



Tattersall's Limited Directors' Report & Financial Report 30 June 2006

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Directors' Report

David C Jones AO OBE KSJ

Chairman, Non-executive Director

Member of the Board since 12 August 2004

David Jones was the Managing Trustee of the Estate of the Late George Adams from 1990 to 2000 and the inaugural Managing Director of Tattersall's Holdings Pty Ltd from 1998 to 2000. Since then, David has continued as a Trustee of the Estate of the Late George Adams and a Non-executive director of Tattersall's Holdings Pty Ltd becoming Chairman of Tattersall's Limited on 31 May 2005.

From 1972 to 1980, David served on the Melbourne City Council, representing Batman Ward. David was an executive director of the State Chamber of Commerce and Industry (Victoria) from 1985 to 1989.

He was Chairman of the Very Special Kids Foundation between 1995 and 2000 and is currently the Chairman of Trustees of the Sir Henry Royce Foundation, Australia.

David was elected President of the Melbourne Cricket Club in February 2003. He was until recently the Deputy Chairman of the Victorian Major Events Committee and a board member of Australian Grand Prix Corporation. He is a member of the Executive Committee of the National Gallery of Victoria Business Council.

Special responsibilities

Chairman of the Board

Member of Governance & Nomination Committee

Other Listed Public Company Directorships in previous 3 years:

Nil

Duncan W Fischer

Managing Director / Chief Executive Officer

Member of the Board since 12 August 2004

Duncan Fischer was appointed Chief Executive Officer of Tattersall's Holdings Pty Ltd in 2000 and then also Managing Director in 2001, following eight years as Chief Financial Officer of Tattersall's. Duncan is the immediate past Chairman of the Australian Gaming Council, immediate past President of the Australian Southern Africa (Victoria) Business Council, and a director of a number of Tattersall's subsidiaries and strategic investments.

Duncan is also a board member of the Committee for Melbourne, a member of the Australia Day Committee, board member of the Very Special Kids Foundation, a board member of the Arts Angels Council of the Victorian Arts Centre and a member of CARE Australia Corporate Council.

Duncan immigrated to Australia where he practised as a chartered accountant and was a partner with the national firm of Priestley & Morris. Duncan has over 25 years of extensive experience in the gaming industry.

Duncan is a Fellow of both the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors.

His professional qualifications include a Bachelor of Accounting Science (Honours) and Certificate in Accounting Theory from the University of South Africa.

Special Responsibilities

Managing Director

Member of Remuneration Committee (ex-officio)

Other Listed Public Company Directorships in previous 3 years:

Nil

Harry Boon

Non-executive Director

Member of the Board since 31 May 2005

Harry Boon retired in 2004 as Chief Executive Officer and Managing Director of ASX listed company Ansell Limited, a position which capped a career spanning some 28 years with the Ansell Group. Harry has lived, and worked in senior positions, in Australia, Europe, the US and Canada, and has broad based experience in global marketing and sales, manufacturing, and product development. He is multi lingual and has a strong track record in delivering business results through setting ambitious goals, building the appropriate organisation and relationships and relentlessly pursuing objectives.

Harry is currently Chairman of Gale Pacific Limited, and a Non-executive director of Funtastic Limited and Hastie Group Limited, all ASX listed companies.

Harry holds a Bachelor of Laws (Honours) and a Bachelor of Commerce from the University of Melbourne.

Special Responsibilities

Chairman of Governance and Nomination Committee

Member of Audit, Risk and Compliance Committee

Other Listed Public Company Directorships in previous 3 years:

Ansell Limited
Funtastic Limited
Gale Pacific Limited
Hastie Group Limited

Lyndsey Cattermole AM

Non-executive Director

Member of the Board since 31 May 2005

Lyndsey Cattermole was the founder and Managing Director of Aspect Computing Pty Limited from 1974 to 2003, and a director of Kaz Group Limited from 2001 to 2004. Lyndsey has also held many board and other membership positions on a range of government, advisory, association and not for profit committees including the Committee for Melbourne, the Australian Information Industries Association and the Victorian Premier's Round Table and as Chairman of the Woman's and Children's Health Care Network.

Lyndsey is currently the Chairman of Methodist Ladies' College and holds directorships with Foster's Group Limited, the Melbourne Theatre Company, the Victorian Major Events Committee, Lansa Holdings Inc., VNH Systems Pty Limited and Madowla Park Holdings Pty Limited. She is also on the advisory board of Visy Industrial Packaging Pty Ltd and a director of the Victorian Rugby Union.

Lyndsey holds a Bachelor of Science from the University of Melbourne and is a Fellow of the Australian Computer Society.

Special Responsibilities

Member of the Audit, Risk and Compliance Committee

Member of Governance and Nomination Committee

Other Listed Public Company Directorships in previous 3 years:

Foster's Group Limited

Directors' Report

Brian Jamieson

Non-executive Director

Member of the Board since 31 May 2005

Brian retired as Chief Executive of Minter Ellison Melbourne on 31 December 2005. Prior to joining Minter Ellison, he was with KPMG and its antecedent firms for over 20 years. During his time at KPMG, he held the positions of Chairman Victoria, Managing Partner Melbourne, and Chief Executive Officer Australia. He was also a KPMG Board member in Australia, and a member of the USA Management Committee.

He is a Non Executive Director of Sigma Pharmaceuticals Limited, Oxiana Limited and HBOS Australia Pty Ltd. He is also a Director and Treasurer of Care Australia and the Bionic Ear Institute. He has over 30 years of experience in providing advice and audit services to a diverse range of public and large private companies.

Brian is a Fellow of the Institute of Chartered Accountants in Australia.

Special Responsibilities

Chairman of Audit, Risk and Compliance Committee

Member of Remuneration Committee

Other Listed Public Company Directorships in previous 3 years:

Oxiana Limited
Sigma Pharmaceuticals Limited

James King

Non-executive Director

Member of the Board since 31 May 2005

Jim King is a senior business executive with over 30 years' experience in fast moving consumer goods in both Australia and international markets.

Jim was previously Managing Director of Carlton and United Breweries Limited from 2000 to 2003, Managing Director of Foster's Asia from 1997 to 2000 and President of Kraft Asia Pacific (based in Hong Kong) from 1991 to 1997.

Jim is currently Chairman of JB Hi Fi Limited and a Non-executive director of IBT Education Limited, as well as being Chairman of the Victorian division of the Juvenile Diabetes Research Foundation and a Council Member at Xavier College.

Jim holds a Bachelor of Commerce from the University of New South Wales and is a Fellow of the Australian Institute of Company of Directors.

Special responsibilities

Chairman of Remuneration Committee

Member of Governance and Nomination Committee

Other Listed Public Company Directorships in previous 3 years:

IBT Education Limited
JB Hi Fi Limited

Julien Playoust

Non-executive Director

Member of the Board since 21 November 2005

Julien Playoust is Managing Director of AEH Group, a Sydney-based private investment company. His professional career includes management consulting with Andersen Consulting and Accenture.

He is a company director of 17 years standing and 25 companies. He has experience in mergers and acquisitions, strategy, change, technology and supply-chain programs with AMP, NAB and the International Wool Secretariat. Current appointments include director of MGB Equity Growth Pty Limited.

Julien is a Fellow of the Art Gallery NSW and Member of the Australian Institute of Company Directors, Australian Institute of Management, Royal Australian Institute of Architects and TEC.

Julien holds a Company Director Course Diploma from AICD, Masters of Business Administration from AGSM, Bachelor of Architecture, First Class Honours, and a Bachelor of Science from Sydney University.

Special responsibilities

Member of Remuneration Committee

Other Listed Public Company Directorships in previous 3 years:

Nil

Dr Michael Vertigan AC

Non-executive Director

Member of the Board since 21 November 2005

Michael Vertigan is currently Chairman of Tasmanian Perpetual Trustees Ltd, Chair of Ausgest Pty Ltd (Trustee of the Agest Superannuation Fund), and a director of Eraring Energy and ASX Supervisory Review Pty Ltd. He has been Chancellor of the University of Tasmania since 1998.

Michael previously held the positions of Secretary of the Departments of Treasury and Finance in both Victoria and Tasmania and Secretary of the Department of Premier and Cabinet in Tasmania. Before joining the public service Michael pursued an academic career in Tasmania, California, Alberta and Western Australia.

Michael has held a range of board appointments, including Executive Chairman of the Basslink Development Board, Chair of the Commonwealth Pooled Development Fund Registration Board, member of the Fund Management Committee of the IRBD, and Deputy Chair of the Power and Water Corporation (NT).

Michael is a Fellow of both the Australian Institute of Company Directors and the Institute of Public Administration of Australia. He holds a first class honours degree in economics from the University of Tasmania and a PhD in Business Administration from the University of California (Berkeley).

Special responsibilities

Member of Audit, Risk and Compliance Committee

Other Listed Public Company Directorships in previous 3 years:

Tasmanian Perpetual Trustees Limited

Directors' Report

Your directors present their report on the consolidated entity consisting of Tattersall's Limited ("the Company") and the entities it controlled at the end of, or during, the year ended 30 June 2006.

Directors

The following persons were directors of Tattersall's Limited during the whole of the financial year and up to the date of this report, except as otherwise stated:

David Jones AO OBE KSJ	
Duncan Fischer	
Harry Boon	
Lyndsey Cattermole AM	
Brian Jamieson	
James King	
Julien Playoust	appointed 21 November 2005
Dr Michael Vertigan AC	appointed 21 November 2005
William Adams	resigned 21 November 2005
Peter Kerr	resigned 21 November 2005

Principal activities

During the period the principal activities of the consolidated entity consisted of:

- The operation of licensed gaming machines in Victoria and South Africa;
- The operation of regulated lotteries in Australia;
- The operation of Club Keno games and footy tipping competitions;
- The warehousing, installation, relocation, repair and maintenance of gaming machines, lottery and wagering terminals and other transaction devices in Australia; and
- The development and maintenance of systems to centrally operate gaming machines and lotteries.

There have been no significant changes in the nature of the activities of the consolidated entity during the period.

Dividends – Tattersall's Limited

Dividends paid to members during the financial year were as follows:

	2006 \$'000	2005 \$'000
Interim ordinary dividend for the year ended 30 June 2006 of 8.75 cents per fully paid share paid on 5 April 2006	61,842	N/A

In addition to the above dividend, since the end of the financial year the directors have recommended the payment of a final ordinary dividend of \$53.0m (7.5 cents per fully paid share) to be paid on 26 September 2006 out of retained profits at 30 June 2006.

Review of operations

The Consolidated group met the key business forecasts made before listing last year. In its first year as a listed company, Tattersall's achieved revenues of \$2.6 billion and a Net Profit After Tax of \$128.5 million.

The gaming segment achieved revenue growth of 3.9% to \$1,251.1 million. Average net gaming machine revenue per machine in Victoria increased by \$9 to \$251 a day. The segment result was slightly down on the 2005 figure because of the full-year impact of the increase in the Victorian Government's health benefit levy. Two of the key Gaming business drivers, in addition to the number of operating machines, continued to be the program of venue refurbishments and the ongoing application of new technology to refresh the games and machines. Tattersall's pursued these objectives to achieve a strong result that met forecasts.

Revenue for the lotteries segment was \$1,269.8 million, an increase of 3.6% over the prior year. Key drivers of the lotteries business included constant innovations to games, improving the appeal of lotteries through jackpot sequencing and marketing, and the continuing development of new sales channels to drive growth. In October 2005, the Oz Lotto game matrix was improved and the product rebranded as Super 7's Oz Lotto. The modified game proved popular with customers with sales returning to growth after a period of decline. Tattslo to saw the largest ever Tattersall's prize of \$32 million offered in December 2005 and was one of seven major \$20 million-plus draw events (Superdraws and Megadraws) through the year.

The Company worked through the process to seek renewal of its two key Victorian licences.

Further to its responses to the Government's issues papers on the future licensing arrangements for the gaming, wagering and Club Keno industry, Tattersall's appeared at the public consultation hearings for gaming on August 7, 2006. The Company awaits the Government decision on the post-2012 gaming licence, which is expected in 2007.

Following a rigorous review process, Tattersall's submitted an application on 23 February 2006 for a ten-year Public Lotteries Licence to continue operating lotteries in Victoria for a seventh decade. The Company awaits the Government decision.

In October 2005, Tattersall's acquired the remaining equity in the Bytecraft group of companies. Bytecraft Systems activities include warehousing, installation, relocation, repair and maintenance services for a range of interactive entertainment systems and electronic transactional equipment (including gaming machines, lottery terminals, ATMs, EFTPOS terminals and wagering terminals). Bytecraft Entertainment provides lighting equipment and superscreens to the entertainment, sporting, concert, theatre, corporate and special events industry.

As part of the Group's expansion in the leisure and gaming sector in South Africa it was announced, in July 2006, that a subsidiary, Thuo Gaming KwaZulu-Natal (Pty) Ltd, had been awarded a gaming licence in South Africa allowing the ownership, distribution and operation of 1,000 gaming machines in the province of KwaZulu-Natal (KZN), which covers Durban and other eastern parts of the country. Rollout of machines is expected to commence late in 2006. This is the Group's second gaming licence in South Africa, building on the Group's first gaming licence being operated in the Western Cape province which is also for 1,000 machines. Machine rollouts in the Western Cape for the period were slower than expected due to delays in regulatory approval processes. The average revenue per machine performance in Western Cape, however, has significantly exceeded forecasts.

Since 2000, a subsidiary has been invested in and serviced the South African National Lottery as a 10% shareholder in Uthingo Management Pty Ltd. In August 2006, Uthingo announced that it had not achieved preferred bidder status to conduct the lottery after the current licence expires in 2007.

Tattersall's made an investment in a UK company through the purchase of a 10.5% stake in the publicly listed Talarius Plc, a company which operates gaming centres in high street shop front premises offering gaming on low and medium payout machines.

Tattersall's converted its interest in the EssNet companies into lower risk strategic alliances with bigger global players. These alliances will strengthen Tattersall's relationships with larger multi-national companies who operate in different parts of the gambling industry value chain and strengthens the Company's ability to pursue international opportunities.

A subsidiary also settled a long outstanding legal claim in a confidential settlement with a former employee.

Capital expenditure for the year totalled \$60.0 million, principally related to expenditure on gaming machines in Australia and South Africa and on the gaming jackpot project in Victoria.

The net cash of the Group (net of debt and prize reserves) was \$301.4 million as at 30 June 2006. These funds have been invested short term and it is the current intention of the Board to use these funds on the proposed UNITAB merger.

Significant changes in the state of affairs

Significant changes in the state of affairs of the consolidated entity during the period were as follows:

On 7 July 2005, pursuant to its Initial Public Offer, Tattersall's Ltd issued 49,014,300 shares at \$2.90, which raised an additional \$142.1 million, and 50,985,700 at \$3.10, which raised an additional \$158.1 million. The total amount raised was \$300.2 million before transaction costs.

On 5 October 2005 the Group acquired 50% of Bytecraft Systems Pty Ltd and 75% of Bytecraft Entertainment Pty Ltd, both entities becoming wholly owned subsidiaries. Consideration for these acquisitions was respectively 6,769,231 shares with market value of \$22 million and cash of \$12.9 million (see Note 40 in the Financial Report).

On 22 March 2006 EssNet AB sold its on-line lottery systems business and assets to Scientific Games Corporation, and on 5 May 2006 EssNet Interactive was sold to the Aristocrat Leisure Group. Tattersall's investment in EssNet (now called Tensse AB) is now backed by cash and some remaining assets. The Tensse shareholders are now considering the best approach to liquidate the company.

No other significant changes in the consolidated entity's state of affairs occurred during the period.

Matters subsequent to the end of the financial period

Except for the matters discussed above, no other matters or circumstances have arisen since 30 June 2006 that have significantly affected, or may significantly affect:

- (a) The consolidated entity's operations in future financial years, or
- (b) The results of those operations in future financial years, or
- (c) The consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Likely developments in the operations of the Group constituted by Tattersall's Limited and the entities it controls from time to time that were not finalised at the date of this report included:

- (a) Tattersall's-UNITAB Merger of Equals

On 27 March 2006, Tattersall's Limited and UNITAB Limited announced a Merger of Equals to create a leading Australian gaming, wagering and lotteries company with over \$3.0 billion of revenue and diversified products and services operating in every state and territory within Australia. An amended Merger of Equals between UNITAB and Tattersall's was announced on 21 August 2006.

Directors' Report

UNIAB shareholders are scheduled to vote on the Scheme of Arrangement on 15 September 2006. UNIAB directors have announced that, in the absence of a superior proposal, they intend to vote their own shares in favour of the merger, and have unanimously recommended that UNIAB shareholders vote in favour of the Scheme. If approved by UNIAB shareholders and the Court, the Scheme Implementation Date is scheduled for 5 October 2006, at which time UNIAB will become a fully owned subsidiary within the Tattersall's Group. If the Scheme is implemented, Mr Duncan Fischer will step aside as the Managing Director and Chief Executive Officer of Tattersall's, and Mr Richard McIlwain will be appointed to that position.

Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity and/or because they are confidential.

Environmental regulation

The consolidated entity is not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Directors' Interests in shares

The following table show the interests in shares held by Directors of Tattersall's Limited, including their personally related parties, as at the date of this report, whilst those in the table at page 14 are as at 30 June 2006.

Director	Interest in Ordinary Shares	Interest in nominally held Ordinary Shares
David Jones	194,967	13,330,266
Duncan Fischer	3,055,027	13,330,266
Harry Boon	150,000	-
Lyndsey Cattermole	172,663	-
Brian Jamieson	107,000	-
James King	150,000	13,330,266
Julien Playoust	50,000	-
Michael Vertigan	614,186	-

The interest in nominally held shares arises as a result of the relevant Directors being a director of Tattersall's Clause Y Employee Fund Limited, the Trustee of the Tattersall's Clause Y Employee Fund.

Executive Directors are the only Directors entitled to participate in the long term incentive plan which is in the form of performance options and rights. Details of these interests are disclosed in the remuneration report.

Company Secretary

The Company Secretary is Mr Simon Doyle BA LLB. Mr Doyle was appointed to the position of Company Secretary on 12 August 2004. Mr Doyle has held the position of General Manager Corporate for nine years. Prior to that date he was a partner in a Melbourne law firm.

Meetings of directors

The number of scheduled meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2006, and the number of meetings attended by each director were:

	Full meetings of directors		Meetings of committees					
			Audit, Risk & Compliance		Governance & Nomination		Remuneration	
	A	B	A	B	A	B	A	B
David Jones ^(a)	11	11	XX	XX	1	1	2	2
Duncan Fischer ^{(a) (*)}	11	11	XX	XX	XX	XX	4	4
Harry Boon ^(b)	11	11	8	7	2	2	XX	XX
Lyndsey Cattermole ^(b)	11	11	8	6	2	2	XX	XX
Brian Jamieson ^(b)	11	11	8	8	XX	XX	4	4
James King ^(b)	11	11	XX	XX	2	2	4	4
Julien Playoust ^(d)	8	8	XX	XX	XX	XX	2	2
Michael Vertigan ^(d)	8	7	3	2	XX	XX	XX	XX
William Adams ^(c)	3	3	XX	XX	1	1	XX	XX
Peter Kerr ^(c)	3	3	4	4	XX	XX	XX	XX

A = Number of scheduled meetings held during the time the director held office or was a member of the committee during the year

B = Number of meetings attended

* = Not a Non-executive director

xx = Not a member of the relevant committee

^(a) = Appointed 12 August 2004

^(b) = Appointed 31 May 2005

^(c) = Resigned 21 November 2005

^(d) = Appointed 21 November 2005

Remuneration Report

The remuneration report is set out under the following main headings:

- A Remuneration Policy
- B Remuneration Committee
- C Non-executive Directors
- D Executive Remuneration Structure
 - i) Fixed Annual Remuneration
 - ii) Short Term Incentive Plan
 - iii) Long Term Incentive Plan
- E Employee Share Plan
- F Employment Contracts of Managing Director and Senior Executives
- G Details of Remuneration
- H Share Based Compensation Options and Rights
- I Additional Information

The information provided under headings A-E and G-H includes remuneration disclosures that are required under AASB 124 "Related Party Disclosures". These disclosures have been transferred from the financial report and have been audited.

A Remuneration Policy (audited)

The objective of Tattersall's executive reward framework is to link remuneration to financial performance and Shareholder value, and to offer competitive and appropriate remuneration for the results delivered. For this period of reporting, the remuneration strategy has been applied in its entirety. The remuneration strategy and structure are described in this Remuneration Report to indicate the structure and processes which were implemented from 1st July 2005.

The remuneration philosophy aims to reflect the responsibilities of executives, whilst being competitive enough to attract and retain high performers. The framework comprises fixed annual remuneration, short-term incentive and long-term incentive. Incentives are only payable in the event financial and non-financial targets are achieved. As such, the remuneration strategy aligns executive reward with the achievement of corporate strategic objectives and conforms with market best practice.

The following guiding principles govern the operation of Tattersall's reward framework:

- Remuneration frameworks are linked to measures of Shareholder value and the financial performance of Tattersall's;
- Emphasis is placed on the total annual reward framework which comprises fixed and variable components which increase in line with levels of responsibility/criticality of role and demonstrated performance. It includes a compulsory restricted share component at the executive level, whereby shares received must be held for a predetermined minimum period;
- The highest performing employees are those of greater value to the company and therefore should receive the greatest reward;
- Fixed annual remuneration recognises difference in levels of responsibility/criticality of role, levels of competency, development, proficiency and individual contribution/performance;
- Fixed annual remuneration is targeted at or above market median levels as benchmarked across all industries (with the exception of the technology industry), except where other specific employment markets are more appropriate in which case, these will be used;
- Short term incentive reward is linked fundamentally to Tattersall's performance, but also to individual performance via a performance management framework which will include assessment of financial and non-financial measures;
- Long term incentive reward for executive and senior management is based on meeting both time and performance based hurdles that relate entirely to corporate and Shareholder value parameters; and
- Employee and Shareholder interests are aligned through employee equity plans.

