Tabcorp

Financial Report 2007

Contents

Income statement

for the year ended 30 June 2007

		Consolidated		Tabcorp Holdings	
		2007	2006	**2007**	2006
	Note	**$m**	$m	**$m**	$m
Total operating revenues		**3,835.0**	3,776.9	**27.0**	25.9
Other revenues	2	**48.7**	57.9	**322.0**	487.3
Revenue		**3,883.7**	3,834.8	**349.0**	513.2
Other income	2	**(1.5)**	11.8	**(0.9)**	0.2
Government taxes and levies		**(1,044.3)**	(1,018.7)	**-**	-
Commissions and fees		**(825.5)**	(796.0)	**(7.4)**	(11.7)
Employment costs		**(587.3)**	(536.2)	**(48.1)**	(23.6)
Depreciation and amortisation	2	**(142.3)**	(139.1)	**(2.9)**	(1.7)
Impairment	2	**(2.2)**	(68.5)	**-**	-
Property costs		**(78.7)**	(76.0)	**(0.2)**	(0.7)
Computer costs		**(28.9)**	(27.1)	**(0.1)**	(0.2)
Advertising and promotions		**(80.9)**	(82.2)	**(2.5)**	(2.3)
Professional and contract services		**(33.3)**	(33.4)	**(13.8)**	(6.8)
Finance costs	2	**(172.3)**	(165.9)	**-**	(0.2)
Other expenses		**(246.9)**	(208.5)	**(12.1)**	(7.1)
Profit before income tax expense		**639.6**	695.0	**261.0**	459.1
Income tax (expense)/benefit	4	**(190.1)**	(152.4)	**12.1**	4.3
Net profit after tax		**449.5**	542.6	**273.1**	463.4
Net loss attributable to minority interest		**0.9**	0.8	**-**	-
Net profit attributable to members of the parent entity		**450.4**	543.4	**273.1**	463.4
Earnings per share for profit attributable to members of the parent entity:					
Basic earnings per share (cents per share)	6	**85.8**	103.6		
Diluted earnings per share (cents per share)	6	**85.6**	103.4		

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

Balance sheet

as at 30 June 2007

		Consolidated		Tabcorp Holdings	
		2007	2006	**2007**	2006
	Note	**$m**	$m	**$m**	$m
Current assets					
Cash and cash equivalents	7	**202.2**	206.6	**39.9**	46.6
Receivables	8	**31.6**	34.7	**2,446.8**	2,632.6
Inventories	9	**15.1**	15.0	**-**	-
Derivative financial instruments	33(a)	**-**	1.8	**-**	-
Other	10	**18.7**	20.5	**2.5**	0.8
Assets held for sale	11	**15.1**	-	**-**	-
Total current assets		**282.7**	278.6	**2,489.2**	2,680.0
Non current assets					
Investments in controlled entities		**-**	-	**447.7**	447.7
Property, plant and equipment	12	**1,461.8**	1,442.3	**6.3**	7.4
Licences	13	**1,220.8**	1,230.1	**597.2**	597.2
Other intangible assets	14	**3,680.7**	3,676.5	**7.2**	26.4
Deferred tax assets	4	**-**	-	**8.1**	1.3
Derivative financial instruments	33(a)	**66.8**	29.7	**-**	-
Other	10	**13.7**	14.8	**0.3**	1.3
Total non current assets		**6,443.8**	6,393.4	**1,066.8**	1,081.3
TOTAL ASSETS		**6,726.5**	6,672.0	**3,556.0**	3,761.3
Current liabilities					
Payables	16	**379.8**	345.4	**19.0**	16.1
Interest bearing liabilities	17	**390.0**	390.0	**-**	-
Current tax liabilities		**13.2**	33.3	**13.6**	31.4
Provisions	18	**114.7**	122.3	**18.3**	1.9
Other	19	**2.6**	5.2	**-**	-
Liabilities held for sale	11	**4.6**	-	**-**	-
Total current liabilities		**904.9**	896.2	**50.9**	49.4
Non current liabilities					
Interest bearing liabilities	17	**1,950.6**	2,029.6	**-**	-
Deferred tax liabilities	4	**271.7**	246.1	**-**	-
Provisions	18	**45.3**	63.8	**0.6**	0.2
Derivative financial instruments	33(a)	**167.3**	73.4	**-**	-
Other	19	**2.5**	-	**-**	-
Total non current liabilities		**2,437.4**	2,412.9	**0.6**	0.2
TOTAL LIABILITIES		**3,342.3**	3,309.1	**51.5**	49.6
NET ASSETS		**3,384.2**	3,362.9	**3,504.5**	3,711.7
Equity					
Issued capital	20	**3,192.3**	3,176.3	**3,198.0**	3,197.2
Retained earnings	20	**168.6**	201.7	**299.1**	509.5
Reserves	20	**15.2**	(19.2)	**7.4**	5.0
Parent interests		**3,376.1**	3,358.8	**3,504.5**	3,711.7
Minority interests	21	**8.1**	4.1	**-**	-
TOTAL EQUITY		**3,384.2**	3,362.9	**3,504.5**	3,711.7

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

Cash flow statement

for the year ended 30 June 2007

	Note	Consolidated 2007 $m	Consolidated 2006 $m	Tabcorp Holdings 2007 $m	Tabcorp Holdings 2006 $m
Cash flows from operating activities					
Net cash receipts in the course of operations		**4,009.0**	3,969.1	**59.8**	47.5
Payments to suppliers, service providers and employees		**(2,057.1)**	(1,893.6)	**(72.3)**	(53.8)
Payments of government levies, betting taxes and GST		**(993.1)**	(998.7)	**(137.5)**	(148.0)
Dividends received		**-**	-	**296.6**	471.0
Interest received		**8.7**	9.5	**2.2**	1.7
Finance costs paid		**(161.4)**	(162.7)	**-**	(0.2)
Income tax paid		**(198.2)**	(218.4)	**(195.8)**	(224.0)
Net cash flows from operating activities	22	**607.9**	705.2	**(47.0)**	94.2
Cash flows from investing activities					
Proceeds from sale of businesses		**-**	6.3	**-**	-
Payments for property, plant and equipment and intangibles		**(166.8)**	(236.1)	**(2.4)**	(23.9)
Proceeds from sale of property, plant and equipment and intangibles		**5.8**	38.0	**-**	0.2
Repayments of loans to controlled entities		**-**	-	**526.1**	409.2
Net cash flows from investing activities		**(161.0)**	(191.8)	**523.7**	385.5
Cash flows from financing activities					
Net proceeds/(repayments) from borrowings		**22.0**	(98.0)	**-**	-
Dividends paid		**(348.4)**	(299.5)	**(348.4)**	(299.5)
On-market share purchases for dividend reinvestment plan		**(134.6)**	(146.7)	**(134.6)**	(146.7)
Payments for on-market share buy back		**(1.2)**	(1.6)	**(1.2)**	(1.6)
Proceeds from issue of shares and exercise of options		**-**	13.9	**-**	13.9
Proceeds from issue of shares to minority interests		**-**	4.9	**-**	-
Proceeds from sale of treasury shares		**-**	1.5	**-**	-
Repayments of employee share loans		**16.0**	9.3	**0.8**	0.4
Net cash flows from financing activities		**(446.2)**	(516.2)	**(483.4)**	(433.5)
Net increase/(decrease) in cash held		**0.7**	(2.8)	**(6.7)**	46.2
Cash at the beginning of the financial year		**206.6**	209.4	**46.6**	0.4
Cash at the end of the financial year	22	**207.3**	206.6	**39.9**	46.6

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

Statement of recognised income and expense

for the year ended 30 June 2007

		Consolidated		Tabcorp Holdings	
		2007	2006	**2007**	2006
	Note	**$m**	$m	**$m**	$m
Change in fair value of cash flow hedges		**45.9**	(30.1)	**-**	-
Actuarial gain/(loss) on defined benefit plan	26	**(0.8)**	3.7	**(0.8)**	3.7
Income tax (expense)/benefit on items taken directly to equity	4(a)	**(13.6)**	8.0	**0.3**	(1.1)
Net income/(expense) recognised directly in equity		**31.5**	(18.4)	**(0.5)**	2.6
Net profit after tax		**449.5**	542.6	**273.1**	463.4
Total recognised income and expense for the period		**481.0**	524.2	**272.6**	466.0
Attributable to:					
Members of the parent entity		**481.9**	525.0	**272.6**	466.0
Minority interest		**(0.9)**	(0.8)	**-**	-
		481.0	524.2	**272.6**	466.0
Effects of changes in accounting policy on members of the parent entity:					
Retained earnings		**-**	0.7	**-**	-
Net unrealised gain/(loss) reserve		**-**	(3.2)	**-**	-
		-	(2.5)	**-**	-

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

Notes to the financial statements

for the year ended 30 June 2007

1. Significant accounting policies and corporate information

Tabcorp Holdings Limited (the Company) is a company limited by shares which are traded on the Australian Stock Exchange. The Company is incorporated and domiciled in Australia. The financial report of the Company for the year ended 30 June 2007 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 23 August 2007.

(a) Statement of compliance

New Australian Accounting Standards
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 currently being assessed by management but are not expected to change accounting policies, or have a material impact on the Group's financial position and performance, however increased disclosures may be required in the Group's financial statements.

AASB Reference	Title	Application date for Group
AASB 7	Financial Instruments: Disclosures	1 July 2007
AASB 8	Operating Segments	1 July 2009
AASB 123	Borrowing Costs	1 July 2009
AASB 2005-10	Amendments to Australian Accounting Standards	1 July 2007
AASB 2007-1	Amendments to Australian Accounting Standards arising from AASB Interpretation 11	1 July 2007
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8	1 July 2009
AASB 2007-4	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments	1 July 2007
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123	1 July 2009
AASB 2007-7	Amendments to Australian Accounting Standards	1 July 2007
Interpretation 4	Determining whether an Arrangement contains a Lease	1 July 2008
Interpretation 10	Interim Financial Reporting and Impairment	1 July 2007
Interpretation 11	AASB 2 - Group and Treasury Share Transactions	1 July 2007

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

(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.

Notes to the financial statements

for the year ended 30 June 2007 (continued)

1. Significant accounting policies and corporate information (continued)

(b) Basis of preparation (continued)

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

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest hundred thousand dollars, unless otherwise stated.

(c) 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 within the next annual reporting period are:

Impairment of goodwill and intangibles with indefinite useful lives
The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are described in note 15.

(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.

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, any resultant gain or loss may be deferred to reserves.

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 to the exposure to the 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:

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

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

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 market value and gains and losses arising on these positions are recognised in revenue.

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.

Interest
Revenue is recognised as the interest accrues, using the effective interest rate method.

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

Notes to the financial statements

for the year ended 30 June 2007 (continued)

1. Significant accounting policies and corporate information (continued)

(i) Finance costs

Finance costs are recognised as an expense when incurred.

(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 collection of the full amount is no longer probable. 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) 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.

(o) Investment in controlled entities

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

(p) 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(r)).

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 are classified as finance leases.

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

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

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

(q) Intangible assets

Goodwill arising from business combinations
All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Impairment
Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated at acquisition date to cash generating units expected to benefit from the business combination's synergies and is not amortised but is tested annually for impairment. Impairment is determined by assessing the recoverable amount of the cash generating unit, to which the goodwill relates. When the recoverable amount of the cash generating unit 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 15 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(r)). 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 licence:
The licence has not been amortised as the payment to be received by the Company under Section 4 of the Gambling Regulation Act 2003 (Vic) at the end of the licence period is currently expected to be not less than the carrying value of the asset. The licence expires 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.

Notes to the financial statements

for the year ended 30 June 2007 (continued)

1. Significant accounting policies and corporate information (continued)

(q) Intangible assets (continued)

Other intangible assets:
Other intangibles relate to the contribution to the construction costs of the state government owned Gold Coast Convention and Entertainment Centre. The Group's Gold Coast casino is deriving future benefits from the contribution, which is being amortised over a period of 50 years.

Customer contracts are amortised over a period of 12 years, being the estimated life of the contracts.

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

Intangibles relating to brand names, broadcast rights and media content 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 annually for impairment.

(r) Impairment

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 value in use 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 15 for further details of key assumptions included in the impairment calculation.

(s) Payables

Payables are stated at amortised cost.

(t) 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.

(u) 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 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.

(v) 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.

Wages, salaries and annual leave

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

Share based payment transactions

The Group operates the Long Term Performance Plan (LTPP), which is available at the most senior executive levels. Under the LTPP, employees may become entitled to Performance Options (and prior to December 2006, also Share Rights) in the Company.

The fair value of Performance Options and Share Rights 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 Options and Share Rights vest to the holder. A reversal of the expense is only recognised in the event the instruments lapse due to cessation of employment within the four year period (three year period for instruments issued prior to 30 June 2006).

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

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

In addition, the Group operates the Short Term Performance Plan (STPP) and Medium Term Performance Plan (MTPP) for senior executives. Participants in the STPP have the opportunity to voluntarily sacrifice part or all of the award payable under the STPP into shares. The cost of the shares is recognised in the year of performance. Participants in the MTPP become entitled to Restricted Shares, which are 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 two year period.

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 25 for further details on the share based payment transactions.

(w) Rental in advance

The payment made for rental in advance for the Star City casino site for 12 years was deferred in the balance sheet at the nominal amount and amortised over 12 years commencing from the date of issue of the casino licence in 1994. The amount is now fully amortised.

Notes to the financial statements

for the year ended 30 June 2007 (continued)

1. Significant accounting policies and corporate information (continued)

(w) Rental in advance (continued)

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 over 95 years from the commencement of the rental of the site in 1997.

(x) Deferred revenue

Deferred revenue includes subscriptions received before the end of the financial year, but relating to future periods.

(y) 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 a reduction in issued capital. No such loans have been granted since 2003.

Shares held in the Company by a special purpose entity established to administer an employee share plan are recorded as a reduction in issued capital. All shares were disposed of prior to 31 December 2005.

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

(z) Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services which are subject to risks and rewards that are different from those of other segments.

