QUEENSLAND RACING COMMISSION OF INQUIRY

Statement of Witness

Name of Witness	Robert Michael Sean Cooke
Date of Birth	[redacted]
Address and contact details	[redacted]
Occupation	Chief Executive Officer and Managing Director, Tatts Group Limited
Officer taking statement	N/A
Date taken	2 August 2013

This statement is provided without any knowledge of the evidence that has been produced to the Commission by other parties, or that will be adduced in its Hearings, or any knowledge of the submissions that have or will be made to it. I am prepared to supplement this statement with addendum statements if further matters are raised that are not already canvassed in this statement.

I, Robert Michael Sean Cooke, state:

1. I am voluntarily providing this statement to the Queensland Racing Commission of Inquiry ("**Inquiry**") to provide information that the Tatts Group Limited (ACN 108 686 040) ("**Tatts Group**") (which consists of Tatts Group Limited and its subsidiaries, including TattsBet Limited (ACN 085 691 738) ("**TattsBet**") (formerly known as UNiTAB Limited ("**UNiTAB**") and TAB Queensland Limited)) has in relation to the matters referred to in paragraph (f) of the Commissions of Inquiry Order (No 1) 2013 ("**Terms of Reference**"), being the Term of Reference on which Tatts Group has been granted leave to appear.

2. Where I have referred to TattsBet, UNiTAB and TAB Queensland Limited, I am referring to the same company which is today known as TattsBet. By way of history:

   (a) TAB Queensland Limited (ACN 085 691 738) was registered as a company on 1 July 1999 as a result of being corporatised and subsequently privatised on 15 November 1999 by the State of Queensland;

Signature: ______________ Witness signature: ______________

(b) on 2 December 2002, TAB Queensland Limited changed its name to UNiTAB; and

(c) on 24 February 2012, UNiTAB changed its name to TattsBet.

3. SA TAB Pty Ltd (ACN 097 719 107) and NT TAB Pty Ltd (ACN 092 655 831) are wholly owned subsidiaries of TattsBet. Collectively, SA TAB Pty Ltd, NT TAB Pty Ltd and TattsBet, are now referred to as TattsBet (previously UNiTAB).

4. Where I have referred to documents in this statement I have described the documents by referring to the barcode that appears on all documents produced by Tatts Group to the Inquiry. I have caused enquiries to be made to locate the documents that the Tatts Group may have that are relevant to the Terms of Reference and to the best of my knowledge Tatts Group has produced those documents to the Inquiry.

My Position at Tatts Group

5. Currently, I am the Chief Executive Officer ("**CEO**") and Managing Director of the Tatts Group and have undertaken the responsibilities of that position since 14 January 2013. My appointment was announced to the Australian Stock Exchange (**ASX**) on 18 September 2012.

6. Prior to my current role at Tatts Group, I held the position of Head of Strategy and General Counsel at UNiTAB from November 1999 to 31 December 2005.

7. I did not hold a role with Tatts Group during the relevant period for the Terms of Reference, 1 January 2007 to 30 April 2012 ("**Relevant Period**"). I left Tatts Group in January 2006 to assume the role of Chief Operating Officer at Wotif.com Holdings Limited. In October 2007, I became Group Chief Executive Officer and Managing Director of Wotif.com Holdings Limited.

8. As I was not with Tatts Group during the Relevant Period I base this statement on:

(a) the documents Tatts Group has located relevant to paragraph (f) of the Terms of Reference and provided to the Inquiry; and

(b) my knowledge of the racing industry and, in particular, the contractual arrangements between Tatts Group and Queensland Race Product Co Limited ("**Product Co**"), by reason of my previous position as Head of Strategy and General Counsel at UNiTAB.

Signature: ______________ Witness signature: a.J______

The arrangements between Product Co and Tatts Group concerning fees paid by Tatts Group for Queensland wagering on interstate races through TattsBet

9. On 9 June 1999, Totalisator Administration Board of Queensland (now TattsBet), Product Co and Queensland Principal Club, Queensland Harness Racing Board and Greyhound Racing Authority ("**Queensland Racing Control Bodies**") entered into a Product and Program Agreement ("**Agreement**") where Product Co agreed to supply information required by TattsBet for use in its race wagering business in consideration of payment of a monthly fee.

10. As matters relating to the Agreement are contractually confidential I will refer to the confidential information in relation to the Agreement in a separate confidential statement provided to the Commission sworn the same date as this statement.

11. The monthly fee to be paid under the Agreement was implemented to replace the distribution of profits previously paid to the Queensland Racing Industry prior to the privatisation of TattsBet. This position is supported by the statements contained in:

    (a) the 1999, Annual Report of the Totalisator Administration Board of Queensland (RMC.262 at pages .275 and .284); and

    (b) the 2000, Annual Report of TAB Queensland Limited (RMC.302 at page .309).

12. From 1 July 1999, TattsBet has and continues to pay fees to Product Co under the Agreement. Details of the fees paid in the Relevant Period are set out in the Annual Reports of Queensland Racing (documents VOL.0001 at page 29, VOL.0002 at page 33, VOL.0003 at page 3, VOL.0004 at page 25 and VOL.0005 at pages 7, 10 and 35) and detailed in the table at paragraph 25 of this statement.

How Product Co responded to the introduction of race information fees

13. On 1 July 2008, nine years after the Agreement was entered into, the New South Wales Government passed the *Racing Administration (Publication of Race Fields) Regulation* 2008 (NSW) which together with the *Racing Legislation Amendment Act* 2008 amended the *Racing Administration Act* 1998 (NSW). That legislation (and similar legislation introduced) is often referred to as "The Race Fields Legislation" and I will use that term in this statement.

14. As at 1 July 2008, similar legislation to the Race Fields Legislation was already in force in Victoria and Western Australia. However as detailed in the Tatts Group Wagering Monthly Board Report of July 2008 (document CON2.154 at page .156), until 1 September 2008,

Victoria and Western Australia recognised the fees paid by TattsBet to Product Co and as such, TattsBet was not, at that time, required to make a further contribution to the Victorian or Western Australian racing industries through the payment of race fields fees.

15. The Race Fields Legislation required wagering operators throughout Australia (including TattsBet) to be approved to use New South Wales racing information in the conduct of a wagering business. One of the conditions attaching to such an approval was a condition to pay a fee to New South Wales Racing Bodies to use its race field information. From 1 September 2008 it was an offence to publish NSW race field information without paying a fee.

16. Prior to the introduction of the Race Fields Legislation, I understand through my role at Tatts Group as Head of Strategy and General Counsel at UNiTAB, that:

(a) there was no requirement for operators like TattsBet to pay interstate racing authorities for the use of racing information; and

(b) racing information was exchanged between the State and Territory racing bodies without a fee being paid.

17. On 8 July 2008, Racing NSW wrote to NT TAB (now, along with SA TAB and UNiTAB are collectively referred to as TattsBet) (document VOL2.039) advising of the Race Fields Legislation and requiring UNiTAB to apply for approval to publish NSW Race Fields information.

18. On 11 July 2008, Greyhound Racing NSW sent a similar letter to the letter referred to in paragraph 17 to UNiTAB (document VOL2.054).

19. On 16 July 2008, UNiTAB responded to Racing NSW and Greyhound Racing NSW (documents VOL2.056 and VOL2.058) and a similar letter was also sent to Harness Racing NSW (document VOL2.060) requesting an exemption from the payment of the fees.

20. On 22 July 2008, Racing NSW sent a letter (document CON1.089) to UNiTAB advising that it did not support UNiTAB requesting an exemption from the Minister to pay race field fees and confirmed that it intended to enforce the payment for race field information.

21. On 11 December 2008, the Queensland Government assented to the *Revenue and Other Legislation Amendment Act (No. 2)* 2008 (Qld), which amended the *Racing Act* 2002 (Qld) to adopt the same position as the Race Fields Legislation.

Signature: __________ Witness signature: __________

22. As at the date of this statement, I am aware that through my role as CEO of the Tatts Group, that all States and Territories in Australia have similar legislation to the Race Fields Legislation requiring direct payment for the use of racing information.

23. Due to the Race Fields Legislation introduced in New South Wales and then throughout Australia, TattsBet was required by law to enter into arrangements with third parties such as New South Wales Racing and pay a fee to use race field information in its race wagering business.

24. The Tatts Group has not received from Product Co:

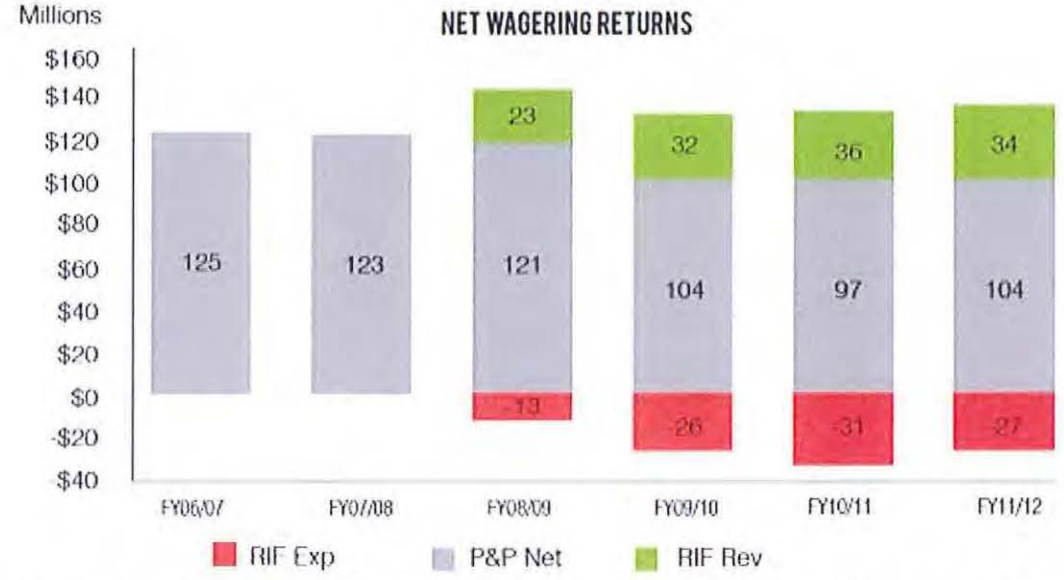
(a) demands that TattsBet make payments under the Agreement without deduction; or

(b) notification that there was a dispute under the Agreement that needed to be resolved in accordance with the dispute resolution terms of the Agreement.

25. As detailed in the Annual Reports of Queensland Racing (documents VOL.0001 at page 29, VOL.0002 at page 33, VOL.0003 at page 3, VOL.0004 at page 25 and VOL.0005 at pages 10 and 35), due to the introduction by Queensland of similar legislation to the Race Fields Legislation, allowing Queensland Racing to charge for the provision of race field information, Queensland Racing as a net exporter of racing product information has financially benefitted from the legislative changes allowing it to charge for race field information. That is, since the introduction of Race Fields Legislation in Queensland, Queensland Racing has collected fees from interstate wagering operators in excess of the deductions made by TattsBet pursuant to the Agreement. This is demonstrated by the below figure extracted from Queensland Racing's 2012 report at page 7.

Signature: ______________ Witness signature: a.J______________

FIGURE 4 HIGHLIGHTS THE MARGINALLY INCREASED PRODUCT FEES THROUGH TATTSBET ON PRIOR YEAR.



Whether the Boards of the relevant entities and/or Product Co sought expert legal or other advice regarding the effect on fees payable by Tatts Group to Product Co as a consequence of race information fees being introduced and if not, why this advice was not sought

26. To confirm the position that Tatts Group had adopted under the Agreement since 2008, in April 2013, advice was sought by the Tatts Group from Graham Gibson, QC to confirm the entitlement to claim deductions under the Agreement for fees paid to third parties for the Australian Racing Product (as defined in the Agreement). Mr Gibson QC's advice (document CON2.338) confirmed that position and provided relevantly:

> *"The fees paid by TattsBet to acquire the right to use Australian Racing Product from Queensland Racing and its equivalent interstate racing bodies are Third Party Charges as that term is defined in the Agreement."*

> *"In the circumstances, [the Agreement] authorises TattsBet to procure that information from Queensland Racing and its equivalent interstate racing bodies and to incur Third Party Charges in consideration for the supply of that information."*

> *"Finally, [the Agreement] also authorises TattsBet, and have authorised it since 2008, to deduct the amount of those fees from the fees otherwise payable by it to Product Co under clause 10.1."*

Signature: ______________ Witness signature: a.J______

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27. To the best of my knowledge:

(a) Product Co has not provided to Tatts Group legal advice it received that detailed the effect of the Race Fields Legislation or similar legislation on the Agreement;

(b) other than the advice referred to at paragraph 26, Tatts Group has not received external legal advice on the effect of the Race Fields Legislation or similar legislation on the Agreement; and

(c) Tatts Group's interpretation of the effect of the Race Fields Legislation or similar legislation on the Agreement has not changed since before entering into the Agreement in 1999. This is supported by the following statement made in the TAB Queensland Limited Share Offer document dated 15 October 1999 (document RMC.183):

'*No Australian race club currently levies charges on interstate totalisator operators, such as TABQ, for the provision of their racing product. TABQ believes it is likely that Queensland's position in the Australian market will be reasonably protected whilst the total TABQ betting on interstate racing is approximately equal to the total of interstate betting on Queensland racing. Furthermore, if the interstate racing product is not provided under the Product and Program Agreement, any charge incurred by TABQ for the provision of interstate racing product may be offset against the product and program fees paid under the Product and Program Agreement.*'

The reasons why any expert advice sought at any time following the introduction of race information fees was or was not acted upon

28. I am not aware of:

(a) any expert advice being received by Tatts Group in relation to the Agreement that has not been acted upon; and

(b) what advice, if any, was received by Product Co, that was not acted on.

Whether the directors and senior executives of both the relevant entities and Product Co acted in good faith and consistently with their responsibilities, duties and legal obligations and the best interests of the company at the material time race information fees were introduced, or at any other time and whether their actions may have been influenced by any conflict of interest in being both a director of the relevant entities and /or Product Co and/or the Tatts Group or by a

relationship with any other person, or whether they used their position/s to gain a personal advantage.

29. In my role as CEO of Tatts Group, I am familiar with the Corporate Governance framework of Tatts Group. Tatts Group reports against the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("**ASX Guidelines**"). Recommendation 2.1 of the ASX Corporate Governance Principles and Recommendations (**ASX Guidelines**) states that '*A majority of the board should be independent directors*' and recommends that directors considered by the board to be independent should be identified as such in the corporate governance statement in the annual report.

