



# Contents

1	Income statement	20	Note 12 - Intangible assets - licences	35	Note 26 - Director and executive disclosures
2	Balance sheet	20	Note 13 - Intangible assets - other	39	Note 27 - Related party disclosure
3	Cash flow statement	22	Note 14 - Impairment testing of goodwill and intangibles with indefinite lives	43	Note 28 - Contingent liabilities
4	Statement of changes in equity	24	Note 15 - Other receivables	43	Note 29 - Subsequent events
5	Note 1 - Significant accounting policies and corporate information	24	Note 16 - Payables	44	Note 30 - Financial risk management objectives and policies
14	Note 2 - Revenue and expenses	24	Note 17 - Interest bearing liabilities	47	Note 31 - Additional financial instruments disclosure
14	Note 3 - Auditor's remuneration	25	Note 18 - Provisions	50	Note 32 - Parent entity disclosures
15	Note 4 - Income tax	26	Note 19 - Other liabilities	51	Directors' declaration
17	Note 5 - Dividends	26	Note 20 - Capital and reserves	52	Independent audit report
17	Note 6 - Earnings per share	27	Note 21 - Notes to the cash flow statement	IBC	Company directory
18	Note 7 - Cash and cash equivalents	27	Note 22 - Commitments	IBC	Key dates
18	Note 8 - Receivables	28	Note 23 - Segment information		
18	Note 9 - Inventories	29	Note 24 - Employee share plans		
18	Note 10 - Other assets	34	Note 25 - Pensions and other post employment benefit plans		
19	Note 11 - Property, plant and equipment				

## About this Annual Report

This Financial Report should be read in conjunction with Tabcorp's Concise Annual Report which is available, free of charge, on request and can be accessed via the Company's website at [www.tabcorp.com.au](http://www.tabcorp.com.au).

# Income statement

For the year ended 30 June 2010

	Note	2010 \$m	2009 \$m
<b>Revenue</b>		<b>4,219.8</b>	4,211.3
Other income	2	1.4	(2.9)
Government taxes and levies		(1,164.6)	(1,136.6)
Commissions and fees		(954.1)	(926.3)
Employment costs		(602.5)	(583.9)
Depreciation and amortisation	2	(203.6)	(177.2)
Property costs		(88.3)	(81.9)
Advertising and promotions		(86.4)	(97.4)
Professional and contract services		(27.2)	(22.5)
Other expenses		(300.1)	(287.2)
<b>Profit before income tax expense and net finance costs</b>		<b>794.4</b>	895.4
Finance income	2	7.1	7.1
Finance costs	2	(161.3)	(160.4)
<b>Profit before income tax expense</b>		<b>640.2</b>	742.1
Income tax expense	4	(170.7)	(220.4)
<b>Net profit after tax</b>		<b>469.5</b>	521.7
<b>Other comprehensive income</b>			
Change in fair value of cash flow hedges taken to equity		13.1	(61.0)
Actuarial gain/(loss) on defined benefit plan	25	0.5	(1.9)
Income tax (expense)/benefit on items of other comprehensive income	4	(4.0)	18.9
<b>Other comprehensive income/(loss) for the period, net of income tax</b>		<b>9.6</b>	(44.0)
<b>Total comprehensive income for the period</b>		<b>479.1</b>	477.7
<b>Earnings per share:</b>			
Basic earnings per share (cents per share)	6	77.1	93.2
Diluted earnings per share (cents per share)	6	77.0	93.1

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

# Balance sheet

As at 30 June 2010

	Note	2010 \$m	2009 \$m
<b>Current assets</b>			
Cash and cash equivalents	7	261.9	291.4
Receivables	8	80.5	70.5
Inventories	9	13.8	14.3
Derivative financial instruments	31	-	6.1
Other	10	24.9	20.9
<b>Total current assets</b>		<b>381.1</b>	403.2
<b>Non current assets</b>			
Property, plant and equipment	11	1,762.9	1,566.3
Intangible assets - licences	12	652.6	688.1
Intangible assets - other	13	3,627.5	3,641.8
Other receivables	15	8.1	2.3
Derivative financial instruments	31	2.8	13.3
Other	10	22.7	24.4
<b>Total non current assets</b>		<b>6,076.6</b>	5,936.2
<b>TOTAL ASSETS</b>		<b>6,457.7</b>	6,339.4
<b>Current liabilities</b>			
Payables	16	510.3	492.2
Interest bearing liabilities	17	175.0	-
Current tax liabilities		46.8	56.5
Provisions	18	76.4	88.8
Derivative financial instruments	31	22.0	35.2
Other	19	15.5	24.3
<b>Total current liabilities</b>		<b>846.0</b>	697.0
<b>Non current liabilities</b>			
Interest bearing liabilities	17	1,816.8	2,040.9
Deferred tax liabilities	4	273.4	273.8
Provisions	18	10.6	11.3
Derivative financial instruments	31	53.9	35.5
Other	19	2.3	4.1
<b>Total non current liabilities</b>		<b>2,157.0</b>	2,365.6
<b>TOTAL LIABILITIES</b>		<b>3,003.0</b>	3,062.6
<b>NET ASSETS</b>		<b>3,454.7</b>	3,276.8
<b>Equity</b>			
Issued capital	20	3,733.9	3,670.7
Accumulated losses		(310.0)	(416.5)
Reserves	20	30.8	22.6
<b>TOTAL EQUITY</b>		<b>3,454.7</b>	3,276.8

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

# Cash flow statement

For the year ended 30 June 2010

	Note	2010 \$m	2009 \$m
<b>Cash flows from operating activities</b>			
Net cash receipts in the course of operations		4,280.2	4,258.5
Payments to suppliers, service providers and employees		(2,213.6)	(2,192.0)
Payment of government levies, betting taxes and GST		(1,038.0)	(1,020.7)
Interest revenue received		6.6	7.1
Finance costs paid		(155.0)	(171.4)
Income tax paid		(179.0)	(209.0)
<b>Net cash flows from operating activities</b>	21	<b>701.2</b>	672.5
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment and intangibles		(408.1)	(256.5)
Proceeds from sale of property, plant and equipment and intangibles		2.7	1.7
Loans advanced to customers		(4.7)	-
<b>Net cash flows used in investing activities</b>		<b>(410.1)</b>	(254.8)
<b>Cash flows from financing activities</b>			
Proceeds from debt raising		-	434.5
Proceeds from issue of shares		-	387.0
Net repayments of borrowings		(15.0)	(770.3)
Payment of transaction costs for share issue		-	(7.8)
Dividends paid		(303.4)	(341.0)
Payments for on-market share buy back		(1.9)	(2.2)
Proceeds from sale of treasury shares		0.7	0.1
Loans advanced to related party		(1.0)	-
Repayment of employee share loans		-	0.2
<b>Net cash flows used in financing activities</b>		<b>(320.6)</b>	(299.5)
Net increase/(decrease) in cash held		(29.5)	118.2
Cash at beginning of year		291.4	173.2
<b>Cash at end of year</b>	7	<b>261.9</b>	291.4

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

# Statement of changes in equity

For the year ended 30 June 2010

	Issued Capital		Accumulated losses \$m	Net unrealised gains reserve \$m	Employee equity benefit reserve \$m	Total equity \$m
	Ordinary shares \$m	Treasury shares \$m				
<b>2010</b>						
Balance at beginning of year	3,674.9	(4.2)	(416.5)	13.9	8.7	3,276.8
Profit for the period	-	-	469.5	-	-	469.5
Other comprehensive income	-	-	0.4	9.2	-	9.6
Dividends paid	-	-	(363.4)	-	-	(363.4)
Dividend reinvestment plan	60.0	-	-	-	-	60.0
Transfers	2.7	-	-	-	(2.7)	-
Restricted shares issued	-	(1.9)	-	-	-	(1.9)
Share based payments expense	-	1.5	-	-	1.7	3.2
Disposal of shares	-	0.9	-	-	-	0.9
Balance at end of year	3,737.6	(3.7)	(310.0)	23.1	7.7	3,454.7
<b>2009</b>						
Balance at beginning of year	3,198.9	(3.5)	(503.7)	56.6	9.0	2,757.3
Profit for the period	-	-	521.7	-	-	521.7
Other comprehensive income	-	-	(1.3)	(42.7)	-	(44.0)
Dividends paid	-	-	(433.2)	-	-	(433.2)
Ordinary shares issued	387.0	-	-	-	-	387.0
Transaction costs	(5.4)	-	-	-	-	(5.4)
Dividend reinvestment plan	92.6	-	-	-	-	92.6
Transfers	1.8	-	-	-	(1.8)	-
Restricted shares issued	-	(2.3)	-	-	-	(2.3)
Share based payments expense	-	1.2	-	-	1.5	2.7
Repayments	-	0.2	-	-	-	0.2
Disposal of shares	-	0.2	-	-	-	0.2
Balance at end of year	3,674.9	(4.2)	(416.5)	13.9	8.7	3,276.8

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

# Notes to the financial statements

For the year ended 30 June 2010

## 1. Significant accounting policies and corporate information

Tabcorp Holdings Limited ('the Company') is a company limited by shares which are traded on the Australian Securities Exchange. The Company is incorporated and domiciled in Australia. The financial report of the Company for the year ended 30 June 2010 comprises the Company and its subsidiaries (collectively referred to as 'the Group') and the Group's interest in joint ventures.

The financial report was authorised for issue by the directors on 5 August 2010.

### (a) Statement of compliance

#### (i) Changes in accounting policy and disclosures

The Group has adopted the following new and amended accounting standards, which became applicable from 1 July 2009:

AASB 3	Business Combinations
AASB 7	Financial Instruments: Disclosures
AASB 8	Operating Segments
AASB 101	Presentation of Financial Statements (revised)
AASB 123	Borrowing Costs
AASB 127	Consolidated and Separate Financial Statements
AASB 1039	Concise Financial Reports
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123
AASB 2007-8	Amendments to Australian Accounting Standards arising from AASB 101
AASB 2007-10	Further Amendments to Australian Accounting Standards arising from AASB 101
AASB 2008-1	Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project
AASB 2008-7	Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
AASB 2008-8	Amendments to Australian Accounting Standards - Eligible Hedged Items
AASB 2009-2	Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments

AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project
AASB 2009-6	Amendments to Australian Accounting Standards
AASB 2009-7	Amendments to Australian Accounting Standards

The adoption of these standards did not have any effect on the financial position or performance of the Group. However the adoption of AASB 8 has caused the Group to revise its segment reporting, refer to note 23 for details.

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

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

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

AASB Reference	Title	Application date for Group
AASB 9	Financial Instruments	1 July 2013
AASB 124	Related Party Disclosures	1 July 2011
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 July 2010
AASB 2009-8	Amendments to Australian Accounting Standards - Group cash-settled share based payments	1 July 2010
AASB 2009-10	Amendments to Australian Accounting Standards - Classification of rights issues	1 July 2010
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9	1 July 2013
AASB 2009-12	Amendments to Australian Accounting Standards	1 July 2011
AASB 2009-13	Amendments to Australian Accounting Standards arising from Interpretation 19	1 July 2010
AASB 2009-14	Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement	1 July 2011
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 July 2010
AASB 2010-4	Further amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 July 2011

# Notes to the financial statements (continued)

For the year ended 30 June 2010

## 1. Significant accounting policies and corporate information (continued)

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

### (b) Basis of preparation

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

The financial report is presented in Australian dollars.

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

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

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

### (c) Accounting estimates and assumptions

#### Significant accounting estimates and assumptions

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

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

- note 1 - Significant accounting policies
  - (j) Taxation
  - (r) Intangible assets
  - (u) Provisions
  - (w) Employee benefits

- note 14 - Impairment testing of goodwill and intangibles with indefinite lives
- note 24 - Employee share plans
- note 25 - Pensions and other post employment benefit plans

### (d) Basis of consolidation

#### Controlled entities

Controlled entities are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of controlled entities are included in the consolidated financial report from the date control commences until the date that control ceases. The financial statements of the controlled entities are prepared for the same reporting period as the Company, using consistent accounting policies.

#### Joint ventures

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

#### Jointly controlled entities

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

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

#### Jointly controlled operations and assets

The interest of the Group in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls, the liabilities it incurs, the expenses it incurs, and the share of income that it earns from the sale of goods or services by the joint venture.

#### Transactions eliminated on consolidation

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



### **(e) Foreign currency**

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

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement with the exception of differences on foreign currency borrowings that are in an effective hedge relationship. These are taken directly to equity until the liability is extinguished at which time they are recognised in the income statement. Refer to note 1(g) for further detail.

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

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

### **(f) Derivative financial instruments**

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

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for cash flow hedge accounting, the effective portion of the gain or loss is deferred in equity while the ineffective portion is recognised in the income statement.

The fair value of interest rate swap and cross currency swap contracts is determined by reference to market values for similar instruments.

### **(g) Hedging**

#### **Cash flow hedges**

Where a derivative financial instrument is designated as a hedge of the exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecast transaction subsequently results in the recognition of a non financial asset or liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, then the

associated gains and losses that were recognised directly in equity are reclassified into the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement (i.e. when interest income or expense is recognised).

For cash flow hedges, the effective part of any gain or loss on the derivative financial instrument is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects the income statement. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the designation of the hedge relationship is revoked but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

#### **Fair value hedges**

Where a derivative financial instrument is designated as a hedge of the variability of changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, any gain or loss on the derivative is recognised directly in the income statement.

### **(h) Revenue**

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

#### **Casino revenue**

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

#### **Wagering and gaming revenue**

Revenue is recognised as the residual value after deducting the return to customers from the wagering and gaming turnover.

#### **Fixed odds betting revenue**

Revenue is recognised as the net win or loss on an event. The amounts bet on an event are recognised as a liability until the outcome of the event is determined, at which time the revenue is brought to account. Open betting positions are carried at fair value and gains and losses arising on these positions are recognised in revenue.

# Notes to the financial statements (continued)

For the year ended 30 June 2010

## 1. Significant accounting policies and corporate information (continued)

### (h) Revenue (continued)

#### Provision of technology services

Revenue is recognised where the contracted outcome can be reliably measured and control of the right to be compensated for the services exists under the contractual agreement.

#### 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.

#### Media operations revenue

Revenue includes subscription income, advertising revenue and product recoveries, and is recognised once the service has been rendered.

#### 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.

### (i) Net finance costs

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

Finance costs are recognised as an expense when incurred.

Borrowing costs directly associated with qualifying assets are capitalised, including any other associated costs directly attributable to the borrowing. The capitalisation rate to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, in this case 7.7% (2009: 6.9%).

### (j) Taxation

#### Income tax

Income tax comprises current and deferred income tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- goodwill; and
- the initial recognition of an asset or liability in a transaction which is not a business combination and that affect neither accounting nor taxable profit at the time of the transaction.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

#### 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; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

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

**(k) Cash**

Cash comprises cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash for the purpose of the cash flow statement.

