

Tattersall's Limited

Financial report – 30 June 2005

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Tattersall's Limited and controlled entities
Statements of financial performance
For the period ended
30 June 2005

	Notes	Consolidated 2005 \$'000	Parent entity 2005 \$'000
Revenue from ordinary activities	3	202,757	9,348
Statutory outgoings			
Prizes		(54,962)	-
Government share		(79,139)	-
Venue share/commission		(34,870)	-
Other expenses from ordinary activities			
Personnel expenses		(3,816)	(93)
Operational expenses		(9,540)	(24)
Marketing expenses		(1,764)	-
Borrowing costs		(380)	-
Other expenses		(1,537)	(71)
Share of net loss of associates and joint ventures accounted for using the equity method		(98)	-
Profit from ordinary activities before related income tax expense		16,651	9,160
Income tax expense relating to ordinary activities	5	(3,944)	(3,903)
Profit from ordinary activities after related income tax expense		12,707	5,257
Net profit		12,707	5,257
Net loss attributable to outside equity interests		321	-
Net profit attributable to members of Tattersall's Limited	25(b)	13,028	5,257
Net exchange differences on translation of financial report of foreign controlled entity	25(a)	97	-
Total revenues, expenses and valuation adjustments attributable to members of Tattersall's Limited recognised directly in equity		97	-
Total changes in equity attributable to members of Tattersall's Limited other than those resulting from transactions with owners as owners		13,125	5,257
		Cents	
Basic earnings per share	41	23 Cents	
Diluted earnings per share	41	23 Cents	

The above statements of financial performance should be read in conjunction with the accompanying notes.

Tattersall's Limited and controlled entities
Statements of financial position
As at 30 June 2005

		Consolidated	Parent entity
		2005	2005
	Notes	\$'000	\$'000
Current assets			
Cash assets	6	99,016	378
Receivables	7	26,969	1,174
Inventories	8	444	-
Tax assets	5	2,465	2,516
Other financial assets	10	78,450	-
Other	9	5,868	219
Total current assets		<u>213,212</u>	<u>4,287</u>
Non-current assets			
Investments accounted for using the equity method	11	20,124	-
Other financial assets	12	30,485	411,588
Property, plant and equipment	13	144,188	16,795
Deferred tax assets	14	8,948	8,948
Intangible assets	15	1,001,563	775,810
Other		2,767	-
Total non-current assets		<u>1,208,075</u>	<u>1,213,141</u>
Total assets		<u>1,421,287</u>	<u>1,217,428</u>
Current liabilities			
Payables	16	166,243	46,781
Interest bearing liabilities	17	36,390	-
Provisions	19	77,006	72,303
Other	20	2,283	-
Total current liabilities		<u>281,922</u>	<u>119,084</u>
Non-current liabilities			
Payables	18	156	-
Interest bearing liabilities	21	36,940	-
Deferred tax liabilities	22	5,457	1,891
Provisions	23	812	-
Total non-current liabilities		<u>43,365</u>	<u>1,891</u>
Total liabilities		<u>325,287</u>	<u>120,975</u>
Net assets		<u>1,096,000</u>	<u>1,096,453</u>
Equity			
Parent entity interest			
Contributed equity	24	1,084,056	1,091,196
Reserves	25(a)	97	-
Retained profits	25(b)	13,028	5,257
Total parent entity interest		<u>1,097,181</u>	<u>1,096,453</u>
Outside equity interest in controlled entities	26	(1,181)	-
Total equity	27	<u>1,096,000</u>	<u>1,096,453</u>

The above statements of financial position should be read in conjunction with the accompanying notes.

Tattersall's Limited and controlled entities
Statements of cash flows
For the period ended
30 June 2005

	Notes	Consolidated 2005 \$'000	Parent entity 2005 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		450,562	-
Payments to suppliers and employees (inclusive of goods and services tax)		(13,915)	(468)
Prizes paid		(322,732)	-
Payments to Victorian government		(91,150)	-
Payment to venues		(27,490)	-
		<hr/>	<hr/>
		(4,725)	(468)
Interest received		1,117	346
Other revenue		1,757	-
Borrowing costs		(380)	-
Net cash inflow (outflow) from operating activities	39	<hr/>	<hr/>
		(2,231)	(122)
Cash flows from investing activities			
Payments for property, plant and equipment		(3,498)	-
Loans to related parties		(1,791)	-
Proceeds from sale of property, plant and equipment		936	-
Payments for restructure costs		(620)	-
Payments for float costs		(2,629)	-
Cash from acquisition	36	107,138	-
Net cash inflow (outflow) from investing activities		<hr/>	<hr/>
		99,536	-
Cash flows from financing activities			
Proceeds from borrowings		10,000	500
Repayment of borrowings		(8,289)	-
Net cash inflow (outflow) from financing activities		<hr/>	<hr/>
		1,711	500
Net increase (decrease) in cash held		99,016	378
Cash at the beginning of the financial period		-	-
Cash at the end of the financial period	6	<hr/>	<hr/>
		99,016	378
Non-cash financing and investing activities	40		

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

Tattersall's Limited and controlled entities
Notes to the financial statements
For the period ended
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Tattersall's Limited and controlled entities
Notes to the financial statements
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30 June 2005

Note 1 Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the *Corporations Act 2001*.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those stated in the prospectus as lodged with ASIC on 2 June 2005.

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of AIFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006. Information about how the transition to AIFRS is being managed, and the known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS, are set out in Note 42.

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Tattersall's Limited ("parent entity") as at 30 June 2005 and the results of all controlled entities for the period then ended. Tattersall's Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statements of financial performance and statements of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statements of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

(b) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statements of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

The amount of benefits brought to account or which maybe realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

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.

As a consequence, Tattersall's Limited, as the head entity in the tax consolidated entity, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances.

The deferred tax balances recognised by the parent entity in relation to wholly-owned entities joining the tax consolidated entity are measured based on their carrying amounts at the level of the tax consolidated entity before the implementation of the tax consolidation regime. The impact on the income tax expense for the year is disclosed in Note 5.

Tattersall's Limited and controlled entities
Notes to the financial statements
For the period ended
30 June 2005

Note 1 Summary of significant accounting policies (continued)

(c) Foreign currency translation

(i) Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences were recognised in determining the profit or loss for the period.

(ii) Specific commitments

Hedging is undertaken in order to avoid or minimise possible adverse financial effects of movements in exchange rates. Gains or costs arising upon entry into a hedging transaction intended to hedge the purchase or sale of goods or services, together with subsequent exchange gains or losses resulting from those transactions are deferred in the statements of financial position from the inception of the hedging transaction up to the date of the purchase or sale and included in the measurement of the purchase or sale. The net amounts receivable or payable under the hedging transaction are also recorded in the statements of financial position. Any gains or losses arising on the hedging transaction after the recognition of the hedged purchase or sale are included in the statements of financial performance.

In the case of hedges of monetary items, exchange gains or losses are brought to account in the financial year in which the exchange rates change. Gains or costs arising at the time of entering into such hedging transactions are brought to account in the statements of financial performance over the lives of the hedges.

When anticipated purchase or sale transactions have been hedged, actual purchases or sales which occur during the designated hedged period are accounted for as having been hedged until the amounts of those transactions in the designated period are fully allocated against the hedged amounts.

If the hedged transaction is not expected to occur as originally designated, or if the hedge is no longer expected to be effective, any previously deferred gains or losses are recognised as revenue or expense immediately.

(iii) General commitments

Exchange gains or losses on other hedge transactions are brought to account in the statements of financial performance in the financial year in which the exchange rates change. Gains or costs arising on entry into hedges of general commitments are recognised as assets or liabilities at the time of entry into the hedges and are amortised over the lives of the hedges.

(iv) Foreign controlled entities

As the foreign controlled entities are self-sustaining, the assets and liabilities were translated into Australian currency at rates of exchange current at balance date, while the revenues and expenses were translated at the average of rates ruling during the period. Exchange differences arising on translation were taken to the foreign currency translation reserve.

(d) Acquisitions of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date, unless the notional price at which they could be placed in the market is a better indicator of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Goodwill is brought to account on the basis described in Note 1(l).

Where an entity or operation is acquired and the fair value of the identifiable net assets acquired, including any liability for restructuring costs, exceeds the cost of acquisition, the difference, representing a discount on acquisition, is accounted for by reducing proportionately the fair values of the non-monetary assets acquired until the discount is eliminated. Where, after reducing to zero the recorded amounts of the non-monetary assets acquired to zero, a discount balance remains it is recognised as revenue in the statements of financial performance.

Tattersall's Limited and controlled entities
Notes to the financial statements
For the period ended
30 June 2005

Note 1 Summary of significant accounting policies (continued)

(e) Revenue recognition

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 year which will be drawn in the next financial year are recognised as revenue in the next financial year. Revenue received from Tatts Card subscriptions is recognised on an accruals basis.

