


Tabcorp

Financial Report 2008

Contents

Income statement

For the year ended 30 June 2008

	Note	Consolidated 2008 $m	Consolidated 2007 $m	Tabcorp Holdings 2008 $m	Tabcorp Holdings 2007 $m
Total operating revenues		**3,957.0**	3,835.0	**26.2**	27.0
Other revenues	2	**85.4**	48.7	**358.8**	322.0
Revenue		**4,042.4**	3,883.7	**385.0**	349.0
Other income	2	**2.1**	(1.5)	**(0.1)**	(0.9)
Government taxes and levies		**(1,075.2)**	(1,044.3)	**-**	-
Commissions and fees		**(828.2)**	(825.5)	**-**	(7.4)
Employment costs		**(553.9)**	(587.3)	**(18.7)**	(48.1)
Depreciation and amortisation	2	**(192.9)**	(142.3)	**(55.0)**	(2.9)
Property costs		**(81.3)**	(78.7)	**(0.6)**	(0.2)
Advertising and promotions		**(86.3)**	(80.9)	**(1.8)**	(2.5)
Professional and contract services		**(25.1)**	(33.3)	**(3.2)**	(13.8)
Finance costs	2	**(168.4)**	(172.3)	**-**	-
Other expenses		**(269.4)**	(275.8)	**(8.0)**	(12.2)
Profit before income tax expense and impairment		**763.8**	641.8	**297.6**	261.0
Impairment	2	**(707.6)**	(2.2)	**(474.6)**	-
Profit/(loss) before income tax expense		**56.2**	639.6	**(177.0)**	261.0
Income tax (expense)/benefit	4	**(221.2)**	(190.1)	**(7.4)**	12.1
Net profit/(loss) after tax		**(165.0)**	449.5	**(184.4)**	273.1
Net loss attributable to minority interest		**0.4**	0.9	**-**	-
Net profit/(loss) attributable to members of the parent entity		**(164.6)**	450.4	**(184.4)**	273.1

	Note	Consolidated 2008	Consolidated 2007
Earnings per share for profit/(loss) attributable to members of the parent entity:			
Basic earnings per share (cents per share)	6	**(31.4)**	85.8
Diluted earnings per share (cents per share)	6	**(31.3)**	85.6

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

Balance sheet

As at 30 June 2008

		Consolidated		Tabcorp Holdings	
		2008	2007	**2008**	2007
	Note	**$m**	$m	**$m**	$m
Current assets					
Cash and cash equivalents	7	**173.2**	202.2	**24.7**	39.9
Receivables	8	**64.8**	31.6	**2,313.1**	2,446.8
Inventories	9	**13.4**	15.1	**-**	-
Derivative financial instruments		**3.2**	-	**-**	-
Other	10	**23.6**	18.7	**2.3**	2.5
Assets held for sale	11	**-**	15.1	**-**	-
Total current assets		**278.2**	282.7	**2,340.1**	2,489.2
Non current assets					
Investments in controlled entities		**-**	-	**447.7**	447.7
Property, plant and equipment	12	**1,499.3**	1,461.8	**3.5**	6.3
Licences	13	**723.9**	1,220.8	**109.5**	597.2
Other intangible assets	14	**3,506.8**	3,680.7	**3.5**	7.2
Other receivables	16	**2.1**	-	**2.1**	-
Deferred tax assets	4	**-**	-	**7.6**	8.1
Derivative financial instruments		**87.9**	66.8	**-**	-
Other	10	**23.5**	13.7	**-**	0.3
Total non current assets		**5,843.5**	6,443.8	**573.9**	1,066.8
TOTAL ASSETS		**6,121.7**	6,726.5	**2,914.0**	3,556.0
Current liabilities					
Payables	17	**407.3**	379.8	**23.9**	19.0
Interest bearing liabilities	18	**-**	390.0	**-**	-
Current tax liabilities		**52.3**	13.2	**52.3**	13.6
Provisions	19	**98.7**	114.7	**7.7**	18.3
Other	20	**1.9**	2.6	**-**	-
Liabilities held for sale	11	**-**	4.6	**-**	-
Total current liabilities		**560.2**	904.9	**83.9**	50.9
Non current liabilities					
Interest bearing liabilities	18	**2,269.7**	1,950.6	**-**	-
Deferred tax liabilities	4	**293.0**	271.7	**-**	-
Provisions	19	**25.4**	45.3	**0.6**	0.6
Derivative financial instruments		**199.4**	167.3	**-**	-
Other	20	**3.2**	2.5	**1.9**	-
Total non current liabilities		**2,790.7**	2,437.4	**2.5**	0.6
TOTAL LIABILITIES		**3,350.9**	3,342.3	**86.4**	51.5
NET ASSETS		**2,770.8**	3,384.2	**2,827.6**	3,504.5
Equity					
Issued capital	21	**3,195.4**	3,192.3	**3,198.1**	3,198.0
Retained earnings/(accumulated losses)	21	**(490.2)**	168.6	**(379.5)**	299.1
Reserves	21	**65.6**	15.2	**9.0**	7.4
Parent interests		**2,770.8**	3,376.1	**2,827.6**	3,504.5
Minority interests	22	**-**	8.1	**-**	-
TOTAL EQUITY		**2,770.8**	3,384.2	**2,827.6**	3,504.5

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

Cash flow statement

For the year ended 30 June 2008

	Note	Consolidated 2008 $m	Consolidated 2007 $m	Tabcorp Holdings 2008 $m	Tabcorp Holdings 2007 $m
Cash flows from operating activities					
Net cash receipts in the course of operations		**4,097.4**	4,009.0	**51.4**	59.8
Payments to suppliers, service providers and employees		**(2,077.0)**	(2,056.3)	**(36.9)**	(71.5)
Payment of government levies, betting taxes and GST		**(1,026.0)**	(993.1)	**(144.6)**	(137.5)
Dividends received		**-**	-	**294.7**	296.6
Interest received		**9.0**	8.7	**3.4**	2.2
Finance costs paid		**(171.7)**	(161.4)	**-**	-
Income tax paid		**(179.4)**	(198.2)	**(181.7)**	(195.8)
Net cash flows from operating activities	23	**652.3**	608.7	**(13.7)**	(46.2)
Cash flows from investing activities					
Proceeds from sale of controlled entity (net of cash disposed)		**14.2**	-	**-**	-
Proceeds from sale of property, plant and equipment and intangibles		**1.7**	5.8	**-**	-
Payment for property, plant and equipment and intangibles		**(222.0)**	(166.8)	**(0.9)**	(2.4)
Repayment of loans to controlled entities		**-**	-	**497.7**	526.1
Net cash flows from investing activities		**(206.1)**	(161.0)	**496.8**	523.7
Cash flows from financing activities					
Net proceeds from borrowings		**16.0**	22.0	**-**	-
Dividends paid		**(385.2)**	(348.4)	**(385.2)**	(348.4)
On-market share purchases for dividend reinvestment plan		**(108.2)**	(134.6)	**(108.2)**	(134.6)
Payments for on-market share buy back		**(4.1)**	(4.7)	**(4.1)**	(4.7)
Proceeds from exercise of options		**2.2**	2.7	**2.2**	2.7
Loan advanced to related party		**(3.0)**	-	**(3.0)**	-
Repayment of employee share loans		**2.0**	16.0	**-**	0.8
Net cash flows from financing activities		**(480.3)**	(447.0)	**(498.3)**	(484.2)
Net increase/(decrease) in cash held		**(34.1)**	0.7	**(15.2)**	(6.7)
Cash at the beginning of the financial year		**207.3**	206.6	**39.9**	46.6
Cash at the end of the financial year	23	**173.2**	207.3	**24.7**	39.9

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

Statement of recognised income and expense

For the year ended 30 June 2008

		Consolidated		Tabcorp Holdings	
		2008	2007	**2008**	2007
	Note	**$m**	$m	**$m**	$m
Change in fair value of cash flow hedges		**69.6**	45.9	**-**	-
Actuarial loss on defined benefit plan	27	**(1.1)**	(0.8)	**(1.1)**	(0.8)
Income tax (expense)/benefit on items taken directly to equity	4	**(20.5)**	(13.6)	**0.3**	0.3
Net income/(expense) recognised directly in equity		**48.0**	31.5	**(0.8)**	(0.5)
Net profit/(loss) after tax		**(165.0)**	449.5	**(184.4)**	273.1
Total recognised income and expense for the period		**(117.0)**	481.0	**(185.2)**	272.6
Attributable to:					
Members of the parent entity		**(116.6)**	481.9	**(185.2)**	272.6
Minority interest		**(0.4)**	(0.9)	**-**	-
		(117.0)	481.0	**(185.2)**	272.6

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

Notes to the financial statements

For the year ended 30 June 2008

1. Significant accounting policies and corporate information

Tabcorp Holdings Limited ('the Company') is a company limited by shares which are traded on the Australian Securities Exchange. The Company is incorporated and domiciled in Australia. The financial report of the Company for the year ended 30 June 2008 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 20 August 2008.

(a) Statement of compliance

New Australian Accounting Standards

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

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

AASB Reference	Title	Application date for Group
AASB 3	Business Combinations	1 July 2009
AASB 8	Operating Segments	1 July 2009
AASB 101	Presentation of Financial Statements	1 July 2009
AASB 123	Borrowing Costs	1 July 2009
AASB 127	Consolidated and Separate Financial Statements	1 July 2009
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8	1 July 2009
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123	1 July 2009
AASB 2007-8	Amendments to Australian Accounting Standards arising from AASB 101	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	1 July 2009
Interpretation 4	Determining whether an Arrangement contains a Lease	1 July 2008
Interpretation 13	Customer Loyalty Programmes	1 July 2008
Interpretation 14	AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 July 2008
Amendments to International Financial Reporting Standards	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 July 2009
	Improvements to IFRSs	1 July 2009

The Group has adopted AASB 7 'Financial Instruments: Disclosures' and all consequential amendments which became applicable on 1 July 2007. The adoption of this standard has only impacted the disclosure in these financial statements. There has been no impact on profit and loss or the financial position of the entity.

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). The financial report also complies with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

(b) Basis of preparation

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

The financial report is presented in Australian dollars.

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

1. Significant accounting policies and corporate information (continued)

(b) Basis of preparation (continued)

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

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

(c) Accounting estimates and assumptions

Significant accounting estimates and assumptions

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

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of goodwill and intangibles with indefinite useful lives

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

(d) Basis of consolidation

Controlled entities

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

Joint ventures

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

Jointly controlled entities

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

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

Jointly controlled operations and assets

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

Transactions eliminated on consolidation

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

(e) Foreign currency

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

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

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

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

(f) Derivative financial instruments

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

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for cash flow hedge accounting, any resultant gain or loss may be deferred to reserves.

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

(g) Hedging

Cash flow hedges

Where a derivative financial instrument is designated as a hedge to the exposure to the variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecast transaction subsequently results in the recognition of a non financial asset or liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, then the associated gains and losses that were recognised directly in equity are reclassified into the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement (i.e. when interest income or expense is recognised).

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

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

Fair value hedges

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

(h) Revenue

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

Wagering and gaming revenue

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

Casino revenue

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

Fixed odds betting revenue

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

Provision of technology services

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

Sale of goods

Revenue is recognised when:

- the significant risks and rewards of ownership of the goods have passed to the buyer;
- it is probable consideration will pass from the buyer in accordance with an established arrangement; and
- the amount of consideration can be reliably measured.

Media operations revenue

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

Interest

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

Dividends

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

1. Significant accounting policies and corporate information (continued)

(i) Finance costs

Finance costs are recognised as an expense when incurred.

Borrowing costs directly associated with qualifying assets are capitalised, including any other associated costs directly attributable to the borrowing.

(j) Taxation

Income tax

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

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

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

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

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

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

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

Goods and services tax

Revenues, expenses, assets and liabilities are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

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

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

(k) Cash

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

(l) Receivables

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

(m) Inventories

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

(n) Other receivables

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

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

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

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

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

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

(p) Investment in controlled entities

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

(q) Property, plant and equipment

Owned assets

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

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

Leased assets

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

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

Depreciation

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

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

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

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

Refer to note 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(s)). The cost of internally developed software includes the cost of materials, direct labour and an appropriate proportion of overheads. Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Amortisation

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

Victorian wagering and gaming licences:

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

Star City casino licence:

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

Treasury casino licence:

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

Queensland Keno licence:

The licence is amortised on a straight line basis over the remaining life of the licence from the date of acquisition until expiry in 2022.

NSW wagering licence:

The licence is amortised on a straight line basis over the remaining life of the licence from the date of acquisition until expiry in 2097.

1. Significant accounting policies and corporate information (continued)

(r) Intangible assets (continued)

Other licences:

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

Other intangible assets:

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

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

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

Intangibles relating to brand names, broadcast rights and media content are not being amortised as the directors believe that the life of these intangibles to the Group will not materially diminish over time, and the residual value at the end of that life would be such that the amortisation charge, if any, would not be material. These assets, together with goodwill, are tested annually for impairment.

(s) Impairment of non financial assets

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

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

Impairment losses are recognised immediately in the income statement.

Refer to note 15 for further details of key assumptions included in the impairment calculation.

(t) Payables

Payables are stated at amortised cost.

(u) Provisions

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

Restructuring

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

Onerous contracts

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

Self insurance

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

Management agreement

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

(v) Interest bearing liabilities

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

(w) Employee benefits

Post-employment benefits

Accumulation plan

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

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

Defined benefit plan

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

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

Long service leave

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

Wages, salaries and annual leave

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

Share based payment transactions

The Group operates the Long Term Performance Plan (LTPP), which is available at the most senior executive levels. Under the LTPP, employees may become entitled to Performance Rights (and prior to July 2007, also Performance Options) in the Company.

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

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

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

In addition, the Group operates the Short Term Performance Plan (STPP). Participants in the STPP have the opportunity to voluntarily sacrifice part or all of the award payable under the STPP into shares. The cost of the shares is recognised in the year of performance. For certain senior executives, it is mandatory to defer one third of their STPP into Restricted Shares, which are subject to a three year service condition.

