Tabcorp Holdings Limited
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29 September 2006

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

ANNUAL REPORT – FINANCIAL STATEMENTS

Attached is a copy of the Company's Financial Statements for the year ended 30 June 2006 that will be dispatched to shareholders on Monday 9 October 2006.

The Concise Annual Report and the Financial Statements will be available for download from the Company's website at **www.tabcorp.com.au**


Tabcorp
Financial Report 2006
Playmakers

Contents

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Income statement

for the year ended 30 June 2006

		Consolidated		Tabcorp Holdings	
Continuing operations	Note	**2006 $m**	2005 $m	**2006 $m**	2005 $m
Total operating revenues		**3,776.9**	3,760.6	**25.9**	25.7
Other revenues	2	**57.9**	56.5	**487.3**	606.4
Revenue		**3,834.8**	**3,817.1**	**513.2**	**632.1**
Other income	2	**11.8**	3.5	**0.2**	0.1
Government taxes and levies		**(1,018.7)**	(991.1)	**-**	-
Commissions and fees		**(795.5)**	(788.5)	**(11.7)**	(11.6)
Employment costs		**(536.2)**	(554.4)	**(23.6)**	(23.2)
Depreciation and amortisation	2	**(139.1)**	(146.4)	**(1.7)**	(0.8)
Property rentals, rates and maintenance		**(66.0)**	(67.0)	**(0.3)**	(1.2)
Computer costs		**(27.1)**	(24.2)	**(0.2)**	(0.2)
Advertising and promotions		**(82.2)**	(79.6)	**(2.3)**	(2.4)
Insurance costs		**(7.7)**	(8.0)	**(0.5)**	(0.4)
Stock exchange expenses		**(2.4)**	(2.2)	**(2.4)**	(2.2)
Professional and contract services		**(33.4)**	(14.5)	**(6.8)**	(6.1)
Audit and review services	3	**(1.5)**	(1.8)	**(0.3)**	(0.4)
Finance costs	2	**(165.9)**	(182.1)	**(0.2)**	-
Other expenses		**(207.4)**	(231.5)	**(4.3)**	(5.8)
Profit before income tax expense and impairment		**763.5**	**729.3**	**459.1**	**577.9**
Impairment	2	**(68.5)**	(93.2)	**-**	-
Profit before income tax expense		**695.0**	**636.1**	**459.1**	**577.9**
Income tax (expense)/benefit	4	**(152.4)**	(200.7)	**4.3**	2.1
Net profit after tax from continuing operations		**542.6**	**435.4**	**463.4**	**580.0**
Net (profit)/loss attributable to minority interest		**0.8**	**(2.0)**	**-**	**-**
Net profit attributable to members of the parent entity from continuing operations		**543.4**	**433.4**	**463.4**	**580.0**
Earnings per share for profit attributable to members of the parent entity:					
Basic earnings per share (cents per share)	6	**103.6**	83.9		
Diluted earnings per share (cents per share)	6	**103.4**	83.7		

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

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Balance sheet

as at 30 June 2006

		Consolidated		Tabcorp Holdings	
	Note	**2006 $m**	2005 $m	**2006 $m**	2005 $m
Current assets					
Cash and cash equivalents	7	**206.6**	209.4	**46.6**	0.4
Receivables	8	**34.7**	43.4	**2,632.6**	2,652.1
Inventories	9	**15.0**	15.3	**-**	-
Other	10	**22.3**	31.9	**0.8**	4.8
Assets held for sale	11	**-**	29.8	**-**	-
Total current assets		**278.6**	329.8	**2,680.0**	2,657.3
Non current assets					
Investments in controlled entities		**-**	-	**447.7**	447.6
Property, plant and equipment	12	**1,507.4**	1,442.9	**15.7**	10.3
Licences	13	**1,230.1**	1,239.3	**597.2**	597.2
Other intangible assets	14	**3,611.4**	3,645.0	**18.1**	1.4
Deferred tax assets	4	**83.3**	86.8	**2.2**	1.6
Other	10	**44.5**	29.2	**1.3**	-
Total non current assets		**6,476.7**	6,443.2	**1,082.2**	1,058.1
TOTAL ASSETS		**6,755.3**	6,773.0	**3,762.2**	3,715.4
Current liabilities					
Payables	16	**345.4**	306.0	**16.1**	6.2
Interest bearing liabilities	17	**390.0**	390.0	**-**	-
Current tax liabilities		**33.3**	32.2	**31.4**	25.9
Provisions	18	**122.3**	131.8	**1.9**	2.2
Other	19	**5.2**	13.9	**-**	-
Total current liabilities		**896.2**	873.9	**49.4**	34.3
Non current liabilities					
Interest bearing liabilities	17	**2,029.6**	2,143.6	**-**	-
Deferred tax liabilities	4	**329.4**	410.4	**0.9**	0.4
Provisions	18	**63.8**	84.9	**0.2**	0.9
Other	19	**73.4**	1.6	**-**	1.4
Total non current liabilities		**2,496.2**	2,640.5	**1.1**	2.7
TOTAL LIABILITIES		**3,392.4**	3,514.4	**50.5**	37.0
NET ASSETS		**3,362.9**	3,258.6	**3,711.7**	3,678.4
Equity					
Issued capital	20	**3,176.3**	3,154.8	**3,197.2**	3,186.1
Retained earnings	20	**201.7**	101.2	**509.5**	489.7
Reserves	20	**(19.2)**	2.6	**5.0**	2.6
Parent interests		**3,358.8**	3,258.6	**3,711.7**	3,678.4
Minority interests	21	**4.1**	-	**-**	-
TOTAL EQUITY		**3,362.9**	3,258.6	**3,711.7**	3,678.4

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

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Cash flow statement

for the year ended 30 June 2006

		Consolidated		Tabcorp Holdings	
	Note	**2006** **$m**	2005 $m	**2006** **$m**	2005 $m
Cash flows from operating activities					
Net cash receipts in the course of operations		**3,969.1**	3,959.7	**47.5**	47.5
Payments to suppliers, service providers and employees		**(1,893.6)**	(1,921.0)	**(53.8)**	(55.1)
Payment of government levies, betting taxes and GST		**(998.7)**	(979.0)	**(148.0)**	(57.7)
Dividends received		**-**	-	**471.0**	743.0
Interest received		**9.5**	11.2	**1.7**	0.5
Finance costs paid		**(162.7)**	(184.8)	**(0.2)**	-
Income tax paid		**(218.4)**	(224.7)	**(224.0)**	(167.5)
Net cash flows from operating activities	22(b)	**705.2**	661.4	**94.2**	510.7
Cash flows from investing activities					
Payment for controlled entities (net of cash acquired)	31	**-**	(914.1)	**-**	-
Proceeds from sale of businesses		**6.3**	244.6	**-**	-
Payment for property, plant and equipment		**(186.0)**	(100.9)	**(6.5)**	(9.2)
Payment for intangibles		**(50.1)**	(18.6)	**(17.4)**	(0.5)
Proceeds from sale of property, plant and equipment		**38.0**	61.5	**0.2**	0.2
Payment for development costs		**-**	(2.0)	**-**	(2.0)
Loans to controlled entities		**-**	-	**-**	(262.1)
Repayment of loans to controlled entities		**-**	-	**409.2**	-
Net cash flows from investing activities		**(191.8)**	(729.5)	**385.5**	(273.6)
Cash flows from financing activities					
Proceeds from borrowings		**557.0**	2,890.4	**-**	-
Repayment of borrowings		**(655.0)**	(2,578.8)	**-**	-
Dividends paid		**(299.5)**	(243.7)	**(299.5)**	(243.7)
On-market share purchases for dividend reinvestment plan		**(146.7)**	-	**(146.7)**	-
Payment of transaction costs for share issue		**-**	(6.7)	**-**	(6.7)
Payment for on-market share buy back		**(1.6)**	-	**(1.6)**	-
Proceeds from issue of shares		**13.9**	6.3	**13.9**	6.3
Proceeds from issue of shares to minority interests		**4.9**	-	**-**	-
Proceeds from sale of treasury shares		**1.5**	1.9	**-**	-
Repayment of employee share loans		**9.3**	9.6	**0.4**	2.6
Net cash flows from financing activities		**(516.2)**	79.0	**(433.5)**	(241.5)
Net increase/(decrease) in cash held		**(2.8)**	10.9	**46.2**	(4.4)
Cash at the beginning of the financial year		**209.4**	198.5	**0.4**	4.8
Cash at the end of the financial year	22(a)	**206.6**	209.4	**46.6**	0.4

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

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Statement of recognised income and expense

for the year ended 30 June 2006

		Consolidated		Tabcorp Holdings	
	Note	**2006 $m**	2005 $m	**2006 $m**	2005 $m
Change in fair value of cash flow hedges		**(30.1)**	-	**-**	-
Actuarial gain/(loss) on defined benefit plan	26	**3.7**	(1.0)	**3.7**	(1.0)
Income tax (expense)/benefit on items taken directly to equity	4	**8.0**	0.3	**(1.1)**	0.3
Net income/(expense) recognised directly in equity		**(18.4)**	(0.7)	**2.6**	(0.7)
Net profit after tax from continuing operations		**542.6**	435.4	**463.4**	580.0
Total recognised income and expense for the period		**524.2**	434.7	**466.0**	579.3

Attributable to:					
Members of the parent entity		**525.0**	432.7	**466.0**	579.3
Minority interest		**(0.8)**	2.0	**-**	-
		524.2	434.7	**466.0**	579.3

Effects of changes in accounting policy on members of the parent entity:					
Retained earnings	35(f)	**0.7**	-	**-**	-
Net unrealised gain/(loss) reserve	35(f)	**(3.2)**	-	**-**	-
		(2.5)	-	**-**	-

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Notes

to the financial report
for the year ended 30 June 2006

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 2006 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 24 August 2006.

(a) Statement of compliance

Compliance with AIFRS

This is the Group's first annual financial report complying with the Australian equivalents to International Financial Reporting Standards ('AIFRS'). AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' has been applied and the comparatives for the year ended 30 June 2005 have been restated accordingly, except for the adoption of AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement'. The Company has adopted the following exemptions under AASB 1:

- to not apply AASB 132 and AASB 139 to the comparative period (refer to note 35(f));
- to not apply AASB 3 'Business Combinations' retrospectively; and
- to only apply AASB 2 'Share based Payment' for equity instruments granted after 7 November 2002.

An explanation of how the transition to AIFRS has affected the reported balance sheet, income statement and cash flows of the Group is provided in note 35. This note includes reconciliations of equity and profit or loss for comparative periods reported under Australian Generally Accepted Accounting Practice ('AGAAP') to those reported for those periods under AIFRS.

The effect of adopting AIFRS may still be subject to change due to:

- potential amendments to AIFRS and Interpretations thereof being issued by the standard-setters and IFRIC; and
- emerging accepted practice in the interpretations and application of AIFRS and UIG Interpretations.

Where there has been a change from AGAAP accounting policy, the accounting policy applied to the comparative period has been disclosed.

Early adoption of standard

The Group has elected to apply AASB 119 'Employee Benefits' (2004) to the annual reporting period beginning 1 July 2005. This includes applying AASB 119 to the comparatives in accordance with AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors'

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 except for AASB 119.

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 an impact on the Group's financial position and performance, however increased disclosures may be required in the Group's financial statements.

AASB Amendment	Affected Standard(s)	Application date for Group
2005-1	AASB 139 'Financial Instruments: Recognition and Measurement'	1 July 2006
2005-4	AASB 139 'Financial Instruments: Recognition and Measurement', AASB 132 'Financial Instruments: Disclosure and Presentation', AASB 1 'First-time Adoption of AIFRS', and AASB 1023 'General Insurance Contracts'	1 July 2006
2005-5	AASB 1 'First-time Adoption of AIFRS', and AASB 139 'Financial Instruments: Recognition and Measurement'	1 July 2006
2005-6	AASB 3 'Business Combinations'	1 July 2006
2005-9	AASB 4 'Insurance Contracts', AASB 1023 'General Insurance Contracts', AASB 139 'Financial Instruments: Recognition and Measurement', and AASB 132 'Financial Instruments: Disclosure and Presentation'	1 July 2006
2005-10	AASB 132 'Financial Instruments: Disclosure and Presentation', AASB 101 'Presentation of Financial Statements', AASB 114 'Segment Reporting', AASB 117 'Leases', AASB 133 'Earnings per Share', AASB 139 'Financial Instruments: Recognition and Measurement', AASB 1 'First-time Adoption of AIFRS', AASB 4 'Insurance Contracts', and AASB 1023 'General Insurance Contracts'	1 July 2007
2006-1	AASB 121 'The Effects of Changes in Foreign Exchange Rates'	1 July 2007
New Standard	AASB 7 'Financial Instruments: Disclosures'	1 July 2007

(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.

Notes

to the financial report
for the year ended 30 June 2006 (continued)

1. Significant accounting policies and corporate information (continued)

(b) Basis of preparation (continued)

The financial report is prepared on the historical cost basis, except for derivative financial instruments 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.

This financial report has been prepared on the basis of AIFRS on issue and that are effective for the year ended 30 June 2006. Preparation of the financial report also includes the application of the requirements of AASB 119 'Employee Benefits' which is available for early adoption as at 30 June 2006.

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 Director's 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.

Unrealised gains arising from transactions with jointly controlled entities are eliminated to the extent of the Group's interest in the entity.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised as the contributed assets are consumed or sold by the jointly controlled entity or, if not consumed or sold by the jointly controlled entity, when the Group disposes of its interest in the entity.

(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.

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(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 profit or loss. 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

Current period policy

Cash flow hedges

Where a derivative financial instrument is designated as a hedge to the exposure to the variability in cash flows that is 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 profit or loss in the same period or periods during which the asset acquired or liability assumed affects the profit or loss (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 profit or loss. 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.

Comparative period policy

Derivative financial instruments are used to hedge interest rate and foreign currency exposures. Accordingly, hedge accounting principles are applied, whereby gains and losses on derivatives are brought to account on the same basis as the gains and losses on the underlying physical exposures. Derivative financial instruments are not held for speculative purposes.

The effect of interest received, paid or accrued under interest rate swaps and cross currency interest rate swaps is included in the calculation of finance costs.

The quantitative effect of the change in accounting policy is set out in note 35(f).

(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.

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 and invoiced.

Notes

to the financial report
for the year ended 30 June 2006 (continued)

1. Significant accounting policies and corporate information (continued)

(h) Revenue (continued)

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.

(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 liability 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.

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 statement of cash flows.

(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

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up to date in accordance with applicable AIFRS. On initial classification as held for resale, non current assets and disposal groups 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 profit or loss, even when there is a revaluation. 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 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) Investments 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.

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(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)). The cost of self constructed assets includes the cost of materials, direct labour and an appropriate proportion of overheads.

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	7 - 95 years
Leasehold improvements	3 - 33 years
Plant and equipment	2.5 - 20 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 profit or loss.

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)). Expenditure on internally generated goodwill and brands is recognised in profit or loss 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 period expires in 2012.

Star City casino licence:

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

Treasury casino licence:

The licence is amortised on a straight line basis over the remaining life of the licence, which expires in 2070.

Queensland Keno licence:

The licence is amortised on a straight line basis over the remaining life of the licence, which expires in 2022.

NSW wagering licence:

The licence is amortised on a straight line basis over the remaining life of the licence, which expires in 2097.

Other licences:

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

Other intangible assets:

The rights to the Star City Casino Complex Management Agreement in relation to the operation, management and supervision of the Star City casino were terminated on 29 June 2005. Prior to termination, the rights were being amortised over the life of the agreement, which coincided with the term of the casino licence.

Other intangibles relate to the costs capitalised by the Group in relation to the construction of the Gold Coast Convention and Entertainment Centre. The Group is deriving future benefits from the costs incurred, and the asset is being amortised over a period of 50 years, based on the expected life of the building.

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 2.5 to 15 years.

Notes

to the financial report
for the year ended 30 June 2006 (continued)

1. Significant accounting policies and corporate information (continued)

(q) Intangible assets (continued)

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 systematically 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 to be close to its fair value less costs to sell and 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.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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 cost (and where applicable 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 or has been announced publicly. 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 acquired from Jupiters Limited 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

Current accounting policy

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.

Comparative period policy

The carrying value of interest bearing liabilities represents the amounts payable on maturity of those borrowings. Finance costs (excluding interest) are expensed over the life of the borrowings on a straight line basis, with the unamortised balance being recognised as a prepayment.

The quantitative effect of the change in accounting policy is set out in note 35.

(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. The Group does not have any 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 recorded 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 would be recognised as a liability.

Based upon an annual actuarial review of the plan, an 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, in accordance with entitlements prescribed under relevant state legislation. 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 following plans under which employees may become entitled to performance options and share rights in the Company:

- the Long Term Performance Plan ('LTPP'), which is available at General Manager level and above; and
- Service Agreements in place with certain Executive Directors.

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 the three year test period. The amount recognised as an expense is adjusted to reflect the actual number of performance options and share rights that do not ultimately vest, provided the forfeiture is not due to a market condition.

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') for Senior Executives. Participants in the STPP have the opportunity to voluntarily sacrifice part or all of the award payable under the STPP into deferred shares, known as a medium term incentive.

The cost of the deferred shares is recognised based on the market price at the time of allocation, with a corresponding increase in equity.

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 has been deferred in the balance sheet at the nominal amount and is being amortised over 12 years commencing from the date of issue of the casino licence in 1994.

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 commencing 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 when vesting of the relevant performance options and share rights occurs.

(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.

Notes
to the financial report
for the year ended 30 June 2006 (continued)

1. Significant accounting policies and corporate information (continued)

(aa) Earnings per share (continued)

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.

2. Revenue and expenses

Revenue and expenses from continuing operations

	Consolidated		Tabcorp Holdings	
	2006 $m	2005 $m	**2006 $m**	2005 $m
(a) Other revenues:				
Finance revenue	**9.4**	11.6	**1.7**	0.5
Dividend revenue received from controlled entities	**-**	-	**471.0**	588.0
Other revenue items	**48.5**	44.9	**14.6**	17.9
	57.9	56.5	**487.3**	606.4
(b) Other income:				
Net gain on disposal of property, plant and equipment	**8.5**	2.6	**0.2**	0.1
Net loss on disposal of controlled entity	**-**	(1.2)	**-**	-
Net gain on disposal of businesses	**0.6**	1.1	**-**	-
Net foreign exchange gain	**2.7**	1.0	**-**	-
	11.8	3.5	**0.2**	0.1
(c) Depreciation:				
- buildings	**8.3**	12.4	**-**	-
- leasehold improvements	**13.7**	16.5	**-**	-
- plant and equipment	**83.7**	80.8	**1.0**	0.3
	105.7	109.7	**1.0**	0.3
(d) Amortisation:				
- NSW wagering licence	**3.7**	3.7	**-**	-
- Star City and Treasury casino licences	**3.2**	3.2	**-**	-
- Queensland Keno licence	**2.3**	2.2	**-**	-
- customer contracts and relationships	**0.2**	0.2	**-**	-
- software	**13.6**	14.0	**0.7**	0.5
- rights to management agreement	**-**	2.8	**-**	-
- rental in advance	**10.0**	10.0	**-**	-
- other	**0.4**	0.6	**-**	-
	33.4	36.7	**0.7**	0.5

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	Consolidated		Tabcorp Holdings	
	2006	2005	**2006**	2005
	$m	$m	**$m**	$m
(e) Impairment:				
- goodwill	**59.7**	93.2	**-**	-
- software	**6.7**	-	**-**	-
- assets held for sale	**2.1**	-	**-**	-
	68.5	93.2	**-**	-
(f) Employment costs:				
Included in employment costs:				
- defined benefit plan expense	**1.3**	3.3	**1.3**	3.3
- defined contribution plan expense	**33.4**	32.9	**0.8**	0.5
- share based payments expense	**3.8**	2.0	**1.3**	1.1
	38.5	38.2	**3.4**	4.9
(g) Operating lease rentals:				
- minimum lease payments	**25.8**	32.8	**2.2**	2.2
(h) Finance costs:				
- other parties	**161.2**	180.1	**0.2**	-
- provision discount adjustment	**4.7**	2.0	**-**	-
	165.9	182.1	**0.2**	-

	Consolidated		Tabcorp Holdings	
	2006	2005	**2006**	2005
	$'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	**1,482**	1,745	**341**	355
- other services in relation to the Company and any other entity in the Group:				
- regulatory	**108**	128	**-**	-
- other assurance services	**305**	476	**-**	-
- other services	**-**	9	**-**	-
	1,895	2,358	**341**	355

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 which encompass the selection of service providers and the setting of their remuneration. The Chairman of the Audit Committee must approve any other services provided by Ernst & Young to the Group.

Notes

to the financial report
for the year ended 30 June 2006 (continued)

	Consolidated		Tabcorp Holdings	
	2006 $m	2005 $m	**2006 $m**	2005 $m
4. Income tax				
(a) Income tax expense				
The major components of income tax expense are:				
Current tax expense	**224.8**	191.7	**(3.3)**	(2.4)
Adjustments in respect of current income tax of previous years:				
- affecting provision for income tax	**(3.0)**	(2.5)	**0.2**	-
- affecting deferred tax balances	**(10.7)**	-	**(0.9)**	-
Deferred income tax expense relating to the origination and reversal of temporary differences	**(58.7)**	11.5	**(0.3)**	0.3
Income tax expense/(benefit) reported in the income statement	**152.4**	200.7	**(4.3)**	(2.1)
Aggregate current and deferred tax relating to items charged or credited to equity:				
Change in value of cash flow hedges	**(9.1)**	-	**-**	-
Actuarial gain/(loss) on defined benefit plan	**1.1**	(0.3)	**1.1**	(0.3)
Income tax expense/(benefit) reported in equity	**(8.0)**	(0.3)	**1.1**	(0.3)
Income tax expense				
A reconciliation between income tax expense and the product of accounting profit before income tax multiplied by the income tax rate is as follows:				
Accounting profit from continuing operations before income tax expense	**695.0**	636.1	**459.1**	577.9
At the Group's statutory income tax rate of 30%	**(208.5)**	(190.8)	**(137.7)**	(173.4)
- Dividends received	**-**	-	**141.3**	176.4
- Impairment of goodwill	**(17.9)**	(28.0)	**-**	-
- Amortisation of rights to management agreement	**-**	(0.8)	**-**	-
- Prepaid rent	**(6.0)**	(4.6)	**-**	-
- Depreciation	**-**	3.6	**-**	-
- International business costs	**(4.1)**	-	**-**	-
- Sundry items	**3.0**	(0.3)	**0.4**	(0.6)
- Recognition of tax benefit upon entry into tax consolidation and resetting tax values [i]	**70.7**	18.3	**-**	-
- Share based payments expense	**(1.2)**	(0.6)	**(0.4)**	(0.3)
- Sale of property gains/(losses)	**0.5**	-	**-**	-
- Over provision in prior years	**11.1**	2.5	**0.7**	-
Aggregate income tax (expense)/benefit	**(152.4)**	(200.7)	**4.3**	2.1

(i) Refer to note 4(c).