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

Subscriptions for 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) Interest revenue

Interest revenue is recognised on an accruals basis taking into account the interest rates applicable to the financial assets.

Interest revenue earned on funds set aside for prize reserves and unpaid prizes is included in operating revenue.

(iv) Other revenue

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

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

(f) Receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised in any event when the debt is more than 120 days overdue.

Fixed interest securities have been purchased in the market at a discount to face value. The securities are carried at an amount representing cost and a portion of the discount recognised as income on an effective yield basis. The discount brought to account each period is accounted for as interest received.

(g) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets have not been discounted to their present values.

Tattersall's Limited and controlled entities
Notes to the financial statements
For the period ended
30 June 2005

Note 1 Summary of significant accounting policies (continued)

(h) Investments

Shares in listed companies held as current assets are valued by Directors at those shares' market value at each balance date. The gains or losses, whether realised or unrealised, are included in profit from ordinary activities before income tax.

Non-current investments are measured on the cost basis. The carrying amount is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for shares in listed companies or the underlying net assets for other non-listed corporations.

(i) Depreciation of property, plant and equipment

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land and investment properties) over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Buildings	40 years
Plant and equipment	range between 2 to 7 years

Where items of plant and equipment have separately identifiable components which are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

Leased assets are amortised on a straight line basis over the terms of the lease, or where it is likely that the consolidated entity will obtain ownership of the assets, over the life of the assets. Leased assets held at the reporting date are being amortised over periods ranging from 2 to 7 years.

(j) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter. Leasehold improvements held at the reporting date are being amortised over 40 years.

(k) Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

Lease payments are allocated between interest (calculated by applying the interest rate implicit in the lease to the outstanding amount of the liability), rental expense and reduction of the liability.

As at 30 June 2005, no finance leases existed in the parent entity and the consolidated entity.

Other operating lease payments are charged to the statements of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

Tattersall's Limited and controlled entities
Notes to the financial statements
For the period ended
30 June 2005

Note 1 Summary of significant accounting policies (continued)

(l) Goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight line basis over the period during which the benefits are expected to arise, not exceeding 20 years.

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

(m) 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 licences is reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable is written off.

(n) Brand

The brand is carried at cost. It is reviewed annually by reference to future cash flows to ensure it is not carried in excess of recoverable amount.

(o) Payables

Unclaimed prizes represent liabilities for prizes yet to be claimed or not yet due for payment. The amounts are paid within 14 days of being claimed. Effective 1 July 2005, any unclaimed prizes for lotteries are to be transferred to the Victorian State Government after six months (previously 12 months) and for gaming after 12 months.

Amounts payable to government represent liabilities for government taxes and levies payable under the various licensing arrangements. These amounts are usually paid within seven days of recognition.

(p) Trade and other creditors

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

(q) Interest bearing liabilities

Loans and debentures are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

(r) Derivative financial instruments

The consolidated entity enters into forward foreign exchange contracts.

The accounting for forward foreign exchange contracts is in accordance with Notes 1(c)(ii)-(iii).

Tattersall's Limited and controlled entities
Notes to the financial statements
For the period ended
30 June 2005

Note 1 Summary of significant accounting policies (continued)

(s) Investments accounted for using the equity method

(i) Investments in associated companies

Investments in associated companies are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the post acquisition profits or losses of associates is recognised in the consolidated statements of financial performance, and its share of post acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associated companies are those entities over which the consolidated entity exercises significant influence, but not control.

(ii) Joint ventures

The interest in joint venture entities is accounted for using the equity method. Under this method, the share of the profits or losses of the entity is recognised in the statements of financial performance, and the share of movements in reserves is recognised in reserves in the statements of financial position. Details relating to joint ventures are set out in Note 37.

(t) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including annual leave expected to be settled within 12 months of the reporting date, are recognised in current 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. An expense for non-accumulating sick leave is recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date 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. 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) Superannuation

Contributions are made by the consolidated entity to employee superannuation funds and are charged as expenses when incurred. The consolidated entity does not record, as an asset or a liability, the difference between the employer-sponsored defined benefit superannuation plan's accrued benefits and the net market value of the plan's assets. Details of the plan are included in Note 34.

(iv) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(u) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

Borrowing costs include:

- interest on bank overdrafts and short-term and long-term borrowings;
- finance lease charges; and
- certain exchange differences arising from foreign currency borrowings.

(v) Cash

For purposes of the statements of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

Tattersall's Limited and controlled entities
Notes to the financial statements
For the period ended
30 June 2005

Note 1 Summary of significant accounting policies (continued)

(w) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statements of financial position are shown inclusive of GST.

(x) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the parent entity, 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 period.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive ordinary shares.

(y) Financial reporting period and comparatives

Tattersall's Limited was incorporated on 12 August 2004. Consequently there is no comparative information for the parent entity and the consolidated entity. The results for the parent entity for the period ended 30 June 2005 represent the operations of the parent entity from the date of incorporation until 30 June 2005 and the results of the consolidated entity being those of the parent and the operations of the Estate of the Late George Adams ("ELGA") from 1 June 2005 to 30 June 2005.

(z) 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, to the nearest dollar.

Tattersall's Limited and controlled entities
Notes to the financial statements
For the period ended
30 June 2005

Note 2 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 2 states and 2 territories within Australia, and investments in lottery operators and system providers overseas.

Geographical segments

The consolidated entity operates predominately 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.

Tattersall's Limited and controlled entities
Notes to the financial statements
For the period ended
30 June 2005

Note 2 Segment information (continued)

Primary reporting - business segments

2005	Gaming \$'000	Lotteries \$'000	Inter-segment eliminations/ unallocated \$'000	Consolidated \$'000
Sales to external customers	98,520	98,418	-	196,938
Shares of net (losses) of associated companies and joint venture entities	-	-	(98)	(98)
Other revenue from external customers	353	3,789	1,677	5,819
Total segment revenue (note (b))	<u>98,873</u>	<u>102,207</u>	<u>1,579</u>	<u>202,659</u>
Segment result (note (b))	<u>13,188</u>	<u>2,950</u>	<u>(940)</u>	<u>15,198</u>
Unallocated revenue less unallocated expenses				<u>1,453</u>
Profit from ordinary activities before related income tax expense				<u>16,651</u>
Income tax expense				<u>3,944</u>
Profit from ordinary activities after related income tax expense				<u>12,707</u>
Net profit				<u>12,707</u>
Segment assets	463,585	126,846	-	590,431
Unallocated assets				830,856
Total assets				<u>1,421,287</u>
Segment liabilities (note (b))	65,553	115,063	-	180,616
Unallocated liabilities				144,671
Total liabilities				<u>325,287</u>
Acquisition of Non-current assets	439,996	37,634	-	477,630
Unallocated assets				124,983
				<u>602,613</u>
Investments in associated companies and joint venture entities	-	-	20,124	20,124
Depreciation and amortisation expense	<u>2,914</u>	<u>1,411</u>	<u>1,226</u>	<u>5,551</u>

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 as disclosed in Note 1 and accounting standard AASB 1005 *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 most 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, employee entitlements and provision for service warranties. 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.

Tattersall's Limited and controlled entities
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Note 3 Revenue

	Consolidated	Parent entity
	2005	2005
	\$'000	\$'000
Operating Activities		
Lottery sales revenue	96,413	-
Gaming sales revenue	98,520	-
Other revenue	2,005	8,874
Accreditation fees	111	-
Rendering of services	538	-
Terminal fees	669	-
Interest received or receivable from:		
- other persons	1,196	346
Equipment rental received or receivable from:		
- subsidiaries	-	128
Administration and management fees received or receivable from:		
- other related entity	36	-
Dividends received and receivable		
- other related entity	2,070	-
Unrealised gain on current investments	340	-
Other revenue	484	-
	<u>202,382</u>	<u>9,348</u>
Non-operating activities		
Proceeds from sale of plant and equipment	265	-
Unrealised gain on sale of land	110	-
	<u>375</u>	<u>-</u>
Total Revenue	<u><u>202,757</u></u>	<u><u>9,348</u></u>

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Note 4 Profit from ordinary activities

