indicators (KPIs) are agreed upon for each performance area at the start of the financial year against which the individual is assessed.

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

6.3.1.3 Delivery

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

6.3.1.4 Accounting treatment

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

6.3.1.5 STI performance

For the year ended 30 June 2012, short term incentive targets were derived from the Echo Board approved business plan. The Echo Board did not award any short term incentives as targets were not met, reflecting the link between performance and variable reward outcomes.

6.3.2 Long term incentive (LTI)

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

The Board determined that, until further notice, the grant of Performance Rights to participants under Echo's Long Term Performance Plan will form the long term incentive component of their remuneration package

Prior to the Demerger, senior management for Echo were senior management of Tabcorp. The LTI payments disclosed in section 7 (Figure 7E) of this report represent payments made under the Tabcorp LTI plan. Echo adopted Tabcorp's LTI plan and only made minor adjustments.

6.3.2.1 Overview

The Echo LTI is principally designed to reward senior management for contributions to long-term Echo shareholder value creation, measured on the third anniversary after the date of grant. Actual value from the LTI is only delivered to the senior management if certain Echo shareholder returns are achieved on the test date, resulting in the equity instruments vesting.

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

Performance Rights issued under the Echo LTI plan have the following features:

- Tested against the relevant performance hurdle at the third anniversary of the date of grant;
- May vest at the third anniversary of the date of grant, with any unvested Performance Rights lapsing immediately;
- When the instruments vest, Echo shares will automatically be delivered and registered in the participant's name; and
- The fair value is expensed over a three year period from the grant date in accordance with Accounting Standards.

6.3.2.2 Allocation

The Performance Rights under the Echo LTI are generally allocated annually in September for the financial year. The number of Performance Rights allocated is calculated as outlined in Figure 5.

Figure 5: Allocation calculation

Target LTI ($)	÷	Fair Value of Performance Right	=	Number of Performance Rights allocated

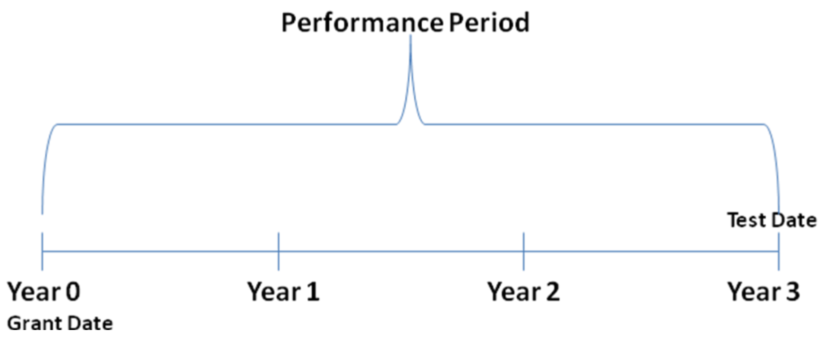
6.3.2.3 Vesting conditions

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

- *Time based*

Performance Rights may vest at the third anniversary of the date of grant (Test Date); subject to meeting the relevant performance based hurdle (refer Figure 6). The Test Date is aligned with the timeframe for Echo's long term business strategy.

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



- *Performance based*

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

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

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

Basis	Exclusions
S&P/ASX100 index	▪ Property trusts; ▪ Infrastructure groups; and ▪ Mining companies Represented by the S&P Global Industry Classification Standards of Oil & Gas, Metals & Mining, Transportation Infrastructure and Real Estate.

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

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

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

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

When the Performance Rights vest, Echo shares will automatically be delivered and registered in the participant's name, and participants will receive full voting and dividend rights corresponding to the rights of all other holders of ordinary shares. These shares will be free of restrictions but will still be subject to Echo's Securities Trading Policy.

6.3.2.4 Lapsing conditions

Performance Rights that have not vested after testing will immediately lapse.

6.3.2.5 Cessation of employment

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

6.3.2.6 Accounting treatment

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

The 'Remuneration of KMP' tables at section 7.1 (Figures 7B & 7E) reflect the accounting expense recognised in the relevant financial year, not the total fair value of Performance Rights allocated to the Executive Directors and Executives during the year, which is disclosed in Figure 8E.

6.3.2.7 LTI performance

There were no performance tests in the 2012 financial year.

6.3.3 Appointment/retention incentives

6.3.3.1 Criteria for issue

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

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

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

There were no appointment/retention incentives granted in the 2012 financial year.

6.3.3.2 Accounting treatment

The fair value of Restricted Shares is expensed as remuneration over the relevant restriction period.

As Performance Rights are issued under the LTI, they are expensed in the same manner as described in section 6.3.2.6.

6.3.4 Policy prohibiting hedging

Participants in the incentive plans (STI and LTI) are restricted from hedging the value of Restricted Shares and unvested Performance Options and Performance Rights, and must not enter into any derivative arrangements in respect of the equity instruments granted under these plans. Breaches of the restriction will result in equity instruments being forfeited by the senior manager.

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

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

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

6.4 Executive Director contract – Managing Director and Chief Executive Officer

6.4.1 Current contract

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

6.4.1.1 Fixed remuneration

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

6.4.1.2 Short term incentive

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

6.4.1.3 Long term incentive

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

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

Upon termination of employment (other than at the discretion of the Board in special circumstances such as, but not limited to, death and permanent disablement), all unvested Performance Rights or Options will lapse immediately.

6.4.1.4 Out performance incentive

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

6.4.1.5 Other benefits

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

6.5 Executive contracts (including Chief Financial Officer) - KMP

6.5.1 Current contracts

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

			Minimum notice period (months)	
Name	**Position**	**Contract duration**	**Executive**	**Echo**
Current				
Matt Bekier	Chief Financial Officer and Executive Director	Open ended	6	9
Geoff Hogg	Managing Director Treasury	Open ended	3	6
Frederic Luvisutto [(i)]	Managing Director The Star	4 years	6	9

(i) Covered by a sponsored s457 visa. Formerly Managing Director of Jupiters, commenced as Managing Director -The Star on 5 April 2012.

6.5.2 Other benefits

Chief Financial Officer

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

Managing Director The Star

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

6.6 Performance of Echo and shareholder wealth

The statutory requirement is to present a five year discussion of the link between company performance and shareholder wealth. As the Company was incorporated on 2 March 2011 and has only been listed since 6 June 2011, it is not possible to present five years of financial data. The statutory financial data presented may therefore not be fully reflective of the underlying performance of the Company.

6.6.1 Net profit after tax

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

	30 June 2012 $m	**30 June 2011 $m**	**30 June 2010 $m**
Net profit after tax	42.2	226.0	193.8

6.6.2 Earnings per share (basic)

	30 June 2012 (cents per share)	**30 June 2011 (cents per share)**	**30 June 2010 (cents per share)**
Earnings per share	5.9	31.4	28.2

The earnings per share for the prior periods have been calculated using the number of ordinary shares issued under the Tabcorp Holdings Limited demerger scheme of arrangement in June 2011.

6.6.3 Full year dividend

An interim dividend of 4 cents per share was paid in FY12.

The dividends disclosed in Note 14 in the Financial Report for the years ended 30 June 2011 represent dividends paid by Star City Holdings Limited and Jupiters Limited whilst wholly owned subsidiaries of Tabcorp Holdings Limited.

6.6.4 Company share price at end of financial year

	30 June 2012 $	30 June 2011 $
Share price at year end	4.28	4.11

7. Remuneration tables

7.1 Remuneration of KMP

Figure 7A: KMP remuneration for the year ended 30 June 2012 – Non Executive Directors

	Short term		Post employment	
KMP	Salary & fees (i) $	Non-monetary benefits $	Super-annuation $	Total $
Current				
Anne Brennan	114,167	-	10,275	**124,442**
John O'Neill AO (ii)	195,833	-	17,625	**213,458**
Brett Paton	207,500	-	18,675	**226,175**
John Redmond (iii)	181,717	-	-	**181,717**
Former				
John Story	397,500	-	35,775	**433,275**
Total	**1,096,717**		**82,350**	**1,179,067**

(i) Comprises salary and fees.
(ii) Mr O'Neill was appointed Acting Chairman on 8 June 2012 following the resignation of Mr John Story. Mr O'Neill later assumed the role of Chairman as announced to the Australian Securities Exchange on 23 July 2012.
(iii) Comprises travel allowance of $15,000 per trip for Non Executive Director based overseas, In addition, fees are paid in lieu of superannuation.

Remuneration report (audited)

for the financial year ended 30 June 2012

Figure 7B: KMP remuneration for the year ended 30 June 2012 – Executives

	Short term				Long term	Post Employment	Total excluding charge for share based allocations	Charge for share based allocations (iv)		Total $	Performance related (v) %	Termination benefits $
KMP	Salary & fees (i) $	Bonus $	Non-monetary benefits (ii) $	Other (iii) $	Long service leave $	Super-annuation $	$	Performance Options & Rights $	Restricted Shares $			
Current Executive Directors												
Larry Mullin (vi)	1,482,216	-	952,351	-	18,051	-	2,452,618	250,000	-	2,702,618	9%	-
Matt Bekier	936,454	-	93,096	-	65,816	15,775	1,111,141	125,000	-	1,236,141	10%	-
Current Executives												
Geoff Hogg	322,139	-	2,206	-	10,173	15,775	350,293	25,848`	-	376,141	7%	
Frederic Luvisutto	505,991	-	96,211	-	2,663	15,775	620,640	15,778	-	636,418	2%	-
Former Executive												
Sid Vaikunta (vii)	458,643	-	79,059	-	-	-	537,702	-	-	537,702	0%	192,125
Total	**3,705,443**		**1,222,923**		**96,703**	**47,325**	**5,072,394**	**416,626**		**5,489,020**		**192,125**

(i) Comprises salary, salary sacrificed benefits (including superannuation and motor vehicle novated leases) and annual leave expense.
(ii) Comprises car parking, accommodation, airfares and travel costs, relocation expenses, living away from home benefits, car parking, taxation services where applicable.
(iii) Comprises cash appointment incentives, where applicable.
(iv) Represents the fair value of share based payments expensed by Echo, which includes amounts expensed on cessation of employment where equity instruments are retained, and reversal of previously recognised remuneration on cessation of employment where equity instruments lapse. Value only accrues to the KMP when performance and time based conditions have been met.
(v) Represents the sum of bonus (excluding non-performance related bonus), Performance Options, Performance Rights and Restricted Shares (excluding appointment incentives) as a percentage of total remuneration, excluding termination payments.
(vi) Received cash in lieu of superannuation, due to being a senior executive temporary resident of Australia. These amounts are disclosed under salary and fees. Mr Mullin ceased to receive living away from home benefits for Australian tax purposes after 3 June 2011. Thereafter, any living away from home allowances were subject to fringe benefits tax.
(vii) Ceased employment and ceased as a KMP on 2 February 2012. In addition to the amounts disclosed above, payment of annual leave on cessation amounted to $107,701.

The amounts that appear under the heading 'charge for share based allocations' are the amounts required under the Accounting Standards to be expensed by the Company in respect of the allocation of long term incentives and Restricted Shares to KMP. Each year, the Board may decide to allocate long term incentives to executives. Currently, these long term incentives are allocated in the form of Performance Rights, which are expensed by the Company over the three year vesting period. Figures 7B and 7E represent the expenses incurred during the year in respect of current and past incentive allocations. These amounts are therefore not amounts actually received by executives during the year. Whether executives receive any value from the allocation of long term incentives in the future will depend on the performance of the Company relative to a peer group of listed companies. The mechanism which determines whether or not long term incentives vest in the future is described in Sections 6.3.2 and 6.4.1.3.