B Remuneration Committee (audited)

The Remuneration Committee aims to ensure Tattersall's has appropriate remuneration policies and procedures that fairly and responsibly reward executives. The Committee operates under the delegated authority of the Board. The Committee is now comprised of three Non-executive directors (one of which is the Chair) and the Managing Director/Chief Executive Officer.

<i>Name</i>	<i>Title</i>	<i>Role on Committee</i>
James King	Non-executive director	Chair
Duncan Fischer	Managing Director/CEO	Committee member (ex-officio)
Brian Jamieson	Non-executive director	Committee member
Julien Playoust (appointed to Committee on 24 November 2005)	Non-executive director	Committee member
David Jones (retired from Committee on 24 November 2005)	Non-executive director	Committee member

The Board will ensure a Non-executive director continues to chair this Committee. The responsibilities of the Remuneration Committee include advising on the following:

- Non-executive remuneration;
- Managing Director/Chief Executive Officer remuneration;
- Executive remuneration;
- Executive contracts;
- Employee equity plans;
- Remuneration disclosure;
- Stakeholders engagement in relation to Tattersall's remuneration policies; and
- Risk management and controls regarding remuneration.

C Non-executive Directors (audited)

Fees to Non-executive directors reflect the demands which are made on, and the responsibilities of the directors. Fees are reviewed annually by the Board. The Board has also agreed to seek the advice of independent consultants to ensure Non-executive directors' fees are appropriate and consistent with market practice. Non-executive directors' fees are determined within an aggregate fee pool limit, which is periodically subject to shareholder approval. The current maximum total Non-executive directors' fee pool amounts to \$1.5 million per annum which is intended to provide the Board with scope to appoint new Non-executive directors in the future.

The annual fee amount is determined on a total cost basis representing cash, superannuation and restricted shares. Fees are paid on the following basis: Chairman \$250,000 per annum; Non-executive director: \$120,000 per annum. Non-executive directors may elect to take a percentage of their annual fee in the form of restricted shares, which cannot be disposed of for a period of three years, only one director has participated in this arrangement to date. There were no additional fees for sitting on any of the Board's committees.

Non-executive directors are expected to hold shares in Tattersall's at a level as determined by the Board from time to time. Any person invited to join the Board will enter into an Appointment Agreement setting out the director's duties, rights, responsibilities and the terms and conditions associated with that appointment.

The Managing Director/Chief Executive Officer will not retire by rotation. Provided that Tattersall's has three or more Non-executive directors, one third of the Non-executive directors (rounded down to the nearest whole number) will retire at each annual general meeting. In any case, no non-executive director may retain office for more than three years or until the third annual general meeting following the Non-executive's appointment, whichever is the longer period. In each case, if the retiring Non-executive is eligible, they may seek re-election.

Retirement Benefits of Non-executive Directors

There are no retirement benefit schemes for Non-executive directors, other than statutory superannuation contributions.

Non-Monetary Benefits of Non-executive Directors

There are no non-monetary benefits offered to Non-executive directors.

D Executive Remuneration Structure (audited)

The aim of Tattersall's executive remuneration philosophy and structure is to ensure that the overall remuneration of executives reflects their duties and responsibilities, and importantly, to encourage reward for performance. Alongside this aim, Tattersall's is committed to adhering to high corporate governance standards for executive remuneration, having regard to the ASX Recommendations and relevant stakeholder bodies.

Target Reward Structure and Mix

In consultation with external consultants, the company has structured its executive remuneration framework to ensure it is market competitive and complementary to the reward strategy of the organisation and the interests of shareholders.

The framework provides a mix of fixed and variable remuneration, including a blend of short and long-term incentives to ensure appropriate alignment between the interests of shareholders and that of the executives responsible for company performance.

The following components comprise the total annual reward (TAR) framework for executive and employee remuneration:

- Fixed annual remuneration (FAR) comprising base pay and superannuation
- Short-term performance payments via Short-Term Incentive Plan (STIP)
- Long-term incentive awards through the participation in Long-Term Incentive Plan (LTIP)

Job Band	FAR	STIP	LTIP	TAR
CEO	45%	25%	30%	100%
Executive	60%	20%	20%	100%
Senior Management	70%	20%	10%	100%
Management	85%	15%	--	100%
Employees	90%	10%	--	100%

i) Fixed Annual Remuneration

Fixed annual remuneration is determined by reference to the scope and size of the role and the level of skill and experience of the individual, in conjunction with a performance rating framework designed to assess an individual's performance over the preceding 12 month period. Tattersall's aligns itself to the market at or above the 50th percentile for fixed annual remuneration for all staff positions, with higher outcomes for better performing individuals. Fixed annual remuneration is reviewed annually and adjusted subject to market movements, company performance and profitability, and movements in the CPI.

A clear objective of Tattersall's remuneration framework is to ensure a direct link between shareholder value created and reward delivered to employees. Accordingly, Tattersall's adopts a remuneration system whereby a combination of job sizing and demonstrable performance determine an individual's annual salary adjustment.

Tattersall's uses a nationally recognised job evaluation system to assess the scope and size of roles against which industry benchmarking is carried out and internal relativities maintained. Individual performance is assessed by reference to a scorecard of five key performance areas which include financial and non-financial measures. The weighting attributed to these performance areas will vary depending on the individual's role. The performance of employees is measured against:

- Business and financial targets
- Quality products and services
- Learning and growth
- Internal processes
- Behavioural competencies

These five performance areas were chosen as they provide a balanced view of performance and address the needs of key stakeholders. The non-financial performance areas aim to ensure ongoing employee commitment and engagement and the achievement of appropriate levels of customer satisfaction.

Salary adjustments are made after assessment of (a) an employee's positioning relative to the market range for the type of position held; and (b) how an individual has performed in these five key areas relative to the peer group after standardisation of raw performance ratings.

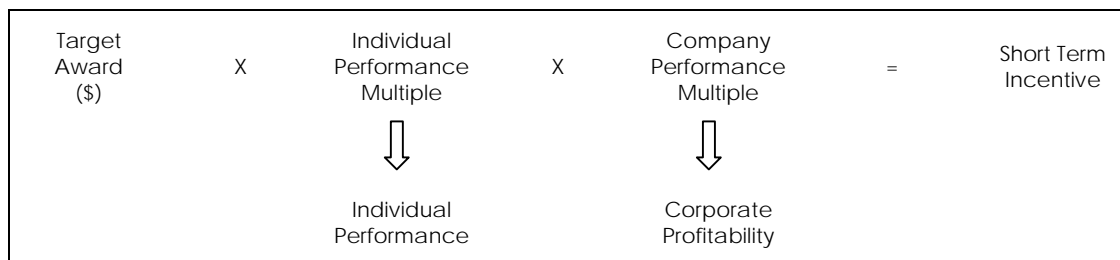
A matrix is then used to determine final individual salary adjustments, if any, to ensure that individuals who are relatively low paid for their market range receive appropriate increases, whilst individuals who are already well-paid receive progressively smaller annual increases. The matrix is reviewed annually in accordance with market movements, company profitability, and changes in the CPI. The process is reflective of Tattersall's desired outcome - that salaries are market competitive and that annual increases be conditional upon performance.

There are no guaranteed base pay increases in any senior executives' contracts of employment.

ii) Short Term Incentive Plan

Tattersall's short term incentive framework is structured to reward performance excellence based on actual performance against the same five key performance measures discussed above. This framework details the key business and individual performance outcomes which align with Tattersall's strategic objectives over a 12 month period. Any awards provided under the plan are subject to the achievement of company profitability targets, determined annually in line with Tattersall's business planning process, and which are approved by the Board. Participation in the Plan varies according to job level.

The amount received under the STIP is determined as follows:



Should the company achieve a profit target within a pre-determined range set annually by the Remuneration Committee and the Board then a graduated short-term incentive (STI) is available for executives upon approval by the Board. The use of a profit target ensures that awards under the STIP only become available after the achievement of profit levels consistent with the business plan. Performance above this threshold is leveraged to ensure an acceptable return to both shareholders and executives.

Each executive has a target STI award calculated by reference to their fixed annual remuneration. For the Managing Director/Chief Executive Officer the maximum STI award is 25% of total annual remuneration, whilst for senior executives the maximum STI award is 20% of total annual remuneration. The Remuneration Committee reserves its right to review such percentages annually, subject to market data and specialist external advice.

The Remuneration Committee assesses the Company's profit and key performance indicators each year to ensure that an appropriate link exists between STI targets and potential payments under the Plan. This includes setting both maximum payouts where targets are exceeded, and minimum performance levels to trigger any payment at all. If either company performance or individual performance is not achieved at the target level by the executive, no STI is awarded. The Board reserves its right to adjust up or down STI payments under the Plan in line with under or over-achievement against target performance levels. STI payments are reviewed annually.

A minimum of 50% of the annual award to executives must be taken as shares which have a disposal restriction of 12 months. The remaining 50% may be taken in cash or sacrificed for additional shares. STI awards for 2006 will be payable in October/November 2006.

Details of the remuneration of Directors and key management personnel are set out at pages 12 – 13.

iii) Long Term Incentive Plan

The long term incentive plan (in the form of performance options and performance rights) aims to align executive performance with corporate performance to ensure a healthy share price and strong growth over a specified timeframe (generally three to five years from the determination date). Both types of instrument provide the right to acquire shares only if and when particular time and performance based hurdles are achieved.

The key performance condition for instruments granted under the long term incentive plan will be growth in the Company's Total Shareholder Return (comprising dividend returns and share price appreciation), since the date of allocation of the instrument, measured against a peer group of 65 of the top 100 ASX listed companies (by market capitalisation excluding companies in the oil and gas, real estate and metals and mining industries). The peer group will be compiled from the Top 100 companies on the determination date of instruments under the plan. Whilst annual allocations of instruments will be made, a three-year vesting period will apply with a subsequent two-year period to achieve the requisite performance hurdles. The exercise period for both instruments will expire on the seventh anniversary of their allocation date.

Each participant in the long term incentive plan will have a target long term incentive award component as part of their total annual remuneration. The percentage of the participant's long term incentive component to be delivered as performance options and performance rights depends on the participant's position within the company. The Board has the discretion to grant a mix of performance options and performance rights to participants. This entitles the participants to receive shares, subject to the achievement of both time based and performance based vesting conditions.

The number of performance rights to be granted to each participant will be determined by dividing the total value of the performance rights to be granted as part of their long term incentive award by the market value of the right. The market value of the right will be determined by reference to the thirty day volume weighted average price of the shares as traded on ASX in the thirty days up to and including the determination date.

The number of performance options to be granted to each participant will be determined by dividing the value of the option to be granted as part of their long term incentive award by the market value of the option at the determination date. The market value of the option will be determined by applying an accepted valuation methodology to Tattersall's share price at the determination date.

Grant of Performance Options and Performance Rights

No amount will be payable by the recipient upon grant of either performance options or performance rights.

Allocation/Vesting of Shares

Shares will be allocated following exercise, upon vesting of the performance option or performance right (following satisfaction of the performance based vesting conditions) and the time based vesting conditions. At least 50% of performance options and performance rights will vest subject to the achievement of a Total Shareholder Return (TSR) hurdle in comparison to the peer group.

Target	Percentage of Instruments that Vest in Given Year
Tattersall's annual TSR does not meet performance of the median company in peer group ¹	0%
Tattersall's annual TSR achieves or exceeds performance of the median company in peer group	50%
Tattersall's annual TSR ranked in third quartile of companies in peer group	Pro rata between 50% and 100%
Tattersall's annual TSR ranked in fourth quartile of companies in peer group	100%

¹ The peer group is 65 of the top 100 ASX companies (by market capitalisation excluding companies in the oil and gas, real estate and metals and mining industries). The peer group will be compiled from the Top 100 companies on the determination date of instruments under the plan.

The percentage of performance options or performance rights which become exercisable increases from the 50th percentile up to the 75th percentile by 2% increases in the number of instruments vested for each 1% increase in the percentile of the total Shareholder return of the company compared to the average Total Shareholder Return of the peer group.

The performance conditions will be tested at six month intervals from the commencement of the vesting period (the third anniversary of allocation) to the conclusion of the vesting period (the fifth anniversary of allocation).

On exercise, the company may deliver shares by new issue or by purchasing shares on market for transfer to participants. The exercise price of the performance options is determined by reference to the thirty day volume weighted average price of the shares as traded on the ASX in the thirty days up to and including the determination date.

No exercise price is payable upon the exercise of performance rights.

Grants of shares under the long term incentive plan will be subject to a 5% cap, inclusive of shares that may be granted under other equity plans of the company for employees and Non-executive directors, but disregarding offers made outside of Australia, made under a disclosure document or which do not require a disclosure document.

Expiry of Performance Options and Performance Rights

Performance options and performance rights that have not vested before the end of the vesting period will expire on the expiry date specified at the date of grant or if the Board determines that they are to be forfeited. Where employment ceases, entitlement to any unvested performance options or performance rights will ordinarily lapse, subject to the Board having the discretion to waive some or all of the vesting conditions if the reason for ceasing employment is death, total and permanent disability or redundancy.

Restrictions on Shares and Forfeiture Conditions

Performance options and performance rights, and shares delivered on exercise, may be subject to forfeiture (subject to lifting at the discretion of the Board) if a participant commits any act of fraud, defalcation or gross misconduct in relation to the Company or a related company.

Shares delivered on exercise may be subject to disposal restrictions (subject to removal at the discretion of the Board). Shares delivered under the plan may be required to be held by a trustee on behalf of participants, with the shares transferred to them or sold when the disposal restriction or forfeiture condition ceases to apply.

E Employee Share Plan (audited)

General Share Acquisition Plan

General

The general share acquisition plan is a general employee share plan by which offers may be made to eligible employees to acquire restricted shares (being shares subject to a disposal restriction as set out below) via salary sacrifice. The Board has the discretion to amend the rules but not so as to reduce the rights of participants under the plan except where necessary to correct obvious errors or mistakes or to comply with legal requirements. All Tattersall's employees, other than casual employees, are eligible to participate in the general share acquisition plan. The Board retains the discretion to change the requirements for eligibility.

Allocation of Shares

The Company may deliver shares by way of new issue or purchase shares on market for transfer to participants. The Board has the ultimate discretion as to whether the shares are purchased on market or provided by way of a new issue.

Grants of shares under the plan will be subject to a 5% cap. This is inclusive of shares that may be issued under other equity plans of the Company for employees and Non-executive directors, but disregarding offers made outside Australia, made under a disclosure document or which do not require a disclosure document.

Restriction on Shares

Shares will be offered subject to a disposal restriction (which the Board may lift if there is a change of control) such that shares delivered under the plan cannot be disposed of or otherwise dealt with for one year, or when the participant ceases to be employed by the Company or a related company, if earlier.

Directors' Report

A forfeiture condition will apply for up to 10 years for shares while the shares are subject to the plan rules. Such shares will be forfeited in the event of any act of fraud, defalcation or gross misconduct in relation the Company or a related company.

Shares delivered under the plan may be required to be held by a trustee on behalf of participants, with the shares transferred to them or sold when the disposal restriction or forfeiture condition ceases to apply.

F Employment Contracts of the Managing Director/CEO and Senior Executives

The employment conditions of the Managing Director/Chief Executive Officer, Duncan Fischer, and specified executives are formalised in contracts of employment. Other than the Managing Director/Chief Executive Officer, all executives are employed under contracts of no fixed duration.

		Termination payment benefits (other than termination for gross misconduct)	
Name	Term of Contract	Period of Notice	Amount of Payment
D Fischer	5 year term contract – commenced on the 31 May 2005	Employment contract may be terminated early by either party by the provision of 6 months notice in writing.	If terminated with notice, entitled to the equivalent of 18 months fixed annual remuneration at the conclusion of the notice. If terminated immediately, entitled to 24 months fixed annual remuneration in lieu of notice.
S Doyle	No fixed duration	12 months written notice	A combination of notice and payment in lieu of notice totalling no less than 12 months.
S Found	No fixed duration	12 months written notice	A combination of notice and payment in lieu of notice totalling no less than 12 months.
R Gunston	No fixed duration	12 months written notice	A combination of notice and payment in lieu of notice totalling no less than 12 months.
P Lee	No fixed duration	6 months written notice	A combination of notice and payment in lieu of notice totally no less than 6 months.
A Nelson	No fixed duration	6 months written notice	A combination of notice and payment in lieu of notice totally no less than 6 months.
B Redmond	No fixed duration	12 months written notice	A combination of notice and payment in lieu of notice totalling no less than 12 months.

The terms of employment for all key management personnel make provision for a performance related bonus in the form of a STIP award, a long term incentive in the form of an award of performance rights and performance options, and provision for such individuals to participate in a salary sacrifice general share acquisition scheme.

The company may terminate an employment contract without cause by providing written notice in accordance with the specified period or making payment in lieu of notice, based on the individual's fixed annual remuneration component. When an executive voluntarily resigns, any entitlement to receive an STI or LTI will be forfeited, if it has not yet been received.

Termination payments are not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct, the company may terminate employment at any time. Any options not exercised before or on the date of termination may lapse.

G Details of Remuneration (audited)

Amounts of remuneration

Details of the remuneration of the directors of Tattersall's Limited and the six key management personnel of Tattersall's Limited and the Group who received the highest remuneration for the year ended 30 June 2006 are set out in the following tables.

The key management personnel of Tattersall's Limited includes the directors as per pages 1 - 2 above and the following executive officers, who are also the 6 highest paid executives of the entity:

- Simon Doyle - *General Manager, Corporate/Company Secretary*
- Stephen Found - *Managing Director, Bytecraft (from 5 October 2005)*
- Ray Gunston - *Chief Financial Officer, General Manager - Finance and Administration*
- Peter Lee - *General Manager – Technology*
- Adrian Nelson - *General Manager – Business Development*
- Brendan Redmond - *General Manager - Commercial Operations (from 15 February 2006)*

Key management personnel of Tattersall's Limited and Group

The comparative figures in the following table represent Directors' fees and executive remuneration for one month from the date of restructure, 31 May 2005 to 30 June 2005. This disclosure has been adopted as, prior to 31 May 2005, the Estate structure of the Group operated with different remuneration arrangements.

Directors' Report

Name	Year	Short-Term Benefits		Post-employment benefits	Share-based payment	Total \$
		Cash salary and fees \$	Cash Bonus (STI) \$	Super-annuation \$	Performance Options and Rights (LTI) \$	
<i>Non-executive Directors</i>						
David Jones (Chairman)	2006	250,000	N/A	-	N/A	250,000
	2005	20,833	N/A	-	N/A	20,833
Harry Boon	2006	120,000	N/A	-	N/A	120,000
	2005	10,000	N/A	-	N/A	10,000
Lyndsey Cattermole	2006	113,394	N/A	6,606	N/A	120,000
	2005	9,174	N/A	826	N/A	10,000
Brian Jamieson	2006	110,092	N/A	9,908	N/A	120,000
	2005	9,174	N/A	826	N/A	10,000
James King	2006	110,092	N/A	9,908	N/A	120,000
	2005	10,000	N/A	-	N/A	10,000
Julien Playoust (appointed 21/11/05)	2006	67,608	N/A	6,085	N/A	73,693
	2005	N/A	N/A	N/A	N/A	N/A
Michael Vertigan (appointed 21/11/05)	2006	67,608	N/A	6,085	N/A	73,693
	2005	N/A	N/A	N/A	N/A	N/A
William Adams (resigned 21/11/05)	2006	42,908	N/A	4,128	N/A	47,036
	2005	9,174	N/A	826	N/A	10,000
Peter Kerr (resigned 21/11/05)	2006	45,872	N/A	4,128	N/A	50,000
	2005	9,174	N/A	826	N/A	10,000
<i>Executive Directors</i>						
Duncan Fischer (Managing Director/ CEO)	2006	1,084,262	232,444	27,338	107,171	1,451,215
	2005	76,422	N/A	16,211	N/A	92,633
<i>Other Key Management Personnel</i>						
Ray Gunston	2006	509,862	92,071	15,138	24,164	641,235
	2005	40,156	N/A	4,010	N/A	44,166
Simon Doyle	2006	385,227	69,950	14,773	18,410	488,360
	2005	29,688	N/A	3,645	N/A	33,333
Brendan Redmond (from 15/02/06)	2006	145,448	12,991	4,552	N/A	162,991
	2005	N/A	N/A	N/A	N/A	N/A
Peter Lee	2006	345,445	34,592	14,555	16,569	411,161
	2005	26,573	N/A	3,427	N/A	30,000
Adrian Nelson	2006	385,227	34,783	14,773	18,410	453,193
	2005	29,688	N/A	3,645	N/A	33,333
Stephen Found (from 1/10/05)	2006	218,930	33,869	6,070	N/A	258,869
	2005	N/A	N/A	N/A	N/A	N/A
Scott Clareborough (resigned 27/06/05)	2006	N/A	N/A	N/A	N/A	N/A
	2005	34,451	N/A	965	N/A	35,416
Totals	2006	4,001,975	510,700	144,047	184,724	4,841,446
	2005	314,507	N/A	35,207	N/A	349,714

Note: Except as otherwise indicated in the above table, all key management personnel were employed by the parent entity, Tattersall's Limited, and the Group from 1 June 2005 to 30 June 2006.

Tattersall's Limited has a policy not to offer retirement benefits to Non-executive Directors.

There are no non-monetary benefits for key management personnel.

The six executives with the greatest authority for strategic direction and management defined as the "specified executives" of the consolidated entity for the period, were the same as the six executives with the highest remuneration.