	Consolidated 2005 \$'000	Parent entity 2005 \$'000
(a) Net gains and expenses		
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:		
Net gains		
Net gain on sale of non-current assets	276	-
	<hr/> 276	<hr/> -
Expenses		
Depreciation		
Buildings	50	23
Plant and equipment	4,446	-
Total depreciation	<hr/> 4,496	<hr/> 23
Amortisation		
Bid costs	32	-
Goodwill	940	-
Licence fees	83	-
Total amortisation	<hr/> 1,055	<hr/> -
Bad and doubtful debts – trade debtors	10	-
Borrowing costs		
Interest and finance charges paid/payable	380	-
Borrowing costs expensed	<hr/> 380	<hr/> -
Rental expense relating to operating leases		
Minimum lease payments	193	-
Total rental expense relating to operating leases	<hr/> 193	<hr/> -
Foreign exchange gains and losses		
Net loss on positions taken in currencies other than for hedging purposes	11	-
Other net foreign exchange losses	159	-
	<hr/> 170	<hr/> -
Net foreign exchange losses recognised in profit from ordinary activities for the period	<hr/> 170	<hr/> -
Defined benefit superannuation expense	221	2
(b) Significant revenues and expenses		
The following expense items are relevant in explaining the financial performance		
Electronic gaming machine levy	1,785	-

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Note 5 Income tax

	Consolidated 2005 \$'000	Parent entity 2005 \$'000
(a) Income tax expense		
The income tax expense for the financial period differs from the amount calculated on the profit. The differences are reconciled as follows:		
Profit from ordinary activities before income tax expense		
- Consolidated	16,651	-
- Parent entity	-	9,160
- Other members of income tax consolidated entity net of intercompany transactions	-	6,066
	<hr/> 16,651	<hr/> 15,226
Income tax calculated @ 30%	4,995	4,568
Tax effect of permanent differences:		
Non-deductible amortisation and depreciation	387	387
Share of net losses of associated companies and joint venture entities	(98)	(98)
Float expenses recognised in equity	(967)	(967)
Sundry items	(373)	13
	<hr/> 3,944	<hr/> 3,903
Income tax expense attributable to profit from ordinary activities before impact of tax consolidation	<hr/> 3,944	<hr/> 3,903

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 wholly-owned entities have fully compensated Tattersall's Limited for deferred tax liabilities assumed by Tattersall's Limited on the date of the implementation of the legislation and have been fully compensated for any deferred tax assets transferred to Tattersall's Limited.

	Consolidated 2005 \$'000	Parent entity 2005 \$'000
(b) Current assets - Tax assets		
Income tax refundable	2,465	2,516
	<hr/> 2,465	<hr/> 2,516

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Note 6 Current assets – Cash assets

	Consolidated 2005 \$'000	Parent entity 2005 \$'000
Cash at bank and on hand	19,957	378
Deposits at call	79,059	-
	<u>99,016</u>	<u>378</u>

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	99,016	378
Balances per statements of cash flows	<u>99,016</u>	<u>378</u>

Deposits at call

The deposits are bearing floating interest rates between 5.40% and 5.50%

Note 7 Current assets – Receivables

	Consolidated 2005	Parent entity 2005
Trade debtors	19,990	-
Other debtors	3,067	-
Less: Provision for doubtful debts	(99)	-
	<u>2,968</u>	<u>-</u>
Amounts receivable from:		
- wholly-owned subsidiary	-	1,174
- associated companies	1,943	-
- other related parties	2,068	-
	<u>26,969</u>	<u>1,174</u>

Other debtors

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

Note 8 Current assets – Inventories

	Consolidated 2005 \$'000	Parent entity 2005 \$'000
Instant lottery tickets – at cost	444	-
	<u>444</u>	<u>-</u>

Tattersall's Limited and controlled entities
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Note 9 Current assets – Other

	Consolidated 2005 \$'000	Parent entity 2005 \$'000
Prepayments	3,745	219
Hedge Receivable (note 29(c))	2,123	-
	<u>5,868</u>	<u>219</u>

Note 10 Current assets – Other financial assets

	Consolidated 2005 \$'000	Parent entity 2005 \$'000
Investments traded on organised markets		
Shares in listed corporation, at market value	5,700	-
Fixed interest securities	72,750	-
	<u>78,450</u>	<u>-</u>

Note 11 Non-current assets – Investments accounted for using the equity method

	Consolidated 2005 \$'000	Parent entity 2005 \$'000
Investments in associated companies (note 37)	17,215	-
Interest in joint venture entities (note 37)	2,909	-
	<u>20,124</u>	<u>-</u>

Note 12 Non-current assets - Other financial assets

	Consolidated 2005 \$'000	Parent entity 2005 \$'000
Unlisted investments, at cost		
- shares in controlled entities (note 36)	-	411,588
- shares in other related parties	30,285	-
- redeemable preference shares	200	-
	<u>30,485</u>	<u>411,588</u>

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

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Note 13 Non-current assets – Property, plant and equipment

	Consolidated 2005 \$'000	Parent entity 2005 \$'000
Land and buildings		
Freehold land		
At cost	20,478	12,312
	<u>20,478</u>	<u>12,312</u>
Buildings		
At cost	17,557	4,478
Less: Accumulated depreciation	(50)	(23)
	<u>17,507</u>	<u>4,455</u>
Freehold improvements – at cost	336	-
Less: Accumulated depreciation	(1)	-
	<u>335</u>	<u>-</u>
Leasehold improvements – at cost	828	-
Less: Accumulated depreciation	(15)	-
	<u>813</u>	<u>-</u>
Total land and buildings	<u>39,133</u>	<u>16,767</u>
Plant and equipment		
At cost	107,582	28
Less: Accumulated depreciation	(4,430)	-
	<u>103,152</u>	<u>28</u>
Plant and equipment under development	1,903	-
Total plant and equipment	<u>105,055</u>	<u>28</u>
	<u>144,188</u>	<u>16,795</u>

Valuations of land and buildings

The basis of valuation of land and buildings is cost.

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.

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Note 13 Non-current assets – Property, plant and equipment (continued)

	Freehold land \$'000	Buildings \$'000	Leasehold improvements \$'000	Freehold improvements \$'000	Plant and equipment \$'000	In course of construction \$'000	Total \$'000
Consolidated							
Carrying amount at 12 August 2004	-	-	-	-	-	-	-
Additions through acquisition of entity (note 36)	20,868	17,557	820	336	104,136	1,548	145,265
Additions	-	-	8	-	3,715	355	4,078
Disposals	(390)	-	-	-	(269)	-	(659)
Depreciation expense (note 4(a))	-	(50)	(15)	(1)	(4,430)	-	(4,496)
Carrying amount at 30 June 2005	20,478	17,507	813	335	103,152	1,903	144,188

	Freehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Total \$'000
Parent entity				
Carrying amount at 12 August 2004	-	-	-	-
Additions through acquisition of entity (note 36)	12,312	4,478	28	16,818
Depreciation expense (note 4(a))	-	(23)	-	(23)
Carrying amount at 30 June 2005	12,312	4,455	28	16,795

Note 14 Non-current assets – Deferred tax assets

	Consolidated 2005 \$'000	Parent entity 2005 \$'000
Future income tax benefit (note 1(b))	8,948	8,948

Note 15 Non-current assets – Intangible assets

	Consolidated 2005 \$'000	Parent entity 2005 \$'000
Goodwill	224,694	-
Less: Accumulated amortisation	(940)	-
	223,754	-
Licences	375,106	373,024
Less: Accumulated amortisation	(83)	-
	375,023	373,024
Brand	402,786	402,786
	1,001,563	775,810

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Note 16 Current liabilities – Payables

	Consolidated 2005 \$'000	Parent entity 2005 \$'000
Trade creditors	109,428	231
Other creditors	56,815	46,550
	<u>166,243</u>	<u>46,781</u>

Note 17 Current liabilities – Interest bearing liabilities

	Consolidated 2005 \$'000	Parent entity 2005 \$'000
Unsecured		
Bank loans	36,390	-
Total unsecured current interest bearing liabilities	<u>36,390</u>	<u>-</u>

Details relating to bank loans are set out in Note 21.

Note 18 Non-current liabilities - Payables

	Consolidated 2005 \$'000	Parent entity 2005 \$'000
Trade Creditors	156	-
	<u>156</u>	<u>-</u>

Note 19 Current liabilities – Provisions

	Consolidated 2005 \$'000	Parent entity 2005 \$'000
Employee benefits (note 34)	5,606	903
Provision for Trustee Commission Claim	71,400	71,400
	<u>77,006</u>	<u>72,303</u>

An application has been made by the Trustees to the Supreme Court of Victoria for payment of a commission for the winding up of the Estate of the Late George Adams. Refer to Note 32 and Note 36 for further explanation.

Provision for Trustee Commission Claim as at 12 August 2004	-
Provision acquired during the period (refer note 36)	71,400
Provision for Trustee Commission Claim as at 30 June 2005	<u>71,400</u>

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Note 20 Current liabilities – Other

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

Note 21 Non-current liabilities – Interest bearing liabilities

	Consolidated 2005 \$'000	Parent entity 2005 \$'000
Unsecured		
Bank loans	36,940	-
Total unsecured non-current interest bearing liabilities	36,940	-

Further information relating to loans from related parties is set out in Note 35.