30. Further, Tatts Group has had a Corporate Governance framework that complies with the ASX Guidelines at the Relevant Times as detailed in the Tatts Group's Annual Reports. This framework is underpinned by the Tatts Group Limited Board Charter ("**Board Charter**") which provides a framework for the effective operation of its Board of Directors ("**Board**") to ensure good corporate governance practices are followed. The Board Charter addresses:

(a) responsibilities of the Board;

(b) relationship between the Board and management;

(c) appointment and role of the Chairman;

(d) composition of the Board;

(e) performance of the Board;

(f) Board committees;

(g) Board meetings; and

(h) access by directors to independent advice.

The versions of the Board Charter in effect during the Relevant Period are documents RMC.131 and RMC.155.

31. The Board has established appropriate committees to assist it in the discharge of its responsibilities. One such committee established by the Board is the Governance and Nomination Committee ("**Committee**") which is chaired by the Chairman of Tatts Group

Signature: ______________ Witness signature: a.J

Limited (Harry Boon) and whose members during the Relevant Period include Bob Bentley, Julien Playoust and Kevin Seymour.

32. The Committee is responsible for assisting the Board in its oversight responsibilities by monitoring and advising on matters including:

(a) Board composition and succession planning;

(b) the identification of persons for appointment to the Board;

(c) the process for reviewing the independence of directors;

(d) corporate governance developments; and

(e) the development and implementation of Tatts Group's code of conduct.

33. Relevantly, section 4.5 of the Committee Charter provides that the Committee is responsible for:

(a) reviewing the criteria adopted by the Board for assessing a director's independence; and

(b) undertaking an annual assessment of, and making recommendations to the Board, regarding the independence of each director and for ensuring that appropriate disclosure is made in Tatts Group's Annual Report.

34. The versions of the Committee Charter in effect during the Relevant Period are documents RMC.167 and RMC.176. Copies of Tatts Group's Committee meeting minutes from the Relevant Period were provided to the Commission under the Notice as documents CON2.097, CON2.106, CON2.113, CON2.122 and CON2.131.

Independence of Directors

35. On 27 September 2007, the Board of Tatts Group resolved (document CON2.017 and RMC.318 to adopt the following independence criteria ("**Independence Criteria**") to be applied when assessing the independence of its directors:

(a) the director is or has been a substantial shareholder of Tatts Group or an officer of, or otherwise associated directly with, a substantial shareholder of Tatts Group;

(b) the director is or has been a Tatts Group employee in the previous three years;

Signature: __________ Witness signature: a.J

(c) the director is or has been a material professional adviser or consultant to Tatts Group in the previous three years;

(d) the director is or has been a material supplier or customer of Tatts Group or an officer of, or otherwise associated directly or indirectly with a material supplier or customer;

(e) the director has or has had a material contractual relationship with Tatts Group other than as a director;

(f) the director's length of tenure may materially interfere with the ability to act in Tatts Group's best interest;

(g) the director has any material business or other relationships which may interfere with the ability to act in Tatts Group's best interests;

(h) no other relationship exists between the director and Tatts Group that may interfere with the exercise of independent judgement; and

(i) family ties and cross directorships may also be relevant in considering interests and relationships which may compromise a non-executive director's independence.

The Independence Criteria adopted by Tatts Group closely reflect those criteria suggested in the ASX Guidelines.

36. At the commencement of all Tatts Group Board meetings, directors are asked to advise the meeting of any 'disclosable items'. Any such items are then recorded in the minutes (documents CON2.001, CON2.011, CON2.017, CON2.022, CON2.027, CON2.034, CON2.041, CON2.046, CON2.056, CON2.063, CON2.074, CON2.081 and CON2.092). The types of matters raised under 'disclosable items' include notification of matters such as:

(a) actual, potential or perceived conflicts of interest;

(b) related party transactions (to the extent not already notified);

(c) sale/purchase of Tatts Group's shares (noting that this will already have been advised to the chairman and company secretary (and ASX) pursuant to Tatts Group's Securities Trading Policy);

(d) new directorships;

(e) litigation against a director; and

(f) any public or media scrutiny of a director.

37. In each year during the Relevant Period, for inclusion in the Tatts Group's annual financial reports, directors provided the following details:

(a) compensation paid to the director by Tatts Group (e.g. director fees);

(b) any options or rights over shares in Tatts Group held directly, indirectly or beneficially by the director;

(c) the number of shares in Tatts Group held directly, indirectly or beneficially by the director, close family members and related parties; and

(d) any related party transactions with the Tatts Group.

38. Details of the information referred to in paragraph 37 was then published in Tatts Group's financial reports prepared during the Relevant Period and disclosed to the ASX (documents VOL.0006 from page 12, VOL.0007 from page 12, VOL.0008 from page 12, VOL.0009 from page 20 and VOL.0010 from page 23).

39. In each year during the Relevant Period;

(a) the Committee assessed the independence of each of Tatts Group's directors and made recommendations to its Board regarding each director's independence (CON2.102, CON2.109, CON2.117, CON2.126 and CON2.134); and

(b) the Board resolved that, in accordance with the Independence Criteria, all directors were considered independent except for:

(i) Dick McIlwain as a consequence of him being an executive of the Company; and

(ii) Bob Bentley as a consequence of him being a person otherwise associated indirectly with a material supplier to the Group;

(c) this Independence Criteria was applied and published in the Tatts Group Annual Reports (VOL.0006 at page 12, VOL.0007 at page 12, VOL.0008 at page 13, VOL.0009 at page 20 and VOL.0010 at page 23); and

(d) the majority of Tatts Group directors (including the Chairman) were independent.

40. As detailed in the Committee board papers accompanying the Committee's meeting of 22 June 2009 (CON2.113 and CON2.117) Mr Bentley advised the Committee that:

(a) he was not a director of Product Co;

(b) at each meeting of Racing Queensland he declared he had a conflict of interest by virtue of his position as a director of Tatts Group;

(c) where there was, or could be perceived to be, a conflict of interest between his duties to Queensland Racing and Tatts Group, he did not receive the Queensland Racing papers relating to the issue and he absented himself from the discussion and was not present to vote;

(d) he did receive the minutes of the Board meeting which detailed the results of any discussion from which he had absented himself; and

(e) he exercised his obligations of confidentiality and did not pass onto the Tatts Group any confidential information in relation to Queensland Racing and vice versa.

Declaration

This written statement by me dated 2 August 2013 and contained in the pages numbered 1 to 12 is true and correct to the best of my knowledge and belief subject to the matters identified in the preamble and paragraphs 4 and 8 of this statement.

Robert Michael Sean Cooke

______________________ Signature

Signed at Brisbane this 2nd day of August 2013

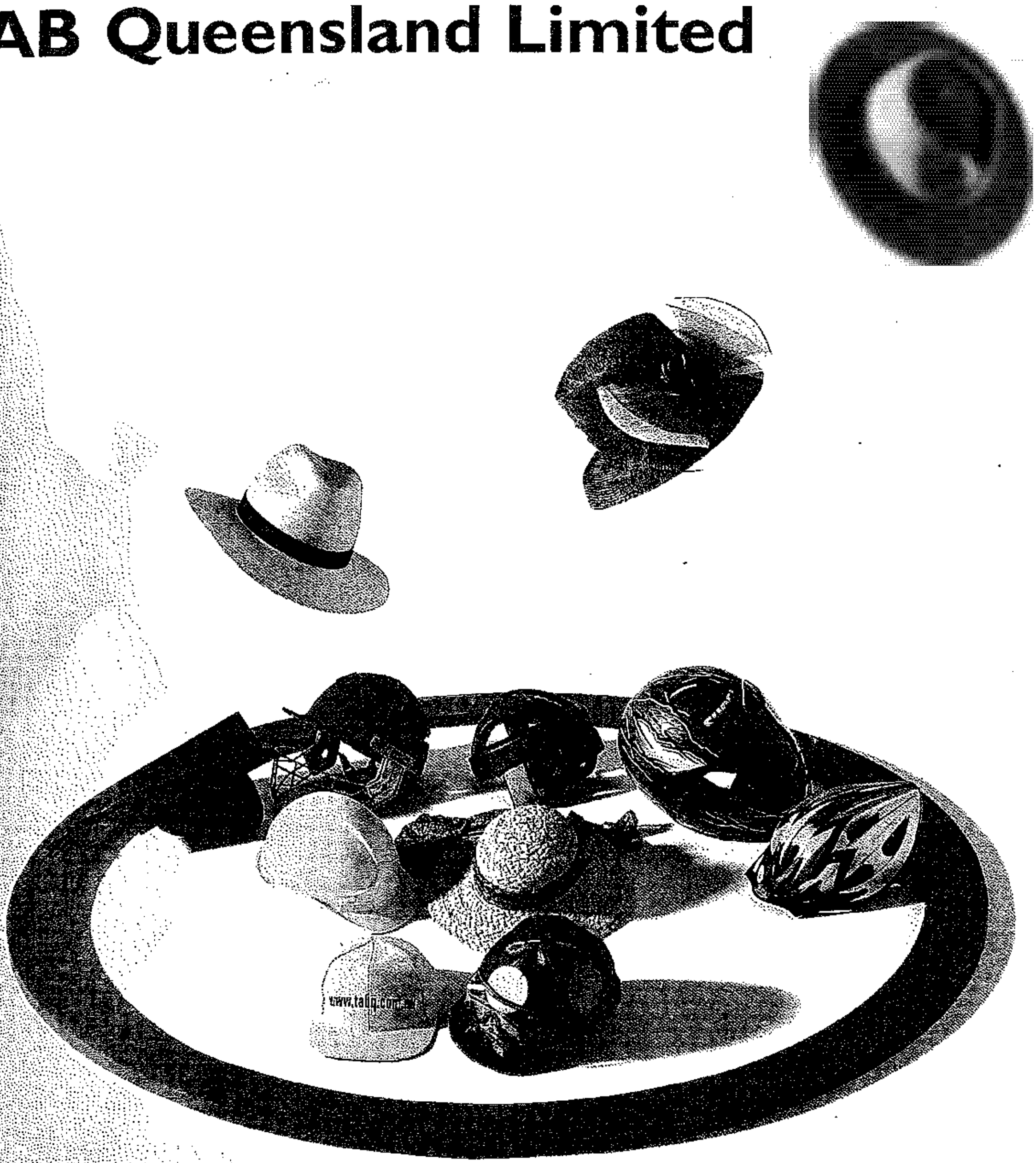
Witnessed:

______________________ Signature

Name ANNE ELIZABETH TUCKER Solicitor

Share Offer Document

TAB Queensland Limited



Throw your hat in the ring for a share

QUEENSLAND GOVERNMENT

TAB QUEENSLAND

Joint Lead Managers:

Morgan Stockbroking | Warburg Dillon Read | Wilson HTM

RMC.183

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OFFER DOCUMENT

This Offer Document is issued on 15 October 1999 and relates to an Offer made to the Australian public, including Broker Firm Applicants and Eligible Employees and Agents of TAB Queensland Limited ACN 085 691 738 (TABQ), and to institutions to purchase shares in TABQ. Unless otherwise specified, all statistical and operational information contained in this document is as at the issue date of this Offer Document.

This Offer Document sets out material and information that the State of Queensland (the State) and the Directors of the Company believe to be of interest to investors and professional advisers seeking to determine whether to apply for Shares. If you are uncertain as to making an investment decision, you should consult a Stockbroker, accountant or financial adviser.

Disclaimer Notice

No responsibility as to the contents of this Offer Document is taken by ASIC or ASX. TABQ will apply within three Business Days after issue of this Offer Document for listing of the Company and quotation of the Shares on ASX. The fact that ASX might admit TABQ to the official list and quote the Shares is not to be taken in any way as an indication of the merits of TABQ as an investment or otherwise.

This Offer Document is not a prospectus under Chapter 7 of the *Corporations Law* and is not required to be registered by ASIC. The Offer Document will be provided to ASIC for information purposes as a document made available to ASX.

The State is not bound by the prospectus provisions contained in Chapter 7 of the *Corporations Law*. Those provisions include the prospectus liability provisions of Part 7.11 of the *Corporations Law* and the prospectus requirement provisions of Part 7.12 of the *Corporations Law*. The State is bound by the provisions of the *Fair Trading Act (Qld) 1989* which prohibits the State from engaging in conduct that is misleading or deceptive or likely to mislead or deceive in relation to this Offer Document. Also, the State will be liable for the contents of this Offer Document in accordance with ordinary common law principles.

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Document. Any information not so contained may not be relied on as having been authorised by the State or the Directors in connection with this Offer.

New Developments

If during the course of the TABQ Share Offer, there are any material new developments in relation to the TABQ Share Offer, the State may provide information about those new developments through advertisements in major Australian newspapers.

Restrictions on the Distribution of this Offer Document outside Australia

The distribution of this Offer Document in jurisdictions outside Australia may be restricted by law and therefore persons outside Australia who obtain this Offer Document, including the Application Forms, should seek advice and observe any such restrictions. Any failure to comply with those restrictions may constitute a violation of the applicable securities law. The Offer Document does not constitute an offer or an invitation in any place outside Australia where, or to any person to whom, it would be unlawful to make such an offer or invitation.

The Shares have not been, and will not be, registered under the *US Securities Act 1933* and may not be offered or sold in the United States or to, or for the account or benefit of US Persons. Accordingly, neither this Offer Document nor the Application Forms may be sent to investors in the United States or otherwise distributed in the United States.

Glossary

Certain terms used in this Offer Document are defined in the Glossary at the back of this Offer Document.

IMPORTANT DATES

Important Dates*	
Retail Offer opens	18 October 1999
Broker Firm Applications close	2 November 1999 **
Retail Offer closes	5 November 1999 **
Institutional Offer opens	9 November 1999
Institutional Offer closes	12 November 1999 ***
Final Price and basis of Share allocation announced	15 November 1999
Expected commencement of trading on ASX on deferred settlement basis	16 November 1999
Transfer of Shares	19 November 1999
Expected dispatch of shareholder statements	22 November 1999

* The State, after consultation with the Joint Lead Managers, has the right to vary the dates and times of the Offer without notifying any recipient of this Offer Document or any applicant for Shares. Accordingly, investors are encouraged to submit their Applications as early as possible.

** 5pm Queensland time.

*** 4pm Queensland time.

OFFER PRICING

Retail Offer (except Broker Firm Applicants)	$2.00 per Share[1]
Broker Firm Applicants under the Retail Offer	$2.10 per Share[2]
Institutional Offer - indicative bookbuild range	$1.85 - $2.10 per Share[3]

[1] The price ultimately paid per Share by applicants in the Retail Offer, other than Broker Firm Applicants, will be the lesser of $2.00 and an amount equal to 10 cents below the Final Price determined under the Institutional Offer.

[2] The price ultimately paid per Share by Broker Firm Applicants under the Retail Offer will be the lesser of $2.10 and the Final Price determined under the Institutional Offer.

[3] Indicative price range only.

ABOUT THIS OFFER DOCUMENT

This Offer Document contains information regarding the sale by the State of all of its shareholding in TABQ, including:

- the Offer and the basis on which the Final Price will be determined;
- how to apply for Shares; and
- the historical performance of TABQ and its future prospects.