(aa) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the Company, 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 attributable to members of the Company, 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.

(ab) Capitalised costs

Capitalised costs relating to development projects and potential business acquisitions 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 or acquisition will not occur the amount is expensed to the income statement.

	Consolidated		Tabcorp Holdings	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
2. Revenue and expenses				
(a) Other revenues:				
Finance revenue	**8.6**	9.4	**2.3**	1.7
Dividend revenue received from controlled entities	**-**	-	**296.6**	471.0
Other revenue items	**40.1**	48.5	**23.1**	14.6
	48.7	57.9	**322.0**	487.3
(b) Other income:				
Net gain/(loss) on disposal of non current assets	**(2.0)**	8.5	**(0.9)**	0.2
Net gain on disposal of businesses	**-**	0.6	**-**	-
Net foreign exchange gain	**0.5**	2.7	**-**	-
	(1.5)	11.8	**(0.9)**	0.2
(c) Depreciation:				
- buildings	**14.4**	8.3	**-**	-
- leasehold improvements	**14.3**	13.7	**-**	-
- plant and equipment	**75.4**	83.7	**1.5**	1.0
	104.1	105.7	**1.5**	1.0
(d) Amortisation:				
- NSW wagering licence	**3.7**	3.7	**-**	-
- Star City and Treasury casino licences	**3.2**	3.1	**-**	-
- Queensland Keno licence	**2.4**	2.4	**-**	-
- customer contracts and relationships	**0.2**	0.2	**-**	-
- software	**23.6**	13.6	**1.4**	0.7
- rental in advance	**4.7**	10.0	**-**	-
- other	**0.4**	0.4	**-**	-
	38.2	33.4	**1.4**	0.7
(e) Impairment:				
- goodwill	**-**	59.7	**-**	-
- software	**-**	6.7	**-**	-
- assets held for sale	**-**	2.1	**-**	-
- property, plant and equipment	**2.2**	-	**-**	-
	2.2	68.5	**-**	-
(f) Employment costs:				
Included in employment costs:				
- defined benefit plan expense	**0.6**	1.3	**0.6**	1.3
- defined contribution plan expense	**38.4**	33.4	**0.7**	0.8
- share based payments expense	**3.7**	3.8	**1.0**	1.3
- reorganisation costs	**37.0**	6.7	**27.5**	1.2
	79.7	45.2	**29.8**	4.6
(g) Operating lease rentals:				
- minimum lease payments	**27.6**	25.8	**1.5**	2.2
(h) Finance costs:				
- other parties	**165.0**	161.2	**-**	0.2
- unwinding of discounts	**7.3**	4.7	**-**	-
	172.3	165.9	**-**	0.2

Notes to the financial statements

for the year ended 30 June 2007 (continued)

	Consolidated		Tabcorp Holdings	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
3. Auditor's remuneration				
Amounts received or due and receivable by Ernst & Young for:				
- audit and review of the financial report of the Company and any other entity in the Group	**1,383**	1,482	**379**	341
- other services in relation to the Company and any other entity in the Group:				
- other audit services	**89**	305	**-**	-
- other regulatory audit services	**97**	108	**-**	-
- other assurance	**15**	-	**-**	-
	1,584	1,895	**379**	341

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.

	Consolidated		Tabcorp Holdings	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
4. Income tax				
(a) Income tax expense				
The major components of income tax expense are:				
Current tax expense	**181.8**	224.8	**(3.8)**	(3.3)
Adjustments in respect of current income tax of previous years:				
- affecting provision for income tax	**(4.4)**	(3.0)	**(1.4)**	0.2
- affecting deferred tax balances	**(2.0)**	(10.7)	**(0.3)**	(0.9)
Deferred income tax expense relating to the origination and reversal of temporary differences	**14.7**	(58.7)	**(6.6)**	(0.3)
Income tax expense/(benefit) reported in the income statement	**190.1**	152.4	**(12.1)**	(4.3)
Aggregate current and deferred tax relating to items charged or credited to equity:				
Change in value of cash flow hedges	**13.9**	(9.1)	**-**	-
Actuarial gain/(loss) on defined benefit plan	**(0.3)**	1.1	**(0.3)**	1.1
Income tax expense/(benefit) reported in equity	**13.6**	(8.0)	**(0.3)**	1.1

	Consolidated		Tabcorp Holdings	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
Income tax expense				
A reconciliation between income tax expense and the product of accounting profit before income tax multiplied by the income tax rate is as follows:				
Accounting profit before income tax expense	**639.6**	695.0	**261.0**	459.1
At the Group's statutory income tax rate of 30%	**(191.9)**	(208.5)	**(78.3)**	(137.7)
- Dividends received	**-**	-	**89.0**	141.3
- Impairment of goodwill	**-**	(17.9)	**-**	-
- Prepaid rent	**(1.6)**	(6.0)	**-**	-
- International business costs	**(1.3)**	(4.1)	**-**	-
- Sundry items	**(1.7)**	2.3	**(0.3)**	-
- Recognition of tax benefit upon entry into tax consolidation and resetting tax values	**-**	70.7	**-**	-
- Over provision in prior years	**6.4**	11.1	**1.7**	0.7
Aggregate income tax (expense)/benefit	**(190.1)**	(152.4)	**12.1**	4.3
(b) Deferred tax assets				
The balance comprises temporary differences attributable to:				
Amounts recognised in the income statement:				
Doubtful debts	**2.5**	3.3	**-**	-
Employee benefits	**20.2**	19.9	**1.0**	0.6
Merger/acquisition costs	**3.6**	4.5	**0.8**	-
Provision for management agreement	**13.7**	19.1	**-**	-
Provision for restructuring costs	**5.6**	3.2	**4.3**	-
Provision for onerous contract - surplus lease space	**1.5**	2.1	**-**	-
Fair value of cross currency swaps	**8.3**	3.6	**-**	-
Minor assets	**1.0**	1.5	**-**	0.1
Other provisions	**1.3**	5.0	**1.6**	0.1
Tax losses	**-**	0.6	**-**	0.6
Accrued expenses	**11.3**	7.0	**1.1**	0.8
Jackpots	**2.0**	3.4	**-**	-
Amounts recognised directly in equity:				
Fair value of cash flow hedges	**(3.7)**	10.1	**-**	-
	67.3	83.3	**8.8**	2.2
Deferred tax assets set off	**67.3**	83.3	**-**	-
Deferred tax liabilities set off	**-**	-	**0.7**	0.9
Net deferred tax assets	**-**	-	**8.1**	1.3
Movements:				
Opening balance at 1 July	**83.3**	86.8	**2.2**	1.6
Application of AASB 139	**-**	0.8	**-**	-
Credited/(charged) to the income statement	**(2.1)**	(13.4)	**6.6**	0.6
Credited/(charged) to equity	**(13.9)**	9.1	**-**	-
Closing balance at 30 June	**67.3**	83.3	**8.8**	2.2

Notes to the financial statements

for the year ended 30 June 2007 (continued)

	Consolidated		Tabcorp Holdings	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
4. Income tax (continued)				
(c) Deferred tax liabilities				
The balance comprises temporary differences attributable to:				
Amounts recognised in the income statement:				
Prepayments	**5.1**	4.7	**-**	-
Inventories	**3.3**	3.0	**-**	-
Unclaimed dividend adjustment	**4.8**	4.6	**-**	-
Prepaid rent	**35.2**	32.9	**-**	-
Fair value of US dollar private placement	**7.3**	3.2	**-**	-
Intangibles	**11.8**	5.2	**0.4**	0.2
Licences	**187.1**	189.9	**-**	-
Property, plant and equipment	**83.2**	84.3	**0.2**	0.3
Other	**1.1**	1.2	**-**	-
Amounts recognised directly in equity:				
Actuarial gains/(losses) on defined benefit plans	**0.1**	0.4	**0.1**	0.4
	339.0	329.4	**0.7**	0.9
Deferred tax assets set off	**67.3**	83.3	**-**	-
Deferred tax liabilities set off	**-**	-	**0.7**	0.9
Net deferred tax liabilities	**271.7**	246.1	**-**	-
Movements:				
Opening balance at 1 July	**329.4**	410.4	**0.9**	0.4
Charged/(credited) to the income statement	**9.9**	(82.1)	**0.1**	(0.6)
Charged/(credited) to equity	**(0.3)**	1.1	**(0.3)**	1.1
Closing balance at 30 June	**339.0**	329.4	**0.7**	0.9

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.

Tab Limited and its 100% controlled entities joined the Tabcorp Holdings Limited tax consolidation group when full beneficial share ownership was attained on 20 September 2004. An income tax benefit of $70.7 million was recognised in the prior year resulting from the finalisation of resetting the tax values of certain assets.

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 UIG 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.

		Consolidated		**Tabcorp Holdings**	
		2007	2006	**2007**	2006
	Note	**$m**	$m	**$m**	$m
5. Dividends					
Dividends declared and paid during the year on ordinary shares:					
(a) Final dividend for 2006 of 45.0 cents (2005: 41.0 cents)		**236.2**	215.2	**236.2**	215.2
(b) Interim dividend for 2007 of 47.0 cents (2006: 44.0 cents)		**246.8**	231.0	**246.8**	231.0
	20(b)	**483.0**	446.2	**483.0**	446.2
Dividends declared after balance date					
Since the end of the financial year, the directors declared the following dividend:					
Final - 47.0 cents per share (2006: 45.0 cents per share)		**246.7**	236.2	**246.7**	236.2
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 31).					
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:				**191.3**	214.9
Franking credits available once the impact of dividends declared after balance date has been incorporated:				**85.6**	113.7
Dividends on ordinary shares are fully franked at a tax rate of 30%.					

Notes to the financial statements

for the year ended 30 June 2007 (continued)

	Consolidated 2007 $m	Consolidated 2006 $m
6. Earnings per share		
(a) Earnings used in calculating earnings per share		
Basic and diluted earnings per share		
Net profit attributable to members of the parent entity	**450.4**	543.4

	Consolidated 2007 Number	Consolidated 2006 Number
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used in calculating basic earnings per share	**524,927,016**	524,740,823
Effect of dilution:		
- Options and Performance Options	**659,559**	482,206
- Share Rights	**406,940**	226,285
Weighted average number of ordinary shares adjusted for the effect of dilution	**525,993,515**	525,449,314
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in diluted earnings per share	**51,665**	86,466

(c) Information concerning the classification of securities

(i) Options and Performance Options

Options and 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 Options and Performance Options have not been included in the determination of basic earnings per share. Details relating to Options and Performance Options are set out in note 25.

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:

	Note	Consolidated 2007 Number	Consolidated 2006 Number
- Issue date 7 September 2004	25	**-**	1,042,225
- Issue date 3 March 2005	25	**50,574**	74,097
- Issue date 7 September 2005	25	**731,765**	1,277,029
- Issue date 3 March 2006	25	**-**	143,872
- Issue date 3 April 2006	25	**112,500**	112,500
- Issue date 17 November 2006	25	**899,583**	n/a

(ii) Share Rights
Share 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 Share Rights have not been included in the determination of basic earnings per share. Details relating to Share Rights are set out in note 25.

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.

		Consolidated		**Tabcorp Holdings**	
		2007	2006	**2007**	2006
	Note	**$m**	$m	**$m**	$m
7. Cash and cash equivalents					
Cash on hand and in banks		**108.4**	112.8	**4.7**	1.3
Short term deposits, maturing within 30 days		**93.8**	93.8	**35.2**	45.3
		202.2	206.6	**39.9**	46.6
8. Receivables					
Current					
Trade debtors (i)		**26.6**	29.3	**-**	-
Allowance for doubtful debts		**(9.8)**	(10.9)	**-**	-
		16.8	18.4	**-**	-
Sundry debtors		**14.8**	16.3	**0.1**	0.2
Amounts receivable from controlled entities	29	**-**	-	**2,446.7**	2,632.4
		31.6	34.7	**2,446.8**	2,632.6

(i) Trade debtors are non-interest bearing and are generally on 30-90 day terms.

9. Inventories					
Consumable stores at cost		**16.7**	15.9	**-**	-
Provision for obsolescence		**(2.0)**	(1.7)	**-**	-
		14.7	14.2	**-**	-
Finished goods and stores at net realisable value		**0.4**	0.8	**-**	-
		15.1	15.0	**-**	-
10. Other assets					
Current					
Prepayments		**15.7**	14.0	**2.5**	0.8
Rental in advance		**0.3**	5.0	**-**	-
Other		**2.7**	1.5	**-**	-
		18.7	20.5	**2.5**	0.8
Non current					
Prepayments		**0.8**	1.0	**-**	-
Rental in advance		**11.5**	11.8	**-**	-
Pension asset	26	**0.3**	1.3	**0.3**	1.3
Other		**1.1**	0.7	**-**	-
		13.7	14.8	**0.3**	1.3

Notes to the financial statements

for the year ended 30 June 2007 (continued)

	Consolidated		Tabcorp Holdings	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
11. Assets and liabilities held for sale				
Assets held for sale				
Current				
Cash and cash equivalents	**5.1**	-	**-**	-
Receivables	**0.1**	-	**-**	-
Property, plant and equipment	**6.6**	-	**-**	-
Intangibles	**3.3**	-	**-**	-
	15.1	-	**-**	-
Liabilities held for sale				
Current				
Payables	**4.6**	-	**-**	-

The assets and liabilities held for sale relate to certain International operations, which are intended to be disposed of in the next financial year.