Unsecured liabilities

Total unsecured liabilities (current and non-current) are:

Bank loans	73,330	-
Total unsecured liabilities	73,330	-

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 \$225.0 million of which \$79.4 million has been drawn down.

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 2005.

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Note 21 Non-current liabilities – Interest bearing liabilities (continued)

Financing arrangements

	Consolidated 2005 \$'000	Parent entity 2005 \$'000
Unrestricted access was available at balance date to the following lines of credit:		
Multi-Option facilities		
Total facilities	225,000	-
Bank Loan used at balance date	73,330	-
Letters of credit used at balance date	6,100	-
Unused at balance date	<u>145,570</u>	<u>-</u>

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. The unsecured multi-option facility may be drawn at any time. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time in Australian dollars and have an average maturity of 4 years.

The current interest rate is 5.92% on the unsecured bank loans.

Note 22 Non-current liabilities – Deferred tax liabilities

	Consolidated 2005 \$'000	Parent entity 2005 \$'000
Provision for deferred income tax	<u>5,457</u>	<u>1,891</u>

Note 23 Non-current liabilities – Provisions

	Consolidated 2005 \$'000	Parent entity 2005 \$'000
Employee benefits (note 34)	<u>812</u>	<u>-</u>

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Note 24 Contributed equity

	Notes	Consolidated 2005 Shares	Parent entity 2005 Shares	Consolidated 2005 \$'000	Parent entity 2005 \$'000
(a) Share capital					
Ordinary shares					
Fully paid	(b)	597,288,881	600,000,000	1,084,056	1,091,196

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	Consolidated 2005 \$'000	Parent entity 2005 \$'000
12 August 2004	Share issued on incorporation	1	\$1.00	-	-
31 May 2005	Shares issued (note 36)	599,999,999	\$1.84	1,106,568	1,106,568
	Less: Transaction costs arising on share issues	-		(15,372)	(15,372)
	Shares held by Tattersall's Holdings Pty Ltd in Tattersall's Limited eliminated on consolidation ⁽¹⁾	-		(7,140)	-
30 June 2005	Balance	600,000,000		1,084,056	1,091,196

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.

⁽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.

Tattersall's Limited and controlled entities
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Note 25 Reserves and retained profits

	Consolidated 2005 \$'000	Parent entity 2005 \$'000
(a) Reserves		
Foreign currency translation reserve	97	-
	<u>97</u>	<u>-</u>
Foreign currency translation reserve		
Opening Balance	-	-
Net exchange differences on translation of foreign controlled entity	97	-
Balance 30 June 2005	<u>97</u>	<u>-</u>
(b) Retained profits		
Retained profits at the beginning of the financial period	-	-
Net profit attributable to members of Tattersall's Limited	13,028	5,257
Retained profits at the end of the financial period	<u>13,028</u>	<u>5,257</u>
(c) Nature and purpose of reserves		
Foreign currency translation reserve		
Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 1(c)(iv).		

Note 26 Outside equity interests in controlled entities

	Consolidated 2005 \$'000
Interest in:	
Share capital	(1)
Accumulated losses	1,182
	<u>1,181</u>

Note 27 Total Equity Reconciliation

		Consolidated 2005 \$'000	Parent entity 2005 \$'000
Total equity at the beginning of the financial period	Notes	-	-
Value of shares issued on ELGA acquisition	24	1,091,196	1,091,196
Outside equity interest acquired		(860)	-
Shares held by Tattersall's Holdings Pty Ltd in Tattersall's Limited eliminated on consolidated	24(b)	(7,140)	-
Total changes in equity recognised in the statements of financial performance		13,125	5,257
Total changes in outside equity interest		(321)	-
Total equity at the end of financial period		<u>1,096,000</u>	<u>1,096,453</u>

Tattersall's Limited and controlled entities
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Note 28 Dividends

	Consolidated	Parent entity
	2005	2005
	\$'000	\$'000
Ordinary shares		
Dividends have been recommended or paid during the period	-	-
Dividend Franking Account		
Balance of franking account at period end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of dividends for and any credits that may be prevented from distribution in subsequent financial periods.	96,653	96,653

Note 29 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 contracted service fees are payable.

As these contracts do not relate to the purchase of a specific asset the unrealised gains or losses on the contract are recognised in the profit and loss over the life of the contract.

At balance date, the details of outstanding contracts are:

Buy Swedish Kroner	Sell Australian dollars	Average exchange rate
	2005	2005
	\$'000	
Maturity		
0 – 6 months	1,177	5.5622
6 – 12 months	1,106	5.4249
	<u>2,283</u>	

Amounts receivable and payable on open contracts are included in other debtors and other creditors respectively.

The following gains, losses and costs have been recognised in the profit and loss at 30 June 2005:

	Consolidated	Parent
	2005	2005
	\$'000	\$'000
Unrealised losses (note 4 (a))	159	-

(b) Credit risk exposures

The credit risk on financial assets of the consolidated entity which have been recognised on the statements of financial position, 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 statements of financial position 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 10).

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Note 29 Financial instruments (continued)

(c) Interest rate risk exposures

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 intends to hold fixed interest rate assets to maturity, the risk is low.

2005	Notes	Floating interest rate \$'000	Fixed interest maturing in:			Total \$'000
			1 year or less \$'000	Over 1 to 5 years \$'000	Non- interest bearing \$'000	
Financial assets						
Cash and deposits	6	98,982	-	-	34	99,016
Receivables	7	-	-	-	26,969	26,969
Other financial assets –						
Investments	10, 12	-	72,750	200	35,985	108,935
Hedge Receivable	9	-	-	-	2,123	2,123
		<u>98,982</u>	<u>72,750</u>	<u>200</u>	<u>65,111</u>	<u>237,043</u>
Weighted average interest rate		4.46	7.50	6.70	-	-
Financial liabilities						
Bank loans	17, 21	-	36,390	36,940	-	73,330
Trade and other creditors	16, 18	-	-	-	166,399	166,399
Provisions	19	-	-	-	71,400	71,400
Employee benefits	19, 23	6,418	-	-	-	6,418
Hedge Payable	20	-	-	-	2,283	2,283
		<u>6,418</u>	<u>36,390</u>	<u>36,940</u>	<u>240,082</u>	<u>319,830</u>
Weighted average interest rate		5.50	5.85	5.85	-	-
Net financial assets (liabilities)		<u>92,564</u>	<u>36,360</u>	<u>(36,740)</u>	<u>(174,971)</u>	<u>(82,787)</u>

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Note 29 Financial instruments (continued)

(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 the directors 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 32. As explained in Note 32, 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.

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Note 29 Financial instruments (continued)

The carrying amounts and net fair values of financial assets and liabilities at balance date are:

	2005	
	Carrying amount \$'000	Net fair value \$'000
On-balance sheet financial instruments		
Financial assets		
Cash assets	99,016	99,016
Other Financial assets		
Investments - Fixed interest securities	72,750	73,369
- Other entities – listed	5,700	5,700
- Other entities – unlisted	350	350
- Redeemable preference shares	200	200
Trade debtors	19,990	19,990
Other debtors	6,979	6,979
Shares in other related parties	29,935	29,935
Hedge receivables	2,123	2,123
Non-traded financial assets	237,043	237,662
Financial liabilities		
Trade creditors	109,584	109,584
Other creditors	56,815	56,815
Provisions	71,400	71,400
Bank loans	73,330	73,330
Hedge payables	2,283	2,283
Employee benefits	6,418	6,418
Non-trade financial liabilities	319,830	319,830
Off-balance sheet and derivative financial instruments		
Financial call option (note 32)	-	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 a liability.

Note 30 Director and executive disclosures

Refer to the Director’s Report for full details.

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Note 31 Remuneration of auditors

	Consolidated 2005 \$	Parent entity 2005 \$
During the period the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:		
Assurance services		
Audit services		
Fees paid or payable to Moore Stephens		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	220,000	20,000
For due diligence services	13,657	13,657
Fees paid to non-Moore Stephens audit firm	163,230	-
<i>Total remuneration for assurance services</i>	396,887	33,657
Taxation services		
Fees paid or payable to Moore Stephens		
Tax compliance services, including review of company income tax returns	124,805	10,000
<i>Total remuneration for taxation services</i>	124,805	10,000
Advisory services		
Fees paid or payable to Moore Stephens	34,633	34,633
<i>Total remuneration for advisory services</i>	34,633	34,633

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Note 32 Contingent liabilities and contingent assets

Contingent liabilities

The parent and consolidated entity had contingent liabilities at 30 June 2005 in respect of:

Guarantees

(a) Bank Guarantees

- i) Guarantee in respect of bank facilities drawn down but not included in the parent entity accounts of Tattersall's Holdings consolidated entity is \$73.3 million. These amounts are recorded in the accounts of the subsidiaries of the parent entity which are party to the guarantee.
- ii) Tattersall's Holdings Pty Ltd has provided Standby letters of credit totaling \$A1.3 million (SEK7.0 million) in respect to securing bank facilities for its related party, EssNet Interactive AB. On 6 July 2005, this was reduced to \$A0.3 million (SEK1.4 million).