RMC.185

QUEENSLAND GOVERNMENT

15 October 1999

Dear Investor

On behalf of the State of Queensland, we are pleased to invite you to participate in the offer of shares in TAB Queensland Limited (TABQ).

The TABQ Share Offer provides an opportunity for Queenslanders and Australians in general to invest in a diversified Queensland leisure and entertainment organisation which has a 37 year track record in race wagering and which has now expanded into sports betting and gaming machine services.

TABQ holds a 99 year licence to operate both off-course and on-course totalisators for race wagering in Queensland, with an exclusivity period of 15 years. In addition, TABQ holds an exclusive 15 year licence to conduct sports betting in Queensland.

TABQ is a licensed provider of monitoring and other value added services to gaming venues in Queensland and, with a market share estimated at 31%, is the market leader. As well, TABQ has expanded its market presence by acting as an agent for Keno in Queensland and by entering into an arrangement with the Golden Casket Lottery Corporation Limited to offer a new sports tipping product through the Golden Casket network of agents in Queensland.

The State is ensuring TABQ Shares are widely available to the public, with 75% of the shares available through the public offer reserved for retail investors.

Funds raised from the sale of TABQ Shares will be used by the State for the repayment of a debt of approximately $37 million for the Queensland Racing Industry (QRI) and to make a capital grant of $10 million to the QRI. The remaining funds will be invested in essential social and economic infrastructure for the State.

An investment in TABQ Shares is not guaranteed by the State. Risks attached to ownership of the shares are explained in this Offer Document. Prospective investors should read this Offer Document carefully before making an investment decision.

We wish shareholders and the Directors, management and employees of TABQ every success in the future.

Yours faithfully

Hon David Hamill MLA
Treasurer of Queensland

Hon Robert Gibbs MLA
Minister for Tourism, Sport and Racing

The Hon. David Hamill MLA, Treasurer
Office: Executive Building, 100 George Street, Brisbane Qld 4000

The Hon. Robert Gibbs MLA, Minister for Tourism, Sport and Racing
Office: 111 George Street, Brisbane Qld 4000

QUEENSLAND

240 Sandgate Road,
Albion, Queensland, 4010
Telephone: (07) 3262 6666
Facsimile: (07) 3262 3014

15 October 1999

Dear Investor

On behalf of the Directors of TAB Queensland Limited (TABQ), it is my pleasure to present to you the opportunity to participate in the sale of TABQ Shares.

TABQ was established in 1962 by the State to operate off-course wagering in Queensland. Since then, it has steadily grown with total turnover forecast to exceed $1.5 billion in the year to 30 June 2000. This makes TABQ the third largest wagering organisation in Australia.

In recent years, TABQ has expanded its wagering product range and event coverage, including the popular twilight racing program.

Today, TABQ trades from over 580 retail sites across Queensland, services over 50 race clubs with betting facilities and also offers interactive betting facilities via telephone and the internet.

TABQ actively pursues opportunities to broaden its range of products and markets, and is involved in a number of growth businesses.

TABQ is the market leader in Queensland in the provision of monitoring and other value added services to gaming venues. The recent acquisition of Golden Gaming takes TABQ's market share to an estimated 31% and provides the ability, as a low cost supplier, to extract synergistic benefits.

TABQ also offers Keno and FootyTAB services and, with its exclusive sports wagering licence, has launched a broad range of fixed odds sports betting products. This rollout will be completed early next year and, with the forthcoming Sydney Olympics, we expect strong market interest. In addition, TABQ's arrangement with Golden Casket Lottery Corporation Limited for a new sports tipping product will focus on a broader market through Golden Casket's newsagency network throughout Queensland.

The management of TABQ is focused on creating and enhancing shareholder value through a range of initiatives. These include improving the use of TABQ's distribution network, achieving best practice operating standards, enhancing existing products and developing new products and markets.

This Offer Document provides detailed information about the Offer, and TABQ's operating and financial performance. I urge you to carefully read the Offer Document and look forward to welcoming you as a shareholder.

Yours faithfully

GChapman

George Chapman

Chairman

TAB Queensland Limited

RMC.187

INVESTOR INFORMATION

How to Apply

To apply for TABQ Shares, complete the Application Form attached to this Offer Document. Instructions on how to complete the form are included in the Application Section.

Where to Send Your Application Form

Application Forms and cheques may be lodged with or mailed to:

- any office of the Joint Lead Managers or Co-Managers;
- any other Stockbroker; or
- the Share Registry, Computershare Registry Services Pty Limited, at:

If mailed (no stamp required):

TAB Queensland Share Offer

Reply Paid 6545

GPO Box 6545

Brisbane QLD 9030

If personally delivered:

Level 32

Central Plaza One

345 Queen Street

Brisbane QLD 4000

The offices of the Joint Lead Managers are detailed in the Corporate Directory at the back of this Offer Document.

When Your Application Forms Must Be Received

Application Forms from Public Applicants in the Retail Offer must be received by the Share Registry, Computershare Registry Services Pty Limited, by 5pm (Queensland time) on 5 November 1999. Broker Firm Applicants must return their Application Form and cheque to the Stockbroker from whom they received their firm allocation by 5pm (Queensland time) on 2 November 1999.

The State reserves the right to close the Offer early or extend the Offer period at its discretion.

Who to Contact

If you have any questions regarding the State's Offer of Shares in TABQ, or would like help in completing the Application Form, please contact the TABQ Share Offer Call Centre on 1800 333 053.

RMC.188

1. Investment Overview

This section is a summary only and is not intended to provide complete information about TABQ or the Shares being offered. Potential investors should read the Offer Document in full before deciding whether to apply for Shares.

1.1 Investment Highlights

Strong Existing Business with Dominant Market Position

For the past 37 years, TABQ has demonstrated a track record of growth and strong cashflow from its core business activities. This performance has been achieved in an environment of increased competition and is testimony to the quality of TABQ's businesses and management.

TABQ has the dominant position in the Queensland wagering industry with exclusive licences to conduct both totalisator race wagering and totalisator and fixed odds sports betting in the State for a 15 year period. The race wagering licence extends on a non-exclusive basis for a further 84 years beyond the initial exclusivity period. TABQ also has a leading market share in gaming machine monitoring in Queensland. TABQ's established market position is expected to provide ongoing stability and strength to its operations and financial performance.

Exposure to the Growing Queensland Economy and the Wagering and Gaming Sector

The State of Queensland is one of the fastest growing States in Australia with average real growth in Gross State Product of 5.0% per annum and population growth averaging 2.1% per annum during the past five years.

Wagering and gaming turnover in Queensland during this period has increased by an average of 17% per annum and is expected to continue to grow as Queensland's population and per capita disposable income increase.

Continued Improvement in Core Businesses

TABQ continues to pursue opportunities to enhance earnings in its core wagering operations.

New arrangements with the Queensland Racing Industry (QRI) have opened up a number of opportunities to further improve racing programs, including additional race meetings and higher quality race fields.

The reduction in wagering tax and greater flexibility in determining the deduction rate for various bet types have improved TABQ's capacity to stimulate turnover and maximise revenue.

TABQ's management has demonstrated its ability to control the Company's cost base by improving the operating efficiency of its major businesses.

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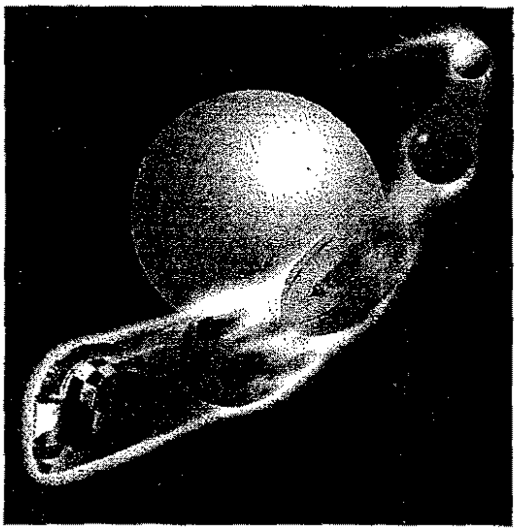
New Business and Acquisition Opportunities



TABQ has recently introduced or will introduce a number of new products and initiatives, such as the launch of fixed odds sports betting, a sports tipping product through Golden Casket and the expansion of its gaming machine monitoring business through the acquisition of Golden Gaming, Golden Casket's gaming machine monitoring operation.

As the wagering and gaming industry continues to expand, TABQ will pursue further opportunities to introduce new products and make further acquisitions to increase earnings and enhance shareholder value.

Attractive Yield and Solid Financial Position

TABQ offers investors an attractive forecast dividend yield which is underpinned by the Company's strong and stable cashflows. TABQ's strong balance sheet position, with zero net debt, gives it the flexibility to pursue expansion opportunities and other initiatives, with the objective of enhancing shareholder returns.

1.2 Summary of Financial Information

The summary of financial information shown below is based on the proforma historical results and forecast as set out in Section 6.

Year ending 30 June	1999 Proforma Historical $ million	2000 Proforma Forecast $ million
Wagering turnover	1,536.1	1,558.2
Total revenue	263.1	269.2
EBITDA	32.3	33.8
EBIT (after abnormal items)	20.9	23.3
Net profit after income tax	N/A	14.9

The information presented in the above table is proforma information and differs from the actual reported result for FY 1999 and the forecast reported result for FY 2000. The proforma information provides a more consistent representation of TABQ's financial performance and prospects.

An explanation of the methodology used to adjust the reported historical results and the forecast reported information to arrive at the proforma information is set out in Section 6 and in the Investigating Accountants' Report in Section 9.

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1.3 Key Offer Statistics

Number of Shares in the Offer	130,800,000
Market Capitalisation at Retail Offer Application Price[1]	$261,600,000
EBITDA Multiple[1][2]	7.7 x
Earnings Per Share[2]	11.4 cents
Price Earnings Ratio[1][2]	17.5 x
Dividend Per Share[2]	10.3 cents
Dividend Yield[1]	5.2%
Anticipated Franking	100%

[1] Calculated on the Retail Offer Application Price of $2.00 per Share.

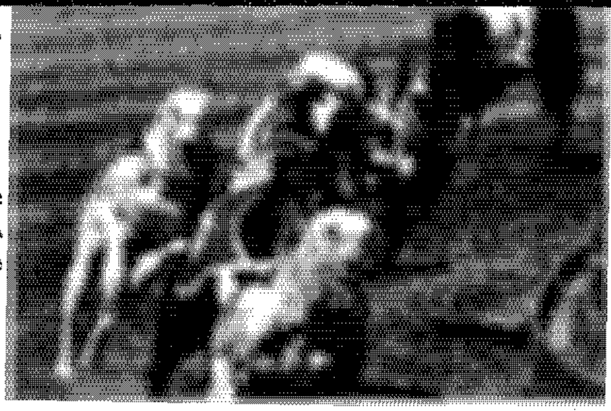
[2] Based on the proforma forecast FY 2000.

1.4 Forecast Dividend and Dividend Policy

The Directors currently intend that if the Company achieves its forecast for the year ending 30 June 2000, TABQ will pay a fully franked dividend of 10.3 cents per share in October 2000. Over time, the Directors will endeavour to provide shareholders with interim and final dividends on a fully franked basis. The Directors, however, can give no assurance as to future levels of dividends as they are subject to a number of factors including the achievement of satisfactory operating performance and ongoing capital expenditure requirements of TABQ.

2. Details of the Offer

2.1 Structure of the Offer



The State is inviting Applications for the purchase of all of its Shares in TABQ. A total of 130.8 million Shares is being made available under this Offer.

The Offer is structured in two parts:

- the Retail Offer; and
- the Institutional Offer.

2.2 The Retail Offer

The Retail Offer is open to all members of the Australian public with specific components for Eligible Employees and Agents of TABQ and Broker Firm Applicants.

A total of 98.1 million Shares has been reserved for applicants under the Retail Offer. Any reserved Shares which are not applied for by the close of the Retail Offer will be made available to satisfy successful bids in the Institutional Offer.

Offer Pricing

Public Applicants

Applicants under the Retail Offer (other than Broker Firm Applicants) should apply for Shares at the Retail Offer Application Price of $2.00 per Share. This will be the maximum price payable by all Public Applicants under the Retail Offer.

The price ultimately paid by Public Applicants under the Retail Offer will be the lower of the Retail Offer Application Price of $2.00 per Share and an amount equivalent to 10 cents less than the Final Price determined under the Institutional Offer. If the Final Price is not 10 cents or more above the Retail Offer Application Price of $2.00 per Share, successful Public Applicants under the Retail Offer will receive a refund sufficient to ensure that they pay at least 10 cents per Share less than the Final Price determined under the Institutional Offer for the Shares allocated to them. No interest will be paid on any Application Monies refunded.

Eligible Employees and Agents of TABQ

Eligible Employees and Agents of TABQ should apply for Shares at the Retail Offer Application Price of $2.00 per Share. The price ultimately paid by Eligible Employees and Agents will be the same as for other Public Applicants, as set out above.

Broker Firm Applicants

Broker Firm Applicants should apply for Shares at the Broker Firm Application Price of $2.10 per Share. This will be the maximum price payable by Broker Firm Applicants.

The price ultimately paid by Broker Firm Applicants will be the lower of the Broker Firm Application Price of $2.10 per Share and the Final Price determined under the Institutional Offer. If the Final Price is lower than $2.10 per Share, successful Broker Firm Applicants will receive a refund of the difference in respect of Shares allocated to them. No interest will be paid on any Application Monies refunded.

Application for Shares

Applications in the Retail Offer must be for a minimum of 700 Shares and thereafter in multiples of 100 Shares.

Application Forms must be accompanied by a cheque in Australian dollars, drawn on an Australian branch of an Australian represented bank, for an amount equal to the number of Shares for which you wish to apply multiplied by the Retail Offer Application Price of $2.00 for Public Applicants and $2.10 for Broker Firm Applicants. Cheques should be made payable to 'TAB Queensland Share Offer' and crossed 'Not Negotiable'. **Applicants should ensure that cleared funds are available at the time the application is lodged, as cheques returned unpaid (dishonoured) will result in applications being rejected.**

Public Applicants may apply for Shares over the internet. If you wish to apply for Shares over the internet, you should complete the Application Form on the website *www.treasury.qld.gov.au* (if your Stockbroker has a website, you may be able to access the Offer Document and Application Form from their website). If you are applying for Shares through the internet, you must print the Application Form and lodge it as described below together with a cheque(s) for the Application Monies.

Eligible Employees and Agents are entitled to apply for a minimum of 700 Shares and thereafter in multiples of 100 Shares. Eligible Employees and Agents are guaranteed an allocation of up to 5,000 Shares each.

Applications to acquire Shares under the Retail Offer will only be accepted on the Application Form attached to this Offer Document. The Application Form must be completed in accordance with the instructions set out in the Application Section of this Offer Document.