	Consolidated		Tabcorp Holdings	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
12. Property, plant and equipment				
Land and buildings:				
Freehold land:				
- at cost	**111.2**	113.6	**-**	-
Buildings:				
- at cost (i)	**881.3**	842.7	**-**	-
- accumulated depreciation	**(105.8)**	(93.7)	**-**	-
	775.5	749.0	**-**	-
Total land and buildings, net	**886.7**	862.6	**-**	-
Leasehold improvements:				
- at cost (i)	**327.0**	332.5	**0.1**	-
- accumulated depreciation	**(91.1)**	(83.9)	**-**	-
Total leasehold improvements, net	**235.9**	248.6	**0.1**	-
Plant and equipment:				
- at cost (i)	**894.2**	830.2	**11.2**	11.9
- accumulated depreciation	**(555.0)**	(499.1)	**(5.0)**	(4.5)
Total plant and equipment, net	**339.2**	331.1	**6.2**	7.4
	1,461.8	1,442.3	**6.3**	7.4
(i) Includes capital works in progress of:				
Freehold land - at cost	**1.6**	1.6	**-**	-
Buildings - at cost	**73.2**	41.4	**-**	-
Leasehold improvements - at cost	**2.0**	10.9	**0.1**	-
Plant and equipment - at cost	**49.6**	49.5	**2.7**	2.9
Total capital works in progress	**126.4**	103.4	**2.8**	2.9

Reconciliations	Freehold land	Buildings	Leasehold improvements	Plant and equipment
	$m	$m	$m	$m
2007 - Consolidated				
Carrying amount at beginning of year	**113.6**	**749.0**	**248.6**	**331.1**
Additions	**-**	**41.5**	**1.9**	**100.7**
Reclassification/transfer	**(1.8)**	**2.7**	**0.4**	**(0.2)**
Disposals/write down	**(0.6)**	**(2.0)**	**-**	**(1.1)**
Impairment	**-**	**(1.0)**	**-**	**(1.2)**
Transfer to assets held for sale	**-**	**-**	**-**	**(6.6)**
Depreciation expense	**-**	**(14.7)**	**(15.0)**	**(83.5)**
Carrying amount at end of year	**111.2**	**775.5**	**235.9**	**339.2**
2007 - Tabcorp Holdings Limited				
Carrying amount at beginning of year	**-**	**-**	**-**	**7.4**
Additions	**-**	**-**	**0.1**	**1.5**
Reclassification/transfer	**-**	**-**	**-**	**(0.9)**
Disposals	**-**	**-**	**-**	**(0.3)**
Depreciation expense	**-**	**-**	**-**	**(1.5)**
Carrying amount at end of year	**-**	**-**	**0.1**	**6.2**
2006 - Consolidated				
Carrying amount at beginning of year	115.7	711.4	249.1	365.1
Additions	1.6	46.4	14.3	59.6
Reclassification/transfer	-	-	-	-
Disposals/write down	-	(0.3)	(0.4)	(2.8)
Transfer to assets held for sale	(3.7)	-	-	-
Depreciation/amortisation expense	-	(8.5)	(14.4)	(90.8)
Carrying amount at end of year	113.6	749.0	248.6	331.1
2006 - Tabcorp Holdings Limited				
Carrying amount at beginning of year	-	-	-	8.5
Additions	-	-	-	-
Reclassification/transfer	-	-	-	-
Disposals	-	-	-	(0.1)
Depreciation/amortisation expense	-	-	-	(1.0)
Carrying amount at end of year	-	-	-	7.4

Notes to the financial statements

for the year ended 30 June 2007 (continued)

	Consolidated		Tabcorp Holdings	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
13. Intangible assets - licences				
Victorian wagering and gaming licence:				
- at cost	**597.2**	597.2	**597.2**	597.2
NSW wagering licence:				
- at cost	**339.1**	339.1	**-**	-
- accumulated amortisation	**(11.1)**	(7.4)	**-**	-
	328.0	331.7	**-**	-
Star City and Treasury casino licences:				
- at cost	**294.7**	294.7	**-**	-
- accumulated amortisation	**(34.2)**	(31.0)	**-**	-
	260.5	263.7	**-**	-
Queensland Keno licence:				
- at cost	**43.7**	43.7	**-**	-
- accumulated amortisation	**(8.6)**	(6.2)	**-**	-
	35.1	37.5	**-**	-
	1,220.8	1,230.1	**597.2**	597.2

Reconciliations	**Victorian wagering & gaming licence**	**NSW wagering licence**	**Star City & Treasury casino licences**	**Queensland Keno licence**
	$m	**$m**	**$m**	**$m**
2007 - Consolidated				
Carrying amount at beginning of year	**597.2**	**331.7**	**263.7**	**37.5**
Amortisation expense	**-**	**(3.7)**	**(3.2)**	**(2.4)**
Carrying amount at end of year	**597.2**	**328.0**	**260.5**	**35.1**
2007 - Tabcorp Holdings Limited				
Carrying amount at beginning of year	**597.2**	**-**	**-**	**-**
Carrying amount at end of year	**597.2**	**-**	**-**	**-**
2006 - Consolidated				
Carrying amount at beginning of year	597.2	335.4	266.8	39.9
Amortisation expense	-	(3.7)	(3.1)	(2.4)
Carrying amount at end of year	597.2	331.7	263.7	37.5
2006 - Tabcorp Holdings Limited				
Carrying amount at beginning of year	597.2	-	-	-
Carrying amount at end of year	597.2	-	-	-

	Consolidated		Tabcorp Holdings	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
14. Intangible assets - other				
Goodwill:				
- at cost	**3,537.5**	3,537.5	**-**	-
- accumulated impairment	**(152.9)**	(152.9)	**-**	-
	3,384.6	3,384.6	**-**	-
Customer contracts and relationships:				
- at cost	**2.9**	2.9	**-**	-
- accumulated amortisation	**(0.7)**	(0.5)	**-**	-
	2.2	2.4	**-**	-
Software:				
- at cost [(i)]	**251.9**	232.1	**10.5**	31.8
- accumulated amortisation and impairment	**(114.0)**	(98.8)	**(3.3)**	(5.4)
	137.9	133.3	**7.2**	26.4
Other:				
- at cost	**20.6**	20.5	**-**	-
- accumulated amortisation	**(1.1)**	(0.8)	**-**	-
	19.5	19.7	**-**	-
Brand names at cost	**105.9**	105.9	**-**	-
Broadcast rights at cost	**6.5**	6.5	**-**	-
Media content at cost	**24.1**	24.1	**-**	-
	3,680.7	3,676.5	**7.2**	26.4
(i) Includes capital works in progress.	**18.6**	65.1	**1.5**	8.3

Notes to the financial statements

for the year ended 30 June 2007 (continued)

Reconciliations	Goodwill	Customer contracts & relationships	Software	Other	Brand names	Broadcast rights	Media content
	$m	$m	$m	$m	$m	$m	$m
14. Intangible assets - other (continued)							
2007 - Consolidated							
Carrying amount at beginning of year	**3,384.6**	**2.4**	**133.3**	**19.7**	**105.9**	**6.5**	**24.1**
Additions - acquired	**-**	**-**	**6.4**	**0.1**	**-**	**-**	**-**
- internally developed	**-**	**-**	**32.1**	**-**	**-**	**-**	**-**
Reclassification/transfer	**-**	**-**	**(0.4)**	**-**	**-**	**-**	**-**
Disposals	**-**	**-**	**(4.3)**	**-**	**-**	**-**	**-**
Transfer to assets held for sale	**-**	**-**	**(3.3)**				
Amortisation expense	**-**	**(0.2)**	**(25.9)**	**(0.3)**	**-**	**-**	**-**
Carrying amount at end of year	**3,384.6**	**2.2**	**137.9**	**19.5**	**105.9**	**6.5**	**24.1**
2007 - Tabcorp Holdings Ltd							
Carrying amount at beginning of year	**-**	**-**	**26.4**	**-**	**-**	**-**	**-**
Additions - internally developed	**-**	**-**	**0.7**	**-**	**-**	**-**	**-**
Reclassification/transfer	**-**	**-**	**(17.9)**	**-**	**-**	**-**	**-**
Disposals	**-**	**-**	**(0.6)**	**-**	**-**	**-**	**-**
Amortisation expense	**-**	**-**	**(1.4)**	**-**	**-**	**-**	**-**
Carrying amount at end of year	**-**	**-**	**7.2**	**-**	**-**	**-**	**-**
2006 - Consolidated							
Carrying amount at beginning of year	3,444.3	2.7	44.9	18.2	105.9	6.5	24.1
Additions - acquired	-	-	8.4	1.9	-	-	-
- internally developed	-	-	103.4	-	-	-	-
Reclassifications/transfer	-	-	1.0	-	-	-	-
Disposals	-	-	(1.1)	-	-	-	-
Impairment	(59.7)	-	(7.5)	-	-	-	-
Amortisation expense	-	(0.3)	(15.8)	(0.4)	-	-	-
Carrying amount at end of year	3,384.6	2.4	133.3	19.7	105.9	6.5	24.1
2006 - Tabcorp Holdings Ltd							
Carrying amount at beginning of year	-	-	3.2	-	-	-	-
Additions - acquired	-	-	1.2	-	-	-	-
- internally developed	-	-	22.7	-	-	-	-
Amortisation expense	-	-	(0.7)	-	-	-	-
Carrying amount at end of year	-	-	26.4	-	-	-	-

15. 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 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:

Cash generating unit (Segment)	Star City (Casinos) $m	Conrad Jupiters (Casinos) $m	Conrad Treasury (Casinos) $m	Wagering Victoria (Wagering) $m	Wagering NSW (Wagering) $m	SKY Channel $m	Gaming Victoria (Gaming) $m	Queensland Keno (Gaming) $m	Other [i] $m	Total carrying amount $m
2007 - Consolidated										
Goodwill	575.6	514.3	347.7	209.3	1,317.0	212.6	47.2	129.6	31.3	3,384.6
Brand names	-	-	-	-	98.8	6.7	-	-	0.4	105.9
Broadcast rights	-	-	-	-	-	-	-	-	6.5	6.5
Media content	-	-	-	-	-	24.1	-	-		24.1
	575.6	514.3	347.7	209.3	1,415.8	243.4	47.2	129.6	38.2	3,521.1
2006 - Consolidated										
Goodwill	575.6	514.3	347.7	207.6	1,317.0	212.6	47.2	129.6	33.0	3,384.6
Brand names	-	-	-	-	98.8	6.7	-	-	0.4	105.9
Broadcast rights	-	-	-	-	-	-	-	-	6.5	6.5
Media content	-	-	-	-	-	24.1	-	-	-	24.1
	575.6	514.3	347.7	207.6	1,415.8	243.4	47.2	129.6	39.9	3,521.1

(i) Represents an allocation to other cash generating units where the individual amount allocated per cash generating unit is not considered significant.

Notes to the financial statements

for the year ended 30 June 2007 (continued)

15. Impairment testing of goodwill and intangibles with indefinite lives (continued)

The recoverable amount of each cash generating unit is determined based on fair value less selling costs, 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 4.5%. These cash flows are then discounted using a relevant pre-tax weighted average cost of capital, ranging from 12.9% to 15.2%.

Key assumptions

The following describes the key assumptions on which management based its cash flow projections when determining fair value less selling costs 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 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 used are the pre tax weighted average cost of capital applicable to the relevant industry in which the cash generating unit operates.

v. Victorian wagering and gaming licence
The Victorian wagering and gaming licence is assumed to expire in 2012, at which time the Company would receive a cash refund of $687 million being the original cost of the licence plus a 15% premium. The premium is based on a formula outlined in the Gambling Regulation Act and assumes the Group has met the required revenue growth rates to achieve the premium.

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. 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.

		Consolidated		**Tabcorp Holdings**	
		2007	2006	**2007**	2006
	Note	**$m**	$m	**$m**	$m
16. Payables					
Current					
Trade creditors and accrued expenses - unsecured	33(a)	**379.8**	345.4	**19.0**	16.1

	Consolidated		Tabcorp Holdings	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
17. Interest bearing liabilities				
Current				
Bank loans - unsecured	**390.0**	390.0	**-**	-
Non current				
Bank loans - unsecured	**677.1**	653.7	**-**	-
Medium term notes [i]:				
- fixed interest rate	**382.8**	382.3	**-**	-
- floating interest rate	**64.8**	64.8	**-**	-
Private placement [ii]:				
- US dollar [iii]	**726.2**	829.2	**-**	-
- Australian dollar	**99.7**	99.6	**-**	-
	1,950.6	2,029.6	**-**	-

(i) Mature in October 2011.
(ii) Mature in December 2014, December 2016 and December 2019.
(iii) Aggregate US dollar principal of $625 million.

Fair value disclosures

Details of the fair value of the Group's interest bearing liabilities are set out in note 33(a).

Financing arrangements

The Group has access to the following financing facilities:

	Consolidated 2007 $m	Consolidated 2006 $m	Tabcorp Holdings 2007 $m	Tabcorp Holdings 2006 $m
Total unsecured bank revolving & term loan facilities	**1,405.0**	1,550.0	**-**	-
Amount of facilities unused	**336.0**	503.0	**-**	-

The facilities consisted of:

	Amount	**2007**	2006
Type	**$m**	**Expiry date**	Expiry date
Syndicated revolving facility	265.0	October 2007	October 2006
	375.0	October 2008	April 2008
	260.0	April 2010	April 2010
Revolving facility	125.0	October 2007	October 2006
	180.0	October 2008	April 2008
	145.0	Cancelled	April 2010
	200.0	March 2010	March 2010

Each of the above facilities is subject to a negative pledge agreement under which the Group undertakes to comply with financial undertakings as to its tangible net worth, gearing and interest cover.

Notes to the financial statements

for the year ended 30 June 2007 (continued)

		Consolidated		Tabcorp Holdings	
		2007	2006	**2007**	2006
	Note	**$m**	$m	**$m**	$m
18. Provisions					
Current					
Employee benefits		**52.6**	54.5	**2.1**	1.9
Workers' compensation	(a)	**13.2**	14.6	**-**	-
Onerous contract - surplus lease space	(b)	**1.5**	1.5	**-**	-
Management agreement - Gold Coast and Brisbane casinos	(c)	**17.4**	17.9	**-**	-
Restructuring costs	(d)	**18.8**	10.6	**14.2**	-
Other	(e)	**11.2**	23.2	**2.0**	-
		114.7	122.3	**18.3**	1.9
Non current					
Employee benefits		**10.7**	11.4	**0.3**	0.2
Onerous contract - surplus lease space	(b)	**3.5**	5.4	**-**	-
Management agreement - Gold Coast and Brisbane casinos	(c)	**28.3**	45.7	**-**	-
Other	(e)	**2.8**	1.3	**0.3**	-
		45.3	63.8	**0.6**	0.2

Reconciliations

Reconciliations of the carrying amounts of each class of provision, including non current provisions, except for employee benefits, at the end of the current financial year are set out below.