In the previous year, a Medium Term Performance Plan (MTPP) operated for senior executives. Participants in the MTPP became entitled to Restricted Shares, which are subject to a two year service condition.

The cost of the Restricted Shares is based on the market price at grant date and is recognised over a three year period for STPP and a two year period for MTPP.

Restricted Shares may be issued to executives as an incentive upon appointment or for retention. The fair value of Restricted Shares is recognised as an employee expense over the relevant vesting period.

Refer to note 26 for further details on the share based payment transactions.

(x) Rental in advance

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

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

(y) Deferred revenue

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

1. Significant accounting policies and corporate information (continued)

(z) Issued capital

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

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

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

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

(aa) 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.

(ab) 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.

(ac) Capitalised costs

Capitalised costs relating to development projects and potential business acquisitions are recognised as an asset when it is:

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

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

		Consolidated		Tabcorp Holdings	
		2008	2007	**2008**	2007
	Note	**$m**	$m	**$m**	$m
2. Revenue and expenses					
(a) Other revenues:					
Finance revenue					
- interest revenue		**9.3**	8.6	**3.4**	2.3
- unwinding of discount on receivables		**40.6**	-	**40.6**	-
Dividend revenue received from controlled entities		**-**	-	**294.7**	296.6
Other revenue items		**35.5**	40.1	**20.1**	23.1
		85.4	48.7	**358.8**	322.0
(b) Other income:					
Net gain on disposal of controlled entity		**0.4**	-	**-**	-
Net gain/(loss) on disposal of non current assets		**1.4**	(2.0)	**(0.1)**	(0.9)
Net foreign exchange gain		**0.3**	0.5	**-**	-
		2.1	(1.5)	**(0.1)**	(0.9)
(c) Depreciation:					
- buildings		**12.0**	14.4	**-**	-
- leasehold improvements		**13.8**	14.3	**-**	-
- plant and equipment		**76.8**	75.4	**0.7**	1.5
		102.6	104.1	**0.7**	1.5
(d) Amortisation:					
- Victorian licences		**26.6**	-	**26.6**	-
- Victorian licences - prior periods net adjustment	13	**27.1**	-	**27.1**	-
- NSW wagering licence		**3.7**	3.7	**-**	-
- Star City and Treasury casino licences		**3.2**	3.2	**-**	-
- Queensland Keno licence		**2.3**	2.4	**-**	-
- customer contracts and relationships		**0.2**	0.2	**-**	-
- software		**26.5**	23.6	**0.6**	1.4
- rental in advance		**0.2**	4.7	**-**	-
- other		**0.5**	0.4	**-**	-
		90.3	38.2	**54.3**	1.4

	Consolidated		Tabcorp Holdings	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m
(e) Employment costs:				
Included in employment costs:				
- defined benefit plan expense	**1.4**	0.6	**1.4**	0.6
- defined contribution plan expense	**37.3**	38.4	**0.2**	0.7
- share based payments expense	**3.4**	3.7	**1.3**	1.0
- reorganisation costs	**(0.1)**	37.0	**0.1**	27.5
	42.0	79.7	**3.0**	29.8
(f) Operating lease rentals:				
- minimum lease payments	**27.7**	27.6	**2.7**	1.5
(g) Other expenses include:				
- cost of sales	**69.6**	66.3	**-**	-
(h) Finance costs:				
- interest costs	**167.8**	161.8	**-**	-
- other finance costs	**4.6**	3.2	**-**	-
- unwinding of discounts	**6.8**	5.2	**-**	-
- (gain)/loss on fair value hedges	**(10.8)**	2.1	**-**	-
	168.4	172.3	**-**	-
(i) Impairment:				
- goodwill	**194.0**	-	**-**	-
- other receivables	**474.6**	-	**474.6**	-
- property, plant and equipment	**39.0**	2.2	**-**	-
	707.6	2.2	**474.6**	-

	Consolidated		Tabcorp Holdings	
	2008	2007	**2008**	2007
	$'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	**1,319**	1,383	**341**	379
- other services in relation to the Company and any other entity in the Group:				
- other audit services	**331**	89	**-**	-
- other regulatory audit services	**125**	97	**-**	-
- other assurance	**-**	15	**-**	-
	1,775	1,584	**341**	379

The auditor of the Company and its controlled entities is Ernst & Young. From time to time, Ernst & Young provides other services to the Group, which are subject to strict corporate governance procedures encompassing the selection of service providers and the setting of their remuneration. The Chairman of the Audit Committee must approve any other services provided by Ernst & Young to the Group.

	Consolidated		Tabcorp Holdings	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m
4. Income tax				
(a) Income tax expense				
The major components of income tax expense are:				
Current tax expense	**220.5**	181.8	**6.8**	(3.8)
Adjustments in respect of current income tax of previous years:				
- affecting provision for income tax	**0.5**	(4.4)	**0.1**	(1.4)
- affecting deferred tax balances	**(4.0)**	(2.0)	**(0.1)**	(0.3)
Deferred income tax expense relating to the origination and reversal of temporary differences	**4.2**	14.7	**0.6**	(6.6)
Income tax expense/(benefit) reported in the income statement	**221.2**	190.1	**7.4**	(12.1)

Notes to the financial statements (continued)

For the year ended 30 June 2008

	Consolidated		Tabcorp Holdings	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m
4. Income tax (continued)				
Aggregate current and deferred tax relating to items charged or credited to equity:				
Change in value of cash flow hedges	**20.8**	13.9	**-**	-
Actuarial loss on defined benefit plan	**(0.3)**	(0.3)	**(0.3)**	(0.3)
Income tax expense/(benefit) reported in equity	**20.5**	13.6	**(0.3)**	(0.3)
Income tax expense				
A reconciliation between income tax expense and the product of accounting profit before income tax multiplied by the income tax rate is as follows:				
Accounting profit/(loss) before income tax expense	**56.2**	639.6	**(177.0)**	261.0
At the Group's statutory income tax rate of 30%	**(16.9)**	(191.9)	**53.1**	(78.3)
- dividends received	**-**	-	**88.4**	89.0
- impairment of goodwill and other receivables	**(200.6)**	-	**(142.4)**	-
- amortisation of Victorian licences	**(16.1)**	-	**(16.1)**	-
- unwinding of discount on receivables	**12.2**	-	**12.2**	-
- prepaid rent	**(1.8)**	(1.6)	**-**	-
- international business costs	**0.8**	(1.3)	**-**	-
- sundry items	**(2.3)**	(1.7)	**(2.6)**	(0.3)
- over provision in prior years	**3.5**	6.4	**-**	1.7
Aggregate income tax (expense)/benefit	**(221.2)**	(190.1)	**(7.4)**	12.1

	Consolidated		Tabcorp Holdings	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m
(b) Deferred tax assets				
The balance comprises temporary differences attributable to:				
Amounts recognised in the income statement:				
Doubtful debts	**5.4**	2.5	**-**	-
Employee benefits	**21.3**	20.2	**2.3**	1.0
Merger/acquisition costs	**1.6**	3.6	**0.7**	0.8
Provision for management agreement	**8.6**	13.7	**-**	-
Provision for restructuring costs	**2.0**	5.6	**1.4**	4.3
Provision for onerous contract - surplus lease space	**1.1**	1.5	**-**	-
Fair value of cross currency swaps	**9.8**	8.3	**-**	-
Minor assets	**0.6**	1.0	**-**	-
Other provisions	**3.8**	1.3	**1.8**	1.6
Accrued expenses	**11.3**	11.3	**1.7**	1.1
Jackpots	**2.3**	2.0	**-**	-
	67.8	71.0	**7.9**	8.8
Deferred tax assets set off	**67.8**	71.0	**-**	-
Deferred tax liabilities set off	**-**	-	**0.3**	0.7
Net deferred tax assets	**-**	-	**7.6**	8.1
Movements:				
Opening balance at 1 July	**71.0**	83.3	**8.8**	2.2
Credited/(charged) to the income statement	**(3.2)**	(2.1)	**(0.9)**	6.6
Transfer to deferred tax liabilities	**-**	(10.2)	**-**	-
Closing balance at 30 June	**67.8**	71.0	**7.9**	8.8

	Consolidated		Tabcorp Holdings	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m
(c) Deferred tax liabilities				
The balance comprises temporary differences attributable to:				
Amounts recognised in the income statement:				
Prepayments	**0.9**	5.1	**-**	-
Inventories	**4.5**	3.3	**-**	-
Unclaimed dividend adjustment	**4.7**	4.8	**-**	-
Prepaid rent	**37.7**	35.2	**-**	-
Fair value of US dollar private placement	**12.0**	7.3	**-**	-
Intangibles	**17.4**	11.8	**0.4**	0.4
Licences	**184.9**	187.1	**-**	-
Property, plant and equipment	**68.3**	83.2	**0.5**	0.2
Other	**6.4**	1.1	**-**	-
Amounts recognised directly in equity:				
Fair value of cash flow hedges	**24.6**	3.7	**-**	-
Actuarial gains/(losses) on defined benefit plans	**(0.6)**	0.1	**(0.6)**	0.1
	360.8	342.7	**0.3**	0.7
Deferred tax assets set off	**67.8**	71.0	**-**	-
Deferred tax liabilities set off	**-**	-	**0.3**	0.7
Net deferred tax liabilities	**293.0**	271.7	**-**	-
Movements:				
Opening balance at 1 July	**342.7**	329.4	**0.7**	0.9
Charged/(credited) to the income statement	**(2.4)**	9.9	**(0.1)**	0.1
Charged/(credited) to equity	**20.5**	13.6	**(0.3)**	(0.3)
Transfer from deferred tax assets	**-**	(10.2)	**-**	-
Closing balance at 30 June	**360.8**	342.7	**0.3**	0.7

Tax Consolidation

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

Tax effect accounting by members of the tax consolidation group

Members of the tax consolidation group have entered into a tax funding agreement effective from 1 July 2005. Under the terms of the tax funding agreement, the Head Company and each of the members in the tax consolidation group have agreed to make a tax equivalent payment to or from the Head Company, based on the current tax liability or current tax asset of the member. Deferred taxes are recorded by members of the tax consolidation group in accordance with the principles of AASB 112 'Income Taxes'. Calculations under the tax funding agreement are undertaken for statutory reporting purposes.

The allocation of taxes under the tax funding agreement is recognised as either an increase or decrease in the subsidiaries' intercompany accounts with the tax consolidation group Head Company. The Group has chosen to adopt the Group Allocation method as outlined in Interpretation 1052 'Tax Consolidation Accounting' as the basis to determine each members' current and deferred taxes. The Group Allocation method as adopted by the Group will not give rise to any contribution or distribution of the subsidiaries' equity accounts as there will not be any differences between the current tax amount that is allocated under the tax funding agreement and the amount that is allocated under the Group Allocation method.

	Note	Consolidated 2008 $m	Consolidated 2007 $m	Tabcorp Holdings 2008 $m	Tabcorp Holdings 2007 $m
5. Dividends					
Dividends declared and paid during the year on ordinary shares					
(a) Final dividend for 2007 of 47.0 cents (2006: 45.0 cents)		**246.7**	236.2	**246.7**	236.2
(b) Interim dividend for 2008 of 47.0 cents (2007: 47.0 cents)		**246.7**	246.8	**246.7**	246.8
	21	**493.4**	483.0	**493.4**	483.0
Dividends declared after balance date					
Since the end of the financial year, the directors declared the following dividend:					
Special - 47.0 cents per share		**246.7**	-	**246.7**	-
Final - 47.0 cents per share		**-**	246.7	**-**	246.7

The financial effect of this dividend has not been brought to account in the financial statements and will be recognised in subsequent financial reports (refer to note 31).

	Note	Consolidated 2008 $m	Consolidated 2007 $m	Tabcorp Holdings 2008 $m	Tabcorp Holdings 2007 $m
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:				**193.8**	191.3
Franking credits available once the impact of dividends declared after balance date has been incorporated:				**88.1**	85.6

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

	Consolidated 2008 $m	Consolidated 2007 $m
6. Earnings per share		
(a) Earnings used in calculating earnings per share		
Basic and diluted earnings per share		
Net profit/(loss) attributable to members of the parent entity	**(164.6)**	450.4

	Consolidated 2008 Number	Consolidated 2007 Number
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used in calculating basic earnings per share	**524,927,016**	524,927,016
Effect of dilution:		
- Options and Performance Options	**239,040**	659,559
- Performance Rights	**518,563**	406,940
Weighted average number of ordinary shares adjusted for the effect of dilution	**525,684,619**	525,993,515
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in diluted earnings per share	**77,581**	51,665

(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 26.

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

	Note	Consolidated 2008 Number	2007 Number
- Issue date 7 September 2004	26	**859,474**	-
- Issue date 3 March 2005	26	**38,834**	50,574
- Issue date 7 September 2005	26	**687,289**	731,765
- Issue date 3 March 2006	26	**120,343**	-
- Issue date 3 April 2006	26	**112,500**	112,500
- Issue date 17 November 2006	26	**896,005**	955,964

(ii) Performance Rights

Performance Rights granted to employees are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The Performance Rights have not been included in the determination of basic earnings per share. Details relating to Performance Rights are set out in note 26.

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 2008 $m	Consolidated 2007 $m	Tabcorp Holdings 2008 $m	Tabcorp Holdings 2007 $m
7. Cash and cash equivalents					
Cash on hand and in banks		**98.5**	108.4	**2.1**	4.7
Short term deposits, maturing within 30 days		**74.7**	93.8	**22.6**	35.2
		173.2	202.2	**24.7**	39.9
8. Receivables					
Current					
Trade debtors		**61.1**	28.1	**-**	-
Allowance for doubtful debts[(a)]		**(18.1)**	(9.8)	**-**	-
		43.0	18.3	**-**	-
Sundry debtors		**21.8**	13.3	**0.2**	0.1
Amounts receivable from controlled entities	29	**-**	-	**2,312.9**	2,446.7
		64.8	31.6	**2,313.1**	2,446.8

(a) Allowance for doubtful debts

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

An allowance for doubtful debts is recognised when there is objective evidence that an individual trade debt is impaired.