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	Note	Consolidated 2006 $m	Consolidated 2005 $m	Tabcorp Holdings 2006 $m	Tabcorp Holdings 2005 $m
(b) Deferred tax assets					
The balance comprises temporary differences attributable to:					
Amounts recognised in profit or loss:					
Doubtful debts		**3.3**	3.2	**-**	-
Employee benefits		**19.9**	20.9	**0.6**	0.9
Merger/acquisition costs		**4.5**	5.0	**-**	-
Workers' compensation		**-**	0.6	**-**	-
Provision for management agreement		**19.1**	24.7	**-**	-
Provision for restructuring costs		**3.2**	3.4	**-**	-
Provision for onerous contract - surplus lease space		**2.1**	1.6	**-**	-
Fair value of cross currency swaps		**3.6**	-	**-**	-
Borrowing expenses		**0.1**	-	**-**	-
Minor assets		**1.5**	8.2	**0.1**	0.2
Other provisions		**4.9**	4.9	**0.1**	(1.0)
Tax losses		**0.6**	-	**0.6**	-
Accrued expenses		**7.0**	12.1	**0.8**	1.1
Jackpots		**3.4**	1.8	**-**	-
Amounts recognised directly in equity:					
Actuarial loss on defined benefit plans		**-**	0.4	**-**	0.4
Fair value of cash flow hedges		**10.1**	-	**-**	-
		83.3	86.8	**2.2**	1.6
Movements:					
Opening balance at 1 July		**86.8**	106.8	**1.6**	2.6
Application of AASB 139	35(f)	**0.8**	-	**-**	-
Acquisition of controlled entity	31	**-**	15.5	**-**	-
Credited/(charged) to the income statement		**(13.4)**	(35.8)	**0.6**	(1.3)
Credited to equity		**9.1**	0.3	**-**	0.3
Closing balance at 30 June		**83.3**	86.8	**2.2**	1.6

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Notes

to the financial report
for the year ended 30 June 2006 (continued)

	Note	Consolidated 2006 $m	Consolidated 2005 $m	Tabcorp Holdings 2006 $m	Tabcorp Holdings 2005 $m
4. Income tax (continued)					
(c) Deferred tax liabilities					
The balance comprises temporary differences attributable to:					
Amounts recognised in profit or loss:					
Prepayments		**4.7**	4.9	**-**	-
Inventories		**3.0**	2.3	**-**	-
Accrued interest		**0.1**	0.1	**-**	-
Unclaimed dividend adjustment		**4.6**	4.5	**-**	-
Prepaid rent		**32.9**	28.6	**-**	-
Fair value of US dollar private placement		**3.2**	-	**-**	-
Fair value of interest rate swap options		**0.1**	-	**-**	-
Intangibles		**5.2**	30.9	**0.2**	-
Licences		**189.9**	192.6	**-**	-
Property, plant and equipment		**84.3**	145.5	**0.3**	0.4
Other		**1.0**	1.0	**-**	-
Amounts recognised directly in equity:					
Actuarial gain on defined benefit plans		**0.4**	-	**0.4**	-
		329.4	410.4	**0.9**	0.4
Movements:					
Opening balance at 1 July		**410.4**	247.3	**0.4**	0.8
Acquisition of controlled entity	31	**-**	185.6	**-**	-
Credited to the income statement		**(82.1)**	(22.5)	**(0.6)**	(0.4)
Charged to equity		**1.1**	-	**1.1**	-
Closing balance at 30 June		**329.4**	410.4	**0.9**	0.4

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.

Jupiters Limited and its 100% controlled entities joined the Tabcorp Holdings Limited tax consolidation group with effect from the date of acquisition. An income tax benefit of $18.3 million was recognised in the 2005 year as a result of resetting the tax values of certain assets.

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 is recognised in the current 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 an increase/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/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.

As this is the first year the Tabcorp Holdings Limited tax consolidation group has had a tax funding agreement, the impact of UIG 1052 'Tax Consolidation Accounting' required various prior year adjustments. These included adjustments to equity and the recognition of increases/decreases in the member's intercompany accounts with the tax consolidation group Head Company.

		Consolidated		**Tabcorp Holdings**	
	Note	**2006 $m**	2005 $m	**2006 $m**	2005 $m
5. Dividends					
Dividends declared and paid during the year on ordinary shares:					
(a) Final dividend for 2005 of 41.0 cents (2004: 36.0 cents)		**215.2**	185.1	**215.2**	185.1
(b) Interim dividend for 2006 of 44.0 cents (2005: 40.0 cents)		**231.0**	208.2	**231.0**	208.2
	20(b)	**446.2**	393.3	**446.2**	393.3
Dividends declared after balance date					
Since the end of the financial year, the directors declared the following dividend:					
Final - 45.0 cents per share (2005: 41.0 cents per share)		**236.2**	214.8	**236.2**	214.8
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 32(a)).					
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:				214.9	**184.3**
Franking credits available once the impact of dividends declared after balance date has been incorporated:				113.7	**90.6**
Dividends on ordinary shares are fully franked at a tax rate of 30% (2005: 30%).					
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 from continuing operations used in calculating earnings per share		543.4	433.4		

Notes
to the financial report
for the year ended 30 June 2006 (continued)

	Consolidated 2006 Number	2005 Number
6. Earnings per share (continued)		
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used in calculating basic earnings per share	**524,740,823**	516,773,179
Effect of dilution:		
- Options and performance options	**482,206**	564,830
- Share rights	**226,285**	174,568
Weighted average number of ordinary shares adjusted for the effect of dilution	**525,449,314**	517,512,577
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in diluted earnings per share.	**86,466**	24,671

(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 options and performance options granted are not included in the calculation of diluted earnings per share because they are not dilutive. These options and performance options could potentially dilute basic earnings per share in the future:

	Note	Consolidated 2006 Number	2005 Number
- Issue date 7 September 2004	25	**1,042,225**	1,190,580
- Issue date 3 March 2005	25	**74,097**	84,605
- Issue date 7 September 2005	25	**1,277,029**	-
- Issue date 3 March 2006	25	**143,872**	-
- Issue date 3 April 2006	25	**112,500**	-

(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.

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	Note	Consolidated 2006 $m	Consolidated 2005 $m	Tabcorp Holdings 2006 $m	Tabcorp Holdings 2005 $m
7. Cash and cash equivalents					
Cash on hand and in banks		**112.8**	91.6	**1.3**	0.2
Short term deposits, maturing within 30 days		**93.8**	117.8	**45.3**	0.2
	22(a)	**206.6**	209.4	**46.6**	0.4

Refer to note 34 for details on the cash holdings and interest rates applicable.

	Note	Consolidated 2006 $m	Consolidated 2005 $m	Tabcorp Holdings 2006 $m	Tabcorp Holdings 2005 $m
8. Receivables					
Current					
Trade debtors [i]		**29.3**	51.3	**-**	-
Allowance for doubtful debts		**(10.9)**	(11.2)	**-**	-
		18.4	40.1	**-**	-
Sundry debtors		**16.3**	3.3	**0.2**	0.5
Amounts receivable from controlled entities	29	**-**	-	**2,632.4**	2,651.6
		34.7	43.4	**2,632.6**	2,652.1

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

	Note	Consolidated 2006 $m	Consolidated 2005 $m	Tabcorp Holdings 2006 $m	Tabcorp Holdings 2005 $m
9. Inventories					
Consumable stores at cost		**15.9**	13.7	**-**	-
Provision for obsolescence		**(1.7)**	(1.8)	**-**	-
		14.2	11.9	**-**	-
Finished goods and stores at net realisable value		**0.8**	3.4	**-**	-
		15.0	15.3	**-**	-
10. Other assets					
Current					
Prepayments		**14.0**	18.2	**0.8**	2.6
Rental in advance		**5.0**	11.3	**-**	-
Development costs [i]		**-**	2.2	**-**	2.2
Derivatives at fair value		**1.8**	-	**-**	-
Other		**1.5**	0.2	**-**	-
		22.3	31.9	**0.8**	4.8
Non current					
Prepayments		**1.0**	10.1	**-**	-
Rental in advance		**11.8**	16.6	**-**	-
Loans		**-**	1.5	**-**	-
Derivatives at fair value		**29.7**	-	**-**	-
Pension asset	26	**1.3**	-	**1.3**	-
Other		**0.7**	1.0	**-**	-
		44.5	29.2	**1.3**	-

(i) Costs incurred in relation to the bid for the Singapore Integrated Resort. The Group withdrew from the bidding process in the 2006 financial year and the costs were expensed.

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	Consolidated		Tabcorp Holdings	
	2006 $m	2005 $m	**2006 $m**	2005 $m
11. Assets held for sale				
Surplus land and buildings	**-**	29.8	**-**	-

Surplus land and buildings held in Queensland were sold during the financial year for $40.2 million. The result on sale of these assets is disclosed at note 2.

	Consolidated		Tabcorp Holdings	
	2006 $m	2005 $m	**2006 $m**	2005 $m
12. Property, plant and equipment				
Land and buildings:				
Freehold land				
- at cost	**112.8**	116.5	**-**	-
Buildings:				
- at cost	**805.4**	794.0	**-**	-
- accumulated depreciation	**(87.1)**	(76.9)	**-**	-
	718.3	717.1	**-**	-
Total land and buildings, net	**831.1**	833.6	**-**	-
Capital works in progress:				
- at cost	**168.5**	45.9	**11.2**	8.6
Leasehold improvements:				
- at cost	**315.7**	310.9	**-**	-
- accumulated depreciation	**(90.5)**	(76.1)	**-**	-
Total leasehold improvements, net	**225.2**	234.8	**-**	-
Plant and equipment:				
- at cost	**909.1**	882.4	**9.0**	5.7
- accumulated depreciation	**(626.5)**	(553.8)	**(4.5)**	(4.0)
Total plant and equipment, net	**282.6**	328.6	**4.5**	1.7
	1,507.4	1,442.9	**15.7**	10.3

Reconciliations	Note	Freehold land $m	Buildings $m	Leasehold improvements $m	Capital works in progress $m	Plant and equipment $m
2006 - Consolidated						
Carrying amount at beginning of year		**116.5**	**717.1**	**234.8**	**45.9**	**328.6**
Additions		**-**	**10.0**	**5.2**	**126.3**	**44.9**
Reclassification/transfer		**-**	**-**	**-**	**(3.7)**	**2.7**
Disposals/write down		**-**	**(0.3)**	**(0.4)**	**-**	**(2.8)**
Transfer to assets held for resale		**(3.7)**	**-**	**-**	**-**	**-**
Depreciation expense		**-**	**(8.5)**	**(14.4)**	**-**	**(90.8)**
Carrying amount at end of year		**112.8**	**718.3**	**225.2**	**168.5**	**282.6**
2006 - Tabcorp Holdings Limited						
Carrying amount at beginning of year		**-**	**-**	**-**	**8.6**	**1.7**
Additions		**-**	**-**	**-**	**6.5**	**-**
Reclassification/transfer		**-**	**-**	**-**	**(3.9)**	**3.9**
Disposals		**-**	**-**	**-**	**-**	**(0.1)**
Depreciation expense		**-**	**-**	**-**	**-**	**(1.0)**
Carrying amount at end of year		**-**	**-**	**-**	**11.2**	**4.5**
2005 - Consolidated						
Carrying amount at beginning of year		134.7	712.0	219.5	4.1	297.0
Acquisition of controlled entity	31	5.5	48.9	24.6	10.8	85.2
Additions		-	1.1	8.1	44.6	45.0
Reclassification/transfer		1.1	0.6	-	(7.3)	5.0
Disposals/write down		(7.0)	(32.2)	-	(6.3)	(15.2)
Transfer to assets held for resale		(17.8)	-	-	-	-
Depreciation expense		-	(13.3)	(17.4)	-	(88.4)
Carrying amount at end of year		116.5	717.1	234.8	45.9	328.6
2005 - Tabcorp Holdings Limited						
Carrying amount at beginning of year		-	-	-	-	2.0
Additions		-	-	-	8.4	0.8
Reclassification/transfer		-	-	-	0.2	(0.2)
Disposals		-	-	-	-	(0.1)
Depreciation expense		-	-	-	-	(0.8)
Carrying amount at end of year		-	-	-	8.6	1.7

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for the year ended 30 June 2006 (continued)

	Consolidated		Tabcorp Holdings	
	2006 $m	2005 $m	**2006 $m**	2005 $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	**(7.4)**	(3.7)	**-**	-
	331.7	335.4	**-**	-
Star City and Treasury casino licences:				
- at cost	**294.7**	294.7	**-**	-
- accumulated amortisation	**(31.1)**	(27.9)	**-**	-
	263.6	266.8	**-**	-
Queensland Keno licence:				
- at cost	**43.7**	43.7	**-**	-
- accumulated amortisation	**(6.1)**	(3.8)	**-**	-
	37.6	39.9	**-**	-
	1,230.1	1,239.3	**597.2**	597.2

Reconciliations	Note	**Victorian wagering & gaming licence $m**	**NSW wagering licence $m**	**Star City & Treasury casino licences $m**	**Queensland Keno licence $m**
2006 - Consolidated					
Carrying amount at beginning of year		**597.2**	**335.4**	**266.8**	**39.9**
Amortisation expense		**-**	**(3.7)**	**(3.2)**	**(2.3)**
Carrying amount at end of year		**597.2**	**331.7**	**263.6**	**37.6**
2006 - Tabcorp Holdings Limited					
Carrying amount at beginning of year		**597.2**	**-**	**-**	**-**
Carrying amount at end of year		**597.2**	**-**	**-**	**-**
2005 - Consolidated					
Carrying amount at beginning of year		597.2	-	270.0	42.1
Additions through acquisition of entities	31	-	339.1	-	-
Amortisation expense		-	(3.7)	(3.2)	(2.2)
Carrying amount at end of year		597.2	335.4	266.8	39.9
2005 - Tabcorp Holdings Limited					
Carrying amount at beginning of year		597.2	-	-	-
Carrying amount at end of year		597.2	-	-	-

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	Consolidated 2006 $m	Consolidated 2005 $m	Tabcorp Holdings 2006 $m	Tabcorp Holdings 2005 $m
14. Intangible assets - other				
Goodwill:				
- at cost	**3,537.5**	3,537.5	**-**	-
- accumulated impairment (i)	**(152.9)**	(93.2)	**-**	-
	3,384.6	3,444.3	**-**	-
Customer contracts and relationships:				
- at cost	**2.9**	2.9	**-**	-
- accumulated amortisation	**(0.5)**	(0.2)	**-**	-
	2.4	2.7	**-**	-
Software:				
- at cost	**167.0**	122.1	**23.5**	6.1
- accumulated amortisation and impairment	**(98.8)**	(78.8)	**(5.4)**	(4.7)
	68.2	43.3	**18.1**	1.4
Other:				
- at cost	**20.5**	18.6	**-**	-
- accumulated amortisation	**(0.8)**	(0.4)	**-**	-
	19.7	18.2	**-**	-
Brand names at cost	**105.9**	105.9	**-**	-
Broadcast rights at cost	**6.5**	6.5	**-**	-
Media content at cost	**24.1**	24.1	**-**	-
	3,611.4	3,645.0	**18.1**	1.4

Reconciliations	**Goodwill $m**	**Customer contracts and relationships $m**	**Software $m**	**Other $m**	**Brand names $m**	**Broadcast rights $m**	**Media content $m**
2006 - Consolidated							
Carrying amount at beginning of year	3,444.3	2.7	43.3	18.2	105.9	6.5	24.1
Additions	-	-	48.3	1.9	-	-	-
Reclassification/transfer	-	-	1.0	-	-	-	-
Disposals	-	-	(1.1)	-	-	-	-
Impairment (i)	(59.7)	-	(7.5)	-	-	-	-
Amortisation expense	-	(0.3)	(15.8)	(0.4)	-	-	-
Carrying amount at end of year	3,384.6	2.4	68.2	19.7	105.9	6.5	24.1
2006 - Tabcorp Holdings Ltd							
Carrying amount at beginning of year	-	-	1.4	-	-	-	-
Additions	-	-	17.4	-	-	-	-
Disposals	-	-	-	-	-	-	-
Amortisation expense	-	-	(0.7)	-	-	-	-
Carrying amount at end of year	-	-	18.1	-	-	-	-

(i) The impairment of goodwill represents a reduction in expected revenue synergies to the Wagering NSW cash generating unit resulting from a decision by the relevant statutory authority to not approve the merging of the New South Wales and SuperTAB totalizator pools, and a reduction in operating cost synergies from higher than expected capital expenditure to integrate the wagering computer systems of New South Wales and Victoria. An impairment has also been recognised in respect of the software developed to enable the merging of the New South Wales and SuperTAB totalizator pools.

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for the year ended 30 June 2006 (continued)

14. Intangible assets - other (continued)

Reconciliations	Note	Goodwill $m	Customer contracts and relationships $m	Software $m	Rights to management agreement $m	Other $m	Brand names $m	Broadcast rights $m	Media content $m
2005 - Consolidated									
Carrying amount at beginning of year		1,241.9	-	27.3	247.9	17.7	-	-	-
Additions		43.2	-	18.6	-	0.9	-	-	-
Additions through acquisition of entities	31	2,007.3	2.9	12.9	-	-	105.9	6.5	24.1
Reclassifications		245.1	-	0.6	(245.1)	-	-	-	-
Impairment (i)		(93.2)	-	-	-	-	-	-	-
Amortisation expense		-	(0.2)	(16.1)	(2.8)	(0.4)	-	-	-
Carrying amount at end of year		3,444.3	2.7	43.3	-	18.2	105.9	6.5	24.1
2005 - Tabcorp Holdings Ltd									
Carrying amount at beginning of year		-	-	1.4	-	-	-	-	-
Additions		-	-	0.5	-	-	-	-	-
Amortisation expense		-	-	(0.5)	-	-	-	-	-
Carrying amount at end of year		-	-	1.4	-	-	-	-	-

(i) The impairment of goodwill represents a deterioration in expected growth in the Wagering NSW cash generating unit as a result of the impact on turnover of the split picture vision.

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	Wagering Victoria (Wagering) $m	Wagering NSW (Wagering) $m	Star City (Casinos) $m	Conrad Jupiters (Casinos) $m	Conrad Treasury (Casinos) $m	SKY Channel (Media) $m	Gaming Victoria (Gaming) $m	Queensland Keno (Gaming) $m	Other [i] $m	Total carrying amount $m
2006 - Consolidated										
Goodwill	207.6	1,317.0 [ii]	575.6	514.3	347.7	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
	207.6	1,415.8	575.6	514.3	347.7	243.4	47.2	129.6	39.9	3,521.1
2005 - Consolidated										
Goodwill	207.6	1,376.7 [ii]	575.6	514.3	347.7	212.6	47.2	129.6	33.0	3,444.3
Brand names	-	98.8	-	-	-	6.7	-	-	0.4	105.9
Broadcast rights	-	-	-	-	-	-	-	-	6.5	6.5
Media content	-	-	-	-	-	24.1	-	-	-	24.1
	207.6	1,475.5	575.6	514.3	347.7	243.4	47.2	129.6	39.9	3,580.8

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

(ii) An impairment write down in goodwill has been recognised, as outlined in note 14.

The recoverable amounts of all cash generating units have been determined using a value in use calculation based on cash flow projections approved by senior management covering a five year period. Cash flows beyond the five year period are extrapolated using an appropriate growth rate which is either in line with or does 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. The discount rates applied to the cash flow projections are shown on the next page.

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15. Impairment testing of goodwill and intangibles with indefinite lives (continued)
Discount and growth rates used in the recoverable amount calculation for each cash generating unit

	Wagering Victoria (Wagering)	Wagering NSW (Wagering)	Star City (Casinos)	Conrad Jupiters & Treasury (Casinos)	SKY Channel (Media)	Gaming Victoria (Gaming)	Queensland Keno (Gaming)
Discount rate (pre-tax)	11.4%	11.4%	11.4%	11.4%	12.5%	11.4%	11.4%
Growth rate beyond five years	2.5%	2.5%	4.0%	4.5%	2.0%	4.5%	2.5%
Terminal growth rate	-	2.0%	2.0%	2.0%	2.0%	-	2.0%

Key assumptions used in value in use calculations for 30 June 2006

The following describes the key assumptions on which management has based its cash flow projections for the initial five year period when determining the value in use of the above cash generating units:

- Cash flow projections were those achieved in the previous years, adjusted for expected growth, planned initiatives and other factors.
- The respective state tax regimes under which the Group operate remain largely unchanged.
- There are no further regulatory amendments which adversely impact gaming patronage or profitability of the casino properties.
- 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 it is assumed the Group has met the required revenue growth rates to achieve the premium.

		Consolidated		Tabcorp Holdings	
	Note	**2006 $m**	2005 $m	**2006 $m**	2005 $m
16. Payables					
Current					
Trade creditors and accrued expenses - unsecured	34(a)	**345.4**	306.0	**16.1**	6.2
17. Interest bearing liabilities					
Current					
Bank loans - unsecured		**390.0**	390.0	**-**	-
Non current					
Bank loans - unsecured		**653.7**	755.0	**-**	-
Medium term notes (i):					
- fixed interest rate		**382.3**	385.0	**-**	-
- floating interest rate		**64.8**	65.0	**-**	-
Private placement (ii):					
- US dollar (iii)		**829.2**	838.6	**-**	-
- Australian dollar		**99.6**	100.0	**-**	-
		2,029.6	2,143.6	**-**	-

(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 34(a).

Financing arrangements

The Group has access to the following financing facilities:

Total unsecured bank revolving & term loan facilities	**1,550.0**	1,550.0	**-**	-
Amount of facilities unused	**503.0**	405.0	**-**	-

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The facilities consisted of:

2006:

- a $265 million syndicated revolving facility expiring 18 October 2006;
- a $375 million syndicated revolving facility expiring 1 April 2008;
- a $260 million syndicated revolving facility expiring 1 April 2010;
- a $125 million revolving facility expiring 18 October 2006;
- a $180 million revolving facility expiring 1 April 2008;
- a $145 million revolving facility expiring 1 April 2010; and
- a $200 million revolving facility expiring 29 March 2010.

2005:

- a $265 million syndicated revolving facility expiring 19 October 2005;
- a $375 million syndicated revolving facility expiring 1 April 2008;
- a $260 million syndicated revolving facility expiring 1 April 2010;
- a $125 million revolving facility expiring 19 October 2005;
- a $180 million revolving facility expiring 1 April 2008;
- a $145 million revolving facility expiring 1 April 2010; and
- a $200 million revolving facility expiring 29 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.

	Consolidated		Tabcorp Holdings	
	2006 $m	2005 $m	**2006 $m**	2005 $m
18. Provisions				
Current				
Employee benefits	**54.5**	50.4	**1.9**	2.0
Workers' compensation [a]	**14.6**	14.9	**-**	-
Onerous contract - surplus lease space [b]	**1.5**	2.2	**-**	-
Management agreement - Gold Coast and Brisbane casinos [c]	**17.9**	18.4	**-**	-
Restructuring costs [d]	**10.6**	10.0	**-**	-
Other [e]	**23.2**	35.9	**-**	0.2
	122.3	131.8	**1.9**	2.2
Non current				
Employee benefits	**11.4**	17.0	**0.2**	0.9
Onerous contract - surplus lease space [b]	**5.4**	3.0	**-**	-
Management agreement - Gold Coast and Brisbane casinos [c]	**45.7**	63.6	**-**	-
Other [e]	**1.3**	1.3	**-**	-
	63.8	84.9	**0.2**	0.9

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for the year ended 30 June 2006 (continued)

18. Provisions (continued)

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.