	Consolidated	Tabcorp Holdings
	2007	**2007**
	$m	**$m**
(a) Workers' compensation		
Carrying amount at beginning of year	**14.6**	**-**
Provisions made during the year	**3.9**	**-**
Payments made during the year	**(3.6)**	**-**
Unused amounts reversed	**(1.7)**	**-**
Carrying amount at the end of the year	**13.2**	**-**
(b) Onerous contract - surplus lease space		
Carrying amount at beginning of year	**6.9**	**-**
Payments made during the year	**(2.2)**	**-**
Discount on provisions	**0.3**	**-**
Carrying amount at the end of the year	**5.0**	**-**

	Consolidated 2007 $m	Tabcorp Holdings 2007 $m
(c) Management agreement - Gold Coast and Brisbane casinos		
Carrying amount at beginning of year	**63.6**	**-**
Payments made during the year	**(23.2)**	**-**
Discount on provisions	**5.3**	**-**
Carrying amount at the end of the year	**45.7**	**-**
(d) Restructuring costs		
Carrying amount at beginning of year	**10.6**	**-**
Provisions made during the year	**34.3**	**30.3**
Payments made during the year	**(26.1)**	**(16.1)**
Carrying amount at the end of the year	**18.8**	**14.2**
(e) Other		
Carrying amount at beginning of year	**24.5**	**-**
Provisions made during the year	**5.2**	**2.4**
Payments made during the year	**(13.8)**	**(0.1)**
Unused amounts reversed	**(1.9)**	**-**
Carrying amount at the end of the year	**14.0**	**2.3**

(a) 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, Mr Andrew Cohen FIAA FIA and Mr Mark Hurst FIAA (Finity Consulting Pty Ltd) (2006: Queensland - Mr Frank Funder FIAA).

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.

(b) 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 has been recognised as the premises are not occupied by the Group and the lease expenses exceed the rental income from a number of sub-leases to third party tenants. The provision represents the present value of the estimated liability for the Group to the expiration of the lease in April 2010 for its obligations under the lease agreement, assuming no further space is sub-let.

(c) Management agreement - Gold Coast and Brisbane casinos

The Treasury and Gold Coast 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 $115.9m was included in the determination of the fair value of the net assets and liabilities acquired. The contract matures in April 2010.

(d) Restructuring costs

The restructuring provision relates principally to the creation of a group-wide shared services centre, and other business-led cost saving restructures and initiatives. The restructuring plan is expected to be completed in the next financial year.

Notes to the financial statements

for the year ended 30 June 2007 (continued)

	Consolidated		Tabcorp Holdings	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
19. Other liabilities				
Current				
Deferred revenue	**1.6**	0.7	**-**	-
Other	**1.0**	4.5	**-**	-
	2.6	5.2	**-**	-
Non current				
Deferred revenue	**2.5**	-	**-**	-
20. Capital and reserves				
(a) Issued capital				
Ordinary shares [(i)]	**3,199.0**	3,199.6	**3,199.0**	3,199.6
Treasury shares [(ii)]	**(6.7)**	(23.3)	**(1.0)**	(2.4)
	3,192.3	3,176.3	**3,198.0**	3,197.2

(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.

	Consolidated		Tabcorp Holdings	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
Issued and fully paid	**3,199.0**	3,199.6	**3,199.0**	3,199.6

	2007		2006	
	Number of shares	**$m**	Number of shares	$m
Movements in ordinary share capital:				
Ordinary share capital at the beginning of the financial year	**524,927,016**	**3,199.6**	523,918,865	3,187.3
Issues:				
- employee deferred share plan [(a)]	**51,595**	**0.8**	8,151	0.1
- Options, Performance Options and Share Rights exercised	**-**	**-**	1,108,072	13.8
- buy backs	**(51,595)**	**(0.8)**	(108,072)	(1.7)
- transfer from employee equity benefit reserve [(b)]	**-**	**0.2**	-	1.1
- net outlay to purchase shares [(c)]	**-**	**(0.8)**	-	(1.0)
Ordinary share capital at the end of the financial year	**524,927,016**	**3,199.0**	524,927,016	3,199.6

(a) Refer to note 25 for details of the employee deferred share plan.

(b) Transfer on vesting of Performance Options and Share Rights.

(c) Net outlay for the purchase of Company shares for Performance Options and Share Rights exercised by certain executives in lieu of issuing new share capital.

(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);
- the unvested portion of Restricted Shares issued to executives as an incentive on appointment or for retention; and
- shares in the Company held by a special purpose entity established to administer an employee share plan (all shares disposed of prior to 31 December 2005).

		Consolidated		**Tabcorp Holdings**	
		2007	2006	**2007**	2006
	Note	**$m**	$m	**$m**	$m
Movements in treasury shares:					
Treasury shares at the beginning of the financial year		**(23.3)**	(32.5)	**(2.4)**	(1.2)
Restricted shares issued		**(0.4)**	(1.9)	**(0.4)**	(1.9)
Share based payments expense - Company		**0.1**	-	**0.1**	-
Share based payments expense - other Group entities		**0.9**	0.3	**0.9**	0.3
Disposal of shares		**-**	1.5	**-**	-
Repayments [(a)]		**16.0**	9.3	**0.8**	0.4
Treasury shares at the end of the financial year		**(6.7)**	(23.3)	**(1.0)**	(2.4)

(a) Refer to note 25 for details of the employee share plans.

		Consolidated		**Tabcorp Holdings**	
		2007	2006	**2007**	2006
	Note	**$m**	$m	**$m**	$m
(b) Retained earnings					
Movements in retained earnings:					
Retained earnings at the beginning of the financial year		**201.7**	101.2	**509.5**	489.7
Application of AASB 139		**-**	0.7	**-**	-
Net actuarial gain/(loss) on defined benefit plan		**(0.5)**	2.6	**(0.5)**	2.6
Net profit attributable to members of the parent entity		**450.4**	543.4	**273.1**	463.4
Dividends paid	5	**(483.0)**	(446.2)	**(483.0)**	(446.2)
Retained earnings at the end of the financial year		**168.6**	201.7	**299.1**	509.5
(c) Reserves					
Net unrealised gains/losses reserve [(i)]					
Balance at start of period		**(24.2)**	-	**-**	-
Application of AASB 139		**-**	(3.2)	**-**	-
Change in fair value of cash flow hedges		**32.0**	(21.0)	**-**	-
Total for the period		**7.8**	(24.2)	**-**	-
Employee equity benefit reserve [(ii)]					
Balance at start of period		**5.0**	2.6	**5.0**	2.6
Share based payments expense - Company		**0.9**	1.3	**0.9**	1.3
Share based payments expense - other Group entities		**1.7**	2.2	**1.7**	2.2
Transfers to share capital [(a)]		**(0.2)**	(1.1)	**(0.2)**	(1.1)
Total for the period		**7.4**	5.0	**7.4**	5.0
Total reserves		**15.2**	(19.2)	**7.4**	5.0

(a) Transfer on vesting of Performance Options and Share Rights.

Notes to the financial statements

for the year ended 30 June 2007 (continued)

20. Capital and reserves (continued)

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 25).

	Consolidated		Tabcorp Holdings	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
21. Minority interest				
Interest in:				
Ordinary shares	**9.9**	4.9	**-**	-
Retained earnings	**(1.8)**	(0.8)	**-**	-
Closing balance	**8.1**	4.1	**-**	-

22. Notes to the cash flow statement

(a) Reconciliation of cash

For the purposes of the cash flow statement, cash includes cash on hand and in banks, deposits at call and bank accepted bills, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

		Consolidated		Tabcorp Holdings	
		2007	2006	**2007**	2006
	Note	**$m**	$m	**$m**	$m
Cash on hand and in banks	7	**108.4**	112.8	**4.7**	1.3
Short term deposits, maturing within 30 days	7	**93.8**	93.8	**35.2**	45.3
Assets held for sale	11	**5.1**	-	**-**	-
		207.3	206.6	**39.9**	46.6

	Consolidated		Tabcorp Holdings	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
(b) Reconciliation of net profit after tax to net cash flows from operating activities				
Net profit after tax	**449.5**	542.6	**273.1**	463.4
Add/(less) items classified as investing/financing activities:				
- net gain on disposal of non current assets	**2.0**	(8.5)	**0.9**	(0.2)
- net gain on disposal of businesses	**-**	(0.6)	**-**	-
- write off development costs	**-**	2.2	**-**	2.2
Add/(less) non cash income and expense items:				
- depreciation expense	**104.1**	105.7	**1.5**	1.0
- amortisation expense	**38.2**	33.4	**1.4**	0.7
- impairment	**2.2**	68.5	**-**	-
- share based payment expense	**3.7**	3.8	**1.0**	1.3
- net fair value change on derivatives	**0.5**	1.2	**-**	-
Net cash provided by operating activities before changes in assets and liabilities	**600.2**	748.3	**277.9**	468.4
Changes in assets and liabilities:				
(Increase)/decrease in:				
- trade and sundry receivables	**8.0**	8.6	**0.2**	0.3
- inventories	**(0.1)**	0.4	**-**	-
- prepayments	**(1.5)**	5.4	**(1.7)**	1.8
- accrued interest income	**0.1**	0.1	**(0.1)**	-
- amounts receivable from controlled entities	**-**	-	**(318.7)**	(386.2)
- deferred tax assets	**-**	-	**(6.5)**	(0.9)
- other assets	**(1.3)**	(2.8)	**-**	(3.6)
(Decrease)/increase in:				
- payables	**33.8**	51.6	**2.9**	9.9
- provisions	**(26.1)**	(30.5)	**16.8**	(0.8)
- deferred tax liabilities	**12.7**	(66.8)	**-**	-
- provision for income tax	**(20.1)**	1.1	**(17.8)**	5.5
- other liabilities	**2.2**	(10.2)	**-**	(0.2)
Net cash from operating activities	**607.9**	705.2	**(47.0)**	94.2

Notes to the financial statements

for the year ended 30 June 2007 (continued)

	Consolidated		Tabcorp Holdings	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
23. Commitments				
(a) Capital expenditure commitments				
Plant and equipment				
Contracted but not provided for and payable:				
Not later than one year	**47.1**	32.7	**0.4**	0.8
Later than one year but not later than five years	**9.5**	-	**-**	-
	56.6	32.7	**0.4**	0.8
Software				
Contracted but not provided for and payable:				
Not later than one year	**5.1**	14.3	**1.0**	3.4
	5.1	14.3	**1.0**	3.4
(b) Operating lease commitments				
Contracted but not provided for and payable:				
Not later than one year	**32.6**	25.5	**2.4**	2.3
Later than one year but not later than five years	**77.5**	69.3	**7.7**	10.0
Later than five years	**95.9**	97.6	**-**	-
	206.0	192.4	**10.1**	12.3
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	**1.4**	1.4	**-**	-
Later than one year but not later than five years	**1.7**	3.2	**-**	-
	3.1	4.6	**-**	-

The Group leases property under operating leases expiring from 1 to 87 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.

	Consolidated		Tabcorp Holdings	
(c) Operating expenditure commitments				
Contracted but not provided for and payable (i):				
Not later than one year	**48.0**	43.1	**-**	-
Later than one year but not later than five years	**194.0**	161.3	**-**	-
Later than five years	**86.2**	69.0	**-**	-
	328.2	273.4	**-**	-

(i) Long term contracts for telecommunication services and racing club broadcast rights.

24. Segment information

The Group's primary format of segment reporting is on a business segment basis.

The Group has four main business segments:

Casinos	Casino operations including hotels, apartment complex, theatres, restaurants and bars.
Wagering	Comprises: ■ Totalizator and fixed odds betting activities; and ■ National and international broadcasting of racing and sporting events.
Gaming	Gaming machine and Keno operations in licensed clubs and hotels.
International	Technology and product sales and development of opportunities outside of Australia.

Effective 1 July 2006, the following changes were made to the Group's segments, reflecting operational changes, and the 2006 comparatives have been adjusted accordingly:

- Media operations were integrated into the Wagering segment;
- International Keno operations were transferred to the Gaming segment from the International segment; and
- International Trackside operations were transferred to the Wagering segment from the International segment.

The Group's business segments are predominantly located in, and provide services to one geographical segment, Australia. International's operations outside of Australia were not material in the reporting periods.

Inter segment pricing is determined on commercial terms and conditions.

