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24 August 2006

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

SUPL
RESULTS FOR ANNOUNCEMENT TO THE MARKET**TABCORP PRELIMINARY FINAL REPORT****FOR FULL YEAR ENDED 30 JUNE 2006**

06017186

In accordance with the ASX Listing Rules, the following documents are transmitted for lodgement:

1. Media Release;
2. Preliminary Final Report and Dividend Announcement (Appendix 4E) for the year ended 30 June 2006; and
3. Directors' Report and Financial Report for the year ended 30 June 2006.

Please note that the Directors have declared a final dividend of 45 cents per share fully franked at the company tax rate of 30% to be paid on 9 October 2006.

The record date for the purpose of entitlement to the final dividend will be 4 September 2005. Registrable transfers received at the office of the company's share registrar, Link Market Services, Level 4, 333 Collins Street, Melbourne, Victoria, 3000, by 4 September 2006 up to the times specified in the Listing Rules and ASTC Settlement Rules will be registered before entitlements to the final dividend are determined.

The Directors decided to continue the operation of the Company's Dividend Reinvestment Plan (DRP) for the final dividend. Information regarding the DRP can be found on the company's website at www.tabcorp.com.au.

The Directors have resolved to convene the Annual General Meeting of the Company to be held at the Grand Waldorf Ballroom, Carlton Crest Hotel, 65 Queens Road, Melbourne, at 10.00am on Monday 27 November 2006. For the purpose of voting at the Annual General Meeting or adjourned meeting, shares will be taken to be held by those persons recorded in the Company's register of members at 10.00am on Saturday 25 November 2006.

Kerry Willcock
Executive General Manager – Corporate and Legal

Enc.

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J THOMSON
FINANCIAL*Dev 9/28*



24 August 2006

Tabcorp announces solid financial results for the 2006 year

Tabcorp Holdings Limited recorded a 7.0% increase in net profit after tax (excluding losses from non-recurring items of \$3.9 million) to \$547.3 million for the full year to 30 June 2006.

Normalised net profit after tax before non-recurring items was up 4.0% to \$535.8 million. Earnings per share before non-recurring items increased 5.3% on the prior corresponding period to 104.3 cents and, on a normalised basis, up 2.4% to 102.1 cents.

Tabcorp Chairman Michael Robinson announced a final dividend of 45 cents per share, taking the full year dividend to 89 cents per share, up 8 cents or 9.9% on the previous full year dividend. He said the increase in the full year dividend reflected the Board's confidence in the businesses and the resilient nature of the Tabcorp group. The dividend will be fully franked and payable on 9 October 2006 to shareholders registered on the books at 4 September 2006.

Managing Director and Chief Executive Officer Matthew Slatter said: "Despite a tough and challenging year, Tabcorp has delivered a credible result demonstrating the robust nature of the business and the value of diversification."

He said the result was a reflection of the great contribution made by everyone across the organisation. "We have a great team of people at Tabcorp and everyone in the team has contributed to achieving these results in a challenging year."

Mr Slatter said the company had benefited from tight cost control and synergies across the businesses which helped to deliver the 7.0% increase in net profit after tax (before non-recurring items) for the year. He said underlying EBIT growth for the company was 3.4% and would have been 5.1% if the gaming machine levy in Victoria had not been doubled.

"This demonstrates that even with 'head winds' from the increased gaming machine levy, the negative impact in our wagering business due to the split-picture and smoking bans and refurbishments impacting the Casinos Division, the underlying performance of the business has been solid.

"Tabcorp is financially strong and in a great position to build on our diversified portfolio of gambling entertainment businesses to create further value for shareholders.

"We have some fantastic expertise in our core businesses of gaming, casinos, wagering and media that will be applied to growing customer relationships in Australia and selectively expanding into international markets," Mr Slatter said.

In the Casinos Division, growth in table games and hotel revenue and considerable focus on the International Rebate Business achieved EBIT (before non-recurring items) of \$423.3 million, up 9.9%, despite smoking reforms and some disruption during the \$53.5 million refurbishments at Conrad Jupiters on the Gold Coast.

In the Wagering Division, the business achieved EBIT (before non-recurring items) of \$219.1 million, down 2.4%. One of the highlights of the year was the success of sportsbetting and record turnover during the 2006 World Cup, with total sales of \$97 million producing a 77% increase in sales compared to the 2002 World Cup. Tabcorp was pleased that all races returned to Sky Channel, Australia's national racing broadcaster, and supported the further development of ThoroughVision (TVN) as the dedicated thoroughbred racing channel. "The return of all races to Sky Channel has led to a recovery in wagering turnover and we expect this to continue to build over the coming months," Mr Slatter said.

The Tab Limited integration is tracking well with the proposed systems integration scheduled for September. Forecast annual synergies are still expected to be \$34.9 million, despite delays with co-pooling and an increase in systems development costs. Mr Slatter said: "The organisation and management structures that have been put in place are working well and our focus is to drive domestic growth in the wagering markets and pursue regulatory approvals to permit pooling between Victoria and New South Wales."

In the Gaming and Network Games Division, the business achieved EBIT (before non-recurring items) of \$260.2 million, up 0.3% as a result of a 3.6% increase in net operating revenue, despite the doubling of the gaming machine levy. The Gaming Division continues to invest in the latest games and machines with 3632 new machines and games being introduced to the Victorian gaming network.

The Media Division achieved EBIT (before non-recurring items) of \$43.4, up 5.1%, by reducing costs through operational efficiencies.

The Victorian and New South Wales racing industries received \$503.4 million from Tabcorp businesses, assisting the industry to operate outstanding events such as the Spring Racing and Easter Carnivals. "Tabcorp's financial support of the racing industry ensures that Australia delivers some of the finest racing in the world," Mr Slatter said.

In addition to the company's growth and solid financial position, Mr Slatter said Tabcorp was actively supporting local communities with a range of sponsorships for sporting groups and community services, on top of the \$84.2 million which the Tabcorp group contributed to state community benefit funds in Victoria, New South Wales and Queensland.

Mr Slatter praised the efforts of Tabcorp employees and management for the solid performance during the year, and highlighted the continuing growth of both existing and acquired businesses throughout the integration process. "Tabcorp is a diversified and resilient gambling entertainment group and has produced solid results in difficult and challenging conditions."

Tabcorp outlook

Mr Slatter said the Tabcorp group had made a mixed start to the new financial year, despite the strong sportsbetting revenues generated as a result of the successful World Cup campaign and improving wagering turnover with the return of the consolidated racing picture on Sky Channel.

Revenue growth for the seven weeks to 19 August 2006 was up 5.6% on a normalised basis after adjusting for below theoretical win rates in the International Rebate Business. The Wagering Division achieved 12.3% growth in revenue, reflecting the success of the World Cup, while Gaming has had a slow start with revenue up 1.1% over last year. Casino revenue is down 20.7% reflecting below theoretical win rates, however, achieved 3.2% revenue growth on a normalised basis.

He said Tabcorp was committed to reducing costs, accelerating growth and strengthening its capability across its portfolio of businesses. "Tabcorp has sharpened its focus on providing better customer service and exciting products as part of its domestic growth strategy and is looking to target selected opportunities in international markets."

For more information:

Financial analysts: Matt Bekier, Chief Financial Officer, 03 9868 2195
Media: Bruce Tobin, GM Corporate Affairs, 03 9868 2508

Tabcorp announces solid financial results for the 2006 year

- Net profit after tax (before losses from non-recurring items of \$3.9 million) – up 7.0% to \$547.3 million on the previous year.
- Final dividend 45 cents per share fully franked – up 4 cents.
- Full year dividend 89 cents per share fully franked – up 8 cents.
- Earnings per share (before non-recurring items) – up 5.3% to 104.3 cents.
- Net operating revenue (before non-recurring items) \$3778.6 million – up 2.1%.
- Earnings before interest and taxation (EBIT) (before non recurring items) – up 3.4% to \$939.7 million.
- Normalising for theoretical win rates in the International Rebate Business in the Casinos Division:
 - Earnings per share (before non-recurring items) up 2.4% to 102.1 cents
 - Net profit after tax (before non-recurring items) up 4.0% to \$535.8 million
 - EBIT (before non-recurring items) up 1.0% to \$923.2million
 - Casinos EBIT (before non-recurring items) up 4.3% to \$406.8 million
- Segment EBIT (before non-recurring items) results:
 - Casinos – up 9.9% to \$423.3 million
 - Gaming and Network Games – up 0.3% to \$260.2 million
 - Wagering – down 2.4% to \$219.1 million
 - Media – up 5.1% to \$43.4 million
 - International – created as stand alone division and incurred \$6.3 million loss
- Revenue from sportsbetting grew 28.5% to \$67.6 million, boosted by the \$11.6 million in revenue from the World Cup in the 2006 financial year.
- The Tab Limited systems integration is scheduled to be completed in September 2006 and the synergies target remains unchanged at \$34.9 million.
- Finalising the commercial pilot for the China Keno project and developing a plan for the post pilot terminal rollout.
- Resolved split picture issue and all races have returned to Sky Channel, resulting in an increase in wagering turnover.
- Taxes on gambling paid by Tabcorp businesses – up 2.8% to \$1208 million.
- Income generated for the Victorian and NSW racing industries – \$503.4 million.
- The Tabcorp group contributed \$84.2 million to state community benefit funds in Australia.



Tabcorp

the bigger better game

	Actual 12 months to 30 June 2006	Change on pcp	Normalised 12 months to 30 June 2006 ¹	Change on pcp
Net profit after tax (\$m)				
- Before non recurring items	547.3	7.0%	535.8	4.0%
Earnings per share (cents)				
- Before non recurring items	104.3	5.3%	102.1	2.4%
Dividends per share (cents)²	89	9.9%	89	9.9%
ROE before non-recurring items %	16.2%	0.4%	15.8%	0.0

Notes:

1. Normalised results exclude the impact of above theoretical win rates in the IRB in the casinos

2. Fully franked

\$m	Actual 12 months to 30 June 2006 ¹	Actual 12 months to 30 June 2005 ¹	Change
Net operating revenue			
Casinos at theoretical	1311.6	1281.6	2.3%
Impact of above/(below) theoretical	18.6	(6.7)	NA
Casinos	1330.1	1274.9	4.3%
Gaming & Network Games	1046.2	1010.1	3.6%
Wagering	1318.6	1319.8	(0.1%)
Media	113.6	127.4	(10.8%)
EBIT			
Casinos at theoretical	406.8	390.0	4.3%
Impact of above/(below) theoretical	16.5	(5.0)	NA
Casinos	423.3	385.0	9.9%
Gaming & Network Games	260.2	259.4	0.3%
Wagering	219.1	224.4	(2.4)
Media	43.4	41.2	5.1%
International	(6.3)	(1.0)	NA

Notes:

1. Excludes non-recurring items

Appendix 4E Preliminary final report

Name of entity	ABN Reference
TABCORP HOLDINGS LIMITED	66 063 780 709

1. Reporting periods

financial year ended
(‘current period’)

30 June 2006

financial year ended
(‘previous corresponding period’)

30 June 2005

2. Results for announcement to the market

	Current period \$'m	Previous corresponding period \$'m	% Change Increase/(decrease)	Amount Increase/(decrease) \$'m
Key Information				
Revenues from ordinary activities	3,834.8	3,817.1	0%	17.7
Profit from ordinary activities after tax attributable to members	543.4	433.4	25%	110.0
Net profit (loss) for the period attributable to members	543.4	433.4	25%	110.0
Dividends (distributions)			Amount per security	Franked amount per security at 30% tax
Final dividend	Record Date Payable	4 September 2006 9 October 2006	45.0 ¢	45.0 ¢
Interim dividend	Paid	10 April 2006	44.0 ¢	44.0 ¢
Supplementary comments				
Refer to the Directors' Report and audited Financial Report for the year ended 30 June 2006 for a brief explanation of the above figures.				
This is the Group's first annual financial reporting period 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'. Refer to Note 1 of the audited Financial Report for the year ended 30 June 2006 for further information regarding the Group's transition to AIFRS.				
3. Statement of financial performance				
Refer to the Income statement in the audited Financial Report for the year ended 30 June 2006.				
4. Statement of financial position				
Refer to the Balance sheet in the audited Financial Report for the year ended 30 June 2006.				
5. Statement of cash flows				
Refer to the audited Financial Report for the year ended 30 June 2006.				

6. Dividends

	Date paid/payable	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend	Amount \$m	
Final dividend:	Current year	9 October 2006	45.0 ¢	45.0 ¢	0.00 ¢	236.2
	Previous year	13 October 2005	41.0 ¢	41.0 ¢	0.00 ¢	215.2
Interim dividend:	Current year	10 April 2006	44.0 ¢	44.0 ¢	0.00 ¢	231.0
	Previous year	13 April 2005	40.0 ¢	40.0 ¢	0.00 ¢	208.2

Total dividend per share (interim plus final)

Ordinary shares

Current year	Previous year
89.0 ¢	81.0 ¢

7. Dividend reinvestment plans

The dividend reinvestment plan shown below is in operation.

<p>The dividend reinvestment plan (DRP) commenced with the interim dividend paid in April 2004.</p> <p>No brokerage, commission or other transaction costs will be payable by participants on shares acquired under the DRP.</p> <p>The Board has determined that no discount is currently applicable to shares issued under the DRP.</p> <p>Shares required to be issued to DRP participants will be acquired by Tabcorp on market over the ten business days beginning on the second business day after the relevant dividend record date.</p>
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The last date for receipt of election notices for the dividend reinvestment plan

4 September 2006

8. Statement of Retained Earnings

Refer to Note 20 of the audited Financial Report for the year ended 30 June 2006.

9. NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary share (\$)	-2.82	-3.10
Net tangible asset backing per ordinary share including Licences (\$)	-0.47	-0.74

10. Controlled entities

Refer to Note 29 of the audited Financial Report for the year ended 30 June 2006.

11. Associates and Joint Ventures

The economic entity does not operate a Joint Venture entity but rather a Joint Venture operation. Refer to Note 1(d) and Note 28 of the audited Financial Report for the year ended 30 June 2006.

12. Other significant information

Refer to the Directors' Report and audited Financial Report for the year ended 30 June 2006.

13. Foreign entities

N/A

14. Commentary**14.1 Earnings per security**

Refer to Note 6 of the audited Financial Report for the year ended 30 June 2006.

14.2 Returns to shareholders including distributions and buy backs

Refer to the audited Financial Report for the year ended 30 June 2006.

Note 5 - Dividends

Note 20 - Capital and Reserves

14.3 -14.5 Significant features of operating performance

Refer to the Directors' Report and audited Financial Report for the year ended 30 June 2006 and the Media Release lodged with the Australian Stock Exchange on 24 August 2006.

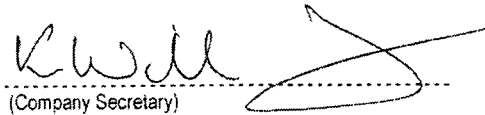
14.6 Other factors which have affected or likely to affect the results

Refer to the Directors' Report and audited Financial Report for the year ended 30 June 2006.

15. Compliance statement

This report should be read in conjunction with the attached Directors' Report and audited Financial Report for the year ended 30 June 2006.

Sign here:



(Company Secretary)

Date: 24 August 2006

Print name:

KERRY WILLCOCK



TABCORP HOLDINGS LIMITED AND CONTROLLED ENTITIES

**DIRECTORS' REPORT AND
FINANCIAL REPORT**

**FOR THE YEAR ENDED
30 JUNE 2006**

A.B.N. 66 063 780 709

ASX CODE: TAH

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Company directory

Directors

Michael Robinson AO	Chairman and Non executive Director
Matthew Slatter	Managing Director and Chief Executive Officer
Anthony Hodgson	Deputy Chairman and Non executive Director
Paula Dwyer	Non executive Director
Philip Satre	Non executive Director
John Story	Non executive Director
Zygmunt Switkowski	Non executive Director (subject to regulatory approval)
Richard Warburton AO	Non executive Director
Lawrence Willett AO	Non executive Director

Company Secretary

Kerry Willcock

Registered office

5 Bowen Crescent
Melbourne VIC 3004
Telephone: 03 9868 2100

Share registry

Link Market Services Limited
Level 4
333 Collins Street
Melbourne VIC 3000
Telephone: 1300 665 661 (local call cost within Australia)
www.linkmarketservices.com.au

Auditor

Ernst & Young

Corporate information

Tabcorp Holdings Limited ("the Company") is a company limited by shares that is incorporated and domiciled in Australia.