H Share Based Compensation Options and Rights (audited)

Performance options and performance rights are granted to specified executives under the Tattersall's LTIP scheme which was approved by shareholders at the 2005 Annual General Meeting. Employees eligible to participate in the plan are those of senior management level and above, including the Managing Director/Chief Executive Officer, whose performance is of strategic and operational importance to the Company.

Options and rights are granted annually to eligible participants but do not vest unless both performance and time-based hurdles are met. These conditions ensure that eligible staff are only rewarded when total shareholder return growth (comprising dividend returns and share price appreciation) occurs as measured against a peer group of 65 of the top 100 ASX listed companies.

Directors' Report

Whilst annual allocations are made, a three year vesting period applies from the relevant performance period date with a further two year period to achieve the requisite performance growth and an expiry date on the 7th anniversary of their grant date. Options and rights are granted under the plan for no consideration.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Award Type	Grant Date	Expiry Date	Exercise Price	Value per option/right at grant date	Date Exercisable
Performance Option	16 December 2005	7 July 2012	\$3.10	\$0.67	7 July 2008
Performance Right	16 December 2005	7 July 2012	N/A	\$1.80	7 July 2008

Options granted under the plan carry no dividend or voting rights.

In relation to the awards made this period, the exercise price of options is based on the weighted average price at which the Company's shares traded on the ASX during the seven days immediately before the options were granted. Any performance options granted in future periods will have the exercise price based on the weighted average price at which the Company's shares traded on the ASX during the thirty days immediately before the granting of the option.

Details of performance options and performance rights over ordinary shares in the company provided as remuneration to each executive director of Tattersall's Limited and each of the key management personnel of the Group are set out below. When exercisable, each option and right is convertible into one ordinary share of Tattersall's Limited. Further information on the options and rights is set out in note 47 of the financial statements.

2006	Number of options granted during the year	Number of options vested during the year	Number of rights granted during the year	Number of rights vested during the year
Executive Director of Group and Tattersall's Limited				
Duncan Fischer (Managing Director/CEO)	661,998	-	59,793	-
Other key management personnel of Group and Tattersall's Limited				
Simon Doyle	95,143	-	17,187	-
Stephen Found	-	-	-	-
Ray Gunston	124,874	-	22,558	-
Peter Lee	85,629	-	15,468	-
Adrian Nelson	95,143	-	17,187	-
Brendan Redmond	-	-	-	-

No options or rights were provided to Mr Brendan Redmond or Mr Stephen Found as they were ineligible at the time of granting these equity instruments.

No comparatives have been included for the prior period as no options had been granted or vested in this period.

No performance options or rights vested during the period covered by this report.

No performance options or rights became exercisable or were exercised during the period covered by this report.

I Additional Information (unaudited)

(i) Details of remuneration – performance options and rights

For each cash bonus and grant of options and rights as set out on pages 12 and 13, the percentage of the maximum bonus or grant that was paid, or that vested, in the financial year is set out below.

The relationship between the Company's earnings and executive remuneration is reflected in the STI arrangement as set out in Section D.

As set out in Section D, the Company also links the executives' LTI arrangement with improvements in the Company's shareholder wealth by using a TSR hurdle to determine the vesting of options and rights. Options and rights have been granted for the first time in December 2005 and therefore none of the options or rights have been measured against these hurdles as they have not yet reached their vesting dates.

Name	Cash Bonus	Options/Rights			
	Percentage of maximum STI achieved	Financial Year Granted	Financial years in which options may vest	Minimum total value of grant yet to vest	Maximum total value of grant yet to vest
Duncan Fischer	38%	2006	30 June 2009	Nil	443,995
Simon Doyle	52%	2006	30 June 2009	Nil	76,272
Stephen Found	23%	N/A	N/A	N/A	N/A
Ray Gunston	53%	2006	30 June 2009	Nil	100,106
Peter Lee	29%	2006	30 June 2009	Nil	68,644
Adrian Nelson	26%	2006	30 June 2009	Nil	76,272
Brendan Redmond	10%	N/A	N/A	N/A	N/A

Directors' Report

No options or rights vested during the year. No options or rights were exercised or forfeited during the year.

(ii) Share based compensation: Options and rights

Name	Remuneration consisting of options	Value at grant date	Value at exercise date	Value at lapse date	Total
Duncan Fischer	7.4%	551,166	-	-	551,166
Simon Doyle	3.8%	94,682	-	-	94,682
Stephen Found	-	-	-	-	-
Ray Gunston	3.8%	124,270	-	-	124,270
Peter Lee	4.0%	85,214	-	-	85,214
Adrian Nelson	3.8%	94,682	-	-	94,682
Brendan Redmond	-	-	-	-	-

Shareholdings

The table below reconciles the shareholdings of Directors and specified executives, including their personally related parties, between the commencement and conclusion of the reporting period.

Name	Balance at the start of the period	Other changes during the period	Total balance at the end of the period ¹
Directors of Group and Tattersall's Limited – Ordinary Shares			
David Jones	44,967	150,000	194,967
Duncan Fischer	3,055,027	-	3,055,027
Harry Boon	-	150,000	150,000
Lyndsey Cattermole	-	172,663	172,663
Brian Jamieson	-	107,000	107,000
James King	-	150,000	150,000
Julien Playoust	-	50,000	50,000
Michael Vertigan	614,186	-	614,186
Other key management personnel of Group and Tattersall's Limited			
Simon Doyle	820,927	(300,000)	520,927
Stephen Found	-	8,807,630	8,807,630
Raymond Gunston	1,094,570	-	1,094,570
Peter Lee	820,927	-	820,927
Adrian Nelson	820,927	-	820,927
Brendan Redmond	-	-	-

¹ As a result of their positions as Trustees of the Tattersall's Clause Y Employee Trust as at 30 June 2006, David Jones, Duncan Fischer and James King also hold a nominal interest in 13,330,266 shares held by the Trust of which they have direct control over 7,500,000 shares with the remaining shares held for, and controlled by, the respective beneficial shareholder.

No shares were received during the year ended 30 June 2006 through the exercising of performance options or rights.

Loans to Directors and executives

There were no loans to directors and executives during the financial period.

Indemnities and Insurance

Rule 7.3 of the company's constitution provides that every person who is or has been a Director or Secretary of the company or of a subsidiary of the company may be indemnified by the company, to the extent permitted by law, against:

- Liabilities incurred by the person as an officer (as defined in the Corporations Act 2001) of the company; and
- Liability for legal costs incurred by the person in defending an action as an officer of the company.

The company's constitution allows the company to pay insurance premiums for contracts insuring the officers of the company in relation to any such liabilities and legal costs.

During or since the end of the financial period, the company has paid the premium in respect of a contract insuring each of the Directors and the Secretary named in this Report and officers of the company and its subsidiaries as permitted by the Corporations Act 2001. The class of officers insured by the policy includes all officers involved in the management of the consolidated entity. The terms of the contract of insurance prohibit the disclosure of the nature of the liabilities insured against and the amount of the premium.

In respect of the Trustee Commission Claim, Julien Playoust and David Purvis (Group Human Resources Manager) have each been provided with an indemnity as they are acting as representatives in the proceeding. Refer Note 37 of the financial report for further details.

Proceedings on behalf of company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Directors' Report

No proceedings have been brought or intervened in on behalf of the company with leave of the court under section 237 of the *Corporations Act 2001*.

Auditor's Independence

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the consolidated entity are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit, Risk and Compliance Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirement of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit, Risk and Compliance Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 17.

During the year the following fees were paid or payable to **PricewaterhouseCoopers** for services provided by the auditor of the parent entity and its related practices and non-related audit forms:

	Consolidated		Parent entity	
	2006 \$	2005 \$	2006 \$	2005 \$
(a) Assurance services				
1. Audit services				
Fees paid to PricewaterhouseCoopers Australian firm:				
Audit and review of financial reports and other audit work under the Corporations Act 2001	701,000	-	250,000	-
Fees paid to related practices of PricewaterhouseCoopers Australian firm	72,500	39,622	-	-
Total remuneration for audit services	773,500	39,622	250,000	-
2. Other assurance services				
Fees paid to PricewaterhouseCoopers Australian firm:				
Audit of regulatory returns	18,750	-	-	-
Due diligence services	125,000	-	-	-
Fees paid to related practices of PricewaterhouseCoopers Australian firm	-	-	-	-
Total remuneration for other assurance services	143,750	-	-	-
Total remuneration for assurance services	917,250	39,622	250,000	-
(b) Taxation services				
Fees paid to PricewaterhouseCoopers Australian firm:				
Tax compliance services, including review of company tax returns	33,323	-	15,320	-
Fees paid to related practices of PricewaterhouseCoopers Australian firm	-	33,489	-	-
Total remuneration for taxation services	33,323	33,489	15,320	-
(c) Advisory services				
Fees paid to related practices of PricewaterhouseCoopers Australian firm in relation to Corporate Governance advice	33,354	-	33,554	-
Total remuneration for advisory services	33,354	-	33,554	-

PricewaterhouseCoopers was appointed as the Group's external auditor for the year to June 2006 at the Annual General Meeting on 21 November 2005. Moore Stephens was the Group's external auditor for the year ended 30 June 2005. During the period from 1 July 2005 to 21 November 2005, Moore Stephens and PricewaterhouseCoopers provided non-audit services to the Group. These services, provided by PricewaterhouseCoopers prior to their appointment as the Group's

Directors' Report

external auditor during the period from 1 July 2005 to 21 November 2005, amounted to \$794,000 and related to due diligence services, tax advice, remuneration structure and governance advice, are in addition to the fees tabled above.

Subject to maintaining their independence, it is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important. These assignments are principally tax advice and due diligence reporting on acquisitions.

During the year the following fees were paid or payable to **Moore Stephens** for services provided by the auditor of the parent entity and its related practices and non-related audit firms:

	Consolidated		Parent entity	
	2006 \$	2005 \$	2006 \$	2005 \$
(a) Assurance services				
1. Audit services				
Fees paid to Moore Stephens Australian firm:				
Audit and review of financial reports and other audit work under the Corporations Act 2001	15,000	387,675	15,000	20,000
Total remuneration for audit services	15,000	387,675	15,000	20,000
2. Other assurance services				
Fees paid to Moore Stephens Australian firm:				
Audit of regulatory returns	6,000	-	-	-
Audit of special purpose financial reports	-	574,000	-	-
Due diligence services	-	13,657	-	13,657
Other services	-	264,385	-	-
Total remuneration for other assurance services	6,000	852,042	-	13,657
Total remuneration for assurance services	21,000	1,239,617	15,000	33,657
(b) Taxation services				
Fees paid to Moore Stephens Australian firm:				
Tax compliance services, including review of company tax returns	59,382	199,055	59,382	10,000
Total remuneration for taxation services	59,382	199,055	59,382	10,000
(c) Advisory services				
Fees paid to Moore Stephens Australian firm	46,748	98,745	45,798	34,633
Total remuneration for advisory services	46,748	98,745	45,798	34,633

The services provided by Moore Stephens during the period from 1 July 2005 to 21 November 2005, prior to their resignation as the Group's external auditor, are detailed in the 2006 fees tabled above.

Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of directors.



David Jones AO OBE KSJ

Chairman

Melbourne

3 September 2006



Duncan Fischer

Managing Director/Chief Executive Officer

Auditor's Independence Declaration

As lead auditor for the audit of Tattersall's Limited for the year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Tattersall's Limited and the entities it controlled during the period.



Con Grapsas
Partner
PricewaterhouseCoopers

Melbourne
3 September 2006

Tattersall's Limited

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Income statements
For the year ended 30 June 2006

	Notes	Consolidated		Parent entity	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Revenue from continuing operations	5	2,592,811	2,443,164	185,598	9,348
Statutory outgoings					
Prizes		(693,072)	(666,409)	-	-
Government share		(1,018,339)	(961,229)	-	-
Venue share/commission		(442,193)	(424,102)	-	-
Other income	6	3,445	3,454	-	-
Other expenses from ordinary activities	7				
Personnel expenses		(72,976)	(40,748)	(3,272)	(93)
Operational expenses		(124,306)	(170,036)	(2,015)	(24)
Marketing expenses		(25,651)	(32,687)	-	-
Finance costs		(4,233)	(2,588)	(1)	-
Other expenses		(26,729)	(13,272)	(3,193)	(71)
Share of net profit of associates and joint ventures accounted for using the equity method		72	1,899	-	-
Profit before income tax		188,829	137,446	177,117	9,160
Income tax expense	8	(59,981)	(32,719)	(36,299)	(2,245)
Profit for the year		128,848	104,727	140,818	6,915
(Profit)/Loss attributable to minority interest		(306)	936	-	-
Profit attributable to members of Tattersall's Limited		128,542	105,663	140,818	6,915
		Cents	Cents		
Earnings per share for profit attributable to the ordinary equity holders of the company:					
Basic earnings per share	46	18.3	17.6		
Diluted earnings per share	46	18.3	17.6		

The above income statements should be read in conjunction with the accompanying notes.

Balance sheets
As at 30 June 2006

	Notes	Consolidated		Parent entity	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	9	453,645	99,016	277,498	378
Trade and other receivables	10	58,706	44,078	94,702	23,511
Inventories	11	6,662	444	-	-
Current tax assets		-	2,465	-	2,516
Financial assets	12	593	74,873	-	-
		519,606	220,876	372,200	26,405
Non-current assets classified as held for sale	13	-	475	-	-
Total current assets		519,606	221,351	372,200	26,405
Non-current assets					
Receivables	14	684	2,255	-	-
Investments accounted for using the equity method	15	3,914	5,355	-	-
Financial assets	16	53,280	37,435	433,118	411,588
Property, plant and equipment	17	146,993	133,457	16,840	16,795
Investment properties	18	9,077	-	-	-
Deferred tax assets	19	21,535	10,835	6,702	2,009
Intangible assets	20	44,819	10,424	775,910	775,810
Other non-current assets	21	2,860	513	1,326	-
Total non-current assets		283,162	200,274	1,233,896	1,206,202
Total assets		802,768	421,625	1,606,096	1,232,607
LIABILITIES					
Current liabilities					
Trade and other payables	22	145,318	169,346	5,423	47,526
Interest bearing liabilities	23	36,173	36,390	-	-
Current tax liabilities		26,603	-	27,113	-
Provisions	24	74,913	73,903	71,176	71,558
Financial liabilities	25	596	2,283	-	-
Total current liabilities		283,603	281,922	103,712	119,084
Non-current liabilities					
Trade and other payables	26	174	156	-	-
Interest bearing liabilities	27	22,570	36,940	-	-
Deferred tax liabilities	28	10,842	5,768	234	-
Provisions	29	592	812	29	-
Total non-current liabilities		34,178	43,676	263	-
Total liabilities		317,781	325,598	103,975	119,084
Net assets		484,987	96,027	1,502,121	1,113,523
EQUITY					
Contributed equity	31	316,497	-	1,415,964	1,106,608
Reserves	32	3,248	(1,907)	266	-
Retained profits	32	165,815	99,115	85,891	6,915
Parent entity interest		485,560	97,208	1,502,121	1,113,523
Minority interest		(573)	(1,181)	-	-
Total equity		484,987	96,027	1,502,121	1,113,523

The above balance sheets should be read in conjunction with the accompanying notes

Statements of changes in equity
For the year ended 30 June 2006

	Notes	Consolidated		Parent entity	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Total equity at the beginning of the financial year		96,027	376,782	1,113,523	-
Adjustment on adoption of AASB 132 and AASB 139, net of tax:					
Reserves		2,202	-	-	-
Restated total equity at the beginning of the financial year		98,229	376,782	1,113,523	-
Changes in the fair value of available-for-sale financial assets, net of tax		1,595	-	-	-
Exchange difference on translation of foreign operations		1,092	(1,907)	-	-
Net income recognised directly in equity		2,687	(1,907)	-	-
Profit for the year		128,848	104,727	140,818	6,915
Total recognised income and expense for the year		131,535	102,820	140,818	6,915
Transactions with equity holders in their capacity as equity holders:					
Capital Distribution to Beneficiaries		-	(29,856)	-	-
Dividends paid to shareholders		(61,842)	-	(61,842)	-
Shares issued		322,197	-	322,197	1,106,608
Proceeds on sale of Treasury Shares ¹		8,405	-	1,264	-
Float costs		(14,105)	-	(14,105)	-
Employee share options		266	-	266	-
Distributions to Beneficiaries		-	(353,719)	-	-
Minority interest on acquisition of subsidiary		302	-	-	-
		255,223	(383,575)	247,780	1,106,608
Total equity at the end of the financial year		484,987	96,027	1,502,121	1,113,523
Total recognised income and expense for the year is attributable to:					
Members of Tattersall's Limited		131,229	103,756	140,818	6,915
Minority interest		306	(936)	-	-
		131,535	102,820	140,818	6,915

¹ As at 30 June 2005, Tattersall's Holdings Pty Ltd. held 2,711,119 shares in Tattersall's Limited. These shares were disposed of on 7 July 2005. Tattersall's obtained relief from ASIC for a subsidiary owning shares in the parent.

The above statements of changes in equity should be read in conjunction with the accompanying notes

Cashflow statements
For the year ended 30 June 2006

	Notes	Consolidated		Parent entity	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		2,712,750	2,571,333	110,177	-
Payments to suppliers and employees (inclusive of GST)		(373,745)	(286,608)	(4,213)	(468)
Prizes paid		(679,572)	(671,340)	-	-
Payments to Government		(1,013,789)	(961,154)	-	-
Payments to venues		(440,125)	(422,858)	-	-
		205,519	229,373	105,964	(468)
Dividends received		4,630	4,153	57,862	-
Interest received		28,367	20,906	17,543	346
Interest paid		(4,233)	(2,588)	-	-
Income taxes paid		(36,378)	(33,984)	(34,489)	-
Net cash inflow/(outflow) from operating activities	44	197,905	217,860	146,880	(122)
Cash flows from investing activities					
Payments for held-to-maturity assets		(733,699)	(388,946)	(477,239)	-
Proceeds from sale of held to maturity assets		806,449	699,934	477,239	-
Payments for purchase of subsidiary, net of cash acquired		(14,076)	-	-	-
Payments for investments in joint venture entities		(1,577)	-	-	-
Payments for property, plant and equipment		(59,413)	(64,476)	(326)	-
Payments for financial assets		(21,820)	(2,336)	-	-
Payments for intangibles		(100)	-	(100)	-
Payments for deferred expenditure		(3,154)	-	(1,887)	-
Payments for float costs		(9,304)	(8,557)	(9,304)	-
Payments for restructure costs		(1,485)	(8,424)	(1,485)	-
Repayment of loans from/(to) non-related parties		(25,414)	25,541	(20,945)	-
Loan from/(to) related parties		-	(1,754)	(82,473)	-
Proceeds from sale of available-for-sale financial assets		1,199	-	-	-
Proceeds from land held for sale		500	-	-	-
Proceeds from sale of property, plant and equipment		3,699	1,800	-	-
Net cash (outflow)/inflow from investing activities		(58,195)	252,782	(116,520)	-
Cash flows from financing activities					
Distributions paid		-	(407,151)	-	-
Dividends paid		(61,842)	-	(61,842)	-
Repayment of beneficiary loans		-	(29,857)	-	-
Proceeds from issues of shares and other equity securities		308,602	-	308,602	-
Proceeds from borrowings		23,529	31,294	-	500
Repayment of borrowings		(55,370)	(33,729)	-	-
Net cash inflow/(outflow) from financing activities		214,919	(439,443)	246,760	500
Net increase in cash and cash equivalents		354,629	31,199	277,120	378
Cash and cash equivalents at beginning of the financial year		99,016	67,817	378	-
Cash and cash equivalents at end of the financial year	9	453,645	99,016	277,498	378

The above cash flow statements should be read in conjunction with the accompanying notes.

Note 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Tattersall's Limited as an individual entity and the consolidated entity consisting of Tattersall's Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group (UIG) Interpretations and the Corporations Act 2001.

Compliance with IFRS

Australian Accounting Standards include AIFRS. Compliance with AIFRS ensures that the consolidated financial statements and notes of Tattersall's comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in *AASB 132 Financial Instruments: Presentation and Disclosure*.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first Tattersall's Limited financial statements to be prepared in accordance with AIFRS. AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

Financial statements of Tattersall's Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the Tattersall's Limited 2006 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the previous AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures were restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 to only apply AASB 132 Financial Instruments: Disclosure and Presentations and AASB 139 Financial Instruments: Recognition and Measurement from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the Group's equity and its net income are given in Note 48.

Early adoption of standard

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

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in a process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

(b) Principles of consolidation*(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Tattersall's Limited ("company" or "parent entity") as at 30 June 2006 and the results of all subsidiaries for the year then ended. Tattersall's Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 1(h)).

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement.

Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Tattersall's Limited.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the deemed parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investments in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer Note 15 and Note 42).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Joint Ventures

Joint venture entities

The interest in a joint venture is accounted for in the consolidated financial statements using the equity method and is carried at cost by the deemed parent entity. Under the equity method, the share of the profits or losses of the joint venture is recognised in the income statement, and the share of movements in reserves is recognised in reserves in the balance sheet.

Profits or losses on transactions establishing the joint venture and transactions with the joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Tattersall's Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies

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For the year ended 30 June 2006

are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences is recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

(i) Gaming revenue

Gaming gross turnover less prizes returned to the player is recorded as revenue at the point when the game has been completed.

(ii) Lotteries revenue

Gross subscriptions received for lotteries are recognised as revenue when the official draw for each game is completed. Subscriptions received during the period for lotteries which will be drawn in the next financial period, are recognised as revenue in the next financial period.

Revenue received from Tatts Card subscriptions is recognised over the life of the subscription.

Revenue for Club Keno is recognised when the official draw for each game is completed.

Subscriptions for each round of Tatts TipStar are recognised as revenue as they are received. Subscriptions in respect of a full season entry are recognised equally over each AFL football round.