	Casinos $m	Wagering $m	Gaming $m	International $m	Unallocated $m	Elimination $m	Consolidated $m
2007 - Consolidated							
Total operating revenues - external	1,286.6	1,464.1	1,081.8	2.5	-	-	3,835.0
Other revenues - external	7.1	13.0	19.8	-	8.8	-	48.7
Intersegment revenue	4.8	-	-	-	-	(4.8)	-
Revenues	1,298.5	1,477.1	1,101.6	2.5	8.8	(4.8)	3,883.7
Segment Result	**333.9**	**225.7**	**251.1**	**(6.5)**			**804.2**
Unallocated interest revenue							8.6
Unallocated other revenue							0.2
Unallocated expenses							(1.1)
Unallocated finance costs							(172.3)
Profit before income tax							639.6
Income tax expense							(190.1)
Profit for the period							**449.5**
Depreciation and amortisation	67.9	49.5	23.8	1.1	-	-	142.3
Impairment losses recognised in the income statement	2.2	-	-	-	-	-	2.2
Non cash expenses other than depreciation and amortisation	(1.1)	1.7	0.3	-	-	-	0.9
Segment assets	3,139.2	2,714.2	782.4	23.6	67.1	-	6,726.5
Segment liabilities	254.8	209.1	50.7	12.1	2,815.6	-	3,342.3
Capital expenditure	89.0	43.0	44.8	5.9	-	-	182.7

Notes to the financial statements

for the year ended 30 June 2007 (continued)

	Casinos $m	Wagering $m	Gaming $m	International $m	Unallocated $m	Elimination $m	Consolidated $m
24. Segment information (continued)							
2006 - Consolidated							
Total operating revenues - external	1,324.5	1,403.3	1,046.6	2.5	-	-	3,776.9
Other revenues - external	7.2	10.8	20.4	-	19.5	-	57.9
Intersegment revenue	5.6	-	-	-	-	(5.6)	-
Revenues	1,337.3	1,414.1	1,067.0	2.5	19.5	(5.6)	3,834.8
Segment result (pre impairment of goodwill)	424.1	239.5	257.3	(16.1)			904.8
Segment Result	**424.1**	**179.8**	**257.3**	**(16.1)**			**845.1**
Unallocated interest revenue							9.4
Unallocated other revenue							10.1
Unallocated expenses							(3.7)
Unallocated finance costs							(165.9)
Profit before income tax							695.0
Income tax expense							(152.4)
Profit for the period							**542.6**
Depreciation and amortisation	72.3	43.1	22.4	0.6	0.7	-	139.1
Impairment losses recognised in the income statement	2.1	66.4	-	-	-	-	68.5
Non cash expenses other than depreciation and amortisation	1.8	0.4	0.7	-	-	-	2.9
Segment assets	3,205.6	2,719.4	687.2	27.7	32.1	-	6,672.0
Segment liabilities	249.1	214.1	36.7	12.8	2,796.4	-	3,309.1
Capital expenditure	98.2	84.2	41.0	0.3	-	-	223.7

25. 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 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:

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

(i) Implemented in 2004.
(ii) Ceased being offered in 2003.
(iii) Implemented in 2003.
(iv) Implemented in 2007.

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 at note 2(f).

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

Employee equity participation plans

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

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

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

Incentive equity plans

Current
A detailed explanation of the current incentive equity plans are disclosed in the Remuneration report.

Previous
Under the SELTIP, participants received a low interest loan from the Company to acquire shares at the prevailing market price at the time of allocation. Interest is charged bi-annually at the lower of either 4.0% per annum on the outstanding loan balance at the date dividends are paid or an amount equal to the dividend paid, net of the tax reimbursement. Any dividends paid on the shares in excess of the interest payable under the loan are paid to the plan participants. The remaining loans only mature upon cessation of employment of the remaining participants.

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

Details of employee share plans

Options, Performance Options and Share Rights Issued

		Exercise price ($)	
Grant date	**Exercise expiry date**	**Options & Performance Options**	**Share Rights**
7 October 2002 (i)	7 October 2005	12.61	n/a
7 October 2002 (i)	7 October 2010	12.61	n/a
1 December 2003	1 December 2010	11.23	Nil
7 September 2004	7 September 2011	14.54	Nil
3 March 2005	3 March 2012	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

(i) Equity instruments granted under a service agreement. These equity instruments have not been recognised as an expense in the income statement as AASB 2 'Share based Payment' excludes Options granted on or before 7 November 2002. The first tranche vested at grant date, and the second tranche can only be exercised if certain annual and cumulative benchmarks are achieved.

Notes to the financial statements

for the year ended 30 June 2007 (continued)

Grant date	WASP at exercise date [(ii)] $	Balance at the start of the year Number	Granted during the year Number	Forfeited during the year Number	Exercised during the year Number	Balance at the end of the year Number	Exercisable at the end of the year Number
25. Employee share plans (continued)							
Consolidated and Tabcorp Holdings - 2007							
Options and Performance Options:							
7 October 2002	n/a	1,000,000	-	-	-	1,000,000	85,165
1 December 2003	16.02	1,025,337	-	28,488	102,793	894,056	-
7 September 2004	15.49	1,042,225	-	73,853	17,413	950,959	-
3 March 2005	n/a	74,097	-	23,523	-	50,574	-
7 September 2005	n/a	1,277,029	-	545,264	-	731,765	-
3 March 2006	n/a	143,872	-	12,500	-	131,372	-
3 April 2006	n/a	112,500	-	-	-	112,500	-
17 November 2006	n/a	-	1,123,103	223,520	-	899,583	-
		4,675,060	1,123,103	907,148	120,206	4,770,809	85,165
Share Rights:							
1 December 2003	15.94	129,854	-	5,567	14,000	110,287	-
7 September 2004	15.20	141,378	-	13,670	2,368	125,340	-
3 March 2005	n/a	13,699	-	4,798	-	8,901	-
7 September 2005	15.20	175,628	-	53,859	1,311	120,458	-
3 March 2006	n/a	21,366	-	2,536	-	18,830	-
3 April 2006	n/a	15,000	-	-	-	15,000	-
17 November 2006	n/a	-	2,628	2,143	-	485	-
		496,925	2,628	82,573	17,679	399,301	-
Consolidated and Tabcorp Holdings - 2006							
Options and Performance Options:							
7 October 2002	16.39	1,000,000	-	-	1,000,000	-	n/a
7 October 2002	n/a	1,000,000	-	-	-	1,000,000	85,165
1 December 2003	15.49	1,267,931	-	60,898	181,696	1,025,337	-
7 September 2004	15.38	1,190,580	-	67,707	80,648	1,042,225	-
3 March 2005	n/a	84,605	-	10,508	-	74,097	-
7 September 2005	n/a	-	1,331,944	54,915	-	1,277,029	-
3 March 2006	n/a	-	179,901	36,029	-	143,872	-
3 April 2006	n/a	-	112,500	-	-	112,500	-
		4,543,116	1,624,345	230,057	1,262,344	4,675,060	85,165
Share Rights:							
1 December 2003	15.54	168,836	-	12,440	26,542	129,854	-
7 September 2004	15.38	166,156	-	13,811	10,967	141,378	-
3 March 2005	n/a	15,842	-	2,143	-	13,699	-
7 September 2005	15.41	-	184,964	5,604	3,732	175,628	-
3 March 2006	n/a	-	26,240	4,874	-	21,366	-
3 April 2006	n/a	-	15,000	-	-	15,000	-
		350,834	226,204	38,872	41,241	496,925	-

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

The weighted average remaining contractual life for the Options, Performance Options and Share Rights outstanding as at 30 June 2007 is:

- Options and Performance Options: 4.5 years (2006: 5.2 years)
- Share Rights: 4.4 years (2006: 5.5 years)

Fair value of equity instruments

The Options, Performance Options and Share 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 Options, Performance Options and Share Rights valuations are:

Grant date	Expiry date	Share price at date of grant $	Expected volatility in share price (i) %	Expected dividend yield (ii) %	Risk free interest rate (iii) %	Value per Performance Option $	Value per Share Right $
7 Oct 2002	7 Oct 2005	12.11	20.70	5.20	4.99	0.93	-
7 Oct 2002	7 Oct 2010	12.11	20.70	5.20	5.14 (iv)	1.51	-
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 / 5.89 (v)	2.42	10.18
17 Nov 2006	17 Nov 2013	16.69	15.00	5.00	5.83	2.29	-

(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) Represents an average of the rates used to value each of the four tranches that comprise the issue.
(v) Risk free interest rate used for Performance Options and Share Rights respectively.

26. 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.

Notes to the financial statements
for the year ended 30 June 2007 (continued)

26. Pensions and other post employment benefit plans (continued)

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.

	Consolidated		Tabcorp Holdings	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
Movements in the net asset/(liability) recognised in the balance sheet				
Net asset/(liability) for the defined benefit obligation at the beginning of the year	**1.3**	(1.4)	**1.3**	(1.4)
Expense recognised in the income statement	**(0.6)**	(1.3)	**(0.6)**	(1.3)
Actuarial gains/(losses) recognised in retained earnings	**(0.8)**	3.7	**(0.8)**	3.7
Employer contributions	**0.4**	0.3	**0.4**	0.3
Net asset/(liability) for defined benefit obligation at the end of the year	**0.3**	1.3	**0.3**	1.3
Net benefit expense recognised in the income statement				
Current service cost	**1.2**	1.0	**1.2**	1.0
Interest cost on benefit obligation	**1.1**	1.0	**1.1**	1.0
Expected return on plan assets	**(1.7)**	(1.5)	**(1.7)**	(1.5)
Plan assets used to fund contribution holiday	**-**	0.8	**-**	0.8
Net benefit expense	**0.6**	1.3	**0.6**	1.3
Actual return on plan assets	**2.2**	4.6	**2.2**	4.6
Reconciliation of the net asset/(liability) recognised on the balance sheet				
Present value of defined benefit obligation	**(24.5)**	(22.6)	**(24.5)**	(22.6)
Fair value of plan assets	**24.8**	23.9	**24.8**	23.9
Net benefit asset/(liability) - non current	**0.3**	1.3	**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.				
Reconciliation of the present value of the defined benefit obligation				
Opening defined benefit obligation	**(22.6)**	(24.6)	**(22.6)**	(24.6)
Interest cost	**(1.1)**	(1.0)	**(1.1)**	(1.0)
Current service cost	**(1.2)**	(1.0)	**(1.2)**	(1.0)
Benefits and taxes paid	**2.1**	3.5	**2.1**	3.5
Plan participants' contributions	**(0.3)**	(0.1)	**(0.3)**	(0.1)
Actuarial gains/(losses) on obligation	**(1.4)**	0.6	**(1.4)**	0.6
Closing defined benefit obligation	**(24.5)**	(22.6)	**(24.5)**	(22.6)

	Consolidated		Tabcorp Holdings	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
Reconciliation of the fair value of plan assets				
Opening fair value of plan assets	**23.9**	23.2	**23.9**	23.2
Expected return	**1.7**	1.5	**1.7**	1.5
Contributions by employer	**0.4**	0.3	**0.4**	0.3
Benefits and taxes paid	**(2.1)**	(3.5)	**(2.1)**	(3.5)
Plan participants' contributions	**0.3**	0.1	**0.3**	0.1
Actuarial gains/(losses)	**0.6**	3.1	**0.6**	3.1
Plan assets used to fund contribution holiday	**-**	(0.8)	**-**	(0.8)
Fair value of plan assets	**24.8**	23.9	**24.8**	23.9
Amounts recognised in the statement of recognised income and expense				
Actuarial gain/(loss)	**(0.8)**	3.7	**(0.8)**	3.7
Cumulative actuarial gains/(losses)	**1.8**	2.7	**1.8**	2.7
The history of experience adjustments is as follows:				
Experience adjustments - plan liabilities	**(1.7)**	0.3	**(1.7)**	0.3
Experience adjustments - plan assets	**0.6**	3.0	**0.6**	3.0

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

	2007	**2006**
	%	**%**
Australian equities	29.0	29.0
International equities	29.0	29.0
Australian fixed interest	10.0	10.0
International fixed interest	13.0	13.0
Listed property	6.7	7.5
Direct property	3.3	2.5
Cash	3.0	3.0
Other	6.0	6.0

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.

Notes to the financial statements

for the year ended 30 June 2007 (continued)

26. Pensions and other post employment benefit plans (continued)

Actuarial assumptions

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

	2007	**2006**
	% pa	**% pa**
Discount rate:		
- active members	5.3	4.9
- pensioners (i)	6.2	5.8
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 (i)	8.0	8.0

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

Actuarial review

The most recent actuarial review of the Tabcorp Superannuation Plan was undertaken as at 1 May 2005 by the Fund's Actuary, Mr John Smith BA (Maths) FIAA of The Heron Partnership. Details of the Group's defined benefit plan as extracted from that review:

	$m
At 1 May 2005	
Accrued benefits	(21.5)
Net market value of plan assets	26.0
Surplus of net market value of plan assets over accrued benefits	4.5

Employer contributions to the Group's defined benefit plan are based on recommendations by the plan's actuary. Comprehensive actuarial valuations are made at no more than three yearly intervals, and the last such assessment was made at 1 May 2005.

The objective of the valuation is to ensure that the benefit entitlements of employees are fully funded by the time they become payable. To achieve this objective, the actuary has used a method of determining accrued benefits that is consistent with Professional Standard 402 and Guidance Note 454 issued by The Institute of Actuaries of Australia.

Funding recommendations made by the actuary are based on assumptions of various matters such as investment returns, future salary increases, insurance premiums, death and disablement rates and taxation rates.

The financing method adopted is to target coverage of vested benefits. Based on this financing method and the actuarial assumptions, the actuary recommended that the Group maintain its current contribution rate in respect of defined benefit members.

27. Director and executive disclosures

(a) Details of key management personnel (KMP)

Name	Position	Period of KMP responsibility if less than full year
Directors		
Current		
Michael Robinson	Chairman	
Anthony Hodgson	Deputy Chairman	
Paula Dwyer	Director (Non Executive)	
Philip Satre	Director (Non Executive)	
John Story	Director (Non Executive)	
Zygmunt Switkowski	Director (Non Executive)	From 2 October 2006
Pending regulatory approval		
John O'Neill	Director (Non Executive)	
Former		
Matthew Slatter	Managing Director and Chief Executive Officer	To 14 March 2007
Richard Warburton	Director (Non Executive)	To 27 November 2006
Lawrence Willett	Director (Non Executive)	To 27 November 2006
Executives		
Current		
Elmer Funke Kupper	Acting Chief Executive Officer	From 14 March 2007
	Chief Executive, Australian Business	To 13 March 2007
Matt Bekier	Chief Financial Officer	
Walter Bugno	Chief Executive, Casinos	
Peter Caillard	Executive General Manager, Strategy and Development	
Mohan Jesudason	Managing Director, Gaming	From 14 March 2007
Robert Nason	Managing Director, Wagering	From 14 March 2007
Kerry Willcock	Executive General Manager, Corporate and Legal	
Former		
George Mackey	Executive General Manager, Technical Services	To 11 December 2006
Julia Nenke	Executive General Manager, Human Resources	To 30 April 2007

(b) Compensation of KMP

	Consolidated		Tabcorp Holdings	
	2007	2006	**2007**	2006
	$	$	**$**	$
Short term	**9,307,091**	11,272,818	**9,307,091**	11,272,818
Other long term	**(22,002)**	192,862	**(22,002)**	192,862
Post employment	**232,888**	513,260	**232,888**	513,260
Termination benefits	**4,413,132**	3,690,510	**4,413,132**	3,690,510
Share based payment	**2,656,288**	2,742,584	**2,656,288**	2,742,584
	16,587,397	18,412,034	**16,587,397**	18,412,034

Notes to the financial statements

for the year ended 30 June 2007 (continued)

27. Director and executive disclosures (continued)

The above reflects the compensation for the year for individuals who were a KMP at any time during the year. The compensation for the period while the individuals were a KMP is $14,890,731 (2006: $16,539,799).