	Tabcorp Holdings 2006 $m	Tabcorp Holdings 2006 $m
(a) Workers' compensation		
Carrying amount at beginning of year	**14.9**	-
Provisions made during the year	**5.0**	-
Payments made during the year	**(4.2)**	-
Unused amounts reversed	**(1.1)**	-
Carrying amount at the end of the year	**14.6**	-
(b) Onerous contract - surplus lease space		
Carrying amount at beginning of year	**5.2**	-
Provisions made during the year	**4.2**	-
Payments made during the year	**(2.5)**	-
Carrying amount at the end of the year	**6.9**	-
(c) Management agreement - Gold Coast and Brisbane casinos		
Carrying amount at beginning of year	**82.0**	-
Payments made during the year	**(18.4)**	-
Carrying amount at the end of the year	**63.6**	-
(d) Restructuring costs		
Carrying amount at beginning of year	**10.0**	-
Provisions made during the year	**6.2**	-
Payments made during the year	**(4.5)**	-
Unused amounts reversed	**(1.1)**	-
Carrying amount at the end of the year	**10.6**	-
(e) Other		
Carrying amount at beginning of year	**37.2**	**0.2**
Decrease through disposal of a business	**(0.8)**	-
Provisions made during the year	**29.3**	-
Payments made during the year	**(12.2)**	**(0.2)**
Unused amounts reversed	**(27.9)**	-
Utilisation of provision	**(1.1)**	-
Carrying amount at the end of the year	**24.5**	-

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(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 in each state:

- New South Wales - Mr Andrew Cohen FIAA FIA and Mr Mark Hurst FIAA (Finity Consulting Pty Ltd); and
- 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

a. Star City Pty Ltd

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.

b. TAHAL Ltd (formerly AWA Ltd)

A subsidiary of Jupiters Limited leased two premises in North Ryde, New South Wales at the time of the acquisition by the Group in 2003.

Following the acquisition of Tab Limited and the subsequent divestment of the gaming business in 2004, both premises became surplus to requirements and a provision was recognised for the estimated future liability for the Group to expiration of the final lease term in July 2006.

(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

This restructuring provision was recognised following the acquisition of Tab Limited in July 2004 and relates principally to the consolidation of its functions with the Group. The restructuring plan is expected to be completed in the next financial year.

		Consolidated		Tabcorp Holdings	
		2006	2005	**2006**	2005
	Note	**$m**	$m	**$m**	$m
19. Other liabilities					
Current					
Deferred revenue		**0.7**	13.9	**-**	-
Other		**4.5**	-	**-**	-
		5.2	13.9	**-**	-
Non current					
Deferred revenue		**-**	0.2	**-**	-
Pension liability	26	**-**	1.4	**-**	1.4
Derivatives at fair value	34(a)	**73.4**	-	**-**	-
		73.4	1.6	**-**	1.4

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	Consolidated		Tabcorp Holdings	
	2006 $m	2005 $m	**2006 $m**	2005 $m
20. Capital and reserves				
(a) Issued capital				
Ordinary shares [i]	**3,199.6**	3,187.3	**3,199.6**	3,187.3
Treasury shares [ii]	**(23.3)**	(32.5)	**(2.4)**	(1.2)
	3,176.3	3,154.8	**3,197.2**	3,186.1

(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	
	2006 $m	2005 $m	**2006 $m**	2005 $m
Issued and fully paid	**3,199.6**	3,187.3	**3,199.6**	3,187.3

		2006		2005	
	Note	**Number of shares**	**$m**	Number of shares	$m
Movements in ordinary share capital:					
Ordinary share capital at the beginning of the financial year		**523,918,865**	**3,187.3**	423,483,461	1,752.9
Issues:					
- consideration for acquisitions	31	**-**	**-**	90,154,731	1,288.3
- deferred share plan [a]		**8,151**	**0.1**	-	-
- dividend reinvestment plan		**-**	**-**	9,780,673	149.2
- options, performance options and share rights exercised		**1,108,072**	**13.8**	500,000	6.3
- buy backs		**(108,072)**	**(1.7)**	-	-
- transfer from employee equity benefit reserve [b]		**-**	**1.1**	-	-
- net outlay to purchase shares [c]		**-**	**(1.0)**	-	-
Share issue costs		**-**	**-**	-	(9.4)
Ordinary share capital at the end of the financial year		**524,927,016**	**3,199.6**	523,918,865	3,187.3

(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 deferred shares issued to certain business unit Chief Executives as a sign-on incentive; and
- shares in the Company held by a special purpose entity established to administer an employee share plan (all shares were disposed of prior to 31 December 2005).

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	Note	Consolidated 2006 $m	Consolidated 2005 $m	Tabcorp Holdings 2006 $m	Tabcorp Holdings 2005 $m
Movements in treasury shares:					
Treasury shares at the beginning of the financial year		**(32.5)**	(43.8)	**(1.2)**	(3.7)
Deferred shares issued		**(1.9)**	-	**(1.9)**	-
Share based payments expense		**0.3**	-	**0.3**	-
Disposal of shares		**1.5**	0.6	**-**	-
Repayments [a]		**9.3**	10.7	**0.4**	2.5
Treasury shares at the end of the financial year		**(23.3)**	(32.5)	**(2.4)**	(1.2)

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

(b) Retained earnings

	Note	Consolidated 2006 $m	Consolidated 2005 $m	Tabcorp Holdings 2006 $m	Tabcorp Holdings 2005 $m
Movements in retained earnings:					
Retained earnings at the beginning of the financial year		**101.2**	61.8	**489.7**	303.7
Application of AASB 139	35(f)	**0.7**	-	**-**	-
Net actuarial gain/(loss) on defined benefit plan		**2.6**	(0.7)	**2.6**	(0.7)
Net profit attributable to members of the parent entity		**543.4**	433.4	**463.4**	580.0
Dividends paid	5	**(446.2)**	(393.3)	**(446.2)**	(393.3)
Retained earnings at the end of the financial year		**201.7**	101.2	**509.5**	489.7

(c) Reserves

	Note	Consolidated 2006 $m	Consolidated 2005 $m	Tabcorp Holdings 2006 $m	Tabcorp Holdings 2005 $m
Net unrealised gains/losses reserve [i]					
Balance at start of period		**-**	-	**-**	-
Application of AASB 139	35(f)	**(3.2)**	-	**-**	-
Net gains/(losses) on cash flow hedges		**(21.0)**	-	**-**	-
Total for the period		**(24.2)**	-	**-**	-
Employee equity benefit reserve [ii]					
Balance at start of period		**2.6**	0.6	**2.6**	0.6
Share based payments expense		**3.5**	2.0	**3.5**	2.0
Transfers to share capital on vesting of performance options and share rights		**(1.1)**	-	**(1.1)**	-
Total for the period		**5.0**	2.6	**5.0**	2.6
Total reserves		**(19.2)**	2.6	**5.0**	2.6

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).

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		Consolidated		Tabcorp Holdings	
	Note	**2006 $m**	2005 $m	**2006 $m**	2005 $m
21. Minority interest					
Interest in:					
Ordinary shares		**4.9**	-	**-**	-
Retained earnings		**(0.8)**	-	**-**	-
Closing balance	29(b)	**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	
	Note	**2006 $m**	2005 $m	**2006 $m**	2005 $m
Cash on hand and in banks	7	**112.8**	91.6	**1.3**	0.2
Short term deposits, maturing within 30 days	7	**93.8**	117.8	**45.3**	0.2
		206.6	209.4	**46.6**	0.4

(b) Reconciliation of net profit after tax from continuing operations to net cash flows from operating activities				
Net profit after tax from continuing operations	**542.6**	435.4	**463.4**	580.0
Add/(less) items classified as investing/financing activities:				
- profit on sale of property, plant and equipment	**(8.5)**	(2.6)	**(0.2)**	(0.1)
- loss on sale of controlled entity	**-**	1.2	**-**	-
- profit on sale of businesses	**(0.6)**	(1.1)	**-**	-
- write off development costs	**2.2**	-	**2.2**	-
Add/(less) non cash income and expense items:				
- depreciation expense	**105.7**	109.7	**1.0**	0.3
- amortisation expense	**33.4**	36.7	**0.7**	0.5
- impairment	**68.5**	93.2	**-**	-
- share based payments expense	**3.8**	2.0	**1.3**	1.1
- net fair value change on derivatives	**1.2**	-	**-**	-
Net cash provided by operating activities before changes in assets and liabilities	**748.3**	674.5	**468.4**	581.8

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	Consolidated		Tabcorp Holdings	
	2006	2005	**2006**	2005
	$m	$m	**$m**	$m
Changes in assets and liabilities:				
(Increase)/decrease in:				
- trade and sundry receivables	**8.6**	20.3	**0.3**	(0.4)
- inventories	**0.4**	(0.3)	**-**	-
- prepayments	**5.4**	(0.9)	**1.8**	(2.3)
- accrued interest income	**0.1**	(0.4)	**-**	-
- amounts receivable from controlled entities	**-**	-	**(386.2)**	(116.2)
- deferred tax assets	**13.2**	13.0	**(1.0)**	20.8
- other assets	**(2.8)**	3.0	**(3.6)**	0.2
(Decrease)/increase in:				
- payables	**51.6**	(13.6)	**9.9**	0.4
- provisions	**(30.5)**	(11.1)	**(0.8)**	0.4
- deferred tax liabilities	**(80.0)**	(21.9)	**0.1**	30.4
- provision for income tax	**1.1**	(15.1)	**5.5**	(5.8)
- other liabilities	**(10.2)**	13.9	**(0.2)**	1.4
Net cash from operating activities	**705.2**	661.4	**94.2**	510.7

(c) Non cash financing and investing activities

2005: Under the terms of the dividend reinvestment plan, $149.2 million of dividends were paid via the issue of 9,780,673 shares.

(d) Disposal of a controlled entity

In December 2004, the Group disposed of 100% of its share capital in Jupiters Machine Gaming Pty Ltd. The operating results to that date have been included in consolidated operating profit.

	Consolidated	
	2006	2005
	$m	$m
Details of the disposal are as follows:		
Proceeds on disposal:		
- Consideration (cash)	-	41.8
The carrying amounts of assets and liabilities disposed of are:		
- Receivables	-	1.7
- Inventories	-	1.4
- Assets held for resale	-	39.2
- Deferred tax assets	-	1.9
- Payables	-	(0.7)
- Provisions	-	(0.5)
Net assets of entity sold	-	43.0
Loss on disposal	-	(1.2)

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for the year ended 30 June 2006 (continued)

	Consolidated		Tabcorp Holdings	
	2006 $m	2005 $m	**2006 $m**	2005 $m
23. Commitments				
(a) Capital expenditure commitments				
Plant and equipment				
Contracted but not provided for and payable:				
Not later than one year	**32.7**	20.4	**0.8**	0.4
Later than one year but not later than five years	**-**	0.3	**-**	0.3
	32.7	20.7	**0.8**	0.7
Software				
Contracted but not provided for and payable:				
Not later than one year	**14.3**	0.4	**3.4**	0.1
Later than one year but not later than five years	**-**	5.9	**-**	5.9
	14.3	6.3	**3.4**	6.0
(b) Operating lease commitments				
Contracted but not provided for and payable:				
Not later than one year	**25.5**	30.9	**2.3**	2.2
Later than one year but not later than five years	**69.3**	67.4	**10.0**	1.5
Later than five years	**97.6**	104.0	**-**	-
	192.4	202.3	**12.3**	3.7
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	**1.7**	1.4	**-**	-
Later than one year but not later than five years	**4.0**	4.5	**-**	-
	5.7	5.9	**-**	-

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	**43.1**	18.1	**-**	-
Later than one year but not later than five years	**161.3**	79.5	**-**	-
Later than five years	**69.0**	72.8	**-**	-
	273.4	170.4	**-**	-

(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 five main business segments:

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

Tabcorp International was created as a separate business segment effective from 1 July 2005.

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

Inter segment pricing is determined on an arm's-length basis.

2006 - Consolidated	**Wagering $m**	**Gaming $m**	**Casinos $m**	**Media $m**	**International $m**	**Unallocated $m**	**Elimination $m**	**Consolidated $m**
Total operating revenues - external	1,316.9	1,046.2	1,324.5	82.6	6.7	-	-	3,776.9
Other revenues - external	10.7	20.4	7.2	0.1	-	19.5	-	57.9
Intersegment revenue	-	-	5.6	31.0	2.7	-	(39.3)	-
Revenues	1,327.6	1,066.6	1,337.3	113.7	9.4	19.5	(39.3)	3,834.8
Segment result (pre impairment of goodwill)	203.7	257.9	424.1	30.0	(10.9)	-	-	904.8
Segment Result	**144.0**[a]	**257.9**	**424.1**	**30.0**	**(10.9)**	**-**	**-**	**845.1**
Interest revenue								9.4
Unallocated other revenue								10.1
Unallocated expenses								(3.7)
Finance costs								(165.9)
Profit before income tax								695.0
Income tax expense								(152.4)
Profit for the period								**542.6**
Depreciation and amortisation	39.2	22.4	72.3	3.9	0.6	0.7	-	139.1
Impairment losses recognised in profit and loss	66.4	-	2.1	-	-	-	-	68.5
Non cash expenses other than depreciation and amortisation	(0.1)	0.7	1.8	0.5	-	-	-	2.9
Segment assets	2,442.5	687.2	3,205.6	276.9	27.7	115.4	-	6,755.3
Segment liabilities	186.2	36.7	249.1	27.9	12.8	2,879.7	-	3,392.4
Capital expenditure	80.6	41.0	98.2	3.6	0.3	-	-	223.7

(a) Includes impairment of $59.7 million in relation to goodwill.

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24. Segment information (continued)

2005 - Consolidated	Wagering $m	Gaming $m	Casinos $m	Media $m	International $m	Unallocated $m	Elimination $m	Consolidated $m
Total operating revenues - external	1,319.8	1,022.2	1,272.0	93.4	7.3	45.9	-	3,760.6
Other revenues - external	10.4	17.9	10.0	0.1	-	18.1	-	56.5
Intersegment revenue	-	-	2.9	34.0	2.7	-	(39.6)	-
Revenues	1,330.2	1,040.1	1,284.9	127.5	10.0	64.0	(39.6)	3,817.1
Segment result (pre impairment of goodwill)	198.6	261.9	392.2	38.0	(1.3)	-	-	889.4
Segment Result	**105.4** [(a)]	**261.9**	**392.2**	**38.0**	**(1.3)**	**-**	**-**	**796.2**
Unallocated operating revenue [(b)]								45.9
Interest revenue								11.6
Unallocated other revenue								6.5
Unallocated expenses								(42.0)
Finance costs								(182.1)
Profit before income tax								636.1
Income tax expense								(200.7)
Profit for the period								**435.4**
Depreciation and amortisation	46.0	21.5	70.3	6.4	-	2.2	-	146.4
Impairment losses recognised in profit and loss	93.2	-	-	-	-	-	-	93.2
Non cash expenses other than depreciation and amortisation	-	-	(0.4)	0.2	-	-	-	(0.2)
Segment assets	2,532.7	670.1	3,203.2	277.2	9.0	80.8	-	6,773.0
Segment liabilities	190.7	44.2	277.1	29.2	1.9	2,971.3	-	3,514.4
Capital expenditure and investments	2,215.1	35.7	46.7	246.0	-	16.4	-	2,559.9

(a) Includes impairment of $93.2 million in relation to goodwill.

(b) Represents the provision of field support and maintenance operations to the Australian information technology industry of $14.4 million and the monitoring of electronic gaming in licensed pubs and clubs in NSW of $31.5 million. These businesses were sold during the 2005 year.

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-based instruments to senior executives and management as a component of their remuneration, comprising deferred shares, performance options and share rights (where applicable).

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:

- *Employee equity participation plans*
  General Employee Share Plan (ceased being offered in 2003)
  Employee Deferred Share Plan
- *Incentive equity plans*
  Senior Executive Long Term Incentive Plan (ceased being offered in 2003)
  Short Term Performance Plan
  Long Term Performance Plan

In addition, the Company granted equity based instruments to the Managing Director and Chief Executive Officer and certain business unit Chief Executives as sign on incentives to compensate for equity arrangements that were forfeited following cessation with previous employers.

The share based payments expense recognised in the income statement for the period is disclosed at note 2(f).

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Details of all employee share plans for the Company are as follows:

	Shares issued to senior executives & employees		Shares issued to executive directors [a]	
Ordinary shares (number)	**2006**	2005	**2006**	2005
Total number issued to employees during the year ('000)	**346**	261	**1,000**	500
Total number issued to employees since commencement of plan ('000)	**12,278**	11,932	**5,500**	4,500
Total number that have become available for purchase ('000)	**35,362**	35,016	**5,500**	4,500
Purchase entitlements not taken up by employees are not available at balance date for purchase				
Total number of employees eligible to participate in plans at balance date	**5,327**	4,878	**1**	1
Total number of employees participating in plans at balance date	**1,284**	1,207	**1**	1
Total market value, at date of issue, of issues during the year ($'000)	**5,495**	4,188	**16,390**	7,395
Proceeds received from issues during the year ($'000)	**5,490**	3,577	**12,610**	6,305

(a) Issued under employment service agreements.

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

Employee equity participation plans

General Employee Share Plan ('GESP')

The objective of the GESP was to provide the opportunity for eligible employees to own shares in the Company and align the interests of employees with those of shareholders.

Under the plan, eligible employees received a loan from the Company to acquire shares at the prevailing market price at the time the shares were allocated. Loans under the plan are interest free and mature either five years after commencement or upon cessation of employment. Employees are required to repay the loans by way of instalments through salary deductions and are entitled to receive all dividends paid.

The plan ceased being offered to employees in 2003, however the remaining loans are not due to mature until September 2008 at the latest.

Employee Deferred Share Plan ('EDSP')

The EDSP was implemented in 2004 and replaced the GESP. As with the GESP, the objective of the EDSP is to provide the opportunity for eligible employees to own shares in the Company and align the interests of employees with those of shareholders.

Under the plan, participants elect to salary sacrifice a minimum of $1,000 per annum, which is used to purchase the Company's shares in quarterly instalments at the volume weighted average share price at the time of the share allocation. Loans are not provided to employees under the plan, but it has been structured to enable employees to purchase shares in a tax-effective manner as permitted under Australian taxation rules for employee share schemes.

Incentive equity plans

Senior Executive Long Term Incentive Plan ('SELTIP')

The objective of the SELTIP was to provide the opportunity for senior executives to own shares in the Company to more closely align their interest with those of shareholders.

Participants received a loan from the Company to acquire shares at the prevailing market price at the time the shares were allocated. The final allocation in 2003 has a three year holding restriction on the shares.

Interest payable on the loan is required to be repaid bi-annually from dividends paid on the shares and is charged at the lower of either 4.0% per annum (2005: 4.0% per annum) calculated on the outstanding loan balance at the date upon which 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.

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25. Employee share plans (continued)

The plan ceased being offered in 2003, however the remaining loans only mature upon cessation of employment of the remaining participants.

Short Term Performance Plan ('STPP')

The STPP was introduced in 2003 for senior executives and managers to replace previous incentive schemes. The plan links the achievement of individual, business unit, and Group financial and operational performance with the remuneration delivered to the executive who is accountable for delivering on those targets.

Based upon the reward mix approved at the 2003 Annual General Meeting, participants in the STPP have an entitlement to receive a fixed percentage of their total employment cost as a short term incentive payment. The entitlement is determined based upon an annual review and assessment of an individual balanced scorecard of measures. A funding multiplier is then applied to this assessment, which leverages the incentive payment based upon a combination of both Group and business unit profitability.

The STPP parameters provide participants with the opportunity to elect to receive their incentive payment as cash, superannuation or deferred shares.

Long Term Performance Plan ('LTPP')

The LTPP was introduced in 2003 for senior executives to replace previous long term incentive schemes. The LTPP is designed to foster long term alignment of individual, business unit and Group performance with the objective of providing a satisfactory return to shareholders. Under the LTPP, participants receive an annual allocation of performance options and share rights in respect of the Company's ordinary shares.

The Board Remuneration Committee annually reviews and approves the selection of participants to be invited to participate in the LTPP. Participation in the LTPP is intended as a component of total annual reward for executives whose performance is of strategic and operational importance to the Company. Generally, participation is restricted to the Managing Director and Chief Executive Officer, the Chief Financial Officer, Chief Executives, Chief Operating Officers, Executive General Managers and General Managers.

The proportion of an executive's annual reward that is comprised of performance options and share rights depends on the level of seniority of the executive. The number of performance options and share rights allocated is determined using a model which assesses the projected value at the first test date, being the third year after allocation. Performance options and share rights which have not vested are further tested on the fourth and fifth anniversary of allocation following which unvested performance options lapse. The assumptions used in determining the future reward of performance options and share rights uses two key criteria, being:

- Projected average annual rate of growth in the share price over the vesting period (three years); and
- A risk free rate of return to discount the projected annual average share price growth over the vesting period back to the date of grant.

The performance hurdles to be attached to both performance options and share rights are measured according to Tabcorp's Total Shareholder Return ('TSR') ranking against a peer group of companies, which reflects Tabcorp's current business mix determined at the time of granting the performance options and share rights. The peer group consists of the 100 largest Australian Stock Exchange ('ASX') listed companies based on market capitalisation, excluding property trusts, infrastructure groups and mining companies which are represented by the S&P Global Industry Classification Standards of Oil & Gas, Metals & Mining, Transportation Infrastructure and Real Estate. Due to changes in the composition of companies listed on the ASX, the peer group will change at each date of grant.

Any award delivered by the LTPP will only be realised when TSR meets or exceeds specified performance hurdles, which requires Tabcorp to outperform at least 50% of its peer group of companies in terms of TSR.

All performance options and share rights will lapse immediately upon cessation of employment. However, the Board has the discretion in special circumstances (for example, retrenchment, death and permanent incapacity) to vest all or part of the outstanding unvested performance options and share rights.

Performance options and share rights which have already vested may be exercised for a period of 90 days following cessation of employment. After this date, any vested performance options and share rights that have not been exercised will lapse.

The LTPP Plan Rules provide that without the prior approval of the Board, performance options and share rights may not be transferred or encumbered. The Board has not approved any transfers or encumbrances.

Service agreements

Options

Options were granted to the Managing Director and Chief Executive Officer under a service agreement to acquire ordinary shares in the Company. A number of these options vested upon commencement of employment which have been exercised. The remaining options become exercisable through the satisfaction of certain performance hurdles within a five year period from commencement of employment.

Performance options, share rights and deferred shares

Performance options, share rights and deferred shares were granted to certain Chief Executives under service agreements, which vest three years after commencement of employment in accordance with the performance hurdles contained in the LTPP Rules. The deferred share allocation have a three year time-based vesting condition from commencement of employment, with a proportion vesting annually. There are no performance hurdles for the deferred shares.