(iii) Rendering of services

Revenue from the sale of goods or the rendering of a service is recognised upon the delivery of the goods or service to customers.

(iv) Interest revenue

Interest revenue is recognised on a time proportion basis using the effective interest method.

Interest revenue is included in operating revenue.

(v) Other revenue

Dividend revenue is recognised when the right to receive a dividend has been established.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences

Notes to the Financial Statements
For the year ended 30 June 2006

to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities may be offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidated legislation

Tattersall's Limited and its wholly-owned Australian controlled entities have adopted the tax consolidation legislation. From 31 May 2005 Tattersall's Limited assumed the status of head entity under the tax consolidation legislation following a private binding ruling issued by the Australian Taxation Office.

The head entity, Tattersall's Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone tax payer in its own right.

In addition to its own current and deferred tax amounts, Tattersall's Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Details about the tax funding agreement are disclosed in Note 8.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(g) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases (Note 38). Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guarantee residual values. Each lease payment is allocated between the liability and finance cost. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the company will obtain ownership of the asset, over the term of the lease.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (Note 38). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term (refer to Note 18).

(h) Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to Note 1 (s)). If the cost on acquisition is less than the Group's share of the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(i) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(l) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Inventories of spare parts are measured at cost, less accumulated amortisation. Amortisation of spare parts is based upon their estimated useful life. Costs are assigned on a first in first out basis (with the exception of instant lottery tickets, which are assigned to individual items of inventory on the basis of direct material costs) and comprise direct materials. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Non-current assets held for sale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet.

(n) Investments and other financial assets

From 1 July 2004 to 30 June 2005

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

Under previous AGAAP, interests in listed and unlisted securities, other than subsidiaries and associates, were brought to account at cost and dividend income was recognised in the income statement when receivable. For corporate bonds, the difference between the amount paid and the redemption amount was amortised to the income statement over the period to maturity using the effective yield. The discount rate was that implicit in the transaction. Transaction costs were excluded from the carrying amounts.

Adjustments on transition date: 1 July 2005

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost (refer below), fair value is the measurement basis. Fair value is inclusive of transaction costs. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (1 July 2005) changes to carrying amounts are taken to retained earnings or reserves.

From 1 July 2005

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset as held for trading if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. At 30 June 2006 management have not classified any financial assets as falling within this category.

(ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit and loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(o) Derivatives***From 1 July 2004 to 30 June 2005***

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. The Group has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139. For further information on previous AGAAP refer to the Annual Report for the period ended 30 June 2005.

Adjustments in transition date: 1 July 2005

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that derivatives are measured on a fair value basis. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (1 July 2005) changes in the carrying amounts of derivatives are taken to retained earnings or reserves, depending on whether the criteria for hedge accounting are satisfied at the transaction date.

From 1 July 2005

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivatives are designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

(p) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivable and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(q) Property, plant and equipment

Property, plant and equipment (including investment properties, refer Note 1(r)) is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their useful lives, as follows:

- Buildings	40 years
- Plant and equipment	2-7 years
- Motor vehicles	3-5 years
- Lease hire equipment	3-13 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(r) Investment Property

Investment property, principally comprising land and buildings of gaming venues, is held for long-term rental yields and is not occupied by the Group. Investment property is carried at cost less subsequent depreciation.

Depreciation is calculated using the straight-line method in accordance with the accounting policy for property, plant and equipment (Note 1(q)).

(s) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(ii) Licences

The cost of the extension of the lotteries licence for the period from 1 July 2004 to 30 June 2007 is amortised on a straight-line basis over the period of the licence extension.

The gaming licence has not been amortised as the licence expiry payment which may be paid to the parent entity at the end of the licence period, is expected to be not less than the carrying value of the asset.

The carrying value of the licences is reviewed annually and any balance representing future benefits for which realisation is considered to be no longer probable is written off.

(iii) Brand

The Tattersall's brand is carried at cost by the parent entity. It is reviewed annually by reference to future cash flows to ensure it is not carried in excess of recoverable amount. Due to *AASB 3: Business Combination* requirements the balance is eliminated on consolidation (Note 20).

(iv) Research and development

Expenditure on research activities, undertaken with the prospect of obtaining new technical knowledge and understanding, is recognised in the income statement as an expense when it is incurred.

(t) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(v) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

No borrowing costs were capitalised to 30 June 2006.

(w) Provisions

Provisions for legal claims and service warranties are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(x) Employee benefits*(i) Wages and salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

The Group has a defined benefit section and a defined contribution section within its superannuation plan. The defined benefit section provides defined lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

A liability or asset in respect of defined benefit superannuation plans is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in the income statement.

Past service costs are recognised immediately in income, unless the changes to the superannuation fund are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Future taxes that are funded by the entity as part of the provision of the existing benefit obligation (eg taxes on investment income and employer contributions) are taken into account in measuring the net liability or asset.

Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Share-based payments (Long Term Incentive Plan)

Share-based compensation benefits are provided to employees via the Long Term Incentive Plan (LTIP) and an employee share scheme.

The fair value of performance options and rights granted under the LTIP is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The assessed fair value at grant date of options and rights granted to the individuals is allocated equally over the period from grant date to vesting date. Fair values at grant date were independently determined using a Monte-Carlo Simulation Valuation methodology that took into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales and growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

(v) Short Term Incentive Plan

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(y) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, for the acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration.

(z) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised on or before the end of the financial year but not distributed at balance date.

(aa) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financial costs associated with dilutive potential ordinary shares and

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the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(ab) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of the associated GST unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(ac) Comparatives

The comparative amounts for the parent entity represent the operations from the date of incorporation (12 August 2004) to 30 June 2005 and primarily reflect one months trade from 1 June 2005 to 30 June 2005, as a result of assuming control of the net assets and business of the Estate of the Late George Adams ('ELGA') and its controlled entities, from 1 June 2005 onwards.

(ad) Rounding of amounts

The company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ae) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) UIG 4 Determining whether an Asset Contains a Lease

UIG 4 is applicable to annual periods beginning on or after 1 January 2006. The Group has not elected to adopt UIG 4 early. It will apply UIG 4 and the UIG 4 transition provisions in its 2007 financial statements. The Group will therefore apply UIG 4 on the basis of facts and circumstances that existed as of 1 July 2006. Implementation of UIG 4 is not expected to change the accounting for any of the Group's current arrangements.

(ii) AASB 2005-9 Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132]

AASB 2005-9 is applicable to annual reporting periods beginning on or after 1 January 2006. The amendments relate to the accounting for financial guarantee contracts. The Group has not elected to adopt the amendments early and an assessment of the effect of the adoption has not yet been performed. It will apply the revised standards in its financial report for the half year ended 31 December 2006.

(iii) AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's financial instruments.

(iv) AASB 2006-1 Amendments to Australian Accounting Standards [AASB 121]

AASB 2006-1 is applicable to annual reporting periods ending on or after 31 December 2006. The amendment relates to monetary items that form part of a reporting entity's net investment in a foreign operation. It removes the requirement that such monetary items had to be denominated either in the functional currency of the reporting entity or the foreign operation. Tattersall's Ltd does not have any monetary items forming part of a net investment in a foreign operation. The amendment to AASB 121 will therefore have no impact on the Group's financial statements.

Note 2 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and price risk), credit risk, liquidity risk and interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures.

Risk management is carried out by a central treasury function (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

(a) Market risk**(i) Foreign exchange risk**

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the South African Rand, Swedish Kroner, British Pound and Fiji Dollar.

Forward contracts, transacted by Group Treasury, are used to manage foreign exchange risk. Group Treasury is responsible for managing exposures in each foreign currency by using external forward currency contracts.

(ii) Price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet as available-for-sale. The Group is not directly exposed to commodity price risk.

(iii) Fair value interest rate risk

Refer to (d) below.

(b) Credit risk

The Group does not have significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

(d) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from the Group's interest bearing assets and long-term borrowings. The Group's interest bearing assets are typically invested at fixed rates for terms ranging between 30 and 90 days due to potential liquidity requirements. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

Note 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill had suffered any impairment, in accordance with the accounting policy stated in Note 1(s). The recoverable amounts of cash generating units have been determined based in value-in-use calculations. These calculations require the use of assumptions. Refer to Note 20 for details of these assumptions.

(ii) Non-amortisation of brand and licence in parent entity

At 30 June 2006 the parent entity, Tattersall's Limited, has intangible assets comprising the Tattersall's brand and the Victorian gaming licence (refer Note 20). The brand and licence are carried at cost and have not been amortised by the parent entity (refer Note 1(s)). The carrying amounts are reviewed annually for impairment in accordance with Note 1(i).

(iii) Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the current and deferred tax provision in the period in which such determination is made.

(iv) Provision for Trustee commission claim

Application has been made by the ELGA Trustees to the Supreme Court of Victoria for payment of such commission or percentage of the parent entity as is just and reasonable pursuant to Section 77 of the Trustee Act 1958 (Vic) and / or section 65 of the Administration and Probate Act 1958 (Vic) and / or the inherent jurisdiction of the Supreme Court of Victoria. The liability for the payment of this commission, if awarded, (and certain costs associated with these proceedings) is one of the liabilities assumed by Tattersall's Limited.

The defendants to this proceeding are Julien Playoust, as representative for all non employee Beneficiaries, and David Purvis, as representative for the employees. The defendants represent classes of Beneficiaries and in that capacity are obliged to carry out their role on behalf of these Beneficiaries. They do not directly represent the Company or the Shareholders. The Company cannot formally instruct the defendants in relation to the conduct of the defence, even though from the Restructure Date the Company is paying their costs on an indemnity basis and the Company is assuming the liability to pay any commission determined in the proceedings.

The proceedings are still in progress and the outcome remains uncertain.

The maximum percentage commission is set by the relevant legislation at 5%, based on the value of ELGA, but there is no definitive authority on how the commission, if any, should be determined, nor what valuation of ELGA the Supreme Court of Victoria may adopt for the purposes of determining the Trustee Commission Claim.

The costs of both defendants have been paid on an indemnity basis by ELGA and after the Restructure are being paid by Tattersall's Limited. The Trustees are paying their own costs in connection with the claim. If the Trustee's application for commission is successful, they may apply to the Supreme Court of Victoria for their costs to also be paid by the Company.

A provision of \$71,400,000 on account of the Trustee Commission Claim was recognised in the Group consolidated accounts in the year to 30 June 2005 and in the balance sheet of the parent entity on acquisition of the net tangible assets, Tattersall's brand and licences from ELGA in the period to 30 June 2005. This provision was calculated as 5% of the Directors' valuation based on the mid point of the valuation range of Tattersall's businesses and its intangible assets, which was assessed to be between \$1,401,100,000 and \$1,454,800,000. This valuation of the net tangible assets, Tattersall's brand, licences and goodwill was to support the Company's accounting for the acquisition of these assets from ELGA, not the quantification of the Trustee Commission Claim.

As detailed in Note 24, legal expenses since Restructure have been expensed against this provision.

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Note 4 Segment information

Business segments

The consolidated entity is organised on a global basis into the following divisions by product and service type.

Gaming

The operation of gaming machines in Victoria and South Africa.

Lotteries

The operation of lottery licences within two states and two territories within Australia, and investments in lottery operators and systems providers overseas.

Other

This segment includes investment property, donations made by Tattersall's Foundation Ltd, and the Bytecraft Systems and Entertainment acquisitions from 5 October 2005 (refer Note 40). None of these activities constitutes a separately reportable business segment.

Geographical segments

The consolidated entity operates predominantly in one geographical segment being Australia. The consolidated entity has overseas operations which individually represent less than 10% of the groups total sales to external customers and less than 10% of the group's total assets.

Primary reporting – business segments

2006	Note	Gaming	Lotteries	Other	Inter-segment eliminations/ unallocated	Consolidated
		\$'000	\$'000	\$'000	\$'000	\$'000
Sales to external customers		1,245,514	1,261,921	51,897	-	2,559,332
Shares of net profits of associated companies and joint venture entities		-	-	-	72	72
Other revenue/income		5,604	7,860	403	23,057	36,924
Total segment revenue/income	(b)	1,251,118	1,269,781	52,300	23,129	2,596,328
Segment result	(b)	170,220	5,012	2,103	11,494	188,829
Income tax expense						(59,981)
Profit for the year						128,848
Segment assets		207,569	180,846	110,578	-	498,993
Unallocated assets						303,775
Total assets						802,768
Segment liabilities		73,567	117,395	7,033	-	197,995
Unallocated liabilities						119,786
Total liabilities						317,781
Acquisition of Non-current assets		48,718	929	66,102	-	115,749
Investments in associated companies and joint venture entities						3,914
Depreciation and amortisation expense		35,659	18,284	4,156	-	58,099

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2005	Note	Gaming	Lotteries	Other	Inter-segment eliminations/ unallocated	Consolidated
		\$'000	\$'000	\$'000	\$'000	\$'000
Sales to external customers		1,193,410	1,214,770	46	-	2,408,226
Shares of net profits of associated companies and joint venture entities		-	-	-	1,899	1,899
Other revenue/income		10,318	11,393	423	16,258	38,392
Total segment revenue/income	(b)	1,203,728	1,226,163	469	18,157	2,448,517
Segment result	(b)	178,812	14,270	193	(55,829)	137,446
Income tax expense						(32,719)
Profit for the year						104,727
Segment assets		175,339	181,521	36,650	-	393,510
Unallocated assets						28,115
Total assets						421,625
Segment liabilities		90,297	121,803	817	-	212,917
Unallocated liabilities						112,681
Total liabilities						325,598
Acquisition of Non-current assets		49,733	51,301	16,966	-	118,000
Investments in associated companies and joint venture entities						5,355
Depreciation and amortisation expense		37,949	11,585	244	-	49,778

Notes to and forming part of the segment information

(a) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity disclosed in Note 1 (c) and accounting standard AASB 114 *Segment Reporting*.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and goodwill and other intangible assets, net of related provisions. While more of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors and employee entitlements. Segment assets and liabilities do not include income taxes.

(b) Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arm's-length" basis and are eliminated on consolidation.

Notes to the Financial Statements
For the year ended 30 June 2006

Note 5 Revenue

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
From continuing operations				
<i>Sales Revenue</i>				
Lottery sales revenue	1,245,514	1,193,410	-	-
Gaming sales revenue	1,261,921	1,214,770	-	-
Rendering of services	51,897	46	-	-
	2,559,332	2,408,226	-	-
<i>Other Revenue</i>				
Rents and sub-lease rentals	418	324	1,534	128
Licence and management fees	409	944	108,640	8,874
Interest on unpaid prizes and prize reserves	4,682	5,092	-	-
Interest on all other balances	22,825	16,066	17,559	346
Dividends	2,375	3,768	57,862	-
Other revenue	2,770	8,744	3	-
	2,592,811	2,443,164	185,598	9,348

Note 6 Other income

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Net gain on disposal of property, plant and equipment	2,927	1,074	-	-
Net gain on revaluation of other financial assets	-	2,380	-	-
Net gain on foreign currency derivative	157	-	-	-
Increase in defined benefit superannuation fund surplus (Note 30)	361	-	-	-
	3,445	3,454	-	-

Note 7 Expenses

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Profit before income tax includes the following specific expenses:				
Depreciation				
Buildings	609	267	276	23
Plant and equipment	56,000	48,311	3	-
Leasehold improvements	306	157	-	-
Freehold improvements	11	11	1	-
Investment properties	83	-	-	-
Total depreciation	57,009	48,746	280	23
Amortisation				
Bid costs	90	32	-	-
Licence fees	1,000	1,000	-	-
Total amortisation	1,090	1,032	-	-
Finance costs				
Interest and finance charges paid/payable	4,233	2,588	1	-
Finance cost expensed	4,233	2,588	1	-
Rental expense relating to operating leases				
Minimum lease payments	2,511	2,172	-	-
Total rental expense relating to operating leases	2,511	2,172	-	-

Notes to the Financial Statements
For the year ended 30 June 2006

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Foreign exchange gains and losses				
Net foreign exchange losses	404	52	-	-
Net loss on positions taken in currencies other than for hedging purposes	-	159	-	-
Net foreign exchange losses recognised in profit from ordinary activities for the year	404	211	-	-
Defined contribution superannuation expense	4,141	3,180	50	3
Significant revenue and expenses				
The following material expense items are relevant in explaining the financial performance:				
Electronic gaming machine levy ¹	42,293	20,960	-	-
Trustee commission claim expense (Note 3 (iv))	-	71,400	-	-
Other expenses includes:				
Net loss on write down of available-for-sale financial assets	7,400	-	-	-

¹The electronic gaming machine health benefit levy increased from \$1,533 to \$3,033 per machine on 1 July 2005.

The following comments are provided as explanation for the significant year on year variations in expenses for the consolidated group.

- (i) Personnel expenses – the 2006 figures include the consolidation of the expenses of the Bytecraft group of companies from 5 October 2005 when these companies became controlled entities.
- (ii) Operational expenses – as outlined above, the difference between 2005 and 2006 is explained primarily by the Trustee commission claim expense in 2005 and the 2006 inclusion on consolidation of the expenses of the Bytecraft group of companies from 5 October 2005.
- (iii) Marketing expenses – the 2005 figure includes the one-off payment to the Tattersall's George Adams Foundation to fund its philanthropic activities until 30 June 2008.
- (iv) Other expenses – the 2006 figure includes a number of non-recurring items including the write down of the Essnet investment, the settlement of a claim by a former employee and start up public company costs.

Note 8 Income tax expense

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
(a) Income tax expense				
Current tax	64,541	28,816	37,018	2,255
Deferred tax	(4,616)	3,796	(719)	(10)
Under (over) provision	56	107	-	-
	59,981	32,719	36,299	2,245
<i>Income tax expense is attributable to:</i>				
Profit from continuing operations	59,981	32,719	36,299	2,245
Profit from discontinued operations	-	-	-	-
Aggregate income tax expense	59,981	32,719	36,299	2,245
<i>Deferred income tax expense included in income tax expense comprises:</i>				
Decrease/(increase) in deferred tax assets (Note 19)	(6,967)	(310)	(953)	(10)
(Decrease)/increase in deferred tax liabilities (Note 28)	2,351	4,106	234	-
	(4,616)	3,796	(719)	(10)

Notes to the Financial Statements
For the year ended 30 June 2006

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax expense	188,829	137,446	177,117	9,160
Tax at the Australian tax rate of 30% (2005 – 30%)	56,649	41,234	53,135	2,748
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Depreciation and amortisation	-	434	-	-
Tax offset for franked dividends	(27)	-	-	-
Capital expenditure	243	160	126	-
Non-deductible items	1,397	22,503	601	-
Non-assessable income	(844)	(533)	(181)	(503)
Non-taxable distribution	-	(31,041)	(17,359)	-
Capital loss not recognised	2,220	-	-	-
Tax exempt entity	734	-	-	-
Attributable income	46	-	-	-
Share of net profit of associates	(21)	227	-	-
Sundry items	(472)	(372)	(23)	-
	59,925	32,612	36,299	2,245
Under/(over) provision in prior years	56	107	-	-
Income tax expense	59,981	32,719	36,299	2,245
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity				
Net deferred tax – debited (credited) directly to equity (Notes 19 and 28)	(39)	-	(1,799)	-
	(39)	-	(1,799)	-

A deferred tax liability has not been recognised in respect of temporary differences arising as a result of the translation of the financial statements of the consolidated entity's subsidiaries in South Africa. The deferred tax liability will only arise in the event of disposal of the subsidiary, and no such disposal is expected in the foreseeable future.

Tax consolidation legislation

Tattersall's Limited and its wholly owned Australian consolidated entities have adopted the tax consolidation legislation. From 31 May 2005 Tattersall's Limited assumed the status of head entity under this legislation following a private binding ruling issued by the Australian Tax Office. The accounting policy in relation to this legislation is set out in Note 1(f).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly owned entities in the case of a default by the head entity, Tattersall's Limited.

The entities have also entered into a tax funding agreement under which the wholly owned Australian entities fully compensate Tattersall's Limited for any current tax payable assumed and are compensated by Tattersall's Limited for any current tax receivable and deferred tax assets relating to unused losses or unused tax credits that are transferred to Tattersall's Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned Australian entities financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The funding amounts are recognised as current intercompany receivables or payables.

Notes to the Financial Statements
For the year ended 30 June 2006

Note 9 Current assets – Cash and cash equivalents

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Cash at bank and in hand	6,087	19,957	26	378
Deposits at call	47,109	79,059	5,233	-
Fixed interest securities	400,449	-	272,239	-
	453,645	99,016	277,498	378
The above figures are reconciled to cash at the end of the financial period as shown in the statements of cash flows as follows:				
Balances as above	453,645	99,016	277,498	378
Balances per statements of cash flows	453,645	99,016	277,498	378

Cash at bank and in hand

Cash at bank is bearing floating interest rates between zero and 5.3% (2005: zero and 5.07%).

Deposits at call

The deposits are bearing floating interest rates between 5.45% and 6.00% (2005: 5.15% and 6.00%) and have a maturity of between 7 and 14 days.

Fixed interest securities

Fixed interest securities are bearing fixed interest rates with a weighted average of 5.64% and have maturities between one and three months.

Note 10 Current assets – Trade and other receivables

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Trade receivables	47,395	19,990	-	-
Less: Provision for doubtful receivables	(771)	-	-	-
	46,624	19,990	-	-
Other receivables	6,146	3,597	16	-
Less: Provision for doubtful receivables	-	(99)	-	-
	6,146	3,498	16	-
Amounts receivable from:				
- wholly-owned subsidiaries	-	-	94,654	10,418
- joint venture entities	1,800	1,943	-	-
- other related parties	-	2,068	-	-
	1,800	4,011	94,654	10,418
- Prepayments	4,136	16,579	32	13,093
	58,706	44,078	94,702	23,511

Bad and doubtful trade receivables

The Group has recognised a loss of \$141,000 (2005: \$43,000) in respect of bad and doubtful trade receivables during the year ended 30 June 2006. The loss has been included in 'other expenses' in the income statement.