The Company has applied the exemption under Corporations Amendment Regulations 2006 to transfer remuneration disclosures in relation to the KMP to the Remuneration report section of the Directors' report. These transferred disclosures have been audited.

(c) Shareholdings of KMP

30 June 2007
Shares held in Tabcorp Holdings Limited (number)

	Balance 1 July 2006	Granted as remuneration	On exercise of Options, Performance Options and Share Rights	Net change other	Balance at KMP cessation date	Balance at 30 June 2007
Directors						
Current						
Michael Robinson	45,565	-	-	-	n/a	45,565
Anthony Hodgson	100,105	-	-	65	n/a	100,170
Paula Dwyer	10,000	-	-	10,000	n/a	20,000
Philip Satre	8,000	-	-	-	n/a	8,000
John Story	13,149	-	-	-	n/a	13,149
Zygmunt Switkowski [(a)]	33,800	-	-	-	n/a	33,800
Former						
Matthew Slatter	2,071,130	-	-	-	2,071,130	n/a
Richard Warburton	23,456	-	-	-	23,456	n/a
Lawrence Willett	2,904	-	-	86	2,990	n/a
Executives						
Current						
Elmer Funke Kupper	97,000	-	-	-	n/a	97,000
Matt Bekier	-	1,819	-	-	n/a	1,819
Walter Bugno	30,000	-	-	-	n/a	30,000
Peter Caillard	105,740	15,000	-	-	n/a	120,740
Mohan Jesudason	158,625	-	-	-	n/a	158,625
Robert Nason	10,000	-	-	-	n/a	10,000
Kerry Willcock	715	-	-	-	n/a	715
Former						
George Mackey	11,162	3,504	-	-	14,666	n/a
Julia Nenke	942	-	-	-	942	n/a
Total	2,722,293	20,323	-	10,151	2,113,184	639,583

(a) Became a Director on 2 October 2006 following receipt of all necessary regulatory approvals.

(c) Shareholdings of KMP (continued)

30 June 2006
Shares held in Tabcorp Holdings Limited (number)

	Balance 1 July 2005	Granted as remuneration	On exercise of Options, Performance Options and Share Rights	Net change other	Balance at KMP cessation date	Balance at 30 June 2006
Directors						
Current						
Michael Robinson	45,565	-	-	-	n/a	45,565
Matthew Slatter	1,040,440	30,690	1,000,000	-	n/a	2,071,130
Paula Dwyer [(a)]	5,000	-	-	5,000	n/a	10,000
Anthony Hodgson	100,049	-	-	56	n/a	100,105
Philip Satre	8,000	-	-	-	n/a	8,000
John Story	8,149	-	-	5,000	n/a	13,149
Richard Warburton	23,456	-	-	-	n/a	23,456
Lawrence Willett	2,755	-	-	149	n/a	2,904
Former						
Warren Wilson [(b)]	50,000	-	-	-	50,000	n/a
Executives						
Current						
Walter Bugno	-	30,000	-	-	n/a	30,000
Peter Caillard	175,620	2,716	-	(72,596)	n/a	105,740
Elmer Funke Kupper	-	97,000	-	-	n/a	97,000
Mohan Jesudason	154,595	4,030	-	-	n/a	158,625
George Mackey	4,640	6,522	-	-	n/a	11,162
Julia Nenke	-	942	-	-	n/a	942
Kerry Willcock	-	715	-	-	n/a	715
Former						
David Banks [(c)]	408,167	5,981	-	-	414,148	n/a
David Elmslie [(d)]	261,553	4,851	-	(255,000)	11,404	n/a
Paul Gulbenkian	82,500	2,119	-	-	84,619	n/a
Michael Piggott	247,545	5,231	-	(124,965)	127,811	n/a
Total	2,618,034	190,797	1,000,000	(442,356)	687,982	2,678,493

(a) Became a Director on 30 August 2005 following receipt of all necessary regulatory approvals.
(b) Retired as a Director on 28 November 2005.
(c) Issued 163,755 shares on the exercise of Performance Options and Share Rights subsequent to cessation date (vested at termination).
(d) Issued 108,072 shares on the exercise of Performance Options and Share Rights subsequent to cessation date (vested at termination).

Notes to the financial statements

for the year ended 30 June 2007 (continued)

27. Director and executive disclosures (continued)

(d) Options, Performance Options and Share Rights holdings of KMP

30 June 2007

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

					Balance at		Vested at 30 June 2007	
	Balance 1 July 2006	Granted as remuneration	Options exercised	Net reduction other *	KMP cessation date	30 June 2007	Total	Exercisable
Current								
Elmer Funke Kupper	112,500	123,626	-	-	n/a	236,126	-	-
Matt Bekier	-	96,154	-	-	n/a	96,154	-	-
Walter Bugno	112,500	123,626	-	-	n/a	236,126	-	-
Peter Caillard	108,983	59,003	-	-	n/a	167,986	-	-
Mohan Jesudason	167,236	74,176	-	-	n/a	241,412	-	-
Robert Nason	-	70,804	-	-	n/a	70,804	-	-
Kerry Willcock	43,562	48,832	-	-	n/a	92,394	-	-
Former								
Matthew Slatter [(a)]	1,978,122	-	-	318,080	1,660,042	n/a	85,165	85,165
George Mackey	123,388	60,440	-	84,482	99,346	n/a	-	-
Julia Nenke	47,395	58,379	-	61,660	44,114	n/a	-	-
Total	2,693,686	715,040	-	464,222	1,803,502	1,141,002	85,165	85,165

* Includes forfeitures.

(a) Opening balance included Options issued under a service agreement.

30 June 2007

Share Rights held in Tabcorp Holdings Limited (number)

					Balance at		Vested at 30 June 2007	
	Balance 1 July 2006	Granted as remuneration	Rights exercised	Net reduction other *	KMP cessation date	30 June 2007	Total	Exercisable
Current								
Elmer Funke Kupper	15,000	-	-	-	n/a	15,000	-	-
Matt Bekier	-	-	-	-	n/a	-	-	-
Walter Bugno	15,000	-	-	-	n/a	15,000	-	-
Peter Caillard	14,829	-	-	-	n/a	14,829	-	-
Mohan Jesudason	22,756	-	-	-	n/a	22,756	-	-
Robert Nason	-	-	-	-	n/a	-	-	-
Kerry Willcock	5,925	-	-	-	n/a	5,925	-	-
Former								
Matthew Slatter	44,363	-	-	14,420	29,943	n/a	-	-
George Mackey	16,790	-	-	4,088	12,702	n/a	-	-
Julia Nenke	6,446	-	-	2,549	3,897	n/a	-	-
Total	141,109	-	-	21,057	46,542	73,510	-	-

* Includes forfeitures.

30 June 2006
Options and Performance Options held in Tabcorp Holdings Limited (number)

	Balance 1 July 2005	Granted as remuneration	Options exercised	Net reduction other *	Balance at KMP cessation date	Balance at 30 June 2006	Vested at 30 June 2007 Total	Vested at 30 June 2007 Exercisable
Current								
Matthew Slatter [(a)]	2,660,042	318,080	1,000,000	-	n/a	1,978,122	85,165	85,165
Walter Bugno	-	112,500	-	-	n/a	112,500	-	-
Peter Caillard	71,037	37,946	-	-	n/a	108,983	-	-
Elmer Funke Kupper	-	112,500	-	-	n/a	112,500	-	-
Mohan Jesudason	119,022	48,214	-	-	n/a	167,236	-	-
George Mackey	85,442	37,946	-	-	n/a	123,388	-	-
Julia Nenke	-	47,395	-	-	n/a	47,395	-	-
Kerry Willcock	-	43,562	-	-	n/a	43,562	-	-
Former								
David Banks [(b)]	189,759	71,551	-	-	261,310	n/a	-	-
David Elmslie [(c)]	153,915	58,036	-	-	211,951	n/a	-	-
Paul Gulbenkian	62,528	35,714	-	-	98,242	n/a	-	-
Michael Piggott	150,749	66,964	-	-	217,713	n/a	-	-
Anne Tasker	-	36,029	-	36,029	-	n/a	-	-
Total	3,492,494	1,026,437	1,000,000	36,029	789,216	2,693,686	85,165	85,165

30 June 2006
Share Rights held in Tabcorp Holdings Limited (number)

	Balance 1 July 2005	Granted as remuneration	Rights exercised	Net reduction other *	Balance at KMP cessation date	Balance at 30 June 2006	Vested at 30 June 2006 Total	Vested at 30 June 2006 Exercisable
Current								
Matthew Slatter	29,943	14,420	-	-	n/a	44,363	-	-
Walter Bugno	-	15,000	-	-	n/a	15,000	-	-
Peter Caillard	9,668	5,161	-	-	n/a	14,829	-	-
Elmer Funke Kupper	-	15,000	-	-	n/a	15,000	-	-
Mohan Jesudason	16,199	6,557	-	-	n/a	22,756	-	-
George Mackey	11,629	5,161	-	-	n/a	16,790	-	-
Julia Nenke	-	6,446	-	-	n/a	6,446	-	-
Kerry Willcock	-	5,925	-	-	n/a	5,925	-	-
Former								
David Banks [(b)]	25,827	9,731	-	-	35,558	n/a	-	-
David Elmslie [(c)]	20,949	7,893	-	-	28,842	n/a	-	-
Paul Gulbenkian	8,510	4,857	-	-	13,367	n/a	-	-
Michael Piggott	20,515	9,107	-	-	29,622	n/a	-	-
Anne Tasker	-	4,874	-	4,874	-	n/a	-	-
Total	143,240	110,132	-	4,874	107,389	141,109	-	-

* Includes forfeitures.
(a) Opening balance included Options issued under a service agreement, of which one million were exercised during the year.
(b) Exercised 141,823 Performance Options and 21,932 Share Rights subsequent to cessation date (vested at termination).
(c) Exercised 94,151 Performance Options and 13,921 Share Rights subsequent to cessation date (vested at termination).

Notes to the financial statements

for the year ended 30 June 2007 (continued)

28. Interest in 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 product and expenses of the joint venture.

	Consolidated	
	2007	2006
	$m	$m
Assets employed in joint venture operations:		
Current assets:		
Cash assets	**78.5**	58.7
Receivables	**6.9**	14.3
Other	**1.4**	1.5
Total assets employed	**86.8**	74.5

29. 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	% of equity held by immediate parent As at 30 June 2007 %	2006 %
Parent entity					
Tabcorp Holdings Limited	(a)	Australia			
Controlled entities					
Tabcorp Assets Pty Ltd	(a)	Australia	ordinary shares	**100.0**	100.0
Tabcorp Manager Pty Ltd	(a)	Australia	ordinary shares	**100.0**	100.0
Tabcorp Participant Pty Ltd	(a)	Australia	ordinary shares	**100.0**	100.0
Tahwind (Queensland) Pty Ltd	(a)	Australia	ordinary shares	**100.0**	100.0
Tabcorp Online Pty Ltd	(a)	Australia	ordinary shares	**100.0**	100.0
Tabcorp Investments No.5 Pty Ltd		Australia	ordinary shares	**100.0**	100.0
Tabcorp International Pty Ltd	(a)	Australia	ordinary shares	**100.0**	100.0
Tabcorp International No.1 Pty Ltd		Australia	ordinary shares	**100.0**	100.0
Tabcorp International Hong Kong Ltd		BVI	ordinary shares	**67.0**	67.0
Tabcorp LotSynergy Technology (Beijing) Co. Ltd		China	ordinary shares	**67.0**	-
Tabcorp International No.2 Pty Ltd		Australia	ordinary shares	**100.0**	100.0
Tabcorp Apollo Technologies Private Ltd		Cyprus	ordinary shares	**50.0**	50.0
Tabcorp International No.3 Pty Ltd		Australia	ordinary shares	**100.0**	-

Name of controlled entity	Note	Country of incorporation	Equity type	% of equity held by immediate parent As at 30 June 2007 %	2006 %
Tabcorp International Services and Technology Pty Ltd		Australia	ordinary shares	**100.0**	100.0
Tahwind Superannuation Pty Ltd		Australia	ordinary shares	**100.0**	100.0
Tahwind Staff Superannuation Pty Ltd		Australia	ordinary shares	**100.0**	100.0
Tabcorp Employee Share Administration Pty Ltd		Australia	ordinary shares	**33.3**	33.3
Tabcorp Investments Pty Ltd	(b)	Australia	ordinary shares	**100.0**	100.0
Star City Holdings Ltd	(b)(d)	Australia	ordinary shares	**100.0**	100.0
Star City Pty Ltd	(b)(d)	Australia	ordinary shares	**100.0**	100.0
Star City Entertainment Pty Ltd	(b)	Australia	ordinary shares	**100.0**	100.0
Sydney Harbour Casino Properties Pty Ltd	(b)(d)	Australia	ordinary shares	**100.0**	100.0
Sydney Harbour Apartments Pty Ltd	(b)	Australia	ordinary shares	**100.0**	100.0
Star City Investments Pty Ltd	(b)(e)	Australia	ordinary shares	**100.0**	100.0
Showboat Australia Pty Ltd	(b)	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		Australia	ordinary shares	**100.0**	100.0
Jupiters Limited		Australia	ordinary shares	**100.0**	100.0
Breakwater Island Ltd		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		Australia	ordinary shares	**100.0**	100.0
Jupwind Superannuation Pty Ltd		Australia	ordinary shares	**100.0**	100.0
TAHAL Ltd	(c)	Australia	ordinary shares	**100.0**	100.0
TAHA Research and Development Pty Ltd	(c)	Australia	ordinary shares	**100.0**	100.0
ATL Pty Ltd	(c)	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)	Australia	ordinary shares	**100.0**	100.0
Tab Limited		Australia	ordinary shares	**100.0**	100.0
Sky Channel Pty Ltd		Australia	ordinary shares	**100.0**	100.0
2KY Broadcasters Pty Ltd		Australia	ordinary shares	**100.0**	100.0
Airsales Pty Ltd		Australia	ordinary shares	**100.0**	50.0