Set out below are summaries of performance options and share rights granted under long term performance plans and service agreements.

Options, Performance Options and Share Rights Issued

Grant date	Note	Exercise expiry date	Exercise Price $	WASP at exercise date (iii) $	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
Consolidated and Tabcorp Holdings - 2006										
OPTIONS AND PERFORMANCE OPTIONS:										
7 October 2002	(i)(a)(e)	7 October 2005	12.61	16.39	1,000,000	-	-	1,000,000	-	n/a
7 October 2002	(i)(b)(e)	7 October 2010	12.61	n/a	1,000,000	-	-	-	1,000,000	85,165
1 December 2003	(ii)(c)(e)	1 December 2010	11.23	15.49	1,267,931	-	60,898	181,696	1,025,337	-
7 September 2004	(ii)(c)(d)	7 September 2011	14.54	15.38	1,190,580	-	67,707	80,648	1,042,225	-
3 March 2005	(ii)(c)(d)	3 March 2012	17.03	n/a	84,605	-	10,508	-	74,097	-
7 September 2005	(ii)(c)(d)	7 September 2012	16.51	n/a	-	1,331,944	54,915	-	1,277,029	-
3 March 2006	(ii)(c)(d)	3 March 2013	15.08	n/a	-	179,901	36,029	-	143,872	-
3 April 2006	(ii)(c)(d)	3 April 2013	15.42	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	(ii)(c)(e)	1 December 2010	Nil	15.54	168,836	-	12,440	26,542	129,854	-
7 September 2004	(ii)(c)(e)	7 September 2011	Nil	15.38	166,156	-	13,811	10,967	141,378	-
3 March 2005	(ii)(c)(e)	3 March 2012	Nil	n/a	15,842	-	2,143	-	13,699	-
7 September 2005	(ii)(c)(e)	7 September 2012	Nil	15.41	-	184,964	5,604	3,732	175,628	-
3 March 2006	(ii)(c)(e)	3 March 2013	Nil	n/a	-	26,240	4,874	-	21,366	-
3 April 2006	(ii)(c)(e)	3 April 2013	Nil	n/a	-	15,000	-	-	15,000	-
					350,834	226,204	38,872	41,241	496,925	-
Consolidated and Tabcorp Holdings - 2005										
OPTIONS AND PERFORMANCE OPTIONS:										
7 October 2002	(i)(a)(e)	7 October 2005	12.61	14.79	1,500,000	-	-	500,000	1,000,000	1,000,000
7 October 2002	(i)(b)(e)	7 October 2010	12.61	n/a	1,000,000	-	-	-	1,000,000	50,000
1 December 2003	(ii)(c)(e)	1 December 2010	11.23	16.59	1,385,067	-	60,702	56,434	1,267,931	-
7 September 2004	(ii)(c)(d)	7 September 2011	14.54	17.32	-	1,248,815	30,668	27,567	1,190,580	-
3 March 2005	(ii)(c)(d)	3 March 2012	17.03	n/a	-	84,605	-	-	84,605	-
					3,885,067	1,333,420	91,370	584,001	4,543,116	1,050,000
SHARE RIGHTS:										
1 December 2003	(ii)(c)(e)	1 December 2010	Nil	16.39	190,365	-	12,399	9,130	168,836	-
7 September 2004	(ii)(c)(e)	7 September 2011	Nil	17.32	-	176,205	6,257	3,792	166,156	-
3 March 2005	(ii)(c)(e)	3 March 2012	Nil	n/a	-	15,842	-	-	15,842	-
					190,365	192,047	18,656	12,922	350,834	-

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25. Employee share plans (continued)

Notes to options, performance options and share rights table

(i) Options granted under a service agreement. These options 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.

(ii) Performance options and share rights granted under the LTPP.

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

(a) The options vested at grant date.

(b) These options can only be exercised if certain annual and cumulative benchmarks are achieved. At reporting date 85,165 (2005: 50,000) options were exercisable.

(c) These performance options and share rights can only be exercised if certain annual and cumulative benchmarks are achieved. At reporting date these performance options and share rights had not yet vested. The first vesting date occurs three years after the grant date.

(d) These performance options are not considered dilutive and are excluded from the calculation of diluted earnings per share.

(e) These performance options and share rights are considered potential ordinary shares. The weighted number of potential ordinary shares used in the calculation of diluted earnings per share in note 6 is 708,491 (2005: 739,398).

The weighted average remaining contractual life for the options, performance options and share rights outstanding as at 30 June 2006 is:

- Options and performance options: 5.2 years (2005: 4.5 years)
- Share rights: 5.5 years (2005: 5.8 years)

Set out below are options exercised during the financial year and previous financial year and number of shares issued to executive directors on the exercise of options.

		Consolidated		Tabcorp Holdings	
Exercise date	Fair value of shares at exercise date	**2006 Number**	2005 Number	**2006 Number**	2005 Number
8 September 2005	$16.39	**1,000,000**	500,000	**1,000,000**	500,000

The fair value of shares issued on the exercise of options is the closing price at which the Company's shares were traded on the Australian Stock Exchange on the day the options were exercised.

Options vested at the reporting date	85,165	1,050,000	85,165	1,050,000

	Consolidated		Tabcorp Holdings	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Aggregate proceeds received from executive directors on the exercise of options and recognised as issued capital	**12,610**	6,305	**12,610**	6,305
Fair value of the shares issued to executive directors on the exercise of options as at their issue date	**16,390**	7,395	**16,390**	7,395

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.

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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-02	7-Oct-05	12.11	20.70	5.20	4.99	0.93	-
7-Oct-02	7-Oct-10	12.11	20.70	5.20	5.14 (iv)	1.51	-
1-Dec-03	1-Dec-10	11.19	19.80	6.00	5.98	1.31	5.65
7-Sep-04	7-Sep-11	14.57	16.00	4.90	5.53	1.81	8.72
3-Mar-05	3-Mar-12	16.81	16.00	4.50	5.56	2.16	10.29
7-Sep-05	7-Sep-12	16.35	16.00	4.95	5.10	1.86	10.01
3-Mar-06	3-Mar-13	15.00	16.00	5.00	5.31	1.73	9.21
3-Apr-06	3-Apr-13	15.85	16.00	5.00	5.40	2.01	9.75

(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.

26. Pensions and other post employment benefit plans

Superannuation funds

On 1 May 2005, the Group merged the three superannuation funds covering its employees and the employees of controlled entities, being the Tabcorp Superannuation Fund, Jupiters Limited Superannuation Fund and Tab Limited Staff Superannuation Fund. The three superannuation funds were merged into a Sub-Plan within the AMP SignatureSuper Master Trust, known as the Tabcorp Superannuation Plan.

The Tabcorp Superannuation Plan comprises:

(a) an accumulation section - providing benefits based on contributions accumulated with interest; and

(b) 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:

(a) the accumulation section at rates specified in the governing rules; and

(b) the defined benefit section at rates recommended by the actuary.

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

(a) Industry Funds as required by Enterprise Agreements; and

(b) other nominated superannuation funds following changes to superannuation legislation from 1 July 2005.

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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	
	2006	2005	**2006**	2005
	$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	**(1.4)**	2.3	**(1.4)**	2.3
Expense recognised in the income statement	**(1.3)**	(3.3)	**(1.3)**	(3.3)
Actuarial gains/(losses) recognised in retained earnings	**3.7**	(1.0)	**3.7**	(1.0)
Employer contributions	**0.3**	0.6	**0.3**	0.6
Net asset/(liability) for defined benefit obligation at the end of the year	**1.3**	(1.4)	**1.3**	(1.4)
Net benefit expense recognised in the income statement				
Current service cost	**1.0**	0.8	**1.0**	0.8
Interest cost on benefit obligation	**1.0**	1.1	**1.0**	1.1
Expected return on plan assets	**(1.5)**	(2.5)	**(1.5)**	(2.5)
Plan assets used to fund contribution holiday	**0.8**	3.9	**0.8**	3.9
Net benefit expense	**1.3**	3.3	**1.3**	3.3
Actual return on plan assets	**4.6**	4.2	**4.6**	4.2
Reconciliation of the net asset/(liability) recognised on the balance sheet				
Present value of defined benefit obligation	**(22.6)**	(24.6)	**(22.6)**	(24.6)
Fair value of plan assets	**23.9**	23.2	**23.9**	23.2
Net benefit asset/(liability) - non current	**1.3**	(1.4)	**1.3**	(1.4)

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.

	Consolidated		Tabcorp Holdings	
Reconciliation of the present value of the defined benefit obligation				
Opening defined benefit obligation	**(24.6)**	(23.8)	**(24.6)**	(23.8)
Interest cost	**(1.0)**	(1.1)	**(1.0)**	(1.1)
Current service cost	**(1.0)**	(0.8)	**(1.0)**	(0.8)
Benefits and taxes paid	**3.5**	4.0	**3.5**	4.0
Plan participants' contributions	**(0.1)**	(0.2)	**(0.1)**	(0.2)
Actuarial gains/(losses) on obligation	**0.6**	(2.7)	**0.6**	(2.7)
Closing defined benefit obligation	**(22.6)**	(24.6)	**(22.6)**	(24.6)

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	Consolidated		Tabcorp Holdings	
	2006	2005	**2006**	2005
	$m	$m	**$m**	$m
Reconciliation of the fair value of plan assets				
Opening fair value of plan assets	**23.2**	26.1	**23.2**	26.1
Expected return	**1.5**	2.5	**1.5**	2.5
Contributions by employer	**0.3**	0.6	**0.3**	0.6
Benefits and taxes paid	**(3.5)**	(4.0)	**(3.5)**	(4.0)
Plan participants' contributions	**0.1**	0.2	**0.1**	0.2
Actuarial gains/(losses)	**3.1**	1.7	**3.1**	1.7
Plan assets used to fund contribution holiday	**(0.8)**	(3.9)	**(0.8)**	(3.9)
Fair value of plan assets	**23.9**	23.2	**23.9**	23.2
Amounts recognised in the statement of recognised income and expense				
Actuarial gain/(loss)	**3.7**	(1.0)	**3.7**	(1.0)
Cumulative actuarial gains/(losses)	**2.7**	(1.0)	**2.7**	(1.0)
The history of experience adjustments is as follows:				
Experience adjustments - plan liabilities	**0.3**	-	**0.3**	-
Experience adjustments - plan assets	**3.0**	-	**3.0**	-

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

	2006	**2005**
	%	**%**
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	**7.5**	7.5
Direct property	**2.5**	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.

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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):

	2006 % pa	**2005 % pa**
Discount rate:		
- active members	**4.9**	4.4
- pensioners (i)	**5.8**	5.1
Expected salary increase rate	**4.5**	4.5
Expected pension increase rate	**2.5**	2.0
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 and 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.

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27. Director and executive disclosures

(a) Details of key management personnel ('KMP')

(i) Directors

Michael Robinson	Chairman
Matthew Slatter	Managing Director & Chief Executive Officer
Anthony Hodgson	Deputy Chairman
Paula Dwyer	Director (non executive): since 30 August 2005
Philip Satre	Director (non executive)
John Story	Director (non executive)
Zygmunt Switkowski [a]	Director (non executive)
Richard Warburton	Director (non executive)
Lawrence Willett	Director (non executive)
Warren Wilson	Director (non executive): retired 28 November 2005

(a) Will be appointed a non executive director following the receipt of all necessary regulatory approvals.

(ii) Executives

David Banks	Chief Executive, Casinos: ceased 31 March 2006
Matt Bekier	Chief Financial Officer: appointed 30 January 2006
Walter Bugno	Chief Executive, Casinos: appointed 3 April 2006
Peter Caillard	Chief Executive, Media [b]
David Elmslie	Chief Financial Officer: ceased 31 January 2006
Elmer Funke Kupper	Chief Executive, Australian Business: appointed 27 February 2006
Paul Gulbenkian	Executive General Manager, Tabcorp International
Mohan Jesudason	Managing Director, Gaming [b]
George Mackey	Executive General Manager, Technical Services
Julia Nenke	Executive General Manager, Human Resources
Michael Piggott	Managing Director, Wagering [b]
Anne Tasker	Executive General Manager, Customer and Brand Development
Kerry Willcock	Executive General Manager, Corporate & Legal

(b) Executives ceased to be key management personnel after the appointment of Mr Funke Kupper on 27 February 2006.

(b) Compensation of key management personnel

(i) Compensation policy

The objective of the Group's reward structure is to reward for sustained performance and growth whilst attracting, motivating and retaining quality people. The reward platform encompasses fixed and variable reward, to drive short, medium and long term incentives to support the organisation's future direction and business strategy. The key principles in developing and monitoring the reward structure are:

- to create shareholder value;
- maintain market competitiveness; and
- to measure and reward for individual and Group performance.

Alignment with these principles is achieved through a variable pay structure, based on competitive levels of reward, both fixed and at risk.

Set out below are summaries of the compensation of key management personnel.

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for the year ended 30 June 2006 (continued)

27. Director and executive disclosures (continued)

(b) Compensation of key management personnel (continued)

30 June 2006		Period of responsibility (if other than full year)	Short term Salary & fees $	 Cash bonus $
Directors				
Continuing KMP				
Michael Robinson	Chairman (non executive)		385,297	-
Matthew Slatter [ii]	Managing Director and Chief Executive Officer		1,426,157	856,235
Paula Dwyer [iii]	Director (non executive)	30 Aug 05 - 30 Jun 06	185,000	-
Anthony Hodgson	Director (non executive)		225,000	-
Philip Satre [iv]	Director (non executive)		167,397	-
John Story	Director (non executive)		165,001	-
Richard Warburton	Director (non executive)		182,593	-
Lawrence Willett	Director (non executive)		157,500	-
Ceased KMP				
Warren Wilson [v]	Director (non executive)	1 Jul 05 - 28 Nov 05	65,628	-
Executives				
Continuing KMP				
Matt Bekier	Chief Financial Officer	30 Jan 06 - 30 Jun 06	313,839	82,762
Walter Bugno [vi]	Chief Executive, Casinos	3 Apr 06 - 30 Jun 06	239,273	103,841
Elmer Funke Kupper [vii]	Chief Executive, Australian Business	27 Feb 06 - 30 Jun 06	309,404	143,510
George Mackey	Executive General Manager, Technical Services		344,380	92,429
Julia Nenke	Executive General Manager, Human Resources		326,683	132,491
Kerry Willcock	Executive General Manager, Corporate & Legal		325,736	125,867
Ceased KMP				
David Banks [viii]	Chief Executive, Casinos	1 Jul 05 - 31 Mar 06	558,990	320,550
Peter Caillard	Chief Executive, Media	1 Jul 05 - 27 Feb 06	248,285	106,667
David Elmslie [ix]	Chief Financial Officer	1 Jul 05 - 31 Jan 06	299,517	151,600
Paul Gulbenkian [x]	Executive General Manager, Tabcorp International Executive General Manager, Integration		402,544	146,400
Mohan Jesudason	Managing Director, Gaming	1 Jul 05 - 27 Feb 06	302,107	129,076
Michael Piggott [xi]	Managing Director, Wagering	1 Jul 05 - 27 Feb 06	444,120	179,173
Anne Tasker [xii]	Executive General Manager, Customer & Brand Development, Executive General Manager, Strategy & Development		420,069	132,491
Total Compensation			**7,494,520**	**2,703,092**

(i) In addition to salary and fees, directors and executives may receive non monetary benefits including car parking, staff gratuity/gifts, entertainment/sundry expenses, relocation expenses and motor vehicle expenses. For the executives, this also includes the cost of providing low interest loans to acquire shares in the Company pursuant to issues made under previous employee share plans, where applicable.

(ii) Share based payment represents:
- The fair value of share based payments expensed by the Company that were issued under the Long Term Performance Plan; and
- The fair value of the allocation of 1 million options granted on 7 October 2002 upon commencement of employment, which are not recognised as an expense by the Company as the grant date was prior to the applicable date for AASB 2 'Share based Payment'. The amount disclosed as remuneration for these options is $302,914 (2005: $302,914).

(iii) Appointed as a Director on 30 August 2005 following receipt of all necessary regulatory approvals. Salary & fees include observer fees of $42,919 paid for the period 1 July 2005 to 29 August 2005, whilst awaiting regulatory approval.

(iv) Received cash in lieu of Superannuation Guarantee Contributions, due to being a non-resident of Australia. These amounts are disclosed under salary and fees.

(v) Retired at the conclusion of the Company's Annual General Meeting on 28 November 2005.

(vi) Commenced employment on 3 April 2006. Share based payment includes equity instruments which were granted as a sign on incentive.

(vii) Commenced employment on 27 February 2006. Share based payment includes equity instruments which were granted as a sign on incentive.

	Long term	Post employment	Termination	Share based payment (xiv)			
Non monetary benefits (i) $	Long service leave $	Super-annuation $	Termination $	Options, performance options & share rights $	Deferred shares $	Total $	Total performance related (xiii) %
2,778	-	34,927	-	-	-	423,002	n/a
122,395	26,972	12,139	-	917,517	-	3,361,415	53%
-	-	16,650	-	-	-	201,650	n/a
-	-	20,251	-	-	-	245,251	n/a
-	-	-	-	-	-	167,397	n/a
-	-	14,850	-	-	-	179,851	n/a
-	-	14,517	-	-	-	197,110	n/a
-	-	15,951	-	-	-	173,451	n/a
-	-	5,707	-	-	-	71,335	n/a
225,647	777	5,150	-	-	27,587	655,762	17%
898	588	3,035	-	31,031	52,617	431,283	31%
440	816	4,712	-	36,975	232,833	728,690	25%
154,601	11,279	12,139	-	104,929	53,131	772,888	32%
178,881	2,109	12,829	-	42,411	-	695,404	25%
36,989	2,067	13,539	-	38,982	-	543,180	30%
93,500	43,209	85,838	1,001,720	324,940	-	2,428,747	27%
49,160	41,930	31,800	-	59,169	-	537,011	31%
44,623	10,145	53,668	650,000	208,445	-	1,417,998	25%
27,499	21,830	12,139	400,000	84,111	-	1,094,523	21%
47,764	4,577	25,640	-	90,937	-	600,101	37%
62,826	13,170	50,600	-	120,683	-	870,572	34%
-	1,506	12,139	-	-	-	566,205	23%
1,048,001	**180,975**	**458,220**	**2,051,720**	**2,060,130**	**366,168**	**16,362,826**	

(viii) Ceased employment on 31 March 2006. In addition to the amounts disclosed above, payment of annual leave and long service leave entitlements on cessation amounted to $281,930.

(ix) Ceased employment on 31 January 2006. In addition to the amounts disclosed above, payment of annual leave and long service leave entitlements on cessation amounted to $255,100.

(x) Ceased employment on 1 July 2006. The termination payment was accrued at 30 June 2006.

(xi) Ceased employment on 7 July 2006.

(xii) Ceased employment on 30 June 2006.

(xiii) Represents the sum of cash bonus, options, performance options & share rights and deferred shares (where applicable) as a percentage of total remuneration.

For Mr Funke Kupper and Mr Bugno, deferred shares are excluded on the basis that they were issued under a service agreement and have a three year time-based vesting condition.

(xiv) Represents the fair value of share based payments expensed by the Company.

The amounts disclosed in the financial statements represent the executive's remuneration apportioned to the date of their cessation as key management personnel. This differs from the remuneration disclosed in the remuneration report which represents the executive's total remuneration for the financial year.

Zygmunt Switkowski did not receive any remuneration because he was not appointed as a Director prior to the end of the financial year.

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27. Director and executive disclosures (continued)

(b) Compensation of key management personnel (continued)

30 June 2005		Period of responsibility (if other than full year)	Short term Salary & fees $	Short term Cash bonus $
Directors				
Continuing KMP				
Michael Robinson	Chairman (non executive)		354,575	-
Matthew Slatter (ii)	Managing Director and Chief Executive Officer		1,356,106	506,792
Anthony Hodgson	Director (non executive)		205,375	-
Philip Satre (iii)	Director (non executive)		146,005	-
John Story	Director (non executive)		147,875	-
Richard Warburton	Director (non executive)		157,875	-
Lawrence Willett	Director (non executive)		136,625	-
Warren Wilson	Director (non executive)		145,375	-
Executives				
Continuing KMP				
David Banks	Chief Executive, Casinos		708,335	296,291
Peter Caillard	Chief Executive, Media; Company Secretary		370,943	134,553
David Elmslie	Chief Financial Officer		523,766	240,323
Paul Gulbenkian	Executive General Manager, Integration		348,889	104,958
Mohan Jesudason	Chief Executive, Gaming		455,779	199,653
George Mackey	Executive General Manager, Technical Services		385,573	107,693
Julia Nenke	Executive General Manager, Human Resources	24 Jan 05 - 30 Jun 05	138,482	46,668
Michael Piggott	Chief Executive, Wagering and Network Games		555,075	259,155
Anne Tasker	Executive General Manager, Strategy & Development	27 Jun 05 - 30 Jun 05	6,654	-
Kerry Willcock	Executive General Manager, Corporate & Legal	14 Feb 05 - 30 Jun 05	138,087	35,407
Executives				
Ceased KMP				
Robert Preston (iv)	Executive General Manager, Human Resources	1 Jul 04 - 28 Jan 05	470,507	65,054
Charles Read	Executive General Manager, Strategy & Development	1 Jul 04 - 1 Feb 05	213,290	72,790
Geoffrey Want (v)	Chief Executive, Media	1 Jul 04 - 31 Dec 04	177,556	133,467
Total Compensation			**7,142,747**	**2,202,804**

(i) In addition to salary and fees, directors and executives may receive non monetary benefits including car parking, staff gratuity/gifts, entertainment/ sundry expenses, relocation expenses and motor vehicle expenses. For the executives, this also includes the cost of providing low interest loans to acquire shares in the Company pursuant to issues made under previous employee share plans, where applicable.

(ii) Share based payment represents:
- The fair value of share based payments expensed by the Company that were issued under the Long Term Performance Plan; and
- The fair value of the allocation of 1 million options granted on 7 October 2002 upon commencement of employment, which are not recognised as an expense by the Company as the grant date was prior to the applicable date for AASB 2 'Share based Payment'. The amount disclosed as remuneration for these options is $302,914.

(iii) Received cash in lieu of Superannuation Guarantee Contributions, due to being a non-resident of Australia. These amounts are disclosed under salary and fees.

(iv) Ceased employment on 28 January 2005. In addition to the amounts disclosed above, payment of annual leave and long service leave entitlements on cessation amounted to $131,734.

(v) Ceased employment on 31 December 2004. In addition to the amounts disclosed above, payment of annual leave and long service leave entitlements on cessation amounted to $71,645.

(vi) Represents the sum of cash bonus, options, performance options & share rights and deferred shares as a percentage of total remuneration.

(vii) Represents the fair value of the share based payments expensed by the Company.

Group totals for 2005 are not the same as disclosed in the 2005 report, as different individuals and different components of remuneration were disclosed in the 2005 financial year.