Other receivables

These amounts generally arise from transactions outside the usual operating activities of the consolidated entity. No interest is charged. Collateral is not normally obtained.

Effective interest rate and credit risk

Information concerning the effective interest rate and credit risk of both current and non-current receivables is set out in Note 34 – Financial instruments.

Notes to the Financial Statements
For the year ended 30 June 2006

Note 11 Current assets – Inventories

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Raw materials and stores – at cost	4,235	-	-	-
Less: depreciation	(642)	-	-	-
	3,593	-	-	-
Work in progress – at cost	181	-	-	-
Finished goods – at cost	2,888	444	-	-
	6,662	444	-	-

Depreciation represents the write down of spare parts inventory. The write down for the year ended 30 June 2006 is \$642,000 and has been included in operational expenses in the income statement.

Note 12 Current assets – Financial assets

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Held-to-maturity investments, comprising:				
- Fixed interest securities	-	72,750	-	-
Derivative financial assets, comprising:				
- Forward foreign exchange contracts	593	2,123	-	-
	593	74,873	-	-

The Held-to-maturity investments carried at 30 June 2005 were bearing fixed interest rates with a weighted average of 5.59%.

The net fair value gains at 30 June 2006 on open forward foreign exchange contracts that hedge the foreign currency risk of anticipated future transactions are \$157,000 (2005: loss \$159,000). This gain has been recognised in the income statement.

Note 13 Current assets- Non-current assets classified as held for sale

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Land	-	475	-	-

Note 14 Non-current assets – Receivables

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Prepayments	684	2,255	-	-

Note 15 Non-current assets – Investments accounted for using the equity method

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Investments in associated companies (Note 42 (a))	-	2,446	-	-
Interest in joint venture entities (Note 42(b))	3,914	2,909	-	-
	3,914	5,355	-	-

(a) Investments in associated companies

Investments in associated companies are accounted for in the consolidated statements using the equity method of accounting and are carried at cost by the deemed parent entity within the Tattersall's Limited consolidated Group.

Notes to the Financial Statements
For the year ended 30 June 2006

(b) Interest in joint venture entities

The interests in joint venture entities are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the deemed parent entity within the Tattersall's Limited consolidated group.

Note 16 Non-current assets – Financial assets

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Available-for-sale financial assets comprise:				
Listed securities				
- equity securities	26,073	5,700	-	-
Unlisted investments at cost				
- shares in subsidiaries	-	-	433,118	411,588
- shares in other related parties	-	29,708	-	-
- units in unit trusts	350	350	-	-
- redeemable preference shares	200	200	-	-
	550	30,258	433,118	411,588
Unlisted investments at recoverable amount				
- shares in other related parties	26,657	1,477	-	-
Total available-for-sale financial assets	53,280	37,435	433,118	411,588

Available-for-sale financial assets comprise investments in the ordinary share capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments.

Transition to AASB 132 and AASB 139

The Group has taken the exemption available under AASB 1 to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005. At the date of transition to these standards of 1 July 2005:

- Equity securities, debentures and preference shares with a carrying amount of \$37,435,000 that were classified in the balance sheet under previous AGAAP as other financial assets were designated and re-classified as available-for-sale financial assets; and
- An adjustment of \$2,202,000 was recognised. This represented an initial gain on remeasurement to fair value of assets that under previous AGAAP had been measured at cost.

For more information refer to Note 1(n).

Redeemable preference shares

The redeemable preference shares are unsecured and interest is payable monthly at the rate equivalent to the 11am market interest rate and an additional 1.25% per annum.

Unlisted investments

Unlisted investments are not traded in active markets. The Group establishes fair value by using valuation techniques (refer to Note 1(n)).

Note 17 Non-current assets – Property, plant and equipment

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Land and buildings				
Freehold land – at cost	6,774	9,747	12,312	12,312
Buildings – at cost	17,811	17,811	4,478	4,478
Less: Accumulated depreciation	(913)	(304)	(299)	(23)
	16,898	17,507	4,179	4,455

Notes to the Financial Statements
For the year ended 30 June 2006

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Freehold improvements – at cost	365	365	325	-
Less: Accumulated depreciation	(41)	(30)	(1)	-
	324	335	324	-
Leasehold improvements – at cost	2,872	1,769	-	-
Less: Accumulated depreciation	(1,754)	(956)	-	-
	1,118	813	-	-
Plant and equipment – at cost	333,725	272,135	28	28
Less: Accumulated depreciation	(212,930)	(168,983)	(3)	-
	120,795	103,152	25	28
Plant and equipment under development – at cost	1,084	1,903	-	-
	146,993	133,457	16,840	16,795

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial period are set out below.

	Freehold land	Buildings	Freehold improvements	Leasehold improvements	Plant and equipment	Plant and equipment under development	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated							
Carrying amount at 1 July 2005	9,747	17,507	335	813	103,152	1,903	133,457
Additions through acquisition of entities (Note 40)	-	-	-	417	19,846	-	20,263
Additions	-	-	-	231	42,788	16,993	60,012
Disposals	-	-	-	(35)	(388)	-	(423)
Depreciation (Note 7)	-	(609)	(11)	(306)	(56,000)	-	(56,926)
Foreign exchange movements	-	-	-	(2)	(228)	-	(230)
Transfers in/(out)	-	-	-	-	11,625	(11,625)	-
Transfer to investment property	(2,973)	-	-	-	-	(6,187)	(9,160)
Carrying amount at 30 June 2006	6,774	16,898	324	1,118	120,795	1,084	146,993

	Freehold Land	Buildings	Freehold Improvements	Plant and equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Parent entity					
Carrying amount at 1 July 2005	12,312	4,455	-	28	16,795
Depreciation expense (Note 7)	-	(276)	(1)	(3)	(280)
Transfers in/(out)	-	-	325	-	325
Carrying amount at 30 June 2006	12,312	4,179	324	25	16,840

Valuations of land and buildings

The basis of valuation of land and buildings is at cost less subsequent depreciation for buildings.

Non-current assets pledged as security

Refer to Note 27 for information on non-current assets pledged as security by the parent entity and its controlled entities.

Notes to the Financial Statements
For the year ended 30 June 2006

Note 18 Non-current assets – Investment properties

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
At cost				
Opening balance at 1 July 2005	-	-	-	-
Transfers from property, plant and equipment (Note 17)	9,160	-	-	-
Depreciation (Note 7)	(83)	-	-	-
Closing balance at 30 June 2006	9,077	-	-	-
Amounts recognised in profit and loss for investment property				
Rental income	297	-	-	-

Valuation basis

The basis of the valuation of investment properties is at cost less subsequent depreciation.

Non-current assets pledged as security

Refer to Note 27 for information on non-current assets pledged as security by the parent entity and its controlled entities.

Contractual obligations

Refer to Note 38 for disclosure of any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Leasing arrangements

The investment properties are leased to tenants under long term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:				
Within one year	650	-	-	-
Later than one year but not later than 5 years	2,600	-	-	-
Later than 5 years	6,500	-	-	-
	9,750	-	-	-

Note 19 Non-current assets – Deferred tax assets

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
The balance comprises temporary differences attributable to:				
<i>Amounts recognised in profit or loss</i>				
Doubtful debts	185	-	-	-
Employee benefits	2,850	1,761	433	-
Depreciation	8,894	6,174	-	-
Provisions	450	210	450	-
Financial assets	2,359	139	-	-
Tax loss carried forward*	679	-	-	-
Other	-	308	-	-
Accruals	379	244	80	10
	15,796	8,836	963	10
<i>Amounts recognised directly in equity</i>				
Float costs	3,798	-	3,798	-
<i>Amounts recognised directly against prepayments/intangibles</i>				
Float costs	-	1,999	-	1,999
Restructure costs	1,941	-	1,941	-
Total deferred tax assets	21,535	10,835	6,702	2,009
Movements:				

Notes to the Financial Statements
For the year ended 30 June 2006

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Opening balance at 1 July	10,835	8,526	2,009	-
Credited/(charged) to the income statement (Note 8)	6,967	310	953	10
Credited/(charged) to prepayments	-	1,999	-	1,999
Credited/(charged) to equity	1,799	-	1,799	-
Acquisition of subsidiary (Note 40)	575	-	-	-
Credited/(charged) to investments	1,359	-	1,941	-
Closing balance at 30 June	21,535	10,835	6,702	2,009
Deferred tax assets to be recovered after more than 12 months	12,909	5,773	4,685	220
Deferred tax assets to be recovered within 12 months	8,626	5,062	2,017	1,789
Total	21,535	10,835	6,702	2,009

* The deferred tax asset attributable to tax losses does not exceed taxable amounts arising from the reversal of existing assessable temporary differences.

Note 20 Non-current assets – Intangible assets

	Consolidated				Parent		
	Goodwill \$'000	Licences \$'000	Brands \$'000	Total \$'000	Licences \$'000	Brands \$'000	Total \$'000
Year ended 30 June 2005							
Opening net book amount	-	3,000	-	3,000	-	-	-
Additions	8,424	-	-	8,424	373,024	402,786	775,810
Amortisation charge	-	(1,000)	-	(1,000)	-	-	-
Net book amount	8,424	2,000	-	10,424	373,024	402,786	775,810
At 30 June 2005							
Cost	8,424	3,000	-	11,424	373,024	402,786	775,810
Accumulated amortisation	-	(1,000)	-	(1,000)	-	-	-
Net book amount	8,424	2,000	-	10,424	373,024	402,786	775,810
Year ended 30 June 2006							
Opening net book amount	8,424	2,000	-	10,424	373,024	402,786	775,810
Additions	1,646	-	100	1,746	-	100	100
Deferred tax asset	(1,941)	-	-	(1,941)	-	-	-
Acquisitions of subsidiaries (Note 40)	31,682	-	-	31,682	-	-	-
Acquisitions of subsidiaries – initial acquisition	3,908	-	-	3,908	-	-	-
Amortisation charge	-	(1,000)	-	(1,000)	-	-	-
Closing net book amount	43,719	1,000	100	44,819	373,024	402,886	775,910
At 30 June 2006							
Cost	43,719	3,000	100	46,819	373,024	402,886	775,910
Accumulated amortisation	-	(2,000)	-	(2,000)	-	-	-
Net book amount	43,719	1,000	100	44,819	373,024	402,886	775,910

Additions to goodwill have arisen from the final costs associated with the restructure of the Estate of the Late George Adams.

Notes to the Financial Statements
For the year ended 30 June 2006

(a) Impairment tests for goodwill

The only intangible asset of the Group with an indefinite life is goodwill that has arisen on business combinations. Goodwill is allocated to the Group's cash-generating units (CGUs) expected to benefit from the synergies of those business combinations.

A segment-level summary of the goodwill allocation is presented below:

	2006 \$'000	2005 \$'000
2006		
Gaming ¹	15,552	5,981
Lotteries	2,357	2,443
Other ^{1,2}	25,810	-
Total	43,719	8,424

¹ The acquisition of Bytecraft Systems has resulted in synergies within certain CGUs in the Gaming segment. Of the goodwill recognised on acquisition of Bytecraft Systems, \$9,780,000 has therefore been allocated to these CGUs for the purposes of the impairment review.

²All of the goodwill recognised in the Other segment relates to the acquisition of the Bytecraft group (refer Note 40).

The recoverable amount of a CGU is determined based on value-in-use calculation. These calculations use cash flow projections based on financial budgets approved by the Board covering a five-year period. Cash flows beyond the five-year period are extrapolated using a growth rate not exceeding the long-term average growth rate for the business in which the CGU operates.

Intangible assets with indefinite lives in the parent company are the brand and licence that were acquired on the purchase of the Estate of the Late George Adams (ELGA) assets. Although these intangible assets are eliminated on consolidation, and are therefore not recognised in the Group balance sheet, they form part of the Tattersall's Limited CGU within the Group impairment testing model.

(b) Key assumptions used for value in use calculations

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill: -

- 1) *Cash flow forecasts*
Cash flow forecasts are based on five year forecasts presented to and approved by the Board.
- 2) *Terminal value*
Terminal value is calculated using a perpetuity growth rate based on the cash flow forecast for year 5, pre tax weighted average cost of capital and forecast growth rates.
- 3) *Forecast growth rates*
Forecast growth rates are principally based on management's expectations for future performance in each business segment.
- 4) *Discount rates*
Discount rates used are based on the Group's pre tax weighted average cost of capital and reflect specific risks relating to the relevant segments and the countries in which they operate. The pre-tax discount rates used range from 13.5% to 15.5%.

Note 21 Non-current assets – Other

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Deferred expenditure	2,982	513	1,326	-
Accumulated amortisation	(122)	-	-	-
	2,860	513	1,326	-

Notes to the Financial Statements
For the year ended 30 June 2006

Note 22 Current liabilities – Trade and other payables

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Trade payables	125,857	109,428	401	231
Other payables and accruals	19,461	59,918	5,022	47,295
	145,318	169,346	5,423	47,526

Note 23 Current liabilities – Interest bearing liabilities

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Bank loans	35,002	36,390	-	-
Lease Liabilities (Note 38)	1,171	-	-	-
	36,173	36,390	-	-

Refer to Note 27 for details relating to bank loans.

All current interest bearing liabilities are unsecured with the exception of the lease liabilities which are secured on the leased assets.

Interest rate risk exposures

Details of Group's exposure to interest rate changes on borrowings are set out in Note 34.

Fair value disclosures

Details of the fair value borrowings for the Group are set out in Note 34.

Note 24 Current liabilities – Provisions

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Employee benefits	4,185	2,503	448	158
Provision for Trustee Commission claim (Note 37)	70,728	71,400	70,728	71,400
	74,913	73,903	71,176	71,558

(a) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Consolidated 2006 \$'000
Provision for Trustee Commission Claim	
Carrying amount at 1 July 2005	71,400
Legal expenses incurred	(672)
Carrying amount at 30 June 2006	70,728

Note 25 Current liabilities – Financial liabilities

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Hedge payable	596	2,283	-	-

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For the year ended 30 June 2006

Note 26 Non-current liabilities – Trade and other payables

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Trade payables	174	156	-	-

Note 27 Non-current liabilities – Interest bearing liabilities

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Bank loans	21,788	36,940	-	-
Lease liabilities (Note 38)	782	-	-	-
	22,570	36,940	-	-

All non-current interest bearing liabilities are unsecured with the exception of the lease liabilities which are secured on the leased assets.

Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Multi-option facilities				
Total facilities	225,000	225,000	-	-
Bank loan used at balance date	(56,790)	(73,330)	-	-
Letters of credit used at balance date	(323)	(6,100)	-	-
Unused at balance date	167,887	145,570	-	-

Tattersall's Limited together with Tattersall's Holdings Pty Ltd, Tattersall's Gaming Pty Ltd, Tattersall's Sweeps Pty Ltd, Tattersall's Club Keno Pty Ltd, Tattersall's Australia Pty Ltd and George Adams Pty Ltd are a party to a multi-option facility agreement. The total facility is for \$225,000,000 of which \$57,113,000 (2005: \$79,430,000) has been drawn down. The weighted average interest rate for bank loans under the multi-option facility is 5.84% (2005: 5.85%).

The bank provides funds under the multi-option facility agreement covered by financial undertakings that impose certain covenants on the companies listed above that have received these loans. The financial undertakings state that (subject to certain exceptions) the companies listed above will not provide any other security over their assets, and will ensure that certain financial ratios are met. The financial ratios were met as at 30 June 2006.

The unsecured multi-option facilities may be drawn at any time in Australian dollars and have an average maturity of four years.

Details of the Group's exposure to interest rate changes on borrowings are set out in Note 34.

Note 28 Non-current liabilities – Deferred tax liabilities

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
The balance comprises temporary differences attributable to:				
<i>Amounts recognised in profit or loss</i>				
Prepayments	123	20	10	-
Depreciation	3,252	-	-	-
Interest receivable	370	418	224	-
Accrued revenue	223	-	-	-
Investments	1,542	1,700	-	-
Donations	2,894	3,555	-	-
Inventories	377	-	-	-
Other	301	75	-	-
	9,082	5,768	234	-

Notes to the Financial Statements
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	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<i>Amounts recognised directly in equity</i>				
Available-for-sale financial assets	1,760	-	-	-
Total deferred tax liabilities	10,842	5,768	234	-
Movements:				
Opening balance at 1 July	5,768	1,662	-	-
Charged/(credited) to the income statement (Note 8)	2,351	4,106	234	-
Charges/(credited) to equity	1,760	-	-	-
Acquisition of subsidiary (Note 40)	963	-	-	-
Closing balance at 30 June	10,842	5,768	234	-
Deferred tax liabilities to be settled after more than 12 months	8,094	4,348	-	-
Deferred tax liabilities to be settled within 12 months	2,748	1,420	234	-
Total	10,842	5,768	234	-

Note 29 Non-current liabilities – Provisions

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Employee benefits	592	812	29	-

Note 30 Non-current liabilities – Retirement benefit obligations

(a) Superannuation plan

All employees of the Group and parent entity are entitled to benefits from the Group's superannuation plan on retirement, disability or death. The Group has one plan with a defined benefit section and an accumulation (defined contribution) section. The defined benefit section provides lump sum benefits based on years of service and final average salary. The accumulation section receives super guarantee contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

The following sets out details in respect of the defined benefit section only.

(b) Balance sheet amounts

The amounts recognised in the balance sheet are determined as follows:

	Consolidated	
	2006 \$'000	2005 \$'000
Present value of the defined benefit obligation	(1,012)	(16,317)
Fair value of defined benefit assets	1,953	16,947
	941	630
Adjustment for limitation on net asset	(50)	(100)
Net asset in the balance sheet	891	530

Notes to the Financial Statements
For the year ended 30 June 2006

(c) Categories of plan assets

The major categories of plan assets are as follows:

	Consolidated	
	2006 \$'000	2005 \$'000
Cash	293	3,435
Equity instruments	528	3,779
Debt instruments	839	7,157
Property	215	1,889
Other assets	78	687
	1,953	16,947

(d) Reconciliations

	Consolidated	
	2006 \$'000	2005 \$'000
<i>Reconciliation of the present value of the defined benefit obligation, which is fully funded:</i>		
Balance at the beginning of the year	16,317	13,393
Current service cost	51	1,660
Interest cost	301	670
Contributions by plan participants	58	341
Actuarial (gains)/losses	(4)	1,158
Benefits paid	(300)	(515)
Taxes, premiums and expenses paid	(281)	(390)
Curtailments	106	-
Settlements on transfer of members to defined contribution plan	(15,236)	-
Balance at the end of the year	1,012	16,317
<i>Reconciliation of the fair value of defined benefit assets:</i>		
Balance at the beginning of the year	16,947	15,159
Expected return on plan assets	451	559
Actuarial (losses)/gains	(38)	42
Contributions by Group companies	352	1,751
Contributions by plan participants	58	341
Benefits paid	(300)	(515)
Taxes, premiums and expenses paid	(281)	(390)
Settlements on transfer of members to defined contribution plan	(15,236)	-
Balance at the end of the year	1,953	16,947

(e) Amounts recognised in income statement

The amounts recognised in the income statement are as follows:

	Consolidated	
	2006 \$'000	2005 \$'000
Current service cost	51	1,660
Interest cost	301	670
Expected return on plan assets	(451)	(559)
Net actuarial losses recognised in year	34	1,116
Movement in limitation on net asset	(50)	100
Losses (gains) on curtailments and settlements	106	-
Net (income)/expense recognised in the income statement	(9)	2,987
Actual return on plan assets	184	601

(f) Principal actuarial assumptions

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

	Consolidated	
	2006	2005
Discount rate	5.00%	4.40%
Expected return on plan assets	6.90%	5.50%
Future salary increases	3.50%	3.50%

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each asset class and allowing for the correlations of the investment returns between asset classes. The returns used for each asset class are net of investment tax and investment fees. Some conservatism is applied to the expected return to allow for the capital guaranteed investment asset.

(g) Employer contributions

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary. Actuarial assessments are made at no more than three yearly intervals, and the last such assessment was made as at 1 October 2004.

The objective of funding is to ensure that the benefit entitlement of members and other beneficiaries are fully funded by the time they become payable. To achieve this objective, the actuary has adopted a method of funding benefits known as the aggregate funding method. This funding method seeks to have benefits funded by means of a total contribution which is expected to be a constant percentage of members' salaries over their working lives.

Using the funding method described above and particular actuarial assumptions as to the plan's future experience (as detailed below), the actuary advised in the actuarial review at 1 October 2004 that the company could suspend both company and salary sacrifice contributions. The company has suspended salary sacrifice contributions into the plan from 1 January 2006 and will suspend employer contributions from 1 July 2006.

The economic assumptions used by the actuary to make the funding recommendations were a long term investment earning rate of 4.5% pa (net of fees and taxes), a salary increase rate of 3.5% pa and an inflation rate of 3% pa.

(h) Net financial position of plan

In accordance with AAS 25 *Financial Reporting by Superannuation Plans* the plan's net financial position is determined as the difference between the present value of the accrued benefits and the net market value of plan assets. This has been determined as at the date of the most recent financial report of the superannuation fund (30 June 2004), and a surplus of \$1,765,000 was reported.

The surplus, as at 30 June 2004, under AAS 25 differs from the net asset of \$891,000 recognised in the balance sheet as at 30 June 2006 due to different measurement rules in the relevant accounting standards AAS 25 and AASB 119 *Employee Benefits* and different measurement dates.