The actual cash remuneration during the year is shown in Figure 7C.

Figure 7C: Actual Cash Remuneration for the year ended 30 June 2012 – Executives

KMP	Salary & Fees $	Bonus $	Other $	Total $
Current Executive Directors				
Larry Mullin	1,500,000	-	-	1,500,000
Matt Bekier	884,225	-	-	884,225
Current Executives				
Geoff Hogg	316,956	-	-	316,956
Frederic Luvisutto	447,321	-	-	447,321
Former Executive				
Sid Vaikunta (i)	470,145	-	192,125	662,270

(i) Comprises termination payments of $192,125

Figure 7E illustrates treatment under the Demerger in relation to the determination of the STI payments for the year ended 30 June 2011 and the treatment of unvested Performance Rights and Options (together, ***Performance Interests***) under the Tabcorp Long Term Performance Plan. The date for testing of relevant conditions for the

Remuneration report (audited)

for the financial year ended 30 June 2012

Performance Interests was accelerated. Accordingly, vesting of the relevant Performance Interests was determined as if the testing date for measuring the performance hurdles applicable to them was the Effective Date of the Demerger, rather than the testing dates originally specified for those Performance Interests. Any Performance Interests that did not vest upon testing lapsed. Any Performance Rights that did not qualify for testing were cancelled. With respect to these Performance Rights, Tabcorp paid the holder an amount equal to 50% of their fair value as at their date of grant.

Figure 7D: KMP remuneration for the year ended 30 June 2011 – Non Executive Directors

	Short term	Post employment	
KMP	Salary & fees (i) $	Super-annuation $	Total $
Current			
John Story	425,682	38,311	**463,993**
John O'Neill AO	186,894	16,820	**203,714**
Brett Paton	228,712	20,584	**249,296**
Total	**841,288**	**75,715**	**917,003**

(i) Comprises salary and fees.

Figure 7E: KMP remuneration for the year ended 30 June 2011 – Executives (including five highest paid executives)

	Short term				Long term	Post Employment		Charge for share based allocations (iv)		Accelerated Charge for Share based allocations (v)				
KMP	Salary & fees (i) $	Bonus $	Non-monetary benefits (ii) $	Other (iii) $	Long service leave $	Super-annuation $	Total excluding charge for share based allocations $	Performance Options & Rights $	Restricted Shares $	Performance Options & Share Rights $	Restricted shares & former LTI loans $	Total $	Performance related (vi) %	Termination benefits $
Current Executive Directors														
Larry Mullin (vii) (viii)	1,384,022	1,350,000	277,610	307,403	4,081	-	3,323,116	182,292	119,508	500,000	44,533	4,169,449	37%	-
Matt Bekier (ix)	795,725	625,000	-	35,779	7,428	16,466	1,480,398	417,120	-	661,991	-	2,559,509	41%	-
Current Executives														
Geoff Hogg (x)	20,292	8,476	1,039	-	84	1,267	31,158	-	-	-	-	31,158	27%	-
Frederic Luvisutto (x)	21,923	-	-	-	37	921	22,881	-	-	-	-	22,881	0%	-
Sid Vaikunta (vii) (viii) (xi)	764,447	543,750	57,008	156,000	1,449	-	1,522,654	65,013	106,965	195,040	56,484	1,946,156	31%	-
Former Executives														
Elmer Funke Kupper (xii)	1,386,938	2,475,000	-	-	(58,106)	15,199	3,819,031	1,330,928	-	(294,357)	-	4,855,602	78%	3,000,000
Louise Marshall (xiii)	379,651	253,636	-	-	3,972	14,278	651,537	107,512	-	253,425	-	1,012,474	36%	337,500
Kerry Willcock (xiv)	481,125	328,788	-	-	25,886	14,278	850,077	244,314	-	394,171	-	1,488,562	39%	-
Total	**5,234,123**	**5,584,650**	**335,657**	**499,182**	**(15,169)**	**62,409**	**11,700,852**	**2,347,179**	**226,473**	**1,710,270**	**101,017**	**16,085,791**		**3,337,500**

(i) Comprises salary, salary sacrificed benefits (including superannuation and motor vehicle novated leases) and annual leave expense.
(ii) Comprises car parking, accommodation, airfares and travel costs, where applicable.
(iii) Comprises cash appointment incentives, relocation expenses and living away from home benefits, where applicable.
(iv) Represents the fair value of share based payments expensed by Tabcorp, which includes amounts expensed on cessation of employment where equity instruments are retained, and reversal of previously recognised remuneration on cessation of employment where equity instruments lapse. Value only accrues to the KMP when conditions have been met.
(v) As a result of the Demerger, the remaining fair value of share based payments not already recognised was expensed where the date of testing was accelerated, the equity instruments were cancelled or disposal restrictions and forfeiture provisions were waived. The balance includes the reversal of previously recognised remuneration where equity instruments lapse on cessation of employment resulting from the Demerger.
(vi) Represents the sum of bonus (excluding non-performance related bonus), Performance Options, Performance Rights and Restricted Shares (excluding appointment incentives) as a percentage of total remuneration, excluding termination payments.
(vii) Share based allocations include Restricted Shares that were granted as appointment incentives.
(viii) Received cash in lieu of superannuation, due to being a senior executive temporary resident of Australia. These amounts are disclosed under salary and fees.
(ix) Long service leave reflects new employment conditions.
(x) Commenced as a KMP on 9 June 2011. The above remuneration only reflects the period whilst a KMP.
(xi) Did not commence as a KMP until 9 June 2011, however remuneration disclosed for the full year as included in top five highest paid executives for the Company. Total remuneration for the period whilst a KMP was $91,776.
(xii) Ceased employment and as a KMP on 8 June 2011. In addition to the amounts disclosed above, payment of annual leave on cessation amounted to $188,335.
(xiii) Ceased as a KMP on 8 June 2011 as a result of the Demerger. Termination benefits will be paid during the year ended 30 June 2012.
(xiv) Ceased as a KMP for Echo on 8 June 2011, position continues to be held with Tabcorp.

7.2 *Other remuneration tables*

Figure 8A: Short term incentive (STI) achieved

For the year ended 30 June 2012

Short term incentives were not awarded for the year ended 30 June 2012 as company performance targets were not achieved.

KMP	Actual STI payment $	Actual STI payment as a % of maximum STI (i)	Actual STI payment as a % of target STI	STI not achieved as a % of target STI
Current				
Larry Mullin	-	-	-	100%
Matt Bekier	-	-	-	100%
Geoff Hogg	-	-	-	100%
Frederic Luvisutto	-	-	-	100%
Former				
Sid Vaikunta	-	-	-	100%

(i) Maximum STI for KMPs may vary, as it is subject to Board discretion. Generally, the maximum multiple is around 2.25 for KMPs.

Figure 8B: Terms and conditions of Performance Rights granted during the year

For the year ended 30 June 2012

Echo's Long Term Performance Plan was approved in September 2011 by the Board following the Demerger. An allocation was made under the plan for the year ended 30 June 2012 with a three year performance period from the date of grant. Details of the Performance Rights granted during the year are listed in the table below and Section 6.3.2.

Grant date	Fair value at grant date $	Exercise price $	First exercise date	Last exercise/ expiry date per original grant	Voting & Dividend Rights
20 September 2011	2.15	Not Applicable	20 September 2014	20 September 2014 (Performance Rights lapse immediately if not vested)	No voting or dividend rights until the Performance Rights have vested

Figure 8C: Performance Rights granted during the year

For the year ended 30 June 2012

The number of Performance Rights granted to KMPs are listed in the table below.

KMP	No. of Rights granted on 20 September 2011
Current	
Larry Mullin (i)	465,116
Matt Bekier (i)	232,558
Geoff Hogg	48,090
Frederic Luvisutto	29,354
Former	
Sid Vaikunta	142,976
Total	**918,094**

(i) In relation to the grant of Performance Rights to Mr Mullin and Mr Bekier, the Australian Securities Exchange granted a waiver from Listing Rule 10.14 to permit Mr Mullin and Mr Bekier to acquire securities under an employee incentive scheme (including the Long Term Performance Plan) for the year ended 30 June 2012. As the court approved Demerger Scheme proceeded, and the terms and conditions of the grant of Performance Rights were in accordance with the Demerger Scheme Booklet, Echo did not require the approval of Echo shareholders for the grant of Performance Rights to Mr Mullin and Mr Bekier as all conditions under the waiver were satisfied.

Figure 8D: Performance Rights vested and exercised during the year

For the year ended 30 June 2012

No Performance Rights vested or were exercised during the year.

Figure 8E: Value of Performance Rights granted as part of remuneration

The value of Performance Rights granted to KMPs are listed in the table below.

	During the year ended 30 June 2012			
KMP	**Granted (i)** **$**	**Exercised (ii)** **$**	**Lapsed (iii)** **$**	**As a % of remuneration (iv)** **%**
Current				
Larry Mullin	1,000,000			9%
Matt Bekier	500,000	-	-	10%
Geoff Hogg	103,395	-	-	7%
Frederic Luvisutto	63,113	-	-	2%
Former				
Sid Vaikunta	307,400	-	509,723	0%
Total	**1,973,908**		**509,723**	

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

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

(iii) Represents the value of Performance Rights as a result of not satisfying the performance conditions during the year. The value is determined assuming the performance conditions had been achieved, and is calculated based on the market value of Echo shares at the date of lapsing, less any exercise amount payable.

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

ECHO ENTERTAINMENT GROUP

Echo Entertainment Group Limited

A.C.N. 149 629 023

ASX Code: EGP

and its controlled entities

Financial Report

for the year ended 30 June 2012

Consolidated statement of comprehensive income

For the year ended 30 June 2012

	Note	**2012 $m**	2011 $m
Revenue	4	**1,615.5**	1,612.8
Other income	5	**6.3**	0.7
Government taxes and levies		**(337.3)**	(317.2)
Commissions and fees		**(118.2)**	(90.0)
Employment costs	6	**(533.0)**	(465.8)
Depreciation, amortisation and impairment	7	**(122.1)**	(98.7)
Cost of sales		**(76.5)**	(70.9)
Property costs		**(71.3)**	(54.1)
Advertising and promotions		**(93.4)**	(62.0)
Other expenses		**(126.2)**	(107.6)
Profit before net finance costs and income tax	8	**143.8**	347.2
Finance income	10	**1.5**	0.3
Finance costs	11	**(95.4)**	(5.0)
Profit before income tax		**49.9**	342.5
Income tax expense	13	**(7.7)**	(116.5)
Net profit after tax		**42.2**	226.0
Other comprehensive (loss)			
Change in fair value of cash flow hedges taken to equity net of tax	12	**(18.9)**	(5.3)
Total comprehensive income for the year		**23.3**	220.7
Earnings per share:			
Basic earnings per share (cents per share)	15	**5.9**	31.4
Diluted earnings per share (cents per share)	15	**5.9**	31.4