Stock exchange listings

The Company's shares are quoted on the Australian Stock Exchange under the code "TAH".

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

Annual and half year reports

The Company's annual reports and half year reports are distributed to shareholders with the final and interim dividends respectively. Copies of these reports are available from the Company's website at www.tabcorp.com.au when published.

Directors' report

The Board of Directors of Tabcorp Holdings Limited ("the Company") has pleasure in submitting its report and the income statement of the Company and controlled entities (collectively referred to as "the Tabcorp Group") in respect of the financial year ended 30 June 2006, and the related balance sheet, statement of cash flows and statement of recognised income and expenses.

1. Directors

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

Name	Qualifications, experience and special responsibilities
Michael Robinson AO	<p><i>Chairman and Non executive Director since June 1994</i></p> <p>Michael Robinson was a Partner of the law firm Allens Arthur Robinson until his retirement on 31 December 2003. Mr Robinson remains a consultant to the firm. He was the Senior Partner of Arthur Robinson and Hedderwicks from 1996 to 2001 and was its Managing Partner from 1980 to 1988. Mr Robinson is a Trustee of the Epworth Medical Foundation and a Director of the Asia Society AustralAsia Centre, the State Orchestra of Victoria, Clough Limited and the General Sir John Monash Foundation.</p> <p>He is Chairman of the Tabcorp Nomination Committee and is a member of the Tabcorp Audit Committee, Remuneration Committee and the Risk and Compliance Committee.</p>
Matthew Slatter	<p><i>Managing Director and Chief Executive Officer since October 2002</i></p> <p>Matthew Slatter commenced as Managing Director and Chief Executive Officer in October 2002. Mr Slatter was previously Chief Financial Officer and Director of AXA Asia Pacific Holdings Limited and has over 20 years' experience in the financial services industry in Australia, New Zealand and the United Kingdom. Immediately prior to joining AXA, he was Chief Executive of the Bank of Melbourne Limited, responsible for its integration with Westpac Limited, and has held general management positions at Westpac Limited, Lloyds TSB and the National Bank of New Zealand Limited. Mr Slatter is also Chairman of the Australian Gaming Council.</p>
Anthony Hodgson	<p><i>Deputy Chairman and Non executive Director since June 1994</i></p> <p>Tony Hodgson was the co-founder, and former Senior Partner, of the chartered accounting firm Ferrier Hodgson. Mr Hodgson is a Director of Coles Myer Limited and Collins Associates Limited. He is also a member of the Advisory Board at Visy Industrial Packaging Holdings Limited and a member of the Advisory Council at J P Morgan.</p> <p>Mr Hodgson is Chairman of the Tabcorp Audit Committee and a member of the Tabcorp Nomination Committee and the Risk and Compliance Committee.</p>
Paula Dwyer	<p><i>Non executive Director since August 2005</i></p> <p>Paula Dwyer is a Director of Promina Group Limited, David Jones Limited, Babcock and Brown Japan Property Management Limited, and Alpha Investment Management Pty Ltd. In the not-for-profit sector, she is a Director of CCI Investment Management Limited and the Vice President of the Baker Heart Research Institute. Ms Dwyer is a former member of the Victorian Casino and Gaming Authority and of the Victorian Gaming Commission from 1993-1995.</p> <p>She is a member of the Tabcorp Audit Committee, Nomination Committee and the Risk and Compliance Committee.</p>

Name	Qualifications, experience and special responsibilities
Philip Satre	<p><i>Non executive Director since June 2000</i></p> <p>Philip Satre was Chairman of Harrah's Entertainment, Inc., one of the world's largest gambling companies, from January 1997 to December 2004. Mr Satre is a Director of the National Centre for Responsible Gaming, Sierra Pacific Resources, Nordstrom Inc and Rite Aid Corporation, and a member of the Board of Trustees of Stanford University.</p> <p>He is a member of the Tabcorp Audit Committee and the Risk and Compliance Committee.</p>
John Story	<p><i>Non executive Director since January 2004</i></p> <p>John Story was previously a Director of Jupiters Limited. He was a Partner of the law firm Corrs Chambers Westgarth for 36 years, until his retirement in June 2006, having practised in the areas of corporate and commercial law. He remains the non-executive Chairman of the Board of that firm. Mr Story is also Chairman of Suncorp-Metway Limited and a Director of CSR Limited. He is a Director of the Australian Institute of Company Directors and is President of the Institute's Queensland Council. Mr Story is also a Member of the Senate of the University of Queensland and Commissioner of the Service Delivery and Performance Commission (Queensland).</p> <p>He is Chairman of the Tabcorp Risk and Compliance Committee and also a member of the Tabcorp Audit Committee.</p>
Zygmunt Switkowski	<p><i>Will be appointed as a Non-Executive Director following regulatory approval</i></p> <p>Dr Ziggy Switkowski was the Chief Executive Officer and Managing Director of Telstra Corporation Limited from 1999 to mid 2005, and is a former Chief Executive Officer of Optus Communications. Dr Switkowski worked for Kodak (Australasia) for 18 years, serving as the Chairman and Managing Director from 1992-1996. Dr Switkowski is a Director of Suncorp-Metway Limited and Healthscope Limited, and is President of the Board for the Australian Centre for the Moving Image (ACMI).</p>
Richard Warburton AO	<p><i>Non executive Director since June 2000</i></p> <p>Richard Warburton was formerly Chairman of Star City Holdings Limited. He is currently Chairman of Caltex Australia Limited, Tandou Limited and the Board of Taxation. Mr Warburton is also a Director of Nufarm Limited and Citibank Pty Ltd. He is International Chairman of the Commonwealth Study Conference, a Director of the Garvan Research Foundation and an Honorary Trustee of the Committee for Economic Development of Australia (CEDA).</p> <p>He is Chairman of the Tabcorp Remuneration Committee and a member of the Tabcorp Nomination Committee, Audit Committee and the Risk and Compliance Committee.</p>
Lawrence Willett AO	<p><i>Non executive Director since January 2004</i></p> <p>Lawrence Willett was previously Chairman of Jupiters Limited. He has wide experience in business and industry as well as public administration. He is a past National President of the Property Council of Australia and is a Director of ANZ Executors and Trustee Company Limited, Commonwealth Club Limited and Sustainable Tourism Holdings Limited. Mr Willett is also Chancellor of Charles Sturt University.</p> <p>He is a member of the Tabcorp Remuneration Committee, Audit Committee and the Risk and Compliance Committee.</p>

Name	Qualifications, experience and special responsibilities
Warren Wilson	<p><i>Non executive Director from June 1994 to November 2005</i></p> <p>Warren Wilson held senior posts at the South Australian and Tasmanian Totalizator Agency Boards from 1967 until he joined the Royal Hong Kong Jockey Club in 1978, where he became the Executive Director responsible for all betting and lottery activity in 1980. He retired from the Club in January 1994. Mr Wilson is a Partner in the Pier Hotel at Glenelg and the Royal Hotel at Kent Town, both in South Australia.</p> <p>Mr Wilson was Chairman of the Tabcorp Risk and Compliance Committee until his retirement as a Director of the company.</p>

2. Changes to the Board's composition

Paula Dwyer

Ms Dwyer became a non executive Director on 30 August 2005 following the receipt of all necessary regulatory approvals.

Warren Wilson

Mr Wilson retired as a non executive Director on 28 November 2005 at the conclusion of the Company's Annual General Meeting.

Zygmunt Switkowski

On 19 December 2005, the Company announced the appointment of Dr Switkowski as an additional non executive Director. Dr Switkowski's appointment is subject to receiving all necessary regulatory approvals, which are proceeding in the usual manner.

Other Directors

All other Directors held their position as a Director throughout the entire year and continue to hold that position at the date of this report.

3. Changes to the composition of Board Committees

Following Mr Wilson's retirement in November 2005, Mr Story was appointed as Chairman of the Risk and Compliance Committee.

The Board reviewed the Board Committee structures during the year and determined that the Compliance Committee's role and responsibilities be extended to include risk oversight from January 2006. The Compliance Committee then became known as the Risk and Compliance Committee.

The Board also determined that as from January 2006 all non executive Directors will be members of both the Audit Committee and the Risk and Compliance Committee, in addition to membership of other Board Committees as appointed. The size and complexity of Tabcorp's business has expanded significantly over recent years, and Tabcorp 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, which reflects similar board committee structures in other large Australian companies.

4. Directorships of other listed companies

The following table shows for each Director all directorships of other companies that were listed on the Australian Stock Exchange (ASX) or other financial markets operating in Australia, other than the Company, since 1 July 2003, and the period for which each directorship has been held.

Director	Listed company	Period directorship held
Michael Robinson	<ul style="list-style-type: none"> • Clough Limited • Tab Limited⁽ⁱ⁾ 	<ul style="list-style-type: none"> • January 2002 to present • July 2004 to September 2004
Matthew Slatter	<ul style="list-style-type: none"> • Jupiters Limited⁽ⁱⁱ⁾ • Tab Limited⁽ⁱ⁾ 	<ul style="list-style-type: none"> • November 2003 to present • July 2004 to present
Anthony Hodgson	<ul style="list-style-type: none"> • Coles Myer Limited • Tab Limited⁽ⁱ⁾ 	<ul style="list-style-type: none"> • July 2003 to present • July 2004 to October 2004
Paula Dwyer	<ul style="list-style-type: none"> • David Jones Limited • Promina Group Limited • Babcock & Brown Japan Property Trust⁽ⁱⁱⁱ⁾ 	<ul style="list-style-type: none"> • November 2003 to present • February 2003 to present • February 2005 to present
Philip Satre	None	
John Story	<ul style="list-style-type: none"> • Advanced Magnesium Limited • CSR Limited • Jupiters Limited⁽ⁱⁱ⁾ • Suncorp-Metway Limited 	<ul style="list-style-type: none"> • November 2001 to May 2005 • April 2003 to present • April 1991 to November 2003 • January 1995 to present
Zygmunt Switkowski ^(iv)	<ul style="list-style-type: none"> • Healthscope Limited • Suncorp-Metway Limited • Telstra Corporation Limited 	<ul style="list-style-type: none"> • January 2006 to present • September 2005 to present • March 1999 to June 2005
Richard Warburton	<ul style="list-style-type: none"> • Caltex Australia Limited • David Jones Limited • Nufarm Limited • Southcorp Limited • Tandou Limited 	<ul style="list-style-type: none"> • July 1999 to present • October 1995 to July 2003 • October 1993 to present • June 1993 to October 2003 • April 2004 to present
Lawrence Willett	<ul style="list-style-type: none"> • Jupiters Limited⁽ⁱⁱ⁾ 	<ul style="list-style-type: none"> • April 1988 to November 2003
Warren V. Wilson	None	

⁽ⁱ⁾ Tabcorp gained management control of Tab Limited in July 2004 pursuant to a takeover offer. Tab Limited was removed from the official list of the ASX in August 2004 following Tabcorp's acquisition of all its shares. Matthew Slatter continues to be a Director of this company.

⁽ⁱⁱ⁾ John Story and Lawrence Willett were Directors of Jupiters Limited, which was listed on the ASX until December 2003, when it was removed following Tabcorp's acquisition of all its shares. Matthew Slatter continues to be a Director of Jupiters Limited.

⁽ⁱⁱⁱ⁾ Paula Dwyer is a Director of Babcock & Brown Japan Property Management Limited, which is the company responsible for managing the Babcock & Brown Japan Property Trust.

^(iv) Zygmunt Switkowski's appointment as a Director is subject to receiving all necessary regulatory approvals. Dr Switkowski did not attend any meeting of Directors or Board Committees during the year.

5. Company Secretary

Kerry Willcock joined Tabcorp in February 2005. She holds a Bachelor of Arts and a Bachelor of Laws, and is a qualified mediator. She has extensive commercial, legal, litigation and government relations experience having worked with Arthur Robinson and Hedderwicks, Clayton Utz and, most recently, the Australian Postal Corporation, where she held the position of General Counsel.

6. Principal activities

The principal activities of the Tabcorp Group during the financial year comprised the provision of leisure and entertainment services (particularly in relation to gambling and hospitality). The Tabcorp Group's principal activities remain unchanged from the previous year, except as disclosed elsewhere in this report.

7. Financial results

Consolidated profit after income tax of the Tabcorp Group for the financial year was \$542.6 million, which was 24.6% above the previous financial year.

The Tabcorp Group generated profit before interest, taxation and impairments of \$920.0 million, which was 2.2% above the previous financial year.

The Tabcorp Group generated operating revenue of \$3,776.9 million, which was 0.4% above the operating revenue achieved in the previous financial year.

8. Earnings per share

Basic earnings per share for the period were 103.6 cents, up 23.5% on the previous financial year.

Diluted earnings per share for the period were 103.4 cents, up 23.5% on the previous financial year.

Earnings per share is disclosed in note 6 of the financial statements.

9. Dividends

A final dividend of 45 cents per ordinary share has been declared, an increase of four cents on the previous final dividend and one cent above the previous interim dividend. The dividend will be fully franked and payable on 9 October 2006 to shareholders registered on the books at 4 September 2006.

The following dividends (including any special dividends) have been paid, declared or recommended since the end of the preceding financial year by the Company:

	\$m
Final 2006	
Final fully franked dividend for 2006 of 45 cents per share on ordinary shares as declared by the Directors on 24 August 2006 with a record date of 4 September 2006 and payable on 9 October 2006.	236.2
Interim 2006	
Interim fully franked dividend for 2006 of 44 cents per share on ordinary shares as declared by the Directors on 23 February 2006 with a record date of 6 March 2006 and payable on 10 April 2006.	231.0
Final 2005	
Final fully franked dividend for 2005 of 41 cents per share on ordinary shares as declared by the Directors on 30 August 2005 with a record date of 8 September 2005 and payable on 13 October 2005.	215.2

Further information regarding dividends may be found in note 5 of the financial statements.

10. Review of operations

Tabcorp has five principal operating divisions, being:

- Casinos;
- Gaming and network games;
- Wagering;
- Media; and
- International.

The activities and results for these divisions are discussed below.

Tabcorp also has a number of shared services divisions, which support these operating divisions, being:

- Technical Services;
- Human Resources;
- Strategy and Development;
- Finance; and
- Corporate and Legal.

Project Align

In January 2006, Tabcorp commenced a strategic review to plan the next phase of its growth, following previous acquisitions. 'Project Align' focused on optimising the cost and revenue base from the assets and businesses acquired over the last seven years together with the Tabcorp Group's existing core businesses. The project was designed to assist in shaping Tabcorp's customer acquisition, growth and retention strategies. As a result of the project, the Tabcorp divisional structure was enhanced to take advantage of the realignment of key business processes. On 1 July 2006, Tabcorp's new divisional structure was implemented, which included the following key changes:

- The previous operations from the Gaming and network games, Wagering and Media divisions were merged together into a newly created division called Australian Business; and
- The International division becoming part of the Strategy and Development division.

The information presented below relates to the divisional structure that was in place throughout most of the financial year.

Casinos division

The Tabcorp Group operates four hotel and casino properties, Star City in Sydney, Conrad Jupiters on the Gold Coast, Conrad Treasury in Brisbane and Jupiters Townsville. In addition, the Tabcorp Group manages the Gold Coast Convention and Exhibition Centre and has an interest in and manages the Townsville Entertainment and Convention Centre.

The Casinos division achieved earnings before interest and income tax expense (EBIT) of \$424.1 million, which was 8.1% above the previous financial year. The division's operating revenue increased by 4.1% to \$1,324.5 million.

Gaming and Network Games division

In Victoria, the Tabcorp Group owns and operates electronic gaming machines (EGMs) in licensed hotels and clubs under the Tabaret brand, as well as operating Club Keno games through a joint venture arrangement. In addition, the Tabcorp Group also operates Keno in New South Wales and Queensland.

The Gaming and Network Games division achieved EBIT of \$257.9 million, which was 1.5% below the previous financial year. This result included an increase in the Victorian EGM levy expense of \$7.5 million imposed by the Victorian Government.

The division's operating revenue increased by 2.3% to \$1,046.2 million.

The result for this financial year and comparisons to the prior financial year have been restated to exclude the contributions from Jupiters International, which was previously included in the division's result, but for this financial year forms part of the International division.