Applicants will not pay any stamp duty or brokerage on the purchase of Shares in the Retail Offer.

Lodgement of Applications

Completed Application Forms and cheques may be lodged with or mailed to:

- any office of the Joint Lead Managers or Co-Managers;
- any other Stockbroker; or
- the Share Registry, Computershare Registry Services Pty Limited, at:

If mailed (no stamp required):

TAB Queensland Share Offer
Reply Paid 6545
GPO Box 6545
Brisbane QLD 9030

If personally delivered:

Level 32
Central Plaza One
345 Queen Street
Brisbane QLD 4000

Regardless of where they are lodged, Applications under the Retail Offer (other than those from Broker Firm Applicants) must be received by the Share Registry or one of the offices of the Joint Lead Managers by no later than 5.00 pm (Queensland time) on 5 November 1999 (or any other closing date as the State may nominate in its absolute discretion).

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Broker Firm Applicants should return completed Application Form(s), together with cheque(s) for the Application Monies to the Stockbroker from which they received a firm allocation of Shares by no later than 5.00 pm (Queensland time) on 2 November 1999.

Acceptance of Applications

An Application constitutes an offer to acquire Shares on the terms and conditions set out in this Offer Document and the Application Form. The State reserves the right to:

- reject any application in the Retail Offer, including but not limited to applications that have been incorrectly completed, or are accompanied by cheques that are dishonoured, or have not been cleared by the close of the Institutional Offer;
- reject or aggregate applications which appear to be multiple applications by the same party or related or associated parties;
- allocate to any applicant in the Retail Offer a lesser number of Shares than those applied for, including an amount below the minimum Application amount of 700 Shares; and
- treat any Application in the Retail Offer as a bid in the Institutional Offer where the State is advised by the Joint Lead Managers that the applicant would typically be regarded as an institutional investor.

Allocation of Shares

A proportion of Shares under the Retail Offer will be reserved for:

- Eligible Employees and Agents of TABQ who are guaranteed an allocation of up to 5,000 Shares each; and
- Broker Firm Applicants.

In the event that demand from Public Applicants is in excess of available Shares, Applications may be subject to scaling back and some Applications may be rejected. This may include scaling back to below the stated minimum Application of 700 Shares. Queensland residents will receive a preference in any scale back. A panel of financial advisers, chaired by accounting firm PricewaterhouseCoopers and including the Joint Lead Managers will, on behalf of the State, have the absolute discretion to determine the method and extent of any scale back.

Part of the Offer has been reserved for institutional investors, Broker Firm Applicants, and Eligible Employees and Agents. The State, after consultation with the Joint Lead Managers, will be responsible for determining and implementing allocation policies for these parts of the Offer.

Applicants will receive a refund of Application Monies in respect of those Shares applied for but not allocated. No interest will be paid on any Application Monies refunded.

The State will publish the basis of allocation of Shares in the Retail Offer in advertisements in major Australian newspapers. This is expected to take place on 15 November 1999. Applicants will also be able to confirm their allocation prior to receiving shareholder statements by calling the TABQ Share Offer Call Centre on 1800 333 053 which is expected to be available from 10.00 am (Queensland time) on 15 November 1999.

Applicants will also be able to confirm their allocation through the internet at *www.treasury.qld.gov.au.* Applicants will need to quote either their CHESS HIN number or SRN number (which is the same as the Application number on their Application Form) to confirm their allocation. This service is expected to be available from 8.30 am (Queensland time) on Monday 15 November 1999.

2.3 The Institutional Offer

The Institutional Offer will be conducted by way of a bookbuild process which is being managed by the Joint Lead Managers. The bookbuild process will be used to determine the Final Price.

A minimum of 32.7 million Shares will be made available for sale in the Institutional Offer.

The following information provides a summary only of the arrangements which will apply to participants in the Institutional Offer. Full details of the Institutional Offer, including bidding instructions, will be provided by the Joint Lead Managers to participants in the Institutional Offer.

Invitations to Bid

The State is inviting institutions and the Joint Lead Managers, on behalf of private clients, to bid for Shares in the Institutional Offer. This offer is not made in jurisdictions where it would be unlawful to make such an offer.

Bids must be made between 10.00am on 9 November 1999 and 4.00pm on 12 November 1999 (Queensland time), unless varied.

The minimum bid size is 100,000 Shares and thereafter in multiples of 10,000 Shares.

Institutions (which are not domiciled in the United States and are not US Persons) may only submit bids through the Joint Lead Managers. The Joint Lead Managers may also bid into the book on behalf of their private clients. No other Stockbroker may bid into the book.

The identity of each person making a bid must be disclosed to the Joint Lead Managers. If a bid is made in the name of a nominee or on behalf of another person, that fact and the identity of the proposed beneficial owner must be disclosed to the Joint Lead Managers. Information relating to the identity of bidders will be restricted to the Joint Lead Managers (and their associated officers) and nominated representatives of the State.

Indicative Price Range

Institutions will bid into the book based on an indicative price range of $1.85 to $2.10 per Share. This range may be varied at any time by the State, in consultation with the Joint Lead Managers. Bidders may bid above, within or below the indicative price range.

Determination of the Final Price

After the close of the Institutional Offer, the State will determine the Final Price, after consultation with the Joint Lead Managers. In determining the Final Price, the State will consider the level of demand for Shares in the Offer, prevailing market conditions, the desire for an orderly secondary market in the Shares and the creation of an ownership base of long term shareholders.

The Final Price may be set above, within or below the indicative price range. All successful bidders in the Institutional Offer will pay the same price.

The Final Price is expected to be announced on 15 November 1999.

Successful applicants will not pay any stamp duty or brokerage on the purchase of Shares in the Institutional Offer.

Acceptance of Allocations

Bids can be amended or withdrawn at any time up to the close of the Institutional Offer. Any bid not withdrawn at that time will be irrevocable and capable of acceptance by the State in whole or in part and, upon acceptance, will give rise to a legally binding contract.

Allocation of Shares

The allocation of Shares among bidders in the Institutional Offer will be determined by the State, after consultation with the Joint Lead Managers. There is no assurance that any bidder in the Institutional Offer will be allocated any Shares, or the number of Shares for which it has bid.

The initial determinant of the allocation of Shares in the Institutional Offer will be the level of the Final Price. Bids lodged at prices below the Final Price will not receive an allocation of Shares.

After disregarding bids at prices lower than the Final Price, the allocation policy will reflect a number of factors. Other things being equal, factors that will be regarded favourably (in no particular order) include:

- price leadership;
- early lodgement of bids; and
- a demonstrated record as a long term investor.

It is expected that confirmation of allocations will be sent to successful bidders on or before 15 November 1999.

2.4 Application Monies

All Application Monies received in the Retail Offer will be held in a special purpose account until acceptance of Applications. Refunds will be made as follows:

- Public Applicants under the Retail Offer whose Applications are accepted in part or in full will receive a refund (if applicable) of a portion of their Application Monies, without interest, sufficient to ensure that they pay at least 10 cents per Share less than the Final Price determined under the Institutional Offer, for the Shares allocated to them;
- Investors under the Retail Offer whose applications are not accepted, or are accepted for a lower number of Shares than the number applied for, will receive a refund without interest of their Application Monies relating to the application for Shares which has not been accepted; and
- Broker Firm Applicants under the Retail Offer whose Applications are accepted in full will receive a refund (if applicable) of a portion of their Application Monies without interest equal to the amount per Share by which the Final Price of the Shares allocated to them is less than the Broker Firm Application Price of $2.10.

If TABQ has not been admitted to the official list of ASX within six weeks of the date of issue of the Offer Document or such longer period, not exceeding 12 weeks, as is notified by ASX, all Application Monies will be refunded in full without interest.

2.5 Use of Proceeds

After the payment of expenses, fees and commissions associated with the Offer, the balance of Application Monies, plus any interest on the account, is payable to the State. TABQ will not receive any of the proceeds from the Offer.

The actual amount received by the State will depend on the amount of the Final Price and the allocation of Shares between the parts of the Offer.

The State will use the proceeds of sale, after payment of expenses in connection with the Offer, to provide approximately $37 million for repayment of debt by the QRI and a $10 million capital grant to the QRI. The remaining funds will be used to fund essential social and economic infrastructure in the State.

2.6 Trading on ASX

TABQ will apply within three Business Days after the date of issue of this Offer Document for admission to the official list of ASX and for official quotation of TABQ Shares on ASX.

The State expects to announce the Final Price on or about 15 November 1999. From 10.00am (Queensland time) on that date, applicants may call the TABQ Share Offer Call Centre on 1800 333 053 to seek information on their Application. Applicants can also confirm their allocations on the internet site at *www.treasury.qld.gov.au*. It is expected that trading on ASX will commence on a deferred settlement basis on 16 November 1999.

It is the responsibility of applicants to determine their allocation prior to trading in the Shares. Applicants trading Shares prior to receiving a shareholding statement will do so at their own risk.

The State, TABQ and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their shareholding statement, whether on the basis of a confirmation of allocation provided by the TABQ Offer Call Centre or otherwise.

2.7 CHESS and Shareholding Statements

TABQ will apply to participate in CHESS, and in accordance with the ASX Listing Rules and the SCH Business Rules, will maintain an electronic issuer-sponsored subregister and an electronic CHESS subregister.

Following the allocation of Shares, successful applicants will receive a statement of shareholding that sets out the number of Shares they have been allocated in the Offer. It is expected that shareholding statements will be despatched by standard post by 22 November 1999.

2.8 Shareholder Restrictions

The *TAB Queensland Limited Privatisation Act 1999* sets out two classes of restrictions in relation to shareholdings in TABQ. All shareholding restrictions in the Act expire on 31 August 2004.

Firstly, no entity, other than an exempt entity or approved cornerstone investor, may become entitled to more than 10% of the voting shares in TABQ.

Secondly, only one entity at any time, which is designated as the cornerstone investor by the Governor-in-Council under the Act, may become entitled to up to 20% of the voting shares in TABQ. In the event that there is a cornerstone investor in the future, the cornerstone investor cannot sell down its shareholding in TABQ for a period of two years from the date that it first acquires shares as the prescribed cornerstone investor without the prior approval of the Minister. At the date of issue of the Offer Document, no cornerstone investor has been prescribed under the Act.

The Act also prevents an associated entity of a registered political party from investing in TABQ until the date which is seven days after TABQ holds its first annual general meeting after listing on ASX. An associated entity of a party, as defined under the Act, is an entity whose functions include investing for the party, subject to certain exceptions.

The restrictions prescribed by the Act apply in addition to any other restrictions set out under other acts, such as those under the *Foreign Acquisitions and Takeovers Act 1975* and the *Corporations Law*.

In addition to the operation of the Act, Ministers of Government, their staff, members of the Government in the Legislative assembly or an associate of such persons and the advisers named in this Offer Document who were involved in the pricing of the Shares will not be allocated Shares. The term "associate" in relation to a person, means (a) a spouse or de facto spouse of the person; (b) a son or daughter of the person; or (c) an entity (including any legal form such as a company, partnership or trust) controlled by the person or any one of the persons named in (a) or (b).

2.9 Foreign Selling Restrictions

No action has been taken to register or qualify the Shares or the Offer, or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia.

The distribution of this Offer Document in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this Offer Document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

This Offer Document does not constitute an offer of Shares in any jurisdiction where, or to any person to whom, it would not be lawful to make such an offer.

The Shares have not been and will not be registered under the *US Securities Act 1933* and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons.

Neither this Offer Document nor the accompanying Application Form may be sent to investors in the United States or otherwise distributed in the United States.

Each applicant in the Retail Offer will be taken to have represented and agreed to the following United States and international offering and resale restrictions:

- the applicant is an Australian citizen or resident in Australia, is physically in Australia at the time of such Application and is not acting for the account or benefit of any US Person; and
- the applicant will not offer to sell the Shares in the United States or to, or for the account or benefit of, US Persons in any jurisdiction outside Australia.

Australian institutions and international institutions bidding under the Institutional Offer will be required to represent and agree to certain United States and international offering and resale restrictions, as set out in the detailed bidding instructions provided to them.

2.10 State Discretion with Respect to TABQ Share Offer

The State reserves the right not to proceed with the TABQ Share Offer at any time before the execution of the transfer of Shares to successful applicants. If the TABQ Share Offer does not proceed, Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer or otherwise.

The State also reserves the right to reject any Application for Shares and to allocate to any applicant in the Retail Offer or bidder in the Institutional Offer fewer Shares than applied or bid for by those applicants. This may result in an allocation which is lower than the minimum Application amount of 700 Shares.

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3. Queensland

Queensland is a sovereign State of the Commonwealth of Australia. It is Australia's third largest State in population (estimated at 3.5 million as at 30 June 1999), and second largest State in land area (1.727 million square kms). In 1998-99, Queensland's Gross State Product (GSP) amounted to $97 billion which represented 16% of Australia's Gross Domestic Product, making its economy comparable in size to New Zealand.

The Queensland economy has experienced strong growth for the past five years (that is, over the period 1993-94 to 1998-99) with the State's GSP growing at an average annual rate of 5.0% (compared with a national rate of 4.4%).

Following strong GSP growth of 4¾% in 1998-99, Queensland Treasury (in the 1999-2000 State Budget) expects the Queensland economy to grow by 3¾% in 1999-2000, a full percentage point above expected growth of the rest of Australia.

Queensland's population growth has also outstripped the rest of Australia, with its population growing at an average of 2.1% per annum during the past five years. Queensland's above average population growth is expected to continue with the ABS forecasting the Queensland population to reach 3.8 million by 2004.

The strength of the Queensland economy and the State Government's finances are reflected in the State's triple-A credit rating from both Moody's Investors Service (Aaa for $A denominated debt) and Standard & Poor's (long term credit rating AAA).

Queensland Economic Summary

	Outcome				Estimated	Forecast
	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000
Nominal Gross State Product ($B)	76.57	81.33	85.89	92.28	96.59	100.68
Real GSP Growth (%)	5.40	3.80	5.40	5.70	4¾	3¾
Population (million)	3.23	3.31	3.38	3.43	3.49	3.55
Employment (million)	1.47	1.51	1.53	1.58	1.62	1.67
Unemployment Rate (%)	8.80	9.20	9.50	9.00	8.30	7¾
Increase in Consumer Prices (%)	3.70	3.80	1.60	0.50	1.00	1¾
Average Weekly Earnings [a] ($)	594.40	615.20	647.70	679.30	699.10	na

Note: All figures presented are in year average terms
(a) Average weekly ordinary time earnings, full-time, adults

Source: Queensland Treasury and Australian Bureau of Statistics

The Queensland Government has made a firm commitment to sound financial management of the State. In support of this commitment, the Queensland Government released its Charter of Social and Fiscal Responsibility in August 1999. The Charter requires the Queensland Government to set out its objectives and how it will go about achieving those objectives.