	Long term	Post employment	Termination	Share based payment (vii)			
Non monetary benefits (i) $	Long service leave $	Super-annuation $	Termination $	Options, performance options & share rights $	Deferred shares $	Total $	Total performance related (vi) %
789	-	31,912	-	-	-	387,276	n/a
106,541	15,022	11,585	-	673,305	506,792	3,176,143	53%
1,793	-	18,484	-	-	-	225,652	n/a
-	-	-	-	-	-	146,005	n/a
-	-	13,309	-	-	-	161,184	n/a
1,166	-	14,209	-	-	-	173,250	n/a
507	-	12,296	-	-	-	149,428	n/a
-	-	13,084	-	-	-	158,459	n/a
74,001	23,648	104,914	-	141,826	98,764	1,447,779	37%
86,325	13,627	48,000	-	53,092	44,851	751,391	31%
63,861	35,298	92,002	-	115,037	80,108	1,150,395	38%
51,794	23,986	11,585	-	46,958	34,986	623,156	30%
76,736	2,976	38,702	-	88,956	66,551	929,353	38%
69,251	5,889	11,585	-	64,045	107,694	751,730	37%
148,793	940	5,103	-	-	15,556	355,542	18%
53,132	84,794	76,378	-	114,150	86,385	1,229,069	37%
-	-	555	-	-	-	7,209	n/a
12,498	714	4,393	-	-	11,802	202,901	23%
35,944	4,464	18,773	437,500	139,729	-	1,171,971	17%
17,666	6,491	35,227	-	32,478	24,263	402,205	32%
22,004	4,265	16,445	1,280,800	-	-	1,634,537	8%
822,801	**222,114**	**578,541**	**1,718,300**	**1,469,576**	**1,077,752**	**15,234,635**	

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for the year ended 30 June 2006 (continued)

27. Director and executive disclosures (continued)

(b) Compensation of key management personnel (continued)

	Consolidated		Tabcorp Holdings	
	2006	2005	**2006**	2005
	$	$	**$**	$
Compensation by category: key management personnel				
Short term	**11,245,613**	10,168,352	**11,245,613**	9,835,325
Other long term	**180,975**	222,114	**180,975**	217,849
Post employment	**458,220**	578,541	**458,220**	562,096
Termination benefits	**2,051,720**	1,718,300	**2,051,720**	437,500
Share based payment	**2,426,298**	2,547,328	**2,426,298**	2,547,328
	16,362,826	15,234,635	**16,362,826**	13,600,098

(ii) Board Remuneration Committee

The Board Remuneration Committee is responsible for reviewing and making recommendations to the Board on all aspects of remuneration policies for the Group including those governing the directors, the Managing Director and Chief Executive Officer, the Company Secretary, executives and senior managers.

The main responsibilities of the Board Remuneration Committee are:

- establishing and maintaining appropriate compensation policies and practices to ensure transparent performance based reward programmes in line with shareholder expectations;
- reviewing and recommending to the Board, the remuneration of the Chairman and non-executive directors;
- reviewing and recommending to the Board, the remuneration of the Managing Director and Chief Executive Officer;
- reviewing and approving remuneration of executives reporting to the Managing Director and Chief Executive Officer;
- reviewing and recommending to the Board terms and conditions of any incentive plans and approving the extent to which executives may participate in these plans; and
- determining the appropriate comparator group and market position for executive roles given the increased scale and complexity of the business with the objective of sustained performance and growth over time.

The Board Remuneration Committee reviews the Group's remuneration policies, practices, and fees at least annually. The Board Remuneration Committee receives independent advice to assist in exercising its responsibilities.

(iii) Remuneration and reward mix

Advice sought from external consultants reflects industry best practice for organisations that are a similar scale and complexity to the Group. In determining remuneration policy and practice, the Board Remuneration Committee also considers the Group's strategic positioning as the most diversified entertainment and gambling group in Australia and recognition of international opportunities.

(iv) Non executive director remuneration

The Board seeks to set aggregate remuneration levels that provide the Group with the ability to attract and retain high calibre directors. The fees paid to directors reflects the diversity, demands and responsibilities of those directors within a highly regulated environment.

Non executive director total emolument comprises a retainer fee and committee fee for representation on the Board/Committees as appointed. The fees paid to the Chairman, Deputy Chair and Committee Chair are in recognition of changes in the regulatory and governance landscape, and the increased accountability for undertaking such roles.

Non executive directors do not receive any incentive or performance based payments and are not eligible to participate in any of the Group's incentive schemes. This policy aligns with the principle of non executive directors' independence, ensuring they are acting independently of performance criteria.

Directors' retirement allowances were quarantined and quantified in June 2003, and paid into each director's nominated complying superannuation fund. Australian superannuation legislation does not extend to directors who reside outside of Australia, so any such director receives cash in lieu of statutory superannuation contributions.

* * * * * *

Following a review of Board Committee structures during the financial year to 30 June 2006, the Board determined that the Compliance Committee's role and responsibilities be extended to include risk oversight and therefore the Committee became known as the Risk and Compliance Committee. The Board also determined that all non executive Directors will be members of the Audit Committee and the Risk and Compliance Committee, in addition to membership of other Board Committees as appointed. The size and complexity of the Group's business has expanded significantly over recent years, and the Group is increasing its focus on compliance, risk and audit responsibilities. In response to the increased governance and oversight obligations, and greater workloads of Directors, the membership on these Board Committees has been strengthened. This also reflects similar board committee structures in other large Australian companies.

The Remuneration Committee annually reviews director emoluments and seeks independent advice to support this review. At the annual general meeting held on 28 November 2005, shareholders approved an increase of $0.5 million to the maximum aggregate remuneration for all non executive directors to a maximum sum of $2.0 million per annum. The increase in the fee cap was in part to recognise additional Board Committee representation, and takes into consideration the appointment of an additional non executive director.

(v) Compensation of KMP

The Total Annual Reward for KMPs is comprised of a fixed component (Total Employment Cost) and a variable component, the weighting of which is determined annually.

Fixed remuneration

All executives receive a fixed remuneration component, which is expressed as one amount inclusive of salary and superannuation. Executives may elect to have a combination of benefits, including superannuation, the provision of a motor vehicle through a novated lease arrangement, and car parking which reduces the fixed component via salary sacrificing arrangements as approved by the Australian Taxation Office.

Fixed annual remuneration includes the minimum superannuation contribution required by law and this amount is paid into an approved superannuation fund. Senior managers may elect to salary sacrifice additional superannuation contributions.

Variable remuneration

The Board views the at-risk (variable) performance related component as an essential driver of the Group's performance and shareholder expectations. The mix between fixed remuneration and at-risk remuneration is designed to reflect market best practice for executive roles. For the Managing Director and Chief Executive Officer the reward mix is 42.4% fixed and 57.6% at-risk. The reward mix for direct reports to the Managing Director and Chief Executive Officer is 50% fixed and 50% at-risk. The reward model is a meaningful performance-based retention tool capable of delivering reasonable value to the employee as reward for sustained performance, which is delivered through a combination of cash, deferred shares, performance options and share rights, as approved by shareholders at the Company's 2003 annual general meeting.

Short term incentive ('STI')

The annual short term incentive is provided through the Company's STPP which links the achievement of individual, business unit, and Group, financial and operational performance with the remuneration delivered to the executive who is accountable for delivering on those targets. The total potential STI available is such that the cost to the Group is self funded on the achievement of performance above target.

The STPP parameters provide participants with the opportunity to elect to receive their incentive payment as cash, superannuation or deferred shares.

Long term incentive

Senior managers are invited to participate in the LTPP under which participants receive an annual allocation of performance options and share rights in respect of the Company's ordinary shares.

The LTPP is designed to foster long term alignment of individual, business unit and Group performance with the objective of providing a satisfactory return to shareholders, whereby Tabcorp outperforms at least 50% of its peer group of companies in terms of TSR growth. Any award delivered by the LTPP will only be realised when TSR growth meets or exceeds specified performance hurdles.

The Board Remuneration Committee annually reviews and approves the selection of participants to be invited to participate in the LTPP. Participation in the LTPP is intended as a component of total annual reward for executives whose performance is of strategic and operational importance to the Company. Generally participation is restricted to the Managing Director and Chief Executive Officer, the Chief Financial Officer, Chief Executives, Chief Operating Officers, Executive General Managers and General Managers.

The proportion of an executive's annual reward that is comprised of performance options and share rights depends on the level of seniority of the executive, as shown in Figure 2 of the Remuneration Report. The number of performance options and share rights allocated is determined using a model which assesses the projected value at the first test date being the third year after allocation. Unvested performance options and share rights are further tested on the fourth and fifth anniversary of allocation following which unvested performance options and share rights lapse. The assumptions used in determining the future reward of performance options and share rights uses two key criteria, being:

- projected rate of growth in the share price over the vesting period (three years); and
- a risk free rate of return to discount the projected average rate of growth in the share price over the vesting period back to the date of grant.

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for the year ended 30 June 2006 (continued)

27. Director and executive disclosures (continued)

(b) Compensation of key management personnel (continued)

The performance hurdles to be attached to both performance options and share rights are measured according to the Group's TSR ranking against a peer group of companies, which reflects the current business mix determined at the time of granting the performance options and share rights. The peer group consists of the 100 largest ASX listed companies based on market capitalisation (excluding property trusts, infrastructure groups and mining companies which are represented by the S&P Global Industry Classification Standards of Oil & Gas, Metals & Mining, Transportation Infrastructure and Real Estate). Due to changes in the composition of companies listed on the ASX, the peer group will change at each grant date.

Vesting of performance options and share rights against the relative TSR ranking on applicable test dates will occur in the following manner:

- below the 50th percentile, 0% of performance options and share rights will be exercisable;
- at the 50th percentile, 50% of performance options and share rights will be exercisable;
- above the 50th percentile and below the 75th percentile, an additional 2% of performance options and share rights will become exercisable for each one percentile increase above the 50th percentile; and
- above the 75th percentile, 100% of performance options and share rights will be exercisable.

(vi)Contract for services

The Board requires that a written employment contract be entered into with the Managing Director and Chief Executive Officer, and all other executives, including the Company Secretary.

Managing Director and Chief Executive Officer

The Managing Director and Chief Executive Officer, Matthew Slatter, is employed under an agreement entered into on 7 October 2002. The agreement is for a period of five years from 7 October 2002, and under the current terms of the agreement:

- Matthew Slatter may terminate his employment by giving to the Company not less than 12 months notice;
- The Company may terminate Matthew Slatter's employment by:
  - Payment of the fixed remuneration component of his package for a 12 month period or if there is less than 12 months remaining of the five year term, by payment of the fixed remuneration for that unexpired period;
  - Three months' notice if Matthew Slatter is unable, by reason of illness or incapacity (mental or physical), to perform his duties and has been unable to do so for a total period of at least 180 days (whether or not consecutive) in the 12 months preceding the date of notice; and
  - Summary notice in certain prescribed circumstances and in that event, no remuneration, compensation or damages are payable by the Company beyond the time of Matthew Slatter's dismissal.

The Board considers it important that the long term future of the Company is properly considered and wishes to ensure that long term planning is not sacrificed for short term achievements.

Other executives

The executives of the Company and the Group who are considered to be KMP during the year ended 30 June 2006 are employed under an employment contract, each of which is of no fixed duration. The contract may be terminated by either party on three months notice, except for Elmer Funke Kupper and Walter Bugno for whom the termination period is six months by either party. No payments are required on termination, other than in lieu of notice (if applicable).

The Board may approve additional separation arrangements in the event of redundancy/retirement under the STPP and LTPP.

(c) Compensation performance options and share rights: granted and vested during the year

During the financial year performance options and share rights were granted as equity compensation benefits under the LTPP and on commencement of employment to certain key management personnel. The performance options and share rights were issued free of charge. Each performance option and share right entitles the holder to subscribe for one fully paid ordinary share in the entity at the exercise price outlined in the following tables. The performance options and share rights vest over a three to five year period (the 'Test Period') and testing for vesting will occur at annual intervals during the Test Period. Any performance options and share rights that have not vested by the end of the Test Period will lapse. The performance hurdles to be attached to both performance options and share rights are measured according to Group's TSR ranking against a peer group of companies, which reflects the Group's current business mix determined at the time of granting the performance options and share rights.

* * * * * *

30 June 2006

Performance Options	Vested number	Granted number	Grant date	Terms and conditions for each grant: Fair value per performance option at grant date $	Exercise price per performance option $	Expiry date	First exercise date	Last exercise date
Directors								
Matthew Slatter	-	318,080	7 Sep 2005	1.86	16.51	7 Sep 2012	7 Sep 2008	7 Sep 2012
Executives								
Continuing KMP								
Walter Bugno	-	112,500	3 Apr 2006	2.01	15.42	3 Apr 2013	3 Apr 2009	3 Apr 2013
Elmer Funke Kupper	-	112,500	3 Mar 2006	1.73	15.08	3 Mar 2013	3 Mar 2009	3 Mar 2013
George Mackey	-	37,946	7 Sep 2005	1.86	16.51	7 Sep 2012	7 Sep 2008	7 Sep 2012
Julia Nenke	-	47,395	7 Sep 2005	1.86	16.51	7 Sep 2012	7 Sep 2008	7 Sep 2012
Kerry Willcock	-	43,562	7 Sep 2005	1.86	16.51	7 Sep 2012	7 Sep 2008	7 Sep 2012
Ceased KMP								
David Banks	161,142	71,551	7 Sep 2005	1.86	16.51	7 Sep 2012	7 Sep 2008	7 Sep 2012
Peter Caillard	-	37,946	7 Sep 2005	1.86	16.51	7 Sep 2012	7 Sep 2008	7 Sep 2012
David Elmslie	102,276	58,036	7 Sep 2005	1.86	16.51	7 Sep 2012	7 Sep 2008	7 Sep 2012
Paul Gulbenkian	-	35,714	7 Sep 2005	1.86	16.51	7 Sep 2012	7 Sep 2008	7 Sep 2012
Mohan Jesudason	-	48,214	7 Sep 2005	1.86	16.51	7 Sep 2012	7 Sep 2008	7 Sep 2012
Michael Piggott	-	66,964	7 Sep 2005	1.86	16.51	7 Sep 2012	7 Sep 2008	7 Sep 2012
Anne Tasker	-	36,029	3 Mar 2006	1.73	15.08	3 Mar 2013	3 Mar 2009	3 Mar 2013
Total	**263,418**	**1,026,437**						

Share rights	Vested number	Granted number	Grant date	Terms and conditions for each grant: Fair value per share right at grant date $	Exercise price per share right $	Expiry date	First exercise date	Last exercise date
Directors								
Matthew Slatter	-	14,420	7 Sep 2005	10.01	-	7 Sep 2012	7 Sep 2008	7 Sep 2012
Executives								
Continuing KMP								
Walter Bugno	-	15,000	3 Apr 2006	9.75	-	3 Apr 2013	3 Apr 2009	3 Apr 2013
Elmer Funke Kupper	-	15,000	3 Mar 2006	9.21	-	3 Mar 2013	3 Mar 2009	3 Mar 2013
George Mackey	-	5,161	7 Sep 2005	10.01	-	7 Sep 2012	7 Sep 2008	7 Sep 2012
Julia Nenke	-	6,446	7 Sep 2005	10.01	-	7 Sep 2012	7 Sep 2008	7 Sep 2012
Kerry Willcock	-	5,925	7 Sep 2005	10.01	-	7 Sep 2012	7 Sep 2008	7 Sep 2012
Ceased KMP								
David Banks	21,932	9,731	7 Sep 2005	10.01	-	7 Sep 2012	7 Sep 2008	7 Sep 2012
Peter Caillard	-	5,161	7 Sep 2005	10.01	-	7 Sep 2012	7 Sep 2008	7 Sep 2012
David Elmslie	13,921	7,893	7 Sep 2005	10.01	-	7 Sep 2012	7 Sep 2008	7 Sep 2012
Paul Gulbenkian	-	4,857	7 Sep 2005	10.01	-	7 Sep 2012	7 Sep 2008	7 Sep 2012
Mohan Jesudason	-	6,557	7 Sep 2005	10.01	-	7 Sep 2012	7 Sep 2008	7 Sep 2012
Michael Piggott	-	9,107	7 Sep 2005	10.01	-	7 Sep 2012	7 Sep 2008	7 Sep 2012
Anne Tasker	-	4,874	3 Mar 2006	9.21	-	3 Mar 2013	3 Mar 2009	3 Mar 2013
Total	**35,853**	**110,132**						

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for the year ended 30 June 2006 (continued)

27. Director and executive disclosures (continued)

(c) Compensation performance options and share rights: granted and vested during the year (continued)

30 June 2005

Performance Options	Vested number	Granted number	Grant date	Fair value per performance option at grant date $	Exercise price per performance option $	Expiry date	First exercise date	Last exercise date
				Terms and conditions for each grant				
Directors								
Matthew Slatter	-	307,693	7 Sep 2004	1.81	14.54	7 Sep 2011	7 Sep 2007	7 Sep 2011
Executives								
Continuing KMP								
David Banks	-	82,192	7 Sep 2004	1.81	14.54	7 Sep 2011	7 Sep 2007	7 Sep 2011
Peter Caillard	-	30,769	7 Sep 2004	1.81	14.54	7 Sep 2011	7 Sep 2007	7 Sep 2011
David Elmslie	-	66,667	7 Sep 2004	1.81	14.54	7 Sep 2011	7 Sep 2007	7 Sep 2011
Paul Gulbenkian	-	28,846	7 Sep 2004	1.81	14.54	7 Sep 2011	7 Sep 2007	7 Sep 2011
Mohan Jesudason	-	51,553	7 Sep 2004	1.81	14.54	7 Sep 2011	7 Sep 2007	7 Sep 2011
George Mackey	-	38,462	7 Sep 2004	1.81	14.54	7 Sep 2011	7 Sep 2007	7 Sep 2011
Michael Piggott	-	76,923	7 Sep 2004	1.81	14.54	7 Sep 2011	7 Sep 2007	7 Sep 2011
Ceased KMP								
Robert Preston	62,158	26,923	7 Sep 2004	1.81	14.54	7 Sep 2011	7 Sep 2007	7 Sep 2011
Charles Read	-	34,615	7 Sep 2004	1.81	14.54	7 Sep 2011	7 Sep 2007	7 Sep 2011
Total	**62,158**	**744,643**						

Share rights	Vested number	Granted number	Grant date	Fair value per share right at grant date $	Exercise price per share right $	Expiry date	First exercise date	Last exercise date
				Terms and conditions for each grant				
Directors								
Matthew Slatter	-	13,947	7 Sep 2004	8.72	-	7 Sep 2011	7 Sep 2007	7 Sep 2011
Executives								
Continuing KMP								
David Banks	-	11,177	7 Sep 2004	8.72	-	7 Sep 2011	7 Sep 2007	7 Sep 2011
Peter Caillard	-	4,184	7 Sep 2004	8.72	-	7 Sep 2011	7 Sep 2007	7 Sep 2011
David Elmslie	-	9,066	7 Sep 2004	8.72	-	7 Sep 2011	7 Sep 2007	7 Sep 2011
Paul Gulbenkian	-	3,923	7 Sep 2004	8.72	-	7 Sep 2011	7 Sep 2007	7 Sep 2011
Mohan Jesudason	-	7,010	7 Sep 2004	8.72	-	7 Sep 2011	7 Sep 2007	7 Sep 2011
George Mackey	-	5,230	7 Sep 2004	8.72	-	7 Sep 2011	7 Sep 2007	7 Sep 2011
Michael Piggott	-	10,460	7 Sep 2004	8.72	-	7 Sep 2011	7 Sep 2007	7 Sep 2011
Ceased KMP								
Robert Preston	8,460	3,661	7 Sep 2004	8.72	-	7 Sep 2011	7 Sep 2007	7 Sep 2011
Charles Read	-	4,707	7 Sep 2004	8.72	-	7 Sep 2011	7 Sep 2007	7 Sep 2011
Total	**8,460**	**73,365**						

* * * * * *

(d) Shares issued on exercise of compensation options

	Type	Grant date	Shares issued No.	Paid per share $	Unpaid per share $
30 June 2006					
Directors					
Matthew Slatter	Options	7 Oct 2002	1,000,000	12.61	-
30 June 2005					
Directors					
Matthew Slatter	Options	7 Oct 2002	500,000	12.61	-

(e) Shareholdings of key management personnel

Shares held in Tabcorp Holdings Limited (number)					Balance at	
30 June 2006	Balance 1 July 2005	Granted as remuneration	On exercise of options, performance options and share rights	Net change other	KMP cessation date	30 June 2006
Directors						
Continuing KMP						
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
Ceased KMP						
Warren Wilson [(b)]	50,000	-	-	-	50,000	n/a
Executives						
Continuing KMP						
Walter Bugno	-	30,000	-	-	n/a	30,000
Elmer Funke Kupper	-	97,000	-	-	n/a	97,000
George Mackey	4,640	6,522	-	-	n/a	11,162
Julia Nenke	-	942	-	-	n/a	942
Kerry Willcock	-	715	-	-	n/a	715
Ceased KMP						
David Banks [(c)]	408,167	5,981	-	-	414,148	n/a
Peter Caillard	175,620	2,716	-	(72,596)	105,740	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
Mohan Jesudason	154,595	4,030	-	-	158,625	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)**	**952,347**	**2,414,128**

(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).

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for the year ended 30 June 2006 (continued)

27. Director and executive disclosures (continued)

(e) Shareholdings of key management personnel (continued)

Shares held in Tabcorp Holdings Limited (number) 30 June 2005	Balance 1 July 2004	Granted as remuneration	On exercise of options, performance options and share rights	Net change other	Balance at KMP cessation date	Balance at 30 June 2005
Directors						
Continuing KMP						
Michael Robinson	45,307	-	-	258	n/a	45,565
Matthew Slatter	500,000	40,440	500,000	-	n/a	1,040,440
Paula Dwyer [a]	-	-	-	5,000	n/a	5,000
Anthony Hodgson	100,000	-	-	49	n/a	100,049
Philip Satre	8,000	-	-	-	n/a	8,000
John Story	8,149	-	-	-	n/a	8,149
Richard Warburton	22,883	-	-	573	n/a	23,456
Lawrence Willett	2,626	-	-	129	n/a	2,755
Warren Wilson	50,000	-	-	-	n/a	50,000
Executives						
Continuing KMP						
David Banks	400,088	8,079	-	-	n/a	408,167
Peter Caillard	170,921	3,024	-	1,675	n/a	175,620
David Elmslie	255,000	6,553	-	-	n/a	261,553
Paul Gulbenkian	82,500	-	-	-	n/a	82,500
Mohan Jesudason	150,000	4,595	-	-	n/a	154,595
George Mackey	-	4,640	-	-	n/a	4,640
Michael Piggott	242,000	5,545	-	-	n/a	247,545
Ceased KMP						
Robert Preston [b]	193,500	2,646	-	(25,000)	171,146	n/a
Charles Read	150,000	3,712	-	-	153,712	n/a
Geoffrey Want	-	3,500	-	-	3,500	n/a
Total	**2,380,974**	**82,734**	**500,000**	**(17,316)**	**328,358**	**2,618,034**

(a) Became a Director on 30 August 2005 following receipt of all necessary regulatory approvals.

(b) Issued 70,618 shares on the exercise of performance options and share rights subsequent to cessation date (vested at termination).

