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**TABCORP HOLDINGS LIMITED  
AND CONTROLLED ENTITIES**

**DIRECTORS' REPORT AND  
FINANCIAL REPORT**

**FOR THE YEAR ENDED  
30 JUNE 2008**

ARLS  
6-30-08

**A.B.N. 66 063 780 709**

**ASX CODE: TAH**

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## Company directory

### Directors

The Directors of Tabcorp Holdings Limited ("the Company") at the date of this report (except as otherwise stated) are:

John Story	Chairman and Non Executive Director
Elmer Funke Kupper	Managing Director and Chief Executive Officer
Anthony Hodgson AM	Deputy Chairman and Non Executive Director
Paula Dwyer	Non Executive Director
Jane Hemstrich	Non Executive Director (subject to regulatory approval)
John O'Neill AO	Non Executive Director
Brett Paton	Non Executive Director (subject to regulatory approval)
Zygmunt Switkowski	Non Executive Director

### Company Secretary

Kerry Willcock

### Registered office

5 Bowen Crescent  
Melbourne, VIC 3004, Australia  
Telephone: 03 9868 2100  
Website: [www.tabcorp.com.au](http://www.tabcorp.com.au)

### Share registry

Link Market Services Limited  
Level 1, 333 Collins Street  
Melbourne, VIC 3000, Australia  
Telephone: 1300 665 661 (local call cost within Australia)  
Telephone: 02 8280 7418  
Website: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

### Auditor

Ernst & Young

### Corporate information

The Company is a company limited by shares that is incorporated and domiciled in Australia.

### Stock exchange listings

The Company's shares are quoted on the Australian Securities Exchange (ASX) under the code "TAH".

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

### Annual reports

The Company's annual reports are available from the Company's website at [www.tabcorp.com.au](http://www.tabcorp.com.au).

### Currency

References to currency are in Australian dollars unless otherwise stated.

## Directors' report

The Directors of the Company submit their report for the consolidated entity comprising the Company and its controlled entities (collectively referred to as "the Tabcorp Group") in respect of the financial year ended 30 June 2008.

### 1. Directors

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

Name	Qualifications, experience and special responsibilities
<b>Current</b>	
John Story	<p><i>Chairman since November 2007 and Non Executive Director since January 2004</i></p> <p>Bachelor of Arts; Bachelor of Laws; Fellow of the Australian Institute of Company Directors (AICD)</p> <p>John Story was previously a Director of Jupiters Limited, acquired by the Tabcorp Group in November 2003. He was a Partner of the law firm Corrs Chambers Westgarth for 36 years until his retirement on 30 June 2006. He practised in the areas of corporate and commercial law and served as the firm's Queensland Managing Partner and National Chairman. Mr Story is Chairman of Suncorp-Metway Limited and a Director of CSR Limited. He is also Chairman of the Australian Institute of Company Directors and a Member of the Senate of the University of Queensland and Commissioner of the Public Service Commission (Queensland).</p> <p>Mr Story is Chairman of the Tabcorp Nomination Committee. He is also a member of the Tabcorp Audit Committee, the Tabcorp Remuneration Committee and the Tabcorp Risk and Compliance Committee.</p>
Elmer Funke Kupper	<p><i>Managing Director and Chief Executive Officer since September 2007</i></p> <p>Bachelor of Business Administration; Master of Business Administration</p> <p>Elmer Funke Kupper joined Tabcorp in February 2006. He commenced as Chief Executive Australian Business and in March 2007 was appointed as Acting Chief Executive Officer. In September 2007 he was appointed to the Board as Managing Director and Chief Executive Officer.</p> <p>Prior to joining Tabcorp he held several senior executive positions with the Australia and New Zealand Banking Group, including Group Managing Director Asia Pacific and Managing Director Personal Banking and Wealth Management. Previously Mr Funke Kupper was a senior management consultant with McKinsey &amp; Company and AT Kearney. He is Chairman of the Australasian Gaming Council.</p>
Anthony Hodgson AM	<p><i>Deputy Chairman and Non Executive Director since June 1994</i></p> <p>Certificate of Commerce; Fellow of the Institute of Chartered Accountants in Australia; Fellow of AICD</p> <p>Tony Hodgson was the co-founder, and former Senior Partner, of the chartered accounting firm Ferrier Hodgson. He is a member of the Advisory Board at PACT Group Pty Ltd and a member of the Advisory Council at JP Morgan.</p> <p>Mr Hodgson is a member of the Tabcorp Audit Committee, Tabcorp Nomination Committee and the Tabcorp Risk and Compliance Committee.</p>

Name	Qualifications, experience and special responsibilities
Paula Dwyer	<p><i>Non Executive Director since August 2005</i></p> <p>Bachelor of Commerce; Fellow of the Institute of Chartered Accountants in Australia; Fellow of AICD; Fellow of the Financial Services Institute of Australasia</p> <p>Ms Dwyer is a Director of Suncorp-Metway Limited, Babcock and Brown Japan Property Management Limited and Alpha Investment Management Pty Ltd. She is also a Member of the Takeovers Panel. In the not-for-profit sector, she is a Director of CCI Investment Management Limited and Vice President of the Baker Heart Research Institute. Ms Dwyer is a former member of the Victorian Casino and Gaming Authority and of the Victorian Gaming Commission from 1993 to 1995.</p> <p>Ms Dwyer is Chairman of the Victorian Joint Venture Management Committee and Chairman of the Tabcorp Audit Committee. She is a member of the Tabcorp Nomination Committee, Tabcorp Remuneration Committee and the Tabcorp Risk and Compliance Committee.</p>
John O'Neill AO	<p><i>Non Executive Director since May 2008</i></p> <p>Diploma of Law; Fellow of Australian Institute of Bankers; Foundation Fellow of AICD</p> <p>John O'Neill is Managing Director and Chief Executive Officer of Australian Rugby Union Limited.</p> <p>He is a former Chief Executive Officer of Football Federation Australia and was Managing Director and Chief Executive Officer of the State Bank of New South Wales and Chairman of the Australian Wool Exchange Limited.</p> <p>Mr O'Neill is Chairman of the Tabcorp Risk and Compliance Committee and is a member of the Tabcorp Audit Committee.</p>
Zygmunt Switkowski	<p><i>Non Executive Director since October 2006</i></p> <p>Bachelor of Science (Honors); PhD (Nuclear Physics); Fellow of AICD</p> <p>Zygmunt Switkowski was the Chief Executive Officer and Managing Director of Telstra Corporation Limited from 1999 to mid 2005, and is a former Chief Executive Officer of Optus Communications. He worked for Kodak (Australasia) for 18 years, serving as the Chairman and Managing Director from 1992-1996. Dr Switkowski is a Director of Suncorp-Metway Limited and Healthscope Limited. He is also Chairman of the Australian Nuclear Science and Technology Organisation and a Director of Opera Australia.</p> <p>Dr Switkowski is Chairman of the Tabcorp Remuneration Committee and is a member of the Tabcorp Audit Committee and the Tabcorp Risk and Compliance Committee.</p>

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**Pending regulatory approval**

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Jane Hemstrich	<p><i>Will be appointed as a Non Executive Director following regulatory approval</i></p> <p>Bachelor of Science (First Class Honors); Fellow of the Institute of Chartered Accountants in Australia; Fellow of the Institute of Chartered Accountants in England and Wales; Member of Chief Executive Women Inc.</p> <p>Jane Hemstrich has experience across the financial services, telecommunications, government, energy and manufacturing sectors. She was Managing Director - Asia Pacific for Accenture Limited where she was a member of Accenture's global executive leadership team and headed up its business portfolio in Asia Pacific spanning twelve countries. Mrs Hemstrich is a Director of the Commonwealth Bank of Australia and a Director of The Global Foundation.</p>
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Name	Qualifications, experience and special responsibilities
Brett Paton	<p><i>Will be appointed as a Non Executive Director following regulatory approval</i></p> <p>Bachelor of Economics; Member of the Institute of Chartered Accountants in Australia; Fellow of the Financial Services Institute of Australasia</p> <p>Brett Paton has been a leader in Australian capital markets for more than 28 years. He has worked closely with company boards and management on various initial public offerings, major raisings and merger and acquisition transactions. He was Managing Director and Vice Chairman of Global Investment Banking at UBS and was a Member of its Australian Executive Committee, Chairman of the Equity Markets Committee and Chairman of the Capital Commitment Committee, its underwriting committee.</p>
<b>Former</b>	
Michael Robinson AO <sup>(i)</sup>	<p><i>Chairman and Non Executive Director from June 1994 to November 2007</i></p> <p>Bachelor of Laws</p> <p>Michael Robinson was a Partner of the law firm Allens Arthur Robinson until his retirement on 31 December 2003. He was Senior Partner of Arthur Robinson and Hedderwicks from 1996 to 2001 and Managing Partner from 1980 to 1988. At the time of his retirement at Tabcorp's 2007 Annual General Meeting, he was a consultant to Allens Arthur Robinson, a Trustee of the Epworth Medical Foundation and a Director of the State Orchestra of Victoria, Clough Limited and the General Sir John Monash Foundation.</p> <p>Mr Robinson was Chairman of the Tabcorp Nomination Committee and was a member of the Tabcorp Audit Committee, Tabcorp Remuneration Committee and the Tabcorp Risk and Compliance Committee.</p>
Philip Satre <sup>(i)</sup>	<p><i>Non Executive Director from June 2000 to November 2007</i></p> <p>Bachelor of Arts; Juris Doctor</p> <p>Philip Satre was Chairman of Harrah's Entertainment, Inc., one of the world's largest gambling companies, from January 1997 to December 2004. At the time of his retirement at Tabcorp's 2007 Annual General Meeting, he was a Director of the National Centre for Responsible Gaming (USA), Sierra Pacific Resources, Nordstrom Inc. and Rite Aid Corporation, and a member of the Board of Trustees of Stanford University.</p> <p>Mr Satre was a member of the Tabcorp Audit Committee and the Tabcorp Risk and Compliance Committee.</p>

(i) Information was applicable at the time of retirement.

## 2. Changes to the Board's composition

### 2.1. Appointments

#### John Story

Mr Story became Chairman of the Tabcorp Group on 26 November 2007 following Michael Robinson's retirement as Chairman and Non Executive Director. Mr Story has been a Non Executive Director since January 2004.

#### Elmer Funke Kupper

Mr Funke Kupper is Tabcorp's Managing Director and Chief Executive Officer. Mr Funke Kupper commenced as Managing Director on 6 September 2007, following the receipt of all necessary regulatory approvals for his role as Director. Mr Funke Kupper was appointed as Chief Executive Officer on 13 July 2007, and was Acting Chief Executive Officer during the previous four months.

#### John O'Neill

Mr O'Neill commenced as a Non Executive Director on 9 May 2008 following the receipt of all necessary regulatory approvals.

## **2.2. Appointments subject to approval**

### **Jane Hemstritch**

On 9 November 2007, the Tabcorp Group announced the appointment of Mrs Hemstritch as a Non Executive Director. Mrs Hemstritch's appointment is subject to the receipt of all necessary regulatory approvals.

### **Brett Paton**

On 7 April 2008, the Tabcorp Group announced the appointment of Mr Paton as a Non Executive Director. Mr Paton's appointment is subject to the receipt of all necessary regulatory approvals.

## **2.3. Retirements**

### **Michael Robinson**

Mr Robinson retired as Chairman and Non Executive Director on 26 November 2007 at the conclusion of the Company's Annual General Meeting.

### **Philip Satre**

Mr Satre retired as a Non Executive Director on 26 November 2007 at the conclusion of the Company's Annual General Meeting.

### 3. Directorships of other listed companies

The following table shows, for each person who served as a Director during the financial year and up to the date of this report (unless otherwise stated), all directorships of companies that were listed on the ASX or other financial markets operating in Australia, other than Tabcorp, since 1 July 2005, and the period for which each directorship has been held.

Name	Listed entity	Period directorship held
<b>Current</b>		
John Story	CSR Limited Suncorp-Metway Limited	April 2003 to present January 1995 to present
Elmer Funke Kupper	Nil	
Anthony Hodgson <sup>(i)</sup>	Coles Group Limited	July 2003 to December 2007
Paula Dwyer	Babcock & Brown Japan Property Trust <sup>(iv)</sup> David Jones Limited Promina Group Limited <sup>(v)</sup> Suncorp-Metway Limited <sup>(v)</sup>	February 2005 to present November 2003 to December 2006 February 2003 to June 2007 April 2007 to present
John O'Neill	Amalgamated Holdings Limited STW Communications Group Limited	December 2006 to October 2007 February 2007 to June 2007
Zygmunt Switkowski	Healthscope Limited Suncorp-Metway Limited	January 2006 to present September 2005 to present
<b>Pending regulatory approval</b>		
Jane Hemstritch <sup>(ii)</sup>	Commonwealth Bank of Australia Limited	October 2006 to present
Brett Paton <sup>(ii)</sup>	Nil	
<b>Former</b>		
Michael Robinson <sup>(iii)</sup>	Clough Limited	January 2002 to November 2007
Philip Satre <sup>(iii)</sup>	Nil	

- (i) Mr Hodgson was a Director of Coles Group Limited, which was listed on the ASX until 5 December 2007, when it was removed following Wesfarmers Limited's acquisition of all its shares.
- (ii) Appointment as a Director of Tabcorp Holdings Limited is subject to receiving all necessary regulatory approvals.
- (iii) Retired as a Director of Tabcorp Holdings Limited on 26 November 2007. The directorships disclosed above were applicable at that time.
- (iv) Ms Dwyer is a Director of Babcock & Brown Japan Property Management Limited, which is the company responsible for managing the Babcock & Brown Japan Property Trust.
- (v) Ms Dwyer was a Director of Promina Group Limited, which was listed on the ASX until 29 June 2007, when it was removed following Suncorp-Metway Limited's acquisition of all its shares.

### 4. Company Secretary

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

### 5. Principal activities

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

## 6. Financial results

Consolidated loss after income tax of the Tabcorp Group for the financial year was (\$164.6 million), compared to a profit of \$450.4 million for the previous financial year. This result reflects the following three significant balance sheet adjustments:

- A charge of \$487.7 million against the value of the Victorian wagering and gaming licences, reflecting the Victorian Government's view that Tabcorp is not entitled to a licence fee refund.
- A write down of \$194 million in the carrying value of the company's wagering business, reflecting the challenges faced by this business in recent years and the changes in the competitive environment.
- A write off of \$25.8 million after tax against assets that will be made redundant as part of the expansion of Star City.

Earnings before interest, tax (EBIT) and impairments were \$882.3 million, which was 9.5% above the previous financial year.

Normalised net profit after tax was \$516.9 million, which was 0.3% above the previous financial year.

Net operating revenue was \$3,957.0 million, which was 3.1% above the previous financial year.

## 7. Earnings per share

Basic earnings per share for the period were (31.4) cents, compared to 85.8 cents for the previous financial year.

Diluted earnings per share for the period were (31.3) cents, compared to 85.6 cents for the previous financial year.

Normalised earnings per share for the period were 98.5 cents, which was 0.3% above the previous financial year.

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

## 8. Dividends

A special dividend of 47 cents per ordinary share has been declared, which is the same as the previous final dividend and previous interim dividend. The special dividend will be fully franked and payable on 22 September 2008 to shareholders registered at 18 August 2008. The ex-dividend date is 12 August 2008.

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

	\$m
<b>2008 special dividend</b> Special fully franked dividend for 2008 of 47 cents per share on ordinary shares as declared by the Directors on 7 August 2008 with a record date of 18 August 2008 and payable on 22 September 2008.	246.7
<b>2008 interim dividend</b> Interim fully franked dividend for 2008 of 47 cents per share on ordinary shares as declared by the Directors on 21 February 2008 with a record date of 3 March 2008 and paid on 9 April 2008.	246.7
<b>2007 final dividend</b> Final fully franked dividend for 2007 of 47 cents per share on ordinary shares as declared by the Directors on 23 August 2007 with a record date of 3 September 2007 and paid on 8 October 2007.	246.7

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

## 9. Review of operations

The Tabcorp Group divisional structure comprises the following three operating divisions:

- Casinos;
- Wagering; and
- Gaming.

The activities and results for these three divisions are discussed below.

In addition to these three divisions, the Tabcorp Group operated a Keno joint venture in China until its sale to Tabcorp's joint venture partner in December 2007. Refer to section 10.7 for further information.

### 9.1. Casinos division

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

The Casinos division achieved EBIT before impairments of \$408.1 million, which was 22.2% above the previous financial year. The division's operating revenue increased by 5.1% to \$1,352.3 million.

### 9.2. Wagering division

The Tabcorp Group conducts wagering activities in Victoria and New South Wales through a network of agencies, hotels and clubs, and provides on course totalizators at thoroughbred, harness and greyhound metropolitan and country race meetings.

In addition, totalizator and fixed odds betting is offered on sporting events.

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

The Wagering division achieved EBIT before impairments of \$247.1 million, which was 9.5% above the previous financial year. The division's operating revenue increased by 0.4% to \$1,469.9 million.