The previous financial year result included six month's contribution from the Tabcorp Group's Queensland gaming machine monitoring business, which was sold on 31 December 2004.

Wagering division

The Tabcorp Group conducts wagering activities in a network of agencies, hotels and clubs throughout Victoria and New South Wales, and provides on course totalizators at thoroughbred, harness and greyhound metropolitan and country race meetings. In addition, totalizator and fixed odds betting is offered on sporting events.

The Wagering Division achieved EBIT before impairments of \$203.7 million, which was 2.6% above the previous financial year. Impairments in the financial year were \$66.4 million, comprising \$59.7 million in relation to goodwill and \$6.7 million in relation to software. The division's operating revenue decreased by 0.2% to \$1,316.9 million with the split racing vision impacting wagering revenue on all three racing codes in both New South Wales and Victoria.

Media division

The Tabcorp Group's Media division incorporates specialist television and radio operations focused on the racing industry and other sporting activities, which include: Sky Channel, the national commercial satellite racing broadcaster; the Sky Radio Network, with 2KY in Sydney and narrowcast stations throughout New South Wales; and other domestic and international services.

The Media division achieved EBIT of \$30.0 million, which was 21.1% below the previous financial year. The division's operating revenue decreased by 11.6% to \$82.6 million, mainly due to discounts to Sky Channel subscribers following loss of broadcast rights to the Victorian and New South Wales metropolitan thoroughbred racing. These discounts were offset by savings in rights fees previously paid to the Sydney and Victorian thoroughbred clubs.

International division

During the financial year, the Tabcorp Group established the International division to selectively develop markets where it is able to leverage its capability in gambling entertainment to create profitable growth for the business and value for shareholders.

The International division recorded a loss before interest and income tax expense of \$10.9 million (2005: loss of \$1.3 million). The division's operating revenue decreased by 8.2% to \$6.7 million.

Two major projects for the division during the financial year were the development of Keno in China and the Singapore Integrated Resort. The Tabcorp Group withdrew from the Singapore project in December 2005. These projects are explained further in section 11 of this report.

11. Significant changes in the state of affairs

Takeover offer for UNiTAB Limited (UNiTAB)

On 1 June 2006, the Tabcorp Group announced a takeover offer for UNiTAB, the Brisbane based wagering and gaming company.

Conditions of the bid included that Tabcorp had to gain certain approvals from the Queensland Government and the Australian Competition and Consumer Commission (ACCC) in order to proceed with the takeover. The Queensland Government announced that it was willing to amend relevant legislation to allow the takeover if the Tabcorp Group complied with specific conditions. Tabcorp was confident that the conditions would be satisfied.

On 2 August 2006, the ACCC announced that it had some competition concerns relating to the takeover. The Tabcorp Group offered court enforceable undertakings to address the issues raised by the ACCC. On 16 August 2006, the ACCC announced that it would oppose the proposed acquisition of UNiTAB by Tabcorp. Consequently on 17 August the Tabcorp Group announced that it would not continue with the proposed takeover.

The Tabcorp Group will continue to pursue new opportunities in international and domestic markets.

Keno in China

In June 2005 the Tabcorp Group entered into a joint venture arrangement with China LotSynergy Limited for the purpose of providing systems and support services to the lottery market in the People's Republic of China (PRC). The Tabcorp Group has a 67% interest in the joint venture. In July 2005, the joint venture entered into a Technical Cooperation Agreement (TCA) with Beijing Lottery Online Technology Co., Ltd. (CLO). Initial commercial operations of Keno in the PRC commenced on 8 January 2006 with a pilot group of venues, which is continuing. The TCA provides a framework for the joint venture to provide software, equipment (including terminals) and technical services to CLO for a 10 year term from the commencement of initial commercial operations.

Singapore Integrated Resort

On 9 December 2005, the Tabcorp Group withdrew its bid to develop an Integrated Resort in Singapore. The increased development costs, the risks, potential returns and timelines for the project meant that the decision to withdraw was in the best interests of the Tabcorp Group and its shareholders.

Sky Channel and TVN arrangements

On 16 May 2006, the Tabcorp Group announced that an agreement had been entered into with media company ThoroughVision (TVN) to resolve a dispute regarding the broadcast rights to thoroughbred racing held by the Australian Jockey Club, Sydney Turf Club, Victoria Racing Club, Melbourne Racing Club, Moonee Valley Racing Club and Victorian Country Racing, which are all shareholders of TVN.

The agreement included both interim and long term arrangements. On 16 August 2006 the ACCC informed Tabcorp and TVN that in its view the proposed long term arrangements between Sky Channel and TVN would be likely to raise competition law concerns in the market for the acquisition of thoroughbred racing broadcasting rights during the term of the proposed long term arrangements. The long term arrangements are conditional on Sky Channel and TVN obtaining any necessary approvals from the ACCC.

The ACCC noted that many of the arguments put forward by Sky Channel and TVN in their submission to the ACCC seeking informal clearance appear to suggest that public benefits arise from the long term arrangements, and that if the parties wish to put in place the proposed long term arrangements, they may wish to consider seeking a formal authorisation from the ACCC for those arrangements. On 17 August 2006 TVN and Tabcorp announced they will take all available steps to ensure that the racing picture continues to be available on both TV channels in TAB agencies, pubs, clubs and on Pay TV, while they work through the structure for the long term arrangements to address the ACCC's concerns.

Integration of Tab Limited

Throughout the financial year, the Tabcorp Group continued to integrate its existing businesses with those acquired from the takeover of Tab Limited.

In May 2006, the New South Wales Parliament passed the Totalizator Legislation Amendment (Inter-jurisdictional Processing of Bets) Act 2006, which enables the Tab wagering businesses previously conducted independently in New South Wales and Victoria to be integrated. The integration project aims to remove duplication, enables customers to access new and exciting products, provides cost synergies, and delivers significant benefits to the racing industries and State Governments.

On 23 December 2005, the New South Wales Government decided not to approve the merging of the New South Wales and SuperTAB totalizator wagering pools, which the Tabcorp Group proposed as part of its acquisition of Tab Limited in mid 2004. This decision means that the Tabcorp Group and the respective State Governments and racing industries will not be able to benefit from an aggregate \$17.1 million in forecast annual savings.

The Tabcorp Group previously reported that the synergies associated with the integration project would total \$40.2 million in the 2008 financial year, however it now anticipates, in the absence of pooling being approved, total synergies will be reduced by \$5.3 million to \$34.9 million in the 2008 financial year. During the financial year ended 30 June 2006, the Tabcorp Group achieved synergies of \$4.9 million. The key operational issues and the software development associated with the integration project are expected to be completed in September 2006. The final deployment to the New South Wales TAB retail network will be placed on hold during the Spring Racing Carnival, with full deployment expected to be completed in February 2007.

Victorian licence renewal

On 4 January 2006, the Victorian Government announced the start of its review of the Victorian gaming, wagering and Club Keno licences, which in their current form expire in 2012.

On 2 March, the Victorian Government released four issues papers on the post-2012 licencing arrangements for electronic gaming machines, wagering, Club Keno and the future funding of the racing industry. Interested parties were invited to make submissions on these issues.

The Tabcorp Group made substantive submissions on each of these issues. The Tabcorp Group's submissions focussed on:

- A continuous commitment to the responsible service of gambling;
- Maintaining the highest levels of probity and transparency for gambling operators; and
- Ensuring the proceeds of gambling are distributed appropriately.

The Government will undertake community consultations during 2006 and the Minister for Gaming and Racing has said an announcement on the future licence structures will be made in 2007. This will be followed by a licence-awarding process.

Tabcorp remains focussed on renewing its gaming, wagering and Club Keno licences and looks forward to the outcome of the Government's review.

Radio 2KY sharing broadcasts with Sport 927

On 13 January 2006, the Tabcorp Group announced that its Sydney based radio station 2KY will share race broadcasts with Sport 927 in Melbourne. This partnership, which came into effect in the first half of calendar 2006, will ensure listeners in both New South Wales and Victoria can hear all the racing action from both states.

Townsville cruise ship terminal project

On 13 September 2005, the Tabcorp Group announced the development of a unique seafront lifestyle precinct surrounding its Jupiters Townsville Hotel and Casino. This followed the Queensland Government's approval of a joint venture proposal with Consolidated Properties Group. The development will include the construction of a major cruise ship terminal that is expected to cater for up to 40,000 visitors and tourists each year, as well as a world class marina and residential development. The Tabcorp Group will provide the land component for the joint venture. On 7 February 2006, the Tabcorp Group announced that the development agreement had been agreed with the Queensland Government.

Other significant changes in the state of affairs

There were no significant changes in the state of affairs of the Tabcorp Group that occurred during the financial year other than as set out in this Directors' report.

12. Business strategies

Tabcorp is Australia's premier gambling and entertainment group and aspires to be one of the top gambling and entertainment groups in the world. To achieve this aspiration, Tabcorp's strategic focus is on both organic and inorganic growth opportunities. Tabcorp continued with these business strategies throughout the financial year.

Organic growth

Tabcorp seeks to drive growth in its existing businesses through a focus on:

- increasing our understanding and knowledge of customers;
- developing a customer-centric organisation and culture;
- developing products and services that are relevant and compelling for the customer;
- increasing its share of the gambling and entertainment market;
- disciplined investment in people, products and processes;
- operational excellence in delivery;
- expanding its core capabilities and expertise;
- leveraging its scale and diversity;
- growing faster and more cost efficiently than its peers; and
- maintaining consistency with its culture.

Inorganic growth

Tabcorp seeks to explore and implement both domestic and international merger and acquisition opportunities that:

- enhance shareholder value;
- are within Tabcorp's core competencies of gambling, entertainment and hospitality;
- enable Tabcorp to export its core capabilities and replicate its base business model; and
- focus on a few priority markets that give Tabcorp an international presence.

In the first half of calendar 2006 the Tabcorp Group undertook a strategic review, called Project Align, to realign and optimise the Tabcorp Group's businesses following previous acquisitions, and plan for the next phase of growth. Further details about this project are disclosed in section 10 of this report.

13. Significant events after the end of the financial year

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

14. Likely developments and expected results

The Tabcorp Group will continue with the strategies in the year under review, as set out in this report.

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

15. Auditor

The Tabcorp Group's external auditor is Ernst & Young. A co-sourced internal audit function has been developed and implemented which is resourced jointly between the Tabcorp Group and KPMG. More information relating to the audit functions can be found in the Corporate Governance statement of the Concise Annual Report when published.

16. Directors' interests in contracts

Some Directors of the Company, or their Director related entities, conduct transactions with entities within the Tabcorp 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 are described in further detail in note 27 of the financial statements.

17. Environmental regulation and performance

The Tabcorp Group's environmental obligations and waste discharge quotas are regulated under both state and federal law. The Tabcorp Group has a record of complying with, and in most cases exceeding, its environment performance obligations.

No environmental breaches have been notified to the Tabcorp Group by any government agency.

The environmental performance obligations for the Casinos division are overseen by an Executive Environmental Committee and are subject from time to time to government review.

Each hotel and casino property has environmental management plans and procedures representing best practice standards, which assist in maintaining high levels of environmental regulation and performance.

18. Risk management

The Tabcorp Group has a structured and proactive approach to understanding and managing risk. The key focus of the risk management approach is to align strategy, processes, people, technology and knowledge with evaluating and managing the uncertainties and opportunities faced by the Tabcorp Group. Overviews of the Tabcorp Group's risk management processes and internal control framework are disclosed in the Corporate Governance statement of the Concise Annual Report when published.

19. Directors' interests

At the date of this report (except as otherwise stated) the relevant interests of the Directors in the shares, options or other instruments of the Company, as notified by the Directors to the Australian Stock Exchange in accordance with Section 205G(1) of the Corporations Act 2001, are:

Name	Ordinary Shares	Options	Performance Options	Share Rights	Deferred Shares
Michael Robinson	45,565	-	-	-	-
Matthew Slatter	2,000,000 ⁽ⁱ⁾	1,000,000 ⁽ⁱⁱ⁾	978,122 ⁽ⁱⁱⁱ⁾	44,363 ⁽ⁱⁱⁱ⁾	71,130 ^(iv)
Anthony Hodgson	100,105	-	-	-	-
Paula Dwyer ^(v)	10,000	-	-	-	-
Philip Satre	8,000	-	-	-	-
John Story	13,149	-	-	-	-
Richard Warburton	23,456	-	-	-	-
Laurence Willett	2,904	-	-	-	-
Warren Wilson ^(vi)	50,000	-	-	-	-

⁽ⁱ⁾ Upon commencement of employment Matthew Slatter was provided with a loan to acquire 500,000 ordinary shares on the terms and conditions set out in the rules of the Tabcorp Senior Executive Long Term Incentive Plan. In addition, Matthew Slatter was provided with 1,500,000 options upon commencement of employment as recognition for forfeiting option entitlements from a previous employer. Matthew Slatter has exercised all of these options into 1,500,000 ordinary shares.

⁽ⁱⁱ⁾ Upon commencement of employment Matthew Slatter was issued 1,000,000 options, which vest only if certain annual and cumulative benchmarks are achieved.

⁽ⁱⁱⁱ⁾ On 7 September 2005, Matthew Slatter was issued 318,080 performance options and 14,420 share rights pursuant to the company's Long Term Performance Plan. Prior to the commencement of the financial year ended 30 June 2006 he held 660,042 performance options and 29,943 share rights.

^(iv) During the financial year Matthew Slatter was issued 30,690 ordinary shares pursuant to the Company's Deferred Share Plan. Prior to the commencement of the financial year ended 30 June 2006 he held 40,440 deferred shares.

^(v) Became a non executive Director on 30 August 2005, following the receipt of all necessary regulatory approvals.

^(vi) Retired as a non executive Director on 28 November 2005 at the conclusion of the Company's Annual General Meeting. The number of ordinary shares relates to Warren Wilson's interests in ordinary shares at the time of his retirement.

Zygmunt Switkowski's appointment as a Director is subject to receiving all necessary regulatory approvals. His relevant interests in Tabcorp securities will be disclosed to the ASX following his appointment as a Director.

Non executive Directors have interests in the Company's ordinary shares, which are held directly, unless otherwise stated as follows:

- Michael Robinson has an indirect interest in 35,000 ordinary shares held by Sandhurst Trustees Limited on behalf of Allens Arthur Robinson Partners Superannuation Fund Pty Ltd.
- Anthony Hodgson has an indirect interest in 99,000 ordinary shares held by Jaladah Pty Ltd as trustee of a superannuation fund of which Mr Hodgson is a beneficiary.
- Philip Satre has an indirect interest in 4,000 ordinary shares held by trustees of the Satre Family Revocable Trust in the United States of America.
- John Story has an indirect interest in 10,015 ordinary shares held by Storfield Pty Ltd as trustee for the Story Superannuation Fund.
- Richard Warburton has an indirect interest in 23,456 ordinary shares held by Teampass Pty Ltd, a family trust.
- Paula Dwyer has an indirect interest in 10,000 ordinary shares held by Roble Pty Ltd, as trustee for the Happell Family Trust.

20. Board and Committee meeting attendance

During the financial year ended 30 June 2006 the Company held 16 meetings of the Board of Directors, of which nine were standard Board meetings. Seven Board meetings were held to discuss special business, including in relation to the Tabcorp Group's proposed bid for an integrated resort in Singapore and its takeover offer for UNITAB.

The attendance of the Directors at meetings of the Board and its Committees during the year in review were:

Name	Board of Directors		Audit Committee ⁽ⁱ⁾		Risk and Compliance Committee ⁽ⁱⁱ⁾		Nomination Committee		Remuneration Committee	
	A	B	A	B	A	B	A	B	A	B
Michael Robinson	16	16	3	3	2	2	1	1	6	6
Matthew Slatter ⁽ⁱⁱⁱ⁾	16	16	3	3	2	2	1	1	4	6
Anthony Hodgson	16	16	3	3	1	1	1	1	-	-
Paula Dwyer ^(iv)	12	14	2	2	1	1	1	1	-	-
Philip Satre	14	16	0	1	0	1	-	-	-	-
John Story	16	16	3	3	2	2	-	-	-	-
Richard Warburton	12	16	1	1	0	1	1	1	6	6
Lawrence Willett	16	16	1	1	1	1	-	-	5	6
Warren Wilson ^(v)	5	6	-	-	1	1	-	-	-	-

A – Number of meetings attended

B – Maximum number of possible meetings available for attendance

⁽ⁱ⁾ Commencing January 2006, all non executive Directors that were previously not members of the Audit Committee became members of that Committee. Refer to the section Changes to the composition of Board Committees on page 4 of this report.