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

Consolidated statement of financial position

As at 30 June 2012

	Note	2012 $m	2011 $m
ASSETS			
Current assets			
Cash and cash equivalents	16	**342.6**	108.2
Trade and other receivables	17	**322.3**	87.6
Inventories		**7.4**	6.3
Income tax receivable		**38.9**	0.5
Other	18	**20.0**	26.0
		731.2	228.6
Non current assets			
Property, plant and equipment	19	**1,977.8**	1,764.6
Intangible assets	20	**1,866.2**	1,863.2
Derivative financial instruments	25	**81.5**	11.7
Other	18	**25.4**	23.4
		3,950.9	3,662.9
TOTAL ASSETS		**4,682.1**	3,891.5
LIABILITIES			
Current liabilities			
Trade and other payables	22	**193.0**	155.0
Interest bearing liabilities	24	**443.0**	-
Provisions	23	**60.2**	56.8
Derivative financial instruments	25	**27.8**	27.7
Other	26	**3.8**	2.1
		727.8	241.6
Non current liabilities			
Interest bearing liabilities	24	**874.8**	1,070.8
Deferred tax liabilities	13	**165.6**	171.6
Provisions	23	**7.7**	7.4
Derivative financial instruments	25	**89.2**	22.1
		1,137.3	1,271.9
TOTAL LIABILITIES		**1,865.1**	1,513.5
NET ASSETS		**2,817.0**	2,378.0
EQUITY			
Share capital	27	**2,580.5**	2,138.0
Retained earnings		**260.0**	245.3
Reserves	27	**(23.5)**	(5.3)
TOTAL EQUITY		**2,817.0**	2,378.0

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the year ended 30 June 2012

	Note	2012 $m	2011 $m
Cash flows from operating activities			
Net cash receipts in the course of operations		**1,643.6**	1,489.0
Payments to suppliers, service providers and employees		**(1,046.9)**	(799.6)
Payment of government levies, gaming taxes and GST		**(359.4)**	(315.7)
Interest received		**1.5**	0.3
Income tax paid		**(39.2)**	-
Net cash inflow from operating activities	28	**199.6**	374.0
Cash flows from investing activities			
Purchase of property, plant and equipment and intangibles		**(326.8)**	(410.8)
Proceeds on disposal of property, plant and equipment	28	**15.5**	-
Net cash outflow used in investing activities		**(311.3)**	(410.8)
Cash flows from financing activities			
Proceeds from borrowings		**224.6**	1,090.0
Repayment of loans from related parties		**-**	(1,025.4)
Dividends paid	14	**(27.5)**	-
Entitlement Offer	27	**255.6**	-
Finance costs		**(106.6)**	(2.5)
Net cash inflow from financing activities		**346.1**	62.1
Net increase in cash and cash equivalents		**234.4**	25.3
Cash and cash equivalents at beginning of the year		**108.2**	82.9
Cash and cash equivalents at end of the year	16	**342.6**	108.2

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

Consolidated statement of changes in equity

For the year ended 30 June 2012

	Ordinary shares $m	Retained earnings/ (accumulated losses) $m	Hedging reserve $m	Common control reserve $m	Share based payment reserve $m	Total equity $m
2012						
Balance at 1 July 2011	**2,138.0**	**245.3**	**(5.3)**	**-**	**-**	**2,378.0**
Profit for the year	**-**	**42.2**	**-**	**-**	**-**	**42.2**
Other comprehensive income	**-**	**-**	**(18.9)**	**-**	**-**	**(18.9)**
Total comprehensive income for the period	**-**	**42.2**	**(18.9)**	**-**	**-**	**23.3**
Contributions of equity net of transaction costs	**454.3**	**-**	**-**	**-**	**-**	**454.3**
Transaction costs on Entitlement Offer (net of $5.0 million tax)	**(11.8)**	**-**	**-**	**-**	**-**	**(11.8)**
Dividends paid		**(27.5)**	**-**	**-**	**-**	**(27.5)**
Employee share based payments	**-**	**-**	**-**	**-**	**0.7**	**0.7**
Balance at 30 June 2012	**2,580.5**	**260.0**	**(24.2)**	**-**	**0.7**	**2,817.0**
2011						
Balance at 1 July 2010	-	(161.8)	-	367.9	-	206.1
Profit for the year	-	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 30 June 2011	2,138.0	245.3	(5.3)	-	-	2,378.0

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

1. Corporate information

Echo Entertainment Group Limited ('the Company') is a company domiciled in Australia. The financial report of the Company for the year ended 30 June 2012 comprises the Company and its controlled entities (collectively referred to as 'the Group').

As part of the activities undertaken by Tabcorp Holdings Limited ('Tabcorp') to prepare the Group for demerger in June 2011, the Company acquired Star City Holdings Limited and Jupiters Limited, effective 31 May 2011. The Group's consolidated financial results presented for the comparative financial year reflect the results of the Tabcorp Holdings Limited Group's ('Tabcorp Group') Casino business, assuming the acquisitions had taken place prior to 1 July 2010 (refer note 3 for further details).

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. All amounts are in Australian dollars ($). The Company is a for profit organisation.

The financial report was authorised for issue by the directors on 15 August 2012.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia.

The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. The policies used in preparing the financial statements are consistent with those of the previous year except as indicated under "Changes in accounting policies and disclosures".

Preparation of the financial statements in conformity with Australian Accounting Standards and IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. More detail on the estimates and assumptions are included under the policy dealing with "Critical accounting estimates and judgments". Actual results may differ from those estimates.

Changes in accounting policies and disclosures

The Group has adopted the following new and amended accounting standards, which became applicable from 1 July 2011:

AASB 124	Related Party Disclosures
AASB 1054	Australian Additional Disclosures
AASB 2009-12	Amendments to Australian Accounting Standards
AASB 2010-4	Further amendments to Australian Accounting Standards arising from the Annual Improvement Project
AASB 2011-5	Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation
AASB 2010-6	Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets
AASB 2011-1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project

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

During the year, the Group changed its classification of patron cheques not deposited from cash and cash equivalents to trade and other receivables to more accurately reflect the risks of the cash flows associated with these financial instruments. The impact on the statement of financial position in the comparative period is a decrease in cash and cash equivalents and increase in trade and other receivables of $16.3 million. There is no impact on the statement of comprehensive income.

The Group also changed the presentation of revenues to be net of player rebates and promotional allowances. Prior period comparatives have been restated accordingly. The impact on revenue is disclosed in note 4. There is no net impact on the statement of comprehensive income or the statement of financial position.

2. Significant accounting policies (continued)

Standards and amendments issued but not yet effective

Australian Accounting Standards and IFRS 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 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.

Reference	Title	Application date for Group
AASB 9	Financial Instruments	1 July 2013
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9	1 July 2013
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	1 July 2013
AASB 2011-9	Amendments to Australian Accounting Standards - Presentation of Other Comprehensive Income	1 July 2012
AASB 10	Consolidated Financial Statements	1 July 2013
AASB 11	Joint Arrangements	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	1 July 2013
AASB 13	Fair Value Measurement	1 July 2013
AASB 119	Employee Benefits	1 July 2013

Significant accounting judgements, estimates and assumptions

The preparation of the Group’s consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Asset useful lives and residual values

Property, plant and equipment is depreciated over its useful life taking into account residual values where appropriate. The actual useful lives of the assets and residual values are assessed annually. In re-assessing asset useful lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, lease terms, the remaining life of the asset and projected disposal values.

Impairment of assets

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

Future cash flows expected to be generated by assets are projected, taking into account market conditions and the expected useful lives of assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value.

Valuation of derivatives and other financial instruments

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

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date which they are granted. The fair value is determined with the assistance of an external valuer using certain assumptions as detailed in note 37.

Provision for impairment of trade receivables

A provision for impairment of trade receivables is recognised when there is objective evidence that an individual trade debt is impaired. 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.

Significant items

Management determines significant items based on their nature and size.

Resetting tax values of certain assets

The Group has recognised a tax provision of $14.0 million on demerger as a result of setting up a new tax consolidation group. The provision relates to the resetting of tax values of certain assets on demerger. If the Federal Government legislates that the tax costs of assets held by subsidiary members of the new tax consolidated group are retained, this adjustment will reverse.

2. Significant accounting policies (continued)

Basis of consolidation

Controlled entities

Controlled entities are entities over which the Group 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.

Controlled entities are consolidated from the date control is transferred to the Group and are no longer consolidated from the date 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 acquisition method of accounting is used to account for the acquisition of controlled entities by the Group. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed, The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair value of the net assets of the controlled entity acquired, the difference is recognised directly in the statement of comprehensive income.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of controlled entities have been changed to ensure consistency with the policies adopted by the Group.

The Company accounts for controlled entities at cost.

Foreign currency

The consolidated financial statements are presented in Australian dollars ($) which is the Group's functional and presentation currency.

Transactions and balances

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

Monetary items denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Gains or losses arising on translation are credited to or charged to the statement of comprehensive income 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 statement of comprehensive income.

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

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

Revenue

Revenue is measured at the fair value of the consideration received or receivable from the sale of goods and services in the ordinary course of the Group's activities. Revenue is recognised to the extent that it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue and associated costs incurred (or to be incurred) 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 less player rebates and promotional allowances, 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 wagering and 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.

Net finance costs

Finance income is recognised as the interest accrues, using the effective interest method. Finance costs consist of interest and other borrowing costs incurred in connection with the borrowing of funds. Finance costs directly associated with qualifying assets are capitalised, all other finance costs are expensed in the period they occur.

2. Significant accounting policies (continued)

Significant items

Significant items are items of income or expense which are, either individually or in aggregate, material to Echo or to the relevant business segment and:

- outside the ordinary course of business, such as the cost of significant reorganisations or restructuring; or
- part of the ordinary activities of the business but unusual due to their size and nature, such as impairment of assets.

Significant items are disclosed to assist users of the financial statements to better understand Echo's business results.

Taxation

Income tax

Income tax comprises current and deferred income tax. Income tax is recognised in the statement of comprehensive income 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 statement of financial position 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 statement of financial position.

Cash flows are included in statement of the cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. Cash and cash equivalents include cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash for the purpose of the cash flow statement.

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for impairment for any uncollectible amount (where applicable). Bad debts are written off when identified. Other receivables are carried at amortised costs less any impairment.

Inventories

Inventories include consumable stores, food and beverages and are carried at the lower of cost and net realisable value. Inventories are costed on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business.

Non current assets held for sale

Non current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2. Significant accounting policies (continued)

Property, plant and equipment

Freehold land is included at cost and not depreciated.

All other items of property, plant and equipment are stated at historical cost net of depreciation, amortisation and impairment, and depreciated over periods deemed appropriate to reduce carrying values to estimated residual values over their useful lives. Historical cost includes expenditure that is directly attributable to the acquisition of these items. Depreciation is calculated on the straight line method. The principal useful lives over which the assets are depreciated are as follows:

- Freehold and leasehold buildings : 10 - 95 years
- Leasehold improvements : 4 - 75 years
- Plant and equipment : 5 - 20 years

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Costs arising subsequent to the acquisition of an asset are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial year in which they are incurred.

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 measured.

If it becomes apparent that the development will not occur, the amount is expensed to the statement of comprehensive income.

Intangible assets

Goodwill

Goodwill represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired and liabilities assumed. Separately recognised goodwill is assessed for impairment on an annual basis and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. The calculation of gains and losses on the disposal of an entity includes the carrying amount of goodwill relating to the entity sold. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised as income in the statement of comprehensive income .

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose.

2. Significant accounting policies (continued)

Other intangible assets
Indefinite life intangible assets are not amortised and are assessed annually for impairment.