### 9.3. Gaming division

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

The Gaming division achieved EBIT before impairments of \$225.0 million, which was 10.4% below the previous financial year. The division's operating revenue increased by 4.8% to \$1,133.6 million.

## 10. Significant changes in the state of affairs

The following events, which may be considered to be significant changes in the state of affairs of the Tabcorp Group, have occurred since the commencement of the financial year.

### 10.1. Government decision regarding Victorian gambling industry and licence refund payment

On 10 April 2008, the Victorian Government announced that the existing gaming operator licence held by Tabcorp will not be renewed when it expires in mid-2012.

The Government's announcement detailed the future industry structure for gambling in Victoria, which from 2012 will be:

- Gaming: A new model under which hotels and clubs will directly hold gaming machines licences.
- Wagering: The current single licence structure will be retained.
- Keno: There will be a single Keno licence with expanded distribution.

Whilst the Government's decision is disappointing, Tabcorp has commenced adjusting its business plans to maximise the returns from the Victorian Gaming business over the remaining four years of the current licence and review of post 2012 opportunities.

The Government has also stated that it has "formed the view" that Tabcorp is not entitled to compensation as a result of its decision under the Gambling Regulation Act 2003.

Legislation in respect of the Government's announcement is yet to be enacted.

The Company is reviewing and assessing the impact of the Government's announcement, and will pursue all of its rights and take all appropriate action in respect of the licence refund payment. Tabcorp believes it has a right to the payment, which it estimates at \$687 million.

Tabcorp will review the details of the Wagering and Keno licences, when announced by the Government, and looks forward to preparing submissions for these licences.

### 10.2. Star City casino duty and other 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 allow Star City to effectively enjoy exclusivity for a further 12 years.

Under the in-principle agreement, Star City will move to a new indexed tax regime based on the combined revenue from table games and slot machines, and pay the New South Wales Government \$100.0 million in two equal tranches of \$50 million. The new tax structure will be phased in gradually over five years from 1 July 2008.

The range of benefits provided will make Star City a more attractive casino destination and will allow Tabcorp to proceed with plans for a substantial investment in Star City to make it one of the State's premier tourist destinations and a top entertainment venue in Australia.

### 10.3. Equine Influenza

Wagering was adversely affected by the Equine Influenza outbreak, which started late August 2007. In the first half of the financial year, this led to a reduction in Wagering turnover of \$327 million and EBIT of \$16 million compared to the same period last year. Racing resumed in all affected states from 1 December 2007, leading to a gradual recovery in turnover. The full year impact of Equine Influenza on Tabcorp Group EBIT was approximately \$17 million.

### 10.4. Northern Territory wagering licence

On 20 May 2008, Tabcorp lodged an application with the Northern Territory Government for a racing and sports wagering licence, which, subject to approval, will enable Tabcorp to compete in the fast growing corporate bookmaking market.

### **10.5. Smoking bans**

From 1 July 2007, both Victoria and New South Wales moved to a 100% smoke free indoor environment. This affected our Casino, Wagering and Gaming businesses in these two states.

### **10.6. Victorian gaming levy**

Effective 1 July 2007, the Victorian Government increased the annual levy on Victorian EGMs from \$3,033 to \$4,333 per EGM. This increases the taxes paid by Tabcorp on its 13,750 EGMs, which is worth an additional \$17.9 million a year to the Victorian Government.

### **10.7. Sale of interest in China Keno**

The Tabcorp Group sold its 67% interest in the China Keno business on 19 December 2007 to joint venture partner China Lot Synergy for \$15.0 million. The sale enabled the Tabcorp Group to achieve a clean exit from the China Keno business without any impact on its bottom line. This decision was consistent with the Tabcorp Group's focus on improving the performance and growth of its Australian casino, wagering and gaming businesses.

### **10.8. Changes to the Board of Directors**

A number of changes have occurred to the composition of the Board during the year. Refer to section 2 for information.

### **10.9. Appointment of Managing Director and Chief Executive Officer**

Refer to section 2.1 for information.

### **10.10. Other significant changes in the state of affairs**

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

## **11. Business strategies**

Tabcorp is Australia's premier gambling and entertainment group and aspires to be one of the best performing gambling and entertainment groups in the world. To achieve this aspiration, Tabcorp's priorities are:

- Continue to improve operational performance and control expenses
- Increase focus on customer service, organic growth and market share
- Step up capital investment in our existing businesses that position us for growth in two to three years time, particularly in casinos
- Prepare for licence renewal in Victoria
- Maintain leadership in responsible gambling

## 12. Significant events after the end of the financial year

The following event, which may be considered to be a significant event for the Tabcorp Group, has occurred since the end of the financial year.

### 12.1. Star City expansion

The Board has approved an investment of \$475 million to expand the Star City Hotel and Casino. The expansion includes a new five-star hotel tower, a reorientation of the property towards Sydney Harbour, expansion of the Main Gaming Floor and more restaurants, bars and retail shops. This project, which will turn Star City into the leading entertainment destination in New South Wales, is expected to commence in early 2009 and be complete in 2011.

### 12.2. Other significant events

No other matters or circumstances have arisen since the end of the financial year which are not otherwise dealt with in this report or in the financial statements, that have significantly affected or may significantly affect the operations of the Tabcorp Group, the results of those operations or the state of affairs of the Tabcorp Group in subsequent financial years. Refer also to note 30 to the financial statements.

## 13. Likely developments and expected results

The Tabcorp Group will continue with its strategies, as set out in this report.

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

## 14. Auditors

The Tabcorp Group's external auditor is Ernst & Young.

During the financial year, the Tabcorp Group's internal audit function was a co-sourced arrangement, jointly resourced by Tabcorp and KPMG.

More information relating to the audit functions can be found in the corporate governance statement of the concise annual report.

## 15. Directors' interests in contracts

Some Directors of the Company, or related entities of the Directors, conduct transactions with entities within the Tabcorp Group that occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the entity would have adopted if dealing with the Director or Director-related entity on normal commercial terms and conditions.

## 16. Environmental regulation and performance

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

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

The Tabcorp Group has registered for the Federal Government's Energy Efficiency Opportunities (EEO) initiative, and in May 2008 submitted an EEO Assessment and Reporting schedule for approval by the relevant department. The new EEO legislation, which was introduced in 2006, will require companies that use over 0.5 petajoules of energy per annum to assess and report on their energy use and practices. The Tabcorp Group is required to report publicly for the first time by 31 December 2008.

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

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

## 17. Risk management

The Tabcorp Group has a structured and proactive approach to understanding and managing risk. The key focus of the risk management approach is to align strategy, processes, people, technology and knowledge with evaluating and managing the uncertainties and opportunities faced by the Tabcorp Group. Overviews of the Tabcorp Group's risk management processes and internal control framework are disclosed in the corporate governance statement of the concise annual report.

## 18. Directors' interests in Tabcorp securities

At the date of this report (except as otherwise stated), the Directors had the following relevant interests in the securities of the Company, as notified to the ASX in accordance with section 205G(1) of the Corporations Act 2001:

Name	Ordinary shares	Deferred shares	Options	Rights
<b>Current</b>				
John Story	25,649	-	-	-
Elmer Funke Kupper	77,600	19,400	236,126	115,000
Anthony Hodgson	20,245	-	-	-
Paula Dwyer	30,000	-	-	-
John O'Neill	-	-	-	-
Zygmunt Switkowski	73,800	-	-	-
<b>Former</b>				
Michael Robinson <sup>(i)</sup>	45,565	-	-	-
Philip Satre <sup>(i)</sup>	8,000	-	-	-

(i) Retired as a Non Executive Director on 26 November 2007 at the conclusion of the Company's Annual General Meeting. The number of Tabcorp securities disclosed above was applicable at the time of retirement.

Jane Hemstrich and Brett Paton will be appointed as Non Executive Directors following the receipt of all necessary regulatory approvals. Their relevant interests in Tabcorp securities will be disclosed to the ASX following their appointment as a Director.

## 19. Board and Committee meeting attendance

During the financial year ended 30 June 2008 the Company held 15 meetings of the Board of Directors, of which nine were standard Board meetings, and six Board meetings were held to discuss special business.

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

Name	Board of Directors		Audit Committee		Risk and Compliance Committee		Nomination Committee		Remuneration Committee	
	A	B	A	B	A	B	A	B	A	B
<b>Current</b>										
John Story <sup>(i)</sup>	15	15	7	7	4	4	2	2	3	3
Elmer Funke Kupper <sup>(ii)</sup>	12	12	6	6	4	4	1	1	5	5
Anthony Hodgson	14	15	7	7	3	4	2	2	-	-
Paula Dwyer	15	15	7	7	4	4	2	2	7	7
John O'Neill <sup>(iii)</sup>	2	3	2	3	1	1	-	-	-	-
Zygmunt Switkowski <sup>(iv)</sup>	15	15	7	7	4	4	-	-	7	7
<b>Former</b>										
Michael Robinson <sup>(v)</sup>	5	5	2	2	1	1	1	1	4	4
Philip Satre <sup>(v)</sup>	3	5	0	2	0	1	-	-	-	-

A – Number of meetings attended

B – Maximum number of possible meetings available for attendance

- (i) Appointed as a member of the Remuneration Committee on 28 November 2007. In addition to the meetings above, during the financial year Mr Story attended three Remuneration Committee meetings prior to becoming a member to assist in the orderly succession for this Committee.
- (ii) Commenced as Managing Director on 6 September 2007, following the receipt of all necessary regulatory approvals for his role as Director. In addition to the meetings above, during the financial year Mr Funke Kupper attended three Board meetings, one Audit Committee meeting, two Remuneration Committee meetings and one Nomination Committee meeting as Chief Executive Officer whilst awaiting regulatory approval prior to becoming a Director. He was not required to attend these additional meetings and could not vote on any matter at these meetings. Although Mr Funke Kupper attends Board Committee meetings, he is not a member of any Board Committee, because only Non Executive Directors may be members of these Committees.
- (iii) Commenced as a Non Executive Director on 9 May 2008 following the receipt of all necessary regulatory approvals. In addition to the meetings above, during the financial year Mr O'Neill attended seven Board meetings, four Audit Committee meetings, two Risk and Compliance Committee meetings and two Nomination Committee meetings as an observer whilst awaiting regulatory approval. He was not required to attend these additional meetings and could not vote on any matter at these meetings.
- (iv) Dr Switkowski was not a member of the Nomination Committee during the year, however, in addition to the meetings above, he attended two Nomination Committee meetings during the year. He was not required to attend these additional meetings and could not vote on any matter at these meetings.
- (v) Retired as a Non Executive Director on 26 November 2007 at the conclusion of the Company's Annual General Meeting.

Jane Hemstrich will be appointed as a Non Executive Director following the receipt of all necessary regulatory approvals. During the financial year Mrs Hemstrich attended nine Board meetings, five Audit Committee meetings, one Risk and Compliance Committee meeting and one Nomination Committee meeting as an observer. She was not required to attend these meetings and could not vote on any matter at these meetings.

Brett Paton will be appointed as a Non Executive Director following the receipt of all necessary regulatory approvals. During the financial year Mr Paton attended six Board meetings, three Audit Committee meeting and one Risk and Compliance Committee meeting as an observer. He was not required to attend these meetings and could not vote on any matter at these meetings.

The details of the functions and memberships of the Committees of the Board are set out in the corporate governance statement of the concise annual report. The terms of reference for each Board Committee are available from the corporate governance section of the Company's website at [www.tabcorp.com.au/about\\_governance.aspx](http://www.tabcorp.com.au/about_governance.aspx).

## 20. Indemnification and insurance of Directors and Officers

The Directors and Officers of the Tabcorp Group are indemnified against liabilities pursuant to agreements with the Tabcorp Group. Tabcorp has entered into insurance contracts with third party insurance providers, and in accordance with normal commercial practices, under the terms of the insurance contracts, the nature of the liabilities insured against and the amount of premiums paid are confidential.

## 21. Non-statutory audit services

Ernst & Young, the external auditor to the Company and the Tabcorp Group, provided non-statutory audit related services to the Company during the financial year ended 30 June 2008. The Directors are satisfied that the provision of non-statutory audit services during this period was compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-statutory audit service provided means that auditor independence was not compromised. These statements are made in accordance with advice provided by the Company's Board Audit Committee.

The Company's Board Audit Committee reviews the activities of the independent external auditor and reviews the auditor's performance on an annual basis. The Chairman of the Audit Committee must approve all non-statutory audit related work to be undertaken by the auditor (if any). Further details relating to the Audit Committee and the engagement of auditors are available in the corporate governance statement of the concise annual report.

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

Description of services	\$'000
Other audit services	331
Other regulatory audit services	125
<b>Total of all non-statutory audit services</b>	<b>456</b>

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

## 22. Corporate governance

The Directors of the Company support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. The Company's corporate governance practices are constantly under review. As a result, new practices were adopted and existing practices optimised to reflect best practice. The Company's corporate governance statement is contained in the concise annual report, and associated information is available under the corporate governance section of the Company's website at [www.tabcorp.com.au/about\\_governance.aspx](http://www.tabcorp.com.au/about_governance.aspx).

## 23. Rounding of amounts

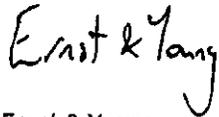
Tabcorp Holdings Limited is a company of the kind specified in Australian Securities and Investments Commission Class Order 98/0100. In accordance with that Class Order, amounts in the financial report and the Directors' report have been rounded to the nearest hundred thousand dollars unless specifically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

## 24. Auditor's independence declaration

Attached is a copy of the auditor's independence declaration provided under section 307C of the Corporations Act 2001 in relation to the audit for the financial year ended 30 June 2008. This auditor's independence declaration forms part of this Directors' report.

## Auditor's Independence Declaration to the Directors of Tabcorp Holdings Limited

In relation to our audit of the financial report of Tabcorp Holdings Limited for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



Tim Wallace  
Partner  
Melbourne  
20 August 2008

## Introduction

This Remuneration report outlines the remuneration policy and arrangements for Tabcorp's Directors, executives and senior management in accordance with the requirements of the Corporations Act 2001 and its Regulations. The information provided in this Remuneration report has been audited as required by section 308(3C) of the Corporations Act.

The Remuneration report relates to the Group's key management personnel (KMP) and the five executives that received the highest remuneration during the year in the Company and the Group. KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, and comprises all the Directors of Tabcorp and members of the Executive Committee. The same group of individuals is regarded as KMP for both the Company and the Group.

This report forms part of the Directors' report and is set out under the following sections:

<b>Section</b>	<b>Heading</b>
<b>A</b>	<b>Significant changes since 30 June 2007</b>
A1	Key management personnel
A2	Remuneration strategy – Executives and senior management
<b>B</b>	<b>Governance</b>
<b>C</b>	<b>Remuneration philosophy</b>
<b>D</b>	<b>Key management personnel (KMP)</b>
<b>E</b>	<b>Non Executive Director remuneration</b>
E1	Remuneration framework
E2	Structure
E3	Current annual fees
<b>F</b>	<b>Executive remuneration (including Executive Director)</b>
F1	Remuneration framework
F2	Reward structure
F3	Reward mix
F4	Fixed remuneration
F5	Variable (at risk) remuneration
F6	Executive director contract – Managing Director and Chief Executive Officer
F7	Executive contracts – KMP
F8	Performance of Tabcorp and shareholder wealth
<b>G</b>	<b>Remuneration tables</b>
G1	Remuneration of KMP (including five highest paid executives)
G2	Other remuneration tables

## **A Significant changes since 30 June 2007**

### **A1 Key management personnel**

#### **A1.1 Non Executive Directors**

John Story commenced as Chairman on 26 November 2007, following Michael Robinson's retirement from the Board.

John O'Neill commenced as a Director on 9 May 2008, following the receipt of all necessary regulatory approvals.

Michael Robinson and Phil Satre retired as Directors at the Annual General Meeting on 26 November 2007.

Jane Hemstritch and Brett Paton will join the Board as Non Executive Directors once all necessary regulatory approvals have been received. All approvals had not been received by 30 June 2008.

#### **A1.2 Managing Director and Chief Executive Officer**

Elmer Funke Kupper is Tabcorp's Managing Director and Chief Executive Officer. Mr Funke Kupper commenced as Managing Director on 6 September 2007, following the receipt of all necessary regulatory approvals for his role as Director. Mr Funke Kupper was appointed as Chief Executive Officer on 13 July 2007, and was Acting Chief Executive Officer during the previous four months.

#### **A1.3 Executives**

Louise Zampaglione (Group General Manager, Human Resources) commenced employment on 15 November 2007.

Peter Caillard (Executive General Manager, Strategy and Development) ceased employment on 21 February 2008.

### **A2 Remuneration strategy – Executives and senior management**

Tabcorp's remuneration strategy for executives and senior management was reviewed at the end of the 2007 financial year. The objective of the review was to determine market best practice to ensure Tabcorp has a remuneration strategy that will best enable delivery of the Group's strategy.

As a consequence of the review, the remuneration strategy was updated at the commencement of the 2008 financial year. Refer to section F1.2 for an overview of the changes implemented.