⁽ⁱⁱ⁾ Commencing January 2006, the Compliance Committee's role and responsibilities were extended to include risk oversight and it became known as the Risk and Compliance Committee. At this time, all non executive Directors that were previously not members of the Committee became members of the Committee. Refer to the section Changes to the composition of Board Committees on page 4 of this report.

⁽ⁱⁱⁱ⁾ Attended meetings of Committees as stated above, but was not a member of the Committees and therefore was not required to attend these meetings.

^(iv) Became a non-executive Director on 30 August 2005 following the receipt of all necessary regulatory approvals. In addition to the meetings above, Ms Dwyer attended one Board meeting and one Audit Committee meeting as an observer only whilst awaiting regulatory approval. She was not required to attend these additional meetings and could not vote on any matter at these meetings.

^(v) Retired as a non executive Director on 28 November 2005 at the conclusion of the Company's Annual General Meeting.

Zygmunt Switkowski's appointment as a Director is subject to receiving all necessary regulatory approvals. He did not attend any meeting of Directors or Board Committees during the financial year ended 30 June 2006.

The details of the functions and memberships of the Committees of the Board are set out in the corporate governance statement of the Company's Concise Annual Report when published. The terms of reference for the Committee are available from the Corporate Governance section of the company's website at www.tabcorp.com.au/about_governance.aspx.

21. Indemnification and insurance of Directors and officers

The Tabcorp Group has entered into insurance contracts, which indemnify Directors and Officers of the Tabcorp Group against liabilities. In accordance with normal commercial practices, under the terms of the insurance contracts, the nature of the liabilities insured against and the amount of premiums paid are confidential.

22. Tax consolidation

Effective 1 July 2002, the Company and its 100% owned subsidiaries formed an income tax consolidation group (the ITC Group). Members of the ITC Group entered into a tax sharing arrangement that provides for the allocation of income tax liabilities between the ITC Group entities should the Company default on its tax payment obligations. The ITC Group was joined by Jupiters Limited and its 100% controlled entities on 13 November 2003, when 100% control was attained, and by the Tab Limited Group entities when 100% control was attained on 20 September 2004. Further details are available in note 4 of the financial statements.

23. Treasury

The Tabcorp Group has a treasury function responsible for managing the Tabcorp Group's finance facilities, and interest rate, credit, liquidity and currency risks. The treasury function operates within policies set by the Board. Management's actions are in line with Tabcorp Group policies.

Tabcorp enters into interest rate swaps and options, and cross currency swaps to hedge interest rate and foreign exchange risk on debt.

24. Non-statutory audit services

Ernst & Young, the external auditor to the Company and the Tabcorp Group, provided non-statutory audit related services to the Company during the financial year ended 30 June 2006. The Directors are satisfied that the provision of non-statutory audit services during this period was compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-statutory audit service provided means that auditor independence was not compromised. These statements are made in accordance with advice provided by the Company's Board Audit Committee.

The Company's Board Audit Committee reviews the activities of the independent external auditor and reviews the auditor's performance on an annual basis. The Chairman of the Audit Committee must approve all non-statutory audit related work to be undertaken by the auditor (if any). Further details relating to the Audit Committee and the engagement of auditor's are available in the Corporate Governance statement contained in the Concise Annual Report when published.

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

Description of services	\$'000
Regulatory	108
Other assurance services	305
Total of all non-statutory audit services	413

Amounts paid or payable by the Company for audit and non-statutory audit related services are disclosed in note 3 of the financial statements.

25. Corporate governance

The Directors of the Company support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. A review of the Company's corporate governance practices was undertaken during the year. As a result, new practices were adopted and existing practices optimised to reflect industry best practice. The Company's corporate governance statement is contained in the Company's Concise Annual Report when published, which is also available under the corporate governance section of the Company's website.

26. Auditor's independence declaration

Attached is a copy of the auditor's independence declaration provided under section 307C of the Corporations Act 2001 in relation to the review for the financial year ended 30 June 2006. This auditor's independence declaration forms part of this Directors' report.

27. Rounding of amounts

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

Auditors Independence Declaration to the Directors of Tabcorp Holdings Limited

In relation to our audit of the financial report of Tabcorp Holdings Limited for the financial year ended 30 June 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Mary Waldron

Mary Waldron

Partner

24 August 2006

28. Remuneration report

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1. Remuneration philosophy

Tabcorp's reward strategy is directed to attracting, motivating and retaining quality people. The reward strategy provides a reward platform encompassing 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:

- Creation of shareholder value;
- Maintaining market competitiveness; and
- Measuring and rewarding individual and company performance.

Alignment with these principles is achieved through a variable pay structure, based on appropriate levels of reward mix, both fixed and at risk, which is benchmarked against market best practice. Tabcorp aims to achieve an optimal balance between these principles, in line with Tabcorp's strategic intent and vision of being one of the top three gambling and entertainment companies in the world.

2. 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 Company 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 remuneration policies and practices that apply to the Tabcorp Group;
- Reviewing and recommending to the Board the remuneration of:
 - o the Chairman and non-executive Directors;
 - o the Managing Director and Chief Executive Officer;
 - o the terms and conditions of any incentive plans and approving the extent to which executives may participate in these plans;
- Reviewing and approving remuneration of executives reporting to the Managing Director and Chief Executive Officer; and
- Agreeing benchmarks against which annual salary reviews are evaluated.

The Terms of Reference of the Board Remuneration Committee are available under the Corporate Governance section of Tabcorp's website at www.tabcorp.com.au.

The Board Remuneration Committee reviews the Company's remuneration policies, practices, and fees at least annually. The Board Remuneration Committee receives independent advice to assist in exercising its responsibilities, which during the year consisted of:

- Remuneration strategies;
- Reward mix and structure;
- Consultation on job roles, responsibilities and capabilities;
- Organisational structures; and
- Optimal remuneration levels.

During the year Tabcorp received advice from a number of independent consultants regarding best practice remuneration practices, including Egan Associates, Hay Group and PricewaterhouseCoopers.

The advice provided by these consultants reflects industry best practice for organisations that are comparable to Tabcorp in size, complexity and geographic spread, and where possible, in similar industries. Whilst this information focuses predominantly on the Australian market, data is also obtained on a global basis where appropriate. In determining remuneration policies and practices to apply to the Tabcorp Group, the Board Remuneration Committee also considers Tabcorp's strategic positioning as the most diversified entertainment and gambling group in Australia and recognition of international opportunities with joint venture partners.

3. Non executive Director remuneration

The Board seeks to set aggregate remuneration levels that provide Tabcorp with the ability to attract and retain highly competent Directors. The fees paid to non executive Directors reflect the demands on and responsibilities of those Directors.

Non executive Directors receive a total remuneration package consisting of fixed base fees for being a Director and additional fixed fees for Board Committee membership. The fees paid to the Chairman of the Board and to the Chairman of most Board Committees are higher than the base fees for Directors and Board Committee members in recognition of the added responsibilities and capabilities attributable to the role of Chairman. These fees were determined by the Board Remuneration Committee having regard to independent advice and remuneration for directors at other companies. These fees represent equitable remuneration levels commensurate with the responsibilities, time commitments and obligations placed on non executive Directors.

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

Fees are inclusive of statutory superannuation. 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, which throughout the financial years ended 30 June 2005 and 30 June 2006 was applied at 9% of full emoluments. Directors may elect to increase the proportion of cash remuneration taken as additional superannuation contributions, to the extent permissible under legislation.

In recognition of market trends and prevailing shareholder expectations, the Board decided in 2003 that retirement benefits for all non executive Directors would cease to accrue for services provided after 30 June 2003. At that time Directors' retirement allowances were quantified and paid into each Director's nominated complying superannuation fund. Since 30 June 2003, Directors do not receive any retirement benefits other than statutory superannuation.

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 Tabcorp's business has expanded significantly over recent years, resulting in an increased 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 amount of annual aggregate remuneration for non executive Directors and the fee structure for Board Committee membership are reviewed annually by the Board Remuneration Committee, which obtains external independent professional advice on prevailing levels of remuneration and conditions at comparable companies. At the Annual General Meeting held on 28 November 2005, shareholders approved an increase of \$500,000 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 membership, and takes into consideration the appointment of an additional non executive Director.

The following table outlines the fixed fees for non executive Directors and Board Committee membership with effect from 1 January 2006, which were recommended by the Board Remuneration Committee following their annual review, and adopted by the Board.

Figure 1: Non executive Director and Board Committee fixed annual fees effective from 1 January 2006

	Board Fee ⁽ⁱ⁾ \$	Board Committee Fees ⁽ⁱ⁾			
		Audit \$	Risk and Compliance \$	Remuneration \$	Nomination \$
Chairman	352,500				
Deputy Chairman	160,000				
Director	130,000				
Chairman of Committee		50,000	25,000	25,000	7,500
Committee Member		15,000	15,000	10,000	7,500

(i) The fees outlined above exclude contributions made under the Superannuation Guarantee (SG) legislation.

The fees in the table above incorporate a number of changes from the previously applicable non executive Director annual fees which were effective from 1 January 2005, being:

- Chairman's base fee increased \$18,850 from \$333,650;
- Base fee for individual Directors decreased \$5,000 from \$135,000; and
- Base fee for the Chairman of the Risk and Compliance Committee increased \$5,000 from \$20,000 (formerly the Compliance Committee).

The reasons for these changes are explained above.

4. Managing Director and Chief Executive Officer and executive remuneration

The reporting in respect of the Managing Director and Chief Executive Officer and executive remuneration set out in this section, and in section 6, relates to the year ended 30 June 2006. The report in section 8 in respect of remuneration strategy changes relates to the year commencing 1 July 2006.

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. Details of employment contracts are provided in section 7 of this report. All executives are employed by Tabcorp Holdings Limited.

The Total Annual Reward (TAR) for the Managing Director and Chief Executive Officer, the Company Secretary and executives is comprised of a fixed component (Total Employment Cost (TEC)) and a variable component, the weighting of which is determined on an annual basis.

The following diagram details the fixed and variable components of remuneration (assuming all performance targets are met) for the Managing Director and Chief Executive Officer and the most senior levels of management, including the Company Secretary.

Figure 2: Target reward composition of remuneration

Management level	Total Annual Reward (TAR)			
	Fixed Remuneration		Variable Remuneration	
	Total Employment Cost %	Short Term Incentive %	Long Term Incentive %	
		Cash 100%	Performance Options %	Share Rights %
MD & CEO	42.4	28.8	28.8	
		100	75	25
CE/EGMs – Level 1	50.0	25.0	25.0	
		100	50	50
EGMs/MDs – Level 2	55.0	22.5	22.5	
		100	50	50
EGMs – Level 3	58.8	20.6	20.6	
		100	50	50
EGMs/MDs – Level 3	62.4	18.8	18.8	
		100	50	50

- CE refers to Chief Executive, EGM refers to Executive General Manager, and MD refers to Managing Director.
- The five Company and Tabcorp Group executives, other than the Managing Director and Chief Executive Officer (MD & CEO), who received the highest remuneration for the year ended 30 June 2006 are Chief Executives/Executive General Managers and Managing Directors.

The reward mix is reviewed and approved by the Board Remuneration Committee on an annual basis. A review was undertaken in October 2005, at which time independent professional advice was obtained regarding remuneration practices and market conditions.

As a result of the review, the reward mix for the Managing Director and Chief Executive Officer was altered to enable a greater proportion of his remuneration to be at risk and subject to performance hurdles. Previously the mix was 46.7% as Fixed Remuneration, with 26.7% delivered through Short Term Incentive and 26.7% delivered through Long Term Incentive.

The review also took into account Tabcorp's changing executive structure, which resulted in new appointments for the positions of Chief Financial Officer, Chief Executive - Australian Business and Chief Executive - Casinos during the year. The reward mix for the positions of CE/EGM – Level 1 and EGMs – Level 3 were introduced into the model to provide added flexibility and structure which delivered increasing at risk rewards to executives with greater responsibility. Sign on bonuses were also introduced to assist the recruitment of suitably qualified executives and to compensate newly appointed executives for equity forfeited with previous employers. Further details about these sign on bonuses are available in section 7 of this Remuneration Report.

4.1 Fixed remuneration

All executives receive a fixed remuneration component, which is expressed as a total amount of salary and superannuation, that may be taken in an agreed form. 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.

The level of fixed remuneration reflects the scope and responsibilities of the role and the level of knowledge, skills and experience of the individual. It is typically referenced to the market median.

4.2 Variable remuneration

The Board views the at-risk (variable) or performance related component as an essential driver of Tabcorp's performance culture. The mix between fixed remuneration and at risk remuneration is designed to reflect market conditions at each position and seniority level. For the Managing Director and Chief Executive Officer the split is approximately 42.4% fixed and 57.6% at-risk, as shown in Figure 2. The split for the direct reports to the Managing Director and Chief Executive Officer is 50% fixed and 50% at-risk. This remuneration model is provided through a mix of short term and long term incentive arrangements, with a combination of cash, Deferred Shares, Performance Options and Share Rights, which were approved by shareholders at the Company's 2003 annual general meeting.

4.2.1 Short Term Incentive (STI)

The annual short term incentive is provided through Tabcorp's Short Term Performance Plan (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 Tabcorp 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.

4.2.1.1 Balanced Scorecard

The Balanced Scorecard (BSC) developed for each executive is the assessment tool used to evaluate the delivery of variable reward. The BSC provides the link with the STPP, where individual performance is agreed against specific objectives, measures and targets.

The performance of every Tabcorp employee is assessed at least annually against the achievement of certain agreed Key Performance Objectives (KPOs) and individual competencies, values and behaviours brought to the role, which are contained in the individual's BSC. A quarterly review is also undertaken to monitor progress towards achievement of the KPOs. These reviews are conducted by the individual's direct report, and in the case of the Managing Director and Chief Executive Officer by the Chairman of the Board. For individuals below Level 1, their performance evaluations are also approved and signed off by the reviewer's manager. All performance assessments are collated and analysed by the Tabcorp Human Resources Department.

The specific KPOs adopted for the financial year ended 30 June 2006 align with Tabcorp's values, vision, strategy and behaviours. The performance metrics KPOs are determined on an individual basis, and the following Figure 3 is an example of those applied for the year in review.

Figure 3: Example of Balanced Scorecard

Key Performance Objectives (KPOs)	Financial – Group / Business Unit	Customer	People and Leadership	Organisation
Aim of KPO	To achieve superior shareholder returns.	To provide the best gambling and entertainment experience for customers.	To ensure Tabcorp is a great place to work.	To provide process/operational excellence, regulatory compliance and be respected in the community.
Key Performance Indicators (KPIs) applicable to the KPOs	The financial drivers that will enable Tabcorp to achieve superior (in the top quartile of the top 100 ASX listed companies), Total Shareholder Returns (TSR) – dividends and share price.	A strong value proposition ensuring customers perceive Tabcorp branded products and services are of greater value than its competitive set.	The capabilities, behaviours and culture required to execute our strategies and ensure Tabcorp is a great place to work.	The key internal processes we must excel at in order to meet customer and financial expectations, and ensure regulatory compliance as well as the actions required to enhance the perception of the Company and its products
Measures of KPIs	Earnings before interest and tax (EBIT); Profit after Tax (PAT); Return on Equity (ROE); and return on investment	Measures may include customer acquisition; customer growth; customer retention and market share.	Measures may include quality of leadership – assessment of leadership capabilities; level of employee engagement which is measured, for example, through the Tabcorp employee opinion survey.	Measures for process/operational excellence may include strategic planning process; compliance; reputation index; process improvement metrics; shared services effectiveness and performance to budget.

Each KPO is measurable and rated on a scale of 1 to 5 depending on the achieved outcome, whereby:

- 5 = Outstanding, performance is consistently exceptional;
- 4 = Exceeds role expectations, performance significantly and regularly exceeds the job requirements;
- 3 = Successful, performance consistently meets job requirements;
- 2 = Needs development, areas within the individual's control require improvement; and
- 1 = Unsatisfactory, performance is significantly below job requirements;

The KPOs are weighted to recognise the degree of relevance to the individual's role and responsibilities. The KPOs and the weightings will also vary depending on which division (eg. Casinos, Wagering, Gaming, etc) and location (eg. which hotel and casino property) where the individual works.