**(l) Receivables**

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

**(m) Inventories**

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

**(n) Other receivables**

Other receivables are initially recognised at amortised cost. Subsequent increases in receivables due to the passage of time or resulting from a revision of the estimate of cash inflows are recognised in the income statement. An allowance for impairment is recognised when there is objective evidence that the Group will not be able to collect the receivable. Subsequent increases in receivables due to the passage of time are not recognised where a receivable is fully impaired.

**(o) Non current assets held for sale and discontinued operations**

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

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

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

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

**(p) Investment in controlled entities**

All investments are initially recognised at cost, being the fair value of the consideration given, and if acquired prior to 1 July 2009 included acquisition charges associated with the investment. Subsequently investments are carried at cost less any impairment losses.

**(q) Property, plant and equipment****Owned assets**

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

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

**Leased assets**

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

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

**Depreciation**

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

**Useful life**

Buildings	10 - 95 years
Leasehold improvements	4 - 75 years
Plant and equipment	3 - 19 years

**(r) Intangible assets****Goodwill arising from business combinations**

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

# Notes to the financial statements (continued)

For the year ended 30 June 2010

## 1. Significant accounting policies and corporate information (continued)

### (r) Intangible assets (continued)

#### Goodwill arising from business combinations (continued)

##### Impairment

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

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

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

#### Other intangible assets

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

#### Amortisation

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

##### Victorian wagering and gaming licences:

The licences are amortised on a straight line basis over the remaining life of the licences from inception in 1994 until expiry in 2012.

##### Star City casino licence:

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

##### Treasury casino licence:

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

##### Queensland Keno 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 2022.

##### NSW wagering 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 2097.

##### Other licences:

Other licences are amortised on a straight line basis over the life of the licences.

##### Software:

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

##### Star City casino concessions:

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

##### Other:

Other intangible assets relate to:

- the contribution to the construction costs of the state government owned Gold Coast Convention and Exhibition Centre. The Group's Gold Coast casino is deriving future benefits from the contribution, which is being amortised over a period of 50 years; and
- customer contracts and relationships which are amortised over a period of 5 to 15 years, being the estimated life of the contracts and relationships.

##### Brand names, broadcast rights and media content:

These intangible assets are not being amortised as the directors believe that the life of these intangibles to the Group will not materially diminish over time, and the residual value at the end of that life would be such that the amortisation charge, if any, would not be material. These assets, together with goodwill, are tested for impairment annually or whenever there is an indicator of impairment.

### (s) Impairment of non financial assets

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

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

Impairment losses are recognised immediately in the income statement.

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

#### **(t) Payables**

Payables are stated at amortised cost.

#### **(u) Provisions**

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recorded as a finance cost.

#### **Restructuring**

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

#### **Onerous contracts**

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

#### **Self insurance**

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

#### **Management agreement**

A provision was made for the management agreement for the Gold Coast and Brisbane casinos being the present value of the liability net of the asset acquired. The provision was included in the determination of the fair value of the net assets and liabilities of Jupiters Limited acquired in 2003. The increase in the provision due to the passage of time is recognised as a finance cost in the income statement.

#### **(v) Interest bearing liabilities**

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

#### **(w) Employee benefits**

##### **Post-employment benefits**

##### ***Accumulation plan***

The Group's commitment to accumulation plans is limited to making the contributions in accordance with the minimum statutory requirements. There is no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees relating to current and past employee services.

Contributions to accumulation plans are recognised as expenses in the income statement as the contributions become payable. A liability is recognised when the Group is required to make future payments as a result of employees' services provided.

##### ***Defined benefit plan***

The Group operates a defined benefit plan which is recognised in the balance sheet as the difference between the present value of the estimated future benefits that will be payable to plan members and the fair value of the plan's assets. At reporting date, where the fair value of the plan assets exceeds the present value of the defined benefit obligations, the net surplus is recognised as an asset. When the fair value of the plan assets is less than the present value of the defined benefit obligation, the net deficit is recognised as a liability.

An annual adjustment is made to recognise all movements in the carrying amount of the plan as income or expense in the income statement, except for the portion of the movement that is attributable to actuarial gains and losses, which are recognised directly in equity. Actuarial gains and losses represent the difference between previous actuarial assumptions of future outcomes and the actual outcome, in addition to the effect of changes in actuarial assumptions.

##### **Long service leave**

The Group's net obligation in respect of long term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the Group's obligations.

# Notes to the financial statements (continued)

For the year ended 30 June 2010

## 1. Significant accounting policies and corporate information (continued)

### (w) 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 ('LTTP'), which is available at the most senior executive levels. Under the LTTP, employees may become entitled to Performance Rights (and prior to July 2007, also Performance Options) in the Company.

The fair value of Performance Rights and Performance Options is measured at grant date and is recognised as an employee expense (with a corresponding increase in equity) over four years (three years for instruments issued prior to 30 June 2006) irrespective of whether the Performance Rights and Performance Options vest to the holder. A reversal of the expense is only recognised in the event the instruments lapse due to cessation of employment within the four year period (three year period for instruments issued prior to 30 June 2006).

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

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

In addition, the Group operates the Short Term Performance Plan ('STPP'). Participants in the STPP had the opportunity to voluntarily sacrifice part or all of the award payable under the STPP into shares. The opportunity to voluntarily sacrifice award payable into shares was withdrawn during 2009. The cost of the shares was recognised in the year of performance. 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.

During the 2007 financial year, a Medium Term Performance Plan ('MTPP') operated for senior executives. Participants in the MTPP became entitled to Restricted Shares, which were subject to a two 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 and a two year period for MTPP.

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.

Refer to note 24 for further details on the share based payment transactions.

### (x) Rental in advance

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

### (y) Deferred revenue

Deferred revenue includes:

- subscriptions received relating to future periods; and
- the fair value of unredeemed customer loyalty award credits.

### (z) Issued capital

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

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

The balance of limited recourse loans provided to employees to participate in employee share plans are recorded as treasury shares, which is recognised as a reduction in issued capital. No such loans have been granted since 2003.

The amount which has been credited to the employee equity benefit reserve in relation to Performance Rights and Performance Options is transferred to issued capital to the extent the relevant Performance Rights and Performance Options vest or have been treated as vested.

### (aa) Operating segment

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assesses its performance, and for which discrete financial information is available.

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

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- nature of the products and services;
- type or class of customer for the products and services;
- methods used to distribute the products or provide the services; and
- nature of the regulatory environment.

**(ab) Earnings per share**

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

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

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

**(ac) Capitalised costs**

Capitalised costs relating to development projects are recognised as an asset when it is:

- probable that any future economic benefit associated with the item will flow to the entity;  
and
- it can be reliably measured.

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

# Notes to the financial statements (continued)

For the year ended 30 June 2010

	2010 \$m	2009 \$m
<b>2. Revenue and expenses</b>		
<b>(a) Other income</b>		
Net gain on disposal of non current assets	1.6	0.3
Net foreign exchange loss	(0.2)	(3.2)
	<b>1.4</b>	(2.9)
<b>(b) Depreciation and amortisation</b>		
Depreciation		
- buildings	17.4	14.9
- leasehold improvements	13.9	12.9
- plant and equipment	95.2	79.4
	<b>126.5</b>	107.2
Amortisation		
- Victorian wagering and gaming licences	26.5	26.5
- NSW wagering licence	3.6	3.7
- Star City and Treasury casino licences	3.1	3.2
- Queensland Keno licence	2.3	2.4
- Star City casino concessions	2.9	0.2
- software	36.6	32.4
- rental in advance	0.3	0.3
- other	1.8	1.3
	<b>77.1</b>	70.0
	<b>203.6</b>	177.2
<b>(c) Employment costs include:</b>		
Defined benefit plan expense	0.1	0.3
Defined contribution plan expense	41.2	39.1
Share based payments expense	3.2	2.7
	<b>44.5</b>	42.1
<b>(d) Operating lease rentals</b>		
Minimum lease payments	31.1	30.4
<b>(e) Other expenses include:</b>		
Cost of sales	76.0	74.5

	2010 \$m	2009 \$m
<b>(f) Finance income</b>		
Interest revenue	6.8	6.9
Unwinding of discount on other receivables	0.3	0.2
	<b>7.1</b>	7.1
<b>(g) Finance costs</b>		
Interest costs	151.5	158.9
Capitalised interest	(3.6)	(0.5)
Other finance costs	5.3	2.1
Unwinding of discount on provisions	7.7	8.4
Net (gain)/loss on fair value hedges	0.4	(8.6)
Net loss on cash flow hedges	-	0.1
	<b>161.3</b>	160.4
<b>3. Auditor's remuneration</b>		
Amounts received or due and receivable by Ernst & Young for:		
- audit and review of the financial report of the Group and entities in the Group	1,566	1,703
- other services in relation to the Group:		
- other audit services	118	74
- other regulatory audit services	118	120
- other assurance	25	178
- other non audit services	-	270
	<b>1,827</b>	2,345

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.



	2010	2009
	\$m	\$m
<b>4. Income tax</b>		
<b>(a) Income tax expense</b>		
<b>The major components of income tax expense are:</b>		
Current tax expense	(194.9)	(217.3)
Adjustments in respect of current income tax of previous years	19.7	2.6
Deferred income tax expense relating to the origination and reversal of temporary differences	4.5	(5.7)
Income tax expense reported in the income statement	(170.7)	(220.4)
<b>Aggregate current and deferred tax relating to items charged or credited to equity:</b>		
Change in value of cash flow hedges	(3.9)	18.3
Actuarial (gain)/loss on defined benefit plan	(0.1)	0.6
Income tax (expense)/benefit reported in equity	(4.0)	18.9
Arising on transactions with equity participants:		
Share issue transaction costs	-	2.4
	(4.0)	21.3
<b>Income tax expense</b>		
A reconciliation between income tax expense and the product of accounting profit before income tax multiplied by the income tax rate is as follows:		
Accounting profit before income tax expense	640.2	742.1
At the Group's statutory income tax rate of 30%	(192.1)	(222.6)
- amortisation of Victorian wagering and gaming licences	(8.0)	(8.0)
- prepaid rent	11.7	7.9
- research and development claims	16.2	(0.8)
- international business costs	-	1.2
- sundry items	(2.0)	(0.7)
- over provision in prior years	3.5	2.6
Aggregate income tax expense	(170.7)	(220.4)

	2010	2009
	\$m	\$m
<b>(b) Deferred tax assets</b>		
<b>The balance comprises temporary differences attributable to:</b>		
<i>Amounts recognised in the income statement</i>		
Provisions		
- employee benefits	21.0	19.9
- management agreement - Gold Coast and Brisbane casinos	-	3.7
- onerous contract - surplus lease space	-	0.6
- other	1.3	2.4
Accrued expenses	12.5	11.0
Fair value of cross currency swaps	-	0.1
Allowance for doubtful debts	8.4	7.8
Deferred revenue	4.3	6.9
Jackpots	2.1	3.4
Merger/acquisition costs	1.6	0.5
Other	3.4	5.9
<i>Amounts recognised directly in equity</i>		
Share issue transaction costs	1.4	1.9
Cumulative actuarial losses on defined benefit plans	0.2	0.4
	56.2	64.5
Deferred tax assets set off	(56.2)	(64.5)
<b>Net deferred tax assets</b>	-	-
<b>Movements</b>		
Carrying amount at beginning of year	64.5	74.2
Charged to the income statement	(8.1)	(12.2)
Credited/(charged) to equity	(0.2)	2.5
Carrying amount at end of year	56.2	64.5

# Notes to the financial statements (continued)

For the year ended 30 June 2010

4. Income tax (continued)	2010	2009
	\$m	\$m
<b>(c) Deferred tax liabilities</b>		
<b>The balance comprises temporary differences attributable to:</b>		
<i>Amounts recognised in the income statement</i>		
Intangible assets - licences	179.8	181.5
Intangible assets - other	16.1	19.1
Property, plant and equipment	79.2	72.9
Prepaid rent	2.0	29.6
Fair value of US dollar private placement	4.7	6.7
Inventories	6.7	5.9
Unclaimed dividends	6.5	5.6
Prepayments	2.2	1.2
Research and development	16.6	3.5
Other	5.6	6.0
<i>Amounts recognised directly in equity</i>		
Fair value of cash flow hedges	10.2	6.3
	<b>329.6</b>	338.3
Deferred tax assets set off	<b>(56.2)</b>	(64.5)
<b>Net deferred tax liabilities</b>	<b>273.4</b>	273.8
<b>Movements</b>		
Carrying amount at beginning of year	338.3	361.4
Credited to the income statement	<b>(12.6)</b>	(4.8)
Charged/(credited) to equity	<b>3.9</b>	(18.3)
Carrying amount at end of year	<b>329.6</b>	338.3

## (d) Tax Consolidation

Effective 1 July 2002, Tabcorp Holdings Limited ('the Head Company') and its 100% owned subsidiaries formed an income tax consolidation group. Members of the tax consolidation group entered into a tax sharing arrangement that provides for the allocation of income tax liabilities between the entities should the Head Company default on its tax payment obligations. At balance date, the possibility of default is remote.

### Tax effect accounting by members of the tax consolidation group

Members of the tax consolidation group have entered into a tax funding agreement effective from 1 July 2005. 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.

### (e) Taxation of financial arrangements (TOFA)

Legislation is in place which changes the tax treatment of financial arrangements including the tax treatment of hedging transactions. The Group is currently assessing the potential impact of these changes on the Group's tax position. Based on the work performed to date no impact has been recognised and no adjustments have been made to the deferred tax and income tax balances at 30 June 2010 (2009: \$Nil).

	2010	2009
	\$m	\$m
<b>5. Dividends</b>		
<b>Dividends declared and paid during the year on ordinary shares:</b>		
(a) Interim dividend for 2010 of 30.0 cents per share (2009: 35.0 cents per share)	182.3	186.5
(b) Final dividend for 2009 of 30.0 cents per share	181.1	-
(c) Special dividend for 2008 of 47.0 cents per share	-	246.7
	<b>363.4</b>	433.2

#### Dividends declared after balance date

Since the end of the financial year, the directors declared the following dividend:

Final dividend for 2010 - 25.0 cents per share (2009: 30.0 cents per share)	153.2	181.1
--	-------	-------

The financial effect of this dividend has not been brought to account in the financial statements and will be recognised in subsequent financial reports (refer to note 29).

#### Franking credit balance

Franking credits available at the 30% corporate tax rate after allowing for tax payable provided for in the financial statements, payment of dividends provided and receipt of dividends receivable as at balance date - calculated under the tax paid basis	246.0	221.6
Franking credits available once the impact of dividends declared after balance date has been incorporated	180.4	144.0

Dividends on ordinary shares are fully franked at a tax rate of 30%.