(i) Historic summary

	2006 \$'000	2005 \$'000
Defined benefit plan obligation	(1,012)	(16,317)
Plan assets	1,953	16,947
Surplus	941	630
Experience adjustments arising on plan liabilities	(1)	398
Experience adjustments arising on plan assets	238	(42)

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For the year ended 30 June 2006

Note 31 Contributed equity

	Notes	2006 Shares	2005 Shares	2006 \$'000	2005 \$'000
(a) Share capital					
For the Group:					
Ordinary Shares – fully paid		706,769,231	600,000,000	316,497	-
For the Parent entity:					
Ordinary Shares – fully paid		706,769,231	600,000,000	1,415,964	1,106,608

(b) Movements in ordinary share capital:					
Dates	Details	Number of shares	Ascribed Value	Consolidated \$'000	Parent \$'000
12 August 2004	Share issued on incorporation	1	\$1.00	-	-
31 May 2005	Shares issued on restructure	599,999,999	\$1.84	-	1,106,608
30 June 2005	Balance	600,000,000		-	1,106,608
7 July 2005	Public offering under prospectus				
	- Final Retail Price	49,014,300	\$2.90	142,141	142,141
	- Final Price	50,985,700	\$3.10	158,056	158,056
5 October 2005	Acquisition of Associated entity (Note 40)	6,769,231	\$3.25	22,000	22,000
	Transaction costs arising on share issues (tax effected)			(14,105)	(14,105)
	Proceeds on sale of Treasury shares			8,405	1,264
30 June 2006	Balance	706,769,231		316,497	1,415,964

Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Voting power may be subject to certain restrictions arising from a combination of the Tattersall's Constitution, statute, the ASX listing rules and other general law. Subject to certain exceptions, a person's voting power in Tattersall's Limited must not exceed 10%.

Note 32 Reserves and retained profits

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
(a) Reserves				
Available-for-sale investments revaluation reserve	3,797	-	-	-
Foreign currency translation reserve	(815)	(1,907)	-	-
Share-based payments reserve	266	-	266	-
	3,248	(1,907)	266	-
Movements				
<i>Available-for-sale investments revaluation reserve</i>				
Balance 1 July	-	-	-	-
Adjustment on adoption of AASB 132 and AASB 139, net of tax (Note 16)	2,202	-	-	-
Revaluation	2,731	-	-	-
Deferred tax	(1,136)	-	-	-
Balance 30 June	3,797	-	-	-
<i>Foreign currency translation reserve</i>				
Balance 1 July	(1,907)	-	-	-
Currency translation differences arising during the year	1,092	(1,907)	-	-
Balance 30 June	(815)	(1,907)	-	-
<i>Share-based payments reserve</i>				

Notes to the Financial Statements
For the year ended 30 June 2006

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Balance 1 July	-	-	-	-
Performance options and rights expense	266	-	266	-
Balance 30 June	266	-	266	-
(b) Retained profits				
Movements in retained profits were as follows:				
Balance 1 July	99,115	347,171	6,915	-
Distributions to beneficiaries	-	(353,719)	-	-
Net profit for the year	128,542	105,663	140,818	6,915
Dividends	(61,842)	-	(61,842)	-
Balance 30 June	165,815	99,115	85,891	6,915

(c) Nature and purpose of reserves*(i) Available-for-sale investments revaluation reserve*

Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets, are taken to the available-for-sale investments revaluation reserve, as described in Note 1(n). Amounts are recognised in the income statement when the associated assets are sold or impaired.

(ii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in Note 1(d). The reserve is recognised in the income statement when the net investment is disposed of.

(iii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of performance options and performance rights issued but not exercised.

Note 33 Dividends

	Parent entity	
	2006 \$'000	2005 \$'000
(a) Ordinary shares		
Interim dividend for year ended 30 June 2006 of 8.75 cents (2005 – Nil cents) per fully paid share paid on 5 April 2006		
Fully franked based on tax paid @ 30%	61,842	-
(b) Dividends not recognised at year end		
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 7.5 cents per fully paid ordinary share, (2005 – Nil cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend to be paid on 26 September 2006 out of retained profits at 30 June 2006, but not recognised as a liability at year end, is \$53,007,692.		
Franked dividends		
The franked portions of the final dividends recommended after 30 June 2006 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2006.		

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2005 – 30%)	134,238	96,653	134,238	96,653

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted as necessary for:

- Franking credits that will arise from the payment of the amount of the provision for income tax
- Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
- Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

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The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$22,717,582 (2005: \$Nil).

Note 34 Financial instruments

(a) Forward exchange contracts

The lotteries operation procures services from Sweden. In order to protect against exchange rate movements the consolidated entity has entered into forward exchange contracts to purchase Swedish Kroner. The contracts are timed to mature when the contractual service fees are payable.

These contracts do not relate to the purchase of a specific asset, so the unrealised gains or losses on the contracts are recognised in the income statement over the lives of the contracts.

At balance date, the details of outstanding contracts are:

Buy Swedish Kroner	Sell Australian Dollars		Average Exchange Rate	
	2006 \$'000	2005 \$'000	2006	2005
Maturity				
0 – 6 months	596	1,177	5.4943	5.5622
6 – 12 months	-	1,106	-	5.4249
	596	2,283		

Amounts receivable and payable on open contracts are included in financial assets and other payables respectively.

The following gains, losses and costs have been recognised in the profit and loss at 30 June 2006:

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Unrealised gains/(losses) (Notes 6,7)	157	(159)	-	-

(b) Credit risk exposures

The credit risk on financial assets of the consolidated entity which have been recognised on the balance sheet, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

Fixed interest securities which have been purchased at a discount to face value, are carried on the balance sheet at an amount less than the amount realisable at maturity. The total credit risk exposure of the consolidated entity could also be considered to include the difference between the carrying amount and the realisable amount (refer Note 12).

At 30 June 2006, there were no fixed interest securities purchased at a discount to face value.

(c) Interest rate risk exposure

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

Exposures arise predominantly from assets and liabilities bearing variable interest rates. However, as the consolidated entity currently holds fixed interest rate assets that it intends to hold to maturity, the interest rate risk exposure is low.

2006	Notes	Fixed interest maturing in:				
		Floating interest rate	1 year or less	Over 1 to 5 years	Non-interest bearing	Total
		\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets						
Cash and deposits	9	53,171	400,449	-	25	453,645
Trade and other receivables	10	-	-	-	54,570	54,570
Financial assets - Investments	16	-	-	200	53,080	53,280
Hedge receivables	12	-	-	-	593	593
		53,171	400,449	200	108,268	562,088
Weighted average interest rate		5.35%	5.64%	6.71%	-	
Financial liabilities						
Bank loans	23, 27	-	35,002	21,788	-	56,790
Trade and other payables	22, 26	-	-	-	145,492	145,492
Provisions	24	-	-	-	70,728	70,728

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2006	Notes	Fixed interest maturing in:					Total
		Floating interest rate	1 year or less	Over 1 to 5 years	Non-interest bearing		
Employee benefits	24, 29	4,777	-	-	-	4,777	
Lease liabilities	23, 27	-	1,171	782	-	1,953	
Hedge payable	25	-	-	-	596	596	
		4,777	36,173	22,570	216,816	280,336	
Weighted average interest rate		5.75%	5.87%	5.87%	-	-	
Net financial assets (liabilities)		48,394	364,276	(22,370)	(108,548)	281,752	

2005	Notes	Fixed interest maturing in:					Total
		Floating interest rate	1 year or less	Over 1 to 5 years	Non-interest bearing		
		\$'000	\$'000	\$'000	\$'000	\$'000	
Financial assets							
Cash and deposits	9	98,982	-	-	34	99,016	
Trade and other receivables	10	-	-	-	27,499	27,499	
Financial assets - Investments	12, 16	-	72,750	200	37,235	110,185	
Hedge receivables	12	-	-	-	2,123	2,123	
		98,982	72,750	200	66,891	238,823	
Weighted average interest rate		5.05%	5.59%	6.57%	-	-	
Financial liabilities							
Bank loans	23, 27	-	36,390	36,940	-	73,330	
Trade and other payables	22, 26	-	-	-	169,502	169,502	
Provisions	24	-	-	-	71,400	71,400	
Employee benefits	24, 29	3,315	-	-	-	3,315	
Hedge payable	25	-	-	-	2,283	2,283	
		3,315	36,390	36,940	243,185	319,830	
Weighted average interest rate		5.50%	5.85%	5.85%	-	-	
Net financial assets (liabilities)		95,667	36,360	(36,740)	(176,294)	(81,007)	

(d) Net fair value of financial assets and liabilities**(i) On-balance sheet**

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying amounts.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

Equity investments traded on organised markets have been valued by reference to market prices prevailing at balance date. For non-traded equity investments, the net fair value is an assessment by management based on the underlying net assets, future maintainable earnings and any special circumstances pertaining to a particular investment.

(ii) Off-balance sheet

The parent entity and certain controlled entities have potential financial liabilities which may arise from certain contingencies disclosed in Note 37. As explained in Note 37, no material losses are anticipated in respect of any of those contingencies and the net fair value disclosed below is the Directors' estimate of amounts which would be payable by the consolidated entity as consideration for the assumption of those contingencies by another party.

(iii) Derivative financial instruments

For forward exchange contracts, the net fair value is taken to be the unrealised gain or loss at balance date calculated by reference to the current forward rates for contracts with similar maturity profiles.

The carrying amounts and net fair value of financial assets and liabilities of the Group at balance date are:

	Carrying amount		Net fair value	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
On-balance sheet financial instruments				
Financial assets				
Cash assets	453,645	99,016	453,645	99,016
Other financial assets				

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	Carrying amount		Net fair value	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Investments				
- held to maturity assets	-	72,750	-	73,369
- other entities – listed	26,073	5,700	26,073	5,700
- other entities – unlisted	350	350	350	350
- Redeemable preference shares	200	200	200	200
Trade receivables	46,624	19,990	46,624	19,990
Other receivables	7,946	7,509	7,946	7,509
Shares in other related parties	26,657	31,185	26,657	31,185
Hedge receivables	593	2,123	593	2,123
Total financial assets	562,088	238,823	562,088	239,442
Financial liabilities				
Trade payables	126,031	109,584	126,031	109,584
Other payables	19,461	59,918	19,461	59,918
Provisions	70,728	71,400	70,728	71,400
Bank loans	58,743	73,330	58,743	73,330
Hedge payables	596	2,283	596	2,283
Employee benefits	4,777	3,315	4,777	3,315
Total financial liabilities	280,336	319,830	280,336	319,830
Off-balance sheet and derivative financial instruments				
Financial call option	-	-	-	7,725

Other than those classes of financial assets and liabilities denoted as “listed”, none of the classes of financial assets and liabilities are readily traded on organised markets in standardised form.

Net fair value is exclusive of costs which would be incurred on realisation of an asset, and inclusive of costs which would be incurred on settlement of liability.

Note 35 Key management personnel disclosures**(a) Directors**

The following persons were directors of Tattersall's Limited during the financial year:

(i) Chairman – Non-executive

David Jones

(ii) Executive directors

Duncan Fischer, Managing Director / Chief Executive Officer

(iii) Non-executive directors

William Adams *
Harry Boon
Lyndsey Cattermole
Brian Jamieson
Peter Kerr *
James King
Julien Playoust *
Michael Vertigan *

* William Adams and Peter Kerr resigned from the position of non-executive directors on 21 November 2005. Julien Playoust and Michael Vertigan were appointed as Non-executives directors at the Annual General Meeting on 21 November 2005.

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

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<i>Name</i>	<i>Position</i>
Simon Doyle	General Manager, Corporate/ Company Secretary
Stephen Found	Managing Director, Bytecraft
Ray Gunston	Chief Financial Officer / General Manager – Finance and Administration
Peter Lee	General Manager, Technology
Adrian Nelson	General Manager, Business Development
Brendan Redmond	General Manager, Commercial Operations

All of the above persons were also key management persons during the full year ended 30 June 2006, except for Stephen Found and Brendan Redmond who respectively commenced employment with the Group on 5 October 2005 and 15 February 2006. Scott Clareborough was a key management person in the year ended 30 June 2005, resigning on 27 June 2005.

(c) Key management personnel compensation

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Short-term employee benefits	4,512,675	314,507	4,512,675	314,507
Post-employment benefits	144,047	35,207	144,047	35,207
Share-based payments	184,724	-	184,724	-
	4,841,446	349,714	4,841,446	349,714

The Company has taken advantage of the relief provided by Corporations Regulations and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found in the remuneration report on page 6.

The comparative figures in the above table represent key management personnel remuneration for one month from the date of restructure, 31 May 2005, to 30 June 2005. This disclosure has been adopted as prior to 31 May 2005 the Estate structure of the Group operated with different remuneration arrangements.

(d) Equity instrument disclosures relating to key management personnel

(i) Performance options and rights provided as remuneration and shares issued on exercise of such options and rights
Details of performance options and rights provided as remuneration together with terms and conditions of the equity instruments, can be found in sections D, G and H of the remuneration report.

Non-executive Directors are not entitled to receive performance options or performance rights.

(ii) Performance options holdings

The numbers of performance options over ordinary shares in the company held during the financial year by each director of Tattersall's Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2006	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Duncan Fischer, Managing Director/CEO	-	661,998	-	661,998	-
Simon Doyle	-	95,143	-	95,143	-
Stephen Found	-	-	-	-	-
Ray Gunston	-	124,874	-	124,874	-
Peter Lee	-	85,629	-	85,629	-
Adrian Nelson	-	95,143	-	95,143	-
Brendan Redmond	-	-	-	-	-

No comparative table is shown for the prior period as no performance options had been granted prior to this financial year.

No options vested or were exercisable as at the end of the year.

(iii) Performance rights holdings

The numbers of performance rights over ordinary shares in the company held during the financial year by each director of Tattersall's Limited and other key management personnel of the Group, including their personally related parties, are set out below.

Notes to the Financial Statements
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2006	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Duncan Fischer, Managing Director/CEO	-	59,973	-	59,973	-
Simon Doyle	-	17,187	-	17,187	-
Stephen Found	-	-	-	-	-
Ray Gunston	-	22,558	-	22,558	-
Peter Lee	-	15,468	-	15,468	-
Adrian Nelson	-	17,187	-	17,187	-
Brendan Redmond	-	-	-	-	-

No comparative table is shown for the prior period as no performance rights had been granted prior to this financial year.

No rights vested or were exercisable as at the end of the year.

(iv) *Share holdings*

The numbers of shares in the company held during the financial year by each director of Tattersall's Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

All shares in the company are ordinary shares.

2006	Balance at the start of the year	Received during the year on the exercise of options/rights	Other changes during the year	Balance at the end of the year ¹
Directors of Tattersall's Limited				
David Jones (Chairman)	44,967	-	150,000	194,967
Duncan Fischer (Managing Director /CEO)	3,055,027	-	-	3,055,027
Harry Boon	-	-	150,000	150,000
Lyndsey Cattermole	-	-	172,663	172,663
Brian Jamieson	-	-	107,000	107,000
James King	-	-	150,000	150,000
Julien Playoust	-	-	50,000	50,000
Michael Vertigan	614,186	-	-	614,186
Other key management personnel of the Group				
Simon Doyle	820,927	-	(300,000)	520,927
Stephen Found	-	-	8,807,630	8,807,630
Ray Gunston	1,094,570	-	-	1,094,570
Peter Lee	820,927	-	-	820,927
Adrian Nelson	820,927	-	-	820,927
Brendan Redmond	-	-	-	-

2005	Balance at the start of the period	Received during the year on the exercise of options/rights	Other changes during the year	Balance at the end of the year
Directors of Tattersall's Limited				
David Jones (Chairman)	1	-	44,966	44,967
Duncan Fischer (Managing Director / CEO)	-	-	3,055,027	3,055,027
William Adams	-	-	28,100,825	28,100,825
Harry Boon	-	-	-	-
Lyndsey Cattermole	-	-	-	-
Brian Jamieson	-	-	-	-
James King	-	-	-	-
Peter Kerr	-	-	39,774	39,774
Other key management personnel of the Group				
Simon Doyle	-	-	820,927	820,927
Ray Gunston	-	-	1,094,570	1,094,570
Peter Lee	-	-	820,927	820,927
Adrian Nelson	-	-	820,927	820,927
Scott Clareborough	-	-	820,927	820,927

¹ As a result of their positions as Trustees of the Tattersall's Clause Y Employee Trust as at 30 June 2006, David Jones, Duncan Fischer and James King also hold a nominal interest in 13,330,266 shares held by the Trust of which they have direct control over 7,500,000 shares with the remaining shares held for, and controlled by, the respective beneficial shareholder.

Notes to the Financial Statements
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(e) **Loans to directors and key management personnel**

No loans are made to Directors or Key management personnel.

(f) **Other transactions with Directors and key management personnel**

A Non-executive director, Mr Brian Jamieson, retired as Chief Executive of Minter Ellison Melbourne on 31 December 2005. Minter Ellison has provided legal services to Tattersall's Limited and certain of its subsidiaries for several years on normal commercial terms and conditions.

Note 36 Remuneration of Auditors

During the year the following fees were paid or payable to **PricewaterhouseCoopers** for services provided by the auditor of the parent entity and its related practices and non-related audit forms:

	Consolidated		Parent entity	
	2006 \$	2005 \$	2006 \$	2005 \$
(a) Assurance services				
1. Audit services				
Fees paid to PricewaterhouseCoopers Australian firm:				
Audit and review of financial reports and other audit work under the Corporations Act 2001	701,000	-	250,000	-
Fees paid to related practices of PricewaterhouseCoopers Australian firm	72,500	39,622	-	-
Total remuneration for audit services	773,500	39,622	250,000	-
2. Other assurance services				
Fees paid to PricewaterhouseCoopers Australian firm:				
Audit of regulatory returns	18,750	-	-	-
Due diligence services	125,000	-	-	-
Fees paid to related practices of PricewaterhouseCoopers Australian firm	-	-	-	-
Total remuneration for other assurance services	143,750	-	-	-
Total remuneration for assurance services	917,250	39,622	250,000	-
(b) Taxation services				
Fees paid to PricewaterhouseCoopers Australian firm:				
Tax compliance services, including review of company tax returns	33,323	-	15,320	-
Fees paid to related practices of PricewaterhouseCoopers Australian firm	-	33,489	-	-
Total remuneration for taxation services	33,323	33,489	15,320	-
(c) Advisory services				
Fees paid to related practices of PricewaterhouseCoopers Australian firm in relation to corporate governance advice	33,354	-	33,554	-
Total remuneration for advisory services	33,354	-	33,554	-

PricewaterhouseCoopers was appointed as the Group's external auditor for the year to June 2006 at the Annual General Meeting on 21 November 2005. Moore Stephens were the Group's external auditor for the year ended 30 June 2005. During the period from 1 July 2005 to 21 November 2005 Moore Stephens and PricewaterhouseCoopers provided non-audit services to the Group. These services provided by PricewaterhouseCoopers prior to their appointment as the Group's external auditor during the period from 1 July 2005 to 21 November 2005 amounted to \$794,000, related to due diligence services, tax advice, remuneration structure and governance advice are in addition to the fees tabled above.

Subject to maintaining their independence it is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important. These assignments are principally tax advice and due diligence reporting on acquisitions.

During the year the following fees were paid or payable to **Moore Stephens** for services provided by the auditor of the parent entity and its related practices and non-related audit forms:

Notes to the Financial Statements
For the year ended 30 June 2006

	Consolidated		Parent entity	
	2006 \$	2005 \$	2006 \$	2005 \$
(a) Assurance services				
1. Audit services				
Fees paid to Moore Stephens Australian firm:				
Audit and review of financial reports and other audit work under the Corporations Act 2001	15,000	387,675	15,000	20,000
Total remuneration for audit services	15,000	387,675	15,000	20,000
2. Other assurance services				
Fees paid to Moore Stephens Australian firm:				
Audit of regulatory returns	6,000	-	-	-
Audit of special purpose financial reports	-	574,000	-	-
Due diligence services	-	13,657	-	13,657
Other services	-	264,385	-	-
Total remuneration for other assurance services	6,000	852,042	-	13,657
Total remuneration for assurance services	21,000	1,239,717	15,000	33,657
(b) Taxation services				
Fees paid to Moore Stephens Australian firm:				
Tax compliance services, including review of company tax returns	59,382	199,055	59,382	10,000
Total remuneration for taxation services	59,382	199,055	59,382	10,000
(c) Advisory services				
Fees paid to Moore Stephens Australian firm	46,748	98,745	45,798	34,633
Total remuneration for advisory services	46,748	98,745	45,798	34,633

The services provided by Moore Stephens during the period from 1 July 2005 to 21 November 2005, prior to their resignation as the Group's external auditor, are detailed in the 2006 fees tabled above.

Note 37 Contingent liabilities and contingent assets**Contingent liabilities**

The parent and consolidated entity had contingent liabilities at 30 June 2006 in respect of:

(a) Bank Guarantees

Guarantee in respect of bank facilities drawn down but not included in the parent entity accounts of Tattersall's Limited is \$56,790,000 (2005: \$73,330,000). These amounts are recorded in the accounts of the subsidiaries of the parent entity which are party to the guarantee.

(b) Legal Proceedings

Application has been made by the Trustees to the Supreme Court of Victoria for payment of such commission or percentage of the parent entity as is just and reasonable pursuant to section 77 of the Trustee Act 1958 (Vic) and/or section 65 of the Administration and Probate Act 1958 (Vic) and/or the inherent jurisdiction of the Supreme Court of Victoria. The liability for the payment of this commission, if awarded, (and certain costs associated with these proceedings) is one of the liabilities assumed by Tattersall's Limited (refer Note 3(iv)).

Current liabilities – Provisions contains a provision of \$70,728,000 on account of the Trustee Commission Claim. The movement of this provision during the year is set out in Note 24.

(c) Other

- i) Tattersall's Holdings Pty Ltd will provide continuing financial support to the subsidiary Footy Consortium Pty Ltd.
- ii) A controlled entity has entered into a 50/50 joint venture and formed the Lyndhurst Hotel Development Trust ('the entity'). The entity has a contractual obligation to seek approval for the operation of a licensed gaming machine venue at a site in Victoria. Dependent upon the outcome of the application, the controlled entity will be obliged to pay up to \$880,000 to the vendor in addition to the purchase price paid to date.