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(f) Options, performance options and share rights holdings of key management personnel

Options and performance options held in Tabcorp Holdings Limited (number)

30 June 2006	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 2006 Total	Vested at 30 June 2006 Not exercisable	Vested at 30 June 2006 Exercisable
Directors									
Matthew Slatter [(a)]	2,660,042	318,080	1,000,000	-	n/a	1,978,122	85,165	-	85,165
Executives									
Continuing KMP									
Walter Bugno	-	112,500	-	-	n/a	112,500	-	-	-
Elmer Funke Kupper	-	112,500	-	-	n/a	112,500	-	-	-
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	-	-	-
Ceased KMP									
David Banks [(b)]	189,759	71,551	-	-	261,310	n/a	-	-	-
Peter Caillard	71,037	37,946	-	-	108,983	n/a	-	-	-
David Elmslie [(c)]	153,915	58,036	-	-	211,951	n/a	-	-	-
Paul Gulbenkian	62,528	35,714	-	-	98,242	n/a	-	-	-
Mohan Jesudason	119,022	48,214	-	-	167,236	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**	**1,065,435**	**2,417,467**	**85,165**	**-**	**85,165**

* Includes forfeitures

(a) Opening balance included options issued under a service agreement, of which 1 million were exercised during the year.

(b) Exercised 141,823 performance options and forfeited 19,319 subsequent to cessation date (vested at termination).

(c) Exercised 94,351 performance options and forfeited 8,125 subsequent to cessation date (vested at termination).

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27. Director and executive disclosures (continued)

(f) Options, performance options and share rights holdings of key management personnel (continued)

Share rights held in Tabcorp Holdings Limited (number)

					Balance at		Vested at 30 June 2006		
30 June 2006	**Balance 1 July 2005**	**Granted as remuneration**	**Rights exercised**	**Net reduction other ***	**KMP cessation date**	**30 June 2006**	**Total**	**Not exercisable**	**Exercisable**
Directors									
Matthew Slatter	29,943	14,420	-	-	n/a	44,363	-	-	-
Executives									
Continuing KMP									
Walter Bugno	-	15,000	-	-	n/a	15,000	-	-	-
Elmer Funke Kupper	-	15,000	-	-	n/a	15,000	-	-	-
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	-	-	-
Ceased KMP									
David Banks [(a)]	25,827	9,731	-	-	35,558	n/a	-	-	-
Peter Caillard	9,668	5,161	-	-	14,829	n/a	-	-	-
David Elmslie [(b)]	20,949	7,893	-	-	28,842	n/a	-	-	-
Paul Gulbenkian	8,510	4,857	-	-	13,367	n/a	-	-	-
Mohan Jesudason	16,199	6,557	-	-	22,756	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**	**144,974**	**103,524**	**-**	**-**	**-**

* Includes forfeitures

(a) Exercised 21,932 share rights subsequent to cessation date (vested at termination).

(b) Exercised 13,921 share rights subsequent to cessation date (vested at termination).

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Options and performance options held in Tabcorp Holdings Limited (number)

30 June 2005	Balance 1 July 2004	Granted as remuneration	Options exercised	Net change other	Balance at KMP cessation date	Balance at 30 June 2005	Vested at 30 June 2005 Total	Vested at 30 June 2005 Not exercisable	Vested at 30 June 2005 Exercisable
Directors									
Matthew Slatter [a]	2,852,349	307,693	500,000	-	n/a	2,660,042	1,050,000	-	1,050,000
Executives									
Continuing KMP									
David Banks	107,567	82,192	-	-	n/a	189,759	-	-	-
Peter Caillard	40,268	30,769	-	-	n/a	71,037	-	-	-
David Elmslie	87,248	66,667	-	-	n/a	153,915	-	-	-
Paul Gulbenkian	33,682	28,846	-	-	n/a	62,528	-	-	-
Mohan Jesudason	67,469	51,553	-	-	n/a	119,022	-	-	-
George Mackey	46,980	38,462	-	-	n/a	85,442	-	-	-
Michael Piggott	73,826	76,923	-	-	n/a	150,749	-	-	-
Ceased KMP									
Robert Preston [b]	35,235	26,923	-	-	62,158	n/a	-	-	-
Charles Read	45,302	34,615	-	-	79,917	n/a	-	-	-
Total	**3,389,926**	**744,643**	**500,000**	**-**	**142,075**	**3,492,494**	**1,050,000**	**-**	**1,050,000**

(a) Opening balance included options issued under a service agreement, of which 500,000 were exercised during the year.

(b) Exercised 62,158 performance options subsequent to cessation date (vested at termination).

Share rights held in Tabcorp Holdings Limited (number)

30 June 2005	Balance 1 July 2004	Granted as remuneration	Rights exercised	Net change other	Balance at KMP cessation date	Balance at 30 June 2005	Vested at 30 June 2005 Total	Vested at 30 June 2005 Not exercisable	Vested at 30 June 2005 Exercisable
Directors									
Matthew Slatter	15,996	13,947	-	-	n/a	29,943	-	-	-
Executives									
Continuing KMP									
David Banks	14,650	11,177	-	-	n/a	25,827	-	-	-
Peter Caillard	5,484	4,184	-	-	n/a	9,668	-	-	-
David Elmslie	11,883	9,066	-	-	n/a	20,949	-	-	-
Paul Gulbenkian	4,587	3,923	-	-	n/a	8,510	-	-	-
Mohan Jesudason	9,189	7,010	-	-	n/a	16,199	-	-	-
George Mackey	6,399	5,230	-	-	n/a	11,629	-	-	-
Michael Piggott	10,055	10,460	-	-	n/a	20,515	-	-	-
Ceased KMP									
Robert Preston [a]	4,799	3,661	-	-	8,460	n/a	-	-	-
Charles Read	6,170	4,707	-	-	10,877	n/a	-	-	-
Total	**89,212**	**73,365**	**-**	**-**	**19,337**	**143,240**	**-**	**-**	**-**

(a) Exercised 8,460 share rights subsequent to cessation date (vested at termination).

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for the year ended 30 June 2006 (continued)

27. Director and executive disclosures (continued)

(g) Loans to key management personnel to acquire shares in the Company pursuant to issues made under previous employee share plans

(i) Details of aggregates of loans to key management personnel are as follows:

	Balance 1 July $'000	Interest charged $'000	Interest not charged $'000	Balance at KMP cessation date $'000	Balance at 30 June $'000	Group at 30 June Number
2006	**18,446**	**510**	**329**	**7,847**	**5,957**	**7**
2005	21,172	761	372	1,678	18,446	9

(ii) Details of individuals with loans above $100,000 in the reporting period are as follows:

2006	Balance 1 July 2005 $'000	Interest charged $'000	Interest not charged $'000	Balance at KMP cessation date $'000	Balance at 30 June 2006 $'000	Highest owing in period $'000
Directors						
Matthew Slatter	6,031	240	119	n/a	5,957	6,031
Executives						
Ceased KMP						
David Banks	4,225	126	62	4,189	n/a	4,225
Peter Caillard	1,665	33	26	1,062	n/a	1,665
David Elmslie	2,472	27	43	-	n/a	2,472
Paul Gulbenkian	806	22	25	758	n/a	806
Mohan Jesudason	1,601	42	21	1,588	n/a	1,601
Michael Piggott	1,646	20	33	250	n/a	1,646

2005	Balance 1 July 2004 $'000	Interest charged $'000	Interest not charged $'000	Balance at KMP cessation date $'000	Balance at 30 June 2005 $'000	Highest owing in period $'000
Directors						
Matthew Slatter	6,064	242	101	n/a	6,031	6,064
Executives						
Continuing KMP						
David Banks	4,275	170	71	n/a	4,225	4,275
Peter Caillard	1,754	59	38	n/a	1,665	1,754
David Elmslie	2,562	94	49	n/a	2,472	2,562
Paul Gulbenkian	848	28	19	n/a	806	848
Mohan Jesudason	1,619	64	27	n/a	1,601	1,619
Michael Piggott	1,748	61	35	n/a	1,646	1,748
Ceased KMP						
Robert Preston	783	8	17	167	n/a	783
Charles Read	1,519	35	15	1,511	n/a	1,519

Terms and conditions of loans

Executives were provided with loans from the Company for the purpose of acquiring shares pursuant to the Company's SELTIP and the GESP. Under the SELTIP, interest is charged when dividends are paid on the shares to which the loan pertains. Loan repayments are made from dividends received on the shares and the amount of interest charged is equal to the after tax amount of dividends (using highest personal marginal rate) or 4.0% (2005: 4.0%) of the loan outstanding, whichever is less. The average commercial rate of interest during the year was 5.98% (2005: 5.67%). Under the GESP an interest free loan applies with loan repayments being by way of deduction from after tax salary in equal instalments over five years.

Upon cessation of employment, the executives have 90 days in which to repay the balance of the loan or forfeit the shares. These share plans ceased being offered to employees in 2003, but continue to operate until participation in these plans cease. These plans were replaced by new share plans which were approved by shareholders at the Company's 2003 Annual General Meeting.

(h) Other transactions and balances key management personnel

The directors of the Group, or their director-related entities, conduct transactions with entities within the Group that occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the entity would have adopted if dealing with the director or director-related entity at arm's length in similar circumstances. These transactions include the following and have been quantified below where the transactions are considered likely to be of interest to users of these financial statements:

Michael Robinson

Allens Arthur Robinson ('AAR') - Retired partner/Consultant

AAR rendered legal advice to the Group. All dealings with AAR were in the ordinary course of business and on normal commercial terms and conditions. Fees of $3,169,529 were paid in 2006 (2005: $3,812,059).

The Asia Society Australasia Centre ('the Society') - Director

Corporate benefactors membership to the Society paid by the Group of $22,000 in 2006 (2005: $22,000).

Paula Dwyer

David Jones Limited ('DJL') - Director

The Group purchased goods from DJL during the year of $9,782. All dealings with DJL were in the ordinary course of business and on normal commercial terms and conditions.

Promina Group Limited ('PGL') - Director

The Group held a number of insurance policies with Vero Insurance Limited ('Vero'), a subsidiary of PGL. Insurance premiums paid to Vero during the year were $597,484. All dealings with Vero were in the ordinary course of business and on normal commercial terms and conditions.

Anthony Hodgson

Coles Myer Limited ('CML') - Director

The Group purchased goods from CML during the year of $15,684 (2005: $201,543). All dealings with CML were in the ordinary course of business and on normal commercial terms and conditions.

John Story

Corrs Chambers Westgarth ('CCW') - Non Executive chairman

CCW rendered legal advice to the Group. All dealings with the CCW were in the ordinary course of business and on normal terms and conditions. Fees of $833,822 were paid in 2006 (2005: $1,020,225).

Richard Warburton

Caltex Australia Limited - Chairman

The Group purchased petroleum products on normal commercial terms in 2006 of $270,957 (2005: $154,040).

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for the year ended 30 June 2006 (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	
	2006 $m	2005 $m
Assets employed in joint venture operations:		
Current assets:		
Cash assets	**58.7**	66.4
Receivables	**14.3**	6.7
Other	**1.5**	1.0
Total assets employed	**74.5**	74.1

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	Type of equity	% of equity held by immediate parent As at 30 June 2006 %	2005 %
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 (formerly Tabcorp (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 (formerly Tabcorp Issuer 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**	-
Tabcorp International No.2 Pty Ltd		Australia	ordinary shares	**100.0**	100.0
Tabcorp Apollo Technologies Private Ltd		Cyprus	ordinary shares	**50.0**	-
Tabcorp International Services and Technology Pty Ltd		Australia	ordinary shares	**100.0**	100.0
Tahwind Superannuation Pty Ltd (formerly Tabcorp Superannuation Pty Ltd)		Australia	ordinary shares	**100.0**	100.0
Tahwind Staff Superannuation Pty Ltd (formerly Tabcorp Staff Superannuation Pty Ltd)		Australia	ordinary shares	**100.0**	100.0

Name of controlled entity	Note	Country of incorporation	Type of equity	% of equity held by immediate parent As at 30 June 2006 %	2005 %
Tabcorp Employee Share Administration Pty Ltd	(h)	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)(g)	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. 082 231 383 Pty Ltd	(f)	Australia	ordinary shares	**100.0**	100.0
A.C.N. 082 760 610 Pty Ltd		Australia	ordinary shares	**100.0**	100.0
Jupwind Internet Gaming Pty Ltd (formerly Jupiters Internet Gaming Pty Ltd)	(f)	Australia	ordinary shares	**100.0**	100.0
Jupwind.com Pty Ltd (formerly Jupiters.com Pty Ltd)	(f)	Australia	ordinary shares	**100.0**	100.0
TAHA Technology & Environmental Services Pty Ltd	(f)	Australia	ordinary shares	**100.0**	100.0
Jupwind Superannuation Pty Ltd (formerly Jupiters Superannuation Pty Ltd)		Australia	ordinary shares	**100.0**	100.0
TAHAL Ltd	(c)	Australia	ordinary shares	**100.0**	100.0
Jupwind International Pty Ltd (formerly Jupiters International Pty Ltd)	(c)(f)	Australia	ordinary shares	**100.0**	100.0
Sunshinelink Pty Ltd	(f)	Australia	ordinary shares	**100.0**	100.0
TAHAL Enterprises Pty Ltd	(c)(f)	Australia	ordinary shares	**100.0**	100.0
AWA Enterprises Trust		Australia	units	**100.0**	100.0
TAHA Gaming Machines Pty Ltd	(c)(f)	Australia	ordinary shares	**100.0**	100.0
TAHA Gaming Services Pty Ltd	(c)(f)	Australia	ordinary shares	**100.0**	100.0
TAHA Infosec Pty Ltd	(c)(f)	Australia	ordinary shares	**100.0**	100.0
AWA Infosec Trust		Australia	units	**100.0**	100.0
TAHA Investor (No.2) Pty Ltd	(c)(f)	Australia	ordinary shares	**100.0**	100.0
TAHA Investor (No.4) Pty Ltd	(c)(f)	Australia	ordinary shares	**100.0**	100.0

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29. Related party disclosure (continued)

(b) Investments in controlled entities (continued)

Name of controlled entity	Note	Country of incorporation	Type of equity	% of equity held by immediate parent As at 30 June 2006 %	2005 %
Controlled entities (continued)					
TAHA Investor (No.5) Pty Ltd	(c)(f)	Australia	ordinary shares	**100.0**	100.0
TAHA Investor (No.6) Pty Ltd	(c)(f)	Australia	ordinary shares	**100.0**	100.0
Macquarie Syndication (No.1) Pty Ltd	(f)	Australia	ordinary and preference shares	**100.0**	100.0
TAHA Research and Development Pty Ltd	(c)	Australia	ordinary shares	**100.0**	100.0
TAHA Research Marketing Pty Ltd	(c)(f)	Australia	ordinary shares	**100.0**	100.0
Radcoy (No.1) Ltd	(f)	Australia	ordinary shares	**100.0**	100.0
TAHA Superannuation Pty Ltd	(f)	Australia	ordinary shares	**100.0**	100.0
TAHA Superannuation (No.2) Pty Ltd	(f)	Australia	ordinary shares	**100.0**	100.0
TAHA Superannuation (No.3) Pty Ltd	(f)	Australia	ordinary shares	**100.0**	100.0
TAHA Wagering Systems Pty Ltd	(c)(f)	Australia	ordinary shares	**100.0**	100.0
ATL Pty Ltd	(c)	Australia	ordinary and preference shares	**100.0**	100.0
Palatron Pty Ltd	(c)(f)	Australia	ordinary shares	**100.0**	100.0
Syndicate (Co.1) Pty Ltd	(c)(f)	Australia	ordinary shares	**100.0**	100.0
Hotel Gaming Systems Pty Ltd	(f)	Australia	ordinary shares	**100.0**	100.0
Penchant Pty Ltd	(f)	Australia	ordinary and preference shares	**100.0**	100.0
TAHA Microelectronics Pty Ltd	(f)	Australia	ordinary shares	**100.0**	100.0
TAHA New Media Pty Ltd	(f)	Australia	ordinary 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	(e)	Australia	ordinary shares	**100.0**	100.0
Data Monitoring Services (NSW) Pty Ltd	(e)(f)	Australia	ordinary shares	**100.0**	100.0
Tahwind E-NSW Pty Ltd (formerly e-Tab (NSW) Pty Ltd)	(e)(f)	Australia	ordinary shares	**100.0**	100.0
Thithpolanga Pty Ltd	(e)(f)	Australia	ordinary shares	**100.0**	100.0
Sky Channel Pty Ltd	(e)	Australia	ordinary shares	**100.0**	100.0
2KY Broadcasters Pty Ltd	(e)	Australia	ordinary shares	**100.0**	100.0
Airsales Pty Ltd	(e)	Australia	ordinary shares	**50.0**	50.0
Tahwind Superannuation Company Pty Ltd (formerly Tab Superannuation Company Pty Ltd)	(e)	Australia	ordinary shares	**100.0**	100.0
Tahwind Marketing Pty Ltd (formerly 2KY Marketing Pty Ltd)	(e)	Australia	ordinary shares	**100.0**	100.0

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Name of controlled entity	Note	Country of incorporation	Type of equity	% of equity held by immediate parent As at 30 June 2006 %	2005 %
Controlled entities (continued)					
Tahwind Channel Marketing Pty Ltd (formerly Sky Channel Marketing Pty Ltd	(e)	Australia	ordinary shares	**100.0**	100.0
Tahwind Australia International Racing Pty Ltd (formerly Sky Australia International Racing Pty Ltd)	(e)	Australia	ordinary shares	**100.0**	100.0
Tahwind Racing Productions Pty Ltd (formerly Sky Racing Productions Pty Ltd)	(e)	Australia	ordinary shares	**100.0**	100.0
Tahwind Racing Productions (NSW) Pty Ltd (formerly Sky Racing Productions (NSW) Pty Ltd)	(e)	Australia	ordinary shares	**100.0**	100.0

Notes

(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, dated 8 June 1995.

(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, dated 4 June 2001. 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, dated 12 June 1992.

Each of the above deeds of cross guarantee were formed under Australian Securities and Investment Commission (ASIC) Class Order 98/1418, including subsequent amendments made thereto. This class order was dated 13 August 1998 and has been subsequently amended by class orders 98/2017, 00/321, 01/1087, 02/248, 01/1017, 04/663, 04/682, 04/1624 and 05/542.

Under this class order and the deeds of cross guarantee, the companies (a), (b) and (c) listed above:

- form a closed group and extended closed groups as defined in the class order;
- do not have to prepare and lodge audited financial reports under the Corporations Act 2001 (not applicable to Tabcorp Holdings Limited); and
- guarantee the payment in full of any external debts of the other named companies within the relevant closed group in the event of their winding up.

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.

(d) These companies have provided a charge over their assets and undertakings as explained in note 30(b)(i).

(e) Acquired in September 2005.

(f) These companies were placed into members' voluntary liquidation in 2005/06 as part of an internal corporate streamlining project.

(g) Star City Investments Pty Ltd is 50% owned by Sydney Harbour Casino Properties Pty Ltd and 50% owned by Star City Entertainment Pty Ltd.

(h) Tabcorp Employee Share Administration Pty Ltd (TESA) has been consolidated into the Company's results for the first time this year due to transition to AIFRS.

(i) Tabcorp Superannuation Fund, Tab Limited Staff Superannuation Fund, Jupiters Limited Superannuation Fund and AWA Group Superannuation Fund are not considered to be controlled entities in accordance with section 50AA(4) of the Corporations Act (2001).

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29. Related party disclosure (continued)

(b) Investments in controlled entities (continued)

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

Tabcorp Holdings Limited Closed Group	2006 $m	2005 $m
Income statement		
Profit before income tax expense	**455.8**	613.5
Income tax expense	**(35.1)**	(36.0)
Net profit attributable to members of the parent entity	**420.7**	577.5
Retained profits at the beginning of the financial year	**380.1**	196.6
Application of AASB 139	**0.7**	-
Net actuarial gain/(loss) on defined benefit plan	**2.6**	(0.7)
Dividends provided for or paid	**(446.2)**	(393.3)
Retained profits at the end of the financial year	**357.9**	380.1
Balance sheet		
Cash and cash equivalents	**106.4**	107.8
Receivables	**2,698.4**	2,808.9
Inventories	**5.6**	6.8
Other	**9.0**	23.4
Total current assets	**2,819.4**	2,946.9
Investment in controlled entities	**2,526.1**	2,526.1
Property, plant and equipment	**177.1**	119.3
Licences	**597.2**	597.2
Other intangible assets	**49.9**	26.1
Deferred tax assets	**28.4**	13.6
Other	**31.2**	28.6
Total non current assets	**3,409.9**	3,310.9
Total assets	**6,229.3**	6,257.8
Payables	**122.9**	95.6
Interest bearing liabilities	**390.0**	390.0
Current tax liabilities	**34.3**	29.0
Provisions	**36.1**	21.6
Total current liabilities	**583.3**	536.2
Interest bearing liabilities	**2,029.6**	2,143.6
Deferred tax liabilities	**5.2**	4.7
Provisions	**1.8**	3.1
Other	**73.4**	1.4
Total non current liabilities	**2,110.0**	2,152.8
Total liabilities	**2,693.3**	2,689.0
NET ASSETS	**3,536.0**	3,568.8
Contributed equity	**3,197.2**	3,186.1
Retained earnings	**357.9**	380.1
Reserves	**(19.2)**	2.6
TOTAL EQUITY	**3,535.9**	3,568.8

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(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 $37.6 million were received by the Group in 2006 (2005: $37.0 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 $14.0 million were received in 2006 (2005: $16.1 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 in accordance with a class order issued by the Australian Securities and Investments Commission. The Company and all the controlled entities which are a party to the deed have guaranteed the repayment of all current and future external creditors in the event any of these companies are wound-up.

(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

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 in accordance with a class order issued by the Australian Securities and Investments Commission. The entities which are a party to the deed have guaranteed the repayment of all current and future external creditors in the event any of these companies are wound-up.

(e) Legal challenges

(i) There are outstanding legal actions between controlled entities and third parties as at 30 June 2006. The Group has notified its insurance carrier of all litigation, and believes that any damages (other than exemplary damages) that may be awarded against the Group, in addition to its costs incurred in connection with the action, will be covered by its insurance policies where such policies are in place. However, given the nature of insurance, no assurance can be given that any such claims are not likely to have a material adverse effect on the Group.

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

(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 2006 the legal proceedings have been stayed pending satisfaction of the conditions precedent to the commercial settlement reached with ThoroughVision Pty Ltd. If the conditions precedent are satisfied all proceedings will be discontinued. The main relief sought is not monetary and the amount of damages sought is not specified.

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30. Contingent liabilities and contingent assets (continued)

Contingent liabilities (continued)

(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 $20.5 million (2005: $19.6 million).

(g) Undertakings - insurance deductible

Under the Casino Taxes Agreement, Star City Pty Ltd 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 Pty Ltd have a 5 day loss deductible (2005: 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 (2005: $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 2006 was $11.2 million (2005: $10.5 million).