Expenditure on gaming licences acquired, casino concessions acquired, computer software and other intangibles are capitalised and amortised using the straight line method as follows:

The Star 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.

The Star 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.

Computer software:
Software is amortised on a straight line basis over its useful life, which varies from three to eight years.

Other intangible assets:
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.

Costs associated with developing or maintaining computer software programmes are recognised as expenses as incurred. However, costs that are directly associated with identifiable and unique software products controlled by the Group and which have probable economic benefits exceeding the costs beyond one year are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of the relevant overheads. Expenditure meeting the definition of an asset is recognised as a capital improvement and added to the original cost of the asset.

Impairment of assets
Assets that have an indefinite useful life are not subject to depreciation or amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units).

Impairment losses are recognised immediately in the statement of comprehensive income.

Refer to note 21 for further details of key assumptions included in the impairment calculation.

2. Significant accounting policies (continued)

Provisions

A provision is recognised in the statement of financial position 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 statement of financial position.

Interest bearing liabilities

Interest bearing liabilities are recognised initially inclusive of transaction costs, at fair value. Subsequent to initial recognition, interest bearing liabilities are recognised at amortised cost using the effective interest rate method; any difference between proceeds and the redemption value is recognised in the statement of comprehensive income over the period of the borrowing using the effective interest rate method.

Interest bearing liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Leases

Leases of assets where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges, are included in liabilities. The interest element of the lease payment is charged to the statement of comprehensive income over the lease period. The assets acquired under finance leasing contracts are depreciated over the shorter of the useful life of the asset or the lease period. Where a lease has an option to be renewed, the renewal period is considered when the period over which the asset will be depreciated is determined.

Leases of assets under which substantially all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Employee benefits

Post-employment benefits

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 statement of comprehensive income 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 statement of financial position date which have maturity dates approximating to the terms of the Group's obligations.

2. Significant accounting policies (continued)

Employee benefits (continued)

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 ('LTPP'), which is available at the most senior executive levels. Under the LTPP, 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 the share based payment reserve) over three years from the grant date irrespective of whether the Performance Rights vest to the holder. A reversal of the expense is only recognised in the event the instruments lapse due to cessation of employment within the vesting period.

The fair value of the Performance Rights is determined by an external valuer and takes into account the terms and conditions upon which the Performance Rights were granted.

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.

Financial Instruments

Financial instruments carried at the financial reporting date include available-for-sale investments, loans and receivables, trade and other receivables, cash and cash equivalents, borrowings, derivative financial instruments, accounts payable and accruals.

Financial instruments are recognised initially at fair value plus any directly attributable transaction costs, except for financial instruments recorded at fair value through profit or loss. Subsequent to initial recognition financial instruments are measured as described below.

The fair value of publicly traded derivatives is based on quoted market prices at the financial reporting date. The effective value of interest rate swaps and interest rate cross currency swaps is calculated at the present value of the estimated future cash flows. The fair value of foreign exchange contracts is determined using forward exchange market rates at the financial reporting date. Appropriate market related rates are used to fair value long term borrowings. Other techniques, such as the discounted value of estimated future cash flows, are used to determine the fair value for the remaining financial instruments.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if:

- there is a currently enforceable legal right to offset the recognised amounts, and
- there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Financial assets

The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group's financial assets include cash and short term deposits, trade and other receivables, loans and other receivables, and derivative financial instruments.

All purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risk and rewards of ownership.

The Group assesses at the end of each financial year whether there is objective evidence that a financial asset or group of financial assets is impaired. A provision for impairment is established where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the loans or receivables. Significant financial difficulties of the counterparty, and default or delinquency in payments are considered indicators that the loan or receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When a loan or receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the statement of comprehensive income.

2. Significant accounting policies (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as non current assets unless receipt is anticipated within 12 months in which case the amounts are included in current assets. The Group's loans and receivables comprise 'Other financial assets', 'Trade and other receivables' (excluding GST and prepayments), and 'Cash and cash equivalents'.

Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method.

Available-for-sale financial investments

Available for sale investments are financial assets specifically designated as available for sale or not classified in any other category available under financial assets. These are included in non current assets unless management has expressed the intention of holding the investment for less than 12 months from the statement of financial position date, in which case they are included in current assets.

Available for sale investments are carried at fair value. Unrealised gains and losses arising from changes in the fair value of available for sale investments are recognised in other comprehensive income in the period in which they arise. When securities are classified as available for sale investments, any impairment or fair value adjustments are recognised in other comprehensive income in the period in which they arise. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are transferred to the statement of comprehensive income.

Financial liabilities

The Group's financial liabilities at the financial reporting date include 'Interest bearing liabilities' and 'Trade and other payables' (excluding GST, employee related payables and derivatives). These financial liabilities are subsequently measured at amortised cost using the effective interest method with the exception of derivatives which are measured as noted below. Financial liabilities are included in current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

All financial liabilities are recognised initially at fair value plus, in the case of interest bearing liabilities, directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank overdrafts, interest bearing liabilities and derivative financial instruments. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value at the date the derivative contract is entered into and are subsequently remeasured to fair value at the end of each reporting period. The resulting gain or loss is recognised immediately in the statement of comprehensive income. 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 statement of comprehensive income.

The fair value of interest rate swap, cross currency swap and forward currency contracts is determined by reference to market values for similar instruments. Refer to note 35 for details of fair value determination.

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 statement of comprehensive income in the same period or periods during which the asset acquired or liability assumed affects the statement of comprehensive income (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 statement of comprehensive income in the same period or periods during which the hedged forecast transaction affects the statement of comprehensive income. The ineffective part of any gain or loss is recognised immediately in the statement of comprehensive income.

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 statement of comprehensive income.

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 statement of comprehensive income.

2. Significant accounting policies (continued)

Issued capital

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

Any transaction costs directly attributable to the issue of ordinary shares are recognised directly in equity, net of tax, as a reduction of the share proceeds received.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid including any directly attributable incremental costs apart from brokerage fees (net of income taxes) is deducted from equity until the shares are cancelled, re-issued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any attributable incremental transaction costs and the related income tax effects, is included in equity.

Operating segment

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's executive decision makers to allocate resources and assess its performance.

Operating segments have been identified based on the information provided to the executive decision makers, 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.

Segment results include revenue and expenses directly attributable to a segment and exclude significant items. Capital expenditure represents the total costs incurred during the period to acquire segment assets, including capitalised interest.

Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are declared.

3. 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 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:

- the legal entity approach, where the results of the acquired entity were presented from the date of acquisition; and
- 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 comparative data of the business.

	2012 $m	2011 $m

4. Revenue

	2012 $m	2011 $m
Gross revenue	**1,689.3**	1,648.4
Player rebates and promotional allowances	**(73.8)**	(35.6)
	1,615.5	1,612.8

5. Other income

	2012 $m	2011 $m
Net gain on disposal of non current assets	**5.5**	-
Net foreign exchange gain	**0.6**	0.7
Other	**0.2**	-
	6.3	0.7

6. Employment costs

	2012 $m	2011 $m
Salaries, wages, bonuses and other benefits	**495.8**	432.2
Defined contribution plan expense	**36.5**	32.7
Share based payments expense (refer to note 37)	**0.7**	0.9
	533.0	465.8

7. Depreciation, amortisation and impairment

	2012 $m	2011 $m
Property, plant and equipment (refer to note 19)	**102.0**	79.6
Intangible assets (refer to note 20)	**11.9**	14.1
Impairment of other assets (refer to note 9)	**7.4**	-
Other	**0.8**	5.0
	122.1	98.7

8. Profit is stated after charging the following

	2012 $m	2011 $m
Impairment and write off of trade receivables (refer to note 9d)	**7.8**	7.9
Operating lease charges - Property, aircraft and other	**13.8**	5.7
Significant items (refer to note 9)	**74.1**	9.2

9. Significant items

Net profit before tax is stated after charging the following significant items:

	2012 $m	2011 $m
Pre opening expenses [a]	**37.8**	9.2
Restructuring costs [b]	**6.0**	-
Impairment of other assets – SilkStar [c]	**7.4**	-
Provision for impairment of SilkStar related receivables [d]	**22.9**	-
	74.1	9.2

a Pre opening expenses include all marketing, operating and training expenses incurred prior to the opening of The Star property.

b Restructuring costs include costs associated with the approved restructuring plan, including termination payments, legal and consulting

c Impairment of other assets: On 22 March 2012 SilkStar (one of Echo's marketing partners for international VIP players) advised Echo that its directors had put the company into liquidation through Grant Thornton in the British Virgin Islands. After discussions with the liquidators, Echo believes that these amounts are unlikely to be recovered and therefore written down.

d Impairment of trade receivables: Echo has reviewed the prospects of recovery of the receivable balances and has increased the impairment provision against debtors that were introduced by SilkStar. In addition to the $22.9 million relating to the SilkStar impairment, a further $7.8 million provision has been created during the year. Refer to note 17.

	2012 $m	2011 $m

10. Finance income

	2012 $m	2011 $m
Interest earned on cash and cash equivalents	**1.5**	0.3

11. Finance costs [a]

	2012 $m	2011 $m
Interest paid on borrowings	**97.3**	16.4
Capitalised to property, plant and equipment [b]	**(15.1)**	(12.3)
Other finance costs	**13.2**	0.9
	95.4	5.0

a 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 presented in the comparative period do not reflect the anticipated financing arrangements of the Group post demerger.

b The capitalisation rate to determine the amount of borrowing costs to be capitalised is the weighted average cost of borrowings applicable to the Group's outstanding borrowings during the year, in this case 9.6% (2011: 7.8%).

12. Other comprehensive (loss)

	2012 $m	2011 $m
Net loss on cash flow hedges	**(4.6)**	(7.4)
Tax on net loss on cash flow hedges	**1.4**	2.2
Transfer of hedging reserve to the statement of comprehensive income	**(22.4)**	(0.2)
Tax on transfer of hedging reserve to the statement of comprehensive income	**6.7**	0.1
	(18.9)	(5.3)

13. Income tax

(a) Income tax expense

	2012 $m	2011 $m
The major components of income tax expense are:		
Current tax benefit/(expense)	**22.6**	(100.4)
Adjustments in respect of current income tax of previous years	**0.7**	7.3
Deferred income tax expense relating to the origination and reversal of temporary differences	**(31.0)**	(23.4)
Income tax expense reported in the statement of comprehensive income	**(7.7)**	(116.5)

	2012 $m	2011 $m
Aggregate current and deferred tax relating to items charged or credited to equity:		
Share capital raising costs	**5.0**	-
Change in value of cash flow hedges	**8.1**	2.3
Income tax benefit reported in equity	**13.1**	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:

	2012 $m	2011 $m
Accounting profit before income tax expense	**49.9**	342.5
At the Group's statutory income tax rate of 30%	**(15.0)**	(102.8)
- recognition of tax expense upon establishment of the tax consolidation group and resetting tax values (refer to note 13d)	**-**	(14.0)
- other items	**(1.6)**	(2.2)
- income tax effect in respect of derivative financial instruments	**8.2**	-
- over provision in prior years	**0.7**	2.5
Aggregate income tax expense	**(7.7)**	(116.5)