One of the primary features of the Charter is the Queensland Government's focus on maintaining the State's strong financial position. The Charter details the Queensland Government's fiscal strategy, in the form of a set of fiscal principles: a competitive tax environment; affordable service provision; the use of debt funding only for revenue generating activities; management of financial risk; and building of the State's net worth.

Further information, including the full text of the Charter of Social and Fiscal Responsibility, is available from the Queensland Treasury internet site located at *www.treasury.qld.gov.au*.

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4. The Wagering and Gaming Industry

4.1 Overview

The Australian wagering and gaming industry (collectively the Australian gambling industry) is part of the broader entertainment and leisure sector of the economy.

Wagering includes legal betting with bookmakers and TABs, both on racecourses and off-course on gallops, harness and greyhound racing, as well as other forms of betting such as sports betting.

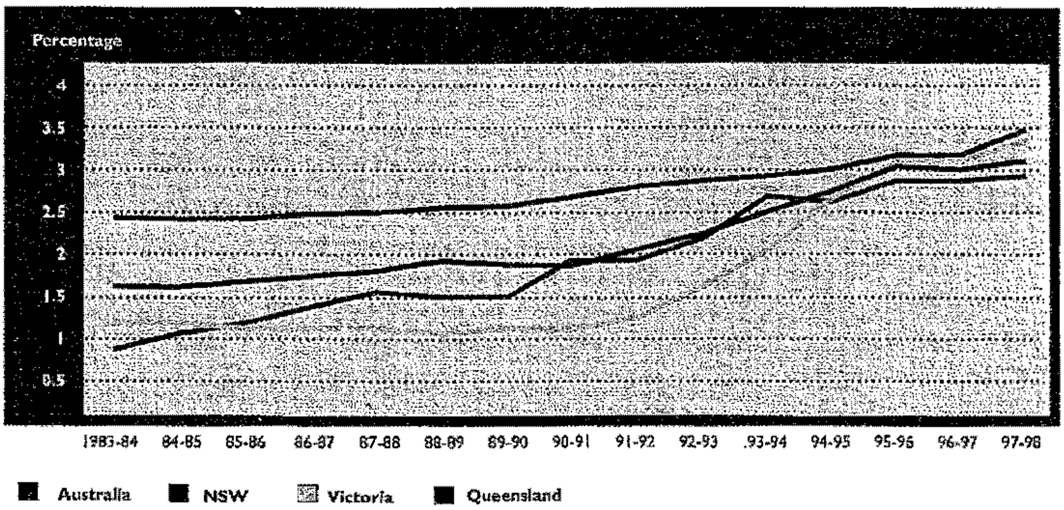
Gaming can be broadly defined as all other forms of gambling, such as lotteries, poker and gaming machines, casino gaming, Keno, football pools and other gaming (such as interactive and charitable gaming).

Growth in Australian gambling turnover has been very strong, increasing at an average annual compound rate of 16% over the past ten years. The majority of this growth has emanated from gaming activities. The Australian gambling industry generated turnover of $94.6 billion in the year to 30 June 1998.

Gambling expenditure in Queensland has risen by an average annual compound rate of 18% over the same ten year period and generated $11 billion in turnover in the year to 30 June 1998.

Australian gambling expenditure as a proportion of disposable income has approximately doubled since the early 1980s, as shown in the following graph. Gambling in Queensland as a percentage of disposable income is currently lower than in NSW and Victoria.

Gambling Expenditure as a Percentage of Disposable Income



Source: Tasmanian Gaming Commission, Australian Gambling Statistics 1972-73 to 1997-98

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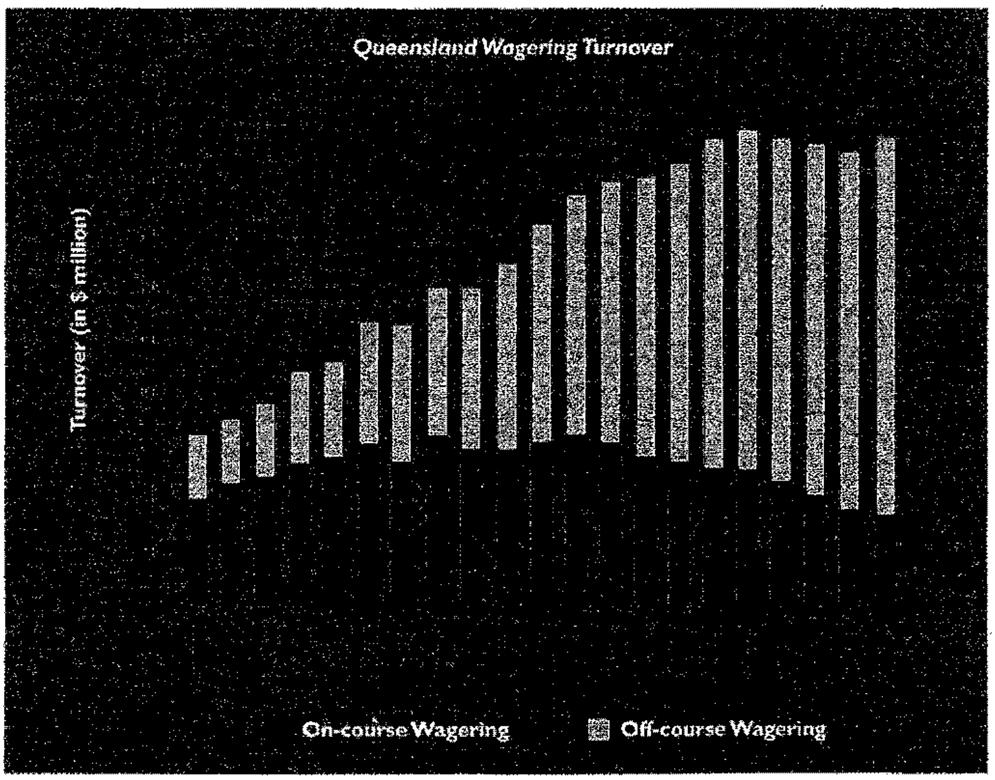
4.2 Wagering

Total wagering turnover in Australia was $11.9 billion in the year to 30 June 1998. Of this, the total amount wagered at off-course TABs was $9.1 billion.

Queensland is the third largest wagering State by turnover and revenue behind NSW and Victoria. In the year to 30 June 1998, the total amount wagered in Queensland was $1.8 billion, representing 15.1% of Australian wagering turnover.

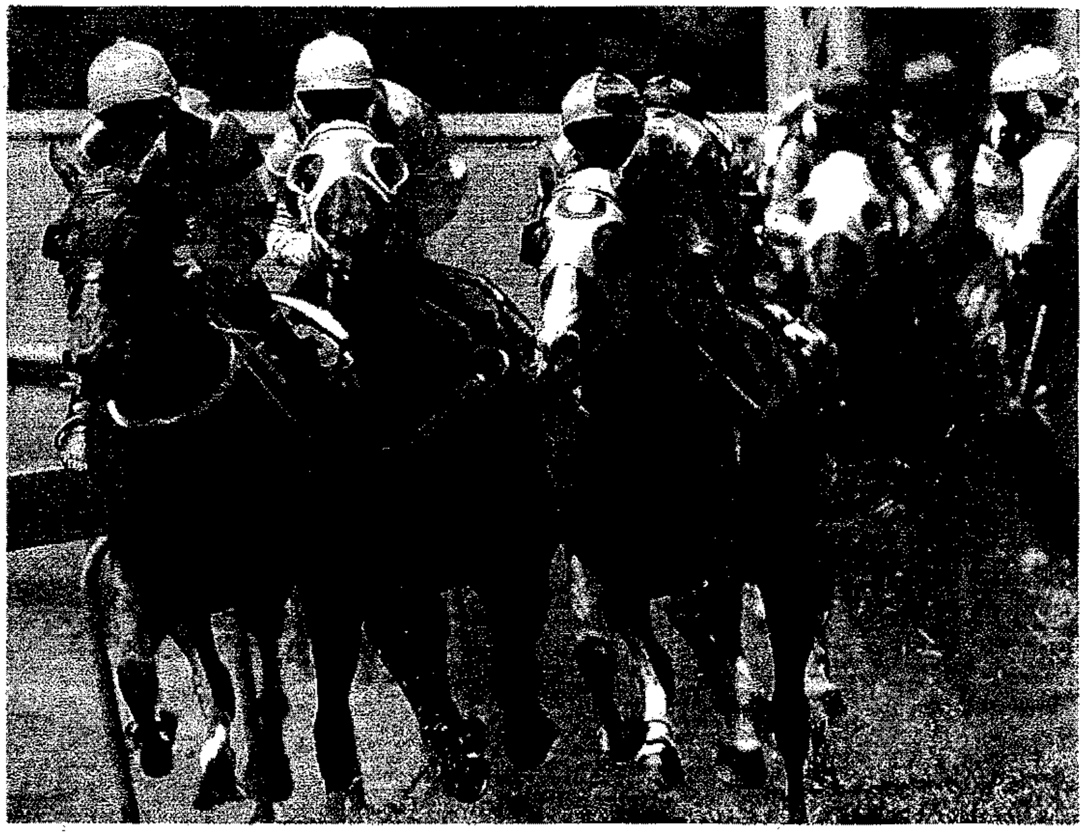


Source: Tasmanian Gaming Commission, Australian Gambling Statistics 1972-73 to 1997-98 and TABQ

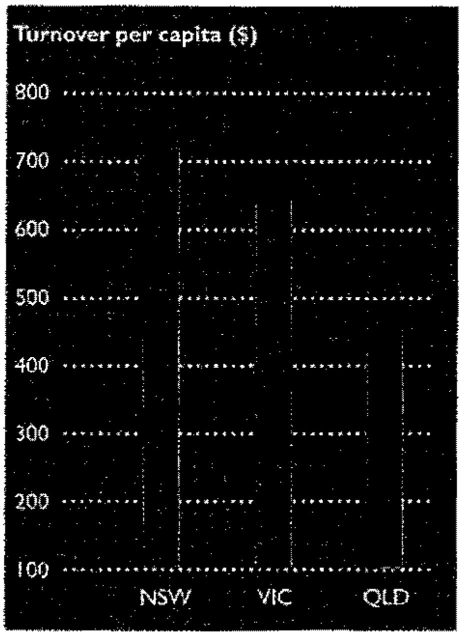
During the year ended 30 June 1999, off-course wagering turnover in Queensland grew 5.5%, while on-course wagering declined by 5.7%. This resulted in average total turnover growth of 3.1%.

Wagering turnover per capita in Queensland is currently lower than that in NSW and Victoria, with $494 wagered per capita in Queensland as compared to $727 in NSW and $640 in Victoria in the year ended 30 June 1998.

Within the Queensland wagering market, off-course totalisators have continued to take market share from bookmakers and, to a lesser extent, from on-course totalisators. During the past nine years, TABQ has increased its share of total Queensland wagering revenue from 58.9% for the year to 30 June 1990 to 80.6% for the year to 30 June 1999 and has therefore generated stronger wagering revenue growth than its competitors. TABQ assumed the operation of on-course totalisator wagering in Queensland from 1 July 1999.



Wagering Turnover per Capita by State for the Year ended 30 June 1998



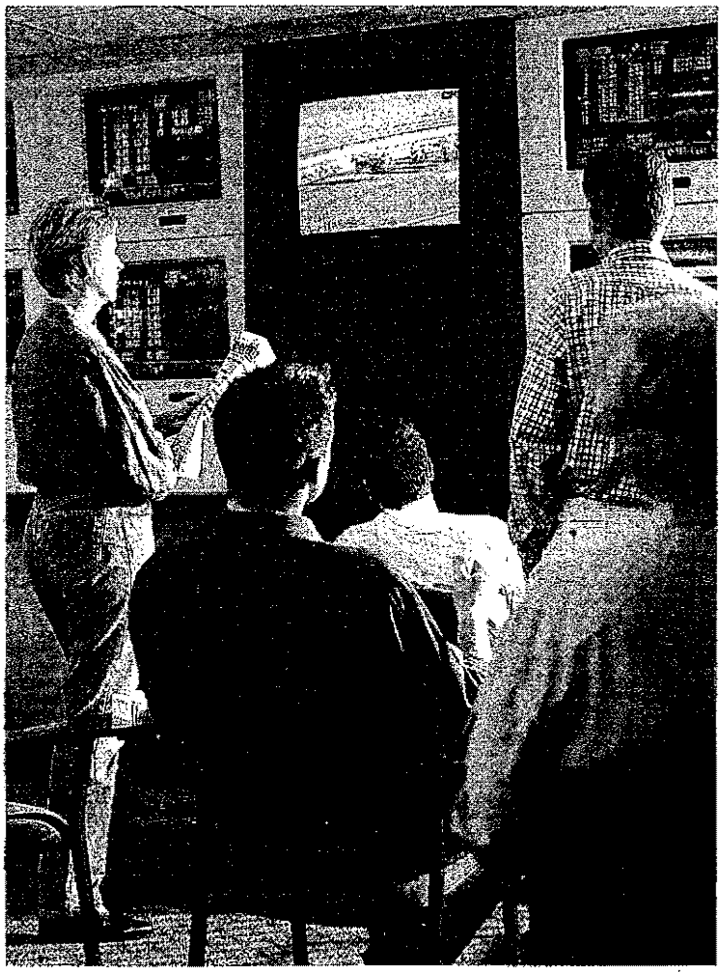
Source: Tasmanian Gaming Commission, Australian Gambling Statistics 1972-73 to 1997-98

Australian wagering is conducted as either totalisator wagering or fixed odds wagering. Totalisator wagering, which is the primary form of wagering in Australia, operates with all wagers on the one event being pooled together and paid out to bettors (after deducting the totalisator operator's commission) in the form of winnings. The odds in totalisator wagering are determined by the pattern of wagering for the particular event.

Fixed odds wagering differs from totalisators in that the odds are fixed at the time a wager is placed. The bettors' odds do not change, regardless of the pattern of wagering, subsequent to the placement of their wager.

In Australia, authorised off-course totalisators operate in each State. These totalisator operators can accept off-course totalisator wagers from people within the State (through any distribution channel) and from people interstate and overseas (through telephone or internet-accessed wagering accounts).

Australian race clubs are authorised to operate on-course totalisators. These clubs either operate the on-course totalisator themselves, or appoint a third party to operate the on-course totalisator on their behalf. In Queensland, race clubs offering a totalisator service on race meetings covered by TABQ operate as agents of TABQ.



Bookmakers can also take fixed odds wagers on-course from patrons at the racecourse and from off-course by telephone during race meetings.

Competition in Australian wagering is predominantly State based as the totalisators operate almost exclusively in their respective States. They compete with on-course betting agents in some States, bookmakers, gaming providers and, to an extent, totalisators from other States (via telephone and internet betting).