	Consolidated 2008 $m	Consolidated 2007 $m	Tabcorp Holdings 2008 $m	Tabcorp Holdings 2007 $m
Movements in the allowance for doubtful debts:				
Allowance for doubtful debts at the beginning of the year	**(9.8)**	(10.9)	**-**	-
Net doubtful debt (expense)/reversal for the year[(i)]	**(8.7)**	0.6	**-**	-
Amounts written off[(i)]	**0.4**	0.5	**-**	-
	(18.1)	(9.8)	**-**	-

(i) Amounts are included in other expenses.

Ageing analysis of trade debtors	**0 - 30 days $m**	**> 30 days $m**	**Total $m**
2008 - Consolidated			
Current	**34.6**	**-**	**34.6**
Past due not impaired	**-**	**8.4**	**8.4**
Considered impaired	**-**	**18.1**	**18.1**
	34.6	**26.5**	**61.1**
2007 - Consolidated			
Current	13.4	-	13.4
Past due not impaired	-	4.9	4.9
Considered impaired	1.5	8.3	9.8
	14.9	13.2	28.1

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

Notes to the financial statements (continued)

For the year ended 30 June 2008

	Note	Consolidated 2008 $m	Consolidated 2007 $m	Tabcorp Holdings 2008 $m	Tabcorp Holdings 2007 $m
9. Inventories					
Consumable stores at cost		**14.1**	16.7	**-**	-
Provision for obsolescence		**(0.7)**	(2.0)	**-**	-
		13.4	14.7	**-**	-
Finished goods and stores at net realisable value		**-**	0.4	**-**	-
		13.4	15.1	**-**	-
10. Other assets					
Current					
Prepayments		**17.5**	15.7	**2.3**	2.5
Rental in advance		**0.2**	0.3	**-**	-
Other		**5.9**	2.7	**-**	-
		23.6	18.7	**2.3**	2.5
Non current					
Prepayments		**10.1**	0.8	**-**	-
Rental in advance		**11.3**	11.5	**-**	-
Pension asset	27	**-**	0.3	**-**	0.3
Other		**2.1**	1.1	**-**	-
		23.5	13.7	**-**	0.3
11. Assets and liabilities held for sale					
Assets held for sale					
Current					
Cash and cash equivalents		**-**	5.1	**-**	-
Receivables		**-**	0.1	**-**	-
Property, plant and equipment		**-**	6.6	**-**	-
Intangibles		**-**	3.3	**-**	-
		-	15.1	**-**	-
Liabilities held for sale					
Current					
Payables		**-**	4.6	**-**	-

The assets and liabilities held for sale related to certain international operations, which were disposed of on 19 December 2007.

	Consolidated 2008 $m	Consolidated 2007 $m	Tabcorp Holdings 2008 $m	Tabcorp Holdings 2007 $m
12. Property, plant and equipment				
Land and buildings:				
Freehold land:				
- at cost[(i)]	**109.6**	111.2	**-**	-
Buildings:				
- at cost[(i)]	**915.9**	881.3	**-**	-
- accumulated depreciation and impairment	**(140.5)**	(105.8)	**-**	-
	775.4	775.5	**-**	-
Total land and buildings, net	**885.0**	886.7	**-**	-
Leasehold improvements:				
- at cost[(i)]	**344.0**	327.0	**0.4**	0.1
- accumulated depreciation	**(106.1)**	(91.1)	**-**	-
Total leasehold improvements, net	**237.9**	235.9	**0.4**	0.1
Plant and equipment:				
- at cost[(i)]	**997.4**	894.2	**8.3**	11.2
- accumulated depreciation and impairment	**(621.0)**	(555.0)	**(5.2)**	(5.0)
Total plant and equipment, net	**376.4**	339.2	**3.1**	6.2
	1,499.3	1,461.8	**3.5**	6.3
(i) Includes capital works in progress of:				
Freehold land - at cost	**-**	1.6	**-**	-
Buildings - at cost	**27.9**	73.2	**-**	-
Leasehold improvements - at cost	**10.6**	2.0	**0.4**	0.1
Plant and equipment - at cost	**80.2**	49.6	**2.0**	2.7
Total capital works in progress	**118.7**	126.4	**2.4**	2.8

Reconciliations	Freehold land $m	Buildings $m	Leasehold improvements $m	Plant and equipment $m
2008 - Consolidated				
Carrying amount at beginning of year	**111.2**	**775.5**	**235.9**	**339.2**
Additions	**-**	**35.4**	**17.7**	**139.5**
Reclassification/transfer	**(1.6)**	**-**	**-**	**-**
Disposals	**-**	**-**	**-**	**(0.9)**
Impairment	**-**	**(23.2)**	**-**	**(15.8)**
Depreciation expense	**-**	**(12.3)**	**(15.7)**	**(85.6)**
Carrying amount at end of year	**109.6**	**775.4**	**237.9**	**376.4**

Reconciliations	Freehold land $m	Buildings $m	Leasehold improvements $m	Plant and equipment $m
2008 - Tabcorp Holdings Limited				
Carrying amount at beginning of year	**-**	**-**	**0.1**	**6.2**
Additions	**-**	**-**	**1.0**	**0.9**
Reclassification/transfer	**-**	**-**	**(0.7)**	**(3.2)**
Disposals	**-**	**-**	**-**	**(0.1)**
Depreciation expense	**-**	**-**	**-**	**(0.7)**
Carrying amount at end of year	**-**	**-**	**0.4**	**3.1**

Reconciliations	Freehold land $m	Buildings $m	Leasehold improvements $m	Plant and equipment $m
2007 - Consolidated				
Carrying amount at beginning of year	113.6	749.0	248.6	331.1
Additions	-	41.5	1.9	100.7
Reclassification/transfer	(1.8)	2.7	0.4	(0.2)
Disposals	(0.6)	(2.0)	-	(1.1)
Impairment	-	(1.0)	-	(1.2)
Transfer to assets held for sale	-	-	-	(6.6)
Depreciation expense	-	(14.7)	(15.0)	(83.5)
Carrying amount at end of year	111.2	775.5	235.9	339.2

Reconciliations	Freehold land $m	Buildings $m	Leasehold improvements $m	Plant and equipment $m
2007 - Tabcorp Holdings Limited				
Carrying amount at beginning of year	-	-	-	7.4
Additions	-	-	0.1	1.5
Reclassification/transfer	-	-	-	(0.9)
Disposals	-	-	-	(0.3)
Depreciation expense	-	-	-	(1.5)
Carrying amount at end of year	-	-	0.1	6.2

	Consolidated		Tabcorp Holdings	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m
13. Intangible assets - licences				
Victorian wagering and gaming licences[(i)]:				
- at cost	**477.9**	597.2	**477.9**	597.2
- accumulated amortisation	**(368.4)**	-	**(368.4)**	-
	109.5	597.2	**109.5**	597.2
NSW wagering licence:				
- at cost	**339.1**	339.1	**-**	-
- accumulated amortisation	**(14.8)**	(11.1)	**-**	-
	324.3	328.0	**-**	-
Star City and Treasury casino licences:				
- at cost	**294.7**	294.7	**-**	-
- accumulated amortisation	**(37.4)**	(34.2)	**-**	-
	257.3	260.5	**-**	-
Queensland Keno licence:				
- at cost	**43.7**	43.7	**-**	-
- accumulated amortisation	**(10.9)**	(8.6)	**-**	-
	32.8	35.1	**-**	-
	723.9	1,220.8	**109.5**	597.2

(i) Accounting for Victorian wagering and gaming licences

Since 1994, the Victorian wagering and gaming licences ('the Victorian licences') and the entitlement to receive a cash payment in respect of the Victorian licences were accounted for as a single intangible asset.

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

As a consequence of the Victorian Government statement of April 2008 in respect of the Victorian licences, the Company has determined that the most appropriate accounting treatment under AIFRS is to record two separate assets as follows:

(a) Intangible Asset – licences

An intangible asset representing the Company's right to use the Victorian licences for the 18 years until expiry in 2012 at cost of $477.9 million and with no residual value. As the Victorian licences have no residual value they are amortised on a straight line basis over the 18 year useful life until the Victorian licences expire in 2012.

(b) Other Receivables – Receivable in respect of Victorian licences

A financial asset representing the Company's entitlement to receive a cash payment of $686.8 million in respect of the Victorian licences at present value of $474.6 million at 30 June 2008, refer note 16.

Pursuant to section 4.3.12 of the Gambling Regulation Act 2003 (Vic) ('the Act') on the grant of new licences, the Company is entitled to be paid an amount equal to the licence value of the former licences or the premium paid by the new licensee, whichever is the lesser. The Company's estimate of the payment to be received in 2012 is $686.8 million.

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

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

The Company has determined that the financial effect of the revised accounting treatment is not material to the prior period, and therefore the prior period has not been restated. The financial effect of a restatement of the prior period would have been as follows:

- net assets and retained earnings decrease by $27.1 million;
- non-current other receivables increase by $434.0 million;
- intangible assets - licences decrease by $461.1 million; and
- net profit for the year ended 30 June 2007 increase of $10.6 million.

Reconciliations	Victorian wagering & gaming licences $m	NSW wagering licence $m	Star City & Treasury casino licences $m	Queensland Keno licence $m
2008 - Consolidated				
Carrying amount at beginning of year	**597.2**	**328.0**	**260.5**	**35.1**
Revision of accounting treatment[(i)]	**(461.1)**	**-**	**-**	**-**
Amortisation expense	**(26.6)**	**(3.7)**	**(3.2)**	**(2.3)**
Carrying amount at end of year	**109.5**	**324.3**	**257.3**	**32.8**
2008 - Tabcorp Holdings Limited				
Carrying amount at beginning of year	**597.2**	**-**	**-**	**-**
Revision of accounting treatment[(i)]	**(461.1)**	**-**	**-**	**-**
Amortisation expense	**(26.6)**	**-**	**-**	**-**
Carrying amount at end of year	**109.5**	**-**	**-**	**-**
2007 - Consolidated				
Carrying amount at beginning of year	597.2	331.7	263.7	37.5
Amortisation expense	-	(3.7)	(3.2)	(2.4)
Carrying amount at end of year	597.2	328.0	260.5	35.1
2007 - Tabcorp Holdings Limited				
Carrying amount at beginning of year	597.2	-	-	-
Carrying amount at end of year	597.2	-	-	-

	Consolidated		Tabcorp Holdings	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m
14. Intangible assets - other				
Goodwill:				
- at cost	**3,537.5**	3,537.5	**-**	-
- accumulated impairment	**(346.9)**	(152.9)	**-**	-
	3,190.6	3,384.6	**-**	-
Customer contracts and relationships:				
- at cost	**2.9**	2.9	**-**	-
- accumulated amortisation	**(1.0)**	(0.7)	**-**	-
	1.9	2.2	**-**	-
Software:				
- at cost[(i)]	**299.8**	251.9	**7.1**	10.5
- accumulated amortisation and impairment	**(141.1)**	(114.0)	**(3.6)**	(3.3)
	158.7	137.9	**3.5**	7.2
Other:				
- at cost	**20.6**	20.6	**-**	-
- accumulated amortisation	**(1.5)**	(1.1)	**-**	-
	19.1	19.5	**-**	-
Brand names at cost	**105.9**	105.9	**-**	-
Broadcast rights at cost	**6.5**	6.5	**-**	-
Media content at cost	**24.1**	24.1	**-**	-
	3,506.8	3,680.7	**3.5**	7.2
(i) Includes capital works in progress	**51.0**	18.6	**1.6**	1.5

Notes to the financial statements (continued)

For the year ended 30 June 2008

14. Intangible assets - other (continued)

Reconciliations	Goodwill $m	Customer contracts & relationships $m	Software $m	Other $m	Brand names $m	Broadcast rights $m	Media content $m
2008 - Consolidated							
Carrying amount at beginning of year	**3,384.6**	**2.2**	**137.9**	**19.5**	**105.9**	**6.5**	**24.1**
Additions							
- acquired	**-**	**-**	**3.9**	**-**	**-**	**-**	**-**
- internally developed	**-**	**-**	**46.7**	**-**	**-**	**-**	**-**
Disposals	**-**	**-**	**(0.1)**	**-**	**-**	**-**	**-**
Impairment[(i)]	**(194.0)**	**-**	**-**	**-**	**-**	**-**	**-**
Amortisation expense	**-**	**(0.3)**	**(29.7)**	**(0.4)**	**-**	**-**	**-**
Carrying amount at end of year	**3,190.6**	**1.9**	**158.7**	**19.1**	**105.9**	**6.5**	**24.1**
2008 - Tabcorp Holdings Limited							
Carrying amount at beginning of year	**-**	**-**	**7.2**	**-**	**-**	**-**	**-**
Additions - internally developed	**-**	**-**	**0.5**	**-**	**-**	**-**	**-**
Reclassification/ transfer	**-**	**-**	**(3.6)**	**-**	**-**	**-**	**-**
Amortisation expense	**-**	**-**	**(0.6)**	**-**	**-**	**-**	**-**
Carrying amount at end of year	**-**	**-**	**3.5**	**-**	**-**	**-**	**-**

(i) The impairment of goodwill in the wagering segment reflects the changing competitive environment, uncertainty in the regulatory regime and the impact of challenges in recent years including equine influenza.