13. Income tax (continued)

(b) Deferred tax assets

	2012 $m	2011 $m
The balance comprises temporary differences attributable to:		
Amounts recognised in the statement of comprehensive income		
Provisions		
- employee benefits	**15.8**	14.3
- other	**0.1**	0.5
Accrued expenses	**3.0**	3.8
Allowance for doubtful debts	**9.1**	10.0
Other	**2.1**	2.6
Tax losses carried forward	**23.4**	-
Fair value of cross currency hedges	**6.7**	-
Amounts recognised directly in equity		
Share issue transaction costs	**5.0**	-
Fair value of cash flow hedges	**10.4**	2.3
	75.6	33.5
Deferred tax assets set off	**(75.6)**	(33.5)
Net deferred tax assets	**-**	-
Movements		
Carrying amount at beginning of year	**33.5**	33.5
Charged/(credited) to the statement of comprehensive income	**5.2**	(2.3)
Charged to other	**0.4**	-
Income tax losses incurred for the year	**23.4**	-
Charged to equity	**13.1**	2.3
Carrying amount at end of year	**75.6**	33.5

(c) Deferred tax liabilities

	2012 $m	2011 $m
The balance comprises temporary differences attributable to:		
Amounts recognised in the statement of comprehensive income		
Intangible assets	**73.7**	72.4
Property, plant and equipment	**147.4**	113.9
Rent in advance	**2.9**	2.9
Consumables	**7.0**	5.8
Prepayments	**0.9**	0.7
Research and development	**7.4**	8.9
Other	**1.9**	0.5
	241.2	205.1
Deferred tax assets set off	**(75.6)**	(33.5)
Net deferred tax liabilities	**165.6**	171.6
Movements		
Carrying amount at beginning of year	**205.1**	184.0
Credited to the statement of comprehensive income	**36.2**	21.1
Charged to other	**(0.1)**	-
Carrying amount at end of year	**241.2**	205.1

13. Income tax (continued)

(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 the tax consolidation legislation on the recognised values of deferred tax balances was undertaken. An income tax expense of $14.0 million was recognised in the prior FY2011 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. The Federal Government has not made any further public announcements up to and including the date of signing this report.

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.

14. Dividends

	2012 **$m**	2011 $m
Dividends declared and paid during the year on ordinary shares		
Final dividend paid as wholly owned subsidiary [a b]	**-**	198.8
Interim dividend paid [c]	**27.5**	-
	27.5	198.8

a 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.

b 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.

c An interim dividend of 4 cents per share fully franked for the half year ended 31 December 2011 was declared on 24 February 2012 and paid on 28 March 2012.

No dividends declared after balance date

	2012 $m	2011 $m
Franking credit balance		
Amount of franking credit available to shareholders [d]	**27.4**	-

d Subsequent to the year end, the Echo tax consolidation group received a tax refund which created a debit of $39.2 million against the franking account balance, resulting in a franking deficit of $11.8 million.

15. Earnings per share

	2012 $m	2011 $m
Net profit attributable to ordinary shareholders	**42.2**	226.0
Basic earnings per share (cents)	**5.9**	31.4
Diluted earnings per share (cents)	**5.9**	31.4

	2012 Number	2011 Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares before Entitlement Offer	**688,019,737**	688,019,737
Adjustment for dilutive effects of Entitlement Offer [a]	**32,094,944**	31,805,744
Weighted average number of ordinary shares after Entitlement Offer used as the denominator in calculating basic earnings per share	**720,114,681**	719,825,481
Adjustments for calculation of diluted earnings per share:		
Adjustment for employee share options [b]	**1,026,364**	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**721,141,045**	719,825,481

a For the basic earnings per share calculation the weighted average number of ordinary shares on issue is adjusted to take account of the dilutive impact of the Entitlement Offer price of $3.30 per new share. This represents 23.1% discount to the theoretical ex-rights value of $4.29 per share and 26.5% discount to the market price of an ordinary share immediately before the announcement of the Entitlement Offer.

$$\text{Adjustment factor} = \frac{\text{Fair value (i.e. market price) before the announcement of the Entitlement Offer}}{\text{Theoretical ex-rights value per share}}$$

$$= 1.05 \ (\$4.49 / \$4.29)$$

The adjustment factor is multiplied by the weighted average number of ordinary shares outstanding after the Entitlement Offer to calculate

b For the diluted earnings per share calculation the weighted average number of ordinary shares in issue is adjusted to take account of the potential dilutive effect of performance rights granted to employees. The number of shares taken into account is determined by taking the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to the outstanding awards.
This calculation is done to determine the shares yet to be purchased and added to the ordinary shares outstanding for the purpose of computing the dilution.

16. Cash and cash equivalents

	2012 $m	2011 $m
Cash on hand and in banks	**85.9**	84.9
Short term deposits, maturing within 30 days [a]	**256.7**	23.3
	342.6	108.2

a Includes $255.6 million of cash proceeds from the Institutional Entitlement Offer. The proceeds less associated costs will be used to repay debt. Refer to note 27.

17. Trade and other receivables

	2012 $m	2011 $m
Current		
Trade receivables	**160.7**	103.7
Less provision for impairment [a]	**(30.8)**	(34.2)
Net trade receivables	**129.9**	69.5
Other receivables	**5.5**	18.1
	135.4	87.6
Retail Entitlement Offer proceeds receivable (refer to note 27)	**186.9**	-
	322.3	87.6

a Includes $22.9 million disclosed as Significant item in note 9.

17. Trade and other receivables (continued)

(a) Provision for impairment of trade receivables

	2012 $m	2011 $m
Movement in provision		
Balance at beginning of year	**(34.2)**	(26.9)
Created during the year [a]	**(30.7)**	(7.9)
Utilised during the year	**34.1**	0.6
Balance at end of year	**(30.8)**	(34.2)

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

a These amounts are included in Other expenses in the statement of comprehensive income.

Ageing of trade and other receivables (excluding Entitlement Offer)	**0 - 30 days $m**	**> 30 days $m**	**Total $m**
2012			
Current	**71.3**	**-**	**71.3**
Past due not impaired	**-**	**58.6**	**58.6**
Considered impaired	**-**	**30.8**	**30.8**
	71.3	**89.4**	**160.7**
2011			
Current	19.2	-	19.2
Past due not impaired	-	50.3	50.3
Considered impaired	-	34.2	34.2
	19.2	84.5	103.7

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

18. Other assets

	2012 $m	2011 $m
Current		
Prepayments	**15.0**	14.5
Rental in advance	**0.2**	0.3
Other assets	**4.8**	11.2
	20.0	26.0
Non current		
Prepayments	**0.2**	6.5
Rental in advance	**10.5**	10.6
Other assets	**14.7**	6.3
	25.4	23.4

Other assets above are shown net of impairment of $7.4 million (2011: nil). The impairment is included in depreciation, amortisation and impairment in the statement of comprehensive income.

19. Property, plant and equipment

	2012 $m	2011 $m
Freehold land		
- at cost	**104.4**	104.4
Buildings		
- at cost [a]	**1,579.9**	1,371.2
- accumulated depreciation	**(167.9)**	(149.4)
	1,412.0	1,221.8
Leasehold improvements		
- at cost [a]	**259.2**	257.6
- accumulated depreciation	**(53.6)**	(49.4)
	205.6	208.2
Plant and equipment		
- at cost [a]	**591.8**	593.4
- accumulated depreciation	**(336.0)**	(363.2)
	255.8	230.2
	1,977.8	1,764.6

	2012	2011
a Includes capital works in progress of:		
Buildings - at cost	**109.1**	395.7
Leasehold improvements - at cost	**3.2**	7.6
Plant and equipment - at cost	**30.6**	28.8
Total capital works in progress	**142.9**	432.1

Reconciliations

	Freehold land $m	**Buildings $m**	**Leasehold improvements $m**	**Plant and equipment $m**	**Total $m**
2012					
Carrying amount at beginning of the year	**104.4**	**1,221.8**	**208.2**	**230.2**	**1,764.6**
Additions	**-**	**251.3**	**6.1**	**64.6**	**322.0**
Disposals	**-**	**(10.5)**	**(0.1)**	**(5.3)**	**(15.9)**
Reclassification/transfer [b]	**-**	**(23.1)**	**(1.7)**	**33.9**	**9.1**
Depreciation expense	**-**	**(27.5)**	**(6.9)**	**(67.6)**	**(102.0)**
Carrying amount at end of the year	**104.4**	**1,412.0**	**205.6**	**255.8**	**1,977.8**
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

Borrowing costs of $15.1 million (2011: $12.3 million) were capitalised during the year and are included in 'Additions' above. The capitalisation rate used was equal to the Group's weighted average cost of borrowings applicable to the Group's outstanding borrowings during the year, in this case 9.6% (2011: 7.8%).

b Transfer of $9.1 million from Intangible assets - Software. Refer to note 20.

20. Intangible assets

	2012 $m	2011 $m
Goodwill		
- at cost	**1,443.7**	1,443.7
	1,443.7	1,443.7
The Star and Treasury casino licences		
- at cost	**294.7**	294.7
- accumulated amortisation	**(50.1)**	(46.9)
	244.6	247.8
The Star casino concessions		
- at cost	**100.0**	100.0
- accumulated amortisation	**(8.8)**	(5.9)
	91.2	94.1
Software		
- at cost [a]	**113.9**	99.0
- accumulated amortisation and impairment	**(44.2)**	(38.8)
	69.7	60.2
Other		
- at cost	**20.1**	20.1
- accumulated amortisation and impairment	**(3.1)**	(2.7)
	17.0	17.4
	1,866.2	1,863.2

a Includes capital works in progress of $36.4 million (2011: $30.8m).

Reconciliations

	Goodwill $m	The Star and Treasury casino licences $m	The Star casino concessions $m	Software $m	Other $m	Total $m
2012						
Carrying amount at beginning of the year	**1,443.7**	**247.8**	**94.1**	**60.2**	**17.4**	**1,863.2**
Additions	**-**	**-**	**-**	**24.0**	**-**	**24.0**
Reclassification/transfer [b]	**-**	**-**	**-**	**(9.1)**	**-**	**(9.1)**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
Amortisation expense	**-**	**(3.2)**	**(2.9)**	**(5.4)**	**(0.4)**	**(11.9)**
Carrying amount at end of the year	**1,443.7**	**244.6**	**91.2**	**69.7**	**17.0**	**1,866.2**
2011						
Carrying amount at beginning of the year	1,443.7	251.0	96.9	29.9	17.8	1,839.3
Additions	-	-	-	27.3	-	27.3
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 the year	1,443.7	247.8	94.1	60.2	17.4	1,863.2

b Transfer of $9.1 million to Property, plant and equipment. Refer to note 19.

21. 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)	The Star (The Star) $m	Jupiters Gold Coast (Jupiters) $m	Jupiters Townsville (Jupiters) $m	Treasury (Treasury) $m	Total carrying amount $m
2012	**1,013.5**	**165.5**	**1.5**	**263.2**	**1,443.7**
2011	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 2.5% to 5.3% (2011: 3.0%-5.0%). These cash flows are then discounted using a relevant long term pre tax discount rate specific to each cash generating unit, ranging between 14.0% to 15.0% (2011: 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 expected 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.

v. Sensitivities
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, including a 1%-3% change in the pre-tax discount rate or a 3%-5% change in growth rates beyond the 5 year period, 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.