## **B Governance**

The main responsibilities of the Board Remuneration Committee are:

- Establishing and maintaining fair and reasonable remuneration policies and practices that apply to the Group;
- Reviewing and recommending to the Board the remuneration of:
  - the Chairman, Deputy Chairman and Non Executive Directors;
  - the Managing Director and Chief Executive Officer;
  - the terms and conditions of any incentive plans and approving which executives and senior management may participate in these plans;
- Reviewing and approving remuneration of executives reporting to the Managing Director and Chief Executive Officer; and
- Agreeing benchmarks against which annual salary reviews are evaluated.

In exercising its responsibilities, the Board Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Directors and executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality and high performing Board and executive team.

To assist in exercising its responsibilities, the Board Remuneration Committee receives independent advice on matters such as remuneration strategies, mix and structure.

The Board Remuneration Committee is governed by its Terms of Reference, which are available on Tabcorp's website at [www.tabcorp.com.au](http://www.tabcorp.com.au) under the *About Us – Corporate Governance* section.

## C Remuneration philosophy

The key objective of Tabcorp's remuneration philosophy is to enable Tabcorp to attract, motivate and retain high calibre individuals at both Board and senior management level. To achieve this, Tabcorp's remuneration framework is based upon the following key principles:

- Creating shareholder value relative to our peer group;
- Maintaining market competitiveness; and
- Measuring and rewarding individual, divisional and Group performance.

For executive and senior management remuneration, this involves aligning the reward components with the individual's ability to influence results and to increase the focus on variable reward that is leveraged for superior performance.

## D Key management personnel (KMP)

Name	Positions held	Period in position if less than full year
<b>Non Executive Directors</b>		
<b>Current</b>		
John Story	Chairman and Director (Non Executive)	Chairman from 26 November 2007
Anthony Hodgson	Deputy Chairman and Director (Non Executive)	
Paula Dwyer	Director (Non Executive)	
John O'Neill	Director (Non Executive)	From 9 May 2008
Zygmunt Switkowski	Director (Non Executive)	
<b>Pending regulatory approval</b>		
Jane Hemstritch	Will be appointed Director (Non Executive)	Not a KMP
Brett Paton	Will be appointed Director (Non Executive)	Not a KMP
<b>Former</b>		
Michael Robinson	Chairman and Director (Non Executive)	To 26 November 2007
Philip Satre	Director (Non Executive)	To 26 November 2007
<b>Executives</b>		
<b>Current Executive Director</b>		
Elmer Funke Kupper	Managing Director and Chief Executive Officer	From 6 September 2007
	Chief Executive Officer (not a Director)	From 13 July 2007
	Acting Chief Executive Officer (not a Director)	To 12 July 2007
<b>Current Executives</b>		
Matt Bekier	Chief Financial Officer	
Walter Bugno	Chief Executive, Casinos	
Mohan Jesudason	Managing Director, Gaming	
Robert Nason	Managing Director, Wagering	
Kerry Willcock	Executive General Manager, Corporate and Legal	
Louise Zampaglione	Group General Manager, Human Resources	From 15 November 2007
<b>Former Executives</b>		
Peter Caillard	Executive General Manager, Strategy and Development	To 21 February 2008

## **E Non Executive Director remuneration**

### **E1 Remuneration framework**

The Board Remuneration Committee has responsibility for reviewing and recommending to the Board appropriate remuneration arrangements for Non Executive Directors. Factors taken into consideration by the Board Remuneration Committee include:

- The Group's remuneration philosophy;
- The level of fees paid to Board members of other publicly listed Australian companies;
- Operational and regulatory complexity;
- The responsibilities and workload requirements of each Board member; and
- Advice from independent remuneration consultants.

Non Executive Directors' fees are reviewed annually on a calendar year basis by the Remuneration Committee and are approved by the Board of Directors.

The aggregate limit for Non Executive Directors' fees (including superannuation contributions where applicable) is approved by shareholders and was set at \$2 million at the Annual General Meeting on 28 November 2005.

Non Executive Directors do not receive any performance or incentive payments and are not eligible to participate in any of Tabcorp's incentive plans. This policy aligns with the principle that Non Executive Directors should act independently.

### **E2 Structure**

Non Executive Directors' remuneration comprises the following components:

- Board fee;
- Board Committee fees; and
- Superannuation (where applicable).

Some Directors may receive additional remuneration and associated superannuation (where applicable) for:

- Chairmanship of the Victorian Joint Venture Management Committee; or
- Observer fees (whilst awaiting regulatory approval).

#### **E2.1 Board fee**

The Board fee is structured to recognise the responsibility of each Non Executive Director and the additional responsibilities of both the Chairman and Deputy Chairman.

Board fees are not paid to the Managing Director and Chief Executive Officer as Board responsibilities are considered to form part of the responsibilities of this position. Additionally, Board fees are not paid to executives (including the Managing Director and Chief Executive Officer) for directorships of any subsidiaries.

#### **E2.2 Board Committee fees**

Board Committee fees are structured to recognise the differing responsibilities and workload associated with each Committee, and the additional responsibilities of each Committee Chairman. During the year, the Board reviewed the nature and extent of the role of Chairman of the Joint Venture Management Committee. The Joint Venture Management Committee, comprising representatives from the Victorian Racing Industry and Tabcorp, is the joint venture under which Tabcorp's Victorian wagering and gaming businesses operate and is chaired by an independent Non-Executive Director of Tabcorp. In light of the increasing complexity of joint venture operations, governance and legal and regulatory matters concerned with the Joint Venture, the Board decided that a separate fee is appropriate to recognise the additional workload and responsibilities associated with this role.

#### **E2.3 Observer fees**

Any new Non Executive Director may be paid observer fees for attending Board and Committee meetings whilst awaiting regulatory approval. Observer fees are equivalent to the applicable Board and Committee fees.

The Board considers these fees to be reasonable and fair, as they recognise the workload in preparing for and attending Board and Committee meetings as an observer and for undergoing induction prior to their commencement as a Director.

## E2.4 Superannuation

Australian resident Directors are paid superannuation contributions (9% of total fees, uncapped). Any non Australian resident Director receives a payment in cash which is equivalent to the amount that would otherwise be paid as superannuation. Directors may choose to increase the proportion of their remuneration taken as superannuation.

## E3 Current annual fees

The annual fees detailed in Figure 1 for Non Executive Directors and Board Committee membership are applicable from 1 January 2007. Following its annual review of these fees, the Board decided that the fees were to remain unchanged.

Figure 1: Non Executive Director and Board Committee fixed annual fees effective from 1 January 2007

Position	Board fees <sup>(i)</sup> \$	Board Committee fees <sup>(i)</sup>			
		Audit \$	Risk and Compliance \$	Remuneration <sup>(ii)</sup> \$	Nomination \$
Chairman	363,000				
Deputy Chairman	165,000				
Non Executive Director	134,000				
Committee Chairman		50,000	25,000	25,000	7,500
Committee Member		15,000	15,000	10,000	7,500

(i) Fees exclude superannuation contributions.

(ii) Chairman of the Victorian Joint Venture Management Committee receives a fee equivalent to Chairman of the Remuneration Committee.

## F Executive remuneration (including Executive Director)

### F1 Remuneration framework

#### F1.1 Overview

The remuneration framework comprises a mix of both fixed and variable remuneration components. Variable remuneration depends on the achievement of Group, divisional and individual performance targets. Variable remuneration may be delivered in the form of cash or a mix of cash and Restricted Shares for achievement of short term performance targets, and Performance Rights (and Performance Options prior to 30 June 2007) for achievement of long term performance targets.

The objective of structuring a remuneration framework comprising both fixed and variable components is to ensure remuneration is market competitive and aligned to:

- Shareholders' interests through:
  - The use of financial measures, such as net profit after tax (measured on a normalised basis and before non-recurring items) as the primary reward measure for short term performance outcomes.
  - Rewarding long term company performance measured by reference to a comparable group of companies in the S&P/ASX200 index, which over the long term should lead to attractive value creation for shareholders.
  - Aligning Group, divisional and individual performance targets to the performance objectives in Tabcorp's annual and long term strategic plans.
  - Attracting, motivating and retaining individuals of the highest calibre.
  - Fostering a culture of high performance in a team based environment.
- Executives' interests through:
  - Differentiating reward outcomes based upon individual performance and capability.
  - Ensuring the form of reward delivery is closely aligned with the ability to influence results.
  - Providing upside opportunity for superior Group performance and increased shareholder value.

**F1.2 Changes since 30 June 2007**

Tabcorp's remuneration strategy was revised at the end of the 2007 financial year to facilitate delivery of the Group's strategy. The key changes that apply from 1 July 2007 are:

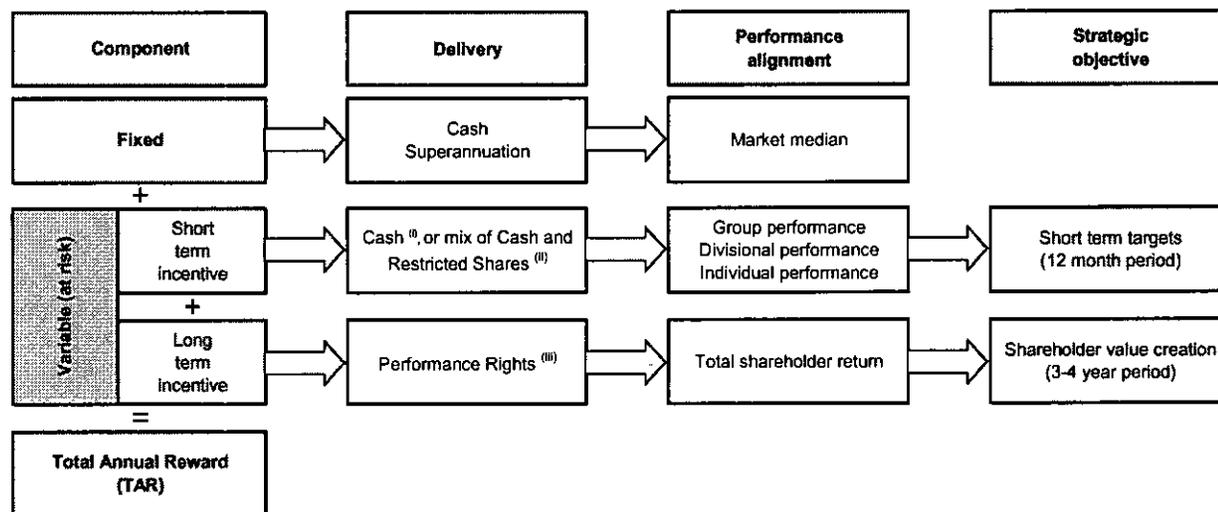
- Introducing Restricted Shares as a component of the short term incentive (STI) for certain senior executives. These are subject to a three year service condition. This change is to enhance the ability to retain these executives;
- No longer offering a medium term incentive (MTI) which had been provided in the form of Restricted Shares subject to a two year service condition. Using Restricted Shares in the STI is a simpler structure which facilitates stronger alignment with the Group's strategy;
- Offering Performance Rights as the equity instruments under the long term incentive (LTI) scheme as they are more appropriate for the Company's earnings profile. Performance Options are no longer being offered; and
- As a result of the above, the proportion of the fixed and variable remuneration components has changed. The at risk component of the target annual reward for each KMP\* now has a 5% greater proportion, consequently reducing the fixed cash component by the equivalent 5% (refer Figure 3).

\* Excluding the Managing Director and Chief Executive Officer and a former KMP who ceased employment during the year.

**F2 Reward structure**

Incentive plans are set to ensure that the achievement of short and long term strategic objectives are commensurate with shareholder value creation. The reward structure is outlined in Figure 2 below.

**Figure 2: Executive reward structure**



- (i) May also be taken in the form of shares issued under the Tabcorp Employee Deferred Share Plan or additional voluntary superannuation contributions.
- (ii) Applicable to certain executives, issued under the Tabcorp Employee Deferred Share Plan and are subject to a three year service condition.
- (iii) May vest over a three to four year period, subject to meeting relevant performance based hurdle.

**F3 Reward mix**

**F3.1 Target reward mix**

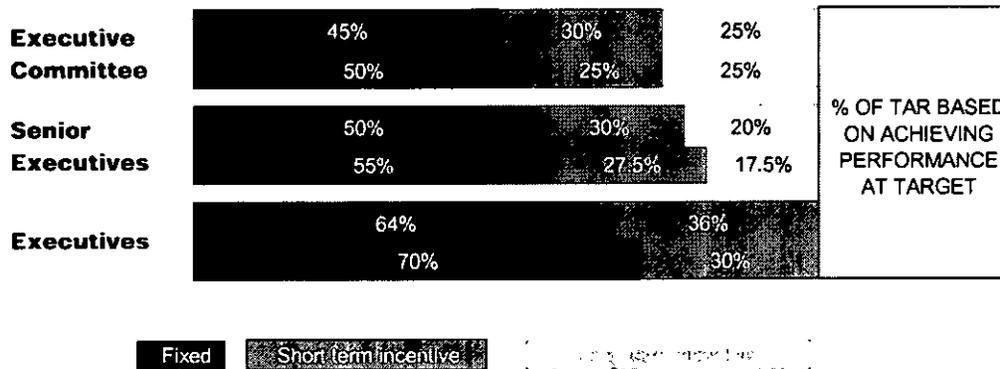
The target reward mix aims to position Total Annual Reward (TAR) at the market median when all performances have been achieved at target. It is set after benchmarking against a wide range of organisations to ensure that the incentive opportunity, as well as the TAR opportunity, is competitive when compared to the market.

Figure 3 outlines the target reward mix for the three senior employee levels (below the Managing Director and Chief Executive Officer) within Tabcorp. Each level is split into two categories to recognise that executives with greater responsibility in key divisions have a greater proportion of at risk remuneration.

The Board Remuneration Committee reviews the target reward mix percentages from time to time to ensure they remain appropriate for executives. In particular, the Board Remuneration Committee has the discretion to:

- Vary the target reward mix for current employees;
- Use a transitional reward mix for executives moving between job bands; and
- Invite employees in other job bands to participate in the short term incentive.

Figure 3: Target reward mix by level



### F3.2 KMP reward mix

The reward mix for the KMP (other than the Managing Director and Chief Executive Officer) outlined in Figure 4 reflects the target reward mix detailed in Figure 3 above, and was effective for the 2008 financial year. This target reward mix excludes appointment and retention incentives (refer section F7). Refer section F6 for details of the Managing Director and Chief Executive Officer's remuneration.

Figure 4: KMP reward mix

KMP	Target reward mix			Total Annual Reward
	Fixed	Variable (at risk) incentives		
		Short term (cash)	Long term (equity)	
<b>Current</b>				
Matt Bekier	45%	30%	25%	100%
Walter Bugno	45%	30%	25%	100%
Mohan Jesudason	45%	30%	25%	100%
Robert Nason	45%	30%	25%	100%
Kerry Willcock	50%	25%	25%	100%
Louise Zampaglione	50%	25%	25%	100%
<b>Former</b>				
Peter Caillard <sup>(i)</sup>	56%	22%	22%	100%

(i) Reward mix was not updated in line with the revised remuneration structure prior to cessation on 21 February 2008.

### F4 Fixed remuneration

Fixed remuneration comprises salary and superannuation. Executives may elect to salary sacrifice for additional superannuation contributions, novated car leases and laptop computers.

The level of fixed remuneration reflects the scope and responsibilities of the role and the level of knowledge, skills and experience of the individual.

## F5 Variable (at risk) remuneration

### F5.1 Short term incentive (STI)

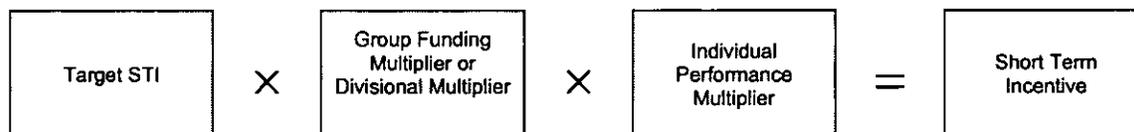
#### F5.1.1 Overview

The STI is designed to reward employees for the achievement of Group, divisional and individual performance goals over the relevant 12 month annual performance period, which are aligned to and are supportive of the Group's annual objectives for each financial year.

#### F5.1.2 Determining Factors

The incentive is based upon three key factors:

Figure 5: STI calculation



- **Target STI**

This is set as a percentage of the individual's Total Annual Reward (TAR).

- **Group Funding Multiplier (GFM) or Divisional Multiplier (DM)**

The first step is to determine the GFM. This is linked to the achievement of Tabcorp's target normalised net profit after tax before non recurring items as approved by the Board. The GFM determines the overall STI pool available for distribution. If the minimum financial performance target is not met, individual awards may be funded at a reduced level, at the discretion of the Board.

The second step is to determine the DM. This creates differentiation between divisions based on their performance and contribution to the Group. The DM is determined by reference to the performance of each division against financial targets, non financial targets and execution of the division's key strategic objectives. Executives working in Group functions receive the GFM.