Reconciliations	Goodwill $m	Customer contracts & relationships $m	Software $m	Other $m	Brand names $m	Broadcast rights $m	Media content $m
2007 - Consolidated							
Carrying amount at beginning of year	3,384.6	2.4	133.3	19.7	105.9	6.5	24.1
Additions							
- acquired	-	-	6.4	0.1	-	-	-
- internally developed	-	-	32.1	-	-	-	-
Reclassification/ transfer	-	-	(0.4)	-	-	-	-
Disposals	-	-	(4.3)	-	-	-	-
Transfer to assets held for sale	-	-	(3.3)	-	-	-	-
Amortisation expense	-	(0.2)	(25.9)	(0.3)	-	-	-
Carrying amount at end of year	3,384.6	2.2	137.9	19.5	105.9	6.5	24.1
2007 - Tabcorp Holdings Limited							
Carrying amount at beginning of year	-	-	26.4	-	-	-	-
Additions - internally developed	-	-	0.7	-	-	-	-
Reclassification/ transfer	-	-	(17.9)	-	-	-	-
Disposals	-	-	(0.6)	-	-	-	-
Amortisation expense	-	-	(1.4)	-	-	-	-
Carrying amount at end of year	-	-	7.2	-	-	-	-

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 or group of units for impairment testing. Each cash generating unit represents a business operation of the Group.

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

Cash generating unit(s) (Segment)	Star City (Casinos) $m	Conrad Jupiters (Casinos) $m	Conrad Treasury (Casinos) $m	Combined Wagering (Wagering) $m	Wagering Victoria (Wagering) $m	Wagering NSW (Wagering) $m	SKY Channel (Wagering) $m	Gaming Victoria (Gaming) $m	Queensland Keno (Gaming) $m	Other[(i)] $m	Total carrying amount $m
2008 - Consolidated											
Goodwill	**575.6**	**514.3**	**347.7**	**1,547.1**[(ii)]	**-**	**-**	**-**	**47.2**	**129.6**	**29.1**	**3,190.6**
Brand names	**-**	**-**	**-**	**-**	**-**	**98.8**	**6.7**	**-**	**-**	**0.4**	**105.9**
Broadcast rights	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6.5**	**6.5**
Media content	**-**	**-**	**-**	**-**	**-**	**-**	**24.1**	**-**	**-**	**-**	**24.1**
	575.6	**514.3**	**347.7**	**1,547.1**	**-**	**98.8**	**30.8**	**47.2**	**129.6**	**36.0**	**3,327.1**
2007 - Consolidated											
Goodwill	575.6	514.3	347.7	-	209.3	1,317.0	212.6	47.2	129.6	31.3	3,384.6
Brand names	-	-	-	-	-	98.8	6.7	-	-	0.4	105.9
Broadcast rights	-	-	-	-	-	-	-	-	-	6.5	6.5
Media content	-	-	-	-	-	-	24.1	-	-	-	24.1
	575.6	514.3	347.7	-	209.3	1,415.8	243.4	47.2	129.6	38.2	3,521.1

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

(ii) Goodwill in the wagering segment has been allocated at the segment level for impairment testing in the current year. An impairment write down in goodwill has been recognised, as outlined in note 14.

Notes to the financial statements (continued)

For the year ended 30 June 2008

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

The recoverable amount of each cash generating unit is determined based on fair value less selling costs, which is calculated using the discounted cash flow approach. This approach utilises cash flow forecasts that are principally based upon Board-approved business plans for a five-year period and extrapolated using growth rates ranging from 2.0% to 4.5%. These cash flows are then discounted using a relevant pre tax weighted average cost of capital, ranging from 13.1% to 14.9%.

Key assumptions

The following describes the key assumptions on which management based its cash flow projections when determining fair value less selling costs to undertake impairment testing of goodwill and intangibles:

i. Cash flow forecasts

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

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

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

ii. State tax regimes

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

iii. Regulatory

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

iv. Discount rates

Discount rates used are the pre tax weighted average cost of capital applicable to the relevant industry in which the cash generating unit operates.

v. Victorian wagering and gaming licences

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

The key estimates and assumptions used to determine the fair value less costs to sell of a cash generating unit are based on management's current expectations. Significant changes in any of these key estimates and assumptions may result in a cash generating unit's carrying value exceeding its recoverable value requiring an impairment charge to be recognised at a future date.

		Consolidated		Tabcorp Holdings	
		2008	2007	**2008**	2007
	Note	**$m**	$m	**$m**	$m
16. Other receivables					
Non current					
Receivable in respect of Victorian licences	13	**474.6**	-	**474.6**	-
Allowance for impairment[a]	13	**(474.6)**	-	**(474.6)**	-
		-	-	**-**	-
Other		**2.1**	-	**2.1**	-
		2.1	-	**2.1**	-
(a) Movement in the allowance for impairment:					
Allowance for impairment at the beginning of the year		**-**	-	**-**	-
Impairment for the year		**(474.6)**	-	**(474.6)**	-
		(474.6)	-	**(474.6)**	-
17. Payables					
Current					
Trade creditors and accrued expenses - unsecured		**407.3**	379.8	**23.9**	19.0
18. Interest bearing liabilities					
Current					
Bank loans - unsecured		**-**	390.0	**-**	-
Non current					
Bank loans - unsecured		**1,084.8**	677.1	**-**	-
Medium term notes[i]:					
- fixed interest rate		**383.3**	382.8	**-**	-
- floating interest rate		**64.9**	64.8	**-**	-
Private placement[ii]:					
- US dollar[iii]		**637.0**	726.2	**-**	-
- Australian dollar		**99.7**	99.7	**-**	-
		2,269.7	1,950.6	**-**	-

(i) Mature in October 2011.
(ii) Mature in December 2014, December 2016, and December 2019.
(iii) Aggregate US dollar principal of $625.0 million.

Fair value disclosures

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

Financing arrangements

The facilities consisted of:

Type	Amount $m	2008 Expiry date	2007 Expiry date
Syndicated revolving facility	260.0	April 2010	April 2010
	375.0	October 2010	October 2008
	265.0	October 2012	October 2007
Revolving facility	180.0	October 2008	October 2008
	200.0	March 2010	March 2010
	125.0	October 2010	October 2007
	150.0	February 2011	n/a

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

	Consolidated		Tabcorp Holdings	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m
19. Provisions				
Current				
Employee benefits	**53.0**	52.6	**2.5**	2.1
Workers' compensation	**11.2**	13.2	**-**	-
Onerous contract - surplus lease space	**1.6**	1.5	**-**	-
Management agreement - Gold Coast and Brisbane casinos	**16.4**	17.4	**-**	-
Restructuring costs	**6.8**	18.8	**4.6**	14.2
Other	**9.7**	11.2	**0.6**	2.0
	98.7	114.7	**7.7**	18.3
Non current				
Employee benefits	**8.9**	10.7	**0.3**	0.3
Onerous contract - surplus lease space	**2.0**	3.5	**-**	-
Management agreement - Gold Coast and Brisbane casinos	**12.3**	28.3	**-**	-
Other	**2.2**	2.8	**0.3**	0.3
	25.4	45.3	**0.6**	0.6

Notes to the financial statements (continued)

For the year ended 30 June 2008

19. Provisions (continued)

Reconciliations

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

	Workers' compensation $m	Onerous contract - surplus lease space $m	Management agreement - Gold Coast and Brisbane casinos $m	Restructuring costs $m	Other $m
2008 - Consolidated					
Carrying amount at beginning of year	**13.2**	**5.0**	**45.7**	**18.8**	**14.0**
Provisions made during the year	**2.3**	**-**	**-**	**2.7**	**8.1**
Payments made during the year	**(3.2)**	**(1.5)**	**(23.8)**	**(14.2)**	**(5.7)**
Unused amounts reversed	**(1.1)**	**-**	**-**	**(0.5)**	**(4.5)**
Discount on provisions	**-**	**0.1**	**6.8**	**-**	**-**
Carrying amount at end of year	**11.2**	**3.6**	**28.7**	**6.8**	**11.9**
Carrying amount at end of year					
- current	**11.2**	**1.6**	**16.4**	**6.8**	**9.7**
- non current	**-**	**2.0**	**12.3**	**-**	**2.2**
	11.2	**3.6**	**28.7**	**6.8**	**11.9**
Carrying amount at beginning of year					
- current	13.2	1.5	17.4	18.8	11.2
- non current	-	3.5	28.3	-	2.8
	13.2	5.0	45.7	18.8	14.0
2008 - Parent					
Carrying amount at beginning of year	**-**	**-**	**-**	**14.2**	**2.3**
Provisions made during the year	**-**	**-**	**-**	**-**	**2.1**
Payments made during the year	**-**	**-**	**-**	**(9.1)**	**(1.4)**
Unused amounts reversed	**-**	**-**	**-**	**(0.5)**	**(2.1)**
Carrying amount at end of year	**-**	**-**	**-**	**4.6**	**0.9**
Carrying amount at end of year					
- current	**-**	**-**	**-**	**4.6**	**0.6**
- non current	**-**	**-**	**-**	**-**	**0.3**
	-	**-**	**-**	**4.6**	**0.9**
Carrying amount at beginning of year					
- current	-	-	-	14.2	2.0
- non current	-	-	-	-	0.3
	-	-	-	14.2	2.3

Nature and timing of provisions

(i) Workers' compensation

The casinos self insure for workers' compensation in both New South Wales and Queensland. A valuation of the estimated claims liability for workers' compensation is undertaken annually by an independent actuary, Mr Andrew Cohen FIAA FIA and Mr Mark Hurst FIAA (Finity Consulting Pty Ltd).

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.

(ii) Onerous contract - surplus lease space

In 1995, a 15 year non cancellable lease contract was entered into by Star City Pty Ltd for commercial premises in Ultimo, New South Wales. A surplus lease space provision has been recognised as the premises are not occupied by the Group and the lease expenses exceed the rental income from a number of sub-leases to third party tenants. The provision represents the present value of the estimated liability for the Group to the expiration of the lease in April 2010 for its obligations under the lease agreement, assuming no further space is sub-let.

(iii) 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 $115.9 million was included in the determination of the fair value of the net assets and liabilities acquired. The contract matures in April 2010.

(iv) Restructuring costs

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

		Consolidated		Tabcorp Holdings	
		2008	2007	**2008**	2007
	Note	**$m**	$m	**$m**	$m
20. Other liabilities					
Current					
Deferred revenue		**1.3**	1.6	**-**	-
Other		**0.6**	1.0	**-**	-
		1.9	2.6	**-**	-
Non current					
Deferred revenue		**1.3**	2.5	**-**	-
Pension liability	27	**1.9**	-	**1.9**	-
		3.2	2.5	**1.9**	-
21. Capital and reserves					
(a) Issued capital					
Ordinary shares - issued and fully paid(i)		**3,198.9**	3,199.0	**3,198.9**	3,199.0
Treasury shares(ii)		**(3.5)**	(6.7)	**(0.8)**	(1.0)
		3,195.4	3,192.3	**3,198.1**	3,198.0

(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.

Notes to the financial statements (continued)

For the year ended 30 June 2008

21. Capital and reserves (continued)

(i) Ordinary shares (continued)

	2008		2007	
	Number of shares	**$m**	Number of shares	$m
Movements in ordinary share capital:				
Ordinary share capital at the beginning of the financial year	**524,927,016**	**3,199.0**	524,927,016	3,199.6
Employee deferred share plan[a]	**-**	**-**	51,595	0.8
Buy backs	**-**	**-**	(51,595)	(0.8)
Transfer from employee equity benefit reserve[b]	**-**	**0.4**	-	0.2
Net outlay to purchase shares[c]	**-**	**(0.5)**	-	(0.8)
Ordinary share capital at the end of the financial year	**524,927,016**	**3,198.9**	524,927,016	3,199.0

(a) Refer to note 26 for details of the employee deferred share plan.
(b) Transfer on vesting of Performance Options and Performance Rights.
(c) Net outlay for the purchase of Company shares for Performance Options and Performance 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); and
- the unvested portion of Restricted Shares issued to executives as an incentive on appointment or for retention.

	Consolidated		Tabcorp Holdings	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m
Movements in treasury shares:				
Treasury shares at the beginning of the financial year	**(6.7)**	(23.3)	**(1.0)**	(2.4)
Restricted Shares issued	**(1.4)**	(0.4)	**(1.4)**	(0.4)
Share based payments expense - Company	**0.6**	0.1	**0.6**	0.1
Share based payments expense - other Group entities	**1.0**	0.9	**1.0**	0.9
Transfer of limited recourse loan to receivable	**1.0**	-	**-**	-
Repayments[a]	**2.0**	16.0	**-**	0.8
Treasury shares at the end of the financial year	**(3.5)**	(6.7)	**(0.8)**	(1.0)

(a) Refer to note 26 for details of the employee share plans.

		Consolidated		Tabcorp Holdings	
		2008	2007	**2008**	2007
	Note	**$m**	$m	**$m**	$m
(b) Retained earnings/(accumulated losses)					
Movements in retained earnings/ (accumulated losses):					
Retained earnings at the beginning of the financial year		**168.6**	201.7	**299.1**	509.5
Net actuarial loss on defined benefit plan		**(0.8)**	(0.5)	**(0.8)**	(0.5)
Net profit/(loss) attributable to members of the parent entity		**(164.6)**	450.4	**(184.4)**	273.1
Dividends paid	5	**(493.4)**	(483.0)	**(493.4)**	(483.0)
Retained earnings/(accumulated losses) at the end of the financial year		**(490.2)**	168.6	**(379.5)**	299.1
(c) Reserves					
Net unrealised gains/losses reserve[i]					
Balance at start of period		**7.8**	(24.2)	**-**	-
Change in fair value of cash flow hedges		**48.8**	32.0	**-**	-
Total for the period		**56.6**	7.8	**-**	-
Employee equity benefit reserve[ii]					
Balance at start of period		**7.4**	5.0	**7.4**	5.0
Share based payments expense - Company		**0.7**	0.9	**0.7**	0.9
Share based payments expense - other Group entities		**1.3**	1.7	**1.3**	1.7
Transfers to share capital[a]		**(0.4)**	(0.2)	**(0.4)**	(0.2)
Total for the period		**9.0**	7.4	**9.0**	7.4
Total reserves		**65.6**	15.2	**9.0**	7.4

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

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 26).