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Contingent asset/liability

A scheme of arrangement has been entered into for a proposed merger of equals between Tattersall's and UniTAB Limited. If the Merger Implementation Agreement were to be terminated in certain circumstances by either party, a payment of \$15,000,000 would be payable to the other party. The current agreement terminates on 22 September 2006.

Note 38 Commitments for expenditure

Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<i>Property, Plant and equipment</i>				
Payable:				
Within one year	38,301	8,083	-	-
Later than one year but not later than five years	12,960	-	-	-
	51,261	8,083	-	-
Commitments -				
<i>Operating leases</i>				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	4,123	2,389	-	-
Later than one year but not later than 5 years	4,330	4,949	-	-
Commitments not recognised in the financial statements	8,453	7,338	-	-

The Group leases various buildings under non-cancellable operating leases expiring within one to five years. The leases have varying terms and renewal rights. On renewal, the terms of the leases are to be negotiated.

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Operating commitments				
Commitments in relation to non-cancellable operating activities are payable as follows:				
Within one year	14,923	10,949	-	-
Later than one year but not later than 5 years	34,575	38,355	-	-
	49,498	49,304	-	-

Finance leases

The Group lease various plant and equipment with a carrying amount of \$2,006,000 (2005: Nil) under finance leases expiring within 1 to 3 years.

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Commitments in relation to finance leases are payable as follows:				
Within one year	1,251	-	-	-
Later than one year but not later than five years	837	-	-	-
Minimum lease payments	2,088	-	-	-
Future finance charges	(135)	-	-	-
Recognised as a liability	1,953	-	-	-
Representing lease liabilities:				
Current (Note 23)	1,171	-	-	-
Non-current (Note 27)	782	-	-	-
	1,953	-	-	-

Notes to the Financial Statements
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The weighted average interest rate implicit in the leases is 7.5% (2005: Nil%).

Employee remuneration commitments

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Commitments under non-cancellable employment contracts not provided for in the financial statements and payable:				
Within one year	3,375	2,524	-	-
Later than one year but not later than 5 years	1,112	1,112	-	-
	4,487	3,636	-	-

Note 39 Related party transactions

(a) Parent entities

The ultimate parent entity within the Group is Tattersall's Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 41.

(c) Directors and specified executives

Disclosures relating to directors and specified executives are set out in Note 35.

(d) Transactions with related parties

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<i>Other revenue:</i>				
Licence fee revenue from subsidiaries	-	-	108,193	8,874
Rental income from subsidiaries	-	-	1,534	127
Management and service fees from subsidiaries	-	-	447	-
<i>Purchase of goods and services:</i>				
Associates	4,504	18,785	-	-
Other related parties	1,259	944	-	-
<i>Dividend revenue:</i>				
Subsidiaries	-	-	57,862	-
Other related parties	2,164	3,595	-	-
<i>Superannuation contributions:</i>				
Contributions to superannuation funds on behalf of employees	4,551	4,931	121	5
<i>Tax consolidation legislation:</i>				
Current tax payable assumed from wholly owned tax consolidated entities	-	-	26,614	2,166

(e) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<i>Current receivables (other revenue):</i>				
Subsidiaries	-	-	197	-
<i>Current receivables (tax funding agreement):</i>				
Subsidiaries	-	-	30,145	-

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For the year ended 30 June 2006

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<i>Current receivables (dividends):</i>				
Other related parties	-	2,068	-	-
<i>Current payables (purchase of goods and services):</i>				
Associates	-	1,045	-	-
Other related parties	-	147	-	-

(f) Loans to/from related parties

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<i>Loans to subsidiaries:</i>				
Beginning of year	-	-	10,418	-
Loans advanced	-	-	55,271	10,418
Loan repayments received	-	-	(2,000)	-
Interest charged	-	-	623	-
End of year	-	-	64,312	10,418
<i>Loans to joint venture entities:</i>				
Beginning of year	1,943	-	-	-
Loans advanced	-	1,943	-	-
Loan repayments received	(143)	-	-	-
Interest charged	90	-	-	-
Interest received	(90)	-	-	-
End of year	1,800	1,943	-	-

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts from related parties.

(g) Terms and conditions

Transactions relating to dividends and subscriptions for new ordinary shares were on the same terms and conditions that applied to other shareholders.

All other transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of principal on loans advanced by Tattersall's Limited. The average interest rate on loans during the year was 5.5%.

Outstanding balances are unsecured and are repayable in cash.

Note 40 Business combination

On 5 October 2005, the parent entity acquired 50% of the issued share capital of Bytecraft Systems Pty Ltd, taking the holding to 100%.

The acquired business contributed revenues of \$28,898,000 and a net loss of \$352,000 to the Group for the period from 5 October 2005 to 30 June 2006.

At the date of acquisition, the acquired entity was involved in the warehousing, installation, relocation, repair and maintenance of gaming machines, lottery and wagering terminal and other transaction devices in Australia.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	\$'000
Purchase consideration	
Shares issued (Note 31)	22,000
Direct cost relating to the acquisition	-
Total purchase consideration	22,000
Less fair value of net identifiable assets acquired	(2,856)
Goodwill	19,144

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The goodwill is attributable to the expected future cashflows of the business associated with the customer relationships, collective experience and skills of management and staff and the recognition of the name Bytecraft within the industry along with the benefits arising through vertical integration of the business with certain existing controlled entities of the Group.

	Acquiree's carrying amount at acquisition date \$'000	Fair Value at acquisition date \$'000
Cash	-	-
Trade receivables	5,503	5,503
Inventories	2,832	2,832
Other current assets	3,028	3,027
Plant and equipment	5,512	8,012
Deferred tax assets	575	575
Intangible assets	329	-
Trade payables	(1,974)	(1,974)
Bank overdraft	(1,302)	(1,302)
Provision for employee benefits	(1,732)	(1,916)
Provision for tax payable	(824)	(824)
Deferred tax liability	-	(963)
Other financial liabilities	(7,389)	(7,389)
Net Assets	4,558	5,581
Minority interests		(2,725)
Net identifiable assets acquired		2,856

On 5 October 2005, Reaftin Pty Ltd (a wholly owned subsidiary of the parent entity) acquired 75% of the issued capital of Bytecraft Entertainment Holdings Pty Ltd, taking the holding to 100%.

The acquired business contributed revenues of \$23,127,000 and net profit of \$2,776,000 to the Group for the period from 5 October 2005 to 30 June 2006.

At the date of acquisition, the acquired entity was involved in the business of theatrical rental lighting, superscreens rentals, drapery manufacture and servicing, supporting and maintaining related electronic lighting equipment and systems.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	\$'000
Purchase consideration	
Cash paid	12,900
Direct cost relating to the acquisition	-
Total purchase consideration	12,900
Less fair value of net identifiable assets acquired	(362)
Goodwill	12,538

The goodwill is attributable to the expected future cashflows of the business associated with the expertise of management and staff, customer relationships and reputation that the company has built for itself within the industry.

	Acquiree's carrying amount at acquisition date \$'000	Fair Value at acquisition date \$'000
Cash	125	125
Trade receivables	2,091	2,091
Inventories	1,226	1,226
Other current assets	232	232
Plant and equipment	12,251	12,251
Intangible assets	64	-
Trade payables	(1,112)	(1,112)
Financial Liabilities	(11,501)	(11,501)
Provision for employee benefits	(560)	(668)

Notes to the Financial Statements
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	Acquiree's carrying amount at acquisition date \$'000	Fair Value at acquisition date \$'000
Provision for tax payable	(449)	(449)
Other liabilities	(1,655)	(1,655)
Net Assets	712	540
Minority interests		(178)
Net identifiable assets acquired		362

If the acquisition of Bytecraft Systems Pty Ltd and Bytecraft Entertainment Holdings Pty Ltd had occurred on 1 July 2005, the Tattersall's Group consolidated revenue and consolidated profit for the financial year ended 30 June 2006 would have been \$2,604,754,000 and \$129,622,000 respectively.

There were no acquisitions for the financial period ended 30 June 2005.

Note 41 Investments in controlled entities

Name of entity	Country of incorporation	Class of Shares	Equity holding 2006 %	Equity holding 2005 %
Controlled entities of Tattersall's Limited:				
Bytecraft Systems Pty Ltd	Australia	Ordinary	(1)	-
Controlled entities of Bytecraft Systems Pty Ltd:				
Bytecraft Systems NSW Pty Ltd	Australia	Ordinary	100	(4)
Bytecraft Systems (NZ) Limited	New Zealand	Ordinary	100	(4)
EGM Tech Pty Ltd	Australia	Ordinary	70	(4)
Reaftin Pty Ltd	Australia	Ordinary	100	100
Controlled entities of Reaftin Pty Ltd:				
Bytecraft Entertainment Holdings Pty Ltd	Australia	Ordinary	100	25 ⁽³⁾
Bytecraft Entertainment Pty Ltd	Australia	Ordinary	100	25 ⁽³⁾
Bytecraft Systems Pty Ltd	Australia	Ordinary	(1)	50 ⁽²⁾
Tattersall's Holdings Pty Limited	Australia	Ordinary	100	100
Controlled entities of Tattersall's Holdings Pty Limited:				
Tattersall's Sweeps Pty Limited	Australia	Ordinary	100	100
Tattersall's Gaming Pty Limited	Australia	Ordinary	100	100
Tattersall's Club Keno Pty Limited	Australia	Ordinary	100	100
Tattersall's SPV Limited	Australia	Ordinary	100	100
Footy Consortium Pty Limited	Australia	Ordinary	100	100
tatts.com Pty Limited	Australia	Ordinary	100	100
Tattersall's Australia Pty Limited	Australia	Ordinary	100	100
Tattersall's Gaming Systems Pty Limited	Australia	Ordinary	100	100
George Adams (Aust) Pty Limited	Australia	Ordinary	100	100
Tattersall's Investments (South Africa) (Pty) Limited	South Africa	Ordinary	100	100
Wintech Investments Pty Limited	Australia	Ordinary	100	100
Controlled entities of Wintech Investments Pty Limited:				
Tattersall's Gaming Systems NSW Pty Limited	Australia	Ordinary	100	100
Carentan Investments (Pty) Limited	South Africa	Ordinary	100	100
Controlled entities of Carentan Investments (Pty) Limited:				
Thuo KwaZuluNatal Pty Limited	South Africa	Ordinary	100	100
Thuo Western Cape Pty Limited	South Africa	Ordinary	65	65
Thuo Gaming South Africa Pty Limited	South Africa	Ordinary	100	(5)
Controlled entities of Thuo Gaming South Africa Pty Limited:				
Thuo Gaming North West (Pty) Limited	South Africa	Ordinary	100	(6)

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Name of entity	Country of incorporation	Class of Shares	Equity holding 2006 %	Equity holding 2005 %
Thuo Gaming Guateng (Pty) Limited	South Africa	Ordinary	100	(6)
Thuo Gaming Limpopo (Pty) Limited	South Africa	Ordinary	100	(6)
Controlled entities of Tattersall's Australia Pty Limited:				
George Adams Holdings Limited	United Kingdom	Ordinary	100	100
Controlled entities of George Adams Holdings Limited:				
tatts.com UK Limited	United Kingdom	Ordinary	100	100
Tattersall's Long Service Leave Fund	Australia	(7)	(7)	(7)
Tattersall's George Adams Foundation	Australia	(8)	(8)	(8)

(1) Owned 50% by Tattersall's Limited and 50% by Reaftin Pty Limited. 100% equity holding within the Tattersall's Limited Group.

(2) 50% of the entity owned in 2005 by Reaftin Pty Ltd. Therefore, significant influence but not control was exerted by the Group and immediate parent entity. Equity accounted in Group's accounts for the period to 30 June 2005.

(3) 25% of the entity owned in 2005 by Reaftin Pty Ltd and therefore accounted for as an investment at cost in both the Group and the immediate parent entity.

(4) Immediate parent entity, Bytecraft Systems Pty Ltd, was not consolidated in 2005.

(5) Entity not incorporated at 30 June 2005.

(6) Entity was 100% owned by another South African resident company within the Tattersall's Group.

(7) Not incorporated. The majority of trustees of the entity are also directors of Tattersall's Limited, therefore under AIFRS Accounting Standards, Tattersall's Limited Group controls the Fund and the Fund is consolidated.

(8) Not incorporated. The majority of the directors of the trustee company Tattersall's Foundation Limited are directors of Tattersall's Limited, therefore in accordance with AIFRS the Tattersall's Limited Group controls the Foundation and the company is consolidated.

Note 42 Investments accounted for using the equity method

	Note	Consolidated		Parent entity	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
- Associated companies	(a)	-	2,446	-	-
- Joint venture entities	(b)	3,914	2,909	-	-
		3,914	5,355	-	-

(a) Investments in associated companies

Unlisted	Principal Activities	Reporting Date	Ownership Interest		Carrying Amount of Investment		
			2006 %	2005 %	2006 \$'000	2005 \$'000	
Bytecraft Systems Pty Ltd	Systems Support and Maintenance	Ord	30 Jun	100	50	-	2,446

On 5 October 2005 the parent entity acquired the remaining 50% issued capital of Bytecraft Systems taking the holding to 100%. Refer to Note 40 for further explanation.

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Movement during the year in Equity Accounted Investments in Associated Companies				
Balance at the beginning of the financial year	2,446	1,119	-	-
Share of profits after income tax	119	1,327	-	-
Transfer of retained earnings on acquisition	(2,565)	-	-	-
Balance at the end of the financial year	-	2,446	-	-
Retained Earnings Attributable to Associated Companies				
Balance at the beginning of the financial year	2,446	1,119	-	-
Share of profits before income tax	170	1,895	-	-
Share of income tax expense	(51)	(568)	-	-
Transfer of retained earnings on acquisition	(2,565)	-	-	-
Balance at the end of the financial period	-	2,446	-	-

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	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Summarised Presentation of Aggregate Assets, Liabilities and Performance of Associated Companies				
Current assets	-	5,291	-	-
Non-current assets	-	3,930	-	-
Total assets	-	9,221	-	-
Current liabilities	-	5,571	-	-
Non-current liabilities	-	1,225	-	-
Total liabilities	-	6,796	-	-
Net assets	-	2,425	-	-
Profit after tax	119	1,327	-	-
Share of Associated Companies expenditure commitments				
Hire Purchase commitments	-	1,401	-	-
Lease commitments	-	413	-	-
	-	1,814	-	-

(b) Joint venture entities

Interests are held in the following joint venture entities:

Unlisted	Principal Activities	Reporting Date	Ownership Interest		Carrying Amount of Investment	
			2006 %	2005 %	2006 \$'000	2005 \$'000
TattsNet Limited	Lottery Consultants	31 Dec	50	50	-	572
Lyndhurst Hotel Development Trust	Property Development	30 June	50	50	2,337	2,337
George Adams Pty Ltd and Prizac Pty Ltd (Splash)	Property Development	30 June	50	-	1,577	-
					3,914	2,909

All of the above joint venture entities are resident in Australia except for TattsNet Limited which is resident in the United Kingdom.

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Retained earnings attributable to interests in joint venture entities				
Balance at the beginning of the financial year	572	-	-	-
Share of (loss)/profit after income tax	(47)	572	-	-
Write down of investment	(525)	-	-	-
Balance at the end of the financial year	-	572	-	-
Carrying amount of investment in joint venture entities				
Balance at the beginning of the financial year	2,909	-	-	-
Investments made during year	1,577	2,337	-	-
Share of (loss)/profit after income tax	(47)	572	-	-
Foreign Exchange movement	(9)	-	-	-
Write down of investment	(516)	-	-	-
Balance at the end of the financial year	3,914	2,909	-	-
Share of joint venture entities results and financial position				
Current assets	335	275	-	-
Non-current assets	3,656	2,715	-	-
Total assets	3,991	2,990	-	-
Current liabilities	-	(81)	-	-
Non-current liabilities	(77)	-	-	-
Total liabilities	(77)	(81)	-	-

Notes to the Financial Statements
For the year ended 30 June 2006

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Net assets – accounted for using the equity method	3,914	2,909	-	-
Share of joint ventures' revenue, expenses and results				
Revenue	-	1,280	-	-
Expenses	(47)	(488)	-	-
Profit/(loss) before income tax	(47)	792	-	-
Incomes tax expense	-	(220)	-	-
Profit after income tax	(47)	572	-	-

Contingent liabilities relating to joint ventures

Each party to the joint venture entities is jointly and severally liable for the debts of the entity. The assets of the entities exceed their debts. Refer to Note 37 for detailed disclosure of the Group's contingent liabilities at 30 June 2006.

Note 43 Events occurring after reporting date

Tattersall's - UNiTAB Merger of Equals

On 27 March 2006, Tattersall's Limited and UNiTAB Limited announced a Merger of Equals to create a leading Australian gaming, wagering and lotteries company with over \$3.0 billion of revenue and diversified products and services operating in every state and territory within Australia. An amended Merger of Equals was announced on 21 August 2006.

UNiTAB shareholders are scheduled to vote on the Scheme of Arrangement on 15 September 2006. The UNiTAB directors have announced that, in the absence of a superior proposal, they intend to vote their own shares in favour of the merger, and have unanimously recommended that the UNiTAB shareholders vote in favour of the Scheme. If approved by UNiTAB shareholders and the Court, the Scheme Implementation Date is scheduled for 5 October 2006, at which time UNiTAB would become a wholly owned subsidiary of the Tattersall's Group.

Note 44 Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Profit for the year	128,848	104,727	140,818	6,915
Non cash flows in operating profit				
Depreciation and amortisation	58,099	49,778	280	23
Share options and rights expense	266	-	266	-
Profit on sale of property, plant and equipment	(2,927)	(575)	-	-
Bad and doubtful debts	141	43	-	-
(Gain)/loss on Superannuation Defined Benefit Fund	(361)	1,235	-	-
Loss on revaluation of available for sale assets	7,400	-	-	-
Provision for Trustees' Corpus Commission Claim	-	71,400	-	-
Share of associates profit	(72)	(1,899)	-	-
Change in operating assets and liabilities, net of effects from purchase of controlled entity				
Decrease/(increase) in trade receivables	(19,101)	(4,648)	-	-
Decrease/(increase) in inventories	(2,160)	76	-	-
Decrease/(increase) in future income tax benefits	(10,123)	(2,239)	(4,693)	(2,009)
Decrease/(increase) in other operating assets	15,827	(3,767)	173	(478)
Increase/(decrease) in trade payables	14,178	(8,770)	1,987	-
Increase/(decrease) in other operating liabilities	(20,606)	17,742	(19,105)	(2,215)
Increase/(decrease) in provision for income taxes payable	24,877	(5,417)	26,379	(2,516)
Increase/(decrease) in provision for deferred income tax	4,450	4,106	234	-
Increase/(decrease) in other provisions	(831)	(3,932)	541	158
Net cash inflow/(outflow) from operating activities	197,905	217,860	146,880	(122)

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Note 45 Non-cash financing and investing activities

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Acquisition of assets, liabilities and business via issue of shares (Note 40)	22,000	-	-	-

Note 46 Earnings per share

	Consolidated	
	2006 cents	2005 cents
Basic earnings per share	18.3	17.6
Diluted earnings per share	18.3	17.6

	2006 Number	2005 Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	701,687,236	600,000,000
Adjustments for calculation of diluted earnings per share:		
Performance options and rights	133,363	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	701,820,599	600,000,000

	2006 \$'000	2005 \$'000
Reconciliations of earnings used in calculating earnings per share		
Basic and diluted earnings per share		
Profit for the year	128,848	104,727
Net (profit)/loss attributable to minority interest	(306)	936
Earnings used in calculating basic and diluted earnings per share	128,542	105,663

Note 47 Share-based payments**(a) Long Term Incentive Plan**

The establishment of the Tattersall's Long Term Incentive Plan (LTIP) was approved by shareholders at the 2005 Annual General Meeting. Staff eligible to participate in the plan are those of senior manager level and above (including executive directors).

Performance options and rights are granted under the plan for no consideration. Options and rights are granted for a three year vesting period with a subsequent two year period to achieve the requisite performance level. The exercise period for both instruments will expire on the seventh anniversary of their allocation date.

Performance options and performance rights granted under the plan carry no dividend or voting rights.

The exercise price of performance options is based on the weighted average price at which the company's shares are traded on the Australian Stock Exchange during the 30 days immediately before the options are granted. No exercise price is payable upon the exercise of performance rights.

Set out below are summaries of the performance options and rights granted under the plan:

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Consolidated and parent entity – 2006								
Performance Options								
16 December 2005	7 July 2012	\$3.10	-	1,376,987	-	-	1,376,987	-

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Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at end of the year	Exercisable at end of the year
Performance Rights								
16 December 2005	7 July 2012	N/A	-	248,353	-	-	248,353	-

No options or rights were forfeited during the periods covered by the above tables.