(b) Legal Proceedings

- i) There are currently legal proceedings against the Tattersall's Limited consolidated entity relating to an alleged breach of contract claiming approximately \$6.8 million plus interest and costs. The proceedings are being defended and legal advice indicates that the future legal costs of the Tattersall's Limited consolidated entity should not exceed \$0.5 million.
- ii) 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 to Note 36 for further explanation.

The proceedings are still in their relatively early stages, are considered unlikely to be fixed for trial this calendar year, and the outcome of these proceedings is uncertain.

The costs of both defendants have been paid on an indemnity basis by the parent. The Trustees are paying their own costs in connection with the claim. If the Trustees' application for commission is successful, they may apply to the Supreme Court of Victoria for their costs to also be paid by the parent.

Current liabilities – Provisions contains a provision of \$71.4 million on account of the Trustee Commission Claim.

(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 an agreement with EssNet AB where it will be required to purchase shares, in EssNet AB if a loan facility has not been repaid by 30 November 2005. The agreement requires the current shareholders to inject further capital. The controlled entity may be required to increase its shareholding in a range from 622,248 to 968,208 shares at a cost in range of \$4.2 million to \$6.5million.
- iii) 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 the site in Victoria, containing 100 gaming machines. Dependent upon the outcome of the application, the controlled entity will be obliged to pay a maximum of \$1.1 million to the vendor in addition to the purchase price paid to date. This obligation will be proportionally less per gaming machine approved below the 100 gaming machines to be applied for. The minimum additional contractual obligation in such circumstances will be \$0.25 million, payable by the controlled entity.

Tattersall's Limited and controlled entities
Notes to the financial statements
For the period ended
30 June 2005

Note 32 Contingent liabilities and contingent assets (continued)

Contingent Assets and Contingent Liabilities

Call and Put Option Agreements

The consolidated entity has a call option agreement which grants it the right to purchase 25% of Bytecraft Systems Pty Ltd between 30 June 2005 and 30 September 2005 for the greater of \$7,500,000 or 25% of 5 times earnings before interest, tax, depreciation and amortisation.

The consolidated entity also has a put option agreement whereby a third party was granted the right to put 25% of the shares in Bytecraft Systems Pty Ltd to the consolidated entity between 30 June 2007 and 30 September 2007 for the greater of \$10 million and 25% of 6 times earnings before interest, tax, depreciation and amortisation. The exercise of the put option is conditional upon the consolidated entity exercising its call option.

As at 30 June 2005, the call option has an exercise value in the range \$7.7 million to \$10.7 million. Internal investigations are currently being undertaken in order to make a recommendation to the Board as to whether to exercise the option or not.

At 30 June 2005, it is not possible to estimate the potential financial effect on the consolidated entity of the put option agreement as the option is not yet exercisable and dependent on the future financial performance of Bytecraft Systems Pty Ltd.

Note 33 Commitments for expenditure

	Consolidated 2005 \$'000	Parent entity 2005 \$'000
Capital commitments		
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	8,083	-
	<hr/> 8,083	<hr/> -
Commitments - Operating leases		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	2,389	-
Later than one year but not later than 5 years	4,949	-
	<hr/> 7,338	<hr/> -
Commitments not recognised in the financial statements	<hr/> 7,338	<hr/> -

The consolidated entity has four property leases. One lease is based in Australia and is for a term of 10 years with 3 years remaining on the initial term and with two 5 year options. Lease payments under this agreement are reviewed every 2.5 years and adjusted on prevailing market rates at that time. The last review occurred on 16 May 2003.

There are three property leases based in South Africa. The leases range from terms of 1 year with no option to renew to 3 years with a 3 year option to renew. Lease payments under these agreements are reviewed on an annual basis and adjusted on prevailing market rates at that time. As these leases are all in their first year of operation, no review has taken place as at the date of this report.

Tattersall's Limited and controlled entities
Notes to the financial statements
For the period ended
30 June 2005

Note 33 Commitments for expenditure (continued)

	Consolidated 2005 \$'000	Parent entity 2005 \$'000
Operating commitments		
Commitments in relation to non-cancellable operating activities are payable as follows:		
Within one year	10,949	-
Later than one year but not later than 5 years	38,355	-
	<u>49,304</u>	<u>-</u>
Employee remuneration commitments		
Executives		
Commitments under non-cancellable employment contracts not provided for in the financial statements and payable:		
Within one year	2,524	-
Later than one year but not later than 5 years	1,112	-
	<u>3,636</u>	<u>-</u>

Note 34 Employee benefits

	Consolidated 2005 \$'000	Parent entity 2005 \$'000
Employee benefit and related on-costs liabilities		
Included in payables – current (note 16)	1,072	546
Provision for employee benefits – current (note 19)	5,606	903
Provision for employee benefits – non-current (note 23)	812	-
Aggregate employee entitlement and related on-costs liabilities	<u>7,490</u>	<u>1,449</u>
	Number	Number
Employee numbers		
Number of employees at the end of the financial period	<u>347</u>	<u>5</u>

Defined Benefit Superannuation Plan

Tattersall's Limited and its controlled entities participated in an employer-sponsored defined superannuation plan during the period.

The benefits provided by this plan are based on length of service, final average salary and retirement multiple at retirement.

Employees contributed various percentages of their gross income and the company also contributes various percentages of the employee's gross income. Where a deficiency exists in the plan, there is a legally enforceable obligation on entities in the consolidated entity to make up the deficiency.

The last actuarial assessment of the plan was made by Ms Tracy Polldore, BSc, FIAA on 22 December 2004 and related to the plan at 30 June 2004. The conclusion of the actuarial assessment noted that funds were considered adequate to satisfy all benefits payable in the event of termination of the plan and voluntary or compulsory termination of employment of each employee.

Most recent financial report of the superannuation plan available to the consolidated entity dated as at 30 June 2004:

	\$
Accrued benefits of the plan	13,394,000
Net market value of the plan's assets	<u>15,159,000</u>
Surplus	<u>1,765,000</u>
Vested benefits of the plan	<u>13,394,000</u>

Tattersall's Limited and controlled entities
Notes to the financial statements
For the period ended
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Note 34 Employee benefits (continued)

Vested benefits are benefits which are not conditional upon continued membership of the Fund (or any factor other than resignation from the Fund) and include benefits which members were entitled to receive had they terminated their Fund membership as at the reporting date.

Note 35 Related parties

Directors and specified executives

Disclosures relating to directors and specified executives are set out in the Director's Report.

Wholly-owned group

The wholly-owned group consists of Tattersall's Limited and its wholly-owned controlled entities. Ownership interests in these controlled entities are set out in Note 36.

Transactions between Tattersall's Limited and other entities in the wholly-owned group during the period ended 30 June 2005 and consisted of:

- (a) loans advanced by Tattersall's Limited;
- (b) licence payments to Tattersall's Limited; and
- (c) rental payments to Tattersall's Limited.

The above 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.

	Parent entity 2005 \$'000
Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with entities in the wholly-owned group:	
Licence Revenue	
- Gaming	8,852
- Keno	22
Rental Revenue	127
Aggregate amounts receivable from entities in the wholly-owned group at balance date:	
Non-current receivables (loans)	1,174

Other related parties

Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with each class of other related parties:

	Consolidated 2005 \$'000	Parent entity 2005 \$'000
Dividend revenue - Other related parties		
- TISA Pty Ltd	2,068	-
- George Adams Pty Ltd	2	-

Associated Companies

Tattersall's Limited controlled entities have entered into contracts with associated companies of the parent entity whereby it is provided with services in relation to the maintenance, installation, testing and development of its Gaming and lottery machines and network.

	1,009	-
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Tattersall's Limited and controlled entities
Notes to the financial statements
For the period ended
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Note 35 Related parties (continued)

	Consolidated	Parent entity
	2005	2005
	\$'000	\$'000
Other Related Parties		
Tattersall's Limited controlled entities have entered into contracts with other related parties in relation to licence and maintenance agreements of its lottery machine software.	147	-
Rental property fee charged to associated companies by Tattersall's Limited and its controlled entities.	40	-
Aggregate amounts receivable from, and payable to, each class of other related parties at balance date:		
Non-current receivables		
Associated companies (loans)	1,800	-
Other related parties	2,068	-
Current payables		
Associated companies (trade creditors)	1,045	-
Other related parties (trade creditors)	147	-

Controlling entities

The ultimate parent entity in the wholly-owned group and the ultimate Australian parent entity is Tattersall's Limited.