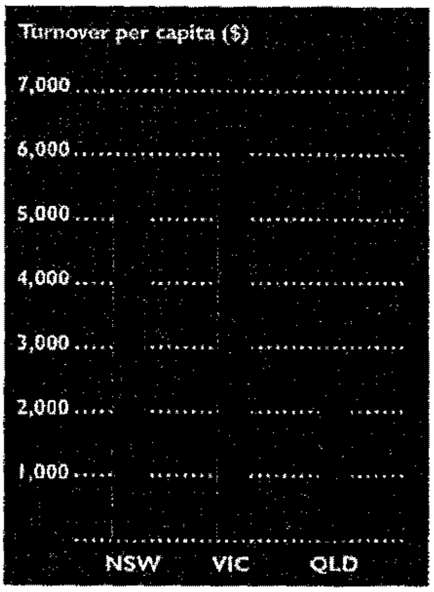
TABCorp in Victoria and TAB Limited in New South Wales are privatised. Privatisation of these TABs coincided with a restructuring in the respective States' racing industries which has provided racing programs better suited to TAB wagering.

4.3 Gaming

Gaming in Australia includes gaming machines, casinos, lotto, lotteries, pools, Keno and interactive and charitable gaming. The gaming industry has experienced rapid growth in recent years and this growth is expected to continue.

The Australian gaming industry generated turnover of $82.7 billion in the year to 30 June 1998. Of this total, approximately $9.2 billion was generated in Queensland. This represents 11% of total Australian gaming turnover and an average growth rate of 21.1% per annum over the past three years, placing Queensland as the third largest gaming State after NSW and Victoria.

Gaming Turnover per Capita by State for the Year ended 30 June 1998



Source: Tasmanian Gaming Commission, Australian Gambling Statistics 1972-73 to 1997-98

Gaming turnover per capita in Queensland is currently lower than that in NSW and Victoria.

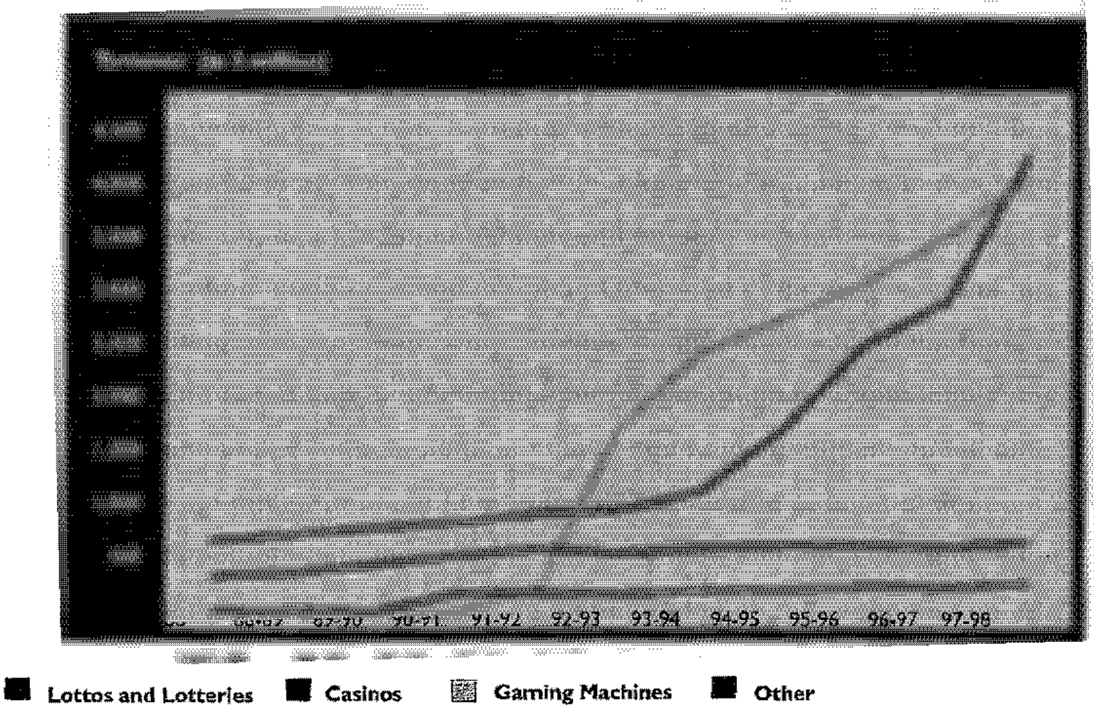
Turnover from casinos and gaming machines has increased significantly in Queensland relative to other forms of gaming as demonstrated by the following graph. Turnover from casinos and gaming machines in the year ended 30 June 1998 amounted to $4.3 billion and $4.1 billion respectively.

Gaming Machines

The introduction of gaming machines to licensed clubs and hotels in Queensland was permitted under the provisions of the *Gaming Machine Act 1991* and first commenced in 1992.

At present, there are over 28,000 gaming machines in more than 1,200 venues in Queensland.

Queensland Gaming Turnover



Source: Tasmanian Gaming Commission, Australian Gambling Statistics 1972-73 to 1997-98

Gaming Machine Venues in Queensland as at 30 June 1999*

	Number of Venues	Number of Gaming Machines
Licensed Clubs	639	17,773
Hotels	606	10,092
All Venues	1,245	27,865

** Excludes Casinos*

Source: Queensland Office of Gaming Regulation

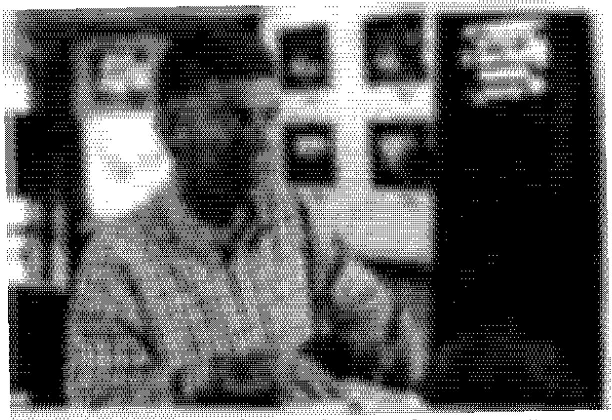
The maximum number of gaming machines currently permitted per venue is 280 for clubs and 35 for hotels.

In 1997, the Queensland Office of Gaming Regulation granted licences to a number of licensed monitoring operators (LMOs) to monitor electronic gaming machines in Queensland clubs and hotels. LMOs are required to remotely poll gaming machines and report data to the State for the calculation of gaming taxation and to ensure machine integrity. In addition, LMOs can offer linked jackpots and other value added services across the portfolio of gaming machines they monitor. Current government policy as incorporated in TABQ's LMO licence prevents any one LMO from monitoring more than 40% of total gaming machines in the State.

There has recently been some rationalisation of the LMO industry in Queensland, with Tattersall's Gaming Systems Qld Pty Ltd ACN 078 250 423 acquiring the gaming machine monitoring operations of AWA Gaming Systems Pty Ltd ACN 055 808 302 and TABQ acquiring Golden Casket's gaming machine monitoring operations. It is expected that rationalisation of LMOs will continue over the medium term creating opportunities for TABQ to acquire additional LMOs and/or win contracts to monitor new sites.

5. TABQ's Business

5.1 History



TABQ's race wagering business began in 1962. It developed rapidly until the late 1970s when demand from bettors outstripped the capacity of its manual betting systems. Betting sales grew strongly again throughout the 1980s after TABQ automated its betting systems. This growth was assisted by the introduction of new bet types, the availability of electronic betting information systems and race telecasts of a continually growing number of race meetings. The continued growth of TABQ's revenue through the 1990s has been achieved in a climate of increased competition from new gambling services. This reflects the strength of TABQ's business and management, and its highly committed customer base.

5.2 Overview of the Business

TABQ's business in Queensland currently includes:

- off-course and on-course totalisators on gallops, harness and greyhound races;
- totalisator and fixed odds betting on sporting events;
- gaming machine monitoring and value added services; and
- Keno agency.

TABQ is developing a number of new business opportunities including the further expansion of its fixed odds sports betting network and a sports tipping product which is scheduled to commence in February 2000.

5.3 TABQ's Wagering Business

On 1 July 1999, TABQ acquired its current race wagering licence which is valid for a period of 99 years. Under this licence, TABQ conducts both off-course and on-course wagering. No other race wagering licence may be granted to anyone except TABQ or a subsidiary of TABQ until 1 July 2014, unless TABQ's licence is cancelled or ceases to have effect before that date.

Revenue earned by TABQ from its totalisator operations is primarily a function of the size of the pool and the level of commissions deducted. Commission is a pre-determined percentage of the total amount wagered and is not impacted by the results of the event itself. With fixed odds wagering, on the other hand, the bettor is informed as to the odds of the wager at the time the wager is placed and hence the extent of TABQ's profit or loss depends on the outcome of the event, and the management of its book.

The majority of TABQ's total race wagering turnover is derived from win, place and trifecta products as depicted in the following chart:

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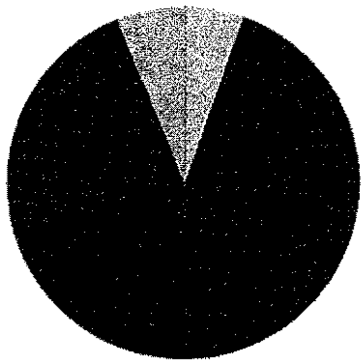
Off-course Race Wagering Turnover by Product for the Year ended 30 June 1999 (1)



Source: TABQ

TABQ conducts totalisator wagering on race meetings in Queensland and other States as well as on selected overseas races.

Wagering by Location of Race as a Percentage of TABQ's Off-course Race Wagering Turnover (1)

	Wagering Turnover (%)		
Location of Race	FY 1995	FY 1997	FY 1999
Queensland	27.5	28.5	28.0
Victoria	29.7	32.8	33.2
NSW	31.2	28.1	27.6
Other Areas	11.6	10.6	11.2
	100.0	**100.0**	**100.0**

Source: TABQ

The importance of greyhound and harness racing to TABQ's wagering turnover has increased in recent years as illustrated in the following table.

Wagering by Code as a Percentage of TABQ's Off-course Race Wagering Turnover (1)

	Wagering Turnover (%)		
Code	FY 1995	FY 1997	FY 1999
Gallops	85.6	84.0	80.2
Greyhounds	7.0	7.3	10.0
Harness	7.4	8.7	9.8
	100.0	**100.0**	**100.0**

Source: TABQ

(1) Depicts data for TABQ's off-course race wagering turnover only. This is because TABQ only assumed all of its on-course operations from 1 July 1999. The composition of on-course turnover will not materially alter the relevant share of total turnover.

Distribution

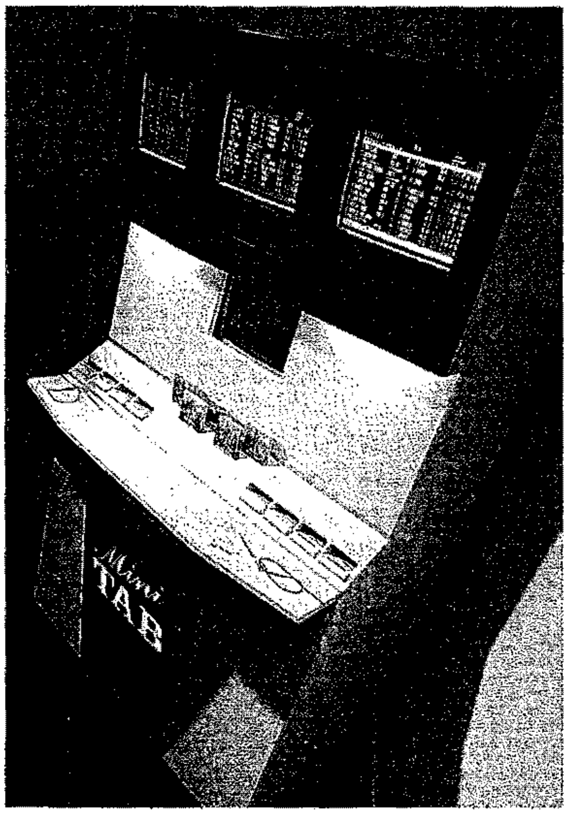
TABQ distributes its wagering products through a strategic mix of channels to meet the different needs of its customers.

TABQ Distribution Channels

Distribution Channel	Number of Outlets at 30 June 1999	Turnover FY 1999 $Million
Agencies	169	484.8
Branches	26	87.9
Hotel and ClubTABs	297	509.3
MiniTABs	80	44.2
Racetrack Agencies	56	114.7
Telephone, Interactive & Internet (80,000 Accountholders)	N/A	295.2
	628	**1,536.1**

Source: TABQ

Note: The turnover disclosed in this table includes the proforma on-course wagering turnover for FY 1999, although TABQ only assumed responsibility for on-course totalisator operations from 1 July 1999.



Since 1993, the retail mix has changed from 345 dedicated outlets to 195 and from 142 outlets located in licensed premises to 377 (including MiniTABs). This has been the result of a continuing program aimed at increasing average turnover per outlet and profitability through resiting, amalgamating, converting to PubTAB and closing a number of outlets. This has been accompanied by a substantial investment to improve fitout standards. The typical TAB is now spacious, modern and non-smoking. The retail network includes 26 branches through which TABQ tests new products and services.

The introduction of a full suite of electronically presented betting information systems in 1997 has enabled TABQ to substantially reduce the costs of establishing and operating wagering facilities. MiniTAB facilities are now located in 80 hotels and clubs where a traditional paper information system would have been uneconomic. A second generation of electronic retailing has followed the success of MiniTAB with 130 lower turnover PubTABs and ClubTABs being converted to paper free electronic operations during the first half of 1999.

The development of the distribution network has focused on profitable expansion and has favoured a selective approach to distribution rather than a saturation strategy.

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Race Broadcasting

The race and sports wagering businesses are supported by a Statewide race broadcasting service and both free to air and pay TV race telecasting services.

TABQ's wholly owned commercial race broadcasting subsidiary, Broadcasting Station 4IP Pty Ltd, trades as 4TAB and supports a network of 63 transmission sites throughout Queensland.

Race telecasts are provided through long term contracts with Sky Channel. These are telecast to TABs, hotels and clubs by Sky Channel and into homes by Austar, Foxtel and Optus Vision.

Fixed Odds Sports Betting

TABQ has been offering limited totalisator betting on sports since 1990. The primary focus has been on FootyTAB which offers a range of bet types on each round of the National Rugby League (NRL) competition in conjunction with TAB Limited. From time to time, TABQ operates totalisator betting on other sporting events such as motor racing. TABQ's sports totalisator turnover in FY 1999 was $3.3 million.

TABQ acquired an exclusive 15 year licence on 1 July 1999 to retail fixed odds sports betting (FOSB) in Queensland. Following its launch on 6 September 1999, FOSB became available through selected TABQ outlets and Telebet.