Fair value of options and rights granted

The assessed fair value at grant date of performance options and rights granted to the individuals is allocated equally over the period from grant date to vesting date. Fair values at grant date were independently determined using a Monte-Carlo Simulation Valuation methodology that took into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options and rights granted during the year ended 30 June 2006 included:

	Performance Options	Performance Rights
Grant date	16 December 2005	16 December 2005
Exercise price	\$3.10	N/A
Expiry date	7 July 2012	7 July 2012
Share price at grant date	\$3.12	\$3.12
Expected life	4.7 years	3.9 years
Average vesting period	2.9 years	2.9 years
Volatility	30%	30%
Risk free interest rate	5.24%	5.24%
Dividend yield	4.88%	4.88%

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Performance options issued under LTIP	179	-	179	-
Performance rights issued under LTIP	87	-	87	-

Note 48 Explanation of transition to AIFRS

(1) Reconciliation of equity reported under previous AGAAP to equity under AIFRS

(a) At the date of transition to AIFRS: 1 July 2004

	Notes	Consolidated			Parent		
		Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
ASSETS							
Current Assets							
Cash and cash equivalents	(b)	-	67,817	67,817	-	-	-
Trade and other receivables	(b),(c)	-	21,213	21,213	-	-	-
Inventories	(b)	-	520	520	-	-	-
Financial Assets	(b)	-	3,588	3,588	-	-	-
Other	(b)	-	378,387	378,387	-	-	-
Total current assets		-	471,525	471,525	-	-	-
Non-current assets							

Notes to the Financial Statements
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	Notes	Consolidated			Parent		
		Previous AGAAP	Effect of transition to AIFRS	AIFRS	Previous AGAAP	Effect of transition to AIFRS	AIFRS
Investments accounted for using the equity method	(b)	-	1,119	1,119	-	-	-
Other financial assets	(b)	-	50,483	50,483	-	-	-
Property, plant and equipment	(b)	-	93,513	93,513	-	-	-
Deferred tax assets	(b),(d)	-	8,526	8,526	-	-	-
Intangible assets	(b)	-	3,000	3,000	-	-	-
Other	(b)	-	26,972	26,972	-	-	-
Total non-current assets		-	183,613	183,613	-	-	-
Total assets		-	655,138	655,138	-	-	-
LIABILITIES							
Current liabilities							
Trade and other payables	(b)	-	181,480	181,480	-	-	-
Interest bearing liabilities	(b)	-	48,597	48,597	-	-	-
Current tax liabilities	(b)	-	2,952	2,952	-	-	-
Provisions	(b)	-	3,864	3,864	-	-	-
Other	(b)	-	9,190	9,190	-	-	-
Total current liabilities		-	246,083	246,083	-	-	-
Non-current liabilities							
Trade and other payables	(b)	-	60	60	-	-	-
Interest bearing liabilities	(b)	-	27,168	27,168	-	-	-
Deferred tax liabilities	(b),(d)	-	1,662	1,662	-	-	-
Provisions	(b)	-	3,383	3,383	-	-	-
Total non-current liabilities		-	32,273	32,273	-	-	-
Total liabilities		-	278,356	278,356	-	-	-
Net assets		-	376,782	376,782	-	-	-
EQUITY							
Contributed equity	(b)	-	-	-	-	-	-
Beneficiaries Funds	(b)	-	29,856	29,856	-	-	-
Reserves	(a),(b)	-	-	-	-	-	-
Retained earnings	(a),(b) (c),(d)	-	347,171	347,171	-	-	-
Parent entity interest		-	377,027	377,027	-	-	-
Minority interest	(b)	-	(245)	(245)	-	-	-
Total equity		-	376,782	376,782	-	-	-

(b) At the end of the last reporting period under previous AGAAP: 30 June 2005

	Notes	Consolidated				Parent			
		Previous AGAAP	Effect of transition to AIFRS	Reclassification (Note g)	AIFRS	Previous AGAAP	Effect of transition to AIFRS	Reclassification (Note g)	AIFRS
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS									
Current assets									
Cash and cash equivalents		99,016	-	-	99,016	378	-	-	378
Trade and other receivables	(b),(c),(g)	26,969	530	16,579	44,078	1,174	22,118	219	23,511
Inventories		444	-	-	444	-	-	-	-
Tax Assets		2,465	-	-	2,465	2,516	-	-	2,516
Financial Assets	(g)	80,573	-	(5,700)	74,873	-	-	-	-

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	Notes	Consolidated				Parent			
		Previous AGAAP	Effect of transition to AIFRS	Reclassification (Note g)	AIFRS	Previous AGAAP	Effect of transition to AIFRS	Reclassification (Note g)	AIFRS
Other	(b),(g)	3,745	12,834	(16,579)	-	219	-	(219)	-
		213,212	13,364	(5,700)	220,876	4,287	22,118	-	26,405
Non-current assets classified as held-for-sale	(g)	-	-	475	475	-	-	-	-
Total current assets		213,212	13,364	(5,225)	221,351	4,287	22,118	-	26,405
Non-current assets									
Receivables	(g)	-	-	2,255	2,255	-	-	-	-
Investments accounted for using the equity method	(b)	20,124	(14,769)	-	5,355	-	-	-	-
Other financial assets	(g)	30,485	1,250	5,700	37,435	411,588	-	-	411,588
Property, plant and equipment	(b),(g)	144,188	(10,256)	(475)	133,457	16,795	-	-	16,795
Deferred tax assets	(d)	8,948	1,887	-	10,835	8,948	(6,939)	-	2,009
Intangible assets	(b)	1,001,563	(991,139)	-	10,424	775,810	-	-	775,810
Other	(g)	2,768	-	(2,255)	513	-	-	-	-
Total non-current assets		1,208,076	(1,013,027)	5,225	200,274	1,213,141	(6,939)	-	1,206,202
Total assets		1,421,288	(999,663)	-	421,625	1,217,428	15,179	-	1,232,607
LIABILITIES									
Current liabilities									
Trade and other payables	(g)	166,243	-	3,103	169,346	46,781	-	745	47,526
Interest bearing liabilities		36,390	-	-	36,390	-	-	-	-
Provisions	(g)	77,006	-	(3,103)	73,903	72,303	-	(745)	71,558
Financial liabilities		2,283	-	-	2,283	-	-	-	-
Total current liabilities		281,922	-	-	281,922	119,084	-	-	119,084
Non-current liabilities									
Trade and other payables		156	-	-	156	-	-	-	-
Interest bearing liabilities		36,940	-	-	36,940	-	-	-	-
Deferred tax liabilities	(d)	5,458	310	-	5,768	1,891	(1,891)	-	-
Provisions		812	-	-	812	-	-	-	-
Total non-current liabilities		43,366	310	-	43,676	1,891	(1,891)	-	-
Total Liabilities		325,288	310	-	325,598	120,975	(1,891)	-	119,084

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	Notes	Consolidated				Parent			
		Previous AGAAP	Effect of transition to AIFRS	Reclassification (Note g)	AIFRS	Previous AGAAP	Effect of transition to AIFRS	Reclassification (Note g)	AIFRS
Net assets		1,096,000	(999,973)	-	96,027	1,096,453	17,070	-	1,113,523
EQUITY									
Contributed equity	(b)	1,084,056	(1,084,056)	-	-	1,091,196	15,412	-	1,106,608
Reserves	(a),(b),(g)	97	(1,192)	(812)	(1,907)	-	-	-	-
Retained earnings	(a),(b),(c),(d),(e),(g)	13,028	86,136	(49)	99,115	5,257	1,658	-	6,915
Parent entity interest		1,097,181	(999,112)	(861)	97,208	1,096,453	17,070	-	1,113,523
Minority interest	(g)	(1,181)	(861)	861	(1,181)	-	-	-	-
Total equity		1,096,000	(999,973)	-	96,027	1,096,453	17,070	-	1,113,523

(2) Reconciliation of profit under previous AGAAP to profit under AIFRS for the year ended 30 June 2005

	Notes	Consolidated				Parent			
		Previous AGAAP	Effect of transition to AIFRS	Reclassification (Note g)	AIFRS	Previous AGAAP	Effect of transition to AIFRS	Reclassification (Note g)	AIFRS
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from continuing operations	(b),(g)	201,529	2,211,210	30,425	2,443,164	9,348	-	-	9,348
Statutory outgoings									
Prizes	(b),(g)	(54,962)	(609,116)	(2,331)	(666,409)	-	-	-	-
Government share	(b)	(79,139)	(882,090)	-	(961,229)	-	-	-	-
Venue share/commission	(b)	(34,870)	(389,232)	-	(424,102)	-	-	-	-
Other income	(b),(g)	1,228	32,651	(30,425)	3,454	-	-	-	-
Other expenses from ordinary activities									
Personnel expenses	(b),(c)	(3,816)	(36,932)	-	(40,748)	(93)	-	-	(93)
Operational expenses	(b),(g)	(9,540)	(156,447)	(4,049)	(170,036)	(24)	-	-	(24)
Marketing expenses	(b)	(1,764)	(30,923)	-	(32,687)	-	-	-	-
Borrowing costs	(b)	(380)	(2,208)	-	(2,588)	-	-	-	-
Other expenses	(b),(g)	(1,537)	(18,115)	6,380	(13,272)	(71)	-	-	(71)
Share of net profit/(loss) of									

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	Notes	Consolidated				Parent			
		Previous AGAAP	Effect of transition to AIFRS	Reclassification (Note g)	AIFRS	Previous AGAAP	Effect of transition to AIFRS	Reclassification (Note g)	AIFRS
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
associated and joint ventures accounted for using the equity method	(b)	(98)	1,997	-	1,899	-	-	-	-
Profit before income tax		16,651	120,795	-	137,446	9,160	-	-	9,160
Income tax expense	(b),(d)	(3,944)	(28,775)	-	(32,719)	(3,903)	1,658	-	(2,245)
Profit for the year		12,707	92,020	-	104,727	5,257	1,658	-	6,915
Loss attributable to minority interest	(b)	321	615	-	936	-	-	-	-
Profit attributable to members of Tattersall's Limited		13,028	92,635	-	105,663	5,257	1,658	-	6,915

(3) Reconciliation of cash flow statement under previous AGAAP to AIFRS for the year ended 30 June 2005

	Notes	Consolidated			Parent		
		Previous AGAAP	Effect of transition to AIFRS	AIFRS	Previous AGAAP	Effect of transition to AIFRS	AIFRS
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities							
Receipts from customers (inclusive of GST)	(b)	197,524	2,373,809	2,571,333	-	-	-
Payments to suppliers and employees (inclusive of GST)	(b)	(13,915)	(272,693)	(286,608)	(468)	-	(468)
Prizes paid	(b)	(67,937)	(603,403)	(671,340)	-	-	-
Payments to Government	(b)	(91,150)	(870,004)	(961,154)	-	-	-
Payment to venues	(b)	(27,490)	(395,368)	(422,858)	-	-	-
		(2,968)	232,341	229,373	(468)	-	(468)
Dividends received	(b)	-	4,153	4,153	-	-	-
Interest received	(b)	1,117	19,789	20,906	346	-	346
Interest paid	(b)	(380)	(2,208)	(2,588)	-	-	-
Income taxes paid	(b)	-	(33,984)	(33,984)	-	-	-
Net cash inflow/(outflow) from operating activities		(2,231)	220,091	217,860	(122)	-	(122)
Cash flows from investing activities							
Payments for held to maturity assets	(b)	-	(388,946)	(388,946)	-	-	-
Proceeds from sale of held to maturity assets	(b)	-	699,934	699,934	-	-	-
Payments for property, plant and equipment	(b)	(3,498)	(60,978)	(64,476)	-	-	-
Payments for financial assets	(b)	-	(2,336)	(2,336)	-	-	-
Payments for float costs	(b)	(2,629)	(5,928)	(8,557)	-	-	-
Payments for restructure costs	(b)	(620)	(7,804)	(8,424)	-	-	-
Proceeds of loans from non-related parties	(b)	-	25,541	25,541	-	-	-
Loans to related parties	(b)	(1,791)	37	(1,754)	-	-	-

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	Notes	Consolidated			Parent		
		Previous AGAAP	Effect of transition to AIFRS	AIFRS	Previous AGAAP	Effect of transition to AIFRS	AIFRS
Proceeds from sale of property, plant and equipment	(b)	936	864	1,800	-	-	-
Cash from acquisition	(b)	107,138	(107,138)	-	-	-	-
Net cash inflow/(outflow) from investing activities		99,536	153,246	252,782	-	-	-
Cash flows from financing activities							
Distributions paid	(b)	-	(407,151)	(407,151)	-	-	-
Repayment of beneficiary loans	(b)	-	(29,857)	(29,857)	-	-	-
Proceeds from borrowings	(b)	10,000	21,294	31,294	500	-	500
Repayment of borrowings	(b)	(8,289)	(25,440)	(33,729)	-	-	-
Net cash inflow/(outflow) from financing activities		1,711	(441,154)	(439,443)	500	-	500
Net increase/(decrease) in cash held		99,016	(67,817)	31,199	378	-	378
Cash at the beginning of the financial year	(b)	-	67,817	67,817	-	-	-
Cash at the end of the financial year		99,016	-	99,016	378	-	378

(4) Notes to the reconciliations**(a) Reserves**

The Group has elected to apply the exemption in AASB 1 First-time Adoption of Australian Equivalents to International Financing Reporting Standards. The cumulative translation differences for all foreign operations represented in the foreign currency translation reserve are deemed to be zero at the date of transition to AIFRS. The effect is:

(i) At 1 July 2004

For the Group the balance of the \$993,000 credit in the foreign currency translation reserve is reduced to zero. Retained earnings is increased by this amount.

(ii) At 30 June 2005

For the Group, consistent with 1 July 2004, the balance of the foreign currency translation reserve is reduced by \$993,000. Retained earnings is increased by this amount. In addition, an adjustment to reduce the foreign currency translation reserve by \$199,000 is required reflecting the reserve movement for the 11 month period which was not consolidated under AGAAP (see (b) below).

(iii) For the year ended 30 June 2005

There is no effect on the Group.

There is no effect on the parent entity.

(b) Business combinations

On 31 May 2005 Tattersall's Limited (the parent) issued shares to acquire the net assets and business of The Estate of the Late George Adams (ELGA). AASB3 Business Combinations requires that where a business combination has occurred and there has been no change in the underlying ownership, an acquirer that existed at the time of the combination be identified and that the consolidated balance sheet reflect the position at the time before the new entity was interposed. ELGA has been identified as the acquirer. The result of this interpretation is that any fair value adjustments arising from the acquisition of the ELGA net assets and business by Tattersall's Ltd are reversed and the consolidated financial statements largely reflects the position prior to acquisition by the parent. Under AGAAP the Tattersall's Limited group commenced operations from 1 June 2005, therefore there are no AGAAP comparatives for the balance sheet dates or profit and loss periods prior to 30 June 2005.

As noted above, the application of AASB3 results in the position and results of the ELGA group prior to 31 May 2005 being recognised as the comparative numbers. These AGAAP results have been adjusted for the AIFRS impacts described in notes (a), (b), (c) and (d) to arrive at the final AIFRS position and results.

Notes to the Financial Statements
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The effect is:

(i) At 1 July 2004

The financial position of the Group reflects that of the consolidated position of the acquirer (ELGA) as at 1 July 2004, resulting in the recognition of total assets of \$655,138,000, total liabilities of \$278,356,000 and equity of \$376,872,000.

(ii) At 30 June 2005

For the Group the fair value adjustments arising from the acquisition of the net assets and businesses of ELGA are reversed and costs associated with the float are recorded as a prepayment until the proceeds are raised resulting in an increase in prepayments of \$12,834,000, a reduction in investments accounted for using the equity method of \$13,519,000, a reduction in property, plant and equipment of \$10,256,000, a reduction in intangible assets of \$991,139,000, a reduction in contributed equity of \$1,084,056,000 and an increase in retained earnings of \$81,976,000.

The increase in retained earnings is described net of the provision for Trustee Corpus Commission Claim of \$71,400,000 which was restated upon conversion to AIFRS.

The goodwill reduction is net of the \$936,000 goodwill amortisation for the period which was revised under AIFRS.

For the parent entity the costs associated with the float were recorded as a prepayment until the proceeds were raised resulting in an increase in prepayments of \$12,834,000, and a reduction in contributed equity of \$12,834,000.

(iii) For the year ended 30 June 2005

The Group results include the AGAAP consolidated results for the acquirer (ELGA) for the 11 month period from 1 July 2004 to 31 May 2005, adjusted for the transition to AIFRS, resulting in an increase in profit attributable to members of \$92,635,000.

The Group cashflow includes the AGAAP consolidated cashflow of the acquirer (ELGA) for the 11 months period from 1 July 2004 to 31 May 2005.

There have been no changes to the parent entity cashflow for the period 1 June 2005 to 30 June 2005.

(c) Retirement benefit obligations

Tattersall's Limited is the sponsor of a superannuation plan with a defined benefit section and a defined contribution section. Under previous AGAAP, cumulative actuarial gains and losses on the defined benefit section were not recognised on the balance sheet. At the date of transition an asset is recognised in receivables. It is measured as the difference between the present value of the employee's accrued benefits at that date and the net market value of the superannuation fund's assets at that date. The effect of this is:

(i) At 1 July 2004

For the Group there is an increase of \$1,765,000 in receivables and an increase in retained earnings of \$1,765,000.

(ii) At 30 June 2005

For the Group there is an increase of \$530,000 in receivables and an increase in retained earnings of \$530,000.

(iii) For the year ended 30 June 2005

For the Group there is a decrease in profit of \$1,235,000.

There is no effect on the parent entity.

(d) Deferred tax asset and Deferred tax liability

Under previous AGAAP income tax expense was calculated by reference to the accounting profit after allowing for permanent differences. Deferred tax was not recognised in relation to amounts recognised directly in equity. The adoption of AIFRS has resulted in a change to accounting policy. The adoption of AASB112 Income Taxes has resulted in the recognition of previously unrecognised deferred tax assets and liabilities.

(i) At July 2004 and 30 June 2005

The effects on the deferred tax liability of the adoption of AIFRS are as follows (tax rate of 30%):

	Consolidated		Parent	
	1 July 2004 \$'000	30 June 2005 \$'000	1 July 2004 \$'000	30 June 2005 \$'000
Adjustments to deferred tax liabilities arising from adoption of AASB 112	(140)	310	-	(1,891)

Notes to the Financial Statements
For the year ended 30 June 2006

(ii) At July 2004 and 30 June 2005

The effects on the deferred tax assets on adoption of AIFRS are as follows (tax rate of 30%):

	Consolidated		Parent	
	1 July 2004 \$'000	30 June 2005 \$'000	1 July 2004 \$'000	30 June 2005 \$'000
Adjustments to deferred tax assets arising from adoption of AASB 112	(18)	1,887	-	(6,939)

(iii) For the year ended 2005

For the Group this results in an increase of income tax expense \$1,083,000.

For the parent entity this results in a decrease in income tax expense of \$1,658,000.

(e) **Retained earnings**

The effect on retained earnings of the changes set out above are as follows:

	Notes	Consolidated		Parent	
		1 July 2004 \$'000	30 June 2005 \$'000	1 July 2004 \$'000	30 June 2005 \$'000
Foreign currency translation reserve	(a)	993	1,192	-	-
AASB3 Business Combinations	(b)	344,291	81,976	-	6,706
Retirement benefit obligations	(c)	1,765	530	-	-
AASB112 Tax – Balance sheet method	(d)	122	1,577	-	(5,048)
Total adjustment		347,171	85,275	-	1,658
Attributable to:					
Equity holders of the parent		347,171	85,275	-	1,658
Minority interest		-	861	-	-
		347,171	86,136	-	1,658

(f) **Earnings per share**

As a result of the application of AASB3 the Group has consolidated results for the year to 30 June 2005 under AIFRS whilst it did not under AGAAP. The balance sheet at that date shows contributed equity of zero. At that date the units held by beneficiaries effectively represented the 600,000,000 shares issued on the acquisition of ELGA by Tattersall's Limited. Therefore 600,000,000 has been used as the number of shares when calculating the comparative EPS and as the opening number of shares in the current year calculations of the weighted average number of shares.

(g) **Reclassification of certain income statement and balance sheet items**

Subsequent to the release of the 31 December 2005 half-year report on 24 February 2006, management have reclassified certain income statement and balance sheet items for both the Group and parent entity for the year ended 30 June 2005. There is no effect on profit for the year to 30 June 2005 or net assets at 30 June 2005.

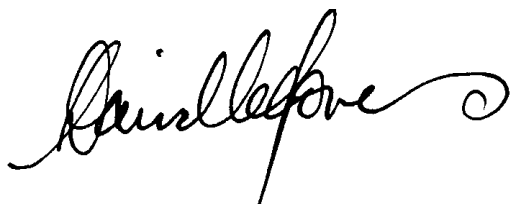
Directors' Declaration

In the directors' opinion:

- (a) The financial statements and notes set out on pages 19 to 78 are in accordance with the *Corporations Act 2001*, including:
- (i) Complying with Accounting Standards, in the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) Giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of its performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; 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;
- (c) The audited remuneration disclosures set out on pages 6 to 13 of the Directors' Report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



David Jones AO OBE KSJ
Chairman



Duncan Fischer
Managing Director/Chief Executive Officer

Melbourne
3 September 2006

Independent audit report to the members of Tattersall's Limited

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report and remuneration disclosures of Tattersall's Limited (the Company) and the Tattersall's Group (defined below) for the financial year ended 30 June 2006 included on Tattersall's Limited's web site. The Company's directors are responsible for the integrity of the Tattersall's Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report and remuneration disclosures identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration disclosures. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration disclosures to confirm the information included in the audited financial report and remuneration disclosures presented on this web site.

Audit opinion

In our opinion:

1. the financial report of Tattersall's Limited:
 - gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Tattersall's Limited and Tattersall's Group (defined below) as at 30 June 2006, and of their performance for the year ended on that date, and
 - is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*; and
2. the remuneration disclosures that are contained on pages 6 to 13 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures* (AASB 124) and the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statements, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for both Tattersall's Limited (the company) and the Tattersall's Group (the consolidated entity), for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information about the remuneration of directors and executives (remuneration disclosures) as required by AASB 124, under the heading "remuneration report" on pages 6 to 13 of the directors' report, as permitted by the *Corporations Regulations 2001*.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with AASB 124 and the *Corporations Regulations 2001*. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2005*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations, changes in equity and cash flows. We also performed procedures to assess whether the remuneration disclosures comply with AASB 124 and the *Corporations Regulations 2001*.

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

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.



PricewaterhouseCoopers



Con Grapsas
Partner

Melbourne
3 September 2006