Contingent assets

(i) Tax audit

The Australian Taxation Office (ATO) issued Star City Pty Ltd (a wholly owned controlled entity of the Group) 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 3 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 $25.6 million (up to 30 June 2006). Due to the ongoing dispute with the ATO, the Group has not claimed deductions for prepaid rent for the 2003 to 2006 (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.

(j) Indemnity claim

Following a re-determination of Central Monitoring System (CMS) fees by the Independent Pricing and Regulatory Tribunal of NSW (IPART), the Group has submitted claims up to a maximum value of $11.7 million to the New South Wales Government under a Deed of Undertaking and Indemnity up to 31 December 2004. As the recovery of the claims is not certain, no amount has been recognised in the financial statements at 30 June 2006.

31. Business combination

There were no acquisitions in the current year.

Acquisition of Tab Limited - prior year

Shares in Tab Limited, a listed company with wagering, gaming and media operations, were acquired in the prior year during the period July 2004 to September 2004, when 100% equity interest was achieved.

The total cost of the acquisition was $2,250.4 million, which comprised an issue of shares, payment of cash consideration and costs directly attributable to the acquisition. The Group issued 90,154,731 ordinary shares with a fair value of $14.29 each, based on the average volume weighted price of the shares of the Company at the date of exchange.

Tab Limited's gaming business was the operation of linked jackpots and monitoring of gaming machines in NSW. As a condition of approving the acquisition by the Group, the NSW government required the gaming business be divested within 18 months of the date of acquisition. The gaming business was divested on 31 December 2004.

The fair value of the identifiable assets and liabilities of Tab Limited as at the date control was achieved are:

	Consolidated	
	Recognised on acquisition 2005 $m	Carrying value 2005 $m
Assets		
Cash and cash equivalents	45.7	46.0
Receivables	16.3	21.0
Inventories	2.8	3.8
Other assets	5.5	6.6
Assets held for sale	195.8	-
Property, plant and equipment	175.0	336.8
Licences	339.1	311.5
Other intangible assets	152.3	248.1
Deferred tax assets	15.5	10.5
	948.0	984.3
Liabilities		
Payables	(136.9)	(138.1)
Current tax liabilities	(14.9)	(14.9)
Interest bearing liabilities	(350.0)	(350.0)
Deferred tax liabilities	(185.6)	(50.5)
Provisions	(19.5)	(13.3)
	(706.9)	(566.8)
Fair value of identifiable net assets	241.1	417.5
Minority interest adjustment	2.0	
Goodwill arising on acquisition (refer to note 14)	2,007.3	
	2,250.4	
Cost of the combination:		
- Shares issued, at fair value	1,288.3	
- Cash consideration paid	950.9	
- Costs associated with the acquisition	11.2	
Total cost of the combination	2,250.4	
The cash outflow on acquisition is as follows:		
- Net cash acquired with the controlled entity	45.7	
- Cash paid	(959.8)	
Net cash outflow	(914.1)	

From the date control was achieved, Tab Limited contributed $124.5 million to the net profit after tax of the Group in the prior year. As the business combination took place at the beginning of the prior year, the profit for the Group and revenue in the prior year reflect the full year results for Tab Limited.

The key factors contributing to the $2,007.3 million of goodwill include the synergies existing in the acquired business, synergies expected to be achieved as a result of combining Tab Limited with the rest of the Group and future prospects and growth.

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32. Events subsequent to reporting date

Dividends

Since 30 June 2006, the directors have declared a dividend of 45 cents per ordinary share. The total amount of the dividend is $236.2 million.

This has not been provided for in the 30 June 2006 financial statements (refer to note 5).

33. 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. The Group also enters into derivative transactions, principally interest rate swaps and cross currency swaps. The purpose is 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 to the financial statements.

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 2006, after taking into account the effect of interest rate swaps, approximately 86% (2005: 82%) of the Group's borrowings are at a fixed rate of interest.

Foreign currency risk

As a result of issuing private notes denominated in US Dollars, 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

The 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 is not materially exposed to one individual debtor. The Group minimises credit risk via adherence to a strict cash management policy.

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 34.

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 2006, 13% (2005: 13%) of the Group's debt facilities will mature in less than one year.

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34. 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	
	2006 $m	2005 $m	**2006 $m**	2005 $m
Consolidated				
Financial assets				
On balance sheet				
Cash	**112.8**	91.6	**112.8**	91.6
Short term deposits	**93.8**	117.8	**93.8**	117.8
Receivables	**34.7**	43.4	**34.7**	43.4
Interest rate swaps (i)(ii)	**31.1**	-	**31.1**	-
Interest rate options (i)(ii)	**0.3**	-	**0.3**	-
	272.7	252.8	**272.7**	252.8
Financial liabilities				
On balance sheet				
Trade creditors and accrued expenses	**345.4**	306.0	**345.4**	306.0
Bank loans - unsecured (vi)	**1,047.0**	1,145.0	**1,047.0**	1,145.0
Medium term notes (iv)(vi)				
- fixed interest rate	**385.0**	385.0	**385.8**	399.3
- floating interest rate	**65.0**	65.0	**66.5**	66.7
Private placement (vi)				
- US dollar (v)	**832.3**	838.6	**832.3**	820.4
- Australian dollar	**100.0**	100.0	**100.0**	100.0
Cross currency swaps (i)(v)	**73.4**	-	**73.4**	-
	2,848.1	2,839.6	**2,850.4**	2,837.4
Off balance sheet				
Interest rate swaps (i)(iii)	**-**	-	**-**	19.3
Cross currency swaps (i)(iii)	**-**	-	**-**	1.5
	-	-	**-**	20.8

(i) Fair values of interest rate swap contracts, interest rate option contracts and cross currency swap contracts represent the estimated cost of cancelling the instruments at balance date.

(ii) Fair values are 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.

(iii) Net fair values determined using independent market quotations and adopting conventional market valuation techniques. Net of transaction costs.

(iv) Fair values determined using independent market quotations.

(v) Fair values are 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, in combination with restatement to current foreign exchange rates.

(vi) June 2006 excludes the unamortised balance of finance costs.

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34. Additional financial instruments disclosure (continued)

(a) Fair values (continued)

	Carrying amount		Fair value	
	2006 $m	2005 $m	**2006 $m**	2005 $m
Tabcorp Holdings Limited				
Financial assets				
On balance sheet				
Cash assets	**1.3**	0.2	**1.3**	0.2
Short term deposits	**45.3**	0.2	**45.3**	0.2
Receivables	**2,632.6**	2,652.1	**2,632.6**	2,652.1
	2,679.2	2,652.5	**2,679.2**	2,652.5
Financial liabilities				
On balance sheet				
Trade creditors and accrued expenses	**16.1**	6.2	**16.1**	6.2

34. Additional financial instruments disclosure (continued)

(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
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)	34(c)	-	(1,700.0)	250.0	-	350.0	300.0	-	800.0	-	-
Total financial assets			(1,573.2)	250.0	-	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											
- fixed interest rate (i)(iv)	17	6.7	-	-	-	-	-	-	382.3	-	382.3
- floating interest rate (i)(iii)	17	6.5	64.8	-	-	-	-	-	-	-	64.8
Private placement											
- US dollar (i)(iv)	17	5.5	-	-	-	-	-	-	829.2	-	829.2
- Australian dollar (i)(iii)	17	6.9	99.6	-	-	-	-	-	-	-	99.6
Cross currency swaps (i)	34(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

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34. Additional financial instruments disclosure (continued)

(b) Interest rate risk (continued)

	Note	Effective interest rate %	Floating interest rate $m	Interest maturing in: 1 to 5 years $m	Interest maturing in: 5 years or more $m	Non interest bearing $m	Balance sheet $m
2005 - Consolidated							
Financial assets							
Cash assets	7	4.8 - 5.0	22.4	-	-	69.2	91.6
Short term deposits	7	5.4 - 5.7	117.8	-	-	-	117.8
Receivables	8	-	-	-	-	43.4	43.4
Total financial assets			140.2	-	-	112.6	252.8
Financial liabilities							
Trade creditors and accrued expenses	16	-	-	-	-	306.0	306.0
Bank loans - unsecured (i)(iii)	17	6.0 - 6.4	1,145.0	-	-	-	1,145.0
Medium term notes							
- fixed interest rate (i)(iv)	17	6.6	-	-	385.0	-	385.0
- floating interest rate (i)(iii)	17	6.5	65.0	-	-	-	65.0
Private placement							
- US dollar (i)(iv)	17	5.3 - 5.6	-	-	838.6	-	838.6
- Australian dollar (i)(iii)	17	6.5	100.0	-	-	-	100.0
Interest rate swaps (i)(ii)	34(c)	-	(1,700.0)	900.0	800.0	-	-
Cross currency swaps (i)	34(e)	-	838.6	-	(838.6)	-	-
Total financial liabilities			448.6	900.0	1,185.0	306.0	2,839.6
2005 - Tabcorp Holdings Limited							
Financial assets							
Cash assets	7	5.0	-	-	-	0.2	0.2
Short term deposits	7	5.4 - 5.5	0.2	-	-	-	0.2
Receivables	8	-	-	-	-	2,652.1	2,652.1
Total financial assets			0.2	-	-	2,652.3	2,652.5
Financial liabilities							
Trade creditors and accrued expenses	16	-	-	-	-	6.2	6.2
Total financial liabilities			-	-	-	6.2	6.2

(i) The effective interest rate on gross debt at 30 June 2006 was 6.5% (2005: 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 earnings.

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

	Notional amount		**Fair value**	
	2006 $m	2005 $m	**2006 $m**	2005 $m
Less than one year	**250.0**	-	**1.4**	-
One to two years	**-**	250.0	**-**	1.6
Two to three years	**350.0**	-	**6.9**	-
Three to four years	**300.0**	350.0	**6.4**	2.1
Four to five years	**-**	300.0	**-**	0.2
More than five years	**800.0**	800.0	**16.4**	(23.2)
Notional principal	**1,700.0**	1,700.0	**31.1**	(19.3)
Fixed interest rate range p.a.	**5.2% - 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

During the year, the Group entered into options to enter into interest rate swap agreements with terms of seven years. The Group entered into these instruments 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 expire in September 2006.

These interest rate options are not designated and the fair value has been booked to the profit and loss.

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**	
	2006 $m	2005 $m	**2006 $m**	2005 $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%**			

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34. 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 was 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 earnings.

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

	2006		2005	
	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	**6.9%**	**-**	6.5% - 6.6%	-

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.

35. Transition to Australian equivalents of International Financial Reporting Standards ('AIFRS')

For all periods up to and including the year ended 30 June 2005, the Group prepared its financial statements in accordance with AGAAP. These financial statements for the year ended 30 June 2006 are the first annual financial statements the Group is required to prepare in accordance with AIFRS.

Accordingly, the Group has prepared financial statements that comply with AIFRS applicable for periods beginning on 1 July 2005 and significant accounting policies meeting those requirements are described in note 1. In preparing these financial statements, the Group has started from an opening balance sheet as at 1 July 2004 (the Group's date of transition to AIFRS) and made those changes in accounting policies and other restatements required by AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards'.

This note explains the principal adjustments made by the Group in restating its AGAAP balance sheet as at 1 July 2004 and its previously published AGAAP financial statements for the year ended 30 June 2005.

AASB 1 transitional exemptions

The Group has made its elections in relation to the transitional exemptions allowed by AASB 1 as follows:

Exemptions from the requirement to restate comparative information for AASB 132 and AASB 139

AASB 132 'Financial Instruments: Presentation and Disclosure' and AASB 139 'Financial Instruments: Recognition and Measurement' was not applied for the financial year ended 30 June 2005. These standards have been applied from 1 July 2005.

Business combinations

AASB 3 'Business Combinations' was not applied retrospectively to past business combinations (i.e. business combinations that occurred before 1 July 2004).

Share based payment transactions

AASB 2 'Share based Payment' is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

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(a) Balance sheet reflecting reconciliation of adjustments to AIFRS as at 1 July 2004:

		Consolidated			Tabcorp Holdings		
	Ref	AGAAP $m	AIFRS impact $m	AIFRS $m	AGAAP $m	AIFRS impact $m	AIFRS $m
Current assets							
Cash and cash equivalents	(v)	197.1	1.4	198.5	4.8	-	4.8
Receivables	(v) (xii)	53.3	-	53.3	1,165.3	64.5	1,229.8
Inventories		14.0	-	14.0	-	-	-
Other	(v) (vi)	39.1	(5.0)	34.1	5.3	(5.0)	0.3
Assets held for sale		52.0	-	52.0	-	-	-
Total current assets		355.5	(3.6)	351.9	1,175.4	59.5	1,234.9
Non current assets							
Investments in controlled entities	(xiii)	-	-	-	3.3	251.5	254.8
Property, plant and equipment	(x)	1,412.3	(45.9)	1,366.4	3.4	(1.4)	2.0
Licences	(ix)	870.6	38.7	909.3	597.2	-	597.2
Other intangible assets	(ix) (x)	1,528.4	6.4	1,534.8	-	1.4	1.4
Deferred tax assets	(vii) (viii) (xiii)	105.7	1.1	106.8	105.7	(103.1)	2.6
Pension asset	(i)	-	2.3	2.3	-	2.3	2.3
Other	(v) (vi)	73.4	(36.1)	37.3	36.1	(36.1)	-
Total non current assets		3,990.4	(33.5)	3,956.9	745.7	114.6	860.3
TOTAL ASSETS		4,345.9	(37.1)	4,308.8	1,921.1	174.1	2,095.2
Current liabilities							
Payables		193.9	-	193.9	6.5	-	6.5
Interest bearing liabilities		742.0	-	742.0	-	-	-
Current tax liabilities	(v)	35.8	0.2	36.0	31.7	-	31.7
Provisions	(vii) (viii)	76.2	2.1	78.3	1.7	0.2	1.9
Other		1.2	-	1.2	-	-	-
Total current liabilities		1,049.1	2.3	1,051.4	39.9	0.2	40.1
Non current liabilities							
Interest bearing liabilities		1,130.0	-	1,130.0	-	-	-
Deferred tax liabilities	(i) (ii) (xiii)	82.8	164.5	247.3	54.2	(53.4)	0.8
Provisions	(viii)	107.4	0.6	108.0	0.6	0.2	0.8
Other		0.6	-	0.6	-	-	-
Total non current liabilities		1,320.8	165.1	1,485.9	54.8	(53.2)	1.6
TOTAL LIABILITIES		2,369.9	167.4	2,537.3	94.7	(53.0)	41.7
NET ASSETS		1,976.0	(204.5)	1,771.5	1,826.4	227.1	2,053.5

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35. Transition to Australian equivalents of International Financial Reporting Standards ('AIFRS') (continued)

(a) Balance sheet reflecting reconciliation of adjustments to AIFRS as at 1 July 2004 (continued):

		Consolidated			Tabcorp Holdings		
	Ref	AGAAP $m	AIFRS impact $m	AIFRS $m	AGAAP $m	AIFRS impact $m	AIFRS $m
Equity							
Issued capital		1,752.9	(43.8)	1,709.1	1,752.9	(3.7)	1,749.2
Retained earnings		223.1	(161.3)	61.8	73.5	230.2	303.7
Reserves		-	0.6	0.6	-	0.6	0.6
Breakdown of impact on issued capital:							
Treatment of non recourse employee share plan loans	(vi)		(41.7)			(3.7)	
Consolidation of employee share plan entity	(v)		(2.1)			-	
			(43.8)			(3.7)	
Breakdown of impact on retained earnings:							
Defined benefit plan	(i)		2.3			2.3	
Tax effect of prior business combinations	(ii)		(163.8)			-	
Consolidation of employee share plan entity	(v)		4.0			-	
Self insured workers' compensation provision	(vii)		(1.8)			-	
Operating leases	(viii)		(0.9)			(0.4)	
Capitalised costs written off	(x)		(0.9)			-	
Share based payments	(vi)		(0.6)			(0.3)	
Reverse prior years' income tax expense recognised for entities in tax consolidation group	(xiii)		-			229.2	
Income tax			0.4			(0.6)	
			(161.3)			230.2	
Breakdown of impact on reserves:							
Share based payments	(vi)		0.6			0.6	
TOTAL EQUITY		1,976.0	(204.5)	1,771.5	1,826.4	227.1	2,053.5

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(b) Balance sheet reflecting reconciliation of adjustments to AIFRS as at 30 June 2005:

		Consolidated			Tabcorp Holdings		
	Ref	AGAAP $m	AIFRS impact $m	AIFRS $m	AGAAP $m	AIFRS impact $m	AIFRS $m
Current assets							
Cash and cash equivalents	(v)	206.2	3.2	209.4	0.4	-	0.4
Receivables	(v) (xii)	43.1	0.3	43.4	2,511.3	140.8	2,652.1
Inventories		15.3	-	15.3	-	-	-
Other	(v) (vi)	34.0	(2.1)	31.9	6.9	(2.1)	4.8
Assets held for sale		29.8	-	29.8	-	-	-
Total current assets		328.4	1.4	329.8	2,518.6	138.7	2,657.3
Non current assets							
Investments in controlled entities	(xiii)	-	-	-	3.3	444.3	447.6
Property, plant and equipment	(x)	1,505.6	(62.7)	1,442.9	11.7	(1.4)	10.3
Licences	(ix)	1,201.3	38.0	1,239.3	597.2	-	597.2
Other intangible assets	(iii) (iv) (ix) (x) (xiv)	3,306.8	338.2	3,645.0	-	1.4	1.4
Deferred tax assets	(iii) (vii) (viii) (x) (xiii)	84.9	1.9	86.8	84.9	(83.3)	1.6
Other	(v) (vi)	57.5	(28.3)	29.2	28.3	(28.3)	-
Total non current assets		6,156.1	287.1	6,443.2	725.4	332.7	1,058.1
TOTAL ASSETS		6,484.5	288.5	6,773.0	3,244.0	471.4	3,715.4
Current liabilities							
Payables	(v)	305.5	0.5	306.0	6.2	-	6.2
Interest bearing liabilities		390.0	-	390.0	-	-	-
Current tax liabilities		32.2	-	32.2	25.9	-	25.9
Provisions	(iii) (vii) (viii)	129.2	2.6	131.8	2.0	0.2	2.2
Other		13.9	-	13.9	-	-	-
Total current liabilities		870.8	3.1	873.9	34.1	0.2	34.3
Non current liabilities							
Interest bearing liabilities		2,143.6	-	2,143.6	-	-	-
Deferred tax liabilities	(i) (iii) (xiii)	113.1	297.3	410.4	84.6	(84.2)	0.4
Provisions	(iii) (vii) (viii)	83.6	1.3	84.9	0.9	-	0.9
Other	(i)	0.2	1.4	1.6	-	1.4	1.4
Total non current liabilities		2,340.5	300.0	2,640.5	85.5	(82.8)	2.7
TOTAL LIABILITIES		3,211.3	303.1	3,514.4	119.6	(82.6)	37.0
NET ASSETS		3,273.2	(14.6)	3,258.6	3,124.4	554.0	3,678.4

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Notes
to the financial report
for the year ended 30 June 2006 (continued)

35. Transition to Australian equivalents of International Financial Reporting Standards ('AIFRS') (continued)

(b) Balance sheet reflecting reconciliation of adjustments to AIFRS as at 30 June 2005 (continued):

		Consolidated			Tabcorp Holdings		
	Ref	AGAAP $m	AIFRS impact $m	AIFRS $m	AGAAP $m	AIFRS impact $m	AIFRS $m
Equity							
Issued capital		3,074.6	80.2	3,154.8	3,074.6	111.5	3,186.1
Retained earnings		198.6	(97.4)	101.2	49.8	439.9	489.7
Reserves		-	2.6	2.6	-	2.6	2.6
Breakdown of impact on issued capital:							
Share capital increase	(iii)		112.7			112.7	
Treatment of non recourse employee share plan loans	(vi)		(31.0)			(1.2)	
Consolidation of employee share plan entity	(v)		(1.5)			-	
			80.2			111.5	
Breakdown of impact on retained earnings:							
Defined benefit plan	(i)		(1.1)			1.6	
Tax effect of prior business combinations	(ii)		(163.8)			-	
Write back of goodwill amortisation	(iv)		160.0			-	
Consolidation of employee share plan entity	(v)		5.5			-	
Self insured workers' compensation provision	(vii)		(1.8)			-	
Operating leases	(viii)		(1.0)			(0.2)	
Amortisation of reclassified licence	(ix)		(0.6)			-	
Capitalised costs written off	(x)		(1.2)			-	
Share based payments	(vi)		(2.7)			(1.3)	
Impairment	(xiv)		(93.2)			-	
Reverse income tax expense recognised for entities in tax consolidation group	(xiii)		-			439.6	
Income tax			2.5			0.2	
			(97.4)			439.9	
Breakdown of impact on reserves:							
Share based payments	(vi)		2.6			2.6	
TOTAL EQUITY		3,273.2	(14.6)	3,258.6	3,124.4	554.0	3,678.4

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(c) Income statement for the year ended 30 June 2005:

Continuing Operations	Ref	Consolidated AGAAP $m	Consolidated AIFRS impact $m	Consolidated AIFRS $m	Tabcorp Holdings AGAAP $m	Tabcorp Holdings AIFRS impact $m	Tabcorp Holdings AIFRS $m
Total operating revenues		3,760.6	-	3,760.6	25.7	-	25.7
Other revenues	(v)	55.0	1.5	56.5	606.4	-	606.4
Revenues		3,815.6	1.5	3,817.1	632.1	-	632.1
Other income	(xi)	307.1	(303.6)	3.5	0.2	(0.1)	0.1
Government taxes and levies		(991.1)	-	(991.1)	-	-	-
Commissions and fees	(vii)	(790.5)	2.0	(788.5)	(11.6)	-	(11.6)
Employment costs	(i) (vi)	(549.6)	(4.8)	(554.4)	(22.2)	(1.0)	(23.2)
Depreciation and amortisation	(ix)	(145.8)	(0.6)	(146.4)	(0.8)	-	(0.8)
Goodwill amortisation	(iv)	(160.0)	160.0	-	-	-	-
Property rentals, rates and maintenance	(viii)	(66.9)	(0.1)	(67.0)	(1.4)	0.2	(1.2)
Computer costs		(24.2)	-	(24.2)	(0.2)	-	(0.2)
Advertising and promotions		(68.9)	-	(68.9)	(2.4)	-	(2.4)
Written down value of non current assets and businesses sold	(xi)	(303.6)	303.6	-	(0.1)	0.1	-
Insurance costs		(8.0)	-	(8.0)	(0.4)	-	(0.4)
Stock exchange expenses		(2.2)	-	(2.2)	(2.2)	-	(2.2)
Professional and contract services		(14.5)	-	(14.5)	(6.1)	-	(6.1)
Audit and review services		(1.8)	-	(1.8)	(0.4)	-	(0.4)
Finance costs	(vii)	(180.1)	(2.0)	(182.1)	-	-	-
Other expenses	(x)	(241.9)	(0.3)	(242.2)	(5.8)	-	(5.8)
Profit before income tax expense and impairment		573.6	155.7	729.3	578.7	(0.8)	577.9
Impairment	(xiv)	-	(93.2)	(93.2)	-	-	-
Profit before income tax expense		573.6	62.5	636.1	578.7	(0.8)	577.9
Income tax expense	(xiii)	(202.8)	2.1	(200.7)	(209.1)	211.2	2.1
Net profit		370.8	64.6	435.4	369.6	210.4	580.0
Net profit attributable to minority interest		(2.0)	-	(2.0)	-	-	-
Net profit attributable to members of the parent entity from continuing operations		368.8	64.6	433.4	369.6	210.4	580.0

Notes

to the financial report
for the year ended 30 June 2006 (continued)

35. Transition to Australian equivalents of International Financial Reporting Standards ('AIFRS') (continued)

(d) Notes to the reconciliations

(i) AASB 119 'Employee Benefits'

The Group recognises movements in the net position of its defined benefit plan through the income statement, except for the portion of the movement that is attributable to actuarial gains or losses, which is recognised directly in retained earnings. Under AGAAP, only cash contributions to the plan were recognised in the income statement.