- **Individual Performance Multiplier (IPM)**

Individual performance is assessed using a balanced scorecard of individual measures that align to and are supportive of the Group's annual objectives. The balanced scorecard assesses four performance areas – customers, people, organisation, and shareholders. Specific key performance objectives (KPOs) are agreed upon for each performance area at the start of the financial year against which the individual is assessed.

- To be eligible to receive a STI, participants need to demonstrate required levels of behaviours in line with Group values and must not have any significant controllable compliance breaches.

#### F5.1.3 Delivery

The STI is delivered in cash, or a mix of cash and Restricted Shares. It is mandatory for participants at an executive management level, where the target STI is 30% or more of TAR and who do not participate in the long term incentive to defer one third of their total STI into Restricted Shares. Restricted Shares are subject to a three year service condition during which time the shares may not be traded, however participants have full entitlement to both dividends and voting rights.

Participants have the opportunity to voluntarily sacrifice all or part of the cash incentive into shares (issued under Tabcorp's Employee Deferred Share Plan) or additional superannuation contributions.

During 2008 shares that were allocated under the STI were acquired through on market purchases, rather than issued as new shares, to prevent share value dilution.

#### F5.1.4 Accounting treatment

The financial impact of the STI (excluding any Restricted Shares) is expensed in the relevant financial year and is reflected in the remuneration disclosures for KMP. Restricted Shares are expensed over a three year period, commencing from the time the Restricted Shares are granted to the participant, which occurs after year end.

### F5.1.5 STI performance

For the year ended 30 June 2008, short term incentive targets were derived from the Board approved 07/08 Business Plan. The Remuneration Committee advised the Board that annual operating outcomes, at Company level, had substantially met agreed targets and recommended an average STI payment to reflect this. The Board approved average STI payments at target level.

As the performance hurdle for the 30 June 2007 year was not achieved, STI was not awarded to any KMP for the prior year.

### F5.2 Long term incentive (LTI)

#### F5.2.1 Overview

The LTI is principally designed to reward senior executives for contributions to long-term shareholder value creation, measured over a three to four year period.

LTI is delivered through Performance Rights that provide the executive with the opportunity to acquire shares, subject to meeting market based performance hurdles and service conditions, at no cost. Performance Rights are considered an effective instrument for delivering incentives to executives for growth in shareholder value over the three to four year period.

Performance Rights issued under the LTI plan have the following features:

- Tested against the relevant performance hurdle at the third anniversary of the date of grant and at two subsequent six monthly intervals;
- Vest over a three to four year period, with any unvested Performance Rights lapsing at the fourth anniversary of the date of grant;
- Executives have until the seventh anniversary of the date of grant to exercise vested Performance Rights, otherwise they lapse;
- Upon exercise the Company will issue or transfer ordinary shares to the executive; and
- The fair value will be expensed over a four year period from the grant date in accordance with Accounting Standards.

#### F5.2.2 Allocation

Performance Rights under the LTI are allocated annually around the time of the annual salary review. The number of Performance Rights allocated is calculated as outlined in Figure 7.

Figure 7: Allocation calculation

$$\boxed{\text{Target LTI (\$)}} \div \boxed{\text{Fair Market Value of Performance Right}} = \boxed{\text{Number of Performance Rights allocated}}$$

#### F5.2.3 Valuation

Fair Market Value (FMV) is the valuation method used to allocate LTI equity in order to align remuneration values with disclosed accounting expense for share based payments and emerging market practice.

Tabcorp engages external consultants to calculate the FMV for each allocation of Performance Rights under the LTI using the following option pricing models:

- Monte Carlo simulation to estimate the proportion of Performance Rights which might vest at each test date after the application of the performance hurdles; and
- A binomial tree to reflect the American call option value of the Performance Rights at each test date, discounted to present value at the grant date.

These models take the following factors into consideration:

- Current share price of the underlying share;
- Life of instrument;
- Expected volatility of Tabcorp's share price;
- Risk free interest rate; and

- Tabcorp's expected dividend yield.

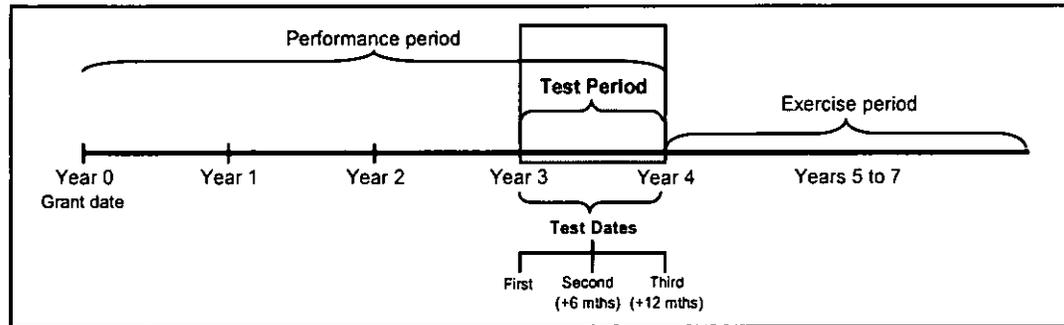
#### F5.2.4 Vesting conditions

The vesting of Performance Rights issued under the LTI is dependent on two conditions, as discussed below.

##### □ Time based

Performance Rights may vest over a three to four year period (Test Period), subject to meeting the relevant performance based hurdle (refer Figure 8). The Test Period aligns with the timeframe for Tabcorp's long term business strategy.

**Figure 8: Time based vesting conditions (subject to meeting performance hurdle)**



As illustrated in Figure 8, the Performance Rights are tested against the performance hurdle at six monthly intervals during the Test Period.

##### □ Performance based

The performance hurdle for Performance Rights issued under the LTI is relative Total Shareholder Return (TSR).

TSR measures the return received by shareholders over a specific period relative to a peer group of companies. It is calculated by taking into account growth in the share price between the grant date and the test date, and dividends and capital returns received by shareholders during that period. If there is any change in the dividend payment timetable of a company in the peer group (including Tabcorp), then the TSR performance of that company is adjusted to remove any artificial distortion in the outcome. Tabcorp engages an external consultant to calculate Tabcorp's TSR relative to the peer group of companies.

The peer group used for assessing Tabcorp's relative TSR is based upon the following companies.

Basis	Exclusions
ASX Top 100 companies (by market capitalisation)	<ul style="list-style-type: none"> <li>• Property trusts;</li> <li>• Infrastructure groups; and</li> <li>• Mining companies</li> </ul> <p>Represented by the S&amp;P Global Industry Classification Standards of Oil &amp; Gas, Metals &amp; Mining, Transportation Infrastructure and Real Estate.</p>

The composition of the peer group may change as a result of specific external events, such as mergers and acquisitions, capital returns, delistings and capital reconstruction. The Board Remuneration Committee has agreed guidelines for adjusting the peer group following such events, and has the discretion to determine any adjustment to the peer group of companies.

The table below sets out the percentage of Performance Rights that will vest depending on Tabcorp's TSR ranking as at the applicable test dates:

Tabcorp's relative TSR ranking	Percentage of Performance Rights that will vest
Below 50th percentile	0%
At 50th percentile	50%
Above 50th and below 75th percentile	Pro-rata between 50% (at 50th percentile) and 100% (at 75th percentile)
At or above 75th percentile	100%

If Tabcorp's relative TSR ranking on a test date is higher than that measured on a previous test date(s), then a further number of Performance Rights may vest to executives in addition to those that may have already vested. Alternatively, if Tabcorp's relative TSR ranking is lower than as measured on a previous test date(s), then no further Performance Rights will vest. The maximum number of Performance Rights that will have vested to executives will accord with the highest measure of Tabcorp's relative TSR ranking on test dates during the test period.

This testing schedule and vesting criteria are the most common practices adopted by the companies in the S&P/ASX100 index, which is consistent with Tabcorp's remuneration philosophy (refer to section C) and executive remuneration framework (refer to section F1).

Upon exercise of Performance Rights, executives will be allocated an equivalent number of fully paid ordinary shares in the Company, and will receive full voting and dividend rights corresponding to the rights of all other holders of ordinary shares.

During the year, shares allocated upon the exercise of Performance Options and Performance Rights were acquired through on market purchases, rather than issued as new shares, to prevent share value dilution.

#### **F5.2.5 Lapsing conditions**

Performance Rights that have not vested at the end of the Test Period will lapse.

Performance Rights which have vested will be exercisable by the executive until the seventh anniversary after the grant date. Following the seventh anniversary, any vested Performance Rights which have not been exercised will lapse.

#### **F5.2.6 Cessation of employment**

All unvested Performance Rights will lapse immediately upon cessation of employment. However the Board Remuneration Committee has discretion in special circumstances to determine the number of Performance Rights (and Performance Options and Share Rights, where applicable) retained and the terms applicable. Special circumstances include events such as retirement, redundancy, death and permanent disability.

Vested Performance Rights are exercisable by the individual for a period of 90 days after termination of employment, following which they will lapse.

#### **F5.2.7 Accounting treatment**

Performance Rights issued under the LTI are expensed on a straight line basis over a four year period, commencing from the grant date. Under Accounting Standards, Tabcorp is required to recognise an expense irrespective of whether the Performance Right ultimately vests to the executive. A reversal of the expense is only recognised in the event the Performance Rights lapse due to cessation of employment within the four year period.

The 'Remuneration of KMP' tables at section G1 (Figures 13B & 13D) reflect the accounting expense recognised in the relevant financial year, not the total value of Performance Rights allocated to the executive during the year, which is disclosed in Figure 14E.

#### **F5.2.8 Former LTI plan**

Prior to the implementation of the current LTI plan, which was approved by shareholders at the Company's Annual General Meeting in 2003, executives were provided with the opportunity to participate in the Tabcorp Senior Executive Long Term Incentive Plan. This plan ceased being offered to executives in 2003, however during the financial year to 30 June 2008 some executives continued to participate in this plan, including Mohan Jesudason and Peter Caillard (KMPs during the year).

This former LTI plan enabled executives to receive a loan to acquire Tabcorp shares. The dividends received from the shares acquired under the plan are applied towards paying interest on the outstanding loan balance (currently at 4% per annum), a cash payment to cover the personal income tax liability associated with the dividend and loan principal repayments. The loan is required to be repaid upon cessation of employment.

#### **F5.2.9 LTI performance**

The 2008 financial year had three test dates for allocations under the LTI. As the performance based criteria for vesting was not achieved, no Performance Options or Performance Rights vested at these test dates.

### **F5.3 Former medium term incentive (MTI)**

During the 2007 financial year, the MTI was a component of remuneration, designed to reward executives and senior management for the achievement of sustained performance over a two year period whilst encouraging the retention of key talent. The MTI is no longer offered.

The MTI was delivered in the form of Restricted Shares, which are subject to a two year service condition during which time the shares may not be traded, but have full entitlement to both dividends and voting rights. The first allocation of Restricted Shares under the MTI occurred following the release of the 2007 annual results. There have been no further allocations. The allocation was based upon the individual's TAR mix and an achievement of EPS growth targets that are aligned with the long term strategic plan. Restricted Shares allocated under the MTI were acquired through on market purchases, rather than issued as new shares, to prevent share value dilution.

The MTI is expensed over a two year period, commencing from the time the Restricted Shares were granted to the executive.

### **F5.4 Appointment/retention incentives**

#### **F5.4.1 Criteria for issue**

Restricted Shares may be issued to executives as an incentive upon appointment (either on joining Tabcorp or transfer to a new position internally) or for retention. These are ordinary shares in the Company, and in order to act as a retention mechanism are subject to time based restrictions of up to three years.

Additionally, executives may also be issued Performance Rights (and Performance Options prior to 30 June 2007) upon appointment. These instruments are issued under the LTI and are subject to the same performance hurdles and vesting conditions (refer section F5.2).

A combination of equity instruments such as Restricted Shares, subject to time based restrictions, and Performance Rights, subject to performance and time based hurdles, are employed to attract, retain and compensate executives for equity forfeited.

Tabcorp did not provide any appointment or retention incentives in the year ended 30 June 2008.

Appointment and retention incentives that were provided in prior financial years that remain subject to trading restrictions or vesting criteria are disclosed in sections F6.2.2 and F7.2.

#### **F5.4.2 Accounting treatment**

The fair value of Restricted Shares is expensed as remuneration over the relevant restriction period.

As Performance Rights (and Performance Options prior to 30 June 2007) are issued under the LTI, they are expensed in the same manner as described in section F5.2.7.

### **F5.5 Policy prohibiting hedging**

Participants in the STI, MTI or LTI are restricted from hedging the value of Restricted Shares and unvested Performance Options and Performance Rights, and must not enter into a derivative arrangement in respect of the equity instruments granted under these plans. Breaches of the restriction will result in equity instruments being forfeited by the executive.

These prohibitions are included in Tabcorp's Share Trading Policy, available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au](http://www.tabcorp.com.au) and in the terms and conditions of the STI, MTI and LTI plans.

Equity instruments granted under the STI, MTI and LTI can only be registered in the name of the participant, are identified as non tradable on the main share register, and cannot be traded or transferred to another party until vested or until any trading restriction period has expired (where applicable).

The Board at its discretion can request an executive to provide a statutory declaration that the executive has complied with this policy. During the year, the Board did not require any such declarations.

**F6 Executive director contract – Managing Director and Chief Executive Officer****F6.1 Current contract**

Elmer Funke Kupper commenced as Managing Director on 6 September 2007 and Chief Executive Officer on 13 July 2007. Prior to this he was Acting Chief Executive Officer as described in section A1.2. The Company agreed a new employment contract with Mr Funke Kupper relating to his employment as Managing Director and Chief Executive Officer. The contract is for a continuing term capable of being terminated on 6 months' notice by Mr Funke Kupper and 12 months' notice by Tabcorp. The contract does not require any termination payments, other than payment in lieu of notice (if applicable).

**F6.1.1 Fixed remuneration**

Mr Funke Kupper receives fixed remuneration (inclusive of superannuation) of \$1,500,000 per annum, and the opportunity to receive variable remuneration through short term and long term incentive arrangements.

**F6.1.2 Short term incentive**

Under the short term incentive arrangements, Mr Funke Kupper is eligible to receive a short term performance award based on his individual performance and the Company's performance over the annual performance review period. Mr Funke Kupper's short term performance award is equivalent to \$1,500,000 if targets are met, and is delivered in cash, with the opportunity for Mr Funke Kupper to voluntarily sacrifice all or part of the award into shares (issued under Tabcorp's Employee Deferred Share Plan) or additional superannuation contributions. This short term incentive is similar to that which applies to the STI in section F5.1, other than as set out above.

**F6.1.3 Long term incentive**

The initial long term incentive arrangement involved the grant of 100,000 Performance Rights under the Tabcorp Long Term Incentive Plan, which was approved by shareholders at the Company's 2007 Annual General Meeting. The Company intends that the long term incentive component of Mr Funke Kupper's remuneration package will involve annual grants of Performance Rights and/or Options, which would be subject to performance hurdles, with the grant of such Performance Rights and Options being subject to obtaining any necessary shareholder approvals at the relevant time. This long term incentive is similar to that which applies to the LTI in section F5.2, other than as set out in this section.

The 100,000 Performance Rights granted during the year will be tested on 30 June 2011 and 30 June 2012 to determine whether the applicable performance hurdles have been met. The performance hurdle is relative total shareholder return, which is based on the Company's TSR ranking compared to a peer group of companies measured over the period from 13 July 2007 (the date that Mr Funke Kupper commenced as Chief Executive Officer) to the applicable test date.

Upon termination of employment (other than at the discretion of the Board in special circumstances such as, but not limited to, death and permanent disablement), all unvested Performance Rights will lapse immediately. In all circumstances of termination of employment (other than for serious misconduct, in which case all vested (but not exercised) and all unvested Performance Rights will lapse immediately), all Performance Rights that have vested at the date of termination will be exercisable by Mr Funke Kupper for a period of 90 days following termination of employment, following which they will lapse.

Further information relating to these 100,000 Performance Rights is available in the notice of meeting for the Company's 2007 Annual General Meeting.

**F6.2 Previous contracts****F6.2.1 Acting Chief Executive Officer**

Between 14 March 2007 and 13 July 2007, Mr Funke Kupper received a cash payment of \$100,000 gross per month for the additional duties and responsibilities whilst Acting Chief Executive Officer. This payment was in addition to the Total Annual Reward received by Mr Funke Kupper in his previous role as Chief Executive, Australian Business and was not included in Total Annual Reward for determining allocations under the STI or LTI plans. During the year ended 30 June 2008, Mr Funke Kupper received a pro rata entitlement for the 13 days applicable to the financial year.

### F6.2.2 Appointment incentive

Mr Funke Kupper was provided an appointment incentive in the year ended 30 June 2006 upon commencement with the Company as Chief Executive, Australian Business of approximately \$1.9 million comprising:

Instrument type	Number	Trading restrictions and vesting conditions
Restricted Shares	97,000	Subject to trading restrictions lifting in 3 tranches on 31 December 2006, 2007 and 2008. Subject to the conditions under the LTI applicable at the time of grant.
Performance Options	112,500	
Performance Rights	15,000	

At 30 June 2008, 19,400 Restricted Shares are subject to trading restrictions, and no Performance Options or Performance Rights had vested.