FOSB is available on a range of sports events including the NRL and Australian Football League (AFL) competitions, the Rugby World Cup, golf, cricket, tennis and motor racing. The range of events will be expanded in 2000 and will include the Sydney 2000 Olympics.

FOSB is designed to enhance the entertainment value of televised sports by providing viewers with an opportunity to participate in simple FOSB on a range of sporting events. FOSB is expected to substantially broaden the customer base served by TABQ, particularly within the 20 to 35 year old demographic.

TABQ has contracted TABCorp to provide a sports book-building service. This contract will ultimately enable TABQ to benefit from being part of a nationally presented sports betting service, supported by robust point of sale distribution networks in a number of Australian States.

Sales from FOSB are expected to increase significantly as TABQ's point of sale network is fitted with purpose-built sports betting information modules with fully interactive information terminals and becomes accessible through TABQ's internet site. This project is scheduled for completion in time to take full advantage of the early commencement of the 2000 NRL and AFL football seasons and the Sydney 2000 Olympic Games.

Sports Tipping

TABQ has appointed Golden Casket as a wagering manager to conduct and distribute a new sports wagering product which is to be styled as "sports tipping". The proposed sports tipping product will use actual sporting events to determine the outcome of the wager. The arrangement with Golden Casket is expected to heighten public awareness of sports wagering products, and extend the reach of sports wagering products to a newsagency distribution network.

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The new sports tipping product is expected to be introduced to the Queensland market in February 2000. TABQ will earn a fixed percentage of the revenue generated by Golden Casket from the sale of this product. The sports tipping product once launched is expected to provide TABQ with an immediate stream of revenue, with no initial establishment costs.

5.4 TABQ's Gaming Business

Gaming Machine Monitoring

Hotels and clubs with gaming machines in Queensland are required to appoint a Licenced Monitoring Operator (LMO) to remotely poll their gaming machines and report data to the State for the calculation of gaming taxation.

As an LMO, TABQ receives a fee for monitoring gaming machines. It was one of eight organisations awarded a licence to monitor gaming machines and the first LMO to commence monitoring operations in July 1998. By June 1999, it had contracts with almost 40% of gaming venues representing over 5,200 machines (nearly one-fifth of gaming machines in Queensland).

TABQ's competencies in on-line networks and information technology development have enabled it to become one of the lowest cost suppliers of gaming machine services in Queensland. These services are supported by an in-house information technology capability for value added services such as linked jackpots as well as gaming analysis (providing venues with diagnostics about machine performance).

The acquisition of Golden Gaming, Golden Casket's LMO business, in September 1999, has expanded TABQ's profitable gaming services business into more venues and to a significant part of the larger club market. The acquisition is expected to deliver greater returns from the gaming services infrastructure which has been developed by TABQ. By the end of September 1999, TABQ provided services to an estimated 31% of the electronic gaming machines in Queensland. Negotiations with Golden Casket are proceeding on the acquisition of the Queensland rights to a multi-venue wide area jackpot system which is being developed by Golden Gaming.

TABQ has an average remaining LMO contract term of approximately two years, which provides it with a stable customer base.

Keno

TABQ was appointed by Jupiters Gaming Pty Ltd ACN 071 366 446 as an agent to operate Keno through TABs (excluding licensed venues) and commenced operations in July 1997. More recently, Jupiters Gaming has extended the current agency arrangements to include the supply of Keno to selected small or remote country hotels. Current annual turnover from this business is approximately $19 million.

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5.5 Growth Opportunities

Growth in Wagering Earnings

TABQ has opportunities to enhance earnings derived from its existing wagering business by:

- capitalising on the growth in Queensland's population and per capita disposable income;
- benefiting from an enhanced racing product in Queensland and other Australian States; and
- implementing a number of revenue management initiatives.

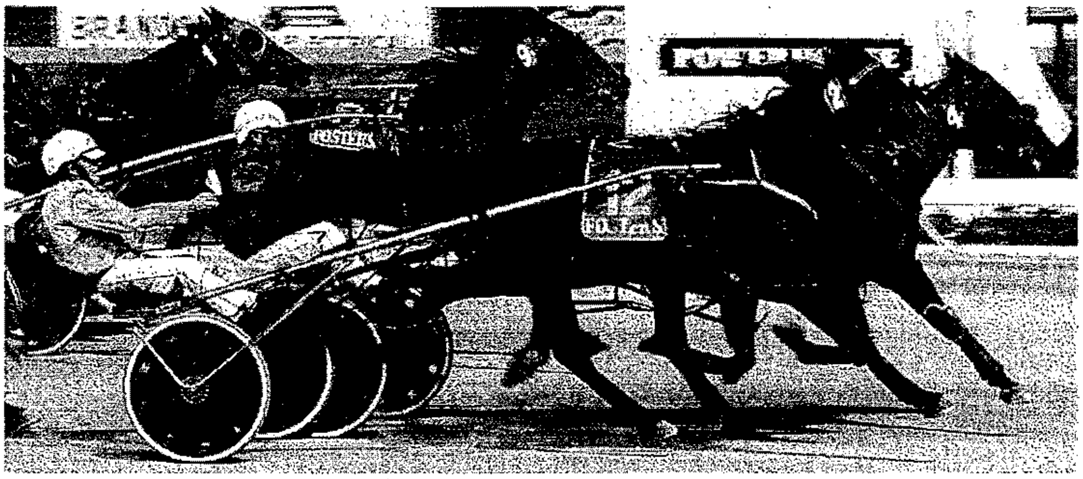
Queensland's population has grown by an average rate of 2.1% per annum during the past five years and its per capita disposable income has risen by an average rate of 3.7% per annum over the same period. These growth rates are in excess of the national average, a trend which is expected to continue.

TABQ and the race clubs have recently commenced a process of identifying program and scheduling improvements designed to stimulate betting interest. For example, the under-serviced gallops program on Tuesday afternoons will be enhanced by 19 additional gallop meetings in the year to 30 June 2000. In addition, six additional Toowoomba night meetings will coincide with the inclusion of Sydney in the interstate night-racing program, and racing will be available on five additional Sundays.

The reduction in wagering tax, the conversion from a turnover to a revenue-based tax and greater flexibility in setting the deduction rate for bet types have all improved TABQ's capacity to stimulate sales and maximise revenue.

The past prescriptive regulation of the deductions from betting has been replaced with a two tier cap. These caps limit the annual deductions from betting across all TABQ totalisators to 16% of sales. No more than 25% of TABQ totalisator sales can be deducted as commission from any individual bet type.

The new bet pricing arrangements in Queensland offer TABQ the opportunity to compete with the returns paid to customers by the other two Australian pooling system operators, TAB Limited and TABCorp. More importantly, the opportunity to vary the commissions taken from individual bet types can be used to stimulate low season sales and enhance interest in particular bet product lines.



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New Products

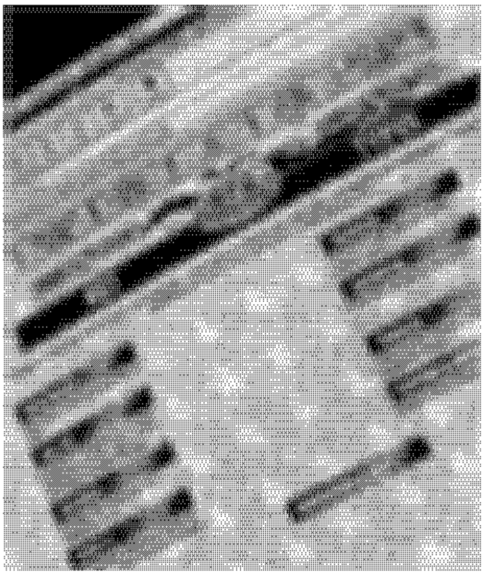
TABQ is in the process of introducing a number of new product initiatives to increase its revenue and earnings.

The recent introduction of FOSB is expected to have a positive impact on TABQ's earnings. It is anticipated that this business will provide growth into the future through the alliance with TABCORP, national recognition of the "Sportsbet" brand and TABQ's exclusive licence to distribute the products through Queensland retail channels.

The agreement with Golden Casket regarding the sports tipping product is expected to provide TABQ with revenue growth as well as access to Golden Casket's extensive customer base and distribution network.

Distribution Opportunities

Opportunities exist for TABQ to expand its distribution network through the development of new channels and gain greater access to potential customers.



The continued development of electronically presented information in TABQ outlets is likely to have a significant bearing on the future retail network. Potential benefits include race information which is more easily interpreted by bettors, lower retail support costs and smaller retail sites and, consequently, the emergence of new retail alliances within the broader leisure and entertainment industry.

TABQ has already benefited from increased betting through race telecasts on pay TV. The account base of Telebet users has risen to 80,000 from 66,000 immediately prior to the introduction of the Sky Channel home racing by Austar, Foxtel and Optus Vision in September 1998. Growth from this enhanced distribution of the racing product is expected to continue.

TABQ continues to explore the options available for the wider distribution of its services through the internet and the other emerging interactive technologies. Opportunities exist to establish alliances with internet content and infrastructure providers to extend the reach of TABQ's existing internet betting service.

Gaming Revenue Growth

Since June 1998, the total gaming machine market in Queensland has expanded from 23,000 gaming machines to over 28,000 gaming machines currently. Further growth is expected as the number of gaming machines in clubs and hotels increases within the approved limits, and as greenfield gaming sites continue to come on-line.

In addition, there are opportunities to win new business as existing contracts between gaming sites and other LMOs expire. This opportunity could increase if there is further rationalisation of the LMO industry.

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Opportunities for revenue growth arising from providing a range of value added services to venues are only beginning to emerge. A fully serviced market will include:

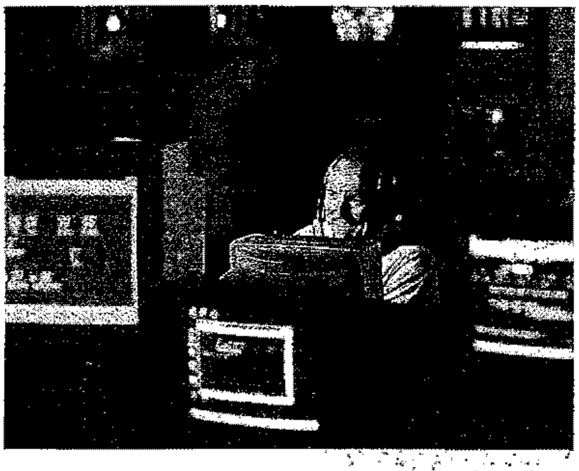
- in-house random and progressive jackpots;
- Statewide jackpots;
- gaming analysis;
- player loyalty systems;
- machine servicing;
- training; and
- machine financing.

TABQ is well positioned to generate growth through the introduction and expansion of these services.

Improved Operating Efficiency and Cost Reductions

TABQ has aggressively pursued opportunities to contain service and distribution costs by establishing a range of different distribution arrangements and by introducing alternative technologies. Recent examples include outsourcing the management of its telephone betting facility on the Gold Coast and the installation of fully electronic race day information systems to more than one third of the retail network. TABQ will continue to identify opportunities to improve efficiency.

Natural language speech recognition (NLSR), an automated client interactive system, is used in the USA and is being developed for TABQ's Telebet service. The proposed introduction of NLSR is expected to generate substantial benefits. While the costs of implementation have either been incurred in FY 1999, or are expected to be incurred in FY 2000, there is not expected to be a significant cost reduction benefit for TABQ in FY 2000. If successful, efficiency improvements from the full introduction of NLSR are expected in the following year.



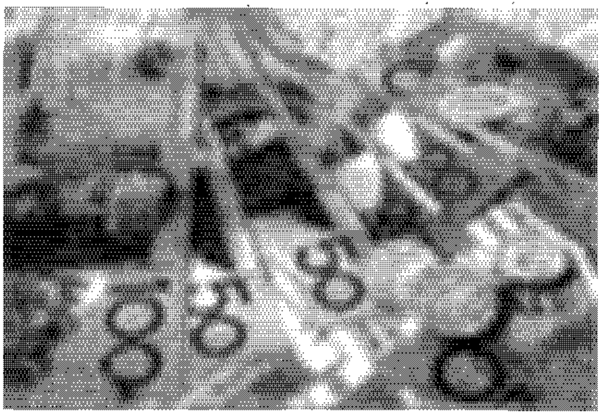
TABQ continues to investigate efficiency improvement opportunities in other areas such as building occupancy, technology, labour management and service distribution costs.

Expansion and Acquisitions

TABQ has an ongoing strategy to investigate opportunities to expand operations, make acquisitions or participate in the further rationalisation within the gambling industry. Recent examples of TABQ's success in this area have been the acquisition of Golden Gaming and the agreement with TABCorp for the introduction of FOSB. TABQ believes that there will be further opportunities in the future to grow through acquisitions and that it is in a strong financial position to act on these opportunities as they arise.

6. Financial Performance

6.1 Introduction



Set out in this section is a summary of the proforma historical results for TABQ for each of the four years ended 30 June 1996 to 30 June 1999 (historical results), and the proforma forecast for the year ending 30 June 2000 and the forecast reported results for the year ending 30 June 2000 (collectively the forecast). Throughout this Section 6 the historical results and the forecast are presented on a consolidated basis.

The historical results are based on the audited results as reported in the financial statements of TABQ. The forecast is based on actual unaudited results for the two months to 31 August 1999, plus a forecast for the remainder of FY 2000, with adjustments to the proforma forecast as outlined in Section 6.4.

Adjustments have been made to the historical results to reflect the following factors as if they had been in place throughout the period of the historical results:

- the changes introduced by the *Wagering Act 1998* and *Wagering Regulation 1999* including the reduction in wagering tax;
- the new commercial arrangements with the QRI under the Product and Program Agreement applicable in the first year following privatisation;
- the amortisation of TABQ's race wagering licence and sports wagering licence which were acquired on 1 July 1999 for a consideration of $34.0 million and $1.9 million respectively; and
- the incurring of Board fees, registry costs and ASX fees associated with being a publicly listed company.

Attention is drawn to Note 3 in the Investigating Accountants' Report which details the above adjustments and their effect on historically reported EBIT and cash flows.

The historical results are presented before interest and Federal income tax, as TABQ will:

- operate under a new capital structure; and
- be subject to Federal income tax from the date when the State ceases to beneficially own all shares in TABQ. Historically, TABQ has not been subject to the Federal income tax system other than in relation to Broadcasting Station 4IP Pty Ltd.

The historical results do not reflect any revenues or expenses relating to business development initiatives taken after 1 July 1999, such as the introduction of fixed odds sports betting and sports tipping and the acquisition of Golden Gaming.

Adjustments have also been made in the preparation of the proforma forecast for FY 2000. These are discussed further in Section 6.4. The proforma forecast for FY 2000 provides a basis for comparison with the historical results of TABQ.

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6.2 Historical Results and Proforma Forecast

Set out below are the proforma historical results and the proforma forecast for FY 2000.