Ownership interests in related parties

Interests held in the following classes of related parties are set out in the following notes:

- (a) controlled entities – Note 36;
- (b) associated companies – Note 37; and
- (c) joint venture entities – Note 37.

Tattersall's Limited and controlled entities
Notes to the financial statements
For the period ended
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Note 36 Investments in controlled entities

Name of entity	Country of incorporation	Class of Shares %	Equity holding 2005 %
Controlled entities of Tattersall's Limited:			
Reaftin Pty Limited	Australia	Ordinary	100
Tattersall's Holdings Pty Limited	Australia	Ordinary	100
Controlled entities of Tattersall's Holdings Pty Limited:			
Tattersall's Sweeps Pty Limited	Australia	Ordinary	100
Tattersall's Gaming Pty Limited	Australia	Ordinary	100
Tattersall's Club Keno Pty Limited	Australia	Ordinary	100
Tattersall's SPV Limited	Australia	Ordinary	100
Footy Consortium Pty Limited	Australia	Ordinary	100
tatts.com Pty Limited	Australia	Ordinary	100
Tattersall's Australia Pty Limited	Australia	Ordinary	100
Tattersall's Gaming Systems Pty Limited	Australia	Ordinary	100
George Adams (Aust) Pty Limited	Australia	Ordinary	100
Tattersall's Investments (South Africa) (Pty) Limited	South Africa	Ordinary	100
Wintech Investments Pty Limited	Australia	Ordinary	100
Controlled entities of Wintech Investments Pty Limited:			
Tattersall's Gaming Systems NSW Pty Limited	Australia	Ordinary	100
Carentan Investments (Pty) Limited	South Africa	Ordinary	100
Thuo KwaZuluNatal Pty Limited	South Africa	Ordinary	100
Thuo Western Cape Pty Limited	South Africa	Ordinary	65
Thuo Gaming South Africa Pty Limited	South Africa	Ordinary	100
Thuo Gaming North West (Pty) Limited	South Africa	Ordinary	100
Thuo Gaming Guateng (Pty) Limited	South Africa	Ordinary	100
Thuo Gaming Limpopo (Pty) Limited	South Africa	Ordinary	100
Controlled entities of Tattersall's Australia Pty Limited:			
George Adams Holdings Limited	United Kingdom	Ordinary	100
George Adams UK Limited	United Kingdom	Ordinary	100
Controlled entities of George Adams Holdings Limited:			
Tatts.com UK Limited	United Kingdom	Ordinary	100
Tattersall's Long Service Leave Fund	Australia	(1)	(1)
Tattersall's George Adams Foundation	Australia	(2)	(2)

(1) Not incorporated. The trustees of the entity are also directors of Tattersall's Limited, therefore under both current Australian and AIFRS Accounting Standards, Tattersall's Limited Group controls the Fund.

(2) Not incorporated. The majority of the directors of the trustee company Tattersall's Foundation Limited are directors of Tattersall's Limited, therefore, under both current Australian and AIFRS Accounting Standards, Tattersall's Limited Group controls the Foundation.

Tattersall's Limited and controlled entities
Notes to the financial statements
For the period ended
30 June 2005

Note 36 Investments in controlled entities (continued)

Fair value of identifiable net assets and businesses of the Estate of the Late George Adams acquired at 31 May 2005.

	Total \$'000
Brand	402,786
Licence	375,106
Deferred tax assets	8,803
Property, Plant and Equipment	145,265
Investments in Associated companies	17,372
Investments in Joint venture entities	513
Other Investment	2,750
Trade Debtors	16,782
Other Debtors	4,337
Tax receivable	6,229
Other financial assets	127,178
Inventory	508
Cash	107,138
Trade Creditors	(132,902)
Other Creditors	(103,949)
Employee Liabilities	(18)
Interest bearing liabilities	(76,612)
Tax Liabilities	(5,354)
Provisions	(5,861)
	<hr/>
	890,071
Outside Equity Interests	860
Goodwill on Consolidation	215,637
Consideration – shares issued	<hr/> <hr/>
	1,106,568

Acquisition Note

The Restructure Implementation Agreement “RIA” was the principal document by which the transfer of the assets and businesses from the Trustees of the Estate of the Late George Adams to the parent was affected. The document was entered into by the Trustees and the Parent on the Restructure Date, 31 May 2005.

On 31 May 2005, the Parent acquired all net assets and businesses owned by the Trustees, including shares in Tattersall’s Holdings Pty Ltd and Reaftin Pty Ltd in exchange for the issues of 599,999,999 shares to the Trustees and the assumption by the parent of certain liabilities.

Tattersall's Limited and controlled entities
Notes to the financial statements
For the period ended
30 June 2005

Note 36 Investments in controlled entities (continued)

Acquisition Note (continued)

The liabilities which were assumed by the Parent were all liabilities which the Trustees (on behalf of the Estate of the Late George Adams "ELGA") would be obliged to pay, carry out and in respect of which the Trustees would have been entitled to pay, or be indemnified, from the assets of ELGA assuming ELGA was not wound up, terminated at any time after 31 May 2005. The Parent has also agreed to indemnify the Trustees against all claims made against, and liabilities suffered by, the Trustees in respect of or arising out of (directly or indirectly) any failure by the Parent to meet its obligations under the RIA including assuming the liabilities. These liabilities include:

- the obligation to pay a commission to the Trustees if so determined by the Supreme Court of Victoria pursuant to section 77 of the *Trustee Act 1958* (Vic) or section 65 of the *Administration and Probate Act 1958* (Vic) and/or the inherent jurisdiction of the Supreme Court of Victoria under the proceedings for the Trustee Commissions Claim. The Parent has agreed to indemnify the Trustees and ELGA in respect of any liability for the payment of the Trustee Commission Claim;
- the liability (if any) of the Trustees pursuant to the indemnities granted to the various representative parties in the Supreme Court of Victoria proceedings which were undertaken to facilitate the Restructure (and in the case of the employee and Beneficiaries' representatives to the proceedings for the Trustee Commission Claim). These representative parties are individuals appointed to represent a class of persons to ensure, in brief, that all persons are bound by the Supreme Court of Victoria orders. The indemnities entitle the representatives to complete reimbursement for all costs incurred in undertaking that role. It is anticipated that other than the Beneficiaries' representative, there will be little involvement of the other representative parties after the Restructure, but any costs which are incurred by them will be borne by the Parent; and
- the liability of the Trustees to pay costs associated with the Restructure and expenses associated with the finalisation and winding up of ELGA.

The Trustees entered into the RIA (other than in respect of the agreement by William Adams and Peter Kerr to be the first Directors to retire by rotation) solely in their capacity as Trustees and as trustees of the Tattersall's Clause Y Employee Trust. The only circumstances in which the Trustees can be found to be personally liable for any liability arising in respect of the RIA is, in summary, where the Trustees would not be entitled to be indemnified from the assets of ELGA or the Tattersall's Employee Trust.

The Parent has agreed not to take any action against the Trustees in respect of past conduct of ELGA or the business. However, this agreement does not limit the right of the Parent to enforce the RIA or to take action on any matter relating directly to the RIA, the proceedings for the Trustee Commission Claim, representations made by the Trustees in respect of the businesses, or the RIA.

In accordance with the RIA, the Parent executed a deed of access and indemnity in favour of each of the Trustees in his personal capacity, pursuant to which the Parent:

- grants the Trustees full access to the records of ELGA and the business; and
- indemnifies the Trustees against any personal liabilities arising as a result of a claim made against the Trustees or any of them in respect of the conduct of the businesses and the activities of ELGA and the Tattersall's Clause Y Employee Trust for which they would have otherwise been indemnified out of the assets of ELGA or the Tattersall's Clause Y Employee Trust.

At the date of this report no liabilities have arisen under these indemnities which were not recognised at the date of restructure.