The BSC Assessment is the aggregate of all the weighted KPO ratings, and is expressed as a rating between 1 and 5. The BSC Assessment is then converted into an Individual Performance Score of between 0.8 and 1.2.

The final calculation of the STI payment is based on three components:

- The incentive as a percentage of fixed remuneration at target (Target Award);
- The annual assessment of the individual's achievement of KPOs in the BSC (Individual Performance Score); and
- A financial performance multiplier (Funding Multiplier) based on the net profit after tax (NPAT) of the consolidated Tabcorp Group for the financial year, pre non-recurring items.

The application of the Funding Multiplier provides the Board with an opportunity to respond to profit enhancement, resulting in incentive payments at greater than target, that are self funded through the generation of additional net profit after tax.

The following example illustrates the calculation of the bonus awarded under the STI.

Figure 4: Example – Calculating STI award

Target Award = a TEC of \$100,000 with a Target Short Term Performance Award of 25.0% (of TEC)

Individual Performance Score = a BSC Assessment of 3.7 (out of 5) equates to an Individual Performance Score of 1.07

Funding Multiplier = with an NPAT (pre non-recurring items) of 3% above target equates to a Funding Multiplier of 1.06

Target Award	X	Individual Performance Score	X	Funding Multiplier	=	Actual Award
\$25,000	X	1.07	X	1.06	=	\$28,355

As the performance of the individual and Tabcorp is above target, then the Actual Reward received will be \$28,355 compared to the Target Award of \$25,000.

The following Figure 5 denotes STI payments for the financial year ended 30 June 2006 for the Managing Director and Chief Executive Officer and the five continuing Company and Tabcorp Group executives who received the highest remuneration for the year, as well as those non continuing Company and Tabcorp Group executives whose remuneration places them within the top five band.

Figure 5: STI payment structure

Name	TEC \$	Minimum STI % of TEC achievable %	STI % of TEC at target %	Maximum STI % of TEC achievable %	Actual STI % of TEC achieved %	Actual STI Achieved \$ ^(vi)
Continuing executives:						
Matthew Slatter	1,400,000	0.00	67.86	114.00	61.16	856,235
Peter Caillard	425,000	0.00	40.00	67.20	42.80	160,882
Elmer Funke Kupper ⁽ⁱ⁾	900,000	0.00	50.00	84.00	16.70	143,510
Mohan Jesudason	540,000	0.00	40.00	67.20	36.05	194,681
George Mackey	425,000	0.00	40.00	67.20	34.25	145,560
Julia Nenke	400,000	0.00	35.00	58.80	33.12	132,491
Non continuing executives:						
David Banks ⁽ⁱⁱ⁾	801,376	0.00	40.00	67.20	40.00	320,550
David Elmslie ⁽ⁱⁱⁱ⁾	650,000	0.00	40.00	67.20	23.32	151,600
Paul Gulbenkian ^(iv)	400,000	0.00	40.00	67.20	36.60	146,400
Michael Piggott ^(v)	750,000	0.00	40.00	67.20	36.03	270,240

(i) Commenced employment on 27 February 2006.

(ii) Ceased employment on 31 March 2006.

(iii) Ceased employment on 31 January 2006.

(iv) Ceased employment on 1 July 2006.

(v) Ceased employment on 7 July 2006.

(vi) Comprises cash and deferred shares (where elected).

4.2.2 Long Term Incentive (LTI)

Senior managers are invited to participate in the Long Term Performance Plan (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. Any award delivered by the LTPP will only be realised when Total Shareholder Return (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.

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 Group. 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 this 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. 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.

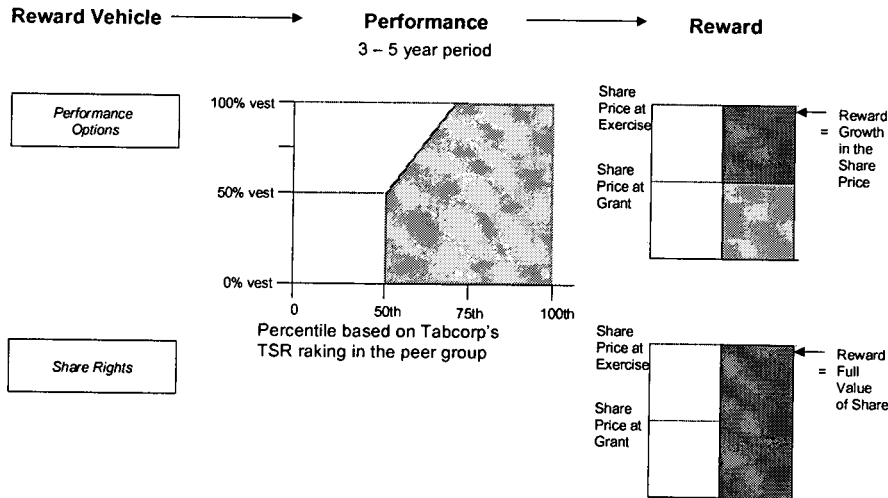
The performance hurdles to be attached to both Performance Options and Share Rights are measured according to Tabcorp's TSR ranking against a peer group of companies, which reflects Tabcorp's current business mix determined at the time of granting the Performance Options and Share Rights. The peer group 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.

Vesting of Performance Options and Share Rights against the relative TSR ranking on applicable Test Dates will occur in the manner set out in Figure 6 below.

Figure 6: TSR performance ranking

TSR performance ranking range	Number of options exercisable
Below 50 th percentile	0% of Performance Options and Share Rights will be exercisable
50 th percentile	50% of Performance Options and Share Rights will be exercisable
Above the 50 th percentile and below the 75 th percentile	An additional 2% of Performance Options and Share Rights will become exercisable for each one percentile increase above the 50th percentile
75 th percentile or higher	100% of Performance Options and Share Rights will be exercisable

Figure 7: Proportion of Performance Options and Share Rights which may be exercisable under the LTI



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 unexercised vested Performance Options and Share Rights will lapse.

The LTTP 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.

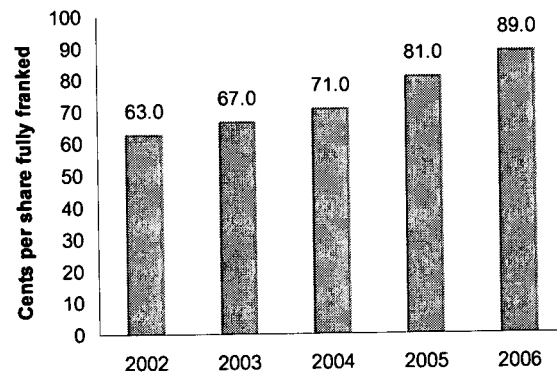
5. Tabcorp Group performance

The Board believes that it is for the benefit of the Group and the Company's shareholders for employee remuneration to be aligned with their individual performance and the performance of the Tabcorp Group as a whole.

A significant proportion of the total remuneration for the Managing Director and Chief Executive Officer and other executives is dependent on the achievement of short term and long term measures, as disclosed in section 4 of this Remuneration Report.

The value of shareholders' investments in Tabcorp shares have continued to grow as a result of the Group's strong financial position which has resulted in a history of paying increasing dividends twice a year.

Figure 8: Full year dividend in respect of each financial year (interim & final dividend)



The Tabcorp Group's strong financial position has been attributable to management's ongoing focus of containing costs, improving efficiencies, structuring the Group to optimise the organic growth of existing business, and investing in new opportunities to enhance growth and profits.

An investment of \$1,000 in Tabcorp shares since 30 June 2001 has over the last five financial years grown to \$1,967 (before tax), representing a compound annual growth rate of 14.5%. In comparison, over the same period, the Australian Stock Exchange All Ordinaries Accumulation Index grew by 12.6% per annum. The Group's strong financial performance over the last five financial years has resulted in sustained earnings per share, reflecting an increase in shareholder wealth.

6. Employment contracts – 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:
 - o 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;
 - o 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
 - o 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. It believes the following remuneration arrangements for the Managing Director and Chief Executive Officer balance appropriately the reward for both short term and long term performance.

Options granted other than under the LTPP

(a) The Company has granted Matthew Slatter 1,000,000 options to acquire ordinary shares in the Company. None of the options are exercisable unless certain performance hurdles are achieved. This allocation of options was a one off allocation at the time of his appointment. The terms and conditions of which are set out in his employment agreement and were communicated to shareholders in Tabcorp's notice of annual general meeting in 2002. The Board obtained advice from an external remuneration consultant and took that advice into account in determining the appropriate terms of his appointment. The terms and conditions on which the options have been granted are as follows:

(i) Term of options

The options may be exercised during a three year period from the date on which they become exercisable and to the extent they are not exercised within that period they will lapse. Options that have not become exercisable by the fifth anniversary of the Commencement Date will lapse at that time. The Commencement Date is the date that Matthew Slatter commenced employment with the Company (7 October 2002).

(ii) Exercise price

The exercise price for each option is \$12.61, being the weighted average sale price of shares in the Company during the five trading days immediately prior to the announcement of his appointment.

(iii) Tranches

The options have been granted in four Tranches as follows:

- | | |
|-----------|---|
| Tranche 1 | A maximum of 250,000 options available for exercise at the end of year 2 of the Performance Period based on the Company's Performance Ranking for the Performance Period for the Tranche (years 1 and 2). |
| Tranche 2 | A maximum of 250,000 options available for exercise at the end of year 3 based on the Company's Performance Ranking for the Performance Period for the Tranche (years 1, 2 and 3). |
| Tranche 3 | A maximum of 250,000 options available for exercise at the end of year 4 based on the Company's Performance Ranking for the Performance Period for the Tranche (years 1, 2, 3 and 4). |
| Tranche 4 | A maximum of 250,000 options, plus any options from Tranches 1, 2 and 3 which were not available to be exercised at the end of the relevant Performance Period, available for exercise at the end of year 5 based on the Company's Performance Ranking for the Performance Period for the Tranche (years 1, 2, 3, 4 and 5). |

(iv) Performance Ranking

The Company's Performance Ranking for a Performance Period is determined by reference to the TSR of the Company during the Performance Period as compared to the TSR of a peer group of companies. The peer group of companies comprises the top 100 companies as listed in the ASX/S&P 200 companies (ranked by market capitalisation) after excluding mining companies and listed property trusts. The Company's ranking within that group of companies determines the number of options in the particular Tranche that become exercisable (if any).

The TSR in respect of a company in a Performance Period is the increase in the value of a shareholder's investment in that company during the Performance Period on the basis that all dividends and other returns are immediately reinvested in the company at the closing price for the shares on the payment date of the dividend or other return.

During the year the Board Remuneration Committee determined that where during the Performance Period there is a change in the dividend payment timetable of a company in the peer group (including Tabcorp), the TSR performance of that company shall be adjusted to remove any artificial distortion resulting from that changed timetable.

The TSR assessment and the applicable number of options that have become exercisable are disclosed in section (viii) below.

Figure 9: TSR performance ranking

TSR performance ranking range	Number of options exercisable
Below 40 th percentile	No options exercisable
40 th percentile	20% of options in the Tranche available to be exercised
41 st percentile to 75 th percentile	Options in the Tranche available to be exercised will be ascertained on a pro-rata basis between 20% and 100% depending on the Company's percentile performance ranking
75 th percentile or higher	100% of options in the Tranche available to be exercised

(v) Performance Period

The Performance Period for each Tranche starts with the Commencement Date and ending as follows:

- (a) Tranche 1 – ending on the date 2 years after the Commencement Date;
- (b) Tranche 2 – ending on the date 3 years after the Commencement Date;
- (c) Tranche 3 – ending on the date 4 years after the Commencement Date; and
- (d) Tranche 4 – ending on the date 5 years after the Commencement Date.

(vi) Alterations to capital

If there is a rights issue, a bonus issue or capital reconstruction during the term of Matthew Slatter's employment agreement there is a mechanism for agreeing to vary the terms and conditions of the options to reflect these changes. If the Chairman and Matthew Slatter cannot agree on the changes to be made to the terms and conditions of the options an independent expert will determine what changes are to be made to restore the parties to their respective positions contemplated by the terms and conditions upon which the options were originally granted.

(vii) Discretion

The Board has the discretion to permit Matthew Slatter or his estate to exercise options which are not capable of exercise because Matthew Slatter did not complete the term of his employment agreement by reason of death or total and permanent disablement.

(viii) Assessment of TSR performance and exercise of options

- | | |
|----------------|--|
| Tranche 1 | An independent reassessment of the performance criteria for the Tranche 1 options was undertaken during the year in accordance with the changes to peer company TSR assessment criteria as described in section (iv). It was determined that Tabcorp ranked at the 46.1538th percentile relative to each of the companies in the peer group, and therefore 85,165 options have become available for exercise. At the date of this report, Matthew Slatter has not elected to exercise these options. |
| Tranche 2 | During the year, an independent analysis was undertaken of the performance criteria for the options issued under Tranche 2 over the performance period from 7 October 2002 to 7 October 2005. From this analysis, it was determined that Tabcorp was ranked below the 40 th percentile relative to each of the companies in the peer group. Based on the performance benchmarks, none of the total 250,000 options issued as Tranche 2 are exercisable. |
| Tranches 3 & 4 | Independent assessments for the options in Tranches 3 and 4 will be undertaken following the end of the applicable Performance Periods. |

- (b) At the time the Company commenced negotiations with Matthew Slatter he was employed in a senior position with another organisation. He held various option entitlements which were then of significant value. His resignation from that employment resulted in these option entitlements being forfeited. In recognition of that situation, the Company granted Matthew Slatter 1,500,000 options to acquire ordinary shares in the Company. The price at which the options may be exercised is \$12.61 per share, being the weighted average sale price of shares in the Company during the five trading days immediately prior to the announcement of his appointment. These options were exercisable immediately upon commencement of employment and expired on 7 October 2005, being three years from the date of commencing employment. Matthew Slatter exercised 500,000 of these options during the year ended 30 June 2005. On 8 September 2005, Matthew Slatter exercised the remaining 1,000,000 options.

7. Employment contracts – Other executives

The five executives of the Company and the Tabcorp Group who received the highest remuneration 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 which 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 Short Term Performance Plan and Long Term Performance Plan.

With respect to the appointments of Elmer Funke Kupper and Walter Bugno, the Board considered and approved the inclusion of a sign-on bonus to compensate for equity arrangements that were forfeited following cessation with previous employers. In this context, an allocation of Deferred Shares, Performance Options and Share Rights, with time based vesting hurdles applied on appointment. The vesting hurdles coincide with the vesting of equity had the executive remained with the previous employer. These arrangements are summarised below.

Chief Executive, Australian Business

Elmer Funke Kupper entered into an employment contract, which provides an aggregate total annual reward at target of \$1.8 million. In addition to the annual reward components, a sign on bonus of \$1.9 million was provided, comprising a one off allocation of equity as follows:

- 97,000 Deferred Shares;
- 112,500 Performance Options; and
- 15,000 Share Rights.

The Deferred Share allocation will vest over a three year period, with 40% to vest on 31 December 2006, 40% to vest on 31 December 2007 and 20% to vest 31 December 2008.

Performance Options and Share Rights will vest three years after commencement of employment in accordance with the performance hurdles contained in the Long Term Performance Plan Rules.

Chief Executive, Casinos

Walter Bugno entered into an employment contract, which provides an aggregate total annual reward at target of \$1.8 million. In addition to the annual reward components, a sign on bonus of \$900,000 was provided, comprising a one off allocation of equity as follows:

- 30,000 Deferred Shares;
- 112,500 Performance Options; and
- 15,000 Share Rights.

The Deferred Share allocation will vest over a three year period, with 33% to vest on 31 December 2006, 33% to vest on 31 December 2007 and 33% to vest on 31 December 2008.

Performance Options and Share Rights will vest in three years in line with the performance hurdles outlined in the Long Term Performance Plan Rules.

8. Remuneration strategy changes

The Remuneration Committee and the Board continually seek to strengthen the link between executive remuneration and Tabcorp's performance and to ensure the remuneration strategy aligns with market best practice to attract and retain key talent.