Notes to the financial statements

for the year ended 30 June 2007 (continued)

29. Related party disclosure (continued)

(b) Investments in controlled entities (continued)

Name of controlled entity	Note	Country of incorporation	Equity type	% of equity held by immediate parent As at 30 June 2007 %	2006 %
Tahwind Employee Share Plan Pty Ltd		Australia	ordinary shares	**100.0**	0.0
Tahwind Superannuation Company Pty Ltd		Australia	ordinary shares	**100.0**	100.0
Tahwind Marketing Pty Ltd		Australia	ordinary shares	**100.0**	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		Australia	ordinary shares	**100.0**	100.0
Tahwind Racing Productions (NSW) Pty Ltd		Australia	ordinary shares	**100.0**	100.0

(a) These companies have entered into a deed of cross guarantee (or have been subsequently added to this deed by an assumption deed) with Tabcorp Holdings Limited.
(b) 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(c).
(c) These companies have entered into a deed of cross guarantee (or have been subsequently added to this deed by an assumption deed) with TAHAL Limited.
(d) These companies have provided a charge over their assets and undertakings as explained in note 30(b)(i).
(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) Tabcorp Superannuation Fund, Tab Limited Staff Superannuation Fund and Jupiters Limited Superannuation Fund are not considered to be controlled entities in accordance with section 50AA(4) of the Corporations Act (2001).

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.

Deregistered companies

The following companies were deregistered on 15 May 2007 as part of an internal corporate streamlining project:

Jupwind International Pty Ltd
Sunshinelink Pty Ltd
TAHAL Enterprises Pty Ltd
TAHA Gaming Machines Pty Ltd
TAHA Gaming Services Pty Ltd
TAHA Infosec Pty Ltd
A.C.N. 082 231 383 Pty Ltd
Jupwind Internet Gaming Pty Ltd
Jupwind.com Pty Ltd
TAHA Technology & Environmental Services Pty Ltd
TAHA Investor (No.2) Pty Ltd
TAHA Investor (No.4) Pty Ltd
TAHA Investor (No.5) Pty Ltd
TAHA Investor (No.6) Pty Ltd
Macquarie Syndication (No.1) Pty Ltd
TAHA Research Marketing Pty Ltd
Radcoy (No.1) Ltd
TAHA Superannuation Pty Ltd
TAHA Superannuation (No.2) Pty Ltd
TAHA Superannuation (No.3) Pty Ltd
TAHA Wagering Systems Pty Ltd
Palatron Pty Ltd
Syndicate (Co.1) Pty Ltd
Hotel Gaming Systems Pty Ltd
Penchant Pty Ltd
TAHA Microelectronics Pty Ltd
TAHA New Media Pty Ltd
Data Monitoring Services (NSW) Pty Ltd
Tahwind E-NSW Pty Ltd
Thithpolanga Pty Ltd

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

Financial information for class order closed group - entities denoted as (a) above

Tabcorp Holdings Limited Closed Group	**2007 $m**	2006 $m
Income statement		
Profit before income tax expense	**446.7**	455.8
Income tax expense	**(25.2)**	(35.1)
Net profit attributable to members of the parent entity	**421.5**	420.7
Retained profits at the beginning of the financial year	**357.9**	380.1
Application of AASB 139	**-**	0.7
Net actuarial gain/(loss) on defined benefit plan	**(0.5)**	2.6
Dividends provided for or paid	**(483.0)**	(446.2)
Retained profits at the end of the financial year	**295.9**	357.9
Balance sheet		
Cash and cash equivalents	**118.7**	106.4
Receivables	**2,647.4**	2,698.4
Inventories	**4.8**	5.6
Derivative financial instruments	**-**	1.8
Other	**8.4**	7.2
Total current assets	**2,779.3**	2,819.4
Investment in controlled entities	**2,526.1**	2,526.1
Property, plant and equipment	**129.1**	121.5
Licences	**597.2**	597.2
Other intangible assets	**117.6**	105.5
Deferred tax assets	**9.3**	23.2
Derivative financial instruments	**66.8**	29.7
Other	**0.4**	1.5
Total non current assets	**3,446.5**	3,404.7
Total assets	**6,225.8**	6,224.1
Payables	**153.9**	122.9
Interest bearing liabilities	**390.0**	390.0
Current tax liabilities	**12.9**	34.3
Provisions	**40.4**	36.1
Total current liabilities	**597.2**	583.3
Interest bearing liabilities	**1,950.6**	2,029.6
Provisions	**1.6**	1.9
Derivative financial instruments	**167.3**	73.4
Total non current liabilities	**2,119.5**	2,104.9
Total liabilities	**2,716.7**	2,688.2
NET ASSETS	**3,509.1**	3,535.9
Issued capital	**3,198.0**	3,197.2
Retained earnings	**295.9**	357.9
Reserves	**15.2**	(19.2)
TOTAL EQUITY	**3,509.1**	3,535.9

Notes to the financial statements

for the year ended 30 June 2007 (continued)

29. Related party disclosure (continued)

(c) Transactions with controlled entities

Tabcorp Holdings Limited
Details of dividends received from controlled entities are set out in note 2.

The amount receivable by the Company is set out in note 8.

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

- loans were advanced and repayments received; and
- management and service fees were received from controlled entities.

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

(d) Transactions with joint venture operation

Consolidated
Entities in the consolidated group are parties to the joint venture operation as described in note 28.

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 $47.6 million were received by the Group in 2007 (2006: $39.7 million).

Tabcorp Holdings Limited
The Company is a party to the joint venture operation outlined in note 28.

The Company charges the joint venture operation for the provision of employee, management and asset services. Charges of $22.2 million were received in 2007 (2006: $14.0 million).

30. Contingent liabilities and contingent assets

Details of contingent liabilities and contingent assets where the probability of future payments/receipts is not considered remote are set out below as well as details of contingent liabilities and contingent assets, which although considered remote, the directors consider should be disclosed.

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.

Contingent liabilities

(a) Company
As explained in note 29, the Company has entered into a deed of cross guarantee pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998.

(b) Charges

(i) CCA
The controlled entities denoted (d) in note 29 have provided the NSW Casino Control Authority (CCA) 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 CCA. The charge has a value of $1.5 billion.

(ii) Other
A controlled entity, Tabcorp Participant Pty Ltd, which is a participant in the joint venture described in note 28, 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.

(c) Guarantee and indemnity

(i) CCA
The controlled entities denoted (b) in note 29 have entered into a guarantee and indemnity agreement in favour of the CCA 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.

(d) Deed of cross guarantee
The controlled entities denoted (a), (b) and (c) in note 29 have entered into a deed of cross guarantee pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998.

(e) Legal challenges

(i) There are outstanding legal actions between controlled entities and third parties as at 30 June 2007. 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.

(e) Legal challenges (continued)

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.

(ii) Tabcorp Holdings Limited, Tabcorp Manager Pty Ltd, Sky Channel Pty Ltd and Sky Channel Marketing Pty Ltd are defendants to a Victorian Federal Court proceeding issued in June 2005 by ThoroughVision Pty Ltd, alleging various breaches of the Trade Practices Act arising out of various thoroughbred vision broadcasting rights and related issues. At 30 June 2007 the legal proceedings were stayed pending satisfaction of the conditions precedent to the commercial settlement reached with ThoroughVision Pty Ltd in February 2007. The main relief sought is not monetary and the amount of damages sought is not specified. As at 26 July 2007, the condition precedent was satisfied, as a result of which the proceeding is likely to be dismissed.

(f) Banking facilities

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 value of these guarantees and indemnities is $21.0 million (2006: $20.5 million).

(g) Undertakings - insurance deductible

Under the Casino Taxes Agreement, Star City Pty Ltd ("Star City") is required to take out insurance in the name of the Casino Control Authority (CCA) in respect of anticipated Weekly Duty and Community Benefit Levy arising out of partial or total loss or destruction of the Star City casino premises. The Agreement allows for a $1 million deductible for each and every loss. Star City has a 5 day loss deductible (2006: 5 day loss deductible). The Company has provided the CCA with a Deed of Undertaking to fund the shortfall of the difference between the current 5 day deductible and the $1 million required under the Casino Taxes Agreement. The directors believe this undertaking would not exceed $1-2 million (2006: $1-2 million) for any one loss and believe such an event is remote.

(h) Switching station lease

A Tabcorp controlled entity, Sydney Harbour Casino Properties Pty Ltd (SHCP), has entered into a lease with the CCA for a vacant parcel of land adjacent to the Star City casino. The lease is for the term of the NSW Casino Licence and SHCP prepaid $11.5 million in 1996 in respect of the period of the casino licence term. Under the lease, SHCP is obliged to develop the site and was required to complete construction in 2000. SHCP has requested an extension of time for the development of this site from the CCA. This extension would require the approval of the NSW Minister for Gaming and Racing. Negotiations in relation to this matter are continuing. The book value of the investment in this site as at 30 June 2007 was $11.1 million (2006: $11.2 million).

Contingent assets

(i) Tax audit

The Australian Taxation Office (ATO) issued Star City with an income tax assessment for the tax year ended 30 June 1997, and amended income tax assessments for the tax years ended 30 June 2000, 30 June 2001 and 30 June 2002. The assessment and amended assessments relate to the deductibility of rent of $120.0 million prepaid in December 1994 in relation to the Star City casino site.

The Group has provided in full for the unpaid primary tax in dispute in relation to deductions claimed to 30 June 2002 of $31.6 million, and penalties and interest charges of $27.2 million (up to 30 June 2007). The Group has provided for General Interest Charges from 27 January 2004 in the 30 June 2007 financial statements. Due to the ongoing dispute with the ATO, the Group has not claimed deductions for prepaid rent for the 2003 to 2007 (inclusive) tax years. The primary tax on these deductions is $8.8 million. If the Group is ultimately successful in its claims, the income tax deductions could be claimed.

31. Subsequent events

Dividends

Since 30 June 2007, the directors have declared a dividend of 47 cents per ordinary share. The total amount of the dividend is $246.7 million. This has not been provided for in the 30 June 2007 financial statements (refer to note 5).

32. Financial risk management objectives and policies

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

Notes to the financial statements

for the year ended 30 June 2007 (continued)

32. Financial risk management objectives and policies (continued)

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 2007, after taking into account the effect of interest rate swaps, approximately 75% (2006: 86%) 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 33 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, the Group's balance sheet can be affected by movements in the US$/A$ 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 US$ amount in exchange for an agreed A$ 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 net of any allowance for doubtful debts. The Group minimises credit risk via adherence to a strict cash management policy.

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 of the Group's exposure to credit risk from default of a counterparty is equal to the carrying amount of these instruments.

The maximum credit exposure does not take into account the value of any collateral or other security held in the event other entities/parties fail to perform their obligations under the financial instruments in question.

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 33.

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

Liquidity risk

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

The Group's policy is that not more than 33% of debt facilities should mature in any 12 month period within the next 3 years, and not more than 25% in the 4th year. At 30 June 2007, 14% (2006: 13%) of the Group's debt facilities will mature in less than one year.

33. Additional financial instruments disclosure

(a) Fair values

Set out below is a comparison by category of carrying amounts and fair values of all the Group's financial instruments recognised in the financial statements.

	Carrying amount		**Fair value**	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
Consolidated				
Financial assets				
Cash	**108.4**	112.8	**108.4**	112.8
Short term deposits	**93.8**	93.8	**93.8**	93.8
Receivables	**31.6**	34.7	**31.6**	34.7
Interest rate swaps [(i)]	**66.8**	31.1	**66.8**	31.1
Interest rate options [(i)]	**-**	0.3	**-**	0.3
	300.6	272.7	**300.6**	272.7
Financial liabilities				
Trade creditors and accrued expenses	**379.8**	345.4	**379.8**	345.4
Bank loans - unsecured	**1,069.0**	1,047.0	**1,069.0**	1,047.0
Medium term notes [(ii)]				
- fixed interest rate	**385.0**	385.0	**374.1**	385.8
- floating interest rate	**65.0**	65.0	**65.9**	66.5
Private placement				
- US dollar [(iii)]	**728.9**	832.3	**728.9**	832.3
- Australian dollar	**100.0**	100.0	**100.0**	100.0
Cross currency swaps [(i)]	**167.3**	73.4	**167.3**	73.4
	2,895.0	2,848.1	**2,885.0**	2,850.4

(i) Fair value represents the estimated cost of cancelling the instruments at balance date. Fair value is calculated using discounted future cash flow techniques, where estimated cash flows and estimated discount rates are based on market data at the balance sheet date.

(ii) Fair value determined using independent market quotations.

(iii) 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.