(d) Capital management

The Group's objectives when managing capital are to ensure the Group continues as a going concern while providing optimal returns to shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to be paid to shareholders, return capital to shareholders or issue new shares. The Group has a target of an investment grade credit rating. Gearing is managed primarily through the ratio of gross debt to earnings before interest, tax, depreciation, amortisation and impairment (EBITDA).

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

	Consolidated	
	2008	2007
	$m	$m
Interest bearing liabilities	**2,269.7**	2,340.6
EBITDA	**1,075.2**	947.8

	Consolidated	
	2008	2007
Gearing ratio	**2.1**	2.5

	Consolidated		Tabcorp Holdings	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m
22. Minority interests				
Interest in:				
Ordinary shares	**-**	9.9	**-**	-
Retained earnings	**-**	(1.8)	**-**	-
Closing balance	**-**	8.1	**-**	-

23. 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	
		2008	2007	**2008**	2007
	Note	**$m**	$m	**$m**	$m
Cash on hand and in banks	7	**98.5**	108.4	**2.1**	4.7
Short term deposits, maturing within 30 days	7	**74.7**	93.8	**22.6**	35.2
Assets held for sale	11	**-**	5.1	**-**	-
		173.2	207.3	**24.7**	39.9

Notes to the financial statements (continued)

For the year ended 30 June 2008

23. Notes to the cash flow statement (continued)

(b) Reconciliation of net profit/(loss) after tax to net cash flows from operating activities

	Consolidated		Tabcorp Holdings	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m
Net profit/(loss) after tax	**(165.0)**	449.5	**(184.4)**	273.1
Add/(less) items classified as investing/ financing activities:				
- net gain on disposal of controlled entity	**(0.4)**	-	**-**	-
- net (gain)/loss on disposal of non current assets	**(1.4)**	2.0	**0.1**	0.9
Add/(less) non cash income and expense items:				
- depreciation expense	**102.6**	104.1	**0.7**	1.5
- amortisation expense	**90.3**	38.2	**54.3**	1.4
- impairment	**707.6**	2.2	**474.6**	-
- share based payments expense	**3.4**	3.7	**1.3**	1.0
- net fair value change on derivatives	**(7.5)**	0.5	**-**	-
- unwinding of discount	**(40.6)**	-	**(40.6)**	-
- other	**0.9**	-	**0.9**	-
Net cash provided by operating activities before changes in assets and liabilities	**689.9**	600.2	**306.9**	277.9
Changes in assets and liabilities:				
(Increase)/decrease in:				
- trade and sundry receivables	**(32.7)**	8.0	**(0.1)**	0.2
- inventories	**2.5**	(0.1)	**-**	-
- prepayments	**(11.3)**	(1.5)	**0.2**	(1.7)
- accrued interest income	**-**	0.1	**-**	(0.1)
- amounts receivable from controlled entities	**-**	-	**(355.6)**	(318.7)
- deferred tax assets	**-**	-	**1.1**	(6.5)
- other assets	**(4.1)**	(1.3)	**-**	-
(Decrease)/increase in:				
- payables	**11.4**	33.8	**4.9**	2.9
- provisions	**(42.0)**	(25.3)	**(10.6)**	17.6
- deferred tax liabilities	**(2.2)**	12.7	**-**	-
- provision for income tax	**39.1**	(20.1)	**38.7**	(17.8)
- other liabilities	**1.7**	2.2	**0.8**	-
Net cash from operating activities	**652.3**	608.7	**(13.7)**	(46.2)

24. Commitments

(a) Capital expenditure commitments

	Consolidated		Tabcorp Holdings	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m
Plant and equipment				
Contracted but not provided for and payable:				
Not later than one year	**33.4**	47.1	**-**	0.4
Later than one year but not later than five years	**24.4**	9.5	**-**	-
	57.8	56.6	**-**	0.4
Software				
Contracted but not provided for and payable:				
Not later than one year	**2.3**	5.1	**-**	1.0
	2.3	5.1	**-**	1.0

	Consolidated		Tabcorp Holdings	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m
(b) Operating lease commitments				
Contracted but not provided for and payable:				
Not later than one year	**30.6**	32.6	**2.5**	2.4
Later than one year but not later than five years	**64.1**	77.5	**5.2**	7.7
Later than five years	**85.9**	95.9	**-**	-
	180.6	206.0	**7.7**	10.1
Non cancellable sub-leases exist in relation to the operating lease commitments disclosed above with the following future minimum lease payments contracted to be received:				
Not later than one year	**1.6**	1.4	**-**	-
Later than one year but not later than five years	**2.9**	1.7	**-**	-
	4.5	3.1	**-**	-

The Group leases property under operating leases expiring from 1 to 85 years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or are subject to market rate review.

	Consolidated		Tabcorp Holdings	
(c) Operating expenditure commitments				
Contracted but not provided for and payable[(i)]:				
Not later than one year	**89.4**	48.0	**-**	-
Later than one year but not later than five years	**340.2**	194.0	**-**	-
Later than five years	**25.0**	86.2	**-**	-
	454.6	328.2	**-**	-

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

25. Segment information

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

The Group has three main business segments:

Casinos Casino operations including hotels, apartment complex, theatres, restaurants and bars.

Wagering Comprises:

- Totalisator and fixed odds betting activities; and
- National and international broadcasting of racing and sporting events.

Gaming Gaming machine and Keno operations in licensed clubs and hotels.

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

Unallocated includes residual international technology and product sales.

Intersegment pricing is determined on commercial terms and conditions.

25. Segment information (continued)

	Casinos $m	Wagering $m	Gaming $m	Unallocated $m	Elimination $m	Consolidated $m
2008 - Consolidated						
Total operating revenues - external	1,352.3	1,469.9	1,133.6	1.2	-	3,957.0
Other revenues - external	7.1	7.7	20.6	50.0	-	85.4
Intersegment revenue	5.2	-	-	-	(5.2)	-
Revenues	1,364.6	1,477.6	1,154.2	51.2	(5.2)	4,042.4
Segment Result (pre impairment)	**408.1**	**247.1**	**225.0**			**880.2**
Segment Result	**369.1**	**(98.8)**	**(97.7)**			**172.6**
Unallocated items:						
- interest revenue						9.3
- operating revenues						1.2
- other revenues						40.7
- other income and expenses						0.8
- finance costs						(168.4)
Profit before income tax						56.2
Income tax expense						(221.2)
Loss for the period						**(165.0)**
Depreciation and amortisation	61.7	67.1	63.8	0.3	-	192.9
Impairment losses recognised in the income statement	39.0	345.9	322.7	-	-	707.6
Non cash expenses other than depreciation, amortisation and impairment	10.0	(0.9)	-	1.0	-	10.1
Segment assets	3,170.6	2,383.9	474.8	92.4	-	6,121.7
Segment liabilities	253.1	207.4	48.5	2,841.9	-	3,350.9
Capital expenditure	126.5	67.2	49.5	-	-	243.2

	Casinos $m	Wagering $m	Gaming $m	Unallocated $m	Elimination $m	Consolidated $m
2007 - Consolidated						
Total operating revenues - external	1,286.6	1,464.1	1,081.8	2.5	-	3,835.0
Other revenues - external	7.1	13.0	19.8	8.8	-	48.7
Intersegment revenue	4.8	-	-	-	(4.8)	-
Revenues	1,298.5	1,477.1	1,101.6	11.3	(4.8)	3,883.7
Segment Result	**333.9**	**225.7**	**251.1**			**810.7**
Unallocated items:						
- interest revenue						8.6
- operating revenues						2.5
- other revenues						0.2
- other income and expenses						(10.1)
- finance costs						(172.3)
Profit before income tax						639.6
Income tax expense						(190.1)
Profit for the period						**449.5**
Depreciation and amortisation	67.9	49.5	23.8	1.1	-	142.3
Impairment losses recognised in the income statement	2.2	-	-	-	-	2.2
Non cash expenses other than depreciation, amortisation and impairment	(1.1)	1.7	0.3	-	-	0.9
Segment assets	3,139.2	2,714.2	782.4	90.7	-	6,726.5
Segment liabilities	254.8	209.1	50.7	2,827.7	-	3,342.3
Capital expenditure	89.0	43.0	44.8	5.9	-	182.7

26. Employee share plans

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

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

These plans operate under the following names:

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

(i) Implemented in 2004.
(ii) Ceased being offered in 2003.
(iii) Implemented in 2003.
(iv) Implemented in 2007 and ceased being offered in 2008.

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

The share based payments expense in respect of the equity instruments granted is recognised in the income statement for the period and is disclosed at note 2(e).

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

Employee equity participation plans

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

Current

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

Previous

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

Incentive equity plans

Current

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

Previous

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

Details of employee share plans

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

Options, Performance Options and Performance Rights issued

Details of Options, Performance Options and Performance Rights outstanding at the end of the current or previous year are:

		Exercise price ($)	
Grant date	Exercise expiry date	Options & Performance Options	Performance Rights
7 October 2002[(i) (iii)]	7 October 2010	12.61	n/a
1 December 2003	1 December 2010	11.23	Nil
7 September 2004	7 September 2011	14.54	Nil
3 March 2005	3 March 2012	17.03	Nil
7 September 2005	7 September 2012	16.51	Nil
3 March 2006	3 March 2013	15.08	Nil
3 April 2006	3 April 2013	15.42	Nil
17 November 2006	17 November 2013	15.22	Nil
26 November 2007	26 November 2014	n/a	Nil
28 November 2007	28 November 2014	n/a	Nil

(i) Equity instruments granted under a service agreement. These equity instruments were not recognised as an expense in the income statement as AASB 2 'Share based Payment' excludes options granted on or before 7 November 2002.

Notes to the financial statements (continued)

For the year ended 30 June 2008

26. Employee share plans (continued)

Options, Performance Options and Performance Rights issued (continued)

Movements in Options, Performance Options and Performance Rights:

Consolidated and Tabcorp Holdings - 2008

Grant date	WASP at exercise date [ii] $	Balance at start of year Number	Granted during the year Number	Forfeited during the year Number	Expired during the year Number[iii]	Exercised during the year Number	Balance at end of year Number	Exercisable at end of year Number
Options and Performance Options:								
7 October 2002	15.22	1,000,000	-	-	914,835	85,165	-	-
1 December 2003	n/a	894,056	-	17,335	-	-	876,721	-
7 September 2004	15.11	950,959	-	14,562	-	76,923	859,474	-
3 March 2005	n/a	50,574	-	11,740	-	-	38,834	-
7 September 2005	n/a	731,765	-	44,476	-	-	687,289	-
3 March 2006	n/a	131,372	-	11,029	-	-	120,343	-
3 April 2006	n/a	112,500	-	-	-	-	112,500	-
17 November 2006	n/a	955,964	-	59,959	-	-	896,005	-
		4,827,190	-	159,101	914,835	162,088	3,591,166	-
Performance Rights:								
1 December 2003	n/a	110,287	-	3,542	-	-	106,745	-
7 September 2004	15.12	125,340	-	2,971	-	10,460	111,909	-
3 March 2005	n/a	8,901	-	2,393	-	-	6,508	-
7 September 2005	14.79	120,458	-	8,610	-	7,103	104,745	-
3 March 2006	n/a	18,830	-	2,238	-	-	16,592	-
3 April 2006	n/a	15,000	-	-	-	-	15,000	-
17 November 2006	n/a	485	-	-	-	-	485	-
26 November 2007	n/a	-	100,000	-	-	-	100,000	-
28 November 2007	n/a	-	410,296	48,092	-	-	362,204	-
		399,301	510,296	67,846	-	17,563	824,188	-

Consolidated and Tabcorp Holdings - 2007

Grant date	WASP at exercise date(ii) $	Balance at start of year Number	Granted during the year Number	Forfeited during the year Number	Exercised during the year Number	Balance at end of year Number	Exercisable at end of year Number
Options and Performance Options:							
7 October 2002	n/a	1,000,000	-	-	-	1,000,000	85,165
1 December 2003	16.02	1,025,337	-	28,488	102,793	894,056	-
7 September 2004	15.49	1,042,225	-	73,853	17,413	950,959	-
3 March 2005	n/a	74,097	-	23,523	-	50,574	-
7 September 2005	n/a	1,277,029	-	545,264	-	731,765	-
3 March 2006	n/a	143,872	-	12,500	-	131,372	-
3 April 2006	n/a	112,500	-	-	-	112,500	-
17 November 2006	n/a	-	1,179,484	223,520	-	955,964	-
		4,675,060	1,179,484	907,148	120,206	4,827,190	85,165
Performance Rights:							
1 December 2003	15.94	129,854	-	5,567	14,000	110,287	-
7 September 2004	15.20	141,378	-	13,670	2,368	125,340	-
3 March 2005	n/a	13,699	-	4,798	-	8,901	-
7 September 2005	15.20	175,628	-	53,859	1,311	120,458	-
3 March 2006	n/a	21,366	-	2,536	-	18,830	-
3 April 2006	n/a	15,000	-	-	-	15,000	-
17 November 2006	n/a	-	2,628	2,143	-	485	-
		496,925	2,628	82,573	17,679	399,301	-

(ii) Denotes the weighted average share price at the date of exercise.
(iii) The balance of the one million Options issued on 7 October 2002 lapsed after the final test date of 7 October 2007.