22. Trade and other payables

	2012 $m	2011 $m
Current		
Trade creditors and accrued expenses	**187.5**	152.1
Interest payable	**5.5**	2.9
	193.0	155.0

23. Provisions

	2012 $m	2011 $m
Current		
Employee benefits	**44.9**	41.7
Workers' compensation	**15.3**	12.3
Other	**-**	2.8
	60.2	56.8
Non current		
Employee benefits	**7.7**	6.2
Other	**-**	1.2
	7.7	7.4

Reconciliations

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

2012	**Workers' compensation $m**	**Other $m**
Carrying amount at beginning of the year	**12.3**	**4.0**
Provisions made during the year	**4.7**	**-**
Provisions utilised during the year	**(1.7)**	**(4.0)**
Carrying amount at end of the year	**15.3**	-
Carrying amount at end of the year		
- current	**15.3**	-
- non current	**-**	-
	15.3	-
2011		
Carrying amount at beginning of the year	12.0	1.6
Provisions made during the year	1.7	2.5
Provisions utilised during the year	(1.4)	(0.1)
Carrying amount at end of the year	12.3	4.0
Carrying amount at beginning of the year		
- current	12.3	2.8
- non current	-	1.2
	12.3	4.0

Nature and timing of provisions

Workers' compensation

The Group self insures for workers' compensation in both New South Wales and Queensland. A valuation of the estimated claims 'liability for workers' compensation is undertaken annually by an independent actuary.

The valuations are prepared in accordance with the relevant legislative requirements of each state and Professional Standard 300 of the Institute of Actuaries. The estimate of claims liability includes a margin over case estimates to allow for the future development of known claims, the cost of incurred but not reported ('IBNR') claims and claims handling expenses, which are determined using a range of assumptions.

24. Interest bearing liabilities

	2012 $m	2011 $m
Current		
Bank loans - unsecured [a]	**443.0**	-
Non current		
Bank loans - unsecured [b]	**425.3**	643.9
Private placement - US dollar [c]	**449.5**	426.9
	874.8	1,070.8
Total borrowings	**1,317.8**	1,070.8

a Subsequent to year end, Echo repaid $443.0 million of bank loans using the proceeds raised from the Entitlement Offer. Refer to note 27 for further details.

		2012	2011
b Bank loans - unsecured	- available [(i)]	**80.0**	300.0

(i) Echo has undertaken with its USPP lenders to limit the drawdowns from the banking syndicates to $740.0 million.

The facilities existing are as follows:

Type	$m	Maturity date
Syndicated revolving facility - tranche A	480.0	June 2014
Syndicated revolving facility - tranche B	480.0	June 2016
	960.0	

The above facilities is subject to financial undertakings as to gearing and interest cover. Interest is variable, linked to BBSY (Bank Bill Swap Bid Rate), and a defined gearing ratio at the end of certain test dates.

		2012	2011
c US Private Placement	- available	**-**	-

The facilities existing are as follows:

Type	$m	Maturity date
Series A - USD 100 million	94.0	June 2018
Series B - USD 360 million	336.0	June 2021
	430.0	

The $430.0 million US borrowings are stated in the table above at the AUD amount repayable under cross currency swaps at maturity.

The above facilities is subject to financial undertakings as to gearing and interest cover. Interest is variable, linked to BBSW (Bank Bill Swap Rate), and a defined gearing ratio at the end of certain test dates.
The US Private Placement (USPP) Noteholders have the right to demand partial or full repayment where 'parties acting in concert' hold more than 25% of the voting power of the Company.

Fair value disclosures
Details of the fair value of the Group's interest bearing liabilities are set out in note 35.

25. Derivative financial instruments

	2012 $m	2011 $m
Non current assets		
Cross currency swaps	**80.5**	11.7
Forward currency contracts	**1.0**	-
	81.5	11.7
Current liabilities		
Interest rate swaps	**25.6**	11.3
Cross currency swaps	**1.6**	15.8
Forward currency contracts	**0.6**	0.6
	27.8	27.7
Non current liabilities		
Interest rate swaps	**88.5**	21.2
Forward currency contracts	**0.7**	0.9
	89.2	22.1
Net financial liabilities	**35.5**	38.1

Refer to note 35 for additional financial instruments disclosure.

26. Other liabilities

	2012 $m	2011 $m
Current		
Deferred revenue	**3.7**	2.1
Other	**0.1**	-
	3.8	2.1

27. Share capital and reserves

(a) Share capital

	2012 $m	2011 $m
Ordinary shares - issued and fully paid [a]	**2,138.0**	2,138.0
Unalloted capital - Entitlement Offer [c]	**442.5**	-
	2,580.5	2,138.0

a There is only one class of shares (ordinary shares) on issue. These ordinary shares entitle the holder to participate in dividends and proceeds on winding up of the Company in proportion to the number and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or 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.

	2012 Number of shares	2011 Number of shares
Movements in ordinary share capital		
Balance at beginning of year	**688,019,737**	2
Shares issued under the Tabcorp Holdings Limited demerger scheme of arrangement [b]	**-**	688,019,735
Balance at end of year	**688,019,737**	688,019,737

b 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.

Movements in unalloted capital - Entitlement Offer		
Shares issued subsequent to year end following Entitlement offer		
Institutional Entitlement Offer	**79,613,949**	-
Retail Entitlement Offer	**58,039,044**	-
	137,652,993	**-**
Total Share capital	**825,672,730**	688,019,737

c **Details of Entitlement Offer**

On 14 June 2012, the Company announced a fully underwritten 1 for 5 accelerated renounceable entitlement offer of new Echo ordinary shares at an offer price of $3.30 per New Share to raise approximately $454 million ('Entitlement Offer'). Eligible shareholders were entitled to purchase 1 New Share for every existing 5 Echo shares ('Entitlement') held as at 7.00pm on 18 June 2012 ('Record Date'). New Shares issued under the Entitlement Offer rank equally with existing Echo ordinary shares in all respects.

The Entitlement Offer comprised an accelerated institutional component ('Institutional Entitlement Offer') and a retail component ('Retail Entitlement Offer').

The Institutional Entitlement Offer was completed on 18 June 2012 with approximately 95% take up by eligible institutional shareholders. The amount paid by successful participants in the institutional shortfall bookbuild was $4.10 (being the Offer Price of $3.30 plus a premium of $0.80 per Entitlement). Eligible institutional shareholders who elected not to take up their Entitlements together with ineligible institutional shareholders received $0.80 for each Entitlement not taken up (less any applicable witholding tax).

On 2 July 2012, 79,613,949 shares were issued under the Institutional Entitlement Offer and commenced trading on that day.

The Retail Entitlement Offer closed at 5.00pm on 9 July 2012. Eligible retail shareholders subscribed for approximately 39 million new Echo ordinary shares representing approximately 67% take-up by eligible retail shareholders under the Retail Entitlement Offer.

The retail shortfall bookbuild of entitlements was completed on 13 July 2012. Approximately 19 million entitlements were available in the Retail Bookbuild with the total amount of $4.12 (representing $3.30 Offer Price plus a premium of $0.82 per Entitlement) being paid by successful participants. As such, holders of retail entitlements which were not taken up and retail shareholderes that were ineligible to participate in the offer, were paid $0.82 for each entitlement sold for their benefit, net of any applicable withholding tax. Payment of the Retail Premium was despatched to the relevant shareholders on 20 July 2012.

The receipt and payment of the Entitlement Rights are not recognised in the financial statements as these are transactions between shareholders.

On 19 July 2012, 58,039,044 shares were issued under the Retail Entitlement Offer and commenced trading on 20 July 2012.

27. Share capital (continued)

Details of Entitlement Offer (continued)

The effects of the Entitlement Offer transaction have been reflected in the 30 June 2012 Statement of financial position on the basis that the Company announced the offer on 14 June 2012 and all of the underwriting conditions had been met on or before 30 June 2012. Net proceeds of $442.5 million were recorded in the share capital account, after taking into account expenses of $11.8 million net of tax of $5.0 million. Cash proceeds of $255.6 million were received before year end and recorded in cash and cash equivalents. Proceeds of $186.9 million were received subsequent to year end and reflected as sundry debtors as at 30 June 2012. Expenses of $5.0 million were unpaid at 30 June 2012 and included in sundry payables. A total of 137,652,993 shares were issued and commenced trading after year end. Since the year end, $443.0 million of debt had been repaid using the proceeds from the Entitlement Offer.

	2012 **$m**	2011 $m
(b) Reserves		
Hedging Reserve [a]	**(24.2)**	(5.3)
Share Based Payments Reserve [b]	**0.7**	-
	(23.5)	(5.3)

Nature and purpose of reserves

a The hedging reserve records fair value changes on the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

b The share-based payments reserve is used to recognise the value of equity settled share based payment transactions provided to employees, including key management personnel as part of their remuneration. Refer note 37 for further details on these plans.

(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 translated at the 30 June 2012 AUD/USD spot rate of 1.019.

The Group is not subject to any externally imposed capital requirements, other than the banking covenants referred to in note 24.

	2012 **$m**	2011 $m
Gross Debt (before equity raise proceeds)	**1,317.8**	1,070.8
Net Debt (after equity raise proceeds)	**793.3**	962.6
EBITDA before significant items	**332.6**	455.1
Gearing ratio	**2.4**	2.1

28. Notes to the statement of cash flows

	2012 $m	2011 $m
(a) Reconciliation operating profit to cash generated by operations		
Net profit after tax	**42.2**	226.0
Non cash items and items dealt with separately:		
- depreciation, amortisation and impairment	**122.1**	98.7
- employee share based payments expense	**0.7**	0.9
- income tax expense paid via intercompany	**-**	93.6
- other non cash movements	**-**	(2.6)
Items classified as investing/financing activities:		
- net gain on disposal of non current assets	**(5.5)**	-
- finance costs	**95.4**	-
Cash generated by operations before working capital changes	**254.9**	416.6
Working capital changes		
- (Increase) in trade and other receivables and other assets	**(51.5)**	(67.4)
- (Increase)/decrease in inventories	**(1.1)**	0.2
- Increase in trade and other payables, accruals and provisions	**41.7**	1.7
- (Decrease) in tax provisions	**(44.4)**	22.9
Net cash inflow from operating activities	**199.6**	374.0
(b) Cash used in investing activities includes:		
Proceeds from the sale of the Lyric Theatre	**15.5**	-

29. Commitments

	2012 $m	2011 $m
(a) Capital expenditure commitments		
Not later than one year	**51.2**	121.7
Later than one year but not later than five years	**1.0**	-
Later than five years	**-**	-
	52.2	121.7
(b) Operating lease commitments [a b]		
Not later than one year	**12.6**	5.8
Later than one year but not later than five years	**49.9**	20.8
Later than five years	**83.0**	80.2
	145.5	106.8

a The Group leases property (including The Star property lease) under operating leases expiring between 1 to 81 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

b Operating lease commitments include commitments in relation to the leasing of aircraft.

30. 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 2012. 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.

Section 143 Casino Control Act 1992 (NSW) Inquiry

On 2 February 2012, the Company announced the replacement of the Managing Director of The Star, Mr Sid Vaikunta.

On 16 February 2012, the New South Wales Independent Liquor and Gaming Authority (the *Authority*) announced that it would conduct an inquiry under section 143 of the *Casino Control Act (NSW)* to inquire into, and report upon the circumstances surrounding the cessation of the employment with the Company of Mr Sid Vaikunta as Managing Director of The Star (the *Inquiry*).

The public hearing was conducted between 2 April and 11 April 2012, and on 17 May 2012, the report of the Inquiry was released by ILGA.