## F7 Executive contracts - KMP

### F7.1 Current contracts

The table below contains details of the contracts of the executives who are KMPs of Tabcorp, excluding the Managing Director and Chief Executive Officer. The current contracts do not provide for any termination payments, other than payment in lieu of notice.

Name	Position	Contract duration	Minimum notice period (months)	
			Executive	Tabcorp
<b>Current</b>				
Matt Bekier	Chief Financial Officer	Open ended	3	9
Walter Bugno	Chief Executive, Casinos	Open ended	3	9
Mohan Jesudason	Managing Director, Gaming	Open ended	3	6
Robert Nason	Managing Director, Wagering	Open ended	3	6
Kerry Willcock	Executive General Manager, Corporate and Legal	Open ended	3	9
Louise Zampaglione <sup>(i)</sup>	Group General Manager, Human Resources	Open ended	3	9
<b>Former</b>				
Peter Caillard <sup>(ii)</sup>	Executive General Manager, Strategy and Development	Open ended	3	12

- (i) Commenced employment and as a KMP on 15 November 2007.
- (ii) Ceased employment and as a KMP on 21 February 2008.

### F7.2 Appointment and retention incentives

Appointment or retention incentives were approved in previous financial years for Walter Bugno, Robert Nason, and Peter Caillard.

#### Chief Executive, Casinos

Mr Bugno was provided an appointment incentive in the year ended 30 June 2006 of approximately \$900,000 comprising:

Instrument type	Number	Trading restrictions and vesting conditions
Restricted Shares	30,000	Subject to trading restrictions lifting in 3 tranches on 31 December 2006, 2007 and 2008. Subject to the conditions under the LTI applicable at the time of grant.
Performance Options	112,500	
Performance Rights	15,000	

At 30 June 2008, 10,000 Restricted Shares are subject to trading restrictions, and no Performance Options or Performance Rights had vested.

#### Managing Director, Wagering

Mr Nason was provided an appointment incentive in the year ended 30 June 2006 of approximately \$150,000 comprising:

Instrument type	Number	Trading restrictions and vesting conditions
Restricted Shares	10,000	Subject to trading restrictions lifting in 2 tranches on 26 June 2007 and 2008.

At 30 June 2008, trading restrictions on all Restricted Shares had been lifted.

**Executive General Manager, Strategy and Development**

Mr Caillard was provided a retention incentive in the year ended 30 June 2007 of approximately \$225,000 upon appointment to the role he held prior to cessation of employment comprising:

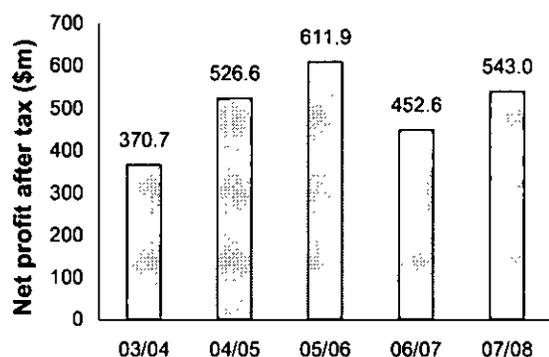
Instrument type	Number	Trading restrictions and vesting conditions
Restricted Shares	15,000	Subject to trading restrictions lifting in 3 tranches on 1 July 2007, 2008 and 2009.

Upon cessation of employment, trading restrictions on all Restricted Shares were lifted.

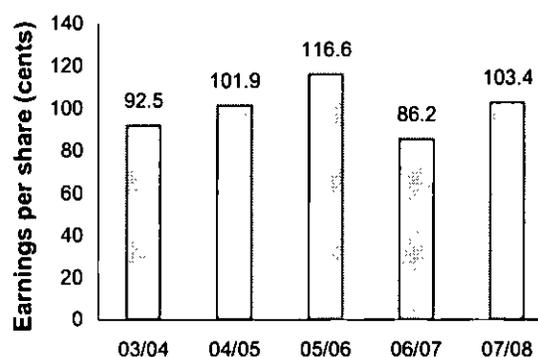
**F8 Performance of Tabcorp and shareholder wealth**

Tabcorp's annual financial performance (on a pre impairment/goodwill basis) and indicators of shareholder wealth over the five year period since 30 June 2003 are highlighted in the graphs below.

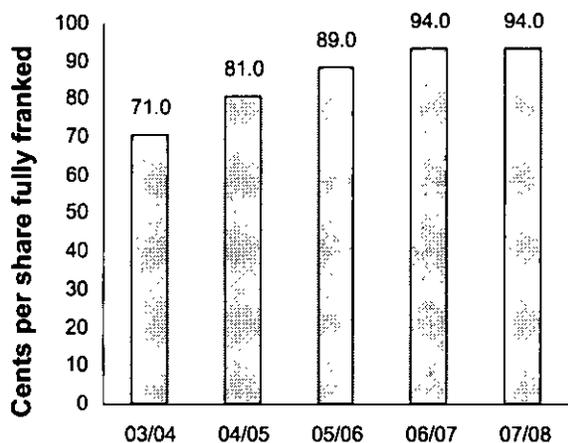
**Figure 9: Net profit after tax - pre impairment/goodwill <sup>(i)</sup>**



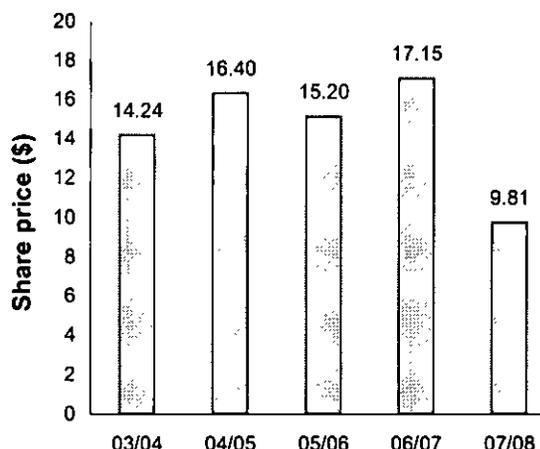
**Figure 10: EPS (basic) – pre impairment /goodwill <sup>(i)</sup>**



**Figure 11: Full year dividend in respect of each financial year (includes interim, final and special dividends) <sup>(ii)</sup>**



**Figure 12: Company share price at the end of each financial year <sup>(iii)</sup>**



- (i) After income tax before impairment (AIFRS) or goodwill amortisation (AGAAP).  
Basis of preparation: From 2005 – AIFRS (Australian equivalents of International Financial Reporting Standards)  
Pre 2005 – AGAAP (previous Australian Generally Accepted Accounting Principles)
- (ii) The 07/08 year includes the special dividend declared in August 2008 of 47.0 cents per share. This dividend was declared as a substitute for the final dividend for the 07/08 year.
- (iii) The closing share price for 07/08 includes the effect of the Victorian Government's announcement regarding the Victorian gambling industry, as discussed in section 10.1 of the Directors' report.

## G Remuneration tables

### G1 Remuneration of KMP (including five highest paid executives, in accordance with the Corporations Act 2001)

Figure 13A: KMP remuneration for the year ended 30 June 2008 – Non Executive Directors

KMP	Short term		Post employment	Total \$
	Salary & fees <sup>(i)</sup> \$	Non-monetary benefits \$	Super-annuation \$	
<b>Current</b>				
John Story	315,541	-	28,399	343,940
Paula Dwyer	232,223	-	20,900	253,123
Anthony Hodgson AM	202,500	-	18,225	220,725
John O'Neill <sup>(ii)</sup>	152,000	-	13,680	165,680
Zygmunt Swtkowski	189,000	-	17,010	206,010
<b>Former</b>				
Michael Robinson <sup>(iii)</sup>	171,042	-	15,394	186,436
Philip Satre <sup>(iv)</sup>	75,000	-	-	75,000
<b>Total</b>	<b>1,337,306</b>	<b>-</b>	<b>113,608</b>	<b>1,450,914</b>

- (i) Comprises salary and fees and salary sacrificed benefits, where applicable.
- (ii) Appointed as a director on 9 May 2008 following the receipt of all necessary regulatory approvals. Salary and fees include observer fees of \$134,070 paid for the period until 9 May 2008, whilst awaiting regulatory approval.
- (iii) Retired at the Company's Annual General Meeting on 26 November 2007.
- (iv) Retired at the Company's Annual General Meeting on 26 November 2007. Received cash in lieu of superannuation, due to being a non-resident of Australia. These amounts are disclosed under salary and fees.

Figure 13B: KMP remuneration for the year ended 30 June 2008 – Executives

KMP	Short term				Long term	Post employment	Share based payments <sup>(v)</sup>		Total \$	Performance Related <sup>(vi)</sup> %	Termination Payments \$
	Salary & fees <sup>(i)</sup> \$	Bonus \$	Non-monetary benefits <sup>(ii)</sup> \$	Other <sup>(iii)</sup> \$	Long service leave \$	Super-annuation \$	Performance Options & Rights \$	Restricted shares \$			
<b>Current Executive Director</b>											
Elmer Funke Kupper <sup>(iv)</sup>	1,570,213	1,650,000	532	-	11,400	13,129	316,246	261,471	3,822,991	49%	-
<b>Current Executives</b>											
Matt Bekier	705,737	500,000	532	-	4,169	13,129	119,862	-	1,343,429	46%	-
Walter Bugno <sup>(v)</sup>	856,995	420,000	18,112	-	3,086	13,129	278,233	102,500	1,692,055	34%	-
Mohan Jesudason	586,866	480,000	57,595	-	15,255	13,129	158,371	-	1,311,216	49%	-
Robert Nason <sup>(vi)</sup>	689,441	540,000	545	147,424	2,382	13,129	103,034	37,647	1,533,802	42%	-
Kerry Wilcock	409,477	225,000	532	-	7,266	13,129	112,234	-	767,638	44%	-
Louise Zampaglione <sup>(vii)</sup>	246,484	117,316	194	-	501	8,753	-	-	373,248	31%	-
<b>Former Executives</b>											
Peter Callard <sup>(viii)</sup>	327,853	-	25,886	-	1,621	8,753	129,647	86,840	580,600	22%	775,000
<b>Total</b>	<b>5,393,066</b>	<b>3,932,316</b>	<b>103,828</b>	<b>147,424</b>	<b>45,680</b>	<b>96,280</b>	<b>1,217,627</b>	<b>488,458</b>	<b>11,424,779</b>		<b>775,000</b>

- (i) Comprises salary, salary sacrificed benefits (including superannuation, motor vehicle novated leases and share purchases) and annual leave expense.
- (ii) Comprises the cost to the Company for providing low interest loans to acquire shares in the Company pursuant to issues made under a previous employee share plan, car parking, accommodation, and entertainment, where applicable.
- (iii) Comprises relocation expenses and mortgage interest subsidy payments, where applicable.
- (iv) Represents the fair value of share based payments expensed by the Company, which includes amounts expensed subsequent to cessation of employment where equity instruments are retained.
- (v) Represents the sum of bonus (excluding non-performance related bonus), Performance Options, Performance Rights and Restricted Shares (excluding appointment or retention incentives) as a percentage of total remuneration, excluding termination payments.
- (vi) Share based payments include Restricted Shares that were granted as appointment or retention incentives.
- (vii) Commenced employment and as a KMP on 15 November 2007.
- (viii) Ceased employment and as a KMP on 21 February 2008. In addition to the amounts disclosed above, payment of annual leave and long service leave entitlements on cessation amounted to \$287,578.

Figure 13C: KMP remuneration for the year ended 30 June 2007 – Non Executive Directors

KMP	Short term		Post employment	Total \$
	Salary & fees <sup>(i)</sup> \$	Non-monetary benefits <sup>(ii)</sup> \$	Super-annuation \$	
<b>Current</b>				
Michael Robinson	405,250	1,211	36,473	442,934
Paula Dwyer	175,447	-	15,790	191,237
Anthony Hodgson	235,000	-	21,150	256,150
Philip Satre <sup>(iii)</sup>	163,956	-	-	163,956
John Story	172,000	-	15,480	187,480
Zygmunt Switkowski <sup>(iv)</sup>	179,187	1,581	16,127	196,895
<b>Former</b>				
Richard Warburton <sup>(v)</sup>	80,208	605	6,309	87,122
Lawrence Willett <sup>(v)</sup>	70,833	1,581	6,375	78,789
<b>Total</b>	<b>1,481,881</b>	<b>4,978</b>	<b>117,704</b>	<b>1,604,563</b>

- (i) Comprises salary and fees and salary sacrificed benefits, where applicable.
- (ii) Comprises the cost to the Company for providing entertainment.
- (iii) Received cash in lieu of superannuation, due to being a non-resident of Australia. These amounts are disclosed under salary and fees.
- (iv) Appointed as a director on 2 October 2006 following the receipt of all necessary regulatory approvals. Salary and fees include observer fees of \$44,436 paid for the period 1 July 2006 to 1 October 2006, whilst awaiting regulatory approval.
- (v) Retired at the Company's Annual General Meeting on 27 November 2006.

Figure 13D: KMP remuneration for the year ended 30 June 2007 – Executives

KMP	Short term				Long term	Post employment	Share based payments <sup>(iv)</sup>		Total \$	Performance Related <sup>(v)</sup> %	Termination Payments \$
	Salary & fees <sup>(i)</sup> \$	Bonus \$	Non-monetary benefits <sup>(ii)</sup> \$	Other <sup>(iii)</sup> \$	Long service leave \$	Super-annuation \$	Performance Options & Rights \$	Restricted shares \$			
<b>Current Executives</b>											
Elmer Funke Kupper <sup>(vi)</sup>	1,268,258	-	605	-	3,076	12,686	158,109	769,470	2,212,204	7%	-
Matt Bekier	708,852	-	-	57,768	2,422	12,686	36,699	-	818,427	4%	-
Walter Bugno <sup>(vii)</sup>	897,699	-	4,673	-	3,029	12,686	171,309	252,833	1,342,229	13%	-
Peter Caillard <sup>(viii)</sup>	552,487	-	27,005	34,333	34,463	12,686	127,141	136,463	924,578	14%	-
Mohan Jesudason <sup>(ix)</sup>	541,852	-	37,841	-	9,646	12,686	151,048	-	753,073	20%	-
Robert Nason <sup>(x)</sup>	722,501	308,182	-	358,832	2,129	12,686	27,024	112,941	1,544,295	2%	-
Kerry Wilcock	420,374	-	1,581	-	4,540	12,686	65,416	-	504,597	13%	-
<b>Former Executive Director</b>											
Matthew Slatter <sup>(xi)</sup>	1,026,917	-	229,006	-	(57,366)	9,515	518,466	-	1,726,538	30%	3,209,589
<b>Former Executives</b>											
George Mackey <sup>(xii)</sup>	184,023	-	-	-	(20,892)	6,295	65,590	-	235,016	28%	533,460
Julia Jenke <sup>(xiii)</sup>	329,856	-	-	22,500	(3,049)	10,572	85,298	-	445,177	19%	670,083
<b>Total</b>	<b>6,652,818</b>	<b>308,182</b>	<b>300,711</b>	<b>473,433</b>	<b>(22,062)</b>	<b>115,184</b>	<b>1,406,100</b>	<b>1,271,707</b>	<b>10,506,134</b>		<b>4,413,132</b>

- (i) Comprises salary, salary sacrificed benefits (including superannuation, motor vehicle novated leases and self-funded study) and annual leave expense.
- (ii) Comprises the cost to the Company for providing low interest loans to acquire shares in the Company pursuant to issues made under a previous employee share plan, car parking, and entertainment, where applicable.
- (iii) Comprises relocation expenses, where applicable.
- (iv) Represents the fair value of share based payments expensed by the Company, which includes amounts expensed subsequent to cessation of employment where equity instruments are retained.
- (v) Represents the sum of bonus (excluding non-performance related bonus), Performance Options, Performance Rights and Restricted Shares (excluding appointment or retention incentives) as a percentage of total remuneration, excluding termination payments.
- (vi) Share based payments include Restricted Shares that were granted as appointment or retention incentives.
- (vii) KMP from 14 March 2007, following appointment to the Executive Committee. Total remuneration for the period whilst a KMP was \$209,343.
- (viii) KMP from 14 March 2007, following appointment to the Executive Committee. Total remuneration for the period whilst a KMP was \$476,446. Bonus for the year was non-performance related.
- (ix) Ceased employment and as a KMP on 14 March 2007. In addition to the amounts disclosed above, payment of annual leave on cessation amounted to \$96,422.
- (x) Ceased employment and as a KMP on 11 December 2006. In addition to the amounts disclosed above, payment of annual leave entitlements on cessation amounted to \$35,860.
- (xi) Ceased employment and as a KMP on 30 April 2007. In addition to the amounts disclosed above, payment of annual leave entitlements on cessation amounted to \$16,862.