The weighted average remaining contractual life for the Options, Performance Options and Performance Rights outstanding as at 30 June 2008 is:

- Options and Performance Options: 3.5 years (2007: 4.5 years)
- Performance Rights: 5.1 years (2007: 4.4 years)

26. Employee share plans (continued)

Fair value of equity instruments

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

The assumptions underlying the Options, Performance Options and Performance Rights valuations are:

Grant date	Expiry date	Share price at date of grant $	Expected volatility in share price(i) %	Expected dividend yield(ii) %	Risk free interest rate(iii) %	Value per Performance Option $	Value per Performance Right $
7 Oct 2002	7 Oct 2005	12.11	20.70	5.20	4.99	0.93	n/a
7 Oct 2002	7 Oct 2010	12.11	20.70	5.20	5.14(iv)	1.51	n/a
1 Dec 2003	1 Dec 2010	11.19	19.80	6.00	5.98	1.31	5.65
7 Sep 2004	7 Sep 2011	14.57	16.00	4.90	5.53	1.81	8.72
3 Mar 2005	3 Mar 2012	16.81	16.00	4.50	5.56	2.16	10.29
7 Sep 2005	7 Sep 2012	16.35	16.00	4.95	5.10	1.86	10.01
3 Mar 2006	3 Mar 2013	15.00	16.00	5.00	5.31	1.73	9.21
3 Apr 2006	3 Apr 2013	15.85	16.00	5.00	5.40	2.01	9.75
17 Nov 2006	17 Nov 2013	16.69	15.00	5.00	5.83 / 5.89(v)	2.42	10.18
17 Nov 2006	17 Nov 2013	16.69	15.00	5.00	5.83	2.29	n/a
26 Nov 2007	26 Nov 2014	15.04	20.00	5.50	6.24	n/a	7.40
28 Nov 2007	28 Nov 2014	15.01	18.00	5.00	6.34	n/a	9.35

(i) Reflects the assumption that the historical volatility is indicative of future trends.
(ii) Reflects the assumption that the current payout ratio will continue with no anticipated increases.
(iii) Represents the zero coupon interest rate derived from government bond market interest rates on the valuation date and vary according to each maturity date.
(iv) Represents an average of the rates used to value each of the four tranches that comprise the issue.
(v) Risk free interest rate used for Performance Options and Performance Rights respectively.

27. Pensions and other post employment benefit plans

Superannuation funds

The Tabcorp Superannuation Plan comprises:

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

The Group contributes to the Tabcorp Superannuation Plan as follows:

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

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

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

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

	Consolidated		Tabcorp Holdings	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m
Movements in the net asset/(liability) recognised in the balance sheet:				
Net asset for the defined benefit obligation at beginning of year	**0.3**	1.3	**0.3**	1.3
Expense recognised in the income statement	**(1.4)**	(0.6)	**(1.4)**	(0.6)
Actuarial loss recognised in retained earnings	**(1.1)**	(0.8)	**(1.1)**	(0.8)
Employer contributions	**0.3**	0.4	**0.3**	0.4
Net asset/(liability) for defined benefit obligation at end of year	**(1.9)**	0.3	**(1.9)**	0.3
Net benefit expense recognised in the income statement				
Current service cost	**1.2**	1.2	**1.2**	1.2
Interest cost on benefit obligation	**1.3**	1.1	**1.3**	1.1
Expected return on plan assets	**(1.1)**	(1.7)	**(1.1)**	(1.7)
Net benefit expense	**1.4**	0.6	**1.4**	0.6
Actual return on plan assets	**1.6**	2.2	**1.6**	2.2

	2008 $m	2007 $m	2006 $m	2005 $m
Reconciliation of the net asset/(liability) recognised on the balance sheet				
Consolidated and Tabcorp Holdings Limited				
Present value of defined benefit obligation	**(14.7)**	(24.5)	(22.6)	(24.6)
Fair value of plan assets	**12.8**	24.8	23.9	23.2
Net benefit asset/(liability) - non current	**(1.9)**	0.3	1.3	(1.4)

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

	Consolidated		Tabcorp Holdings	
	2008 $m	2007 $m	**2008 $m**	2007 $m
Reconciliation of the present value of the defined benefit obligation:				
Opening defined benefit obligation	**(24.5)**	(22.6)	**(24.5)**	(22.6)
Interest cost	**(1.3)**	(1.1)	**(1.3)**	(1.1)
Current service cost	**(1.2)**	(1.2)	**(1.2)**	(1.2)
Benefits and taxes paid	**10.8**	2.1	**10.8**	2.1
Plan participants' contributions	**(0.1)**	(0.3)	**(0.1)**	(0.3)
Actuarial gains/(losses) on obligation	**1.6**	(1.4)	**1.6**	(1.4)
Closing defined benefit obligation	**(14.7)**	(24.5)	**(14.7)**	(24.5)
Reconciliation of the fair value of plan assets:				
Opening fair value of plan assets	**24.8**	23.9	**24.8**	23.9
Expected return	**1.1**	1.7	**1.1**	1.7
Contributions by employer	**0.3**	0.4	**0.3**	0.4
Benefits and taxes paid	**(10.8)**	(2.1)	**(10.8)**	(2.1)
Plan participants' contributions	**0.1**	0.3	**0.1**	0.3
Actuarial gains/(losses)	**(2.7)**	0.6	**(2.7)**	0.6
Closing fair value of plan assets	**12.8**	24.8	**12.8**	24.8
Amounts recognised in the statement of recognised income and expense				
Actuarial loss	**(1.1)**	(0.8)	**(1.1)**	(0.8)
Cumulative actuarial gains	**0.7**	1.8	**0.7**	1.8

The history of experience adjustments is as follows:

	2008 $m	2007 $m	2006 $m	2005 $m
Consolidated and Tabcorp Holdings Limited				
Experience adjustments - plan liabilities	**1.7**	(1.7)	0.3	-
Experience adjustments - plan assets	**(2.7)**	0.6	3.0	-

The Group expects to contribute $0.3 million to its defined benefit plan in the 2009 financial year.

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

	2008 %	2007 %
Australian equities	**29.0**	29.0
International equities	**29.0**	29.0
Australian fixed interest	**10.0**	10.0
International fixed interest	**13.0**	13.0
Listed property	**6.7**	6.7
Direct property	**3.3**	3.3
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):

	2008 % pa	2007 % pa
Discount rate:		
- active members	**5.5**	5.3
- pensioners(i)	**6.5**	6.2
Expected salary increase rate	**4.5**	4.5
Expected pension increase rate	**2.5**	2.5
Expected rate of return on assets:		
- supporting lump sum liabilities	**7.0**	7.0
- supporting pensioner liabilities(i)	**8.0**	8.0

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

28. Director and executive disclosures

(a) Compensation of KMP

	Consolidated		Tabcorp Holdings	
	2008	2007	**2008**	2007
	$	$	**$**	$
Short term	**10,914,040**	9,222,004	**10,914,040**	9,222,004
Other long term	**45,680**	(22,002)	**45,680**	(22,002)
Post employment	**209,888**	232,888	**209,888**	232,888
Termination benefits	**775,000**	4,413,132	**775,000**	4,413,132
Share based payments	**1,706,085**	2,677,807	**1,706,085**	2,677,807
	13,650,693	16,523,829	**13,650,693**	16,523,829

The above reflects the compensation for the year for individuals who were a KMP at any time during the year. The compensation for the period while the individuals were a KMP is $13,650,693 (2007: $14,827,163).

(b) Shareholdings of KMP

30 June 2008

Shares held in Tabcorp Holdings Limited (number)

	Balance 1 July 2007	Granted as remun-eration	On exercise of Performance Options and Performance Rights	Net change other	Balance at KMP cessation date	Balance at 30 June 2008
Non Executive Directors						
Current						
John Story	13,149	-	-	12,500	n/a	25,649
Anthony Hodgson	100,170	-	-	(79,925)	n/a	20,245
Paula Dwyer	20,000	-	-	10,000	n/a	30,000
John O'Neill	n/a	-	-	-	n/a	-
Zygmunt Switkowski	33,800	-	-	40,000	n/a	73,800
Former						
Michael Robinson	45,565	-	-	-	45,565	n/a
Philip Satre	8,000	-	-	-	8,000	n/a
Executives						
Current Executive Director						
Elmer Funke Kupper	97,000	-	-	-	n/a	97,000
Current Executives						
Matt Bekier	1,819	-	-	744	n/a	2,563
Walter Bugno	30,000	-	-	-	n/a	30,000
Mohan Jesudason	158,625	-	-	-	n/a	158,625
Robert Nason	10,000	-	-	-	n/a	10,000
Kerry Willcock	715	-	-	-	n/a	715
Louise Zampaglione	n/a	-	-	-	n/a	-
Former Executives						
Peter Caillard	120,740	-	-	-	120,740	n/a
Total	639,583	-	-	(16,681)	174,305	448,597

30 June 2007

Shares held in Tabcorp Holdings Limited (number)

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

Notes to the financial statements (continued)

For the year ended 30 June 2008

28. Director and executive disclosures (continued)

(c) Options, Performance Options and Performance Rights holdings of KMP

30 June 2008

Performance Options held in Tabcorp Holdings Limited (number)

	Balance 1 July 2007	Granted as remuneration	Options exercised	Net reduction other *	Balance at KMP cessation date	Balance at 30 June 2008	Vested at 30 June 2008 Total	Vested at 30 June 2008 Exercisable
Current								
Elmer Funke Kupper	236,126	-	-	-	n/a	236,126	-	-
Matt Bekier	96,154	-	-	-	n/a	96,154	-	-
Walter Bugno	236,126	-	-	-	n/a	236,126	-	-
Mohan Jesudason	241,412	-	-	-	n/a	241,412	-	-
Robert Nason	70,804	-	-	-	n/a	70,804	-	-
Kerry Willcock	92,394	-	-	-	n/a	92,394	-	-
Louise Zampaglione	-	-	-	-	n/a	-	-	-
Former								
Peter Caillard	224,367	-	-	(66,786)	157,581	n/a	-	-
Total	1,197,383	-	-	(66,786)	157,581	973,016	-	-

* Includes forfeitures.

30 June 2008

Performance Rights held in Tabcorp Holdings Limited (number)

	Balance 1 July 2007	Granted as remuneration	Rights exercised	Net reduction other *	Balance at KMP cessation date	Balance at 30 June 2008	Vested at 30 June 2008 Total	Vested at 30 June 2008 Exercisable
Current								
Elmer Funke Kupper	15,000	100,000	-	-	n/a	115,000	-	-
Matt Bekier	-	41,592	-	-	n/a	41,592	-	-
Walter Bugno	15,000	53,475	-	-	n/a	68,475	-	-
Mohan Jesudason	22,756	35,650	-	-	n/a	58,406	-	-
Robert Nason	-	40,106	-	-	n/a	40,106	-	-
Kerry Willcock	5,925	24,064	-	-	n/a	29,989	-	-
Louise Zampaglione	-	-	-	-	n/a	-	-	-
Former								
Peter Caillard	14,829	22,459	-	(21,666)	15,622	n/a	-	-
Total	73,510	317,346	-	(21,666)	15,622	353,568	-	-

* Includes forfeitures.

30 June 2007

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

	Balance 1 July 2006	Granted as remuneration	Options exercised	Net reduction other *	Balance at KMP cessation date	Balance at 30 June 2007	Vested at 30 June 2007 Total	Vested at 30 June 2007 Exercisable
Current								
Elmer Funke Kupper	112,500	123,626	-	-	n/a	236,126	-	-
Matt Bekier	-	96,154	-	-	n/a	96,154	-	-
Walter Bugno	112,500	123,626	-	-	n/a	236,126	-	-
Peter Caillard	108,983	115,384	-	-	n/a	224,367	-	-
Mohan Jesudason	167,236	74,176	-	-	n/a	241,412	-	-
Robert Nason	-	70,804	-	-	n/a	70,804	-	-
Kerry Willcock	43,562	48,832	-	-	n/a	92,394	-	-
Former								
Matthew Slatter[(a)]	1,978,122	-	-	318,080	1,660,042	n/a	85,165	85,165
George Mackey	123,388	60,440	-	84,482	99,346	n/a	-	-
Julia Nenke	47,395	58,379	-	61,660	44,114	n/a	-	-
Total	2,693,686	771,421	-	464,222	1,803,502	1,197,383	85,165	85,165

* Includes forfeitures.

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

30 June 2007

Performance Rights held in Tabcorp Holdings Limited (number)

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

* Includes forfeitures.

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.

				% of equity held by immediate parent as at 30 June	
				2008	2007
Name of controlled entity	**Note**	**Country of incorporation**	**Equity type**	**%**	%
Parent entity					
Tabcorp Holdings Limited	(a)	Australia			
Controlled entities					
Tabcorp Assets Pty Ltd	(a)	Australia	ordinary shares	**100.0**	100.0
Tabcorp Manager Pty Ltd	(a)	Australia	ordinary shares	**100.0**	100.0
Tabcorp Participant Pty Ltd	(a)	Australia	ordinary shares	**100.0**	100.0
Tahwind (Queensland) Pty Ltd	(a)	Australia	ordinary shares	**100.0**	100.0
Tabcorp Online Pty Ltd	(a)	Australia	ordinary shares	**100.0**	100.0
Tabcorp Investments No.5 Pty Ltd		Australia	ordinary shares	**100.0**	100.0
Tabcorp International Pty Ltd	(a)	Australia	ordinary shares	**100.0**	100.0
Tabcorp International No.1 Pty Ltd		Australia	ordinary shares	**100.0**	100.0
Tabcorp International Hong Kong Ltd	(g)	BVI	ordinary shares	**-**	67.0
Tabcorp LotSynergy Technology (Beijing) Co. Ltd	(g)	China	ordinary shares	**-**	67.0
Tabcorp International No.2 Pty Ltd		Australia	ordinary shares	**100.0**	100.0
Jupiters Resorts (Macau) Limited	(k)	Macau	ordinary shares	**100.0**	n/a
Tabcorp Apollo Technologies Private Ltd	(h)	Cyprus	ordinary shares	**-**	50.0
Tabcorp International No.3 Pty Ltd		Australia	ordinary shares	**100.0**	100.0
Vanuatu Casino Management Services Limited	(j)	Vanuatu	ordinary shares	**99.9**	n/a
Tabcorp International Services and Technology Pty Ltd		Australia	ordinary shares	**100.0**	100.0
Tahwind Superannuation Pty Ltd	(f)	Australia	ordinary shares	**100.0**	100.0
Tahwind Staff Superannuation Pty Ltd	(f)	Australia	ordinary shares	**100.0**	100.0
Tabcorp Employee Share Administration Pty Ltd		Australia	ordinary shares	**33.3**	33.3
Tabcorp Investments Pty Ltd	(b)	Australia	ordinary shares	**100.0**	100.0
Star City Holdings Ltd	(b)(d)	Australia	ordinary shares	**100.0**	100.0
Star City Pty Ltd	(b)(d)	Australia	ordinary shares	**100.0**	100.0
Star City Entertainment Pty Ltd	(b)	Australia	ordinary shares	**100.0**	100.0