#### 6. Earnings per share

##### (a) Earnings used in calculating earnings per share

<b>Basic and diluted earnings per share</b>		
Net profit after tax	469.5	521.7

	2010	2009
	Number	Number
<b>(b) Weighted average number of shares used as the denominator</b>		
Weighted average number of ordinary shares used in calculating basic earnings per share	608,691,899	559,532,621
Effect of dilution		
- Performance Rights	1,036,465	738,402
Weighted average number of ordinary shares adjusted for the effect of dilution	609,728,364	560,271,023

##### (c) Information concerning the classification of securities

#### Performance Options

Performance Options granted to employees are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The Performance Options have not been included in the determination of basic earnings per share. Details relating to Performance Options are set out in note 24.

The following Performance Options granted are not included in the calculation of diluted earnings per share because they are not dilutive. These Performance Options could potentially dilute basic earnings per share in the future:

		2010	2009
	Note	Number	Number
- Issue date 7 September 2004	24	-	843,252
- Issue date 3 March 2005	24	-	18,070
- Issue date 7 September 2005	24	646,329	646,329
- Issue date 3 March 2006	24	120,343	120,343
- Issue date 17 November 2006	24	581,073	707,183

#### Performance Rights

Performance Rights granted to employees are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The Performance Rights have not been included in the determination of basic earnings per share. Details relating to Performance Rights are set out in note 24.

There have been no other significant transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

# Notes to the financial statements (continued)

For the year ended 30 June 2010

	2010	2009
	\$m	\$m
<b>7. Cash and cash equivalents</b>		
Cash on hand and in banks	145.8	102.6
Short term deposits, maturing within 30 days	116.1	188.8
	<b>261.9</b>	291.4
<b>8. Receivables</b>		
<b>Current</b>		
Trade debtors	52.4	54.2
Allowance for doubtful debts <sup>(a)</sup>	<b>(28.0)</b>	(25.9)
	<b>24.4</b>	28.3
Sundry debtors	56.1	42.2
	<b>80.5</b>	70.5

## (a) Allowance for doubtful debts

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

### Movements in the allowance for doubtful debts:

Balance at beginning of year	<b>(25.9)</b>	(18.1)
Net doubtful debt expense for the year <sup>(i)</sup>	<b>(2.9)</b>	(11.4)
Amounts written off <sup>(i)</sup>	<b>0.8</b>	3.6
Balance at end of year	<b>(28.0)</b>	(25.9)

<sup>(i)</sup> Amounts are included in other expenses.

	0 - 30 days	> 30 days	Total
	\$m	\$m	\$m
<b>Ageing analysis of trade debtors</b>			
<b>2010</b>			
Current	17.8	0.1	17.9
Past due not impaired	-	6.5	6.5
Considered impaired	-	28.0	28.0
	<b>17.8</b>	<b>34.6</b>	<b>52.4</b>
<b>2009</b>			
Current	16.5	0.5	17.0
Past due not impaired	-	11.3	11.3
Considered impaired	-	25.9	25.9
	16.5	37.7	54.2

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

	2010	2009
	\$m	\$m
<b>9. Inventories</b>		
Consumable stores at cost	14.0	14.8
Provision for obsolescence	<b>(0.2)</b>	(0.5)
	<b>13.8</b>	14.3

## 10. Other assets

### Current

Prepayments	21.5	17.9
Rental in advance	0.3	0.3
Other	3.1	2.7
	<b>24.9</b>	20.9

### Non current

Prepayments	11.7	13.1
Rental in advance	10.8	11.1
Other	0.2	0.2
	<b>22.7</b>	24.4

	2010	2009	Freehold land	Buildings	Leasehold improvements	Plant and equipment	Total	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
<b>11. Property, plant and equipment</b>			<b>Reconciliations</b>					
Freehold land			<b>2010</b>					
- at cost	109.6	109.6	Carrying amount at beginning of year	109.6	817.3	243.7	395.7	1,566.3
Buildings			Additions	-	173.7	14.3	113.9	301.9
- at cost <sup>(i)</sup>	1,103.4	969.3	Reclassification/transfer	-	(8.1)	0.3	38.0	30.2
- accumulated depreciation and impairment	(138.2)	(152.0)	Disposals	-	-	-	(1.3)	(1.3)
	965.2	817.3	Depreciation expense	-	(17.7)	(14.5)	(102.0)	(134.2)
Leasehold improvements			Carrying amount at end of year	109.6	965.2	243.8	444.3	1,762.9
- at cost <sup>(i)</sup>	343.6	363.4	<b>2009</b>					
- accumulated depreciation	(99.8)	(119.7)	Carrying amount at beginning of year	109.6	775.4	237.9	376.4	1,499.3
	243.8	243.7	Additions	-	68.8	15.5	92.9	177.2
Plant and equipment			Reclassification/transfer	-	(13.0)	4.1	14.4	5.5
- at cost <sup>(i)</sup>	1,127.7	1,079.5	Disposals	-	(0.4)	(0.1)	(0.8)	(1.3)
- accumulated depreciation and impairment	(683.4)	(683.8)	Depreciation expense	-	(13.5)	(13.7)	(87.2)	(114.4)
	444.3	395.7	Carrying amount at end of year	109.6	817.3	243.7	395.7	1,566.3
	1,762.9	1,566.3						
<sup>(i)</sup> Includes capital works in progress of:								
Buildings - at cost	175.3	63.2						
Leasehold improvements - at cost	9.6	8.4						
Plant and equipment - at cost	88.0	58.2						
Total capital works in progress	272.9	129.8						

# Notes to the financial statements (continued)

For the year ended 30 June 2010

	2010 \$m	2009 \$m
<b>12. Intangible assets - licences</b>		
Victorian wagering and gaming licences		
- at cost	477.9	477.9
- accumulated amortisation	(421.4)	(394.9)
	<b>56.5</b>	83.0
NSW wagering licence		
- at cost	339.1	339.1
- accumulated amortisation	(22.1)	(18.5)
	<b>317.0</b>	320.6
Star City and Treasury casino licences		
- at cost	294.7	294.7
- accumulated amortisation	(43.7)	(40.6)
	<b>251.0</b>	254.1
Queensland Keno licence		
- at cost	43.7	43.7
- accumulated amortisation	(15.6)	(13.3)
	<b>28.1</b>	30.4
	<b>652.6</b>	688.1

	Victorian wagering & gaming licences \$m	NSW wagering licence \$m	Star City & Treasury casino licences \$m	Queensland Keno licence \$m	Total \$m
<b>Reconciliations</b>					
<b>2010</b>					
Carrying amount at beginning of year	83.0	320.6	254.1	30.4	688.1
Amortisation expense	(26.5)	(3.6)	(3.1)	(2.3)	(35.5)
Carrying amount at end of year	56.5	317.0	251.0	28.1	652.6
<b>2009</b>					
Carrying amount at beginning of year	109.5	324.3	257.3	32.8	723.9
Amortisation expense	(26.5)	(3.7)	(3.2)	(2.4)	(35.8)
Carrying amount at end of year	83.0	320.6	254.1	30.4	688.1
				<b>2010 \$m</b>	<b>2009 \$m</b>

## 13. Intangible assets - other

Goodwill		
- at cost	3,538.3	3,538.3
- accumulated impairment	(346.9)	(346.9)
	<b>3,191.4</b>	3,191.4
Star City casino concessions		
- at cost	100.0	100.0
- accumulated amortisation	(3.1)	(0.2)
	<b>96.9</b>	99.8
Software		
- at cost <sup>(i)</sup>	380.9	358.4
- accumulated amortisation and impairment	(206.5)	(174.3)
	<b>174.4</b>	184.1

	2010	2009
	\$m	\$m
Other		
- at cost	34.3	34.2
- accumulated amortisation	(5.6)	(3.8)
	28.7	30.4
Brand names - at cost	105.5	105.5
Broadcast rights - at cost	6.5	6.5
Media content - at cost	24.1	24.1
	3,627.5	3,641.8
<sup>(i)</sup> Includes capital works in progress of	50.8	55.2

Reconciliations	Goodwill	Star City casino concessions	Software	Other	Brand names	Broadcast rights	Media content
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>2010</b>							
Carrying amount at beginning of year	3,191.4	99.8	184.1	30.4	105.5	6.5	24.1
Additions - acquired	-	-	25.7	-	-	-	-
- internally developed	-	-	36.4	-	-	-	-
Reclassification/transfer	-	-	(30.8)	0.1	-	-	-
Disposals	-	-	(0.2)	-	-	-	-
Amortisation expense	-	(2.9)	(40.8)	(1.8)	-	-	-
Carrying amount at end of year	3,191.4	96.9	174.4	28.7	105.5	6.5	24.1
<b>2009</b>							
Carrying amount at beginning of year	3,190.6	-	158.7	21.0	105.9	6.5	24.1
Additions - acquired	0.8	100.0	18.3	10.7	-	-	-
- internally developed	-	-	48.3	-	-	-	-
Reclassification/transfer	-	-	(5.5)	-	-	-	-
Disposals	-	-	-	-	(0.4)	-	-
Amortisation expense	-	(0.2)	(35.7)	(1.3)	-	-	-
Carrying amount at end of year	3,191.4	99.8	184.1	30.4	105.5	6.5	24.1

# Notes to the financial statements (continued)

For the year ended 30 June 2010

## 14. Impairment testing of goodwill and intangibles with indefinite lives

Goodwill and intangible assets with indefinite useful lives (brand names, broadcast rights and media content) acquired through business combinations have been allocated to the applicable cash generating unit or group of units for impairment testing. Each cash generating unit represents a business operation of the Group.

Carrying amount of goodwill and intangible assets with indefinite useful lives allocated to each cash generating unit or group of units:

Cash generating unit(s) (Reportable Segment)	Combined	Star City	Jupiters	Treasury	Jupiters	Combined	Wagering	Sky	Sky Sports	Victorian	Combined	Total
	Casinos									Gaming		
	(Casinos)	(Star City)	(Qld Casinos)	(Qld Casinos)	(Qld Casinos)	(Wagering)	(Wagering)	(Wagering)	(Wagering)	(Victorian Gaming)	(Keno)	amount
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>2010</b>												
Goodwill		1,013.5 <sup>(i)</sup>	165.5 <sup>(i)</sup>	263.2 <sup>(i)</sup>	1.5 <sup>(i)</sup>	1,547.9	-	-	-	47.2	152.6	3,191.4
Brand names		-	-	-	-	-	98.8	6.7	-	-	-	105.5
Broadcast rights		-	-	-	-	-	-	-	6.5	-	-	6.5
Media content		-	-	-	-	-	-	24.1	-	-	-	24.1
		1,013.5	165.5	263.2	1.5	1,547.9	98.8	30.8	6.5	47.2	152.6	3,327.5
<b>2009</b>												
Goodwill	1,443.7	-	-	-	-	1,547.9	-	-	-	47.2	152.6	3,191.4
Brand names	-	-	-	-	-	-	98.8	6.7	-	-	-	105.5
Broadcast rights	-	-	-	-	-	-	-	-	6.5	-	-	6.5
Media content	-	-	-	-	-	-	-	24.1	-	-	-	24.1
	1,443.7	-	-	-	-	1,547.9	98.8	30.8	6.5	47.2	152.6	3,327.5

<sup>(i)</sup> Goodwill has been allocated to individual cash generating units following the introduction of AASB 8 Operating Segments.



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 2.0% to 5.0%. These cash flows are then discounted using a relevant long term pre tax discount rate, ranging from 13.8% to 14.9%.

### **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 and intangibles:

#### **i. Cash flow forecasts**

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

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

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

#### **ii. State tax regimes**

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

#### **iii. Regulatory**

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

#### **iv. Discount rates**

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

#### **v. Victorian wagering and gaming licences**

The Victorian wagering and gaming licences are assumed to expire in August 2012.

#### **vi. Wagering market deregulation**

The Group's wagering business is faced with significant changes in the regulatory environment. The following assumptions are based on available information and the Group's view of its existing contractual rights.

#### **Exclusive retail wagering licences in Victoria and NSW**

It is assumed that retail exclusivity is retained. The wagering business competes with bookmakers in Victoria and New South Wales, and other interstate and international wagering operators who accept bets over the phone and the internet. There is a possibility that competition from the interstate and international operators may extend further to the Group's retail wagering network in the future.

#### **Race fields fees**

Each state has announced it will implement new race fields arrangements, under which each state's racing industry will charge wagering operators product fees for use of that industry's race fields information. Consequently, the Group is required to pay additional product fees. Members of the Group have contracts with the New South Wales and Victorian racing industries that should allow them to offset some of the fees or obtain damages under contract. Members of the Group are currently in disputes involving various racing industry bodies regarding the application of certain aspects of the race fields regimes or contracts that govern product fees. Those disputes may lead to litigation or other dispute resolution processes, including negotiated settlement. It is assumed that the profit impact of the new product fees after offsets and damages obtained will be in the order of \$38 million per annum (2009: \$30 million per annum) before tax until August 2012, at which time it is assumed the profit impact will increase to approximately \$55 million per annum (2009: \$55 million per annum). The actual impact may be above or below these estimates. These estimates assume the Group will be compensated for race fields fees of approximately \$25 million per annum paid or payable in NSW for racing held in NSW.

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

# Notes to the financial statements (continued)

For the year ended 30 June 2010

	2010 \$m	2009 \$m
<b>15. Other receivables</b>		
<b>Non current</b>		
Receivable in respect of Victorian licences <sup>(i)</sup>	474.6	474.6
Allowance for impairment <sup>(i)</sup>	(474.6)	(474.6)
	-	-
Other	8.1	2.3
	<b>8.1</b>	<b>2.3</b>

## (i) Receivable in respect of Victorian licences

Pursuant to section 4.3.12 of the Gambling Regulation Act 2003 (Vic) on the grant of new licences, the Company is entitled to be paid an amount equal to the licence value of the former licences or the premium paid by the new licensee, whichever is the lesser. The Company's estimate of the payment to be received in 2012 is \$686.8 million and the receivable in respect of Victorian licences represents this estimate at its present value at 30 June 2008.

On 10 April 2008 the Victorian Government announced that it had decided to move to a new industry structure for gaming, wagering and Keno in Victoria beyond 2012 and stated that it had formed the view that the Company is not entitled to compensation ('the Announcement').

In accordance with AASB 139 'Financial Instruments: Recognition and Measurement' the Company assessed the estimated cash flows of the receivable for recoverability. Given the uncertainty created by the Announcement the receivable in respect of the Victorian licences was considered impaired and the full value was provided for at 30 June 2008.

The Company intends to pursue all available options in relation to recovery of the payment from the Government.

	2010 \$m	2009 \$m
<b>16. Payables</b>		
<b>Current</b>		
Trade creditors and accrued expenses - unsecured	510.3	492.2

	2010 \$m	2009 \$m
<b>17. Interest bearing liabilities</b>		
<b>Current</b>		
Bank loans - unsecured	175.0	-
<b>Non current</b>		
Bank loans - unsecured	124.4	314.9
Medium term notes <sup>(i)</sup> :		
- fixed interest rate	384.4	383.8
- floating interest rate	492.4	490.6
Private placement <sup>(ii)</sup> :		
- US dollar <sup>(iii)</sup>	715.8	751.9
- Australian dollar	99.8	99.7
	<b>1,816.8</b>	<b>2,040.9</b>

<sup>(i)</sup> Mature in October 2011 and May 2014.