**G2 Other remuneration tables**

**Figure 14A: Short term incentive (STI) achieved**

For the year ended 30 June 2008

KMP	Actual STI payment \$	Actual STI payment as a % of maximum STI	Actual STI payment as a % of target STI	STI not achieved as a % of target STI
<b>Current</b>				
Elmer Funke Kupper	1,650,000	83%	110%	0%
Matt Bekier	500,000	61%	107%	0%
Walter Bugno	420,000	35%	70%	30%
Mohan Jesudason	480,000	60%	120%	0%
Robert Nason	540,000	60%	120%	0%
Kerry Willcock	225,000	57%	100%	0%
Louise Zampaglione <sup>(i)</sup>	117,316	57%	100%	0%
<b>Former</b>				
Peter Caillard	-	0%	0%	100%

(i) Commenced employment on 15 November 2007. Percentages derived on a pro-rated basis

**Figure 14B: Terms and conditions of Performance Options and Performance Rights granted during the year**

Grant date	Fair value at grant date		Exercise price		First exercise date	Last exercise/ expiry date
	Options \$	Rights \$	Options \$	Rights \$		
<b>For the year ended 30 June 2008:</b>						
26 November 2007	n/a	7.40	n/a	-	30 June 2011	26 November 2014
28 November 2007	n/a	9.35	n/a	-	28 November 2010	28 November 2014
<b>For the year ended 30 June 2007:</b>						
17 November 2006	2.29	n/a	15.22	n/a	17 November 2009	17 November 2013

**Figure 14C: Performance Options and Performance Rights granted during the year**

For the year ended 30 June 2008

KMP	Rights granted 26 November 2007 Number	Rights granted 28 November 2007 Number
<b>Current</b>		
Elmer Funke Kupper	100,000	-
Matt Bekier	-	41,592
Walter Bugno	-	53,475
Mohan Jesudason	-	35,650
Robert Nason	-	40,106
Kerry Willcock	-	24,064
Louise Zampaglione	-	-
<b>Former</b>		
Peter Caillard	-	22,459
<b>Total</b>	<b>100,000</b>	<b>217,346</b>

For the year ended 30 June 2007

KMP	Options granted 17 November 2006 Number
<b>Current</b>	
Elmer Funke Kupper	123,626
Matt Bekier	96,154
Walter Bugno	123,626
Peter Caillard	115,384
Mohan Jesudason	74,176
Robert Nason	70,804
Kerry Willcock	48,832
<b>Former</b>	
George Mackey	60,440
Julia Nenke	58,379
Matthew Slatter	-
<b>Total</b>	<b>771,421</b>

**Figure 14D: Performance Options and Performance Rights vested and exercised during the year**

For the years ended 30 June 2008 and 30 June 2007

No Performance Options and Performance Rights vested or were exercised during either the current or prior year.

**Figure 14E: Fair value of Performance Options and Performance Rights granted as part of remuneration <sup>(i)</sup>**

KMP	During the year ended 30 June 2008			
	Granted \$	Exercised \$	Lapsed \$	As a % of remuneration <sup>(ii)</sup> %
<b>Current</b>				
Elmer Funke Kupper	740,000	-	-	8%
Matt Bekier	388,885	-	-	9%
Walter Bugno	499,991	-	-	16%
Mohan Jesudason	333,328	-	-	12%
Robert Nason	374,991	-	-	7%
Kerry Willcock	224,998	-	-	15%
Louise Zampaglione	-	-	-	-
<b>Former</b>				
Peter Caillard	209,992	-	353,194	22%
<b>Total</b>	<b>2,772,185</b>	<b>-</b>	<b>353,194</b>	

(i) For details on the valuation of the Performance Options and Performance Rights, including models and assumptions used, refer to Note 26 of the Financial Report.

(ii) Represents the fair value of Performance Options and Performance Rights expensed during the year as a percentage of total remuneration, excluding termination payments.

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



John Story  
Chairman

Melbourne  
20 August 2008

	Note	Consolidated		Tabcorp Holdings	
		2008 \$m	2007 \$m	2008 \$m	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
<b>Revenue</b>		<b>4,042.4</b>	<b>3,883.7</b>	<b>385.0</b>	<b>349.0</b>
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)
<b>Profit before income tax expense and impairment</b>		<b>763.8</b>	<b>641.8</b>	<b>297.6</b>	<b>261.0</b>
Impairment	2	(707.6)	(2.2)	(474.6)	-
<b>Profit/(loss) before income tax expense</b>		<b>56.2</b>	<b>639.6</b>	<b>(177.0)</b>	<b>261.0</b>
Income tax (expense)/benefit	4	(221.2)	(190.1)	(7.4)	12.1
<b>Net profit/(loss) after tax</b>		<b>(165.0)</b>	<b>449.5</b>	<b>(184.4)</b>	<b>273.1</b>
Net loss attributable to minority interest		0.4	0.9	-	-
<b>Net profit/(loss) attributable to members of the parent entity</b>		<b>(164.6)</b>	<b>450.4</b>	<b>(184.4)</b>	<b>273.1</b>
<b>Earnings per share for profit/(loss) attributable to members of the parent entity:</b>					
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.

	Note	Consolidated		Tabcorp Holdings	
		2008 \$m	2007 \$m	2008 \$m	2007 \$m
<b>Current assets</b>					
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	-	-
<b>Total current assets</b>		<b>278.2</b>	<b>282.7</b>	<b>2,340.1</b>	<b>2,489.2</b>
<b>Non current assets</b>					
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
<b>Total non current assets</b>		<b>5,843.5</b>	<b>6,443.8</b>	<b>573.9</b>	<b>1,066.8</b>
<b>TOTAL ASSETS</b>		<b>6,121.7</b>	<b>6,726.5</b>	<b>2,914.0</b>	<b>3,556.0</b>
<b>Current liabilities</b>					
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	-	-
<b>Total current liabilities</b>		<b>560.2</b>	<b>904.9</b>	<b>83.9</b>	<b>50.9</b>
<b>Non current liabilities</b>					
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	-
<b>Total non current liabilities</b>		<b>2,790.7</b>	<b>2,437.4</b>	<b>2.5</b>	<b>0.6</b>
<b>TOTAL LIABILITIES</b>		<b>3,350.9</b>	<b>3,342.3</b>	<b>86.4</b>	<b>51.5</b>
<b>NET ASSETS</b>		<b>2,770.8</b>	<b>3,384.2</b>	<b>2,827.6</b>	<b>3,504.5</b>
<b>Equity</b>					
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
<b>Parent interests</b>		<b>2,770.8</b>	<b>3,376.1</b>	<b>2,827.6</b>	<b>3,504.5</b>
<b>Minority interests</b>	22	-	8.1	-	-
<b>TOTAL EQUITY</b>		<b>2,770.8</b>	<b>3,384.2</b>	<b>2,827.6</b>	<b>3,504.5</b>

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

Note	Consolidated		Tabcorp Holdings	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m
<b>Cash flows from operating activities</b>				
	4,097.4	4,009.0	51.4	59.8
	(2,077.0)	(2,056.3)	(36.9)	(71.5)
	(1,026.0)	(993.1)	(144.6)	(137.5)
	-	-	294.7	296.6
	9.0	8.7	3.4	2.2
	(171.7)	(161.4)	-	-
	(179.4)	(198.2)	(181.7)	(195.8)
<b>Net cash flows from operating activities</b>	<b>652.3</b>	<b>608.7</b>	<b>(13.7)</b>	<b>(46.2)</b>
<b>Cash flows from investing activities</b>				
	14.2	-	-	-
	1.7	5.8	-	-
	(222.0)	(166.8)	(0.9)	(2.4)
	-	-	497.7	526.1
<b>Net cash flows from investing activities</b>	<b>(206.1)</b>	<b>(161.0)</b>	<b>496.8</b>	<b>523.7</b>
<b>Cash flows from financing activities</b>				
	16.0	22.0	-	-
	(385.2)	(348.4)	(385.2)	(348.4)
	(108.2)	(134.6)	(108.2)	(134.6)
	(4.1)	(4.7)	(4.1)	(4.7)
	2.2	2.7	2.2	2.7
	(3.0)	-	(3.0)	-
	2.0	16.0	-	0.8
<b>Net cash flows from financing activities</b>	<b>(480.3)</b>	<b>(447.0)</b>	<b>(498.3)</b>	<b>(484.2)</b>
	(34.1)	0.7	(15.2)	(6.7)
	207.3	206.6	39.9	46.6
<b>Cash at the end of the financial year</b>	<b>173.2</b>	<b>207.3</b>	<b>24.7</b>	<b>39.9</b>

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

	Note	Consolidated		Tabcorp Holdings	
		2008 \$m	2007 \$m	2008 \$m	2007 \$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
<b>Net income/(expense) recognised directly in equity</b>		<b>48.0</b>	<b>31.5</b>	<b>(0.8)</b>	<b>(0.5)</b>
<b>Net profit/(loss) after tax</b>		<b>(165.0)</b>	<b>449.5</b>	<b>(184.4)</b>	<b>273.1</b>
<b>Total recognised income and expense for the period</b>		<b>(117.0)</b>	<b>481.0</b>	<b>(185.2)</b>	<b>272.6</b>
<b>Attributable to:</b>					
Members of the parent entity		(116.6)	481.9	(185.2)	272.6
Minority interest		(0.4)	(0.9)	-	-
		<b>(117.0)</b>	<b>481.0</b>	<b>(185.2)</b>	<b>272.6</b>

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

## 1. Significant accounting policies and corporate information

Tabcorp Holdings Limited ('the Company') is a company limited by shares which are traded on the Australian Stock Exchange. The Company is incorporated and domiciled in Australia. The financial report of the Company for the year ended 30 June 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 Improvements to IFRSs	1 July 2009 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 ('IFRS'). 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.

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.

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

### (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.

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

### (h) Revenue

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

#### Wagering and gaming revenue

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

#### Casino revenue

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

#### Fixed odds betting revenue

Revenue is recognised as the net win or loss on an event. The amounts bet on an event are recognised as a liability until the outcome of the event is determined, at which time the revenue is brought to account. 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.

### (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.

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

### (k) Cash

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

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

### (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.

##### 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 Entertainment Centre. The Group's Gold Coast casino is deriving future benefits from the contribution, which is being amortised over a period of 50 years.

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

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

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

### (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.

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

### (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.

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

### (w) Employee benefits (continued)

#### Share based payment transactions

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

The fair value of Performance Rights and 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.

### (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.

	Note	Consolidated		Tabcorp Holdings	
		2008	2007	2008	2007
		\$m	\$m	\$m	\$m
<b>2. Revenue and expenses</b>					
<b>(a) Other revenues:</b>					
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
		<b>85.4</b>	<b>48.7</b>	<b>358.8</b>	<b>322.0</b>
<b>(b) Other income:</b>					
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	-	-
		<b>2.1</b>	<b>(1.5)</b>	<b>(0.1)</b>	<b>(0.9)</b>
<b>(c) Depreciation:</b>					
- buildings		12.0	14.4	-	-
- leasehold improvements		13.8	14.3	-	-
- plant and equipment		76.8	75.4	0.7	1.5
		<b>102.6</b>	<b>104.1</b>	<b>0.7</b>	<b>1.5</b>
<b>(d) Amortisation:</b>					
- 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	-	-
		<b>90.3</b>	<b>38.2</b>	<b>54.3</b>	<b>1.4</b>
<b>(e) Employment costs:</b>					
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
		<b>42.0</b>	<b>79.7</b>	<b>3.0</b>	<b>29.8</b>
<b>(f) Operating lease rentals:</b>					
- minimum lease payments		27.7	27.6	2.7	1.5
<b>(g) Other expenses include:</b>					
- cost of sales		69.6	66.3	-	-
<b>(h) Finance costs:</b>					
- 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	-	-
		<b>168.4</b>	<b>172.3</b>	<b>-</b>	<b>-</b>
<b>(i) Impairment:</b>					
- goodwill		194.0	-	-	-
- other receivables		474.6	-	474.6	-
- property, plant and equipment		39.0	2.2	-	-
		<b>707.6</b>	<b>2.2</b>	<b>474.6</b>	<b>-</b>

	Consolidated		Tabcorp Holdings	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>3. Auditor's remuneration</b>				
Amounts received or due and receivable by Ernst & Young for:				
- audit and review of the financial report of the 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	-	-
	<b>1,775</b>	<b>1,584</b>	<b>341</b>	<b>379</b>

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 \$m	2007 \$m	2008 \$m	2007 \$m
<b>4. Income tax</b>				
<b>(a) Income tax expense</b>				
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	<b>221.2</b>	<b>190.1</b>	<b>7.4</b>	<b>(12.1)</b>

**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	<b>20.5</b>	<b>13.6</b>	<b>(0.3)</b>	<b>(0.3)</b>

**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	<b>(221.2)</b>	<b>(190.1)</b>	<b>(7.4)</b>	<b>12.1</b>

	Consolidated		Tabcorp Holdings	
	2008	2007	2008	2007
	\$m	\$m	\$m	\$m
<b>4. Income tax (continued)</b>				
<b>(b) Deferred tax assets</b>				
The balance comprises temporary differences attributable to:				
<i>Amounts recognised in the income statement:</i>				
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	-	-
	<b>67.8</b>	<b>71.0</b>	<b>7.9</b>	<b>8.8</b>
Deferred tax assets set off	67.8	71.0	-	-
Deferred tax liabilities set off	-	-	0.3	0.7
<b>Net deferred tax assets</b>	<b>-</b>	<b>-</b>	<b>7.6</b>	<b>8.1</b>
<b>Movements:</b>				
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	<b>67.8</b>	<b>71.0</b>	<b>7.9</b>	<b>8.8</b>
<b>(c) Deferred tax liabilities</b>				
The balance comprises temporary differences attributable to:				
<i>Amounts recognised in the income statement:</i>				
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	-	-
<i>Amounts recognised directly in equity:</i>				
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
	<b>360.8</b>	<b>342.7</b>	<b>0.3</b>	<b>0.7</b>
Deferred tax assets set off	67.8	71.0	-	-
Deferred tax liabilities set off	-	-	0.3	0.7
<b>Net deferred tax liabilities</b>	<b>293.0</b>	<b>271.7</b>	<b>-</b>	<b>-</b>
<b>Movements:</b>				
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	<b>360.8</b>	<b>342.7</b>	<b>0.3</b>	<b>0.7</b>
<b>Tax Consolidation</b>				
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.				

#### 4. Income tax (continued)

##### Tax effect accounting by members of the tax consolidation group (continued)

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		Tabcorp Holdings	
		2008 \$m	2007 \$m	2008 \$m	2007 \$m
<b>5. Dividends</b>					
<b>Dividends declared and paid during the year on ordinary shares:</b>					
(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	<b>493.4</b>	<b>483.0</b>	<b>493.4</b>	<b>483.0</b>
<b>Dividends declared after balance date</b>					
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).

##### 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%.

#### 6. Earnings per share

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

	Consolidated	
	2008 \$m	2007 \$m
<b>Basic and diluted earnings per share</b>		
Net profit/(loss) attributable to members of the parent entity	(164.6)	450.4

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

	Consolidated	
	2008 Number	2007 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	524,927,016	524,927,016
<b>Effect of dilution:</b>		
- 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	<b>525,684,619</b>	<b>525,993,515</b>
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in diluted earnings per share	<b>77,581</b>	<b>51,665</b>

##### (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.

## 6. Earnings per share (continued)

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

#### (i) Options and Performance Options (continued)

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.

## 7. Cash and cash equivalents

	Note	Consolidated		Tabcorp Holdings	
		2008 \$m	2007 \$m	2008 \$m	2007 \$m
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
		<b>173.2</b>	<b>202.2</b>	<b>24.7</b>	<b>39.9</b>

## 8. Receivables

### Current

Trade debtors		61.1	28.1	-	-
Allowance for doubtful debts <sup>(a)</sup>		(18.1)	(9.8)	-	-
		<b>43.0</b>	<b>18.3</b>	<b>-</b>	<b>-</b>
Sundry debtors		21.8	13.3	0.2	0.1
Amounts receivable from controlled entities	29	-	-	2,312.9	2,446.7
		<b>64.8</b>	<b>31.6</b>	<b>2,313.1</b>	<b>2,446.8</b>

### (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.

#### 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 <sup>(i)</sup>	(8.7)	0.6	-	-
Amounts written off <sup>(i)</sup>	0.4	0.5	-	-
	<b>(18.1)</b>	<b>(9.8)</b>	<b>-</b>	<b>-</b>

(i) Amounts are included in other expenses.

#### Ageing analysis of trade debtors

	0 - 30 days \$m	> 30 days \$m	Total \$m
<b>2008 - Consolidated</b>			
Current	34.6	-	34.6
Past due not impaired	-	8.4	8.4
Considered impaired	-	18.1	18.1
	<b>34.6</b>	<b>26.5</b>	<b>61.1</b>
<b>2007 - Consolidated</b>			
Current	13.4	-	13.4
Past due not impaired	-	4.9	4.9
Considered impaired	1.5	8.3	9.8
	<b>14.9</b>	<b>13.2</b>	<b>28.1</b>

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.