Name of controlled entity	Note	Country of incorporation	Equity type	% of equity held by immediate parent as at 30 June 2008 %	2007 %
Sydney Harbour Casino Properties Pty Ltd	(b)(d)	Australia	ordinary shares	**100.0**	100.0
Sydney Harbour Apartments Pty Ltd	(b)	Australia	ordinary shares	**100.0**	100.0
Star City Investments Pty Ltd	(b)(e)	Australia	ordinary shares	**100.0**	100.0
Showboat Australia Pty Ltd	(b)	Australia	ordinary shares	**100.0**	100.0
Sydney Casino Management Pty Ltd		Australia	ordinary shares	**100.0**	100.0
Tabcorp Investments No.2 Pty Ltd		Australia	ordinary shares	**100.0**	100.0
Jupiters Limited		Australia	ordinary shares	**100.0**	100.0
Breakwater Island Limited		Australia	ordinary shares	**100.0**	100.0
Breakwater Island Trust		Australia	units	**100.0**	100.0
Jupiters Custodian Pty Ltd		Australia	ordinary shares	**100.0**	100.0
Jupiters Trust		Australia	units	**100.0**	100.0
Jupiters Gaming Pty Ltd		Australia	ordinary shares	**100.0**	100.0
A.C.N. 082 760 610 Pty Ltd	(i)	Australia	ordinary shares	**100.0**	100.0
Jupwind Superannuation Pty Ltd	(f)	Australia	ordinary shares	**100.0**	100.0
TAHAL Pty Ltd	(c)	Australia	ordinary shares	**100.0**	100.0
TAHA Research and Development Pty Ltd	(c)(i)	Australia	ordinary shares	**100.0**	100.0
ATL Pty Ltd	(c)	Australia	ordinary and preference shares	**100.0**	100.0
Jupiters Gaming (NSW) Pty Ltd		Australia	ordinary shares	**100.0**	100.0
Club Gaming Systems (Holdings) Pty Ltd		Australia	ordinary shares	**100.0**	100.0
The CGS Trust		Australia	units	**100.0**	100.0
Tabcorp Investments No.4 Pty Ltd	(a)	Australia	ordinary shares	**100.0**	100.0
Tab Limited		Australia	ordinary shares	**100.0**	100.0
Sky Channel Pty Ltd		Australia	ordinary shares	**100.0**	100.0
2KY Broadcasters Pty Ltd		Australia	ordinary shares	**100.0**	100.0
Airsales Pty Ltd	(i)	Australia	ordinary shares	**100.0**	100.0
Tahwind Employee Share Plan Pty Ltd	(i)	Australia	ordinary shares	**100.0**	100.0
Tahwind Superannuation Company Pty Ltd	(f)	Australia	ordinary shares	**100.0**	100.0
Tahwind Marketing Pty Ltd	(i)	Australia	ordinary shares	**100.0**	100.0
Sky Channel Marketing Pty Ltd		Australia	ordinary shares	**100.0**	100.0
Sky Australia International Racing Pty Ltd		Australia	ordinary shares	**100.0**	100.0
Tahwind Racing Productions Pty Ltd	(i)	Australia	ordinary shares	**100.0**	100.0
Tahwind Racing Productions (NSW) Pty Ltd	(i)	Australia	ordinary shares	**100.0**	100.0

29. Related party disclosure (continued)

(b) Investments in controlled entities (continued)

(a) These companies have entered into a deed of cross guarantee (or have been subsequently added to this deed by an assumption deed) with Tabcorp Holdings Limited.
(b) These companies have entered into a deed of cross guarantee (or have been subsequently added to this deed by an assumption deed) with Tabcorp Investments Pty Ltd. These companies have also entered into a guarantee and indemnity agreement as explained in note 30(c).
(c) These companies were party to a deed of cross guarantee with TAHAL Pty Ltd, this deed ceased on 18 March 2008.
(d) These companies have provided a charge over their assets and undertakings as explained in note 30(b)(i).
(e) Star City Investments Pty Ltd is 50% owned by Sydney Harbour Casino Properties Pty Ltd and 50% owned by Star City Entertainment Pty Ltd.
(f) These companies are not considered to be controlled entities in accordance with section 50AA(4) of the Corporations Act (2001).
(g) These companies were sold on 19 December 2007.
(h) This company was sold on 16 October 2007.
(i) These companies were placed into members' voluntary liquidation in 2007/08 as part of an internal corporate streamlining project.
(j) This company was incorporated on 17 June 2008.
(k) This company was incorporated on 5 June 2008. Jupiters Resorts (Macau) Limited is 50% owned by Tabcorp International No.1 Pty Ltd and 50% owned by Tabcorp International No.2 Pty Ltd.

Deeds of cross guarantee

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

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

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

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

Tabcorp Holdings Limited Closed Group

	2008 $m	2007 $m
Income statement		
Revenue	**1,933.0**	2,020.7
Other income	**1.7**	1.2
Government taxes and levies	**(580.1)**	(549.0)
Commissions and fees	**(494.3)**	(482.0)
Employment costs	**(105.5)**	(169.9)
Depreciation and amortisation	**(108.7)**	(56.7)
Property costs	**(17.6)**	(15.5)
Advertising and promotions	**(15.1)**	(13.2)
Professional and contract services	**(14.7)**	(23.5)
Finance costs	**(161.4)**	(167.0)
Other expenses	**(80.7)**	(98.4)
Profit before income tax expense and impairment	**356.6**	446.7
Impairment	**(916.9)**	-
Profit/(loss) before income tax expense	**(560.3)**	446.7
Income tax expense	**(45.8)**	(25.2)
Net profit/(loss) attributable to members of the parent entity	**(606.1)**	421.5
Retained profits at the beginning of the financial year	**295.9**	357.9
Net actuarial loss on defined benefit plan	**(0.8)**	(0.5)
Dividends provided for or paid	**(493.4)**	(483.0)
Retained profits/(accumulated losses) at the end of the financial year	**(804.4)**	295.9

	2008 $m	2007 $m
Balance sheet		
Cash and cash equivalents	**101.3**	118.7
Receivables	**2,544.9**	2,647.4
Inventories	**4.3**	4.8
Derivative financial instruments	**3.2**	-
Other	**8.6**	8.4
Total current assets	**2,662.3**	2,779.3
Investment in controlled entities	**2,083.8**	2,526.1
Property, plant and equipment	**131.2**	129.1
Licences	**109.5**	597.2
Other intangible assets	**106.2**	117.6
Other receivables	**2.1**	-
Deferred tax assets	**-**	9.3
Derivative financial instruments	**87.9**	66.8
Other	**10.5**	0.4
Total non current assets	**2,531.2**	3,446.5
Total assets	**5,193.5**	6,225.8
Payables	**165.0**	153.9
Interest bearing liabilities	**-**	390.0
Current tax liabilities	**52.3**	12.9
Provisions	**19.4**	40.4
Total current liabilities	**236.7**	597.2
Interest bearing liabilities	**2,269.7**	1,950.6
Deferred tax liabilities	**24.6**	-
Provisions	**1.9**	1.6
Derivative financial instruments	**199.4**	167.3
Other	**1.9**	-
Total non current liabilities	**2,497.5**	2,119.5
Total liabilities	**2,734.2**	2,716.7
NET ASSETS	**2,459.3**	3,509.1
Issued capital	**3,198.1**	3,198.0
Retained earnings/(accumulated losses)	**(804.4)**	295.9
Reserves	**65.6**	15.2
TOTAL EQUITY	**2,459.3**	3,509.1

(c) Transactions with controlled entities

Tabcorp Holdings Limited

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

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

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

The Group charges the joint venture operation for the provision of employee, management and asset services. On consolidation, 75% of the charges eliminate (being the Group's interest in the joint venture operation). Charges for the remaining 25% of $47.3 million were received by the Group in 2008 (2007: $47.6 million).

Tabcorp Holdings Limited

The Company charges the joint venture operation for the provision of employee, management and asset services. Charges of $19.9 million were received in 2008 (2007: $22.2 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.

30. Contingent liabilities and contingent assets (continued)

Contingent liabilities

(a) Company

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

(b) Charges

(i) CLGCA

The controlled entities denoted (d) in note 29 have provided the Casino Liquor and Gaming Control Authority ('CLGCA') (formerly the NSW Casino Control Authority) with a fixed and floating charge over all of the assets and undertakings of each company to secure payment of all monies and the performance of all obligations which they have to the CLGCA. The 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 29, 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 CLGCA whereby all parties to the agreement are jointly and severally liable for the performance of the obligations and liabilities of each company participating in the agreement with respect to agreements entered into and guarantees given.

(d) Deed of cross guarantee

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

(e) Legal challenges

There are outstanding legal actions between controlled entities and third parties as at 30 June 2008. 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.

(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 $19.0 million (2007: $21.0 million).

(g) Undertakings - insurance deductible

Under the Casino Taxes Agreement, Star City Pty Ltd ('Star City') is required to take out insurance in the name of the CLGCA in respect of anticipated Weekly Duty and Community Benefit Levy arising out of partial or total loss or destruction of the Star City casino premises. The Agreement allows for a $1 million deductible for each and every loss. Star City has a 5 day loss deductible (2007: 5 day loss deductible). The Company has provided the CLGCA 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 (2007: $1-2 million) for any one loss and believe such an event is remote.

(h) Switching station lease

A controlled entity, Sydney Harbour Casino Properties Pty Ltd ('SHCP'), has entered into a lease with the CLGCA 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. As part of the proposed redevelopment of the Star City site, SHCP is currently in negotiations with CLGCA to amend the lease to allow for the proposed new construction. These negotiations are also expected to finalise discussions that have been ongoing between SHCP and CLGCA since 2000 relating to the prior development obligations. The book value of the investment at 30 June 2008 was $10.3 million (2007: $11.1 million).

(i) Star City arrangements

On 30 October 2007, Tabcorp entered into an in-principle agreement with the New South Wales Government to review Star City's regulatory regime, provide for greater flexibility in the delivery of product and provide Star City with exclusivity for a further 12 years. Under the agreement, Star City will move to a new indexed tax regime to be phased in over five years from 1 July 2008, and pay the New South Wales Government $100.0 million in two equal tranches (expected in 2008/09 and in 2009/10). An intangible asset and a liability will be recognised upon the formal agreement taking effect.

Contingent assets

(j) Tax audit

The Australian Taxation Office ('ATO') issued Star City with an income tax assessment for the tax year ended 30 June 1997, and amended income tax assessments for the tax years ended

30 June 2000, 30 June 2001 and 30 June 2002. The assessment and amended assessments relate to the deductibility of rent of $120.0 million prepaid in December 1994 in relation to the Star City casino site.

The Group has provided in full for the unpaid primary tax in dispute in relation to deductions claimed to 30 June 2002 of $31.6 million, and penalties and interest charges of $29.0 million (up to 30 June 2008). The Group has provided for General Interest Charges from 27 January 2004. Due to the ongoing dispute with the ATO, the Group has not claimed deductions for prepaid rent for the 2003 to 2008 (inclusive) tax years. The primary tax on these deductions is $8.8 million. If the Group is ultimately successful in its claims, the income tax deductions could be claimed.

31. Subsequent events

Dividends

Since 30 June 2008, the directors have declared a special dividend of 47 cents per ordinary share. The total amount of the special dividend is $246.7 million. This has not been provided for in the 30 June 2008 financial statements (refer to note 5).

32. Financial risk management objectives and policies

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

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. Derivative transactions are also entered into by the Group, principally interest rate swaps and cross currency swaps, the purpose being to manage interest rate and currency risks arising from the Group's sources of finance. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

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

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

Cash flow interest rate risk

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

At 30 June 2008, after taking into account the effect of interest rate swaps, approximately 74% (2007: 75%) of the Group's borrowings are at a fixed rate of interest.

Fair value interest rate risk

As the Group holds fixed rate debt there is a risk that the economic value of financial instruments will fluctuate because of changes in market interest rates. The level of fixed rate debt is disclosed in note 33 and it is acknowledged that this risk is a by-product of the Group's attempt to manage its cash flow interest rate risk.

Foreign currency risk

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

Commodity price risk

The Group is not exposed to commodity price risk.

Credit risk

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

The Group is not materially exposed to one individual debtor.

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

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

Notes to the financial statements (continued)

For the year ended 30 June 2008

32. Financial risk management objectives and policies (continued)

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.

In relation to financial liabilities, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The Group's maximum credit risk exposure in respect of interest rate swap contracts and cross currency swap contracts is detailed in note 33.

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

Liquidity risk

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

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

The Group's policy is that not more than 33% of debt facilities should mature in any 12 month period within the next five years. At 30 June 2008, 6% (2007: 14%) of the Group's debt facilities will mature in less than one year.

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

Refer to notes 18 and 33 for maturity of financial liabilities.