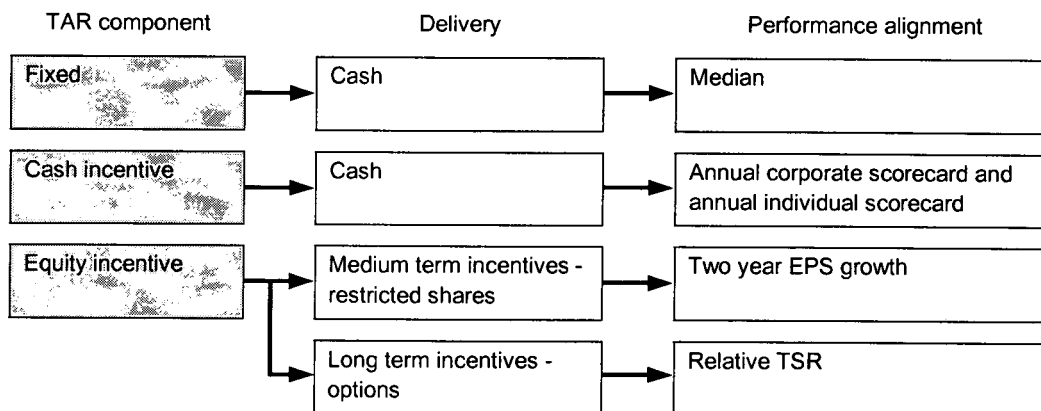
As Tabcorp enters into the next phase of growth, the Remuneration Committee commissioned an extensive review of executive remuneration during the year. The review concluded that the reward structure for the employees whose performance and capabilities are key to executing the Group's strategies be realigned to appropriately balance the mix of cash and equity remuneration with the achievement of short term, medium term and long term objectives.

The key aspects of the revised remuneration strategy, which commenced in July 2006, are disclosed below.

Executive reward structure

Tabcorp will continue to differentiate reward outcomes based on employees' performance and capabilities. The objective of Tabcorp's remuneration strategy is to provide employees with a performance oriented Total Annual Reward ("TAR") positioned at market median. The delivery of TAR is based on a target remuneration mix and comprises fixed and incentive components, which are delivered in the form of cash and equity. The executive reward structure is depicted in the diagram below:

Figure 10: Revised executive reward structure



The incentive components of the executive reward structure incorporate:

- A short term component to reward participants for the achievement of targets over a twelve month period delivered in cash;
- A medium term component to reward participants for the achievement of sustained performance over a two year period delivered in restricted shares; and
- A long term performance component to reward employees for shareholder value creation delivered in performance options.

Metrics within incentive plans are aligned to ensure the achievement of short and medium term strategic objectives are commensurate with long term shareholder value creation.

Short Term Performance Plan

The Short Term Performance Plan is designed to reward employees for the achievement of individual, business unit and company performance over a twelve month period (the annual performance period), as assessed using a balanced scorecard of measures that align to and are supportive of the Group's annual strategic objectives.

Medium Term Performance Plan

The Medium Term Performance Plan is designed to reward employees for the achievement of two year rolling earnings per share growth targets, with allocations based on individuals' performance and capabilities.

Long Term Performance Plan

The Long Term Performance Plan represents the long term component of variable remuneration of the TAR package over a three to four year timeframe. The plan is intended to be a key remuneration component for a restricted group of participants who are considered to have the greatest influence in delivering the Group's long term value creation. The plan aims to recognise long term performance by rewarding participants with performance options which will allow them to share in Tabcorp's growth.

Restriction on hedging

Participants in the new executive reward plans are restricted from hedging the value of restricted shares and unvested performance options and must not enter into a derivative arrangement in respect of restricted shares and unvested performance options granted under these plans. Breaches of the restriction will result in awards being forfeited by the participant.

9. Remuneration of directors and named executives

Figure 11: Director remuneration for the year ended 30 June 2006

	Short term		Long term		Post employment		Termination		Share based payments ⁽ⁱ⁾		2006 Performance related ^(vi) %
	Salary & fees \$	Cash bonus \$	Non monetary benefits ⁽ⁱⁱ⁾ \$	Long service leave \$	Superannuation \$	Termination \$	Performance options & share rights \$	Deferred shares \$	Total \$	2005 Total \$	
Continuing Managing Director and Chief Executive Officer:											
Matthew Slater	1,426,157	856,235	122,395	26,972	12,139	-	917,517	-	3,361,415	3,176,143	53%
Continuing non executive Directors:											
Michael Robinson	385,297	-	2,778	-	34,927	-	-	-	423,002	387,276	-
Paula Dwyer ⁽ⁱⁱⁱ⁾	185,000	-	-	-	16,650	-	-	-	201,650	-	-
Anthony Hodgson	225,000	-	-	-	20,251	-	-	-	245,251	225,652	-
Phil Satre ^(iv)	167,397	-	-	-	-	-	-	-	167,397	146,005	-
John Story	165,001	-	-	-	14,850	-	-	-	179,851	161,184	-
Richard Warburton	182,593	-	-	-	14,517	-	-	-	197,110	173,250	-
Lawrence Willett	157,500	-	-	-	15,951	-	-	-	173,451	149,428	-
Non continuing non executive Directors:											
Warren Wilson ^(v)	65,628	-	-	-	5,707	-	-	-	71,335	158,459	-

(i) In addition to salary and fees, directors may receive non monetary benefits including car parking, staff gratuity/gifts, entertainment/sundry expenses and motor vehicle expenses.

For Matthew Slater 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.

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

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

Figure 12: Remuneration of the Company and Tabcorp Group executives who received the highest remuneration for the year ended 30 June 2006

	Short term			Long term			Post employment			Share based payments ^(vi)			2006 Performance related %
	Salary & fees \$	Cash bonus \$	Non monetary benefits ⁽ⁱⁱ⁾ \$	Long service leave \$	Superannuation \$	Termination \$	Performance options & share rights \$	Deferred shares \$	Total \$	2005 Total \$	2006 Performance related \$		
Continuing executives:													
Peter Caillard ⁽ⁱ⁾ Chief Executive Media	386,420	160,882	67,940	45,722	48,000	-	92,593	-	801,557	751,391	-	32%	
Elmer Funke Kupper ⁽ⁱⁱ⁾ Chief Executive, Australian Division	309,404	143,510	440	816	4,712	-	36,975	232,833	728,690	-	-	25%	
Mohan Jesudason ⁽ⁱⁱⁱ⁾ Managing Director, Gaming	464,203	194,681	71,509	5,976	38,702	-	141,369	-	916,460	929,353	-	37%	
George Mackey Executive General Manager, Technical Services	344,380	92,429	154,601	11,279	12,139	-	104,929	53,131	772,888	751,730	-	32%	
Julia Nenke Executive General Manager, Human Resources	326,683	132,491	178,881	2,109	12,829	-	42,411	-	695,404	355,542	-	25%	
Non continuing executives:													
David Banks ^{(iv),(v)} Chief Executive, Casinos	558,990	320,550	113,973	43,209	85,838	1,001,720	349,779	-	2,474,059	1,447,779	-	27%	
David Eimslie ^{(vi),(vii)} Chief Financial Officer	299,517	151,600	44,623	10,145	53,668	650,000	252,535	-	1,462,088	1,150,395	-	28%	
Paul Gulbenkian ^(viii) Executive General Manager, Tabcorp International	402,544	146,400	27,499	21,830	12,139	400,000	84,111	-	1,094,523	623,156	-	21%	
Michael Piggott ^{(ix),(x)} Managing Director, Wagering	685,066	270,240	83,041	19,866	76,378	750,000	187,909	-	2,072,500	1,229,069	-	22%	

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

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

(iii) 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.

(iv) 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.

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

(vi) Ceased employment on 7 July 2006. The termination payment was accrued for at 30 June 2006.

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

(viii) Represents the sum of cash bonus, performance options & share rights and deferred shares as a percentage of total remuneration. For Mr Funke Kupper, deferred shares are excluded on the basis that they were issued under a service agreement and have a 3 year time-based vesting condition.

(ix) The amounts disclosed in the remuneration report represents the total remuneration paid to the executive for the financial year. This differs from the remuneration disclosed in the financial statements due to the executives ceasing to be key management personnel (KMP) during the financial year. The remuneration disclosed for these executives is apportioned in the financial statements to the date of their cessation as KMP.

The remuneration details for the Managing Director and Chief Executive Officer, Matthew Slater, are contained in Figure 11 on the previous page.

Remuneration of directors and named executives

Figure 13: Fair value of Performance Options and Share Rights granted as part of remuneration for directors and the Company and Tabcorp Group executives who received the highest remuneration for the year ended 30 June 2006 (In accordance with the Long Term Performance Plan Rules)

	Performance options granted during the year \$	Share rights granted during the year \$	Performance options exercised during the year \$	Share rights exercised during the year \$	Performance options lapsed during the year \$	Share rights lapsed during the year \$	Aggregate value of all performance options and share rights \$	Remuneration consisting of performance options and share rights (v) %
Continuing executives:								
Matthew Slater	591,629	144,344	-	-	-	-	735,973	27%
Peter Caillard	70,580	51,662	-	-	-	-	122,242	12%
Elmer Funke Kupper	194,625	138,150	-	-	-	-	332,775	5%
Mohan Jesudason	89,678	65,636	-	-	-	-	155,314	15%
George Mackey	70,580	51,662	-	-	-	-	122,242	14%
Julia Nenke	88,155	64,524	-	-	-	-	152,679	6%
Non continuing executives:								
David Banks (i)	133,085	97,407	210,446	155,957	35,933	-	632,828	14%
David Elmslie (ii)	107,947	79,009	139,004	96,553	15,113	-	437,626	17%
Paul Gulbenkian (iii)	66,428	48,619	-	-	-	-	115,047	8%
Michael Piggott (iv)	124,553	91,161	-	-	-	-	215,714	9%

(i) Ceased employment on 31 March 2006. The cessation included full vesting on a pro-rata basis of performance options and share rights.

(ii) Ceased employment on 31 January 2006. The cessation included full vesting on a pro-rata basis of performance options and share rights.

(iii) Ceased employment on 1 July 2006.

(iv) Ceased employment on 7 July 2006.

(v) Refer figure 11 & 12. Represents performance options and share rights as a percentage of total remuneration.

Non executive Directors do not participate in the Long Term Performance Plan and therefore do not receive performance options and share rights as part of remuneration.

The fair value of the performance options and share rights granted during the year are brought to account as part of remuneration for each year during the vesting period. The method of valuing these performance options and share rights is disclosed in note 25 of the financial statements.

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



Michael Robinson AO
Chairman

Melbourne
24 August 2006

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Income statement
For the year ended 30 June 2006



	Note	Consolidated		Tabcorp Holdings	
		2006 \$m	2005 \$m	2006 \$m	2005 \$m
Continuing operations					
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.

Balance sheet

As at 30 June 2006



	Note	Consolidated		Tabcorp Holdings	
		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.

Cash flow statement
For the year ended 30 June 2006



	Note	Consolidated		Tabcorp Holdings	
		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.

Statement of recognised income and expense

For the year ended 30 June 2006



	Note	Consolidated		Tabcorp Holdings	
		2006	2005	2006	2005
		\$m	\$m	\$m	\$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)	-	-	-

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.

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.

1. Significant accounting policies and corporate information (continued)

(e) Foreign currency

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

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

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

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

(f) Derivative financial instruments

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

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in 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).

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

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.

1. Significant accounting policies and corporate information (continued)

(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) Investment in controlled entities

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

(p) Property, plant and equipment

Owned assets

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

1. Significant accounting policies and corporate information (continued)

(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.

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.

1. Significant accounting policies and corporate information (continued)**(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 Ltd 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.

1. Significant accounting policies and corporate information (continued)**(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 ('LTTP'), 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.

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

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.

Notes to the financial statements

For the year ended 30 June 2006



	Consolidated		Tabcorp Holdings	
	2006	2005	2006	2005
	\$m	\$m	\$m	\$m
2. Revenue and expenses				
Revenue and expenses from continuing operations				
(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
(e) Impairment:				
- goodwill	59.7	93.2	-	-
- software	6.7	-	-	-
- assets held for sale	2.1	-	-	-
	68.5	93.2	-	-

Notes to the financial statements

For the year ended 30 June 2006



	Consolidated		Tabcorp Holdings	
	2006	2005	2006	2005
	\$m	\$m	\$m	\$m
2. Revenue and expenses (continued)				
(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.

	Consolidated		Tabcorp Holdings	
	2006	2005	2006	2005
	\$m	\$m	\$m	\$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	<u>152.4</u>	<u>200.7</u>	<u>(4.3)</u>	<u>(2.1)</u>
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	<u>(8.0)</u>	<u>(0.3)</u>	<u>1.1</u>	<u>(0.3)</u>
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	<u>(152.4)</u>	<u>(200.7)</u>	<u>4.3</u>	<u>2.1</u>

(i) Refer to note 4(c).

Notes to the financial statements

For the year ended 30 June 2006



	Note	Consolidated		Tabcorp Holdings	
		2006 \$m	2005 \$m	2006 \$m	2005 \$m
4. Income tax (continued)					
(b) Deferred tax assets					
The balance comprises temporary differences attributable to:					
<i>Amounts recognised in profit or loss:</i>					
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	-	-
<i>Amounts recognised directly in equity:</i>					
Actuarial gains/(losses) 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/(charged) to equity		9.1	0.3	-	0.3
Closing balance at 30 June		83.3	86.8	2.2	1.6
(c) Deferred tax liabilities					
The balance comprises temporary differences attributable to:					
<i>Amounts recognised in profit or loss:</i>					
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	-	-
<i>Amounts recognised directly in equity:</i>					
Actuarial gains/(losses) on defined benefit plans		0.4	-	0.4	-
		329.4	410.4	0.9	0.4

Notes to the financial statements

For the year ended 30 June 2006



	Note	Consolidated		Tabcorp Holdings	
		2006 \$m	2005 \$m	2006 \$m	2005 \$m
4. Income tax (continued)					
(c) Deferred tax liabilities (continued)					
Movements:					
Opening balance at 1 July		410.4	247.3	0.4	0.8
Acquisition of controlled entity	31	-	185.6	-	-
Charged/(credited) to the income statement		(82.1)	(22.5)	(0.6)	(0.4)
Charged/(credited) to equity		1.1	-	1.1	-
Closing balance at 30 June		<u>329.4</u>	<u>410.4</u>	<u>0.9</u>	<u>0.4</u>

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.

Notes to the financial statements

For the year ended 30 June 2006



Note	Consolidated		Tabcorp Holdings	
	2006	2005	2006	2005
	\$m	\$m	\$m	\$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
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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
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Franking credits available once the impact of dividends declared after balance date has been incorporated:

	113.7	90.6
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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

	Consolidated	
	2006	2005
	\$m	\$m
	543.4	433.4

6. Earnings per share (continued)

(b) Weighted average number of shares used as the denominator

	2006 Number	Consolidated 2005 Number
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	<u>525,449,314</u>	<u>517,512,577</u>
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in diluted earnings per share.	<u>86,466</u>	<u>24,671</u>

(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	2006 Number	Consolidated 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.

Note	Consolidated		Tabcorp Holdings	
	2006 \$m	2005 \$m	2006 \$m	2005 \$m
	112.8	91.6	1.3	0.2
	93.8	117.8	45.3	0.2
22(a)	<u>206.6</u>	<u>209.4</u>	<u>46.6</u>	<u>0.4</u>

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

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)	<u>206.6</u>	<u>209.4</u>	<u>46.6</u>	<u>0.4</u>

Notes to the financial statements

For the year ended 30 June 2006



	Note	Consolidated		Tabcorp Holdings	
		2006	2005	2006	2005
		\$m	\$m	\$m	\$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.

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.

Notes to the financial statements

For the year ended 30 June 2006



11. Assets held for sale

Surplus land and buildings

	Consolidated		Tabcorp Holdings	
	2006	2005	2006	2005
	\$m	\$m	\$m	\$m
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.