<sup>(ii)</sup> Mature in December 2014, December 2016 and December 2019.

<sup>(iii)</sup> Aggregate US dollar principal of \$625.0m (2009: \$625.0m). Cross currency swaps are in place for all US dollar debt. Under these swaps the aggregate Australian dollar amount payable is \$838.6m (2009: \$838.6m). The mark to market valuation of these swaps are included in 'Derivative financial instruments'.

## Fair value disclosures

Details of the fair value of the Group's interest bearing liabilities are set out in note 31.

## Financing arrangements

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

Type	Amount \$m	2010 Expiry date
Syndicated revolving facility	175.0	October 2010
	265.0	October 2012
Revolving facility	200.0	March 2013
	150.0	October 2013
	150.0	February 2011

Each of the above facilities is subject to financial undertakings as to net worth, gearing and interest cover.

	2010 \$m	2009 \$m
<b>18. Provisions</b>		
<b>Current</b>		
Employee benefits	61.2	57.2
Workers' compensation	12.0	11.0
Onerous contract - surplus lease space	-	1.9
Management agreement - Gold Coast and Brisbane casinos	-	12.3
Other	3.2	6.4
	<b>76.4</b>	<b>88.8</b>
<b>Non current</b>		
Employee benefits	8.7	9.0
Other	1.9	2.3
	<b>10.6</b>	<b>11.3</b>

#### Reconciliations

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

	Workers' compensation \$m	Onerous contract - surplus lease space \$m	Management agreement - Gold Coast and Brisbane casinos \$m	Other \$m
Carrying amount at beginning of year	11.0	1.9	12.3	8.7
Provisions made during the year	4.5	-	-	0.8
Payments made during the year	(3.5)	(1.8)	(20.0)	(3.2)
Unused amounts reversed	-	(0.1)	-	(1.2)
Unwinding of discounts	-	-	7.7	-
Carrying amount at end of year	12.0	-	-	5.1
Carrying amount at end of year				
- current	12.0	-	-	3.2
- non current	-	-	-	1.9
	<b>12.0</b>	<b>-</b>	<b>-</b>	<b>5.1</b>
Carrying amount at beginning of year				
- current	11.0	1.9	12.3	6.4
- non current	-	-	-	2.3
	11.0	1.9	12.3	8.7

#### Nature and timing of provisions

##### Workers' compensation

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

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

The Group provides a risk margin in addition to the actuarially estimated claims liability.

##### Onerous contract - surplus lease space

In 1995, a 15 year non cancellable lease contract was entered into by Star City Pty Ltd for commercial premises in Ultimo, New South Wales. A surplus lease space provision was recognised as the premises were not occupied by the Group and the lease expenses exceeded the rental income from a number of sub-leases to third party tenants. The lease has now expired and a provision is no longer required.

##### Management agreement - Gold Coast and Brisbane casinos

The Gold Coast and Brisbane casinos were managed by a third party under contract at the time of the acquisition of Jupiters Limited by the Group in 2003. A provision of \$115.9 million was included in the determination of the fair value of the net assets and liabilities acquired. The contract matured in April 2010.

# Notes to the financial statements (continued)

For the year ended 30 June 2010

	Note	2010 \$m	2009 \$m
<b>19. Other liabilities</b>			
<b>Current</b>			
Deferred revenue		15.5	24.3
<b>Non current</b>			
Deferred revenue		1.7	2.8
Pension liability	25	0.6	1.3
		<b>2.3</b>	<b>4.1</b>

## 20. Capital and reserves

### (a) Issued capital

Ordinary shares - issued and fully paid <sup>(i)</sup>		3,737.6	3,674.9
Treasury shares <sup>(ii)</sup>		(3.7)	(4.2)
		<b>3,733.9</b>	<b>3,670.7</b>

### (i) Ordinary shares

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

	2010 Number of shares	2009 Number of shares
<b>Movements in ordinary share capital</b>		
Balance at beginning of year	603,707,419	524,927,016
Share issue	-	66,741,292
Dividend reinvestment plan	8,918,340	12,039,111
Balance at end of year	<b>612,625,759</b>	<b>603,707,419</b>

### (ii) Treasury shares

Treasury shares comprise:

- the balance of limited recourse loans provided to employees in employee share plans (loans ceased being granted in 2003); and
- the unvested portion of Restricted Shares issued to executives as an incentive, on appointment or for retention.

Refer to note 24 for details of employee share plans.

	2010 \$m	2009 \$m
<b>(b) Reserves</b>		
Net unrealised gains reserve <sup>(i)</sup>	23.1	13.9
Employee equity benefit reserve <sup>(ii)</sup>	7.7	8.7
	<b>30.8</b>	<b>22.6</b>

### Nature and purpose of reserves

- (i) Records fair value changes on the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.
- (ii) Records the movement of equity benefits provided to executives and employees as part of their remuneration (refer to note 24).

### (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. The Group has a target of an investment grade credit rating. Gearing is managed primarily through the ratio of gross debt to earnings before interest, tax, depreciation, amortisation and impairment (EBITDA). Gross debt comprises interest bearing liabilities, with US dollar borrowings stated at the AUD amount repayable under cross currency swaps.

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

	2010 \$m	2009 \$m
Gross debt	2,123.2	2,138.1
EBITDA	998.0	1,072.6
Gearing ratio	2.1	2.0

	2010	2009
	\$m	\$m
<b>21. Notes to the cash flow statement</b>		
Reconciliation of net profit after tax to net cash flows from operating activities		
<b>Net profit after tax</b>	<b>469.5</b>	521.7
<b>Add/(less) items classified as investing/financing activities:</b>		
- net gain on disposal of non current assets	<b>(1.6)</b>	(0.3)
<b>Add/(less) non cash income and expense items:</b>		
- depreciation and amortisation	<b>203.6</b>	177.2
- share based payments expense	<b>3.2</b>	2.7
- net change on fair value/cash flow hedges	<b>(3.5)</b>	(6.0)
- unwinding of discount on other receivables	<b>(0.3)</b>	(0.2)
- other	<b>0.1</b>	(0.5)
Net cash provided by operating activities before changes in assets and liabilities	<b>671.0</b>	694.6
<b>Changes in assets and liabilities:</b>		
(Increase)/decrease in:		
- trade and sundry receivables	<b>(9.8)</b>	(5.9)
- inventories	<b>0.5</b>	(0.9)
- prepayments	<b>(2.2)</b>	(1.2)
- accrued interest income	<b>(0.2)</b>	0.2
- other assets	<b>(0.2)</b>	2.1
(Decrease)/increase in:		
- payables	<b>75.4</b>	4.3
- provisions	<b>(13.1)</b>	(24.0)
- deferred tax liabilities	<b>(0.6)</b>	2.3
- provision for income tax	<b>(9.7)</b>	6.5
- other liabilities	<b>(9.9)</b>	(5.5)
Net cash from operating activities	<b>701.2</b>	672.5

	2010	2009
	\$m	\$m
<b>22. Commitments</b>		
<b>(a) Capital expenditure commitments</b>		
Property, plant and equipment		
Contracted but not provided for and payable:		
Not later than one year	<b>201.3</b>	72.7
Later than one year but not later than five years	<b>18.6</b>	18.8
	<b>219.9</b>	91.5
Software		
Contracted but not provided for and payable:		
Not later than one year	<b>2.7</b>	5.8
<b>(b) Operating lease commitments</b>		
Contracted but not provided for and payable:		
Not later than one year	<b>32.8</b>	34.0
Later than one year but not later than five years	<b>56.2</b>	63.7
Later than five years	<b>79.6</b>	81.2
	<b>168.6</b>	178.9
Non cancellable sub-leases exist in relation to the operating lease commitments disclosed above with the following future minimum lease payments contracted to be received:		
Not later than one year	<b>1.5</b>	3.5
Later than one year but not later than five years	<b>1.6</b>	4.5
	<b>3.1</b>	8.0

The Group leases property under operating leases expiring from 1 to 83 years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or are subject to market rate review.

# Notes to the financial statements (continued)

For the year ended 30 June 2010

## 22. Commitments (continued)

	2010	2009
	\$m	\$m
<b>(c) Operating expenditure commitments</b>		
Contracted but not provided for and payable <sup>(i)</sup> :		
Not later than one year	174.3	158.0
Later than one year but not later than five years	252.5	380.9
Later than five years	8.1	18.0
	<b>434.9</b>	<b>556.9</b>

(i) Long term contracts for telecommunication services, racing club broadcast rights, Victoria racing program and marketing agreement and information technology services.

## 23. 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 reportable segments are based on aggregated operating segments, determined by the similarity of the products and services provided.

The Group has five reportable segments:

<b>Star City</b>	Star City casino operations including hotels, apartment complex, theatres, restaurants and bars.
<b>Qld Casinos</b>	Casino operations at three Queensland locations, including hotels, theatre, restaurants and bars.
<b>Wagering</b>	Comprises: - Totalisator and fixed odds betting activities; and - National and international broadcasting of racing and sporting events.
<b>Victorian Gaming</b>	Electronic Gaming machine operations in licensed hotels and clubs within Victoria.
<b>Keno</b>	Keno operations in licensed clubs and hotels within Victoria, NSW and Queensland.

The segment information presented at 30 June 2009 comprised three segments. The basis of segmentation has altered since 30 June 2009, due to the adoption of AASB 8 'Operating Segments', resulting in the previous Casinos segment being split into two reportable segments, Star City and Qld Casinos; and the previous Gaming segment being split into two operating segments, Victorian Gaming and Keno. The information for the comparative period has been restated in accordance with the new accounting standard.

Intersegment pricing is determined on commercial terms and conditions.

	Star City	Qld Casinos	Wagering	Victorian Gaming	Keno	Total
	\$m	\$m	\$m	\$m	\$m	\$m
<b>2010</b>						
Revenue - external	766.0	600.4	1,671.2	1,037.2	157.2	4,232.0
Revenue - intersegment	2.2	3.3	-	-	-	5.5
Segment revenues	<b>768.2</b>	<b>603.7</b>	<b>1,671.2</b>	<b>1,037.2</b>	<b>157.2</b>	<b>4,237.5</b>
<b>Segment profit before interest and tax</b>	<b>168.5</b>	<b>102.2</b>	<b>262.1</b>	<b>225.4</b>	<b>46.6</b>	<b>804.8</b>
Depreciation and amortisation	51.4	37.7	68.6	36.7	9.2	203.6
Segment assets	<b>2,214.9</b>	<b>1,276.2</b>	<b>2,495.0</b>	<b>229.7</b>	<b>239.1</b>	<b>6,454.9</b>
Capital expenditure	<b>192.6</b>	<b>37.9</b>	<b>88.5</b>	<b>34.2</b>	<b>10.8</b>	<b>364.0</b>
<b>2009</b>						
Revenue - external	725.3	626.1	1,593.4	1,069.4	156.1	4,170.3
Revenue - intersegment	3.2	3.1	-	-	-	6.3
Segment revenues	728.5	629.2	1,593.4	1,069.4	156.1	4,176.6
<b>Segment profit before interest and tax</b>	<b>161.0</b>	<b>167.1</b>	<b>251.7</b>	<b>228.7</b>	<b>48.4</b>	<b>856.9</b>
Depreciation and amortisation	38.8	30.5	62.9	38.5	7.3	178.0
Segment assets	2,061.0	1,302.0	2,468.1	249.2	238.9	6,319.2
Capital expenditure	194.1	36.7	86.2	18.8	19.5	355.3

	2010	2009
	\$m	\$m
<b>Reconciliation of reportable segment revenues, profit, assets and other material items</b>		
<b>(a) Revenues</b>		
Segment revenues	4,237.5	4,176.6
Casino segments - win rate adjustment for VIP business <sup>(i)</sup>	(12.2)	40.6
Unallocated items	-	0.4
Intersegment sales elimination	(5.5)	(6.3)
Consolidated revenue	4,219.8	4,211.3
<b>(b) Profit before income tax</b>		
Segment profit before interest and tax	804.8	856.9
Casino segments - win rate adjustment for VIP business <sup>(i)</sup>	(10.9)	36.5
Unallocated items:		
- finance income	7.1	7.1
- operating revenues	-	0.4
- other income and expenses	0.5	1.6
- finance costs	(161.3)	(160.4)
Consolidated profit before income tax	640.2	742.1
<b>(c) Assets</b>		
Segment assets	6,454.9	6,319.2
Unallocated items:		
- derivatives at fair value	2.8	19.4
- other	-	0.8
Consolidated assets	6,457.7	6,339.4
<b>(d) Other material items</b>		
Depreciation and amortisation	203.6	178.0
Unallocated item:		
- other	-	(0.8)
Consolidated depreciation and amortisation	203.6	177.2

- (i) Win rates in the VIP Rebate Business of the Star City and Qld Casinos segments can fluctuate from period to period, therefore the segment revenues and profit are 'normalised' at the theoretical rate to reflect the underlying performance of the business. Consolidated revenue and profit reflect the actual win rate in this business.

## 24. 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.

The maximum number of shares that can be outstanding at any time under these plans is limited to 5% of the Company's issued capital.

These plans operate under the following names:

<i>Plan type</i>	<i>Employee equity participation plans</i>	<i>Incentive equity plans</i>
Current		Short Term Performance Plan (STPP) <sup>(i)</sup> Long Term Performance Plan (LTPP) <sup>(i)</sup>
Previous	Employee Deferred Share Plan (EDSP) <sup>(ii)</sup> General Employee Share Plan (GESP) <sup>(iii)</sup>	Senior Executive Long Term Incentive Plan (SELTIP) <sup>(iii)</sup> Medium Term Performance Plan (MTTP) <sup>(iv)</sup>

(i) Implemented in 2003.

(ii) Implemented in 2004 and ceased being offered in 2009.

(iii) Ceased being offered in 2003.

(iv) Implemented in 2007 and ceased being offered in 2008.

In addition, the Company has granted Restricted Shares to certain executives as an incentive upon appointment or for retention.

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 2.

The nature of each plan and other relevant information is described below:

### Employee equity participation plans

The object of these plans was to provide the opportunity for eligible employees to own shares in the Company and align the interest of employees with those of shareholders.

Under the EDSP, participants were able to acquire shares in the Company through salary sacrifice. A minimum of \$1,000 of shares and up to no more than 50% of remuneration could be purchased under the EDSP each year. Shares were acquired in quarterly instalments at the volume weighted average share price at the time of allocation.

Participants in the GESP received an interest free loan to acquire shares in the Company. The loans matured either five years after commencement or upon cessation of employment and were repaid by way of instalments through salary deductions or on cessation of employment. All loans held had matured by September 2008.

# Notes to the financial statements (continued)

For the year ended 30 June 2010

## 24. Employee share plans (continued)

### Incentive equity plans

#### Current

A detailed explanation of the current incentive equity plans are disclosed in note 1(w) and the Remuneration report.