The report found that the Company properly and thoroughly investigated the allegations against The Star's former Managing Director, the investigation occurred free from external influence, and the findings from that investigation warranted the cessation of the Managing Director's employment.

In relation to the consideration of whether any obligations to disclose information to the Authority had been breached, the report referred this matter to the Authority. Following consideration of the matter, the Authority issued a notice to The Star (as the licensee of the casino) under section 23 of the *Casino Control Act (NSW)* to show cause why disciplinary action should not be taken against The Star in relation to the timely provision of notification of certain events to the Authority.

Consideration of any disciplinary action to be taken against The Star is yet to be determined by the Authority.

Financial guarantees

Refer to note 34 for details of financial guarantees provided by the Group at the reporting date.

31. 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 reportable segments:

The Star	Comprises The Star's casino operations, including hotels, apartment complex, nightclub, restaurants and bars.
Jupiters	Comprises the casino operations at the two Queensland locations, including hotels, theatre, restaurants and bars.
Treasury	Comprises Treasury's casino operations, including hotel, restaurants and bars.

	The Star $m	Jupiters $m	Treasury $m	Total $m
2012				
Gross revenues/(loss) - VIP [a b]	**229.0**	**49.3**	**(3.2)**	**275.1**
Gross revenues - external [a b]	**794.6**	**345.5**	**274.1**	**1,414.2**
Segment revenue	**1,023.6**	**394.8**	**270.9**	**1,689.3**
Segment result [b]	**111.3**	**59.2**	**47.4**	**217.9**
Depreciation, amortisation and impairment	**77.0**	**22.0**	**15.7**	**114.7**
Capital expenditure	**283.6**	**44.3**	**18.1**	**346.0**
2011				
Gross revenues/(loss) - VIP [a b]	245.0	25.0	9.5	279.5
Gross revenues - external [a b]	751.3	349.0	268.6	1,368.9
Segment revenue	996.3	374.0	278.1	1,648.4
Segment result [b]	237.7	58.5	60.2	356.4
Depreciation, amortisation and impairment	57.8	24.4	16.5	98.7
Capital expenditure	343.7	27.1	23.5	394.3

a Revenue is presented as the net gaming win gross of player rebates and promotional allowances.
b Segment revenue and results are presented on an actual basis.

	2012 $m	2011 $m
Reconciliation of reportable segment profit to profit before tax		
Segment profit before interest and tax	**217.9**	356.4
Significant items (refer note 9)	**(74.1)**	(9.2)
Unallocated items:		
- finance income	**1.5**	0.3
- finance costs	**(95.4)**	(5.0)
Profit before tax	**49.9**	342.5

32. Director and executive disclosures

(a) Compensation of KMP

	2012 $	2011 $
Short term	**6,025,083**	11,065,380
Other long term	**96,703**	(16,531)
Post employment	**129,675**	138,124
Share based payments	**416,626**	3,961,437
Termination benefits	**192,125**	3,337,500
	6,860,212	18,485,910

The above reflects the compensation for individuals who are KMP of the Group. This includes remuneration paid in the 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)

	KMP start date	Number of shares held at the beginning of the year	Number acquired [a]	Net change other	KMP cessation date	Number of shares held at the end of year
2012						
Current Non Executive Directors						
John O'Neill	**n/a**	**-**	**15,500**	**-**	**n/a**	**15,500**
Brett Paton	**n/a**	**23,181**	**51,819**	**-**	**n/a**	**75,000**
Anne Brennan	**23 March 2012**	**-**	**-**	**-**	**n/a**	**-**
John Redman	**23 March 2012**	**-**	**-**	**-**	**n/a**	**-**
Former Non Executive Directors						
John Story [b]	**n/a**	**58,194**	**-**	**(3,753)**	**8 Jun 2012**	**54,441**
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**	**-**
Former Executives						
Sid Vaikunta	**n/a**	**76,389**		**(76,389)**	**2 Feb 2012**	**-**
Total		**527,182**	**67,319**	**(80,142)**	**-**	**514,359**
2011						
Current Non Executive Directors						
John Story		-	58,194	-	**n/a**	58,194
John O'Neill		-	-	-	**n/a**	-
Brett Paton		-	23,181	-	**n/a**	23,181
Current Executive Directors						
Larry Mullin		-	154,703	-	**n/a**	154,703
Matt Bekier		-	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
Louise Marshall		-	-	-	-	n/a
Kerry Willcock [c]		-	-	-	-	n/a
Total		-	527,182	-		527,182

a In June 2011, includes Echo Entertainment Group Limited shares acquired through purchases and through the demerger of the Company via a scheme of arrangement.

b Mr John Story resigned from the Board on 8 June 2012.

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

33. 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 2. The financial years of all controlled entities are the same as that of the Company.

Name of controlled entity	Note	Country of incorporation	Equity type	Equity interest at 30 June 2012 %	Equity interest at 30 June 2011 %
Parent entity					
Echo Entertainment Group Limited		Australia	ordinary shares		
Controlled entities					
Star City Holdings Limited	(a)(b)	Australia	ordinary shares	**100.0**	100.0
The Star Pty Ltd	(a)(b)	Australia	ordinary shares	**100.0**	100.0
Star City Entertainment Pty Ltd	(a)	Australia	ordinary shares	**100.0**	100.0
Sydney Harbour Casino Properties Pty Ltd	(a)(b)	Australia	ordinary shares	**100.0**	100.0
Sydney Harbour Apartments Pty Ltd	(a)	Australia	ordinary shares	**100.0**	100.0
Star City Investments Pty Ltd	(a)	Australia	ordinary shares	**100.0**	100.0
Star City Share Plan Company Pty Ltd	(d)	Australia	ordinary shares	**100.0**	100.0
Star City Superannuation Fund Pty Ltd	(c)(d)	Australia	ordinary shares	**100.0**	100.0
Jupiters Limited		Australia	ordinary shares	**100.0**	100.0
Breakwater Island Limited		Australia	ordinary shares	**100.0**	100.0
Breakwater Island Trust		Australia	units	**100.0**	100.0
Jupiters Custodian Pty Ltd		Australia	ordinary shares	**100.0**	100.0
Jupiters Trust		Australia	units	**100.0**	100.0
Jupwind Superannuation Pty Ltd	(c)	Australia	ordinary shares	**100.0**	100.0
Echo Entertainment International No.1 Pty Ltd		Australia	ordinary shares	**100.0**	100.0
Echo Entertainment International No.2 Pty Ltd		Australia	ordinary shares	**100.0**	100.0
Jupiters Resorts (Macau) Limited	(f)	Macau	ordinary shares	**100.0**	100.0
Echo Entertainment International No.3 Pty Ltd		Australia	ordinary shares	**100.0**	100.0
Vanuatu Casino Management Services Limited	(f)	Vanuatu	ordinary shares	**99.9**	99.9
Echo Entertainment Culinary Institute Pty Ltd	(e)	Australia	ordinary shares	**100.0**	0.0
Echo Entertainment Finance Limited		Australia	ordinary shares	**100.0**	100.0
Echo Entertainment International Pty Ltd		Australia	ordinary shares	**100.0**	100.0
Echo Entertainment Technology Services Pty Ltd		Australia	ordinary shares	**100.0**	100.0
Echo Entertainment Training Company Pty Ltd	(e)	Australia	ordinary shares	**100.0**	0.0

(a) These companies entered into a deed of cross guarantee with Star City Holdings Limited on 31 May 2011, and as such are members of the closed group as defined in Australian Securities and Investments Commission class order CO 98/1418 . Under the Deed of Cross Guarantee, each entity guarantees to creditors of each party to the Deed that any debt or claim which is now or at any future time admissible to proof in the winding up of any one of those entities (and not other claim) will be paid in full in accordance with the Deed.

(b) These companies have provided a charge over their assets and undertakings as explained in note 34.

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

(d) 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 was required in respect of the demerger of the Group by Tabcorp Holdings Limited.

(e) These companies were incorporated in Victoria, Australia on 14 December 2011.

(f) These companies are incorporated in foreign jurisdictions and not registered as Australian foreign entities.

33. Related party disclosure (continued)

(c) Transactions with controlled entities

Echo Entertainment Group Limited

During the period, the Company entered into the following transactions with controlled entities:
- loans received of $54.1 million (2011: $451.2 million); and
- income tax and GST paid on behalf of controlled entities of $123.8 million (2011: $18.3 million).

The amount payable by the Company to controlled entities at year end is $54.1 million (2011: $451.2 million). All the transactions were undertaken on normal commercial terms and conditions.

34. 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.

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

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Details of significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in note 2.

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 2012 after taking into account the effect of interest rate swaps, approximately 69.8% (2011: 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 statement of financial position 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.

The Group has operating leases for two aircrafts invoiced in USD. The Group has entered into foreign exchange forward contracts to hedge against the USD currency risk, by exchanging the future USD lease payments to AUD amounts.

34. Financial risk management objectives and policies (continued)

Credit risk

Credit risk on financial assets which have been recognised on the statement of financial position, 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 carefully managed and controlled.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents (including short term deposits and bank bills), the maximum exposure of the Group to credit risk from default of a counterparty is equal to the carrying amount of these instruments.

In relation to financial liabilities, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The Group's maximum credit risk exposure in respect of interest rate swap contracts, cross currency swap contracts and forward currency contracts is detailed in note 35.

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 (2011: nil), as the possibility of an outflow occurring is considered remote. Details of the financial guarantee contracts at statement of financial position date are outlined below:

Fixed and floating charges

The controlled entities denoted (b) in note 33 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 (2011: $1.5 billion).

Guarantees and indemnities

The controlled entities denoted (b) in note 33 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 $124.3 million (2011: $122.0 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 fundamental 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.

34. Financial risk management objectives and policies (continued)

Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet its obligations to repay its financial liabilities as and when they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and notes.

The Group manages liquidity risk by maintaining a forecast of expected cash flow which is monitored and reviewed on a regular basis. To help reduce liquidity risk, the Group targets a minimum level of cash and cash equivalents to be maintained, and has revolving facilities in place with sufficient undrawn funds available.

The Group's policy is that not more than 33% of debt facilities should mature in any financial year within the next four years. At 30 June 2012, the Group's debt facilities that will mature in less than one year is nil (2011: nil. 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, and the repayment of $443.0 million of bank loans subsequent to the year end.