	Note	Consolidated		Tabcorp Holdings	
		2008	2007	2008	2007
		\$m	\$m	\$m	\$m
<b>9. Inventories</b>					
Consumable stores at cost		14.1	16.7	-	-
Provision for obsolescence		(0.7)	(2.0)	-	-
		<b>13.4</b>	<b>14.7</b>	-	-
Finished goods and stores at net realisable value		-	0.4	-	-
		<b>13.4</b>	<b>15.1</b>	-	-
<b>10. Other assets</b>					
<b>Current</b>					
Prepayments		17.5	15.7	2.3	2.5
Rental in advance		0.2	0.3	-	-
Other		5.9	2.7	-	-
		<b>23.6</b>	<b>18.7</b>	<b>2.3</b>	<b>2.5</b>
<b>Non current</b>					
Prepayments		10.1	0.8	-	-
Rental in advance		11.3	11.5	-	-
Pension asset	27	-	0.3	-	0.3
Other		2.1	1.1	-	-
		<b>23.5</b>	<b>13.7</b>	-	<b>0.3</b>
<b>11. Assets and liabilities held for sale</b>					
<b>Assets held for sale</b>					
<b>Current</b>					
Cash and cash equivalents		-	5.1	-	-
Receivables		-	0.1	-	-
Property, plant and equipment		-	6.6	-	-
Intangibles		-	3.3	-	-
		-	<b>15.1</b>	-	-
<b>Liabilities held for sale</b>					
<b>Current</b>					
Payables		-	4.6	-	-
The assets and liabilities held for sale related to certain international operations, which were disposed of on 19 December 2007.					
<b>12. Property, plant and equipment</b>					
Land and buildings:					
Freehold land:					
- at cost <sup>(i)</sup>		109.6	111.2	-	-
Buildings:					
- at cost <sup>(i)</sup>		915.9	881.3	-	-
- accumulated depreciation and impairment		(140.5)	(105.8)	-	-
		<b>775.4</b>	<b>775.5</b>	-	-
Total land and buildings, net		<b>885.0</b>	<b>886.7</b>	-	-
Leasehold improvements:					
- at cost <sup>(i)</sup>		344.0	327.0	0.4	0.1
- accumulated depreciation		(106.1)	(91.1)	-	-
Total leasehold improvements, net		<b>237.9</b>	<b>235.9</b>	<b>0.4</b>	<b>0.1</b>
Plant and equipment:					
- at cost <sup>(i)</sup>		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		<b>376.4</b>	<b>339.2</b>	<b>3.1</b>	<b>6.2</b>
		<b>1,499.3</b>	<b>1,461.8</b>	<b>3.5</b>	<b>6.3</b>
(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		<b>118.7</b>	<b>126.4</b>	<b>2.4</b>	<b>2.8</b>

**12. Property, plant and equipment (continued)**

Reconciliations	Freehold land	Buildings	Leasehold improvements	Plant and equipment
	\$m	\$m	\$m	\$m
<b>2008 - Consolidated</b>				
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
<b>2008 - Tabcorp Holdings Limited</b>				
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
<b>2007 - Consolidated</b>				
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
<b>2007 - Tabcorp Holdings Limited</b>				
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

**13. Intangible assets - licences**Victorian wagering and gaming licences <sup>(i)</sup>:

	Consolidated		Tabcorp Holdings	
	2008	2007	2008	2007
	\$m	\$m	\$m	\$m
- 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').

### 13. Intangible assets - licences (continued)

#### (i) Accounting for Victorian wagering and gaming licences (continued)

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
<b>2008 - Consolidated</b>				
Carrying amount at beginning of year	597.2	328.0	260.5	35.1
Revision of accounting treatment <sup>(i)</sup>	(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
<b>2008 - Tabcorp Holdings Limited</b>				
Carrying amount at beginning of year	597.2	-	-	-
Revision of accounting treatment <sup>(i)</sup>	(461.1)	-	-	-
Amortisation expense	(26.6)	-	-	-
Carrying amount at end of year	109.5	-	-	-
<b>2007 - Consolidated</b>				
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
<b>2007 - Tabcorp Holdings Limited</b>				
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
<b>14. Intangible assets - other</b>				
Goodwill:				
- at cost	3,537.5	3,537.5	-	-
- accumulated impairment	(346.9)	(152.9)	-	-
	<b>3,190.6</b>	<b>3,384.6</b>	-	-
Customer contracts and relationships:				
- at cost	2.9	2.9	-	-
- accumulated amortisation	(1.0)	(0.7)	-	-
	<b>1.9</b>	<b>2.2</b>	-	-
Software:				
- at cost <sup>(i)</sup>	299.8	251.9	7.1	10.5
- accumulated amortisation and impairment	(141.1)	(114.0)	(3.6)	(3.3)
	<b>158.7</b>	<b>137.9</b>	<b>3.5</b>	<b>7.2</b>
Other:				
- at cost	20.6	20.6	-	-
- accumulated amortisation	(1.5)	(1.1)	-	-
	<b>19.1</b>	<b>19.5</b>	-	-
Brand names at cost	105.9	105.9	-	-
Broadcast rights at cost	6.5	6.5	-	-
Media content at cost	24.1	24.1	-	-
	<b>3,506.8</b>	<b>3,680.7</b>	<b>3.5</b>	<b>7.2</b>
(i) Includes capital works in progress.	51.0	18.6	1.6	1.5

**Reconciliations**

	Customer contracts & Goodwill relationships		Software	Other	Brand names	Broadcast rights	Media content
	\$m	\$m					
<b>2008 - Consolidated</b>							
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 <sup>(i)</sup>	(194.0)	-	-	-	-	-	-
Amortisation expense	-	(0.3)	(29.7)	(0.4)	-	-	-
Carrying amount at end of year	<b>3,190.6</b>	<b>1.9</b>	<b>158.7</b>	<b>19.1</b>	<b>105.9</b>	<b>6.5</b>	<b>24.1</b>
<b>2008 - Tabcorp Holdings Ltd</b>							
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	-	-	<b>3.5</b>	-	-	-	-

(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.

#### 14. Intangible assets - other (continued)

##### Reconciliations

	Customer contracts & Goodwill relationships		Software	Other	Brand names	Broadcast rights	Media content
	\$m	\$m					
<b>2007 - Consolidated</b>							
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
<b>2007 - Tabcorp Holdings Ltd</b>							
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 useful lives allocated to each cash generating unit or group of units:

Cash generating unit(s) (Segment)	Star City (Casinos)		Conrad Jupiters (Casinos)		Conrad Treasury (Casinos)		Combined Wagering (Wagering)		Wagering Victoria		Wagering NSW		SKY Channel (Wagering)		Gaming Victoria (Gaming)		Gaming Queensland Keno (Gaming)		Other <sup>(i)</sup>		Total carrying amount \$m
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m		
<b>2008 - Consolidated</b>																					
Goodwill	575.6	514.3	347.7	1,547.1 <sup>(ii)</sup>	-	-	-	-	-	-	-	-	-	-	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			
	<b>575.6</b>	<b>514.3</b>	<b>347.7</b>	<b>1,547.1</b>	<b>-</b>	<b>98.8</b>	<b>30.8</b>	<b>47.2</b>	<b>129.6</b>	<b>29.1</b>	<b>3,190.6</b>										
<b>2007 - Consolidated</b>																					
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										
	<b>575.6</b>	<b>514.3</b>	<b>347.7</b>	<b>-</b>	<b>209.3</b>	<b>1,415.8</b>	<b>243.4</b>	<b>47.2</b>	<b>129.6</b>	<b>38.2</b>	<b>3,521.1</b>										

(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.

## 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.

	Note	Consolidated		Tabcorp Holdings	
		2008 \$m	2007 \$m	2008 \$m	2007 \$m
<b>16. Other receivables</b>					
<b>Non current</b>					
Receivable in respect of Victorian licences	13	474.6	-	474.6	-
Allowance for impairment <sup>(a)</sup>	13	(474.6)	-	(474.6)	-
		-	-	-	-
Other		2.1	-	2.1	-
		2.1	-	2.1	-
<b>(a) Movement in the allowance for impairment:</b>					
Allowance for impairment at the beginning of the year		-	-	-	-
Impairment for the year		(474.6)	-	(474.6)	-
		(474.6)	-	(474.6)	-
<b>17. Payables</b>					
<b>Current</b>					
Trade creditors and accrued expenses - unsecured		407.3	379.8	23.9	19.0

	Consolidated		Tabcorp Holdings	
	2008	2007	2008	2007
	\$m	\$m	\$m	\$m
<b>18. Interest bearing liabilities</b>				
<b>Current</b>				
Bank loans - unsecured	-	390.0	-	-
<b>Non current</b>				
Bank loans - unsecured	1,084.8	677.1	-	-
Medium term notes <sup>(i)</sup> :				
- fixed interest rate	383.3	382.8	-	-
- floating interest rate	64.9	64.8	-	-
Private placement <sup>(ii)</sup> :				
- US dollar <sup>(iii)</sup>	637.0	726.2	-	-
- Australian dollar	99.7	99.7	-	-
	<b>2,269.7</b>	<b>1,950.6</b>	<b>-</b>	<b>-</b>

(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	-

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
<b>19. Provisions</b>				
<b>Current</b>				
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
	<b>98.7</b>	<b>114.7</b>	<b>7.7</b>	<b>18.3</b>
<b>Non current</b>				
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
	<b>25.4</b>	<b>45.3</b>	<b>0.6</b>	<b>0.6</b>

**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	Onerous contract - surplus lease space	Management agreement - Gold Coast and Brisbane casinos	Restructuring costs	Other
	\$m	\$m	\$m	\$m	\$m
<b>2008 - Consolidated</b>					
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
<b>2008 - Parent</b>					
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.

	Note	Consolidated		Tabcorp Holdings	
		2008	2007	2008	2007
		\$m	\$m	\$m	\$m
<b>20. Other liabilities</b>					
<b>Current</b>					
Deferred revenue		1.3	1.6	-	-
Other		0.6	1.0	-	-
		<u>1.9</u>	<u>2.6</u>	<u>-</u>	<u>-</u>
<b>Non current</b>					
Deferred revenue		1.3	2.5	-	-
Pension liability	27	1.9	-	1.9	-
		<u>3.2</u>	<u>2.5</u>	<u>1.9</u>	<u>-</u>

## 21. Capital and reserves

### (a) Issued capital

Ordinary shares - issued and fully paid <sup>(i)</sup>	3,198.9	3,199.0	3,198.9	3,199.0
Treasury shares <sup>(i)</sup>	(3.5)	(6.7)	(0.8)	(1.0)
	<u>3,195.4</u>	<u>3,192.3</u>	<u>3,198.1</u>	<u>3,198.0</u>

#### (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.

	2008		2007	
	Number of shares	\$m	Number of shares	\$m
<b>Movements in ordinary share capital:</b>				
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 <sup>(a)</sup>	-	-	51,595	0.8
Buy backs	-	-	(51,595)	(0.8)
Transfer from employee equity benefit reserve <sup>(b)</sup>	-	0.4	-	0.2
Net outlay to purchase shares <sup>(c)</sup>	-	(0.5)	-	(0.8)
Ordinary share capital at the end of the financial year	<u>524,927,016</u>	<u>3,198.9</u>	<u>524,927,016</u>	<u>3,199.0</u>

(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
<b>Movements in treasury shares:</b>				
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 <sup>(a)</sup>	2.0	16.0	-	0.8
Treasury shares at the end of the financial year	<u>(3.5)</u>	<u>(6.7)</u>	<u>(0.8)</u>	<u>(1.0)</u>

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

	Note	Consolidated		Tabcorp Holdings	
		2008 \$m	2007 \$m	2008 \$m	2007 \$m
<b>21. Capital and reserves (continued)</b>					
<b>(b) Retained earnings/(accumulated losses)</b>					
<b>Movements in retained earnings/(accumulated losses):</b>					
		168.6	201.7	299.1	509.5
		(0.8)	(0.5)	(0.8)	(0.5)
		(164.6)	450.4	(184.4)	273.1
	5	(493.4)	(483.0)	(493.4)	(483.0)
		<b>(490.2)</b>	<b>168.6</b>	<b>(379.5)</b>	<b>299.1</b>
<b>(c) Reserves</b>					
<b>Net unrealised gains/losses reserve <sup>(a)</sup></b>					
		7.8	(24.2)	-	-
		48.8	32.0	-	-
		<b>56.6</b>	<b>7.8</b>	<b>-</b>	<b>-</b>
<b>Employee equity benefit reserve <sup>(a)</sup></b>					
		7.4	5.0	7.4	5.0
		0.7	0.9	0.7	0.9
		1.3	1.7	1.3	1.7
		(0.4)	(0.2)	(0.4)	(0.2)
		<b>9.0</b>	<b>7.4</b>	<b>9.0</b>	<b>7.4</b>
		<b>65.6</b>	<b>15.2</b>	<b>9.0</b>	<b>7.4</b>

(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 \$m	2007 \$m
Interest bearing liabilities	2,269.7	2,340.6
EBITDA	1,075.2	947.8
Gearing ratio	2.1	2.5

	Note	Consolidated		Tabcorp Holdings	
		2008 \$m	2007 \$m	2008 \$m	2007 \$m
<b>22. Minority interests</b>					
Interest in:					
Ordinary shares		-	9.9	-	-
Retained earnings		-	(1.8)	-	-
Closing balance		-	8.1	-	-
<b>23. Notes to the cash flow statement</b>					
<b>(a) Reconciliation of cash</b>					
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:					
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	-	-
		<b>173.2</b>	<b>207.3</b>	<b>24.7</b>	<b>39.9</b>
<b>(b) Reconciliation of net profit/(loss) after tax to net cash flows from operating activities</b>					
Net profit/(loss) after tax		(165.0)	449.5	(184.4)	273.1
<b>Add/(less) Items classified as investing/financing activities:</b>					
- 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
<b>Add/(less) non cash income and expense items:</b>					
- 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		<b>689.9</b>	<b>600.2</b>	<b>306.9</b>	<b>277.9</b>
<b>Changes in assets and liabilities:</b>					
<b>(Increase)/decrease in:</b>					
- 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)	-	-
<b>(Decrease)/increase in:</b>					
- 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		<b>652.3</b>	<b>608.7</b>	<b>(13.7)</b>	<b>(46.2)</b>

	Consolidated		Tabcorp Holdings	
	2008	2007	2008	2007
	\$m	\$m	\$m	\$m
<b>24. Commitments</b>				
<b>(a) Capital expenditure commitments</b>				
<b>Plant and equipment</b>				
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	-	-
	<b>57.8</b>	<b>56.6</b>	<b>-</b>	<b>0.4</b>
<b>Software</b>				
Contracted but not provided for and payable:				
Not later than one year	2.3	5.1	-	1.0
	<b>2.3</b>	<b>5.1</b>	<b>-</b>	<b>1.0</b>
<b>(b) Operating lease commitments</b>				
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	-	-
	<b>180.6</b>	<b>206.0</b>	<b>7.7</b>	<b>10.1</b>
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	-	-
	<b>4.5</b>	<b>3.1</b>	<b>-</b>	<b>-</b>
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.				
<b>(c) Operating expenditure commitments</b>				
Contracted but not provided for and payable <sup>(i)</sup> :				
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	-	-
	<b>454.6</b>	<b>328.2</b>	<b>-</b>	<b>-</b>

(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.

	Casinos \$m	Wagering \$m	Gaming \$m	Unallocated \$m	Elimination \$m	Consolidated \$m
<b>2008 - Consolidated</b>						
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)	-
<b>Revenues</b>	<b>1,364.6</b>	<b>1,477.6</b>	<b>1,154.2</b>	<b>51.2</b>	<b>(5.2)</b>	<b>4,042.4</b>
<b>Segment Result (pre impairment)</b>	<b>408.1</b>	<b>247.1</b>	<b>225.0</b>			<b>880.2</b>
<b>Segment Result</b>	<b>369.1</b>	<b>(98.8)</b>	<b>(97.7)</b>			<b>172.6</b>
Unallocated items:						
- interest revenue						9.3
- operating revenues						1.2
- other revenues						40.7
- other income and expenses						0.8
- finance costs						(168.4)
<b>Profit before income tax</b>						<b>56.2</b>
Income tax expense						(221.2)
<b>Loss for the period</b>						<b>(165.0)</b>
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
<b>Segment assets</b>	<b>3,170.6</b>	<b>2,383.9</b>	<b>474.8</b>	<b>92.4</b>	<b>-</b>	<b>6,121.7</b>
<b>Segment liabilities</b>	<b>253.1</b>	<b>207.4</b>	<b>48.5</b>	<b>2,841.9</b>	<b>-</b>	<b>3,350.9</b>
<b>Capital expenditure</b>	<b>126.5</b>	<b>67.2</b>	<b>49.5</b>	<b>-</b>	<b>-</b>	<b>243.2</b>

## 25. Segment information (continued)

	Casinos \$m	Wagering \$m	Gaming \$m	Unallocated \$m	Elimination \$m	Consolidated \$m
<b>2007 - Consolidated</b>						
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)	-
<b>Revenues</b>	<b>1,298.5</b>	<b>1,477.1</b>	<b>1,101.6</b>	<b>11.3</b>	<b>(4.8)</b>	<b>3,883.7</b>
<b>Segment Result</b>	<b>333.9</b>	<b>225.7</b>	<b>251.1</b>			<b>810.7</b>
<b>Unallocated items:</b>						
- interest revenue						8.6
- operating revenues						2.5
- other revenues						0.2
- other income and expenses						(10.1)
- finance costs						(172.3)
<b>Profit before income tax</b>						<b>639.6</b>
<b>Income tax expense</b>						<b>(190.1)</b>
<b>Profit for the period</b>						<b>449.5</b>
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
<b>Segment assets</b>	<b>3,139.2</b>	<b>2,714.2</b>	<b>782.4</b>	<b>90.7</b>	-	<b>6,726.5</b>
<b>Segment liabilities</b>	<b>254.8</b>	<b>209.1</b>	<b>50.7</b>	<b>2,827.7</b>	-	<b>3,342.3</b>
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) <sup>(i)</sup>	Short Term Performance Plan (STPP) <sup>(ii)</sup> Long Term Performance Plan (LTPP) <sup>(iii)</sup>
Previous	General Employee Share Plan (GESP) <sup>(iv)</sup>	Senior Executive Long Term Incentive Plan (SELTIP) <sup>(ii)</sup> Medium Term Performance Plan (MTPP) <sup>(iv)</sup>

(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.