#### Previous

A detailed explanation of the SELTIP is disclosed in the Remuneration report.

The MTPP was offered during the 2007 financial year as a component of remuneration, designed to reward executives and senior management for the achievement of sustained performance over a two year period whilst encouraging the retention of key talent. The MTPP is no longer offered. The MTPP was delivered in the form of Restricted Shares, which are subject to a two year service condition during which time the shares may not be traded, but have full entitlement to both dividends and voting rights. The MTPP is expensed over a two year period, commencing from the time the Restricted Shares were granted to the executive.

### Details of employee share plans

Set out below are summaries of Performance Options and Performance Rights granted under long term performance plans and service agreements.

#### *Performance Options and Performance Rights issued*

Details of Performance Options and Performance Rights that existed during the current or previous year are:

Grant date	Exercise expiry date	Exercise price (\$)	
		Performance Options	Performance Rights
1 December 2003	-	11.23	Nil
7 September 2004	-	14.54	Nil
3 March 2005	-	17.03	Nil
7 September 2005	7 September 2012	16.51	Nil
3 March 2006	3 March 2013	15.08	Nil
3 April 2006	3 April 2013	15.42	Nil
17 November 2006	17 November 2013	15.22	Nil
26 November 2007	26 November 2014	n/a	Nil
29 November 2007	29 November 2014	n/a	Nil
15 September 2008	15 September 2015	n/a	Nil
23 October 2008	15 September 2015	n/a	Nil
17 June 2009	17 June 2016	n/a	Nil
19 October 2009	17 June 2016	n/a	Nil



**Movements in Performance Options and Performance Rights:**

<b>Grant date</b>	<b>WASP at exercise date <sup>(i)</sup></b> \$	<b>Balance at start of year</b> Number	<b>Granted during the year</b> Number	<b>Forfeited during the year</b> Number	<b>Expired during the year</b> Number	<b>Exercised during the year</b> Number	<b>Balance at end of year</b> Number	<b>Exercisable at end of year</b> Number
<b>2010</b>								
<b>Performance Options</b>								
7 September 2004	n/a	843,252	-	-	(843,252)	-	-	-
3 March 2005	n/a	18,070	-	-	(18,070)	-	-	-
7 September 2005	n/a	646,329	-	-	-	-	646,329	-
3 March 2006	n/a	120,343	-	-	-	-	120,343	-
17 November 2006	n/a	707,183	-	(126,110)	-	-	581,073	-
		<b>2,335,177</b>	-	<b>(126,110)</b>	<b>(861,322)</b>	-	<b>1,347,745</b>	-
<b>Performance Rights</b>								
7 September 2004	n/a	108,600	-	-	(108,600)	-	-	-
3 March 2005	n/a	3,685	-	-	(3,685)	-	-	-
7 September 2005	n/a	98,210	-	-	-	-	98,210	-
3 March 2006	n/a	16,592	-	-	-	-	16,592	-
17 November 2006	n/a	485	-	-	-	-	485	-
26 November 2007	n/a	100,000	-	-	-	-	100,000	-
29 November 2007	n/a	274,423	-	(95,940)	-	-	178,483	-
15 September 2008	n/a	444,350	-	(157,715)	-	-	286,635	-
23 October 2008	n/a	281,425	-	-	-	-	281,425	-
17 June 2009	n/a	660,418	-	(177,006)	-	-	483,412	-
19 October 2009	n/a	-	326,086	-	-	-	326,086	-
		<b>1,988,188</b>	<b>326,086</b>	<b>(430,661)</b>	<b>(112,285)</b>	-	<b>1,771,328</b>	-

# Notes to the financial statements (continued)

For the year ended 30 June 2010

## 24. Employee share plans (continued)

### Details of employee share plans (continued)

#### Performance Options and Performance Rights issued (continued)

#### Movements in Performance Options and Performance Rights (continued):

Grant date	WASP at exercise date <sup>(i)</sup> \$	Balance at start of year Number	Granted during the year Number	Forfeited during the year Number	Expired during the year Number	Exercised during the year Number	Balance at end of year Number	Exercisable at end of year Number
<b>2009</b>								
<b>Performance Options</b>								
1 December 2003	n/a	876,721	-	-	(876,721)	-	-	-
7 September 2004	n/a	859,474	-	(16,222)	-	-	843,252	-
3 March 2005	n/a	38,834	-	(20,764)	-	-	18,070	-
7 September 2005	n/a	687,289	-	(40,960)	-	-	646,329	-
3 March 2006	n/a	120,343	-	-	-	-	120,343	-
3 April 2006	n/a	112,500	-	(112,500)	-	-	-	-
17 November 2006	n/a	896,005	-	(188,822)	-	-	707,183	-
		3,591,166	-	(379,268)	(876,721)	-	2,335,177	-
<b>Performance Rights</b>								
1 December 2003	n/a	106,745	-	-	(106,745)	-	-	-
7 September 2004	n/a	111,909	-	(3,309)	-	-	108,600	-
3 March 2005	n/a	6,508	-	(2,823)	-	-	3,685	-
7 September 2005	n/a	104,745	-	(6,535)	-	-	98,210	-
3 March 2006	n/a	16,592	-	-	-	-	16,592	-
3 April 2006	n/a	15,000	-	(15,000)	-	-	-	-
17 November 2006	n/a	485	-	-	-	-	485	-
26 November 2007	n/a	100,000	-	-	-	-	100,000	-
29 November 2007	n/a	362,204	-	(87,781)	-	-	274,423	-
15 September 2008	n/a	-	553,545	(109,195)	-	-	444,350	-
23 October 2008	n/a	-	281,425	-	-	-	281,425	-
17 June 2009	n/a	-	660,418	-	-	-	660,418	-
		824,188	1,495,388	(224,643)	(106,745)	-	1,988,188	-

(i) Denotes the weighted average share price at the date of exercise.

The weighted average remaining contractual life for the Performance Options and Performance Rights outstanding at balance date is:

- Performance Options: 2.4 years (2009: 3.2 years)
- Performance Rights: 5.3 years (2009: 5.9 years)

### Fair value of equity instruments

The Performance Options and 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 Options and Performance Rights valuations are:

Grant date	Expiry date	Share price at date of grant \$	Expected volatility in share price <sup>(i)</sup> %	Expected dividend yield <sup>(ii)</sup> %	Risk free interest rate <sup>(iii)</sup> %	Value per Performance Option \$	Value per Performance Right \$
1 Dec 2003	1 Dec 2010	11.19	19.80	6.00	5.98	1.31	5.65
7 Sep 2004	7 Sep 2011	14.57	16.00	4.90	5.53	1.81	8.72
3 Mar 2005	3 Mar 2012	16.81	16.00	4.50	5.56	2.16	10.29
7 Sep 2005	7 Sep 2012	16.35	16.00	4.95	5.10	1.86	10.01
3 Mar 2006	3 Mar 2013	15.00	16.00	5.00	5.31	1.73	9.21
3 Apr 2006	3 Apr 2013	15.85	16.00	5.00	5.40	2.01	9.75
17 Nov 2006	17 Nov 2013	16.69	15.00	5.00	5.83 / 5.8 <sup>(iv)</sup>	2.42	10.18
17 Nov 2006	17 Nov 2013	16.69	15.00	5.00	5.83	2.29	n/a
26 Nov 2007	26 Nov 2014	15.04	20.00	5.50	6.24	n/a	7.40
29 Nov 2007	29 Nov 2014	15.01	18.00	5.00	6.34	n/a	9.35
15 Sep 2008	15 Sep 2015	8.17	24.00	5.50	5.59	n/a	5.33
23 Oct 2008	15 Sep 2015	6.95	24.00	5.50	4.37	n/a	4.42
17 Jun 2009	17 Jun 2016	6.86	26.00	5.50	4.31	n/a	4.60
19 Oct 2009	17 Jun 2016	7.20	26.00	5.50	5.19	n/a	3.92

(i) Reflects the assumption that the historical volatility is indicative of future trends.

(ii) Reflects the assumption that the current payout ratio will continue with no anticipated increases.

(iii) Represents the zero coupon interest rate derived from government bond market interest rates on the valuation date and vary according to each maturity date.

(iv) Risk free interest rate used for Performance Options and Performance Rights respectively.

# Notes to the financial statements (continued)

For the year ended 30 June 2010

## 25. Pensions and other post employment benefit plans

### Superannuation funds

The Tabcorp Superannuation Plan comprises:

- an accumulation section - providing benefits based on contributions accumulated with interest; and
- a defined benefit section (closed to new entrants) - providing benefits based on salary and length of service.

The Group contributes to the Tabcorp Superannuation Plan as follows:

- the accumulation section at rates specified in the governing rules; and
- the defined benefit section at rates recommended by the actuary.

In addition, the Group contributes superannuation on behalf of some employees to:

- Industry Funds as required by Enterprise Agreements; and
- other nominated superannuation funds following changes to superannuation legislation from 1 July 2005.

The following tables summarise the components of net benefit expense recognised in the Group's income statement and the funded status and amounts recognised in the Group's balance sheet for the defined benefit section of the Tabcorp Superannuation Plan.

	2010	2009
	\$m	\$m
<b>Movements in the net liability recognised in the balance sheet</b>		
Balance at beginning of year	(1.3)	(1.9)
Expense recognised in the income statement	(0.1)	(0.3)
Actuarial gain/(loss) recognised in retained earnings	0.5	(1.9)
Employer contributions	0.3	2.8
Balance at end of year	(0.6)	(1.3)
<b>Net benefit expense recognised in the income statement</b>		
Current service cost	0.3	0.4
Interest cost on benefit obligation	0.7	0.8
Expected return on plan assets	(0.9)	(0.9)
Net benefit expense	0.1	0.3
Actual return on plan assets	1.8	2.7

	2010	2009	2008	2007	2006
	\$m	\$m	\$m	\$m	\$m
<b>Reconciliation of the net asset/(liability) recognised on the balance sheet</b>					
Present value of defined benefit obligation	(13.7)	(13.2)	(14.7)	(24.5)	(22.6)
Fair value of plan assets	13.1	11.9	12.8	24.8	23.9
Net benefit asset/(liability) - non current	(0.6)	(1.3)	(1.9)	0.3	1.3

The Group has a legal liability to make up a deficit in the plan and also a legal right to benefit from any surplus in the plan.

	2010	2009
	\$m	\$m
<b>Reconciliation of the present value of the defined benefit obligation</b>		
Balance at beginning of year	(13.2)	(14.7)
Interest cost	(0.7)	(0.8)
Current service cost	(0.3)	(0.4)
Benefits and taxes paid	1.0	1.4
Plan participants' contributions	(0.1)	(0.4)
Actuarial gains/(losses) on obligation	(0.4)	1.7
Balance at end of year	(13.7)	(13.2)
<b>Reconciliation of the fair value of plan assets</b>		
Balance at beginning of year	11.9	12.8
Expected return	0.9	0.9
Contributions by employer	0.3	2.8
Benefits and taxes paid	(1.0)	(1.4)
Plan participants' contributions	0.1	0.4
Actuarial gains/(losses)	0.9	(3.6)
Balance at end of year	13.1	11.9
<b>Amounts recognised in other comprehensive income</b>		
Actuarial gain/(loss)	0.5	(1.9)
Cumulative actuarial losses	(0.7)	(1.2)

The history of experience adjustments is as follows:

	2010	2009	2008	2007	2006
	\$m	\$m	\$m	\$m	\$m
Experience adjustments - plan liabilities	0.2	0.6	1.7	(1.7)	0.3
Experience adjustments - plan assets	0.9	(3.6)	(2.7)	0.6	3.0

The Group expects to contribute \$0.3 million to its defined benefit plan in the 2011 financial year.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2010	2009
	%	%
Australian equities	29.0	30.0
International equities	25.0	27.0
Alternative assets	19.0	17.0
Australian fixed interest	8.0	10.0
International fixed interest	7.0	6.0
Listed property	3.5	4.5
Direct property	2.5	1.5
Inflation linked bonds	3.0	-
Cash	3.0	4.0

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

#### Actuarial assumptions

The principal actuarial assumptions used in determining pension obligations for the Group's plans are shown below (expressed as weighted averages):

	2010	2009
	% pa	% pa
Discount rate		
- active members	5.1	5.5
- pensioners <sup>(i)</sup>	5.1	5.5
Expected salary increase rate	4.5	4.5
Expected pension increase rate	2.5	2.5
Expected rate of return on assets		
- supporting lump sum liabilities	7.0	7.0
- supporting pensioner liabilities <sup>(i)</sup>	8.0	8.0

(i) Assets backing pension liabilities are not subject to tax.

## 26. Director and executive disclosures

### (a) Compensation of KMP

	2010	2009
	\$	\$
Short term	11,519,367	12,369,239
Other long term	63,971	94,635
Post employment	213,471	233,214
Share based payments	1,882,144	1,187,670
	13,678,953	13,884,758

The above reflects the compensation for the year for individuals who were a KMP at any time during the year, or are future KMP. Future KMP will commence as KMP following the receipt of all necessary regulatory approvals. The compensation for the period while the individuals were a KMP is \$13,078,845 (2009: \$12,155,506).