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 - -

831.1 833.6 - -

Total land and buildings, net

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) - -

225.2 234.8 - -

Total leasehold improvements, net

Plant and equipment:

- at cost

909.1 882.4 9.0 5.7

- accumulated depreciation

(626.5) (553.8) (4.5) (4.0)

282.6 328.6 4.5 1.7

Total plant and equipment, net

1,507.4 1,442.9 15.7 10.3

Reconciliations

	Freehold land	Buildings	Leasehold improvements	Capital works in progress	Plant and equipment
	\$m	\$m	\$m	\$m	\$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/amortisation 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/amortisation expense	-	-	-	-	(1.0)
Carrying amount at end of year	-	-	-	11.2	4.5

12. Property, plant and equipment (continued)

Reconciliations (continued)

	Note	Freehold land \$m	Buildings \$m	Leasehold improvements \$m	Capital works in progress \$m	Plant and equipment \$m
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/amortisation 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/amortisation expense		-	-	-	-	(0.8)
Carrying amount at end of year		-	-	-	8.6	1.7

	Consolidated		Tabcorp Holdings	
	2006 \$m	2005 \$m	2006 \$m	2005 \$m
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

13. Intangible assets - licences

Notes to the financial statements

For the year ended 30 June 2006



13. Intangible assets - licences (continued)

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	-	-	-
		Consolidated		Tabcorp Holdings	
		2006	2005	2006	2005
		\$m	\$m	\$m	\$m

14. Intangible assets - other

Goodwill:

- at cost	3,537.5	3,537.5	-	-
- accumulated impairment ^(a)	(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	-	-
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Broadcast rights at cost

	6.5	6.5	-	-
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Media content at cost

	24.1	24.1	-	-
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	3,611.4	3,645.0	18.1	1.4
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Notes to the financial statements
For the year ended 30 June 2006



14. Intangible assets - other (continued)

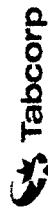
Reconciliations

	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 totalizer 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 totalizer pools.

Notes to the financial statements

For the year ended 30 June 2006



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.

Notes to the financial statements
For the year ended 30 June 2006



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:

(Segment)	Wagering Victoria (Wagering)		Wagering NSW (Wagering)		Star City (Casinos)		Conrad Jupiters (Casinos)		Conrad Treasury (Casinos)		SKY Channel (Media)		Gaming Victoria (Gaming)		Queensland Keno (Gaming)		Other ⁽ⁱ⁾		Total carrying amount
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$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									
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									
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 below.

Notes to the financial statements

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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.

16. Payables

Current

Trade creditors and accrued expenses - unsecured

Note	Consolidated		Tabcorp Holdings	
	2006 \$m	2005 \$m	2006 \$m	2005 \$m
34(a)	345.4	306.0	16.1	6.2

Notes to the financial statements

For the year ended 30 June 2006



	Consolidated		Tabcorp Holdings	
	2006 \$m	2005 \$m	2006 \$m	2005 \$m
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	-	-

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.

18. Provisions

	Consolidated		Tabcorp Holdings	
	2006 \$m	2005 \$m	2006 \$m	2005 \$m
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
	<u>122.3</u>	<u>131.8</u>	<u>1.9</u>	<u>2.2</u>
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	-	-
	<u>63.8</u>	<u>84.9</u>	<u>0.2</u>	<u>0.9</u>

Reconciliations

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

	Consolidated	Tabcorp Holdings
	2006 \$m	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	<u>14.6</u>	<u>-</u>
(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	<u>6.9</u>	<u>-</u>
(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	<u>63.6</u>	<u>-</u>
(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	<u>10.6</u>	<u>-</u>
(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	<u>24.5</u>	<u>-</u>

18. Provisions (continued)

(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.

19. Other liabilities

Current

	Note	Consolidated		Tabcorp Holdings	
		2006	2005	2006	2005
		\$m	\$m	\$m	\$m
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

Notes to the financial statements

For the year ended 30 June 2006



20. Capital and reserves

(a) Issued capital

	Consolidated		Tabcorp Holdings	
	2006	2005	2006	2005
	\$m	\$m	\$m	\$m
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	2005	2006	2005
	\$m	\$m	\$m	\$m
Issued and fully paid	3,199.6	3,187.3	3,199.6	3,187.3

	Note	2006		2005	
		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).

	Consolidated		Tabcorp Holdings	
	2006	2005	2006	2005
	\$m	\$m	\$m	\$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.

Note	Consolidated		Tabcorp Holdings	
	2006	2005	2006	2005
	\$m	\$m	\$m	\$m
20. Capital and reserves (continued)				
(b) Retained earnings				
Movements in retained earnings were as follows:				
	101.2	61.8	489.7	303.7
Retained earnings at the beginning of the financial year				
35(f) Application of AASB 139	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
5 Dividends paid	(446.2)	(393.3)	(446.2)	(393.3)
Retained earnings at the end of the financial year	<u>201.7</u>	<u>101.2</u>	<u>509.5</u>	<u>489.7</u>

(c) Reserves

Net unrealised gains/losses reserve ^(a)

Balance at start of period	-	-	-	-
35(f) Application of AASB 139	(3.2)	-	-	-
Net gains/(losses) on cash flow hedges	(21.0)	-	-	-
Total for the period	<u>(24.2)</u>	-	-	-

Employee equity benefit reserve ^(a)

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	<u>5.0</u>	<u>2.6</u>	<u>5.0</u>	<u>2.6</u>
Total reserves	<u>(19.2)</u>	<u>2.6</u>	<u>5.0</u>	<u>2.6</u>

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).

21. Minority interest

Interest in:

Note	Consolidated		Tabcorp Holdings	
	2006	2005	2006	2005
	\$m	\$m	\$m	\$m
Ordinary shares	4.9	-	-	-
Retained earnings	(0.8)	-	-	-
29(b) Closing balance	<u>4.1</u>	<u>-</u>	<u>-</u>	<u>-</u>

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	
		2006	2005	2006	2005
		\$m	\$m	\$m	\$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 payment 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
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.

22. Notes to the cash flow statement (continued)

(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.

Details of the disposal are as follows:	Consolidated	
	2006 \$m	2005 \$m
Proceeds on disposal:		
Consideration (cash)	-	41.8
The carrying amounts of assets and liabilities disposed of are:		
Receivables	-	1.7
Inventory	-	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)

	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

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23. Commitments (continued)

(b) Operating lease commitments (continued)

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:

	Consolidated		Tabcorp Holdings	
	2006	2005	2006	2005
	\$m	\$m	\$m	\$m
Not later than one year	1.7	1.4	-	-
Later than one year but not later than five years	4.0	4.5	-	-
	<u>5.7</u>	<u>5.9</u>	<u>-</u>	<u>-</u>

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.

(c) Operating expenditure commitments

Contracted but not provided for and payable⁴⁰:

	Consolidated		Tabcorp Holdings	
	2006	2005	2006	2005
	\$m	\$m	\$m	\$m
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	-	-
	<u>273.4</u>	<u>170.4</u>	<u>-</u>	<u>-</u>

(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.

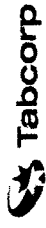
Tabcorp International was created as a separate business segment effective from 1 July 2005.

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.

Notes to the financial statements

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24. Segment information (continued)

	Wagering \$m	Gaming \$m	Casinos \$m	Media International \$m	Unallocated \$m	Elimination	Consolidated \$m
2006 - Consolidated							
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	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.

Notes to the financial statements

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24. Segment information (continued)

	Wagering \$m	Gaming \$m	Casinos \$m	Media International \$m	Unallocated \$m	Elimination \$m	Consolidated \$m
2005 - Consolidated							
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	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).

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

Ordinary shares (number)	Shares issued to senior executives & employees		Shares issued to executive directors ^(a)	
	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
<i>Purchase entitlements not taken up by employees are not available at balance date for purchase</i>				
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.

25. Employee share plans (continued)

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.

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.

25. Employee share plans (continued)

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.

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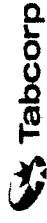
25. Employee share plans (continued)

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	-

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For the year ended 30 June 2006



25. Employee share plans (continued)

Options, Performance Options and Share Rights Issued (continued)

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 - 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	-	

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.

Exercise date	Fair value of shares at exercise date	Consolidated		Tabcorp Holdings	
		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
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	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.

25. Employee share plans (continued)

Fair value of equity instruments (continued)

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 %	Expected dividend yield %	Risk free interest rate %	Value per performance option \$	Value per share right \$
7-Oct-02	7-Oct-05	12.11	20.70	5.20	4.99 ^(iv)	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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For the year ended 30 June 2006



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 \$m	2005 \$m	2006 \$m	2005 \$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.				
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)
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	-

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

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.

Actuarial assumptions

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

	2006	2005
	% pa	% pa
Discount rate:	4.9	4.4
- active members	5.8	5.1
- pensioners ⁽ⁱ⁾	4.5	4.5
Expected salary increase rate	2.5	2.0
Expected pension increase rate		
Expected rate of return on assets:	7.0	7.0
- supporting lump sum liabilities	8.0	8.0
- supporting pensioner liabilities ⁽ⁱ⁾		

(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	(21.5)
Accrued benefits	26.0
Net market value of plan assets	4.5
Surplus of net market value of plan assets over accrued benefits	

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.

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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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			Long term		Post employment			Share based payment ^{(e)(f)}		Total performance related ^{(e)(f)}	Total ^{(e)(f)}	%
		Salary & fees	Cash bonus	Non monetary benefits ^(b)	Long service leave	Super-annuation	Termination	Options, performance options & share rights	Deferred shares					
Directors														
Continuing KMP														
Michael Robinson	- Chairman (non executive)	385,297	-	2,778	-	34,927	-	-	-	-	-	-	423,002	n/a
Matthew Slatter ^(b)	- Managing Director and Chief Executive Officer	1,426,157	856,235	122,385	26,972	12,139	-	-	917,517	-	-	-	3,361,415	53%
Paula Dwyer ^(a)	- Director (non executive)	185,000	-	-	-	16,650	-	-	-	-	-	-	201,650	n/a
Anthony Hodgson	- Director (non executive)	225,000	-	-	-	20,251	-	-	-	-	-	-	245,251	n/a
Phillip Satre ^(b)	- Director (non executive)	167,387	-	-	-	-	-	-	-	-	-	-	167,387	n/a
John Story	- Director (non executive)	165,001	-	-	-	14,850	-	-	-	-	-	-	179,851	n/a
Richard Warburton	- Director (non executive)	182,593	-	-	-	14,517	-	-	-	-	-	-	197,110	n/a
Lawrence Willett	- Director (non executive)	157,500	-	-	-	15,951	-	-	-	-	-	-	173,451	n/a
Ceased KMP														
Warren Wilson ^(b)	- Director (non executive)	65,628	-	-	-	5,707	-	-	-	-	-	-	71,335	n/a
Executives														
Continuing KMP														
Matt Bekier	- Chief Financial Officer	313,839	82,762	225,647	777	5,150	-	-	31,031	-	27,587	-	655,762	17%
Walter Bugno ^(a)	- Chief Executive, Casinos	239,273	103,841	898	588	3,035	-	-	36,975	-	52,617	-	431,283	31%
Elmer Funke Kupper ^{(a)(b)}	- Chief Executive, Australian Business	309,404	143,510	440	816	4,712	-	-	-	-	232,833	-	728,690	25%
George Mackey	- Executive General Manager, Technical Services	344,380	92,429	154,601	11,279	12,139	-	-	104,929	-	53,131	-	772,888	32%
Julia Nenke	- Executive General Manager, Human Resources	326,683	132,491	178,881	2,109	12,829	-	-	42,411	-	-	-	695,404	25%
Kerry Willcock	- Executive General Manager, Corporate & Legal	325,736	125,867	36,989	2,067	13,539	-	-	38,982	-	-	-	543,180	30%
Ceased KMP														
David Banks ^{(a)(b)}	- Chief Executive, Casinos	558,990	320,550	93,500	43,209	85,838	1,001,720	-	324,940	-	-	-	2,428,747	27%
Peter Caillard	- Chief Executive, Mèntia	248,285	106,667	49,160	41,930	31,800	-	-	59,169	-	-	-	537,011	31%
David Elmslie ^(b)	- Chief Financial Officer	299,517	151,600	44,623	10,145	53,668	650,000	-	208,445	-	-	-	1,417,998	25%
Paul Gulbenkian ^(b)	- Executive General Manager, Tabcorp International	402,544	146,400	27,499	21,830	12,139	400,000	-	84,111	-	-	-	1,094,523	21%

Notes to the financial statements

For the year ended 30 June 2006



27. Director and executive disclosures (continued)

(b) Compensation of key management personnel (continued)

30 June 2006 (continued)	Period of responsibility (if other than full year)	Short term		Long term		Post employment		Termination		Share based payment ^(a)		Total performance related ^(a)	Total %
		Salary & fees	Cash bonus	Non monetary benefits ^(b)	Long service leave	Super-annuation	Termination	Options, performance options & share rights	Deferred shares	Total	\$		
Executives													
Ceased KMP (continued)													
Mohan Jesudason	1 Jul 05 - 27 Feb 06	302,107	129,076	47,764	4,577	25,640	-	90,937	-	-	600,101	37%	
- Managing Director, Gaming													
Michael Piggott ^(c)	1 Jul 05 - 27 Feb 06	444,120	179,173	62,826	13,170	50,600	-	120,683	-	-	870,572	34%	
- Managing Director, Wagering													
Anne Tasker ^(d)	- Executive General Manager, Customer & Brand Development	420,069	132,491	-	1,506	12,139	-	-	-	-	566,205	23%	
- Executive General Manager, Strategy & Development													
Total Compensation		7,494,520	2,703,092	1,048,001	180,975	458,220	2,051,720	2,060,130	366,168	16,362,826			

(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.

(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.

Notes to the financial statements

For the Year Ended 30 June 2006



27. Director and executive disclosures (continued)

(b) Compensation of key management personnel (continued)

	Period of responsibility (if other than full year)	Salary & fees \$	Short term		Long term		Post employment		Share based payment ^(vi)		Total performance related ^(vi) %	
			Cash bonus \$	monetary benefits ⁽ⁱ⁾ \$	Long service leave \$	Super-annuation \$	Termination \$	Options, performance options & share rights \$	Deferred shares \$	Total \$		
30 June 2005												
Directors												
Michael Robinson	- Chairman (non executive)	354,575	-	789	-	31,912	-	-	-	-	387,276	n/a
Matthew Slatter ⁽ⁱⁱ⁾	- Managing Director and Chief Executive Officer	1,356,106	506,792	106,541	15,022	11,585	-	673,305	508,792	-	3,176,143	53%
Anthony Hodgson	- Director (non executive)	205,375	-	1,793	-	18,484	-	-	-	-	225,652	n/a
Philip Satre ⁽ⁱⁱⁱ⁾	- Director (non executive)	146,005	-	-	-	-	-	-	-	-	146,005	n/a
John Story	- Director (non executive)	147,875	-	-	-	13,309	-	-	-	-	161,184	n/a
Richard Warburton	- Director (non executive)	157,875	-	1,166	-	14,209	-	-	-	-	173,250	n/a
Lawrence Willett	- Director (non executive)	136,625	-	507	-	12,296	-	-	-	-	149,428	n/a
Warren Wilson	- Director (non executive)	145,375	-	-	-	13,084	-	-	-	-	158,459	n/a
Executives												
Continuing KMP												
David Banks	- Chief Executive, Casinos	708,335	296,291	74,001	23,648	104,914	-	141,826	98,764	-	1,447,779	37%
Peter Caillard	- Chief Executive, Media	370,943	134,553	86,325	13,627	48,000	-	53,092	44,851	-	751,391	31%
	- Company Secretary											
David Elmslie	- Chief Financial Officer	523,766	240,323	63,861	35,298	92,002	-	115,037	80,108	-	1,150,395	36%
Paul Gulbenkian	- Executive General Manager, Integration	348,889	104,958	51,794	23,986	11,585	-	46,958	34,986	-	623,156	30%
Mohan Jesudason	- Chief Executive, Gaming	455,779	199,653	76,736	2,976	38,702	-	88,956	66,551	-	929,353	36%
George Mackey	- Executive General Manager, Technical Services	365,573	107,693	69,251	5,889	11,585	-	64,045	107,694	-	751,730	37%
Julia Nenke	- Executive General Manager, Human Resources	138,482	46,868	148,793	940	5,103	-	-	15,556	-	355,542	18%
Michael Piggott	- Chief Executive, Wagering and Network Games	555,075	259,155	53,132	84,794	76,378	-	114,150	86,385	-	1,229,069	37%
Anne Tasker	- Executive General Manager, Strategy & Development	6,654	-	-	-	555	-	-	-	-	7,209	n/a
Kerry Willcock	- Executive General Manager, Corporate & Legal	138,087	35,407	12,498	714	4,393	-	-	11,802	-	202,901	23%

Notes to the financial statements

For the Year Ended 30 June 2006



27. Director and executive disclosures (continued)

(b) Compensation of key management personnel (continued)	Period of responsibility (if other than full year)	Short term		Long term		Post employment		Share based payment ^(vi)		Total performance related ^(vi)	Total %
		Salary & fees	Cash bonus	Non monetary benefits ^(b)	Long service leave	Super-annuation	Termination	Options, performance options & share rights	Deferred shares		
30 June 2005 (continued)											
Executives											
Ceased KMP											
Robert Preston ^(vi)	1 Jul 04 - 28 Jan 05	470,507	65,054	35,944	4,464	18,773	437,500	139,729	-	1,171,971	17%
Charles Read	1 Jul 04 - 1 Feb 05	213,290	72,790	17,666	6,491	35,227	-	32,478	24,263	402,205	32%
Geoffrey Want ^(vi)	1 Jul 04 - 31 Dec 04	177,556	133,467	22,004	4,265	16,445	1,280,800	-	-	1,634,537	8%
Total Compensation		<u>7,142,747</u>	<u>2,202,804</u>	<u>822,801</u>	<u>222,114</u>	<u>578,541</u>	<u>1,718,300</u>	<u>1,469,576</u>	<u>1,077,752</u>	<u>15,234,635</u>	

- (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.