## 26. Employee share plans (continued)

### 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:

Grant date	Exercise expiry date	Exercise price (\$)	
		Options & Performance Options	Performance Rights
7 October 2002 <sup>(i)</sup>	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.

Movements in Options, Performance Options and Performance Rights:

#### Consolidated and Tabcorp Holdings - 2008

Grant date	WASP at exercise date <sup>(ii)</sup> \$	Balance at start of year Number	Granted during the year Number	Forfeited during the year Number	Expired during the year Number <sup>(iii)</sup>	Exercised during the year Number	Balance at end of year Number	Exercisable at end of year Number
<b>Options and Performance Options:</b>								
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	-
<b>Performance Rights:</b>								
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	-

**26. Employee share plans (continued)****Options, Performance Options and Performance Rights Issued (continued)****Consolidated and Tabcorp Holdings - 2007**

Grant date	WASP at exercise date <sup>(ii)</sup> \$	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
<b>Options and Performance Options:</b>							
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
<b>Performance Rights:</b>							
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)

**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 <sup>(i)</sup> %	Expected dividend yield <sup>(ii)</sup> %	Risk free interest rate <sup>(iii)</sup> %	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 <sup>(iv)</sup>	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 <sup>(v)</sup>	2.42	10.18
17 Nov 2006	17 Nov 2013	16.69	15.00	5.00	5.83	2.29	n/a
26 Nov 2007	26 Nov 2014	15.04	20.00	5.50	6.24	n/a	7.40
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
<b>Movements in the net asset/(liability) recognised in the balance sheet:</b>				
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
<b>Net benefit expense recognised in the income statement</b>				
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	2007	2006	2005
	\$m	\$m	\$m	\$m
<b>Reconciliation of the net asset/(liability) recognised on the balance sheet</b>				
<b>Consolidated and Tabcorp Holdings Limited</b>				
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	2007	2008	2007
	\$m	\$m	\$m	\$m
<b>Reconciliation of the present value of the defined benefit obligation:</b>				
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)

## 27. Pensions and other post employment benefit plans (continued)

	Consolidated		Tabcorp Holdings	
	2008	2007	2008	2007
	\$m	\$m	\$m	\$m
<b>Reconciliation of the fair value of plan assets:</b>				
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 gain/(loss)	(1.1)	(0.8)	(1.1)	(0.8)
Cumulative actuarial gains/(losses)	0.7	1.8	0.7	1.8

The history of experience adjustments is as follows:

	2008	2007	2006	2005
	\$m	\$m	\$m	\$m
<b>Consolidated and Tabcorp Holdings Limited</b>				
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	2007
	% pa	% pa
Discount rate:		
- active members	5.5	5.3
- pensioners <sup>(i)</sup>	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 <sup>(i)</sup>	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
	<b>13,650,693</b>	<b>16,523,829</b>	<b>13,650,693</b>	<b>16,523,829</b>

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 remuneration	On exercise of Performance Options and Rights	Net change other	Balance at	
					KMP cessation date	30 June 2008
<b>Non Executive Directors</b>						
<b>Current</b>						
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
<b>Former</b>						
Michael Robinson	45,565	-	-	-	45,565	n/a
Philip Satre	8,000	-	-	-	8,000	n/a
<b>Executives</b>						
<b>Current Executive Director</b>						
Elmer Funke Kupper	97,000	-	-	-	n/a	97,000
<b>Current Executives</b>						
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	-
<b>Former Executives</b>						
Peter Caillard	120,740	-	-	-	120,740	n/a
<b>Total</b>	<b>639,583</b>	<b>-</b>	<b>-</b>	<b>(16,681)</b>	<b>174,305</b>	<b>448,597</b>

## 28. Director and executive disclosures (continued)

### (b) Shareholdings of KMP (continued)

30 June 2007

Shares held in Tabcorp Holdings Limited (number)

	Balance 1 July 2006	Granted as remuneration	On exercise of Options, Performance Options and Rights	Net change other	Balance at	
					KMP cessation date	30 June 2007
<b>Non Executive Directors</b>						
<b>Current</b>						
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
<b>Former</b>						
Richard Warburton	23,456	-	-	-	23,456	n/a
Lawrence Willett	2,904	-	-	86	2,990	n/a
<b>Executives</b>						
<b>Current Executives</b>						
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
<b>Former Executive Director</b>						
Matthew Slatter	2,071,130	-	-	-	2,071,130	n/a
<b>Former Executives</b>						
George Mackey	11,162	3,504	-	-	14,666	n/a
Julia Nenko	942	-	-	-	942	n/a
<b>Total</b>	<b>2,722,293</b>	<b>20,323</b>	<b>-</b>	<b>10,151</b>	<b>2,113,184</b>	<b>639,583</b>

### (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 *	KMP cessation date	Balance at		Vested at 30 June 2008	
						30 June 2008	Total	Exercisable	
<b>Current</b>									
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	-	-	-	-
<b>Former</b>									
Peter Caillard	224,367	-	-	(66,786)	157,581	n/a	-	-	-
<b>Total</b>	<b>1,197,383</b>	<b>-</b>	<b>-</b>	<b>(66,786)</b>	<b>157,581</b>	<b>973,016</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* Includes forfeitures.

## 28. Director and executive disclosures (continued)

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

30 June 2008

Performance Rights held in Tabcorp Holdings Limited (number)

					Balance at		Vested at 30 June 2008	
	Balance 1 July 2007	Granted as remuneration	Rights exercised	Net reduction other *	KMP cessation date	30 June 2008	Total	Exercisable
<b>Current</b>								
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	-	-	-
<b>Former</b>								
Peter Caillard	14,829	22,459	-	(21,666)	15,622	n/a	-	-
<b>Total</b>	<b>73,510</b>	<b>317,346</b>	<b>-</b>	<b>(21,666)</b>	<b>15,622</b>	<b>353,568</b>	<b>-</b>	<b>-</b>

\* Includes forfeitures.

30 June 2007

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

					Balance at		Vested at 30 June 2007	
	Balance 1 July 2006	Granted as remuneration	Options exercised	Net reduction other *	KMP cessation date	30 June 2007	Total	Exercisable
<b>Current</b>								
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	-	-
<b>Former</b>								
Matthew Slatter <sup>(a)</sup>	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	-	-
<b>Total</b>	<b>2,693,686</b>	<b>771,421</b>	<b>-</b>	<b>464,222</b>	<b>1,803,502</b>	<b>1,197,383</b>	<b>85,165</b>	<b>85,165</b>

\* Includes forfeitures.

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

30 June 2007

Performance Rights held in Tabcorp Holdings Limited (number)

					Balance at		Vested at 30 June 2007	
	Balance 1 July 2006	Granted as remuneration	Rights exercised	Net reduction other *	KMP cessation date	30 June 2007	Total	Exercisable
<b>Current</b>								
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	-	-
<b>Former</b>								
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	-	-
<b>Total</b>	<b>141,109</b>	<b>-</b>	<b>-</b>	<b>21,057</b>	<b>46,542</b>	<b>73,510</b>	<b>-</b>	<b>-</b>

\* 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.

Name of controlled entity	Country of Incorporation	Equity type	% of equity held by immediate parent		
			as at 30 June		
	Note		2008	2007	
			%	%	
<b>Parent entity</b>					
Tabcorp Holdings Limited	(a)	Australia			
<b>Controlled entities</b>					
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
<hr/>					
Tabcorp Investments Pty Ltd	(b)	Australia	ordinary shares	100.0	100.0
Star City Holdings Ltd	(b)(d)	Australia	ordinary shares	100.0	100.0
Star City Pty Ltd	(b)(d)	Australia	ordinary shares	100.0	100.0
Star City Entertainment Pty Ltd	(b)	Australia	ordinary shares	100.0	100.0
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
<hr/>					
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
<hr/>					
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
<hr/>					
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

(Continued over page)

**29. Related party disclosure (continued)****(b) Investments in controlled entities (continued)**

Name of controlled entity	Country of incorporation	Equity type	% of equity held by immediate parent as at 30 June		
			2008 %	2007 %	
	Note				
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

- (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.

**29. Related party disclosure (continued)****(b) Investments in controlled entities (continued)**

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

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

Tabcorp Holdings Limited Closed Group	2008 \$m	2007 \$m
<b>Income statement</b>		
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)
<b>Profit before income tax expense and impairment</b>	<b>356.6</b>	<b>446.7</b>
Impairment	(916.9)	-
<b>Profit/(loss) before income tax expense</b>	<b>(560.3)</b>	<b>446.7</b>
Income tax expense	(45.8)	(25.2)
<b>Net profit/(loss) attributable to members of the parent entity</b>	<b>(606.1)</b>	<b>421.5</b>
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)
<b>Retained profits/(accumulated losses) at the end of the financial year</b>	<b>(804.4)</b>	<b>295.9</b>
<b>Balance sheet</b>		
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
<b>Total current assets</b>	<b>2,662.3</b>	<b>2,779.3</b>
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
<b>Total non current assets</b>	<b>2,531.2</b>	<b>3,446.5</b>
<b>Total assets</b>	<b>5,193.5</b>	<b>6,225.8</b>
Payables	165.0	153.9
Interest bearing liabilities	-	390.0
Current tax liabilities	52.3	12.9
Provisions	19.4	40.4
<b>Total current liabilities</b>	<b>236.7</b>	<b>597.2</b>
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	-
<b>Total non current liabilities</b>	<b>2,497.5</b>	<b>2,119.5</b>
<b>Total liabilities</b>	<b>2,734.2</b>	<b>2,716.7</b>
<b>NET ASSETS</b>	<b>2,459.3</b>	<b>3,509.1</b>
Issued capital	3,198.1	3,198.0
Retained earnings/(accumulated losses)	(804.4)	295.9
Reserves	65.6	15.2
<b>TOTAL EQUITY</b>	<b>2,459.3</b>	<b>3,509.1</b>

## 29. Related party disclosure (continued)

### (c) Transactions with controlled entities

#### Tabcorp Holdings Limited

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

### 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.

## 30. Contingent liabilities and contingent assets (continued)

### Contingent liabilities (continued)

#### (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.

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.

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

### Liquidity risk

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

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
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Consolidated</b>						
<b>Financial assets</b>						
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
<b>Total financial assets</b>	<b>378.9</b>	<b>457.2</b>	<b>1,107.4</b>	<b>367.7</b>	<b>406.6</b>	<b>1,173.2</b>
<b>Financial liabilities</b>						
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
<b>Total financial liabilities</b>	<b>724.2</b>	<b>2,460.4</b>	<b>2,305.5</b>	<b>1,044.7</b>	<b>1,909.1</b>	<b>2,432.0</b>
<b>Tabcorp Holdings Limited</b>						
<b>Financial assets</b>						
Cash assets	2.1	-	-	4.7	-	-
Short term deposits	22.6	-	-	35.2	-	-
Receivables	2,313.1	-	-	2,446.8	-	-
Other receivables	-	3.0	-	-	-	-
<b>Total financial assets</b>	<b>2,337.8</b>	<b>3.0</b>	<b>-</b>	<b>2,486.7</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>						
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
<b>Consolidated</b>				
<b>Financial liabilities</b>				
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
	<b>450.0</b>	<b>450.0</b>	<b>422.4</b>	<b>440.0</b>

**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:			Non interest bearing \$m	Balance Sheet \$m
				< 1 year \$m	1 - 5 years \$m	> 5 years \$m		
<b>2008 - Consolidated</b>								
<b>Financial assets</b>								
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 <sup>(i)(f)</sup>	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
<b>Financial liabilities</b>								
Trade creditors and accrued expenses	17	-	-	-	-	-	407.3	407.3
Bank loans - unsecured <sup>(i)(iii)</sup>	18	8.2	1,084.8	-	-	-	-	1,084.8
Medium term notes <sup>(i)</sup>								
- fixed interest rate <sup>(iv)</sup>	18	6.7	-	-	383.3	-	-	383.3
- floating interest rate <sup>(iv)</sup>	18	8.6	64.9	-	-	-	-	64.9
Private placement <sup>(i)</sup>								
- US dollar <sup>(iv)</sup>	18	5.5	-	-	-	637.0	-	637.0
- Australian dollar <sup>(iv)</sup>	18	8.7	99.7	-	-	-	-	99.7
Cross currency swaps <sup>(i)</sup>	33(d)	-	838.6	-	-	(838.6)	-	-
Total financial liabilities			2,098.0	-	383.3	(201.6)	407.3	2,677.0
<b>2008 - Tabcorp Holdings Limited</b>								
<b>Financial assets</b>								
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
<b>Financial liabilities</b>								
Trade creditors and accrued expenses	17	-	-	-	-	-	23.9	23.9
Total financial liabilities			-	-	-	-	23.9	23.9

**33. Additional financial instruments disclosure (continued)**

**(b) Interest rate risk (continued)**

	Note	Weighted average effective interest rate %	Floating interest rate \$m	Fixed interest maturing in:			Non interest bearing \$m	Balance Sheet \$m
				< 1 year \$m	1 - 5 years \$m	> 5 years \$m		
<b>2007 - Consolidated</b>								
<b>Financial assets</b>								
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 <sup>(iii)</sup>	33(c)	-	(1,450.0)	-	650.0	800.0	-	-
Total financial assets			(1,338.0)	-	650.0	800.0	121.8	233.8
<b>Financial liabilities</b>								
Trade creditors and accrued expenses	17	-	-	-	-	-	379.8	379.8
Bank loans - unsecured <sup>(iv)</sup>	18	6.9	1,067.1	-	-	-	-	1,067.1
Medium term notes <sup>(i)</sup>								
- fixed interest rate <sup>(iv)</sup>	18	6.6	-	-	382.8	-	-	382.8
- floating interest rate <sup>(iv)</sup>	18	7.2	64.8	-	-	-	-	64.8
Private placement <sup>(i)</sup>								
- US dollar <sup>(iv)</sup>	18	5.4	-	-	-	726.2	-	726.2
- Australian dollar <sup>(iii)</sup>	18	7.3	99.7	-	-	-	-	99.7
Cross currency swaps <sup>(i)</sup>	33(d)	-	838.6	-	-	(838.6)	-	-
Total financial liabilities			2,070.2	-	382.8	(112.4)	379.8	2,720.4
<b>2007 - Tabcorp Holdings Limited</b>								
<b>Financial assets</b>								
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
<b>Financial liabilities</b>								
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.

**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.

### 33. Additional financial instruments disclosure (continued)

#### (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 \$m	2007 \$m	2008 \$m	2007 \$m
<b>Consolidated</b>				
<b>AUD</b>				
+ 1% (100 basis points)	(3.6)	(3.2)	43.8	45.5
- 1% (100 basis points)	3.5	3.2	(47.6)	(49.4)
<b>USD</b>				
+ 1% (100 basis points)	(1.2)	(0.7)	(26.6)	(30.1)
- 1% (100 basis points)	1.3	0.8	29.0	33.0
<b>Holdings</b>				
<b>AUD</b>				
+ 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 \$m	2007 \$m	2008 \$m	2007 \$m
<b>Consolidated</b>				
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.

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.



Joseph Story  
Chairman

Melbourne  
20 August 2008

## 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.

### **Auditor's Opinion**

In our opinion:

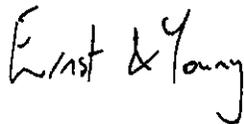
1. the financial report of Tabcorp Holdings Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the financial position of Tabcorp Holdings Limited and the consolidated entity at 30 June 2008 and of their performance for the year ended on that date; 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



Tim Wallace  
Partner  
Melbourne  
20 August 2008

**END**