# Notes to the financial statements (continued)

For the year ended 30 June 2010

## 26. Director and executive disclosures (continued)

### (b) Shareholdings of KMP

Shares held in Tabcorp Holdings Limited (number)

	Balance at				Balance at	
	start of year	KMP start date	Granted as remuneration	Net change other	KMP cessation date	end of year
<b>2010</b>						
<b>Non Executive Directors</b>						
<b>Current</b>						
John Story	52,375	n/a	-	-	n/a	52,375
Paula Dwyer	30,863	n/a	-	-	n/a	30,863
Jane Hemstritch	20,863	n/a	-	-	n/a	20,863
John O'Neill	-	n/a	-	-	n/a	-
Brett Paton	20,863	-	-	-	n/a	20,863
Zygmunt Switkowski	76,389	n/a	-	-	n/a	76,389
<b>Former</b>						
Anthony Hodgson	21,251	n/a	-	102	21,353	n/a
<b>Executives</b>						
<b>Current Executive Director</b>						
Elmer Funke Kupper	97,863	n/a	-	-	n/a	97,863
<b>Current Executives</b>						
Matt Bekier	4,813	n/a	-	439	n/a	5,252
Mohan Jesudason	159,488	n/a	-	-	n/a	159,488
Larry Mullin	90,931	n/a	-	-	n/a	90,931
Kerry Willcock	1,578	n/a	-	-	n/a	1,578
Louise Marshall	-	n/a	-	-	n/a	-
<b>Future Executive</b>						
David Attenborough	n/a	-	47,483	-	n/a	47,483
<b>Former Executive</b>						
Robert Nason	10,863	n/a	-	-	10,863	n/a
<b>Total</b>	<b>588,140</b>	<b>-</b>	<b>47,483</b>	<b>541</b>	<b>32,216</b>	<b>603,948</b>

	Balance at				Balance at	
	start of year	KMP start date	Granted as remuneration	Net change other	KMP cessation date	end of year
<b>2009</b>						
<b>Non Executive Directors</b>						
<b>Current</b>						
John Story	25,649	n/a	-	26,726	n/a	52,375
Anthony Hodgson	20,245	n/a	-	1,006	n/a	21,251
Paula Dwyer	30,000	n/a	-	863	n/a	30,863
Jane Hemstritch	n/a	20,000	-	863	n/a	20,863
John O'Neill	-	n/a	-	-	n/a	-
Brett Paton	n/a	-	-	20,863	n/a	20,863
Zygmunt Switkowski	73,800	n/a	-	2,589	n/a	76,389
<b>Executives</b>						
<b>Current Executive Director</b>						
Elmer Funke Kupper	97,000	n/a	-	863	n/a	97,863
<b>Current Executives</b>						
Matt Bekier	2,563	n/a	-	2,250	n/a	4,813
Mohan Jesudason	158,625	n/a	-	863	n/a	159,488
Larry Mullin	n/a	-	90,931	-	n/a	90,931
Robert Nason	10,000	n/a	-	863	n/a	10,863
Kerry Willcock	715	n/a	-	863	n/a	1,578
Louise Marshall	-	n/a	-	-	n/a	-
<b>Former Executive</b>						
Walter Bugno	30,000	n/a	-	-	30,000	n/a
<b>Total</b>	<b>448,597</b>	<b>20,000</b>	<b>90,931</b>	<b>58,612</b>	<b>30,000</b>	<b>588,140</b>

(c) Performance Option and Performance Right holdings of KMP

Performance Options and Performance Rights held in Tabcorp Holdings Limited (number)

	Balance at				Vested at		
	Balance at start of year	Granted as remuneration	Net change other <sup>(i)</sup>	KMP cessation date	end of year	Total	Exercisable
<b>2010</b>							
<b>Performance Options</b>							
<b>Current</b>							
Elmer Funke Kupper	236,126	-	-	n/a	236,126	-	-
Matt Bekier	96,154	-	-	n/a	96,154	-	-
Mohan Jesudason	173,943	-	(51,553)	n/a	122,390	-	-
Kerry Willcock	92,394	-	-	n/a	92,394	-	-
<b>Former</b>							
Robert Nason	70,804	-	(70,804)	-	n/a	-	-
<b>Total</b>	<b>669,421</b>	<b>-</b>	<b>(122,357)</b>	<b>-</b>	<b>547,064</b>	<b>-</b>	<b>-</b>
<b>Performance Rights</b>							
<b>Current</b>							
Elmer Funke Kupper	396,425	326,086	-	n/a	722,511	-	-
Matt Bekier	205,134	-	-	n/a	205,134	-	-
Mohan Jesudason	187,239	-	(7,010)	n/a	180,229	-	-
Larry Mullin	54,348	-	-	n/a	54,348	-	-
Kerry Willcock	126,550	-	-	n/a	126,550	-	-
Louise Marshall	51,055	-	-	n/a	51,055	-	-
<b>Future</b>							
David Attenborough	n/a	-	-	n/a	-	-	-
<b>Former</b>							
Robert Nason	201,042	-	(201,042)	-	n/a	-	-
<b>Total</b>	<b>1,221,793</b>	<b>326,086</b>	<b>(208,052)</b>	<b>-</b>	<b>1,339,827</b>	<b>-</b>	<b>-</b>

	Balance at				Vested at		
	Balance at start of year	Granted as remuneration	Net change other <sup>(i)</sup>	KMP cessation date	end of year	Total	Exercisable
<b>2009</b>							
<b>Performance Options</b>							
<b>Current</b>							
Elmer Funke Kupper	236,126	-	-	n/a	236,126	-	-
Matt Bekier	96,154	-	-	n/a	96,154	-	-
Mohan Jesudason	241,412	-	(67,469)	n/a	173,943	-	-
Robert Nason	70,804	-	-	n/a	70,804	-	-
Kerry Willcock	92,394	-	-	n/a	92,394	-	-
<b>Former</b>							
Walter Bugno	236,126	-	(236,126)	-	n/a	-	-
<b>Total</b>	<b>973,016</b>	<b>-</b>	<b>(303,595)</b>	<b>-</b>	<b>669,421</b>	<b>-</b>	<b>-</b>
<b>Performance Rights</b>							
<b>Current</b>							
Elmer Funke Kupper	115,000	281,425	-	n/a	396,425	-	-
Matt Bekier	41,592	163,542	-	n/a	205,134	-	-
Mohan Jesudason	58,406	138,022	(9,189)	n/a	187,239	-	-
Larry Mullin	n/a	54,348	-	n/a	54,348	-	-
Robert Nason	40,106	160,936	-	n/a	201,042	-	-
Kerry Willcock	29,989	96,561	-	n/a	126,550	-	-
Louise Marshall	-	51,055	-	n/a	51,055	-	-
<b>Former</b>							
Walter Bugno	68,475	93,808	(162,283)	-	n/a	-	-
<b>Total</b>	<b>353,568</b>	<b>1,039,697</b>	<b>(171,472)</b>	<b>-</b>	<b>1,221,793</b>	<b>-</b>	<b>-</b>

(i) Includes forfeitures.

# Notes to the financial statements (continued)

For the year ended 30 June 2010

## 26. Director and executive disclosures (continued)

### (d) Bond holdings of KMP

#### Bonds held in Tabcorp Holdings Limited:

	Balance at			Balance	Interest
	start of year	KMP start date	Issue of bonds <sup>(i)</sup>	at end of year <sup>(ii)</sup>	costs <sup>(iii)</sup>
	\$	\$	\$	\$	\$
<b>2010</b>					
<b>Non Executive Directors</b>					
<b>Current</b>					
Brett Paton	300,000	n/a	-	300,000	25,079
Jane Hemstritch	200,000	n/a	-	200,000	16,719
<b>Executives</b>					
<b>Current Executive Director</b>					
Elmer Funke Kupper	150,000	n/a	-	150,000	12,540
<b>2009</b>					
<b>Non Executive Directors</b>					
<b>Current</b>					
Brett Paton	n/a	-	300,000	300,000	3,675
Jane Hemstritch	n/a	-	200,000	200,000	2,450
<b>Executives</b>					
<b>Current Executive Director</b>					
Elmer Funke Kupper	-	n/a	150,000	150,000	1,838

(i) Bonds issued pursuant to the prospectus dated 1 April 2009 at an issue price of \$100 per Bond.

(ii) Balance disclosed as non current interest bearing liability: Medium term notes - floating interest rate (refer to note 17).

(iii) Amount included as interest expense for Tabcorp Holdings Limited for the year.



## 27. Related party disclosure

### (a) Parent entity

The ultimate parent entity within the Group is Tabcorp Holdings Limited.

### (b) Investments in controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in note 1(d). The financial years of all controlled entities are the same as that of the Company.

Name of controlled entity	Note	Country of incorporation	Equity type	% equity interest at 30 June	
				2010 %	2009 %
<b>Parent entity</b>					
Tabcorp Holdings Limited	(a)(b)	Australia			
<b>Controlled entities</b>					
Tabcorp Assets Pty Ltd	(a)(b)	Australia	ordinary shares	100.0	100.0
Tabcorp Manager Pty Ltd	(b)	Australia	ordinary shares	100.0	100.0
Tabcorp Participant Pty Ltd	(a)(b)	Australia	ordinary shares	100.0	100.0
Tahwind (Queensland) Pty Ltd	(b)	Australia	ordinary shares	100.0	100.0
Luxbet Pty Ltd	(a)(b)	Australia	ordinary shares	100.0	100.0
Tabcorp Investments No.5 Pty Ltd		Australia	ordinary shares	100.0	100.0
Tabcorp Wagering Holdings Pty Ltd	(h)	Australia	ordinary shares	100.0	n/a
Tabcorp Wagering (Vic) Pty Ltd		Australia	ordinary shares	100.0	100.0
Tabcorp Gaming Holdings Pty Ltd		Australia	ordinary shares	100.0	100.0
Tabcorp Monitoring (Vic) Pty Ltd		Australia	ordinary shares	100.0	100.0
Tabcorp Investments No.6 Pty Ltd	(j)	Australia	ordinary shares	100.0	n/a
Tabcorp Investments No.7 Pty Ltd	(k)	Australia	ordinary shares	100.0	n/a
Tabcorp Gaming Solutions Pty Ltd	(i)	Australia	ordinary shares	100.0	n/a
Tabcorp International Pty Ltd	(b)	Australia	ordinary shares	100.0	100.0
Tabcorp International No.1 Pty Ltd		Australia	ordinary shares	100.0	100.0
Tabcorp International No.2 Pty Ltd		Australia	ordinary shares	100.0	100.0
Jupiters Resorts (Macau) Limited	(f)	Macau	ordinary shares	100.0	100.0
Tabcorp International No.3 Pty Ltd		Australia	ordinary shares	100.0	100.0
Vanuatu Casino Management Services Limited		Vanuatu	ordinary shares	99.9	99.9
Tabcorp International Services and Technology Pty Ltd		Australia	ordinary shares	100.0	100.0
Tahwind Superannuation Pty Ltd	(g)	Australia	ordinary shares	100.0	100.0
Tahwind Staff Superannuation Pty Ltd	(g)	Australia	ordinary shares	100.0	100.0

# Notes to the financial statements (continued)

For the year ended 30 June 2010

## 27. Related party disclosure (continued)

### (b) Investments in controlled entities (continued)

Name of controlled entity	Note	Country of incorporation	Equity type	% equity interest at 30 June	
				2010 %	2009 %
Tabcorp Employee Share Administration Pty Ltd		Australia	ordinary shares	33.3	33.3
Tabcorp Investments Pty Ltd	(c)	Australia	ordinary shares	100.0	100.0
Star City Holdings Limited	(c)(d)	Australia	ordinary shares	100.0	100.0
Star City Pty Ltd	(c)(d)	Australia	ordinary shares	100.0	100.0
Star City Entertainment Pty Ltd	(c)	Australia	ordinary shares	100.0	100.0
Sydney Harbour Casino Properties Pty Ltd	(c)(d)	Australia	ordinary shares	100.0	100.0
Sydney Harbour Apartments Pty Ltd	(c)	Australia	ordinary shares	100.0	100.0
Star City Investments Pty Ltd	(c)(e)	Australia	ordinary shares	100.0	100.0
Showboat Australia Pty Ltd	(c)	Australia	ordinary shares	100.0	100.0
Sydney Casino Management Pty Ltd		Australia	ordinary shares	100.0	100.0
Tabcorp Investments No.2 Pty Ltd	(a)	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
Jupiters Gaming Pty Ltd		Australia	ordinary shares	100.0	100.0
A.C.N. 082 760 610 Pty Ltd	(l)	Australia	ordinary shares	n/a	100.0
Jupwind Superannuation Pty Ltd	(g)	Australia	ordinary shares	100.0	100.0
TAHAL Pty Ltd		Australia	ordinary shares	100.0	100.0
TAHA Research and Development Pty Ltd	(l)	Australia	ordinary shares	n/a	100.0
ATL Pty Ltd		Australia	ordinary and preference shares	100.0	100.0
Jupiters Gaming (NSW) Pty Ltd		Australia	ordinary shares	100.0	100.0
Club Gaming Systems (Holdings) Pty Ltd		Australia	ordinary shares	100.0	100.0
The CGS Trust		Australia	units	100.0	100.0
Tabcorp Investments No.4 Pty Ltd	(a)(b)	Australia	ordinary shares	100.0	100.0
Tab Limited	(a)	Australia	ordinary shares	100.0	100.0
Sky Channel Pty Ltd	(a)	Australia	ordinary shares	100.0	100.0
2KY Broadcasters Pty Ltd		Australia	ordinary shares	100.0	100.0

Name of controlled entity	Note	Country of incorporation	Equity type	% equity interest at 30 June	
				2010 %	2009 %
Airsales Pty Ltd	(l)	Australia	ordinary shares	n/a	100.0
Tahwind Employee Share Plan Pty Ltd	(l)	Australia	ordinary shares	n/a	100.0
Tahwind Superannuation Company Pty Ltd	(g)	Australia	ordinary shares	100.0	100.0
Tahwind Marketing Pty Ltd	(l)	Australia	ordinary shares	n/a	100.0
Sky Channel Marketing Pty Ltd		Australia	ordinary shares	100.0	100.0
Sky Australia International Racing Pty Ltd		Australia	ordinary shares	100.0	100.0
Tahwind Racing Productions Pty Ltd	(l)	Australia	ordinary shares	n/a	100.0
Tahwind Racing Productions (NSW) Pty Ltd	(l)	Australia	ordinary shares	n/a	100.0

- (a) These companies have entered into a deed of cross guarantee with Tabcorp Holdings Limited which came into effect on 25 November 2009.
- (b) These companies were party to a deed of cross guarantee with Tabcorp Holdings Limited which was removed on 8 June 2010. This has been replaced by the deed outlined in (a).
- (c) These companies have entered into a deed of cross guarantee (or have been subsequently added to this deed by an assumption deed) with Tabcorp Investments Pty Ltd. These companies have also entered into a guarantee and indemnity agreement as explained in note 30.
- (d) These companies have provided a charge over their assets and undertakings as explained in note 30.
- (e) Star City Investments Pty Ltd is 50% owned by Sydney Harbour Casino Properties Pty Ltd and 50% owned by Star City Entertainment Pty Ltd.
- (f) Jupiters Resorts (Macau) Limited is 50% owned by Tabcorp International No.1 Pty Ltd and 50% owned by Tabcorp International No.2 Pty Ltd.
- (g) These companies are not considered to be controlled entities in accordance with section 50AA(4) of the Corporations Act (2001).
- (h) This company was incorporated on 4 August 2009.
- (i) This company was incorporated on 13 August 2009.
- (j) This company was incorporated on 26 November 2009.
- (k) This company was incorporated on 29 January 2010.
- (l) These companies were deregistered on 6 October 2009.

#### Deeds of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly owned subsidiaries within a deed of cross guarantee are relieved from the Corporations Act 2001 ('the Act') requirements for preparation, audit and lodgement of financial reports and directors' report, subject to meeting the compliance requirements for relief.

It is a condition of the class order that a deed of cross guarantee be entered into by the head company and each of the subsidiaries within the relevant class order group. For each class order group, the effect of the deed is that each company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Act. If a winding up occurs under other provisions of the Act, the company within the relevant class order group will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event the head company of the relevant class order group is wound up.

# Notes to the financial statements (continued)

For the year ended 30 June 2010

## 27. Related party disclosure (continued)

### (b) Investments in controlled entities (continued)

The consolidated income statement and balance sheet of all entities included in the Tabcorp Holdings Limited class order closed group (see (a) above) are set out below.