27. Director and executive disclosures (continued)

(b) Compensation of key management personnel (continued)

Compensation by category: key management personnel

	Consolidated		Tabcorp Holdings	
	2006	2005	2006	2005
	\$	\$	\$	\$
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.

27. Director and executive disclosures (continued)

(iv) Non executive director remuneration (continued)

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.

27. Director and executive disclosures (continued)

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.

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.

27. Director and executive disclosures (continued)

(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			Terms and conditions for each grant					
Performance options			Fair value per performance option at grant date (\$)	Exercise price per performance option (\$)	Expiry date	First exercise date	Last exercise date	
Vested number	Granted number	Grant 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						

30 June 2006			Terms and conditions for each grant					
Share rights			Fair value per share right at grant date (\$)	Exercise price per share right (\$)	Expiry date	First exercise date	Last exercise date	
Vested number	Granted number	Grant 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						

27. Director and executive disclosures (continued)

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

30 June 2005		Terms and conditions for each grant						
Performance options				Fair value per performance option at grant date (\$)	Exercise price per performance option (\$)	Expiry date	First exercise date	Last exercise date
Vested number	Granted number	Grant date						
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						

		Terms and conditions for each grant						
Share rights				Fair value per share right at grant date (\$)	Exercise price per share right (\$)	Expiry date	First exercise date	Last exercise date
Vested number	Granted number	Grant date						
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						

Notes to the financial statements

For the year ended 30 June 2006



27. Director and executive disclosures (continued)

(d) Shares issued on exercise of compensation options

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

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

(e) Shareholdings of key management personnel

30 June 2006

Shares held in Tabcorp Holdings Limited (number)

	Balance 1 July 2005	Granted as remuneration	On exercise of options, performance options and share rights	Net change other	Balance at	
					KMP cessation date	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 Eimslie ^(c)	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).

27. Director and executive disclosures (continued)

(e) Shareholdings of key management personnel (continued)

30 June 2005

Shares held in Tabcorp Holdings Limited (number)

	Balance 1 July 2004	Granted as remuneration	On exercise of options, performance options and share rights	Net change other	Balance at	
					KMP cessation date	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).

Notes to the financial statements

For the year ended 30 June 2006



27. Director and executive disclosures (continued)

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

30 June 2006

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

	Balance 1 July 2005	Granted as remuneration	Options exercised	Net reduction other *	KMP cessation date	Balance at			
						30 June 2006	Total	Not 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	-	-	281,310	n/a	-	-	-
Peter Caillard	71,037	37,946	-	-	108,983	n/a	-	-	-
David Emslie ^(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 94,151 performance options and forfeited 8,125 subsequent to cessation date (vested at termination).

Notes to the financial statements

For the year ended 30 June 2006



27. Director and executive disclosures (continued)

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

30 June 2006

Share rights held in Tabcorp Holdings Limited (number)

	Balance 1 July 2005	Granted as remuneration	Rights exercised	Net reduction other *	KMP cessation date	Balance at		Vested at 30 June 2006	
						30 June 2006	Not exercisable	Total	Exercisable
Directors									
Mathew Slater	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).

27. Director and executive disclosures (continued)

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

30 June 2005

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

	Balance at				Vested at 30 June 2005		
	Balance 1 July 2004	Granted as remuneration	Options exercised	Net change other	30 June 2005	Not exercisable	Exercisable
Directors							
Matthew Slatter ^(a)	2,852,349	307,693	500,000	-	2,660,042	-	1,050,000
Executives							
Continuing KMP							
David Banks	107,567	82,192	-	-	189,759	-	-
Peter Caillard	40,268	30,769	-	-	71,037	-	-
David Elmslie	87,248	66,667	-	-	153,915	-	-
Paul Gulbenkian	33,682	28,846	-	-	62,528	-	-
Mohan Jesudason	67,469	51,553	-	-	119,022	-	-
George Mackey	46,980	36,462	-	-	85,442	-	-
Michael Piggott	73,826	76,923	-	-	150,749	-	-
Ceased KMP							
Robert Preston ^(b)	35,235	26,923	-	-	n/a	-	-
Charles Read	45,302	34,615	-	-	n/a	-	-
Total	3,389,926	744,643	500,000	-	3,492,494	-	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).

Notes to the financial statements
For the Year Ended 30 June 2006



27. Director and executive disclosures (continued)

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

30 June 2005

Share rights held in Tabcorp Holdings Limited (number)

	Balance 1 July 2004	Granted as remuneration	Rights exercised	Net change other	KMP cessation date	Balance at		Not exercisable	Total	Vested at 30 June 2005	Not exercisable	Total	Exercisable
						30 June 2005	30 June 2005						
Directors													
Mathew Stalter	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.

Notes to the financial statements
For the Year Ended 30 June 2006



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

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

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

Notes to the financial statements

For the Year Ended 30 June 2006



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 (continued)

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

	2005	Balance 1 July 2004 \$'000	Interest charged \$'000	Interest not charged \$'000	Balance at		Highest owing in period \$'000
					KMP cessation date \$'000	30 June 2005 \$'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.

27. Director and executive disclosures (continued)

(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).

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	2005
	\$m	\$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	Country of incorporation	Type of equity	% of equity held by immediate parent		
			As at 30 June		
			2006	2005	
	Note		%	%	
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
Tabcorp Employee Share Administration Pty Ltd	(h)	Australia	ordinary shares	33.3	33.3
<hr/>					
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

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For the year ended 30 June 2006



29. Related party disclosure (continued)

Name of controlled entity	Country of incorporation	Type of equity	% of equity held by immediate parent		
			As at 30 June 2006	2005	
			%	%	
Controlled entities (continued)					
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	(f)	Australia	ordinary shares	100.0	100.0
(formerly Jupiters Internet Gaming Pty Ltd)					
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	(c)(f)	Australia	ordinary shares	100.0	100.0
(formerly Jupiters International Pty Ltd)					
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
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 VVagering 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

(Continued over page)

29. Related party disclosure (continued)

Name of controlled entity	Country of incorporation	Type of equity	% of equity held by immediate parent		
			As at 30 June 2006 %	2005 %	
Controlled entities (continued)					
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
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.

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29. Related party disclosure (continued)

- (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).

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

	2006	2005
	\$m	\$m
Tabcorp Holdings Limited Closed Group		
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

29. Related party disclosure (continued)

(c) Transactions with controlled entities

Tabcorp Holdings Limited

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

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

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

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

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

(d) Transactions with joint venture operation

Consolidated

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

The Group charges the joint venture operation for the provision of employee, management and asset services. On consolidation, 75% of the charges eliminate (being the Group's interest in the joint venture operation). Charges for the remaining 25% of \$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.

30. Contingent liabilities and contingent assets (continued)

Contingent liabilities (continued)

(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.

(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 30 June 2002. The assessment and amended assessments relate to the deductibility of rent of \$120.0 million prepaid in December 1994 in relation to the Star City casino site.

The Group has provided in full for the unpaid primary tax in dispute in relation to deductions claimed to 30 June 2002 of \$31.6 million, and penalties and interest charges of \$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
	<u>948.0</u>	<u>984.3</u>
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)
	<u>(706.9)</u>	<u>(566.8)</u>
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	
	<u>2,250.4</u>	
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	<u>2,250.4</u>	
The cash outflow on acquisition is as follows:		
- Net cash acquired with the controlled entity	45.7	
- Cash paid	(959.8)	
Net cash outflow	<u>(914.1)</u>	

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.

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.

33. Financial risk management objectives and policies (continued)

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.

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	2005	2006	2005
	\$m	\$m	\$m	\$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 ^(v)	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 ^(v)				
- 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⁾⁽ⁱⁱ⁾	73.4	-	73.4	-
	2,848.1	2,839.6	2,850.4	2,837.4
Off balance sheet				
Interest rate swaps ⁽ⁱ⁾⁽ⁱⁱ⁾	-	-	-	19.3
Cross currency swaps ⁽ⁱ⁾⁽ⁱⁱ⁾	-	-	-	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.

34. Additional financial instruments disclosure (continued)

	Carrying amount		Fair value	
	2006	2005	2006	2005
	\$m	\$m	\$m	\$m
(a) Fair values (continued)				
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
	<u>2,679.2</u>	<u>2,652.5</u>	<u>2,679.2</u>	<u>2,652.5</u>
Financial liabilities				
On balance sheet				
Trade creditors and accrued expenses	16.1	6.2	16.1	6.2

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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:					Non interest bearing \$m	Balance Sheet \$m
			< 1 year \$m	1 - 2 years \$m	2 - 3 years \$m	3 - 4 years \$m	4 - 5 years \$m		
2006 - Consolidated									
Financial assets									
7	3.6	33.0	-	-	-	-	-	79.8	112.8
7	5.7	93.8	-	-	-	-	-	-	93.8
8	-	-	-	-	-	-	-	34.7	34.7
34(c)	-	(1,700.0)	250.0	350.0	300.0	-	800.0	-	-
		(1,573.2)	250.0	350.0	300.0	-	800.0	114.5	241.3
Financial liabilities									
16		-	-	-	-	-	-	345.4	345.4
17	6.3	1,043.7	-	-	-	-	-	-	1,043.7
17	6.7	-	-	-	-	-	382.3	-	382.3
17	6.5	64.8	-	-	-	-	-	-	64.8
17	5.5	-	-	-	-	-	829.2	-	829.2
17	6.9	99.6	-	-	-	-	-	-	99.6
34(e)		838.6	-	-	-	-	(838.6)	-	-
		2,046.7	-	-	-	-	372.9	345.4	2,765.0
2006 - Tabcorp Holdings Limited									
Financial assets									
7	5.3	1.3	-	-	-	-	-	-	1.3
7	5.7	45.3	-	-	-	-	-	-	45.3
8	-	-	-	-	-	-	-	2,632.6	2,632.6
		46.6	-	-	-	-	-	2,632.6	2,679.2
Financial liabilities									
16	-	-	-	-	-	-	-	16.1	16.1
	-	-	-	-	-	-	-	16.1	16.1

34. Additional financial instruments disclosure (continued)

(b) Interest rate risk (continued)

Note	Effective interest rate %	Floating interest rate \$m	Interest maturing in:		Non interest bearing \$m	Balance sheet \$m
			1 to 5 years \$m	5 years or more \$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⁾⁽ⁱⁱ⁾	17	6.0 - 6.4	1,145.0	-	-	1,145.0
Medium term notes						
- fixed interest rate ⁽ⁱ⁾⁽ⁱⁱ⁾	17	6.6	-	-	385.0	385.0
- floating interest rate ⁽ⁱ⁾⁽ⁱⁱ⁾	17	6.5	65.0	-	-	65.0
Private placement						
- US dollar ⁽ⁱ⁾⁽ⁱⁱ⁾	17	5.3 - 5.6	-	-	838.6	838.6
- Australian dollar ⁽ⁱ⁾⁽ⁱⁱ⁾	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	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.

34. Additional financial instruments disclosure (continued)

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

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	2005	2006	2005
	\$m	\$m	\$m	\$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	2005	2006	2005
	\$m	\$m	\$m	\$m
Less than one year	300.0	-	0.3	-
Ceiling interest rate range p.a.	6.4%			
Floor interest rate range p.a.	5.9% - 6.0%			

(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	Receive principal	Pay principal	Receive principal
	AUD \$m	USD \$m	AUD \$m	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.

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:

	Ref	Consolidated			Tabcorp Holdings		
		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

Notes to the financial statements

For the year ended 30 June 2006



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):

Ref	Consolidated			Tabcorp Holdings		AIFRS \$m	
	AGAAP \$m	AIFRS impact \$m	AIFRS \$m	AGAAP \$m	AIFRS impact \$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)			-		
		<u>(43.8)</u>			<u>(3.7)</u>		
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	(xii)	-			229.2		
Income tax		0.4			(0.6)		
		<u>(161.3)</u>			<u>230.2</u>		
Breakdown of impact on reserves:							
Share based payments	(vi)	0.6			0.6		
TOTAL EQUITY		<u>1,976.0</u>	<u>(204.5)</u>	<u>1,771.5</u>	<u>1,826.4</u>	<u>227.1</u>	<u>2,053.5</u>

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:

Ref	Consolidated			Tabcorp Holdings			
	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) (xii)	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

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):

Ref	Consolidated			Tabcorp Holdings		
	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)			-	
		<u>80.2</u>			<u>111.5</u>	
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)			(1.3)	
Share based payments (vi)		(2.7)			-	
Impairment (xiv)		(93.2)			-	
Reverse income tax expense recognised for entities in tax consolidation group (xiii)		-			439.6	
Income tax		<u>2.5</u>			<u>0.2</u>	
		<u>(97.4)</u>			<u>439.9</u>	
Breakdown of impact on reserves:						
Share based payments (vi)		2.6			2.6	
TOTAL EQUITY	<u>3,273.2</u>	<u>(14.6)</u>	<u>3,258.6</u>	<u>3,124.4</u>	<u>554.0</u>	<u>3,678.4</u>

Notes to the financial statements

For the year ended 30 June 2006



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

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

Continuing operations	Ref	Consolidated			Tabcorp Holdings		
		AGAAP \$m	AIFRS impact \$m	AIFRS \$m	AGAAP \$m	AIFRS impact \$m	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

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.

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

(d) Notes to the reconciliations (continued)

(x) **AASB 138 'Intangible Assets' (continued)**

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 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.

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 1 July 2005 \$m
	AIFRS 30 June 2005 \$m	Adjustment \$m	AIFRS 1 July 2005 \$m	AIFRS 30 June 2005 \$m	Adjustment \$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

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 sections 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 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

Ernst & Young

Mary B. Waldron

Mary B. Waldron
Partner

Melbourne
24 August 2006

Glossary of terms

ADR	American Depositary Receipt - The Company's shares are traded in sponsored ADR form in the United States of America (One ADR represents ten ordinary shares)
AGAAP	Australian GAAP financial reporting standards
AIFRS	Australian equivalents to International Financial Reporting Standards, adopted by the Tabcorp Group for the first full year ending 30 June 2006
ASX	Australian Stock Exchange - The Company's shares are traded on the ASX under the symbol TAH
Board	The Board of Directors of Tabcorp Holdings Limited
Chairman	The Chairman of the Board of Directors of Tabcorp Holdings Limited, Mr Michael Robinson
Company	Tabcorp Holdings Limited
Director	A person appointed to the Board of Directors of Tabcorp Holdings Limited
EBIT	Earnings before finance cost and income tax expense
EGM	Electronic Gaming Machine
Financial year	12 months ending 30 June
Jupiters	The company Jupiters Limited, which merged with the Group on 13 November 2003
LTI	Long Term Incentive
LTPP	Long Term Performance Plan under which the LTI is delivered to senior managers.
STI	Short Term Incentive
STPP	Short Term Performance Plan under which the STI is delivered to senior managers
Tab	The company Tab Limited, which was acquired by the Group in 2004
Tabcorp Group	Tabcorp Holdings Limited and its controlled entities
TSR	Total shareholder return