Notes to the financial statements

for the year ended 30 June 2007 (continued)

33. Additional financial instruments disclosure (continued)

(a) Fair values (continued)

	Carrying amount		Fair value	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
Tabcorp Holdings Limited				
Financial assets				
Cash assets	**4.7**	1.3	**4.7**	1.3
Short term deposits	**35.2**	45.3	**35.2**	45.3
Receivables	**2,446.8**	2,632.6	**2,446.8**	2,632.6
	2,486.7	2,679.2	**2,486.7**	2,679.2
Financial liabilities				
Trade creditors and accrued expenses	**19.0**	16.1	**19.0**	16.1

(b) Interest rate risk

The Group's exposure to interest rate risk and the effective interest rate for classes of financial assets and financial liabilities is set out below:

	Note	Weighted average effective interest rate %	Floating interest rate $m	Fixed interest maturing in: < 1 year $m	1 - 2 years $m	2 - 3 years $m	3 - 4 years $m	4 - 5 years $m	> 5 years $m	Non interest bearing $m	Balance Sheet $m
2007 - Consolidated											
Financial assets											
Cash assets	7	5.0	18.2	-	-	-	-	-	-	90.2	108.4
Short term deposits	7	6.3	93.8	-	-	-	-	-	-	-	93.8
Receivables	8	-	-	-	-	-	-	-	-	31.6	31.6
Interest rate swaps [(i) (ii)]	33(c)	-	(1,450.0)	-	350.0	300.0	-	-	800.0	-	-
Total financial assets			(1,338.0)	-	350.0	300.0	-	-	800.0	121.8	233.8
Financial liabilities											
Trade creditors and accrued expenses	16	-	-	-	-	-	-	-	-	379.8	379.8
Bank loans - unsecured [(i) (iii)]	17	6.9	1,067.1	-	-	-	-	-	-	-	1,067.1
Medium term notes [(i)]											
- fixed interest rate [(iv)]	17	6.6	-	-	-	-	-	382.8	-	-	382.8
- floating interest rate [(iii)]	17	7.2	64.8	-	-	-	-	-	-	-	64.8
Private placement [(i)]											
- US dollar [(iv)]	17	5.4	-	-	-	-	-	-	726.2	-	726.2
- Australian dollar [(iii)]	17	7.3	99.7	-	-	-	-	-	-	-	99.7
Cross currency swaps [(i)]	33(e)	-	838.6	-	-	-	-	-	(838.6)	-	-
Total financial liabilities			2,070.2	-	-	-	-	382.8	(112.4)	379.8	2,720.4
2007 - Tabcorp Holdings Limited											
Financial assets											
Cash assets	7	6.0	4.7	-	-	-	-	-	-	-	4.7
Short term deposits	7	6.2	35.2	-	-	-	-	-	-	-	35.2
Receivables	8	-	-	-	-	-	-	-	-	2,446.8	2,446.8
Total financial assets			39.9	-	-	-	-	-	-	2,446.8	2,486.7
Financial liabilities											
Trade creditors and accrued expenses	16	-	-	-	-	-	-	-	-	19.0	19.0
Total financial liabilities			-	-	-	-	-	-	-	19.0	19.0

33. Additional financial instruments disclosure (continued)

(b) Interest rate risk (continued)

		Weighted average effective interest rate	Floating interest rate	Fixed interest maturing in:						Non interest bearing	Balance Sheet
	Note	%	$m	< 1 year $m	1 - 2 years $m	2 - 3 years $m	3 - 4 years $m	4 - 5 years $m	> 5 years $m	$m	$m
2006 - Consolidated											
Financial assets											
Cash assets	7	3.6	33.0	-	-	-	-	-	-	79.8	112.8
Short term deposits	7	5.7	93.8	-	-	-	-	-	-	-	93.8
Receivables	8	-	-	-	-	-	-	-	-	34.7	34.7
Interest rate swaps (i)(ii)	33(c)	-	(1,700.0)	250.0	-	350.0	300.0	-	800.0	-	-
Interest rate options (i)(ii)	33(d)	-	(300.0)	300.0	-	-	-	-	-	-	-
Total financial assets			(1,873.2)	550.0	-	350.0	300.0	-	800.0	114.5	241.3
Financial liabilities											
Trade creditors and accrued expenses	16	-	-	-	-	-	-	-	-	345.4	345.4
Bank loans - unsecured (i) (iii)	17	6.3	1,043.7	-	-	-	-	-	-	-	1,043.7
Medium term notes (i)											
- fixed interest rate (iv)	17	6.7	-	-	-	-	-	-	382.3	-	382.3
- floating interest rate (iii)	17	6.5	64.8	-	-	-	-	-	-	-	64.8
Private placement (i)											
- US dollar (iv)	17	5.5	-	-	-	-	-	-	829.2	-	829.2
- Australian dollar (iii)	17	6.9	99.6	-	-	-	-	-	-	-	99.6
Cross currency swaps (i)	33(e)	-	838.6	-	-	-	-	-	(838.6)	-	-
Total financial liabilities			2,046.7	-	-	-	-	-	372.9	345.4	2,765.0
2006 - Tabcorp Holdings Limited											
Financial assets											
Cash assets	7	5.3	1.3	-	-	-	-	-	-	-	1.3
Short term deposits	7	5.7	45.3	-	-	-	-	-	-	-	45.3
Receivables	8	-	-	-	-	-	-	-	-	2,632.6	2,632.6
Total financial assets			46.6	-	-	-	-	-	-	2,632.6	2,679.2
Financial liabilities											
Trade creditors and accrued expenses	16	-	-	-	-	-	-	-	-	16.1	16.1
Total financial liabilities			-	-	-	-	-	-	-	16.1	16.1

(i) The effective interest rate on gross debt at 30 June 2007 was 6.5% (2006: 6.5%) 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.
(iv) Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument.

(c) Financial instruments - interest rate swaps

From 1 July 2005, interest rate swaps meet the requirements to qualify for cash flow hedge accounting and are stated at fair value. The fair value of the swaps at 1 July 2005 was adjusted against the opening balance of the hedging reserve.

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 amount		**Fair value**	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
Less than one year	**-**	250.0	**-**	1.4
One to two years	**350.0**	-	**8.6**	-
Two to three years	**300.0**	350.0	**10.1**	6.9
Three to four years	**-**	300.0	**-**	6.4
Four to five years	**-**	-	**-**	-
More than five years	**800.0**	800.0	**48.1**	16.4
Notional principal	**1,450.0**	1,700.0	**66.8**	31.1
Fixed interest rate range p.a.	**5.4% - 6.0%**	5.2% - 6.0%		

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

(d) Financial instruments - interest rate options

In 2006, the Group acquired options to enter into interest rate swap agreements with terms of seven years. The purpose was to provide certainty that the interest rates applicable to a portion of the future debt will be able to be fixed within a known range of interest rates. The interest rate options expired in September 2006.

These interest rate options were not designated and the fair value was recognised in the income statement.

The notional principal amount of swaps to which the options relate and periods of expiry of the options are as follows:

	Notional amount		**Fair value**	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
Less than one year	**-**	300.0	**-**	0.3
Ceiling interest rate range p.a.		6.4%		
Floor interest rate range p.a.		5.9% - 6.0%		

Notes to the financial statements

for the year ended 30 June 2007 (continued)

33. Additional financial instruments disclosure (continued)

(e) Financial instruments - cross currency swaps

From 1 July 2005, cross currency swap contracts are classified as either cash flow hedges or fair value hedges and are stated at fair value. At 1 July 2005, the fair value of the cross currency swaps classified as cash flow hedges was recognised in the opening balance of the hedging reserve and the fair value of the swaps classified as fair value hedges recognised in opening retained earnings.

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:

	2007		2006	
	Pay principal AUD $m	**Receive principal USD $m**	Pay principal AUD $m	Receive principal USD $m
More than five years	**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.	**7.3% - 7.4%**	**-**	6.9%	-

The terms and conditions in relation to interest rate and maturity of the cross currency swaps are similar to the terms and conditions of the underlying hedged Private Placement - US dollar borrowings as set out in note 17.

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 Company and of the Group are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) 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 section 295A of the Corporations Act 2001 for the financial period ending 30 June 2007.

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 29 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.

Michael B. Robinson AO
Chairman

Melbourne
23 August 2007

Independent audit report

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

We have audited the accompanying financial report of Tabcorp Holdings Limited and the entities it controlled during the year, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 *Related Party Disclosures* ("remuneration disclosures"), under the heading "Remuneration Report" in Sections C to G of the directors' report, as permitted by Corporations Regulation 2M.6.04.

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, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the directors' report.

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 and that the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*.

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 and the remuneration disclosures, 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.

Auditor's Opinion

In our opinion:

1. the financial report of Tabcorp Holdings Limited is in accordance with:
   (a) the *Corporations Act 2001*, including:
      (i) giving a true and fair view of the financial position of Tabcorp Holdings Limited and the consolidated entity at 30 June 2007 and of their performance for the year ended on that date; and
      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations); and
   (b) other mandatory financial reporting requirements in Australia.
2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.
3. the remuneration disclosures that are contained in Sections C to G of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures*.

Ernst & Young

Ernst & Young

Tim Wallace
Partner
Melbourne
23 August 2007

Five year review

For financial year ended 30 June	2007 $m	2006 $m	2005 $m	2004 $m	2003 $m
Total revenue	3,883.7	3,834.8	3,817.1	2,500.0	1,937.1
EBITDA - pre impairment/goodwill (i)	947.8	1,059.1	1,046.2	739.0	525.9
Profit before interest and tax	803.3	851.5	806.6	570.0	420.7
Profit after income tax	450.4	543.4	433.4	311.0	252.6
Profit after income tax - pre impairment/goodwill (ii)	452.6	611.9	526.6	370.7	270.6
Dividend (iii)	493.5	467.2	423.4	330.3	245.4
Cash and deposits	202.2	206.6	209.4	197.0	118.8
Other current assets	80.5	72.0	120.4	158.4	39.6
Licences and other intangibles	1,516.9	1,522.0	1,440.0	1,118.6	1,081.8
Goodwill	3,384.6	3,384.6	3,444.3	1,280.6	292.9
Other non current assets	1,542.3	1,486.8	1,558.9	1,591.3	866.4
Total assets	6,726.5	6,672.0	6,773.0	4,345.9	2,399.5
Current interest bearing liabilities	390.0	390.0	390.0	742.0	450.9
Other current liabilities	514.9	506.2	483.9	307.1	238.2
Non current interest bearing liabilities	1,950.6	2,029.6	2,143.6	1,130.0	315.0
Other non current liabilities	486.8	383.3	496.9	190.8	75.5
Total liabilities	3,342.3	3,309.1	3,514.4	2,369.9	1,079.6
Shareholders' funds	3,384.2	3,362.9	3,258.6	1,975.9	1,319.9
Capital expenditure - payments	166.8	236.1	119.5	101.2	58.0

	cents	cents	cents	cents	cents
Earnings per share - pre impairment/goodwill (ii)	86.2	116.6	101.9	92.5	73.5
Earnings per share - post impairment/goodwill (ii)	85.8	103.6	83.9	77.6	68.7
Dividends per share (iii)	94.0	89.0	81.0	71.0	67.0
Operating cash flow per share (iv)	84.0	89.4	104.9	84.7	87.1
Return on shareholders' funds - pre impairment/goodwill (ii)(v)	13.4%	18.1%	15.6%	21.5%	20.1%
Return on shareholders' funds - post impairment/goodwill (ii)(v)	13.3%	16.1%	12.9%	18.1%	18.8%
Net assets per share	$6.45	$6.41	$6.25	$4.67	$3.61

Operating revenue	$m	$m	$m	$m	$m
Casinos	1,291.4	1,330.1	1,274.9	1,065.3	631.2
Wagering	1,464.1	1,403.3	1,413.2	446.2	426.8
Gaming	1,081.8	1,046.6	1,032.2	933.5	848.1
International	2.5	2.5	-	-	-
Unallocated	(4.8)	(5.6)	40.3	17.8	-
Total	3,835.0	3,776.9	3,760.6	2,462.8	1,906.1

(i) Earnings before interest, tax, depreciation and amortisation. Basis of preparation:
- From 2005 - AIFRS
- Pre 2005 - AGAAP

(ii) After income tax before impairment (AIFRS) or goodwill amortisation (AGAAP).

(iii) Dividends attributable to the financial year, but which may be payable after the end of the period.

(iv) Cash flows from operating activities per the cash flow statement does not include payments for property, plant and equipment, and intangibles. These items are included in the calculation for the operating cash flow per share ratio.

(v) Tab Limited was acquired in July 2004 and 12 months results are included in Tabcorp's 2005 consolidated results. For the purposes of the 2005 calculations, shareholders' funds at the end of 2004 were increased by $1,176 million, as if the acquisition had occurred at 30 June 2004. If this adjustment was not made, the reported return on shareholders' funds (pre goodwill) would be 18.7% and the reported return on shareholders' funds (post goodwill) would be 13.1%.

Company directory

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Website

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Stock exchange listing

Tabcorp Holdings Limited shares are quoted on the Australian Securities Exchange under the code 'TAH'.

The Company's shares are traded in sponsored American Depositary Receipt (ADR) form in the United States of America.

Auditors

Ernst & Young – External auditors
KPMG – Internal auditors

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Website: www.conrad.com.au/treasury

Jupiters Townsville
Sir Leslie Thiess Drive
Townsville QLD 4810
Reservations: 1800 079 210
Telephone: 07 4722 2373
Website: www.jupiterstownsville.com.au

New South Wales divisional office
495 Harris Street
Ultimo NSW 2007
Telephone: 02 9218 1000

Sky Channel / 2KY Radio
79 French's Forest Road
French's Forest NSW 2086
Telephone: 02 9451 0888
Website: www.skychannel.com.au
Website: www.2ky.com.au

Key dates

2007	
Annual General Meeting (Star City, Sydney)	26 November
2008*	
Half-year results announcement	21 February
Ex-dividend for interim dividend	26 February
Record date for interim dividend	3 March
Interim dividend payment	9 April
End of financial year	30 June
Full-year results announcement	21 August
Ex-dividend for final dividend	26 August
Record date for final dividend	1 September
Final dividend payment	7 October
Annual General Meeting	24 November

** 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 full financial statements. 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 statements. A copy of Tabcorp's full financial statements is available, free of charge, on request and can be accessed via the Company's website at www.tabcorp.com.au.

Currency

References to currency are in Australian dollars unless otherwise stated.

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Investment warning

Past performance of shares is not necessarily a guide to future performance. The value of investments and any income from them is not guaranteed and can fall as well as rise. 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.

Tabcorp