Tabcorp Holdings Limited Closed Group	2010 \$m	2009 \$m
<b>Income statement</b>		
Revenue	2,880.9	3,119.9
Other income	3.5	1.2
Government taxes and levies	(848.4)	(846.3)
Commissions and fees	(919.4)	(888.8)
Employment costs	(151.3)	(151.1)
Depreciation and amortisation	(122.7)	(115.1)
Property costs	(37.8)	(36.5)
Advertising and promotions	(28.3)	(31.2)
Professional and contract services	(21.2)	(17.0)
Other expenses	(175.0)	(171.2)
<b>Profit before income tax expense and net finance costs</b>	<b>580.3</b>	<b>863.9</b>
Finance income	34.5	34.4
Finance costs	(153.5)	(151.9)
<b>Profit before income tax expense</b>	<b>461.3</b>	<b>746.4</b>
Income tax expense	(100.1)	(112.2)
<b>Net profit after tax</b>	<b>361.2</b>	<b>634.2</b>
Change in fair value of cash flow hedges taken to equity	13.1	(61.0)
Actuarial gain/(loss) on defined benefit plan	0.5	(1.9)
Income tax (expense)/benefit on items of other comprehensive income	(4.0)	18.9
<b>Other comprehensive income/(loss) for the period, net of income tax</b>	<b>9.6</b>	<b>(44.0)</b>
<b>Total comprehensive income for the period</b>	<b>370.8</b>	<b>590.2</b>
<b>Net profit after tax</b>	<b>361.2</b>	<b>634.2</b>
Accumulated losses at beginning of year	(356.6)	(556.2)
Net actuarial gain/(loss) on defined benefit plan	0.4	(1.3)
Dividends paid	(363.5)	(433.3)
<b>Accumulated losses at end of year</b>	<b>(358.5)</b>	<b>(356.6)</b>

	2010 \$m	2009 \$m
<b>Balance sheet</b>		
Cash and cash equivalents	149.6	186.9
Receivables	1,232.9	1,100.0
Inventories	5.7	6.8
Derivative financial instruments	-	6.1
Other	10.3	10.8
<b>Total current assets</b>	<b>1,398.5</b>	<b>1,310.6</b>
Investment in controlled entities	1,326.6	1,326.6
Property, plant and equipment	252.5	203.8
Intangibles - licences	373.5	403.7
Intangibles - other	1,934.2	1,949.3
Other receivables	363.8	362.7
Derivative financial instruments	2.8	13.3
Other	373.5	377.4
<b>Total non current assets</b>	<b>4,626.9</b>	<b>4,636.8</b>
<b>TOTAL ASSETS</b>	<b>6,025.4</b>	<b>5,947.4</b>
Payables	330.8	277.7
Interest bearing liabilities	175.0	-
Current tax liabilities	46.9	56.5
Provisions	21.4	22.1
Derivative financial instruments	22.0	35.2
Other	7.2	3.9
<b>Total current liabilities</b>	<b>603.3</b>	<b>395.4</b>
Interest bearing liabilities	1,816.8	2,040.9
Deferred tax liabilities	136.9	128.0
Provisions	4.1	4.5
Derivative financial instruments	53.9	35.5
Other	2.3	3.9
<b>Total non current liabilities</b>	<b>2,014.0</b>	<b>2,212.8</b>
<b>TOTAL LIABILITIES</b>	<b>2,617.3</b>	<b>2,608.2</b>
<b>NET ASSETS</b>	<b>3,408.1</b>	<b>3,339.2</b>
Issued capital	3,735.7	3,673.2
Accumulated losses	(358.5)	(356.6)
Reserves	30.9	22.6
<b>TOTAL EQUITY</b>	<b>3,408.1</b>	<b>3,339.2</b>

### **(c) Transactions with controlled entities**

#### **Tabcorp Holdings Limited**

The Company entered into the following transactions during the current and prior year with controlled entities:

- loans advanced of \$132.6 million (2009: loans advanced of \$897.5 million);
- income tax and GST paid on behalf of controlled entities \$233.1 million (2009: \$362.7 million); and
- dividends received from controlled entities of \$401.3 million (2009: \$641.5 million).

The amount receivable by the Company from controlled entities at year end is \$3,343.0 million (2009: \$3,210.4 million).

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

### **(d) Transactions with joint venture operation**

The Group conducts an unincorporated joint venture operation with VicRacing Pty Ltd. The principal activity of the joint venture is the organisation, conduct, promotion and development of wagering and gaming within the State of Victoria. The Group receives 75% of the revenue and expenses of the joint venture.

#### **Consolidated**

The Group charges the joint venture operation for the provision of employee, management and asset services. On consolidation, 75% of the charges eliminate (being the Group's interest in the joint venture operation). Charges for the remaining 25% of \$45.1 million were received by the Group in 2010 (2009: \$43.9 million).

#### **Tabcorp Holdings Limited**

The Company charges the joint venture operation for the provision of employee, management and asset services. Charges of \$9.6 million were received in 2010 (2009: \$9.6 million).

### **28. 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.

#### **(a) Charge**

A controlled entity, Tabcorp Participant Pty Ltd, which is a participant in the joint venture described in note 27, has entered into a deed of cross charge with its joint venture partner to cover the non payment of a called sum in the event of the joint venture incurring a loss. The charge is over undistributed and future earnings of the joint venture to the level of the unpaid call.

#### **(b) Legal challenges**

There are outstanding legal actions between controlled entities and third parties as at 30 June 2010. 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.

### **29. Subsequent events**

#### **Dividends**

Since 30 June 2010, the directors have declared a final dividend of 25 cents per ordinary share. The total amount of the final dividend is \$153.2 million. This has not been provided for in the 30 June 2010 financial statements (refer to note 5).

# Notes to the financial statements (continued)

For the year ended 30 June 2010

## 30. 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, bonds and notes, 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, principally interest rate swaps and cross currency swaps, the purpose being to manage interest rate and currency risks arising from the Group's sources of finance. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

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

Details of significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in note 1.

### Cash flow interest rate risk

The Group has a policy of controlling exposure to interest rate fluctuations by the use of fixed and variable rate debt and by the use of interest rate swaps or caps. It has entered into interest rate swap agreements to hedge underlying debt obligations and allow floating rate borrowings to be swapped to fixed rate borrowings. Under these arrangements, the Group will pay fixed interest rates and receive the bank bill swap rate calculated on the notional principal amount of the contracts.

At 30 June 2010 after taking into account the effect of interest rate swaps, approximately 69% (2009: 83%) of the Group's borrowings are at a fixed rate of interest.

### Fair value interest rate risk

As the Group holds fixed rate debt there is a risk that the economic value of financial instruments will fluctuate because of changes in market interest rates. The level of fixed rate debt is disclosed in note 31 and it is acknowledged that this risk is a by-product of the Group's attempt to manage its cash flow interest rate risk.

### Foreign currency risk

As a result of issuing private notes denominated in US Dollars ('USD'), the Group's balance sheet can be affected by movements in the USD/AUD exchange rate. In order to hedge this exposure, the Group has entered into cross currency swaps to fix the exchange rate on the notes until maturity. The Group agrees to exchange a fixed USD amount in exchange for an agreed AUD amount with swap counterparties, and re-exchange this again at maturity. These swaps are designated to hedge the principal and interest obligations under the private notes.

### Commodity price risk

The Group is not exposed to commodity price risk.

### Credit risk

Credit risk on financial assets which have been recognised on the balance sheet, is the carrying amount less any allowance for non recovery. The Group minimises credit risk via adherence to a strict cash management policy. Collateral is not held as security.

The Group is not materially exposed to one individual debtor.

Credit risk in trade receivables is managed in the following ways:

- the provision of cheque cashing facilities for casino gaming patrons is subject to detailed policies and procedures designed to minimise any potential loss, including the taking up of bank opinions and the use of a central credit agency which collates information from major casinos around the world; and
- the provision of non gaming credit is covered by a risk assessment process for customers using the Credit Reference Association of Australia, bank opinions and trade references.

Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

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

In relation to financial liabilities, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The Group's maximum credit risk exposure in respect of interest rate swap contracts and cross currency swap contracts is detailed in note 31.

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 (2009: nil), as the possibility of an outflow occurring is considered remote. Details of the financial guarantee contracts at balance date are outlined below:

### Deed of cross guarantee

As explained in note 27, the Company has entered into a deed of cross guarantee pursuant to ASIC Class Order 98/1418 (as amended).

### Charge

The controlled entities denoted (d) in note 27 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.

### Guarantees and indemnities

The controlled entities denoted (c) in note 27 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 \$119.8 million (2009: \$118.7 million).

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

### Liquidity risk

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

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

To help reduce liquidity risk, the Group targets a minimum level of cash and cash equivalents to be maintained, and has revolving facilities in place with sufficient undrawn funds available.

The Group's policy is that not more than 33% of debt facilities should mature in any financial year within the next four years. At 30 June 2010, 12% (2009: 14%) of the Group's debt facilities will mature in less than one year.

Due to the measures in place for managing liquidity and access to capital markets, this risk is not considered significant.

Refer to notes 17 and 31 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

	2010			2009		
	< 1 year \$m	1 - 5 years \$m	> 5 years \$m	< 1 year \$m	1 - 5 years \$m	> 5 years \$m
<b>Financial assets</b>						
Cash assets	145.8	-	-	102.6	-	-
Short term deposits	116.1	-	-	188.8	-	-
Receivables	80.5	-	-	70.5	-	-
Other receivables	-	4.0	4.7	-	3.0	-
	<b>342.4</b>	<b>4.0</b>	<b>4.7</b>	361.9	3.0	-
<b>Financial liabilities</b>						
Trade creditors and accrued expenses	510.3	-	-	492.2	-	-
Bank loans - unsecured	185.4	135.1	-	11.3	326.3	-
Medium term notes						
- fixed interest rate	25.0	391.3	-	25.0	416.3	-
- floating interest rate	43.0	609.1	-	34.9	622.9	-
Private placement						
- US dollar - pay USD fixed	39.9	388.6	574.8	42.0	167.9	886.7
- Australian dollar	5.8	23.0	125.9	4.1	16.5	122.6
	<b>809.4</b>	<b>1,547.1</b>	<b>700.7</b>	609.5	1,549.9	1,009.3
Net outflow	<b>(467.0)</b>	<b>(1,543.1)</b>	<b>(696.0)</b>	(247.6)	(1,546.9)	(1,009.3)

# Notes to the financial statements (continued)

For the year ended 30 June 2010

## 30. Financial risk management objectives and policies (continued)

### Liquidity risk (continued)

#### (b) Derivative financial instruments

	2010			2009		
	< 1 year \$m	1 - 5 years \$m	> 5 years \$m	< 1 year \$m	1 - 5 years \$m	> 5 years \$m
<b>Financial assets</b>						
Interest rate swaps - receive AUD floating	52.7	204.8	134.6	39.6	139.9	120.1
Cross currency swaps - receive USD fixed	39.9	388.6	574.8	42.0	167.9	886.7
	<b>92.6</b>	<b>593.4</b>	<b>709.4</b>	81.6	307.8	1,006.8
<b>Financial liabilities</b>						
Interest rate swaps - pay AUD fixed	67.8	263.9	180.1	76.1	271.3	240.5
Cross currency swaps - pay AUD floating	48.6	453.9	658.5	34.8	139.1	930.2
	<b>116.4</b>	<b>717.8</b>	<b>838.6</b>	110.9	410.4	1,170.7
Net outflow	<b>(23.8)</b>	<b>(124.4)</b>	<b>(129.2)</b>	(29.3)	(102.6)	(163.9)

For floating rate instruments, the amount disclosed is determined by reference to the interest rate at the last repricing date.

For foreign currency receipts and payments, the amount disclosed is determined by reference to the USD/AUD rate at balance date.

#### Financial instruments - sensitivity analysis

##### Interest rates - AUD and USD

The following sensitivity analysis is based on interest rate risk exposures in existence at year end.

At 30 June, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

Judgements of reasonably possible movements:

	Post tax profit higher/(lower)		Other comprehensive income higher/(lower)	
	2010 \$m	2009 \$m	2010 \$m	2009 \$m
<b>AUD</b>				
+ 1% (100 basis points) (2009: +1%)	<b>(3.8)</b>	(1.2)	<b>45.5</b>	50.2
- 1% (100 basis points) (2009: -1%)	<b>3.8</b>	1.2	<b>(49.1)</b>	(54.5)
<b>USD</b>				
+ 1% (100 basis points) (2009: +1%)	-	(0.3)	<b>(33.4)</b>	(37.3)
- 0.5% (50 basis points) (2009: -1%)	-	0.2	<b>17.6</b>	40.4

The movements in profit are due to higher/lower interest costs from variable rate debt and investments, and an increase/decrease in the fair value of financial instruments designated as fair value hedges. The movement in other comprehensive income is due to an increase/decrease in the fair value of financial instruments designated as cash flow hedges.

The numbers derived in the sensitivity analysis are indicative only.

Significant assumptions used in the interest rate sensitivity analysis include:

- Reasonably possible movements in interest rates were determined based on the Group's current credit rating and mix of debt, relationships with financial institutions and the level of debt that is expected to be renewed, as well as a review of the last two years' historical movements and economic forecaster's expectations;
- Price sensitivity of derivatives is based on a reasonably possible movement of spot rates at balance dates; and
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months.

There are no changes to the methods and assumptions used from the previous financial year.



### Foreign Exchange

The following sensitivity analysis is based on foreign currency risk exposures in existence at the balance sheet date.

At 30 June, had the AUD moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

Judgements of reasonably possible movements:

	Post tax profit higher/(lower)		Other comprehensive income higher/(lower)	
	2010 \$m	2009 \$m	2010 \$m	2009 \$m
AUD/USD + 10 cents	0.1	(0.4)	(9.6)	(7.6)
AUD/USD - 10 cents	(0.1)	0.5	12.2	9.7

The movements in profit are due to an increase/decrease in the fair value of financial instruments designated as fair value hedges. The movement in other comprehensive income is due to an increase/decrease in the fair value of financial instruments designated as cash flow hedges.

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

The numbers derived in the sensitivity analysis are indicative only.

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- Reasonably possible movements in foreign exchange rates were determined based on a review of the last two years' historical movements and economic forecaster's expectations;
- The reasonably possible movement of 10 cents was calculated by taking the USD spot rate as at balance date, moving this spot rate by 10 cents and then re-converting the USD into AUD with the 'new spot-rate'. This methodology reflects the translation methodology undertaken by the Group;
- Price sensitivity of derivatives is based on a reasonably possible movement of spot rates at balance dates; and
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months.

There are no changes to the methods and assumptions used from the previous financial year.

### 31. Additional financial instruments disclosure

#### (a) Fair values

##### Swaps

Fair value is calculated using discounted future cash flow techniques, where estimated cash flows and estimated discount rates are based on market data at balance date.

##### US Private Placement

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

##### Medium Term Notes

Fair value is determined using independent market quotations.