Tattersall's Limited and controlled entities
Notes to the financial statements
For the period ended
30 June 2005

Note 37 Investments accounted for using the equity method

		Consolidated 2005 \$'000	Parent entity 2005 \$'000
- Associated companies	a)	17,215	-
- Joint venture entities	b)	2,909	-
		<u>20,124</u>	<u>-</u>

a) Investments in associated companies

Unlisted	Principal Activities		Reporting Date	Ownership Interest 2005 %	Carrying Amount of Investment \$'000
Bytecraft Systems Pty Ltd	Systems Support and Maintenance	Ord	30 Jun	50	<u>17,215</u>
					Consolidated 2005 \$'000
					Parent entity 2005 \$'000

**Movement during the period in Equity Accounted Investments in
Associated Companies**

Balance at the beginning of the financial period	-	-
Investments in associated company acquired during the period	17,372	-
Share of associated company loss from ordinary activities after income tax	(157)	-
Balance at the end of the financial period	<u>17,215</u>	<u>-</u>

Retained Earnings Attributable to Associated Companies

Balance at the beginning of the financial period	-	-
Share of associated company loss accounted for using the equity method	(157)	-
Balance at the end of the financial period	<u>(157)</u>	<u>-</u>

**Summarised Presentation of Aggregate Assets, Liabilities and
Performance of Associated Companies**

Current assets	5,291	-
Non-current assets	3,930	-
Total assets	<u>9,221</u>	<u>-</u>
Current liabilities	5,571	-
Non-current liabilities	1,225	-
Total liabilities	<u>6,796</u>	<u>-</u>
Net assets	<u>2,425</u>	<u>-</u>
Losses from ordinary activities after related income tax expense	<u>(157)</u>	<u>-</u>
Share of Associated Companies expenditure commitments		
Hire Purchase commitments	1,401	-
Lease commitments	207	-
	<u>1,608</u>	<u>-</u>

Tattersall's Limited and controlled entities
Notes to the financial statements
For the period ended
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Note 37 Investments accounted for using the equity method (continued)

b) Joint venture entities

Interests are held in the following joint venture entities:

Unlisted	Principal Activities		Reporting Date	Ownership Interest 2005 %	Carrying Amount of Investment \$'000
TattsNet Limited	Lottery Consultants	Ord	31 Dec	50	572
Lyndhurst Hotel Development Trust	Property Development	Units	30 Jun	50	2,337
					<u>2,909</u>
				Consolidated 2005 \$'000	Parent entity 2005 \$'000
Retained earnings attributable to interests in joint venture entities					
Balance at the beginning of the financial period				-	-
Investments in joint venture's acquired during the period				513	-
Share of joint venture's profit from ordinary activities before income tax				59	-
Balance at the end of the financial period				<u>572</u>	<u>-</u>
Carrying amount of investment in joint venture entities					
Balance at the beginning of the financial period				-	-
Investments acquired on acquisition				2,850	-
Share of profit from ordinary activities before income tax				59	-
Balance at the end of the financial period				<u>2,909</u>	<u>-</u>
Share of joint venture entities results and financial position					
Current assets				556	-
Non-current assets				4,286	-
Total assets				<u>4,842</u>	<u>-</u>
Current liabilities				119	-
Non-current liabilities				50	-
Total liabilities				<u>169</u>	<u>-</u>
Net assets – accounted for using the equity method				<u>4,673</u>	<u>-</u>
Revenue				112	-
Expenses				53	-
Profit from ordinary activities before income tax				<u>59</u>	<u>-</u>

Tattersall's Limited and controlled entities
Notes to the financial statements
For the period ended
30 June 2005

Note 37 Investments accounted for using the equity method (continued)

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 32 for detailed disclosure of contingent liabilities at 30 June 2005.

Note 38 Events occurring after reporting date

Since 30 June 2005 Tattersall's Limited 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, increasing cash by \$300.2 million and equity by \$300.2 million.

The proceeds will provide additional funding towards any requirements associated with applications for further gaming and lotteries licences, potential future acquisitions, and additional working capital.

On 7 July 2005, Tattersall's Holdings Pty Ltd sold its shares in Tattersall's Limited increasing consolidated cash by \$8.4 million and consolidated profit before income tax by \$1.3 million.

Note 39 Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

	Consolidated 2005 \$'000	Parent entity 2005 \$'000
Profit from ordinary activities after related income tax	13,028	5,257
Depreciation and amortisation	5,551	23
Net gain on sale of non-current assets	(276)	-
Share of loss of associated companies and joint venture entities not received as dividends or distributions	98	-
Net exchange loss on hedge	159	-
Gain on financial distribution from ELGA	(187)	-
Transfers to deferred expenditure	(572)	-
Change in operating assets and liabilities, net of effects from purchase of controlled entity		
Decrease (increase) in trade debtors and bills of exchange	(7,607)	-
Decrease (increase) in inventories	64	-
Decrease (increase) in future income tax benefit	(145)	(8,948)
Decrease (increase) in other operating assets	(1,350)	(2,681)
Increase (decrease) in trade creditors	(15,021)	(2,615)
Increase (decrease) in other operating liabilities	(599)	8,583
Increase (decrease) in provision for income taxes payable	3,984	(2,516)
Increase (decrease) in provision for deferred income tax	103	1,891
Increase (decrease) in other provisions	539	884
Net cash outflow from operating activities	<u>(2,231)</u>	<u>(122)</u>

Tattersall's Limited and controlled entities
Notes to the financial statements
For the period ended
30 June 2005

Note 40 Non-cash financing and investing activities

	Consolidated 2005 \$'000	Parent entity 2005 \$'000
Acquisition of assets, liabilities and business via issue of shares	1,106,568	1,106,568

Refer to Note 36 for detailed description of assets and liabilities acquired.

Note 41 Earnings per share

	Consolidated 2005 Cents
Basic earnings per share	23
Diluted earnings per share	23

The basic and diluted earnings per share does not represent a full year's operation. It is for one months trading with a low weighted average number of shares given only the one month post the issue of shares for acquiring the net assets and businesses of ELGA (see below for discussion).

	Consolidated 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	55,900,622
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	55,900,622

The weighted average number of shares used to calculate basic earnings per share is very low relative to the issued shares at 30 June 2005, due to the fact that the parent entity had 1 share from the date of incorporation, 12 August 2004, until 31 May 2005 when a further 599,999,999 shares were issued. With only 30 days to 30 June 2005 a weighted average number of share of 55,900,622 results.

	Consolidated 2005 \$'000
Reconciliations of earnings used in calculating earnings per share	
Basic and diluted earnings per share	
Net profit	12,707
Net loss attributable to outside equity interest	321
Earnings used in calculating basic and diluted earnings per share	13,028

Tattersall's Limited and controlled entities
Notes to the financial statements
For the period ended
30 June 2005

Note 42 Impacts of adopting Australian equivalents to IFRS

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of AIFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with AIFRS for the first time are required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

Management, with the assistance of external consultants, has assessed the significance of the expected changes and is preparing for their implementation. An AIFRS committee is overseeing and managing the transition to AIFRS. The impact of alternative treatments and elections under Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* have been analysed to determine the most appropriate accounting policy.

The known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set out below. No material impacts are expected in relation to the statements of cash flows.

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be issued by the AASB and the IASB. Therefore, until the company prepares its first full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

The Australian Taxation Office issued a favourable private binding ruling which allows the Tattersall's tax consolidated entity to continue to exist where the parent is considered the head entity of the group. Accordingly UIG 1052 has been applied in preparation of the AIFRS note.

Tattersall's Limited and controlled entities
Notes to the financial statements
For the period ended
30 June 2005

Note 42 Impacts of adopting Australian equivalents to IFRS (continued)

Impact on the statements of financial performance

	Consolidated			Parent entity		
	Existing GAAP	Effect of change	AIFRS	Existing GAAP	Effect of change	AIFRS
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Profit from ordinary activities before related income tax expense	16,651	122,061	138,712	9,160	-	9,160
Income tax expense	3,944	29,317	33,261	3,903	(1,658)	2,245
Profit from ordinary activities after related income tax expense	12,707	92,744	105,451	5,257	1,658	6,915
Net loss attributable to outside equity interest	321	615	936	-	-	-
Net profit attributable to members of Tattersall's Limited	13,028	93,359	106,387	5,257	1,658	6,915
Net exchange differences on translation of financial report of foreign controlled entity	97	-	97	-	-	-
Total revenues, expenses and valuation adjustments attributable to members of Tattersall's Limited recognised directly in equity	97	-	97	-	-	-
Total changes in equity attributable to members of Tattersall's Limited other than those resulting from transactions with owners as owners	13,125	93,359	106,484	5,257	1,658	6,915
			Cents			
Basic earnings per share			18			
Diluted earnings per share			18			

Tattersall's Limited and controlled entities
Notes to the financial statements
For the period ended
30 June 2005

Note 42 Impacts of adopting Australian equivalents to IFRS (continued)