Refer to notes 24 and 35 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

	2012			2011		
	< 1 year	**1 - 5 years**	**> 5 years**	< 1 year	1 - 5 years	> 5 years
	$m	**$m**	**$m**	$m	$m	$m
Financial assets						
Cash assets	**85.9**	**-**	**-**	84.9	-	-
Short term deposits	**256.7**	**-**	**-**	23.3	-	-
Net receivables	**322.3**	**-**	**-**	87.6	-	-
	664.9	**-**	**-**	195.8	-	-
Financial liabilities						
Trade creditors and accrued expenses	**193.0**	**-**	**-**	155.0	-	-
Bank loans - unsecured	**460.4**	**489.6**	**-**	49.6	782.8	-
- US dollar - pay USD fixed	**25.1**	**100.3**	**535.8**	23.8	95.3	533.0
	678.5	**589.9**	**535.8**	228.4	878.1	533.0
Net outflow	**(13.6)**	**(589.9)**	**(535.8)**	(32.6)	(878.1)	(533.0)

(b) Derivative financial instruments

	2012			2011		
	< 1 year	**1 - 5 years**	**> 5 years**	< 1 year	1 - 5 years	> 5 years
	$m	**$m**	**$m**	$m	$m	$m
Financial assets						
Interest rate swaps - receive AUD floating	**32.9**	**95.6**	**51.1**	45.7	156.3	92.3
Cross currency swaps - receive USD fixed	**25.1**	**100.3**	**535.8**	23.8	95.3	533.0
Forward currency contract - receive USD fixed	**7.0**	**27.9**	**7.0**	3.2	12.8	5.6
	65.0	**223.8**	**593.9**	72.7	264.4	630.9
Financial liabilities						
Interest rate swaps - pay AUD fixed	**56.7**	**165.1**	**89.1**	56.7	194.9	115.9
Cross currency swaps - pay AUD floating	**28.7**	**114.9**	**525.4**	34.8	139.4	580.4
Forward currency contract - pay AUD fixed	**7.7**	**30.6**	**7.6**	3.9	15.5	6.8
	93.1	**310.6**	**622.1**	95.4	349.8	703.1
Net outflow	**(28.1)**	**(86.8)**	**(28.2)**	(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 statement of financial position date.

34. Financial risk management objectives and policies (continued)

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:

Judgments of reasonably possible movements:

	Post tax profit higher/(lower)	**Other comprehensive income higher/(lower)**	Post tax profit higher/(lower)	Other comprehensive income higher/(lower)
	2012	**2012**	2011	2011
	$m	**$m**	$m	$m
AUD				
+ 1% (100 basis points)	**(2.6)**	**34.6**	(1.1)	34.5
- 1% (100 basis points)	**2.6**	**(37.1)**	1.1	(37.2)
USD				
+ 1% (100 basis points)	**-**	**(29.4)**	-	(28.1)
- 0.5% (50 basis points)	**-**	**15.6**	-	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 statement of financial position dates; and
- The net exposure at statement of financial position date is representative of what the Group was and is expecting to be exposed to in the next twelve months.

34. 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 statement of financial position 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:

Judgments of reasonably possible movements:

	Post tax profit higher/ (lower)	**Other comprehensive income higher/ (lower)**	Post tax profit higher/ (lower)	Other comprehensive income higher/ (lower)
	2012	**2012**	2011	2011
	$m	**$m**	$m	$m
AUD/USD + 10 cents	**-**	**(11.5)**	-	(7.8)
AUD/USD - 10 cents	**-**	**14.0**	-	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 statement of financial position 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 statement of financial position 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 statement of financial position dates; and
- The net exposure at statement of financial position date is representative of what the Group was and is expecting to be exposed to in the next twelve months.

35. Additional financial instruments disclosure

(a) Fair values

The fair value of the Group's financial assets and financial liabilities approximates their carrying value as at statement of financial position date.

Swaps
Fair value is calculated using discounted future cash flow techniques, where estimated cash flows and estimated discount rates are based on market data at statement of financial position 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 statement of financial position 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:

	2012 $m	2011 $m
Financial assets		
Cash assets	**38.7**	15.2
Short term deposits	**256.7**	23.3
Total financial assets	**295.4**	38.5
Financial liabilities		
Bank loans - unsecured [a]	**868.3**	643.9
Interest rate swaps [b]	**915.0**	915.0
Cross currency swaps	**430.0**	430.0
Total financial liabilities	**2,213.3**	1,988.9

a Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. The floating rates represent the most recently determined rate applicable to the instrument at statement of financial position date.

b Notional principal amounts.

(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 statement of comprehensive income.

The notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2012 $m	2011 $m
Less than one year	**-**	-
One to five years	**485.0**	485.0
More than five years	**430.0**	430.0
Notional principal	**915.0**	915.0
Fixed interest rate range p.a.	**5.9% - 7.6%**	5.9% - 7.6%
Variable interest rate range p.a.	**3.5% - 3.6%**	5.0%

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.

35. Additional financial instruments disclosure (continued)

(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 statement of comprehensive income.

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

	2012		2011	
	AUD $m	**USD $m**	AUD $m	USD $m
One to five years	**-**	**-**	-	-
More than five years	**430.0**	**460.0**	430.0	460.0
Notional principal	**430.0**	**460.0**	430.0	460.0
Fixed interest rate range p.a.	**-**	**5.1% - 5.7%**	-	5.1% - 5.7%
Variable interest rate range p.a.	**6.5% - 6.7%**	**-**	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 24.

(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:

	2012	2011
	$m	$m
Buy USD / sell AUD		
One to five years	**38.3**	18.4
More than five years	**7.6**	7.8
Notional principal	**45.9**	26.2
Average exchange rate	**0.93**	0.88

(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.

All of Echo's derivative financial instruments are valued using the Level 2 valuation techniques, being observable inputs.

36. Deed of cross guarantee

Star City Holdings Limited, The Star Pty Ltd, Star City Entertainment Pty Ltd, Sydney Harbour Casino Properties Pty Ltd, Sydney Harbour Apartments Pty Ltd and Star City Investments Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirements to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

(a) Consolidated statement of comprehensive income and summary of movements in consolidated retained earnings

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

Set out below is a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2012 of the closed group consisting of Star City Holdings Limited, The Star Pty Ltd, Star City Entertainment Pty Ltd, Sydney Harbour Casino Properties Pty Ltd, Sydney Harbour Apartments Pty Ltd and Star City Investments Pty Ltd.

Consolidated statement of comprehensive income

	2012 $m	2011 $m
Revenue	**957.0**	970.1
Other income	**6.0**	0.2
Government taxes and levies	**(209.7)**	(191.8)
Commissions and fees	**(103.8)**	(84.7)
Employment costs	**(279.2)**	(236.5)
Depreciation, amortisation and impairment	**(85.3)**	(53.8)
Cost of sales	**(36.4)**	(30.9)
Property costs	**(45.0)**	(32.6)
Advertising and promotions	**(57.9)**	(31.9)
Other expenses	**(125.5)**	(65.0)
Profit before net finance costs and income tax	**20.2**	243.1
Finance income	**0.1**	-
Profit before income tax	**20.3**	243.1
Income tax expense	**(8.0)**	(85.6)
Net profit after tax	**12.3**	157.5
Total comprehensive income for the year	**12.3**	157.5

Summary of movements in consolidated accumulated losses

	2012 $m	2011 $m
Accumulated losses at the beginning of the financial year	**(37.7)**	(52.9)
Profit for the year	**12.3**	157.6
Dividends paid	**(14.8)**	(142.4)
Accumulated losses at the end of the financial year	**(40.2)**	(37.7)

36. Deed of cross guarantee (continued)

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2012 of the closed group consisting of Star City Holdings Limited, The Star Pty Ltd, Star City Entertainment Pty Ltd, Sydney Harbour Casino Properties Pty Ltd, Sydney Harbour Apartments Pty Ltd and Star City Investments Pty Ltd.

	2012 $m	2011 $m
Current Assets		
Cash assets	**28.9**	47.3
Receivables	**108.8**	62.8
Inventories	**3.6**	2.0
Other	**6.2**	12.5
Total current assets	**147.5**	124.6
Non-Current Assets		
Property, plant and equipment	**1,230.3**	1,036.3
Intangible assets	**311.0**	309.7
Other	**17.7**	11.9
Total non-current assets	**1,559.0**	1,357.9
TOTAL ASSETS	**1,706.5**	1,482.5
Current Liabilities		
Payables	**500.3**	299.3
Provisions	**36.8**	34.4
Income tax payable	**12.2**	-
Other	**3.8**	1.9
Total current liabilities	**553.1**	335.6
Non-Current Liabilities		
Net deferred tax liabilities	**50.0**	40.6
Provisions	**3.7**	4.1
Total non-current liabilities	**53.7**	44.7
TOTAL LIABILITIES	**606.8**	380.3
NET ASSETS	**1,099.7**	1,102.2
Equity		
Issued capital	**1,139.9**	1,139.9
Accumulated losses	**(40.2)**	(37.7)
Total equity	**1,099.7**	1,102.2

37. Employee share plans

The Company has a number of share plans in operation which were established to enable eligible employees to own shares in the Company, and to provide equity instruments to senior executives and management as a component of their remuneration.

These plans operate under the following names:
- Short Term Performance Plan (STPP)
- Long Term Performance Plan (LTPP)

The share based payments expense in respect of the equity instruments granted is recognised in the income statement for the period and is disclosed in note 6.

A detailed explanation of the current incentive equity plans are disclosed in note 2 Significant accounting policies and the Remuneration Report. Prior to the demerger in June 2011, Tabcorp Holdings Limited operated the LTPP and issued Restricted Shares in relation to the Casino business employees.

Details of employee share plans

Set out below are summaries of the number of Performance Rights granted under long term performance plans.

Grant date	Balance at start of year	Granted during the year	Forfeited during the year	Expired during the year	Vested during the year	Balance at end of year
20 September 2011	-	1,497,526	317,904	-	-	1,179,622

Details of employee share plans

The Performance Rights have been independently valued at the date of grant using a Monte-Carlo simulation-based model and Binomial Tree methodology.

The assumptions underlying the Performance Rights valuations are:

Grant date	Expiry date	Share price at date of grant $	Expected volatility in share price %	Expected dividend yield %	Risk free interest rate %	Value per Performance Right $
20 September 2011	20 September 2014	3.61	30.00%	3.00%	3.57%	2.15

38. Auditor's remuneration

	2012 $000's	2011 $000's
Amounts received or due and receivable by Ernst & Young (Australia) for:		
An audit or review of the financial report of the entity and any other entity in the consolidated group	**897**	756
Other assurance related services in relation to the Company and any other entity in the consolidated group	**74**	136
Other non-audit services including due diligence services	**877**	-
	1,848	892

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.

39. Parent entity disclosures

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

	2012 $m	2011 $m
Result of the parent entity		
Profit for the period	**64.8**	-
Total comprehensive income for the period	**64.8**	-
Financial position of the parent entity		
Current assets	**87.8**	6.2
Total assets	**3,679.6**	3,173.1
Current liabilities	**31.2**	4.8
Total liabilities	**1,061.8**	1,035.1
Total equity of the parent entity comprising of:		
Issued capital	**2,580.5**	2,138.0
Retained earnings	**37.3**	-
Total equity	**2,617.8**	2,138.0

Contingent liabilities

There were no contingent liabilities for the parent entity at 30 June 2012 (2011: nil).

Capital expenditure

The parent entity does not have any capital expenditure commitments for the acquisition of property, plant and equipment contracted but not provided for at 30 June 2012 (2011: nil).

Guarantees

Echo Entertainment Group Limited has guaranteed the liabilities of Echo Entertainment Finance Limited and Echo International No. 3 Pty Ltd. As at 30 June 2012, the carrying amount included in current liabilities at 30 June 2012 was nil (2011: nil), and the maximum amount of these guarantees was $124.3 million (2011: $106.0 million).

40. Subsequent events

Other than the completion of the Entitlement Offer (refer to note 27), there have been no other significant events occurring after the statement of financial position date which may affect either the Company's operations or results of those operations or the Company's state of affairs.

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 2012 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 O'Neill AO
Chairman

Sydney
15 August 2012

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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 statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 2, 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 judgment, 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.

ERNST & YOUNG

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 2012 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 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 28 of the directors' report for the year ended 30 June 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Tim Wallace
Partner

Melbourne
15 August 2012