The carrying amount of financial assets or liabilities recognised in the financial statements are deemed to be the fair value unless otherwise stated in the table below:

	Carrying amount		Fair value	
	2010 \$m	2009 \$m	2010 \$m	2009 \$m
<b>Financial liabilities</b>				
Medium term notes				
- fixed interest rate	<b>385.0</b>	385.0	<b>392.4</b>	383.2
- floating interest rate	<b>499.5</b>	499.5	<b>522.9</b>	510.6
	<b>884.5</b>	884.5	<b>915.3</b>	893.8

# Notes to the financial statements (continued)

For the year ended 30 June 2010

## 31. Additional financial instruments disclosure (continued)

### (b) Interest rate risk

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

	2010	2009
	\$m	\$m
<b>Financial assets</b>		
Cash assets	47.6	22.7
Short term deposits	116.1	188.8
Total financial assets	163.7	211.5
<b>Financial liabilities</b>		
Bank loans - unsecured <sup>(i) (iii)</sup>	299.4	314.9
Medium term notes <sup>(i)(iii)</sup>	492.4	490.6
Private placement <sup>(i)</sup>		
- Australian dollar <sup>(iii)</sup>	99.8	99.7
Interest rate swaps <sup>(i) (ii)</sup>	1,080.0	1,380.0
Cross currency swaps <sup>(i)</sup>	838.6	838.6
Total financial liabilities	2,810.2	3,123.8

(i) The effective interest rate on gross debt at 30 June 2010 was 7.4% (2009: 7.1%) after taking into account the impact of interest rate swaps and cross currency swaps.

(ii) Notional principal amounts.

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

### (c) Financial instruments - interest rate swaps

Interest rate swaps meet the requirements to qualify for cash flow hedge accounting and are stated at fair value.

These swaps are being used to hedge the exposure to variability in cash flows attributable to movements in the reference interest rate of the designated debt or instrument and are assessed as highly effective in offsetting changes in the cash flows attributable to such movements. Hedge effectiveness is measured by comparing the change in the fair value of the hedged item and the hedging instrument respectively each quarter. Any difference represents ineffectiveness and is recorded in the income statement.

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

	Notional principal	
	2010	2009
	\$m	\$m
Less than one year	-	300.0
One to five years	250.0	-
More than five years	830.0	1,080.0
Notional principal	1,080.0	1,380.0
Fixed interest rate range p.a.	5.9% - 7.4%	5.5% - 7.4%
Variable interest rate range p.a.	4.8% - 4.9%	3.1% - 3.3%

Net settlement receipts and payments are recognised as an adjustment to interest expense on an accruals basis over the term of the swaps, such that the overall interest expense on borrowings reflects the average cost of funds achieved by entering into the swap agreements.

### (d) Financial instruments - cross currency swaps

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

These cross currency swaps are being used to hedge the exposure to the variability in the fair value of the USD debt under the US Private Placement and are assessed as highly effective in offsetting changes in movements in the forward USD exchange rate. Hedge effectiveness is measured by comparing the change in the fair value of the hedged item and the hedging instrument respectively each quarter. Any difference represents ineffectiveness and is recorded in the income statement.

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

	2010		2009	
	Pay principal	Receive principal	Pay principal	Receive principal
	AUD \$m	USD \$m	AUD \$m	USD \$m
One to five years	267.3	199.5	-	-
More than five years	571.3	425.5	838.6	625.0
Notional principal	838.6	625.0	838.6	625.0
Fixed interest rate range p.a.	-	5.3% - 5.6%	-	5.3% - 5.6%
Variable interest rate range p.a.	5.8%	-	4.1% - 4.2%	-

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 - USD borrowings as set out in note 17.

#### (e) Financial instruments - Fair value hierarchy

There are various methods available in estimating the fair value of a financial instrument. The methods comprise:

- Level 1 - the fair value is calculated using quoted prices in active markets.
- Level 2 - the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 - the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

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

	Valuation technique			Total \$m
	Quoted market price (Level 1)	Observable inputs (Level 2)	Non market observable inputs (Level 3)	
	\$m	\$m	\$m	
<b>2010</b>				
<b>Financial assets - Non current</b>				
Cross currency swaps	-	2.8	-	2.8
<b>Financial liabilities - Current</b>				
Interest rate swaps	-	14.9	-	14.9
Cross currency swaps	-	7.1	-	7.1
Open betting positions	-	12.1	-	12.1
	-	34.1	-	34.1
<b>Financial liabilities - Non current</b>				
Interest rate swaps	-	46.2	-	46.2
Cross currency swaps	-	7.7	-	7.7
	-	53.9	-	53.9
	-	88.0	-	88.0

# Notes to the financial statements (continued)

For the year ended 30 June 2010

## 31. Additional financial instruments disclosure (continued)

### (e) Financial instruments - Fair value hierarchy (continued)

	Valuation technique			Total \$m
	Quoted market price (Level 1) \$m	Observable inputs (Level 2) \$m	Non market observable inputs (Level 3) \$m	
<b>2009</b>				
<b>Financial assets - Current</b>				
Cross currency swaps	-	6.1	-	6.1
<b>Financial assets - Non current</b>				
Interest rate swaps	-	13.3	-	13.3
	-	19.4	-	19.4
<b>Financial liabilities - Current</b>				
Interest rate swaps	-	35.2	-	35.2
Open betting positions	-	6.0	-	6.0
	-	41.2	-	41.2
<b>Financial liabilities - Non current</b>				
Interest rate swaps	-	18.7	-	18.7
Cross currency swaps	-	16.8	-	16.8
	-	35.5	-	35.5
	-	76.7	-	76.7

There have been no significant transfers between Level 1 and Level 2 during the financial year ended 30 June 2010.

## Tabcorp Holdings

	2010 \$m	2009 \$m
--	-------------	-------------

## 32. Parent entity disclosures

### Result of the parent entity

Profit for the period	358.4	615.2
Other comprehensive income/(loss)	0.4	(1.3)
Total comprehensive income for the period	358.8	613.9

### Financial position of the parent entity

Current assets	45.3	93.7
Total assets	3,903.4	3,848.9
Current liabilities	84.1	87.3
Total liabilities	363.5	365.8

### Total equity of the parent entity comprising of:

Issued capital	3,735.7	3,673.2
Employee equity benefit reserve	7.7	8.7
Accumulated losses	(203.5)	(198.8)
Total equity	3,539.9	3,483.1

### Contingent liabilities

There are no contingent liabilities for the parent entity at 30 June 2010.

At 30 June 2009, there were outstanding legal actions between the parent entity and third parties which have subsequently been resolved.

### 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 2010 or 30 June 2009.

### Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has entered into a deed of cross guarantee with the effect that the Company guarantees debts in respect of its subsidiaries.

Further details of the deed of cross guarantee and the subsidiaries subject to the deed, are set out in note 27.

# Directors' declaration

In the opinion of the directors of Tabcorp Holdings Limited ('the Company'):

- (a) the financial statements, notes and the additional disclosures included in the Directors' report designated as audited, 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 2010 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.

In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 27 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

Signed in accordance with a resolution of directors.



**John Story**  
Chairman

Melbourne  
5 August 2010

# Independent audit report



Ernst & Young  
27 Market Street  
4th Floor  
Melbourne VIC 3000 Australia  
Tel: +61 3 9256 9000  
Fax: +61 3 9256 7777  
www.ey.com

## Independent auditor's report to the members of Tabcorp Holdings Limited

### Report on the Financial Report

We have audited the accompanying financial report of Tabcorp Holdings Limited, which comprises the balance sheet as at 30 June 2010, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company 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 are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 our 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, we consider 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 met 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. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Liability limited by a scheme approved  
under Professional Standards Legislation



### Auditor's Opinion

In our opinion:

1. The financial report of Tabcorp Holdings Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position at 30 June 2010 and of its performance for the year ended on that date
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Ernst & Young

Tim Wallace  
Partner  
Melbourne  
5 August 2010

# Company directory

## Registered office

Tabcorp Holdings Limited  
5 Bowen Crescent  
Melbourne VIC 3004  
Australia  
Telephone: 03 9868 2100  
Facsimile: 03 9868 2300  
E-mail: investor@tabcorp.com.au

## Website

www.tabcorp.com.au

## Stock exchange listing

The Company's securities are quoted on the Australian Securities Exchange (ASX) under the codes "TAH" for ordinary shares and "TAHHA" for Bonds.

## Auditors

Ernst & Young – External auditors

## New South Wales office

495 Harris Street  
Ultimo NSW 2007  
Telephone: 02 9218 1000

## Queensland office

Level 3  
159 William Street  
Brisbane QLD 4000  
Telephone: 07 3228 0000

## Star City Hotel and Casino

80 Pyrmont Street  
Pyrmont NSW 2009  
Reservations: 1800 700 700  
Telephone: 02 9777 9000  
www.starcity.com.au

## Jupiters Hotel and Casino

Broadbeach Island  
Gold Coast QLD 4218  
Reservations: 1800 074 344  
Telephone: 07 5592 8100  
www.jupitersgoldcoast.com.au

## Treasury Casino and Hotel

George Street  
Brisbane QLD 4000  
Reservations: 1800 506 889  
Telephone: 07 3306 8888  
www.treasurybrisbane.com.au

## Jupiters Townsville Hotel and Casino

Sir Leslie Thiess Drive  
Townsville QLD 4810  
Reservations: 1800 079 210  
Telephone: 07 4722 2333  
www.jupiterstownsville.com.au

## Sky Racing / Sky Sports Radio

79 Frenchs Forest Road  
Frenchs Forest NSW 2086  
Telephone: 02 9451 0888  
www.skyracing.com.au  
www.skysportsradio.com.au

# Key dates

## 2010

Annual General Meeting  
(Melbourne Park, Melbourne) 25 October

## 2011\*

Half-year results announcement	3 February
Ex-dividend for interim dividend	8 February
Record date for interim dividend	14 February
Interim dividend payment	21 March
End of financial year	30 June
Full-year results announcement	4 August
Ex-dividend for final dividend	9 August
Record date for final dividend	15 August
Final dividend payment	19 September
Annual General Meeting	26 October

*\*These dates may change.*

*See the Company's website for updates.*

## About this Annual Report

Tabcorp's Annual Report consists of two documents – the Concise Annual Report (which incorporates the concise financial statements) and the Financial Report. The concise financial statements included in the Concise Annual Report cannot be expected to provide as full an understanding of Tabcorp's performance, financial position and investing activities as provided by the full Financial Report. A copy of Tabcorp's Financial Report is available, free of charge, on request and can be accessed via the Company's website at [www.tabcorp.com.au](http://www.tabcorp.com.au).

## Currency

References to currency are in Australian dollars unless otherwise stated.

## Copyright

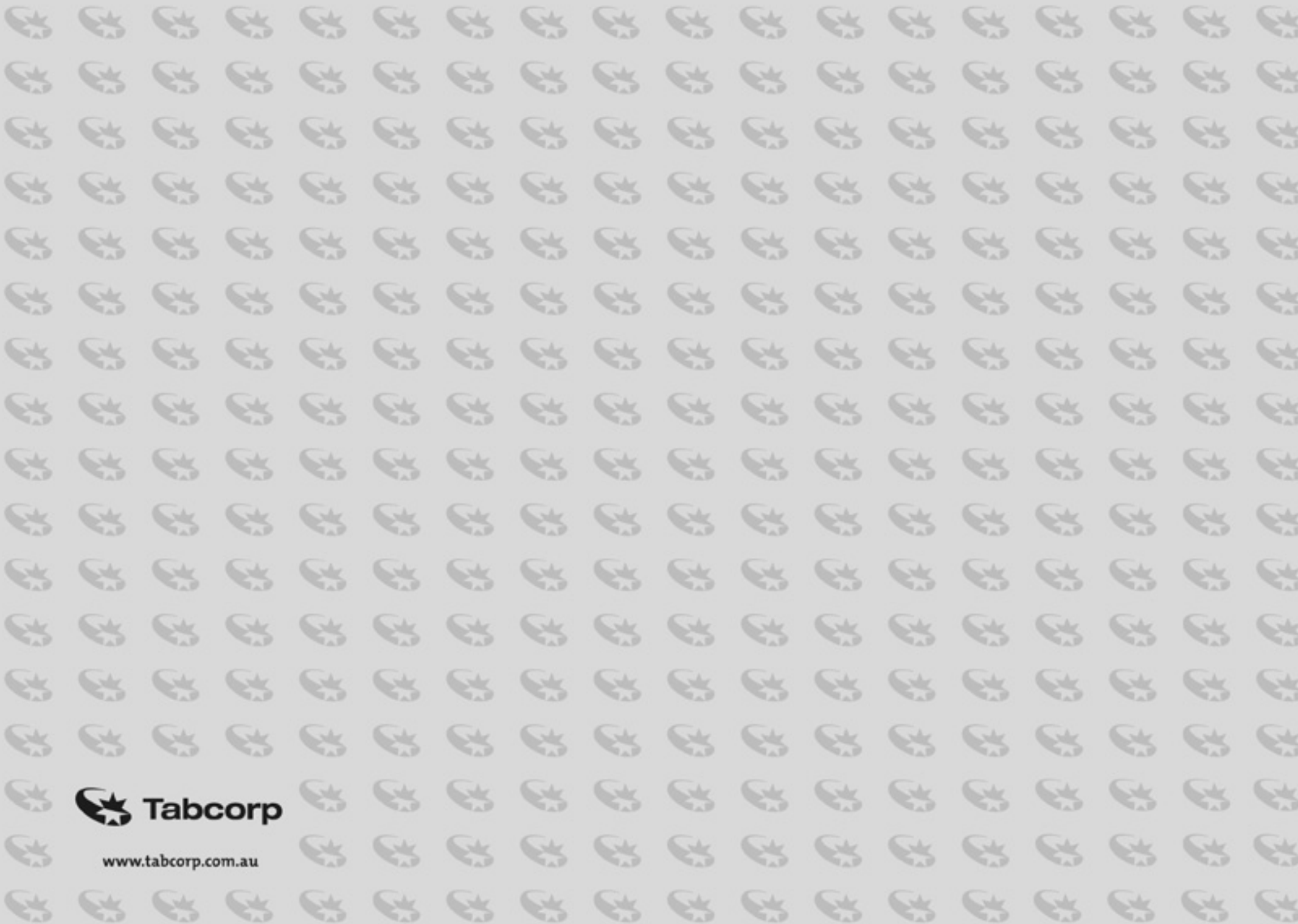
Information in this report has been prepared by Tabcorp, unless otherwise indicated. Information may be reproduced provided it is reproduced accurately and not in a misleading context. Where the material is being published or issued to others, the sources and copyright status should be acknowledged.

## Investment warning

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

## Privacy

Tabcorp respects the privacy of its stakeholders. Tabcorp's Privacy Policy is available on the Company's website at [www.tabcorp.com.au](http://www.tabcorp.com.au).



**Tabcorp**

[www.tabcorp.com.au](http://www.tabcorp.com.au)