Impact on the statements of financial position

	Consolidated			Parent entity		
	Existing GAAP	Effect of change	AIFRS	Existing GAAP	Effect of change	AIFRS
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net assets						
Current Assets	213,212	-	213,212	4,287	-	4,287
Brand	402,786	(402,786)	-	402,786	-	402,786
Licences	375,106	(373,106)	2,000	373,024	-	373,024
Goodwill on Consolidation	224,694	(214,414)	10,280	-	-	-
Investment in subsidiaries	-	-	-	411,588	(4,233)	407,355
Other Non-current assets	196,541	(8,403)	188,138	16,795	-	16,795
Deferred tax asset	8,948	2,126	11,074	8,948	(6,940)	2,008
	1,421,287	(996,583)	424,704	1,217,428	(11,173)	1,206,255
Less Total liabilities	325,287	2,254	327,541	120,975	(15,327)	105,648
	1,096,000	(998,837)	97,163	1,096,453	4,154	1,100,607
Net assets	1,096,000	(998,837)	97,163	1,096,453	4,154	1,100,607
Represented by						
Equity						
Parent entity interest						
Contributed equity	1,084,056	(1,084,056)	-	1,091,196	2,498	1,093,694
Reserves	97	-	97	-	-	-
Retained profits	13,028	85,219	98,247	5,257	1,656	6,913
Total parent entity interest	1,097,181	(998,837)	98,344	1,096,453	4,154	1,100,607
Outside equity interest in controlled entities	(1,181)	-	(1,181)	-	-	-
	1,096,000	(998,837)	97,163	1,096,453	4,154	1,100,607
Total equity	1,096,000	(998,837)	97,163	1,096,453	4,154	1,100,607

Tattersall's Limited and controlled entities
Notes to the financial statements
For the period ended
30 June 2005

Note 42 Impacts of adopting Australian equivalents to IFRS (continued)

Notes explaining the impacts on the statements of financial performance and statements of financial position

(a) Income tax

Under AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statements of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

If the policy required by AASB 112 had been applied during the period ended 30 June 2005 the following would have resulted:

An increase in total consolidated deferred tax assets of \$2.1 million at 30 June 2005 would have been recognised comprising:

- (i) an increase in recognition of total deferred tax assets in relation to the adoption of the balance sheet method of \$0.1 million; and
- (ii) transaction costs on share issues recognised directly as required under AASB 112 of \$2.0 million

An increase in total consolidated deferred tax liabilities of \$2.2 million at 30 June 2005 would have been recognised comprising:

- (iii) a decrease in recognition of total deferred tax liabilities in relation to the adoption of the balance sheet method of \$0.2 million; and
- (iv) an increase in deferred tax liabilities of \$2.4 million in relation to recognition of equity account investments as required in adopting the balance sheet method.

An increase in total parent entity deferred tax assets of \$2.0 million at 30 June 2005 would have been recognised comprising:

- (v) an increase of deferred tax assets of \$2.0 million relating to the parent entities transaction costs on share issues recognised in equity

A decrease in the parent entity carry value of investment in subsidiaries of \$4.3 million would have been recognised due to:

- (vi) the recognition of the contribution by Tattersall's Holdings as the former head entity of the tax consolidated group of \$6.5 million prior to restructure; and
- (vii) an additional payable of \$2.2 million relating to the period that the parent entity has been head entity has also been recognised.

(b) Intangible assets – goodwill

Under AASB 3 *Business Combinations*, amortisation of goodwill will be prohibited, and will be replaced by annual impairment testing focusing on the cash flows of the related cash generating unit.

This will result in a change to the current accounting policy, under which goodwill is amortised on a straight line basis over the period during which the benefits are expected to arise and not exceeding 20 years.

If the policy required by AASB 3 had been applied during the period ended 30 June 2005, consolidated goodwill at 30 June 2005 would have been \$0.9 million higher and consolidated amortisation expense for the period ended 30 June 2005 would have been \$0.9 million lower. There would have been no impact on the parent entity's financial statements. Refer also to Note 42(e) for the impact of Business Combinations.

(c) Equity-based compensation benefits

Under AASB 2 *Share-based Payment*, from 1 July 2004 the group is required to recognise an expense for those options that were issued to employees after 7 November 2002 but that had not vested by 1 January 2005.

Tattersall's Limited and controlled entities
Notes to the financial statements
For the period ended
30 June 2005

Note 42 Impacts of adopting Australian equivalents to IFRS (continued)

Notes explaining the impacts on the statements of financial performance and statements of financial position (continued)

As there were no options issued from incorporation to 30 June 2005, the changes in policy will have no impact on the financial results to 30 June 2005.

(d) Financial instruments

The consolidated entity will be taking advantage of the exemption available under AASB 1 to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* only from 1 July 2005. This allows the group to apply previous Australian generally accepted accounting principles (Australian GAAP) to the comparative information of financial instruments within the scope of AASB 132 and AASB 139 for the 30 June 2005 financial report.

Under AASB 132, the current classification of financial instruments issued by entities in the consolidated entity would not change.

(e) Business Combinations

AASB 3 Business Combinations requires that where a business combination has occurred and there has been no change in the underlying ownership, an acquirer which existed at the time of the combination be identified and that the consolidated statements of financial position reflects the position at the time before the new entity was interposed. In the case of the acquisition of the Estate of the Late George Adams ("ELGA"), there has been an issue of shares by the parent entity to acquire the net assets and businesses of ELGA. However, under AASB 3, ELGA has been identified as the acquirer. The result of this interpretation is that any journal entries in the consolidated entity to reflect fair value adjustments when the parent entity acquired the net assets and businesses of ELGA under Australian GAAP will be reversed and the consolidated statements of financial position will largely reflect the financial position prior to acquisition by the parent entity.

If the policy required by AASB 3 had been applied during the period ended 30 June 2005 the following impacts would have resulted:

Parent

There will be no impact to the parent entity results or net assets.

Consolidated

The results of the consolidated entity will include the results of ELGA for the 11 months prior to acquisition by the parent entity. The net impact of which was \$165.5 million attributable to members of Tattersall's Limited.

The provision for trustee commission claim of \$71.4 million is reflected as an expense.

The net assets will be reduced by \$1,012.5 million being the uplifts in value recognised upon acquisition of ELGA.

(f) Retirement benefit obligations

Tattersall's Limited is sponsor of a defined benefit superannuation fund. In the past, it has been the policy of the consolidated entity not to recognise an asset/liability of the defined benefit superannuation fund surplus/deficit. However, under AASB 119 Employee Benefits, an asset or liability will be required to be recognised in the financial report of the consolidated entity, based on the net surplus or deficit of the employer sponsored defined benefit fund. An asset or liability is measured based on the difference on the present value of the employee's accrued benefits at the reporting date and the net market value of the superannuation fund's assets at that date.

The present value of accrued benefits is based on expected future payments which arise from membership of the fund to the reporting date. 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.

Tattersall's Limited and controlled entities
Notes to the financial statements
For the period ended
30 June 2005

Note 42 Impacts of adopting Australian equivalents to IFRS (continued)

Notes explaining the impacts on the statements of financial performance and statements of financial position (continued)

The initial adjustment on transition will occur on 1 July 2004 against opening retained earnings, with an amount charged to the statements of financial performance in future periods, based on contributions made by the consolidated entity to the superannuation fund, adjusted by the movement in the liability or asset.

Whilst a surplus (asset) in the fund exists at 1 July 2004 of \$1.8 million, this has not been included in the AIFRS Impact on the statements of financial position table as the actuarial calculations for 30 June 2005 are not yet complete. Thus reliable estimations of the future financial effect are impractical and would be misleading to users of this report should only the initial adjustments be included.

**Tattersall's Limited and controlled entities
Directors' Declaration**

In the directors' opinion:

- (a) the financial statements and notes set out on pages 1 to 48 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, 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 2005 and of their performance, as represented by the results of their operations and their cash flows, for the financial period 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.

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

Melbourne
2 September 2005

**INDEPENDENT AUDIT REPORT
TO MEMBERS OF
TATTERSALL'S LIMITED**

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Tattersall's Limited (the company) and the consolidated entity, for the period 12 August 2004 to 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that period.

The company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), as required by Accounting Standard AASB 1046 Director and Executive Disclosures by Disclosing Entities, under the heading "remuneration report" on pages 8 to 17 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 Accounting Standard AASB 1046 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.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 1046 and the Corporations Regulations 2001.

Partners

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Steven A. Allan
Grantham C. Beeston
Marco S. Carlei
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Daren I. J. McDonald
Kevin W. Neville
Stephen J. O'Flynn
Robin C. Pennell
S. David Pitt
Grant M. Sincock
Jonathan C. Thomas

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.

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.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Tattersall's Limited on 1 September 2005, would be in the same terms if provided to the directors as at the date of this audit report.

Audit Opinion

In our opinion:

1. the financial report of Tattersall's Limited is in accordance with:
 - (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the period ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
 - (b) other mandatory financial reporting requirements in Australia; and
2. the remuneration disclosures that are contained in pages 8 to 17 of the directors' report comply with Accounting Standard AASB 1046 and the Corporations Regulations 2001.



MOORE STEPHENS
Chartered Accountants



Kevin W Neville
Partner
Melbourne, 2 September, 2005

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