(ii) AASB 112 'Income Taxes'

The Group is required to recognise deferred tax liabilities in respect of land and buildings and finite life intangibles. Such deferred taxes are not recognised under AGAAP. On transition, deferred taxes are recognised by an adjustment to retained earnings.

(iii) Tab Limited - acquisition

In relation to the Tab Limited business combination, accounting under AIFRS differs to that under AGAAP as follows:

- Under AGAAP the market value of shares issued by the Company as acquisition consideration had been discounted to represent the notional price at which the securities could be placed in the market. No discount is applied under AIFRS, resulting in an increase in issued capital of $112.7 million.
- Under AASB 112 'Income Taxes', additional deferred tax liabilities have been recognised in relation to certain intangible assets and land and buildings amounting to $135.1 million.
- Under AIFRS, the net assets of Tab Limited at the acquisition date decreased by $0.7 million when compared to AGAAP, due to item (viii) below.
- As a result of the above items, goodwill in relation to the business combination increased by $248.5 million.

(iv) AASB 3 'Business Combinations'

Goodwill is not amortised under AASB 3 'Business Combinations', but was amortised under AGAAP.

(v) UIG 112 'Consolidation - Special Purpose Entities'

The Group's employee share plan entity (Tabcorp Employee Share Administration Pty Ltd) is treated as a controlled entity and is consolidated. The entity was not consolidated under AGAAP.

(vi) AASB 2 'Share based Payment'

Limited recourse employee share plan loans are deemed to be a share based payment and are recognised as a reduction in issued capital. Under AGAAP, the value of the loans were recognised as receivables.

Performance options and share rights issued by the Company after 7 November 2002 that had not vested by 1 January 2005 have been expensed over the vesting period, with a corresponding increase in the Employee Equity Benefit Reserve.

(vii) AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'

The Group recognises a prudential margin in relation to the self insurance for workers' compensation claims. A prudential margin was not included in the provision calculated under AGAAP.

Discount expense on a provision is to be recognised as a finance cost under AIFRS. The discount expense on the provision for Management agreement - Gold Coast and Brisbane casinos has been reclassified from commissions and fees expense under AGAAP to finance costs under AIFRS.

(viii) AASB 117 'Leases'

Scheduled increases are recognised on a straight line basis over the life of the lease. Under AGAAP such increases were recognised when paid.

(ix) AASB 1 'First-time adoption of Australian Equivalent to International Financial Reporting Standards'

The Group has reclassified an amount of $38.7 million from goodwill to licences in relation to a licence acquired in a previous business combination. The amortisation of this reclassified licence has the effect of reducing profit.

(x) AASB 138 'Intangible Assets'

Intangible assets previously capitalised under AGAAP have been written off under AIFRS where they do not meet the recognition criteria for an intangible asset.

Computer software is classified as an intangible asset under AIFRS, but was classified as property, plant and equipment under AGAAP.

The costs capitalised by the Group in relation to the Gold Coast Convention and Entertainment Centre are classified as an intangible asset under AIFRS, but were classified as property, plant and equipment under AGAAP.

(xi) AASB 101 'Presentation of Financial Statements'

Gains and losses on the disposal of non current assets are reported by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses. Under AGAAP, the amounts were shown on a gross basis.

(xii) Intercompany

There has been an increase in the intercompany receivables balance between Tabcorp Holdings Limited and its controlled entities as a result of AIFRS transitional adjustments.

(xiii) UIG 1052 'Tax Consolidation Accounting'

Under AGAAP, as head of the tax consolidation group, the Company accounted for the current and deferred tax balances of the Tabcorp tax consolidation group and recognised the income tax expense of the tax consolidation group. Under AIFRS, as a result of adopting UIG 1052, the current and deferred tax balances are accounted for by each controlled entity in the Group. Income tax expense recognised in prior years under tax consolidation (2003, 2004 and 2005) has been reversed resulting in a gain to the Company and losses to other members of the tax

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consolidation group. These amounts are recognised in retained earnings on transition to AIFRS, and as income tax expense in the 2005 year. The Company is deemed to have made an equity contribution to each of the members of the tax consolidation group for an amount equivalent to the gain recognised in retained earnings and income tax expense.

(xiv) Impairment of goodwill

A write down of goodwill in the wagering segment applicable to the acquisition of Tab Limited of $93.2 million has been recognised effective 30 June 2005. The write down represents a deterioration in wagering growth in New South Wales as a result of the split picture issue. The impairment has been recognised following an increase in goodwill applicable under AIFRS as outlined in item (iii).

(e) Explanation of material adjustments to the cash flow statement

There are no material differences between the cash flow statement presented under AIFRS and the cash flow statement presented under previous AGAAP.

(f) Adjustments on transition to AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement' at 1 July 2005

In the current financial year the Group adopted AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement'. This change in accounting policy has been adopted in accordance with the transition rules contained in AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', which does not require the restatement of comparative information for financial instruments within the scope of AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139: 'Financial Instruments: Recognition and Measurement'.

The adoption of AASB 139: 'Financial Instruments: Recognition and Measurement' has resulted in the Group recognising all derivative financial instruments as assets or liabilities at fair value and interest bearing loans and borrowings at amortised cost (being the present value of expected future principal and interest cash flows), unless the borrowings are hedged under a fair value hedge in which case they are carried at the fair value attributable to the risks that are being hedged. This change has been accounted for by adjusting the opening balance of equity (retained earnings and hedging reserve) at 1 July 2005.

The impact on the balance sheet in the comparative period is set out below as an adjustment to the opening balance sheet at 1 July 2005. The transitional provisions will not have any effect in future reporting periods.

Notes
to the financial report
for the year ended 30 June 2006 (continued)

35. Transition to Australian equivalents of International Financial Reporting Standards ('AIFRS') (continued)

(f) Adjustments on transition to AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement' at 1 July 2005 (continued)

	Consolidated			Tabcorp Holdings		
	AIFRS 30 June 2005 $m	Adjustment $m	AIFRS 1 July 2005 $m	AIFRS 30 June 2005 $m	Adjustment $m	AIFRS 1 July 2005 $m
Current assets						
Cash and cash equivalents	209.4	-	209.4	0.4	-	0.4
Receivables	43.4	-	43.4	2,652.1	-	2,652.1
Inventories	15.3	-	15.3	-	-	-
Other	31.9	(13.3)	18.6	4.8	-	4.8
Assets held for sale	29.8	-	29.8	-	-	-
Total current assets	329.8	(13.3)	316.5	2,657.3	-	2,657.3
Non current assets						
Investments in controlled entities	-	-	-	447.6	-	447.6
Property, plant and equipment	1,442.9	-	1,442.9	10.3	-	10.3
Licences	1,239.3	-	1,239.3	597.2	-	597.2
Other intangible assets	3,645.0	-	3,645.0	1.4	-	1.4
Deferred tax assets	86.8	0.8	87.6	1.6	-	1.6
Other	29.2	3.9	33.1	-	-	-
Total non current assets	6,443.2	4.7	6,447.9	1,058.1	-	1,058.1
TOTAL ASSETS	6,773.0	(8.6)	6,764.4	3,715.4	-	3,715.4
Current liabilities						
Payables	306.0	-	306.0	6.2	-	6.2
Interest bearing liabilities	390.0	-	390.0	-	-	-
Current tax liabilities	32.2	-	32.2	25.9	-	25.9
Provisions	131.8	-	131.8	2.2	-	2.2
Other	13.9	-	13.9	-	-	-
Total current liabilities	873.9	-	873.9	34.3	-	34.3
Non current liabilities						
Interest bearing liabilities	2,143.6	(29.2)	2,114.4	-	-	-
Deferred tax liabilities	410.4	-	410.4	0.4	-	0.4
Provisions	84.9	-	84.9	0.9	-	0.9
Other	1.6	23.1	24.7	1.4	-	1.4
Total non current liabilities	2,640.5	(6.1)	2,634.4	2.7	-	2.7
TOTAL LIABILITIES	3,514.4	(6.1)	3,508.3	37.0	-	37.0
NET ASSETS	3,258.6	(2.5)	3,256.1	3,678.4	-	3,678.4
Equity						
Issued capital	3,154.8	-	3,154.8	3,186.1	-	3,186.1
Retained earnings	101.2	0.7	101.9	489.7	-	489.7
Reserves	2.6	(3.2)	(0.6)	2.6	-	2.6
TOTAL EQUITY	3,258.6	(2.5)	3,256.1	3,678.4	-	3,678.4

Directors' declaration

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

a) the financial statements and notes 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 2006 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 2006.

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
24 August 2006

Independent audit report

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Independent audit report to members of Tabcorp Holdings Limited

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of recognised income and expense, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Tabcorp Holdings Limited (the company) and the consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration a copy of which is included in the Directors' Report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit 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 2006 and of their performance for the year ended on that date; and
      (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
   (b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Mary Waldron

Ernst & Young

Mary B. Waldron
Partner

Melbourne
24 August 2006

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Five year review

	2006 $million	2005 $million	2004 $million	2003 $million	2002 $million
Total revenue	3,834.8	3,817.1	2,500.0	1,937.1	1,967.7
EBITDA	1,059.1	1,046.2	739.0	525.9	543.8
Profit before interest and tax	851.5	806.6	570.0	420.7	435.3
Profit after income tax	543.4	433.4	311.0	252.6	261.0
Profit after income tax (pre impairment/goodwill)[1]	611.9	526.6	370.7	270.6	278.9
Dividend[2]	467.2	423.4	330.3	245.4	235.3
Cash and deposits	206.6	209.4	197.0	118.8	126.8
Other current assets	72.0	120.4	158.4	39.6	35.6
Licences and other intangibles	1,456.9	1,440.0	1,118.6	1,081.8	1,033.7
Goodwill	3,384.6	3,444.3	1,280.6	292.9	311.1
Other non current assets	1,635.2	1,558.9	1,591.3	866.4	906.5
Total assets	6,755.3	6,773.0	4,345.9	2,399.5	2,413.7
Current interest-bearing liabilities	390.0	390.0	742.0	450.9	144.0
Other current liabilities	506.2	483.9	307.1	238.2	291.3
Non-current interest-bearing liabilities	2,029.6	2,143.6	1,130.0	315.0	632.9
Other non-current liabilities	466.6	496.9	190.8	75.5	69.1
Total liabilities	3,392.4	3,514.4	2,369.9	1,079.6	1,137.3
Shareholders' funds	3,362.9	3,258.6	1,975.9	1,319.9	1,276.4
Capital expenditure	236.1	119.5	101.2	58.0	46.8
	cents	**cents**	**cents**	**cents**	**cents**
Earnings per share - pre impairment/goodwill[1]	116.6	101.9	92.5	73.5	74.8
Earnings per share - post impairment/goodwill[1]	103.6	83.9	77.6	68.7	70.0
Dividends per share[2]	89.0	81.0	71.0	67.0	63.0
Operating cash flow per share[3]	96.6	107.8	85.8	90.7	100.0
Return on shareholders' funds - pre impairment/goodwill[1,4]	18.1%	15.6%	21.5%	20.1%	20.3%
Return on shareholders' funds - post impairment/goodwill[1,4]	16.1%	12.9%	18.1%	18.8%	19.0%
Net assets per share	$6.41	$6.25	$4.67	$3.61	$3.42
Operating revenue	**$million**	**$million**	**$million**	**$million**	**$million**
Wagering	1,317.0	1,319.8	446.2	426.8	403.6
Gaming and Network Games	1,046.2	1,022.2	924.3	848.1	917.6
Casinos	1,330.1	1,274.9	1,065.3	631.2	611.9
Media	113.6	127.4	-	-	-
International	9.4	10.0	9.2	-	-
Unallocated	-39.3	6.3	17.8	-	-
Total	3,776.9	3,760.6	2,462.8	1,906.1	1,933.1

EBITDA - Earnings before interest, tax, depreciation and amortisation. AIFRS used as basis for preparation for 2005 and 2006 data whilst AGAAP used for 2004 and years prior to that.

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

2 Dividends attributable to the year, but which may be payable after the end of the period.

3 Net operating cash flow per the statement of cashflows does not include payments for, or proceeds from the sale of, property plant and equipment, whereas these items are included in the calculation for the operating cash flow per share ratio. Note that for the 2005 calculation, $46.2 million in proceeds from the sale of the Harris St Ultimo building was excluded from the calculation.

4 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 have been 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%.

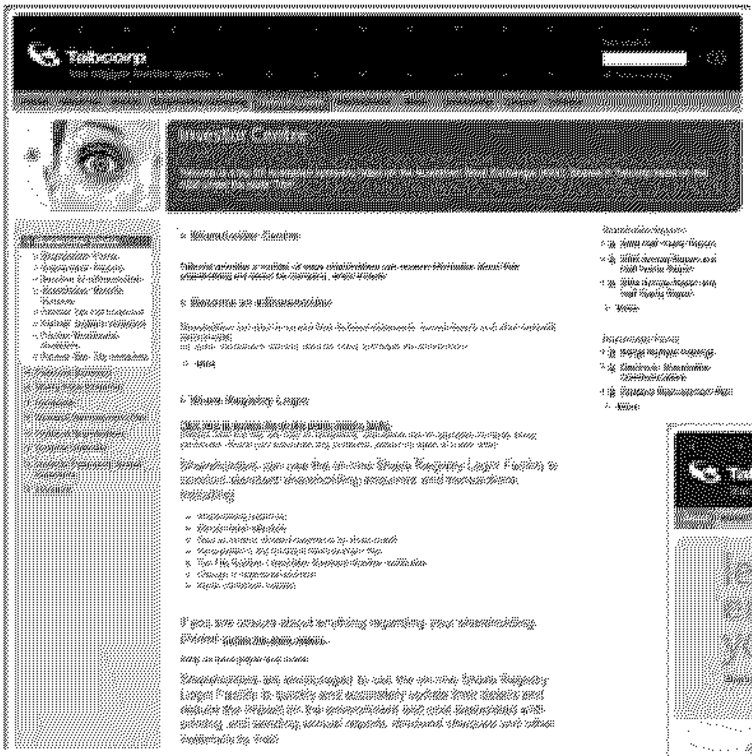
Shareholder communications

Become an eShareholder

Shareholders are encouraged to receive their dividend statements and all shareholder communications electronically, which helps reduce the impact on the environment and costs associated with printing and sending annual reports, dividend statements and other materials by mail. By becoming an eShareholder, you also avoid mailing delays as your documents are sent and received on payment date. Shareholders can make their selections using the on-line share registry facility.

Direct credit of dividends

Shareholders may elect to receive their dividend payments into a nominated bank account with an Australian financial institution. Direct credit is a quick and convenient way of obtaining dividend payments immediately as payments are electronically credited on payment date. You also reduce the likelihood of mail fraud and cheques that are not banked or misplaced. Shareholders can add or change bank account details using the on-line share registry facility or by contacting the share registry.



www.tabcorp.com.au

The Company's website quickly and conveniently keeps shareholders informed about Tabcorp's activities and its performance. The annual and half yearly reports to shareholders, interim and preliminary results, webcasts of results and Annual General Meeting presentations, major news releases and other Company statements are available on the website.

Dividend Reinvestment Plan (DRP)

As an alternative to receiving your dividends by cash or direct credit, shareholders may elect to participate in the DRP. The DRP allows shareholders to increase their share portfolio by utilising their dividends to purchase additional Tabcorp shares. DRP election forms can be downloaded from our website at www.tabcorp.com.au.

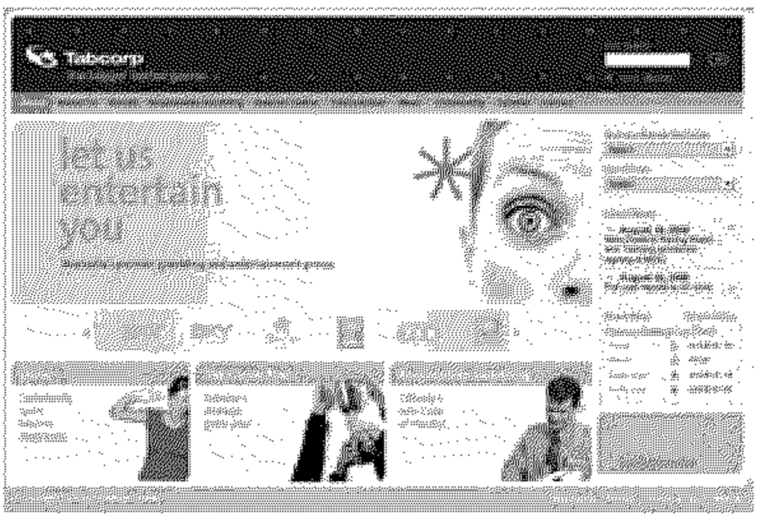
Removal from annual report mailing list

Tabcorp currently produces 155,000 copies of its annual and half yearly reports. You can help reduce this amount by electing not to receive a copy of the Company's annual and half yearly reports. The annual report and all major Company announcements are available on the Company's website. If you elect not to receive these reports, you will continue to receive notice of meetings, proxy forms and other correspondence. Shareholders can make their selections using the on-line share registry facility or by contacting the share registry (refer to details on the next page).

On-line Share Registry Facility

The Company's website has an on-line share registry facility that enables shareholders to conduct standard shareholding enquiries and transactions, including:

- Elect to become an eShareholder
- Download historic dividend statements
- Check current shareholding balances
- Annual report elections
- Elect to receive dividend payments by direct credit
- Participation in the Dividend Reinvestment Plan
- Tax File Number / Australian Business Number notification
- Change of registered address



Company directory

Registered Office

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

Website

www.tabcorp.com.au

Stock Exchange Listing

Tabcorp Holdings Limited shares are quoted on the Australian Stock 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

Divisional Offices

Queensland Divisional Office

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

Divisional Offices (continued)

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

Conrad Jupiters
Broadbeach Island
Gold Coast QLD 4218
Reservations: 1800 074 344
Telephone: 07 5592 8100
Website: www.conrad.com.au/jupiters

Conrad Treasury
George Street
Brisbane QLD 4000
Reservations: 1800 506 889
Telephone: 07 3306 8888
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

Key Dates

2006

Annual General Meeting (Carlton Crest, Melbourne)	27 November

2007*

Half-year results announcement	21 February
Ex-dividend for interim dividend	27 February
Record date for interim dividend	5 March
Interim dividend payment	11 April
End of financial year	30 June
Full-year results announcement	23 August
Ex-dividend for final dividend	28 August
Record date for final dividend	3 September
Final dividend payment	8 October
Annual General Meeting	26 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

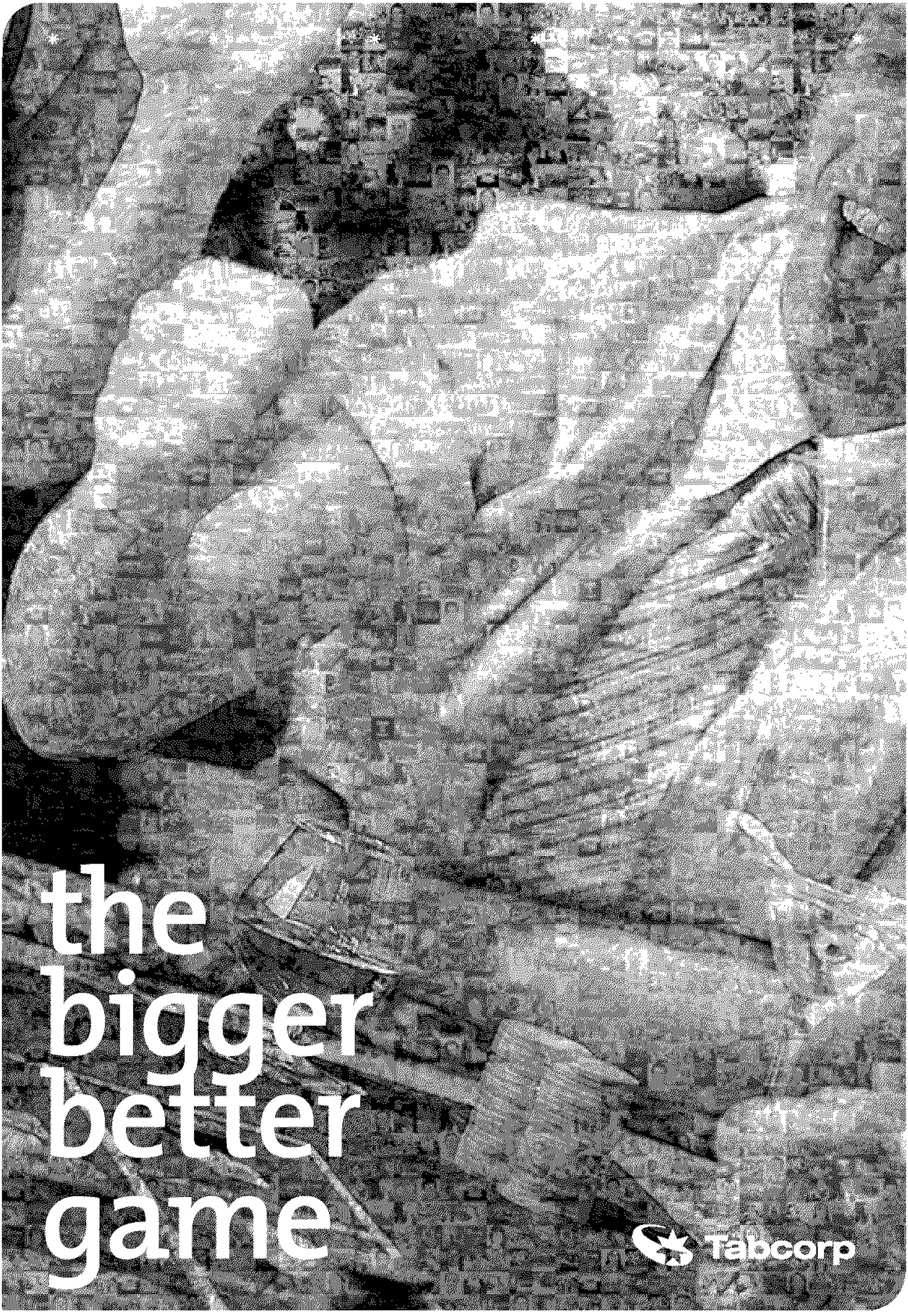
References to currency are in Australian dollars unless otherwise stated.

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 strongly 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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bigger
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Tabcorp