The contractual cash flows including principal and estimated interest receipts/payments of financial assets/liabilities are as follows:

	2008			2007		
	< 1 year	**1 - 5 years**	**> 5 years**	< 1 year	1 - 5 years	> 5 years
Consolidated	**$m**	**$m**	**$m**	$m	$m	$m
Financial assets						
Cash assets	**98.5**	**-**	**-**	108.4	-	-
Short term deposits	**74.7**	**-**	**-**	93.8	-	-
Receivables	**64.8**	**-**	**-**	31.6	-	-
Other receivables	**-**	**3.0**	**-**	-	-	-
Interest rate swaps						
- receive AUD floating	**105.7**	**313.3**	**327.9**	93.9	246.5	247.6
Cross currency swaps						
- receive USD fixed	**35.2**	**140.9**	**779.5**	40.0	160.1	925.6
Total financial assets	**378.9**	**457.2**	**1,107.4**	367.7	406.6	1,173.2
Financial liabilities						
Trade creditors and accrued expenses	**407.3**	**-**	**-**	379.8	-	-
Bank loans - unsecured	**88.5**	**1,227.2**	**-**	443.5	703.4	-
Medium term notes						
- fixed interest rate	**25.0**	**441.3**	**-**	25.0	466.3	-
- floating interest rate	**5.6**	**77.5**	**-**	4.7	80.3	-
Private placement						
- US dollar - pay USD fixed	**35.2**	**140.9**	**779.5**	40.0	160.1	925.6
- Australian dollar	**8.7**	**34.8**	**156.5**	7.3	29.2	154.7
Interest rate swaps						
- pay AUD fixed	**80.7**	**245.9**	**264.6**	83.0	224.1	228.3
Cross currency swaps						
- pay AUD floating	**73.2**	**292.8**	**1,104.9**	61.4	245.7	1,123.4
Total financial liabilities	**724.2**	**2,460.4**	**2,305.5**	1,044.7	1,909.1	2,432.0
Tabcorp Holdings Limited						
Financial assets						
Cash assets	**2.1**	**-**	**-**	4.7	-	-
Short term deposits	**22.6**	**-**	**-**	35.2	-	-
Receivables	**2,313.1**	**-**	**-**	2,446.8	-	-
Other receivables	**-**	**3.0**	**-**	-	-	-
Total financial assets	**2,337.8**	**3.0**	**-**	2,486.7	-	-
Financial liabilities						
Trade creditors and accrued expenses	**23.9**	**-**	**-**	19.0	-	-

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

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

33. Additional financial instruments disclosure

(a) Fair values

Swaps

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

US Private Placement

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

Medium Term Notes

Fair value is determined using independent market quotations.

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

	Carrying amount		**Fair value**	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m
Consolidated				
Financial liabilities				
Medium term notes				
- fixed interest rate	**385.0**	385.0	**357.6**	374.1
- floating interest rate	**65.0**	65.0	**64.8**	65.9
	450.0	450.0	**422.4**	440.0

For the year ended 30 June 2008

33. Additional financial instruments disclosure (continued)

(b) Interest rate risk

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

	Note	Weighted average effective interest rate %	Floating interest rate $m	Fixed interest maturing in: < 1 year $m	1 - 5 years $m	> 5 years $m	Non interest bearing $m	Balance sheet $m
2008 - Consolidated								
Financial assets								
Cash assets	7	6.0	14.9	-	-	-	83.6	98.5
Short term deposits	7	7.5	74.7	-	-	-	-	74.7
Receivables	8	-	-	-	-	-	64.8	64.8
Other receivables	16	-	-	-	-	-	2.1	2.1
Interest rate swaps (i) (ii)	33(c)	-	(1,440.0)	175.0	300.0	965.0	-	-
Total financial assets			(1,350.4)	175.0	300.0	965.0	150.5	240.1
Financial liabilities								
Trade creditors and accrued expenses	17		-	-	-	-	407.3	407.3
Bank loans - unsecured(i) (iii)	18	8.2	1,084.8	-	-	-	-	1,084.8
Medium term notes(i)								
- fixed interest rate(iv)	18	6.7	-	-	383.3	-	-	383.3
- floating interest rate(iii)	18	8.6	64.9	-	-	-	-	64.9
Private placement(i)								
- US dollar(iv)	18	5.5	-	-	-	637.0	-	637.0
- Australian dollar(iii)	18	8.7	99.7	-	-	-	-	99.7
Cross currency swaps(i)	33(d)	-	838.6	-	-	(838.6)	-	-
Total financial liabilities			2,088.0	-	383.3	(201.6)	407.3	2,677.0
2008 - Tabcorp Holdings Limited								
Financial assets								
Cash assets	7	7.0	2.1	-	-	-	-	2.1
Short term deposits	7	7.2	22.6	-	-	-	-	22.6
Receivables	8	-	-	-	-	-	2,313.1	2,313.1
Other receivables	16	-	-	-	-	-	2.1	2.1
Total financial assets			24.7	-	-	-	2,315.2	2,339.9
Financial liabilities								
Trade creditors and accrued expenses	17	-	-	-	-	-	23.9	23.9
Total financial liabilities			-	-	-	-	23.9	23.9

	Note	Weighted average effective interest rate %	Floating interest rate $m	Fixed interest maturing in: < 1 year $m	1 - 5 years $m	> 5 years $m	Non interest bearing $m	Balance sheet $m
2007 - Consolidated								
Financial assets								
Cash assets	7	5.0	18.2	-	-	-	90.2	108.4
Short term deposits	7	6.3	93.8	-	-	-	-	93.8
Receivables	8	-	-	-	-	-	31.6	31.6
Interest rate swaps(i)(ii)	33(c)	-	(1,450.0)	-	650.0	800.0	-	-
Total financial assets			(1,338.0)	-	650.0	800.0	121.8	233.8
Financial liabilities								
Trade creditors and accrued expenses	17	-	-	-	-	-	379.8	379.8
Bank loans - unsecured(i) (iii)	18	6.9	1,067.1	-	-	-	-	1,067.1
Medium term notes(i)								
- fixed interest rate(iv)	18	6.6	-	-	382.8	-	-	382.8
- floating interest rate(iii)	18	7.2	64.8	-	-	-	-	64.8
Private placement(i)								
- US dollar(iv)	18	5.4	-	-	-	726.2	-	726.2
- Australian dollar(iii)	18	7.3	99.7	-	-	-	-	99.7
Cross currency swaps(i)	33(d)	-	838.6	-	-	(838.6)	-	-
Total financial liabilities			2,070.2	-	382.8	(112.4)	379.8	2,720.4
2007 - Tabcorp Holdings Limited								
Financial assets								
Cash assets	7	6.0	4.7	-	-	-	-	4.7
Short term deposits	7	6.2	35.2	-	-	-	-	35.2
Receivables	8	-	-	-	-	-	2,446.8	2,446.8
Total financial assets			39.9	-	-	-	2,446.8	2,486.7
Financial liabilities								
Trade creditors and accrued expenses	17	-	-	-	-	-	19.0	19.0
Total financial liabilities			-	-	-	-	19.0	19.0

(i) The effective interest rate on gross debt at 30 June 2008 was 7.1% (2007: 6.6%) after taking into account the impact of interest rate swaps and cross currency swaps.
(ii) Notional principal amounts.
(iii) Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. The floating rates represent the most recently determined rate applicable to the instrument at balance date.
(iv) Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument.

Notes to the financial statements (continued)

For the year ended 30 June 2008

33. Additional financial instruments disclosure (continued)

(c) Financial instruments - interest rate swaps

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

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

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

	Notional principal amount		**Fair value**	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m
Less than one year	**175.0**	-	**3.2**	-
One to five years	**300.0**	650.0	**11.9**	18.7
More than five years	**965.0**	800.0	**75.1**	48.1
Notional principal	**1,440.0**	1,450.0	**90.2**	66.8
Fixed interest rate range p.a.	**5.4% - 7.2%**	5.4% - 6.0%		

	Contractual cash flow amount	
	2008	2007
	$m	$m
Less than one year	**25.0**	10.9
One to five years	**67.4**	22.4
More than five years	**63.3**	19.3
Notional principal	**155.7**	52.6

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

(d) Financial instruments - cross currency swaps

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

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

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

	2008		2007	
	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.	**8.7% - 8.8%**	**-**	7.3% - 7.4%	-

The terms and conditions in relation to interest rate and maturity of the cross currency swaps are similar to the terms and conditions of the underlying hedged Private Placement - USD borrowings as set out in note 18.

(e) Financial instruments - sensitivity analysis

Interest rates - AUD & USD

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

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

Judgements of reasonably possible movements:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m
Consolidated				
AUD				
+ 1% (100 basis points)	**(3.6)**	(3.2)	**43.8**	45.5
- 1% (100 basis points)	**3.5**	3.2	**(47.6)**	(49.4)
USD				
+ 1% (100 basis points)	**(1.2)**	(0.7)	**(26.6)**	(30.1)
- 1% (100 basis points)	**1.3**	0.8	**29.0**	33.0
Tabcorp Holdings Limited				
AUD				
+ 1% (100 basis points)	**0.2**	0.2	**-**	-
- 1% (100 basis points)	**(0.2)**	(0.2)	**-**	-

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

Foreign Exchange

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

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

Judgements of reasonably possible movements:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2008	2007	**2008**	2007
	$m	$m	**$m**	$m
Consolidated				
AUD/USD + 10 cents	**3.2**	(0.5)	**(2.0)**	0.8
AUD/USD - 10 cents	**(4.5)**	0.7	**2.5**	(1.1)

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

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

The numbers derived in the sensitivity analysis are indicative only.

Directors' declaration

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

(a) the financial statements, notes and the additional disclosures included in the Directors' report designated as audited, of the Company and of the Group are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2008 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.

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.

John Story
Chairman

Melbourne
20 August 2008

Independent audit report

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

Report on the Financial Report

We have audited the accompanying financial report of Tabcorp Holdings Limited, which comprises the balance sheet as at 30 June 2008 and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Liability limited by a scheme approved under Professional Standards Legislation

ERNST & YOUNG

Auditor's Opinion

In our opinion:

1. the financial report of Tabcorp Holdings Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the financial position of Tabcorp Holdings Limited and the consolidated entity at 30 June 2008 and of their performance for the year ended on that date; and

   ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 16 to 34 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Tabcorp Holdings Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Tim Wallace
Partner
Melbourne
20 August 2008

Five year review

	2008 $m	2007 $m	2006 $m	2005 $m	2004 $m
Total revenue	**4,042.4**	3,883.7	3,834.8	3,817.1	2,500.0
EBITDA - pre impairment/goodwill	**1,075.2**	947.8	1,059.1	1,046.2	739.0
Profit before interest and tax	**174.7**	803.3	851.5	806.6	570.0
Profit after income tax	**(164.6)**	450.4	543.4	433.4	311.0
Profit after income tax (pre impairment/goodwill)[1]	**543.0**	452.6	611.9	526.6	370.7
Dividend[2]	**493.4**	493.5	467.2	423.4	330.3
Cash and deposits	**173.2**	202.2	206.6	209.4	197.0
Other current assets	**105.0**	80.5	72.0	120.4	158.4
Licences and other intangibles	**1,040.1**	1,516.9	1,522.0	1,440.0	1,118.6
Goodwill	**3,190.6**	3,384.6	3,384.6	3,444.3	1,280.6
Other non current assets	**1,612.8**	1,542.3	1,486.8	1,558.9	1,591.3
Total assets	**6,121.7**	6,726.5	6,672.0	6,773.0	4,345.9
Current interest bearing liabilities	**-**	390.0	390.0	390.0	742.0
Other current liabilities	**560.2**	514.9	506.2	483.9	307.1
Non current interest bearing liabilities	**2,269.7**	1,950.6	2,029.6	2,143.6	1,130.0
Other non current liabilities	**521.0**	486.8	383.3	496.9	190.8
Total liabilities	**3,350.9**	3,342.3	3,309.1	3,514.4	2,369.9
Shareholders' funds	**2,770.8**	3,384.2	3,362.9	3,258.6	1,975.9
Capital expenditure - payments	**222.0**	166.8	236.1	119.5	101.2
	cents	**cents**	**cents**	**cents**	**cents**
Earnings per share - pre impairment/goodwill[1]	**103.4**	86.2	116.6	101.9	92.5
Earnings per share - post impairment/goodwill[1]	**(31.4)**	85.8	103.6	83.9	77.6
Dividends per share[2]	**94.0**	94.0	89.0	81.0	71.0
Operating cash flow per share[3]	**82.0**	84.2	89.4	104.9	84.7
Return on shareholders' funds - pre impairment/goodwill[1,4]	**17.0%**	13.4%	18.1%	15.6%	21.5%
Return on shareholders' funds - post impairment/goodwill[1,4]	**(5.1%)**	13.3%	16.1%	12.9%	18.1%
Net assets per share	**$5.28**	$6.45	$6.41	$6.25	$4.67
Operating revenue[5]	**$m**	**$m**	**$m**	**$m**	**$m**
Wagering	**1,469.9**	1,464.1	1,403.3	1,413.2	446.2
Gaming	**1,133.6**	1,081.8	1,046.6	1,032.2	933.5
Casinos	**1,357.5**	1,291.4	1,330.1	1,274.9	1,065.3
Unallocated/elimination	**(4.0)**	(2.3)	(3.1)	40.3	17.8
Total	**3,957.0**	3,835.0	3,776.9	3,760.6	2,462.8

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

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

2 Dividends attributable to the year, but which may be payable after the end of the period. 2008 includes a special dividend declared in August 2008.

3 Net operating cash flow per the statement of cashflows does not include payments for property plant and equipment and intangibles, whereas these items are included in the calculation for the operating cash flow per share ratio.

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

5 Operating revenue includes both external and internal operating revenue.

Company directory

Registered office

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E-mail: investor@tabcorp.com.au

Website

www.tabcorp.com.au

Stock exchange listing

Tabcorp Holdings Limited shares are quoted on the Australian Securities Exchange under the code 'TAH'. The Company's shares are traded in sponsored American Depositary Receipt (ADR) form in the United States of America.

Auditors

Ernst & Young – External auditors

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Queensland divisional office

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Key dates

2008

Annual General Meeting (Melbourne Park, Melbourne)	23 October

2009*

Half-year results announcement	5 February
Ex-dividend for interim dividend	10 February
Record date for interim dividend	16 February
Interim dividend payment	23 March
End of financial year	30 June
Full-year results announcement	6 August
Ex-dividend for final dividend	11 August
Record date for final dividend	17 August
Final dividend payment	18 September
Annual General Meeting	19 October

** These dates may change.*
See the Company's website for updates.

About this Annual Report

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

Currency

References to currency are in Australian dollars unless otherwise stated.

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