The forecast for FY 2000 is based on assumptions concerning future events and the implementation of TABQ's business strategy.

Forecasts by their nature are subject to uncertainties and unexpected events, including those risks described in Section 7. Accordingly, the Directors can give no assurance that the forecast will be achieved as actual events may differ from the assumptions adopted in its preparation.

Year to 30 June $ Million	1996	1997	1998	1999	2000
	Proforma Historical				Proforma Forecast
Off-course race wagering turnover	1,294.9	1,329.0	1,344.9	1,418.1	1,441.5
On-course race wagering turnover[1]	158.9	146.9	129.5	114.7	105.0
Other wagering turnover[2]	3.0	3.1	2.5	3.3	11.7
Total wagering turnover	**1,456.8**	**1,479.0**	**1,476.9**	**1,536.1**	**1,558.2**
Total wagering revenue [1][3]	242.5	246.4	246.2	255.9	259.5
Other revenue[4]	2.3	3.0	6.5	7.2	9.7
Total revenue	**244.8**	**249.4**	**252.7**	**263.1**	**269.2**
Less expenses:[1]					
Product and program fees	(92.9)	(93.8)	(93.7)	(96.1)	(95.7)
Wagering tax	(47.3)	(48.0)	(48.0)	(49.9)	(49.7)
Agents' commission	(33.8)	(34.7)	(34.9)	(35.8)	(36.3)
Salaries, wages and associated costs	(17.4)	(17.2)	(18.9)	(22.0)	(24.3)
Other expenses	(24.0)	(24.2)	(25.5)	(27.0)	(29.4)
Net operating expenses	**(215.4)**	**(217.9)**	**(221.0)**	**(230.8)**	**(235.4)**
EBITDA	**29.4**	**31.5**	**31.7**	**32.3**	**33.8**
Depreciation	(10.2)	(9.3)	(9.5)	(9.5)	(9.7)
Amortisation[5]	(0.5)	(0.5)	(0.5)	(0.5)	(0.8)
EBIT before abnormal items	**18.7**	**21.7**	**21.7**	**22.3**	**23.3**
Abnormal items	-	(1.1)	-	(1.4)	-
EBIT after abnormal items	**18.7**	**20.6**	**21.7**	**20.9**	**23.3**
Net interest income[6]					0.5
Net profit before income tax[6]					23.8
Income tax expense[6]					(8.9)
Net profit after income tax[6]					**14.9**

Due to the nature of the proforma adjustments, the actual result reported by TABQ for FY 2000 is expected to differ from the proforma forecast set out above. Further details are set out in Section 6.4.

(1) On-course wagering turnover, revenue and operating expenses are included from 1 July 1995.
(2) Other wagering turnover for FY 2000 comprises $2.75 million from FootyTAB and $9 million from the introduction of fixed odds sports betting.
(3) Fractions and unclaimed dividends are included within wagering revenue.
(4) Other revenue includes revenue from gaming activities, Keno, sports tipping and the provision of services to an overseas totalisator operator.
(5) Wagering licences were acquired by TABQ on 1 July 1999 and have been amortised as if acquired on 1 July 1995. Amortisation of these licences is not deductible for Federal income tax purposes. The amortisation for FY 2000 also includes a charge in respect of the intangible assets arising on the acquisition of Golden Gaming during that year.
(6) Not applicable for 1996 - 1999.

6.3 Review of Results and Forecast

Four Years to June 1999

During the period from FY 1996 to FY 1999, off-course race wagering turnover grew by an average of 3.1% per annum. Over the same period, on-course race wagering turnover declined by an average of 10.3% per annum, resulting in an increase in average combined wagering turnover growth of 1.8%. This growth accelerated in FY 1999, with off-course turnover growing by 5.4% which, combined with a decline in on-course turnover of 11.4%, resulted in total wagering turnover growth of 4.0%.

TABQ's strategy of diversifying its business resulted in a significant growth in other revenue, at an average rate of 46% per annum during the period FY 1996 to FY 1999. The diversification during this period was largely achieved through the delivery of Keno products through TAB branches and agencies on behalf of the Queensland licensee, and the provision of services to an overseas totalisator operator. In FY 1999 other revenue growth of $0.7 million, or 10.8%, was recorded.

Operating expenses over the period from FY 1996 to FY 1999 rose by an average of 2.3% per annum resulting in EBIT (before abnormal items) growing at an average of 6.1% per annum.

In FY 1999, the introduction of the home racing channel to Pay TV services in September 1998 added to distribution costs as TABQ now contributes towards the production cost of the relevant programming. Following its introduction, Telebet transactions increased by nearly 50% which was the major cause of the 16.4% increase in salary costs ($3.1 million) in FY 1999. Product and program fees, wagering tax and agents' commissions grew by a combined $5.2 million which was attributable to increased wagering activity, while other expenses rose by $1.5 million during the year.

In FY 1999, EBIT before abnormal items grew by $0.6 million, or 2.8%, to $22.3 million.

Proforma Forecast for FY 2000

With continuing turnover growth and TABQ management's ongoing focus on efficiency improvements, EBIT growth, before abnormal items, is forecast to be 4.5% on a proforma basis in FY 2000.

Off-course race wagering turnover is forecast to grow by $23.4 million or 1.7% to $1,441.5 million while on-course race wagering turnover is forecast to decline by $9.7 million to $105 million, resulting in an overall growth rate of 0.9% in race wagering turnover for FY 2000. The forecast is based on recent trends in race wagering turnover and planned changes to the race calendar.

New revenue management initiatives allowed for the first time under the *Wagering Act 1998* are forecast to improve TABQ's ability to achieve revenue targets in FY 2000. This will have an enduring benefit, with room for further revenue growth in future years.

TABQ launched its fixed odds sports betting service in September 1999. Whilst turnover is expected to be limited in this start up year, it is forecast to be a significant contributor to the expected growth in wagering revenue during FY 2000. A significant contribution to other revenue is forecast to be derived from the acquisition of Golden Gaming in September 1999, thereby expanding TABQ's already successful gaming machine monitoring business by a further 3,800 gaming machines and delivering TABQ a market share of around 31% in the Queensland LMO industry.

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6.4 Forecast Reported Result for FY 2000

Due to the nature of the proforma adjustments, the actual reported result for FY 2000 is expected to differ from the proforma forecast for FY 2000. This is illustrated in the following table with the differences being described below the table.

$ Million	FY 2000 Proforma Forecast	FY 2000 Forecast Reported
Total wagering turnover	**1,558.2**	**1,558.2**
Total revenue	**269.2**	**269.2**
Net operating expenses	(235.4)	(231.8)
EBITDA	33.8	37.4
EBIT	**23.3**	**26.9**
Net interest income	0.5	1.0
Net profit before income tax	23.8	27.9
Income tax expense	(8.9)	(5.3)
Net profit after income tax	**14.9**	**22.6**

Adjustments have been made to the forecast reported result to derive the proforma forecast. These adjustments have been made to reflect the following as if they had been in place throughout the period of the proforma forecast as opposed to the actual date during the year on which they will take effect:

- the new commercial arrangements with the QRI under the Product and Program Agreement applicable in the first year following privatisation being applied from 1 July 1999 as opposed to the actual date of privatisation of TABQ. This reduces EBIT by $3.2 million on a proforma basis;
- Board fees, registry fees and ASX fees associated with being a publicly listed company, being incurred for a full year as opposed to from the date of privatisation. This reduces EBIT by $0.4 million on a proforma basis;
- interest income being earned on the capital structure reflected in the proforma balance sheet. This reduces interest income by $0.5 million on a proforma basis; and
- a Federal income tax charge being levied for the full financial year, as opposed to from the date of privatisation. This reduces net profit after income tax by $3.6 million on a proforma basis.

6.5 Assumptions Used in the Forecast

The forecast has been prepared on the basis of various assumptions, including those material assumptions set out below. This information is intended to assist investors in assessing the reasonableness of the assumptions. Applicants should be aware that actual events or outcomes may differ in size or timing from those assumed in the forecast which may have a positive or negative effect on the forecast.

The assumptions underlying the forecast reported result are the same as those underlying the proforma forecast apart from the adjustments set out in Section 6.4. In assessing the reliability of the forecast, investors should have regard to all of the information in this Offer Document. An indication of the sensitivity of the FY 2000 proforma forecast to variations in some of the assumptions is set out in Section 6.6. Potential investors are also referred to the Investigating Accountants' Report which appears in Section 9.

The forecast has been prepared on the following basis:

General Assumptions

- Federal income tax expense is based on the corporate tax rate of 36% and does not take into account potential changes to the existing Federal income tax administration and law, in particular the Ralph Report recommendations;
- there is no substantial change in TABQ's existing competitive or regulatory environment after 1 July 1999;
- TABQ continues to comply with the terms of its wagering licences and gaming licences and there are no material changes to the terms of those licences, applicable legislation or regulations;
- TABQ's accounting policies remain consistent with those in previous years, as disclosed in the Investigating Accountants' Report in Section 9;
- there are no changes in the Australian Accounting Standards, Statements of Accounting Concepts, mandatory professional reporting requirements, being Urgent Issues Group Consensus Views, or the *Corporations Law* which would have a material effect on TABQ's financial results;
- there is no material amendment to any material agreement regarding TABQ's businesses and TABQ continues to comply with the terms of those agreements;
- there are no financial effects from the introduction of GST as gaming tax arrangements are expected to be adjusted such that TABQ is in a financially neutral position;
- TABQ's Year 2000 action plan is successfully implemented so that there is no material adverse effect on TABQ's business, financial condition or results of operations arising from matters relating to the year 2000 issue; and
- Special dividend of $36 million paid to the State prior to listing on ASX.

Turnover Assumptions

- off-course race wagering turnover is forecast to increase by 1.7% in FY 2000 compared with a 5.4% increase for FY 1999;
- on-course race wagering turnover is forecast to decrease by 8.5% in FY 2000 compared with an 11.4% decrease for FY 1999;

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- the mix of race wagering products in FY 2000 is based on the actual historical mix, adjusted to reflect TABQ's new revenue management strategies to be introduced in October 1999; and
- other wagering turnover comprises $2.75 million from FootyTAB and $9 million from the introduction of fixed odds sports betting from September 1999.

Revenue Assumptions

- TABQ will earn commission at an average rate of 15.7% of on-course and off-course race wagering turnover;
- revenue from fixed odds sports betting is assumed to be 11% of turnover and revenue from FootyTAB is assumed to be 25% of turnover;
- unclaimed dividends as a percentage of turnover are forecast to remain consistent with previous years;
- fractions as a percentage of turnover are forecast to increase from 0.41% to 0.78% of turnover in October 1999 as a result of changing the unit of investment used to calculate dividends from all pool types from $1.00 to $0.50;
- interest income is calculated at 4.9% on amounts invested and cash balances;
- on 17 September 1999, TABQ acquired Golden Gaming. Revenues of $875,000 relating to this acquisition are included in the forecast with effect from that date;
- on or about 4 October 1999, TABQ entered into a wagering management agreement with Golden Casket which will allow Golden Casket to offer a Sports Tipping product under TABQ's sports wagering licence. Revenues of $725,000 for TABQ are forecast from this product in FY 2000; and
- there are no material changes in the revenues from Keno and other totalisator operations from those of FY 1999.

Expense Assumptions

- Wagering tax is payable at the rate of 20% of total wagering revenue exclusive of unpaid fractions;
- for the proforma forecast, the Product and Program Fee is calculated on the basis of $2,916,667 per month plus 25.0% of race wagering revenue exclusive of unpaid fractions and unclaimed dividends;
- salaries, wages and associated costs are forecast to increase by 10.5% in FY 2000;
- advertising expenses which include an allowance for the launch of fixed odds sports betting are forecast to increase 14.6% to $3.7 million in FY 2000;
- agents' commissions are forecast to increase by 1.4% based on rates specified in relevant agreements;
- expenses for new initiatives including those associated with the acquisition of Golden Gaming and launch of fixed odds sports betting are included within the forecast period;
- capital expenditure and investments of $18.8 million in FY 2000 are forecast to be incurred;
- on 1 July 1999, TABQ acquired a race wagering licence and a sports wagering licence for a consideration of $34 million and $1.9 million, respectively. These licences are amortised on a straight line basis over respective periods of 99 years and 15 years from that date;
- for the proforma forecast TABQ will incur $1.9 million of Board fees, registry costs and ASX fees associated with being a publicly listed company, which represents an annualised amount; and
- costs associated with this Offer excluding the listing of TABQ will be borne by the State.

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6.6 Sensitivity Analysis

The forecast is based on certain general and business assumptions about future events. TABQ's EBIT is sensitive to movements in a number of key variables.

Set out below is a summary of the sensitivity of the proforma forecast EBIT for FY 2000 to variations in a number of these key assumptions.

Care should be taken in interpreting these sensitivities. The sensitivity analysis treats each movement in the variables in isolation from the others, whereas in most cases any movements will be interdependent. In practice, TABQ management would be expected to respond to any adverse changes in one variable by taking action to minimise the net effect on TABQ's earnings.

Sensitivity

	Impact on FY 2000 Proforma Forecast EBIT $Million
+/- 1% in off-course race wagering turnover	+/- 0.9
+/- 1% in on-course race wagering turnover	+/- 0.04
+/- 0.1% in average TABQ race wagering commission rate	+/- 0.7
+/- 10% in fixed odds sports wagering turnover	+/- 0.06
+/- 10% in gaming services revenue	+/- 0.25
+/- 10% in sports tipping turnover	+/- 0.07
+/- 1% in salaries, wages and associated costs	-/+ 0.24

6.7 Outlook Beyond 2000

TABQ is pursuing a number of initiatives in FY 2000 including new products, active wagering revenue management and implementation of new technology. As these are being introduced throughout the year, the potential full year benefits from these initiatives are not reflected in the forecast. The following information is provided to give an indication of the potential effect on EBIT of a full year of operation of these initiatives, assuming the successful implementation of TABQ's business strategy in respect of each initiative. This is not a FY 2001 forecast since no consideration has been given to other elements of TABQ's business (in terms of both revenue and expenses) which would also be expected to vary over time. No assurances can be provided that the estimates discussed below will be achieved.

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Fixed Odds Sports Betting

FOSB, which commenced on 6 September 1999, is forecast to generate $9 million in turnover in FY 2000. Management estimates that turnover for a full year of operations will be around $30 million which would add an incremental contribution to EBIT of nearly $1 million to the FY 2000 forecast, assuming a book win rate consistent with that currently achieved by the book manager.

Sports Tipping

The Sports Tipping product is scheduled to be launched in February 2000 to coincide with the commencement of the NRL and ARL competitions. TABQ estimates that, for a full year of established operations, this product could provide an additional $1 million in EBIT to the FY 2000 forecast.

Gaming Machine Monitoring Services

The acquisition of Golden Gaming has made TABQ the largest supplier of gaming machine monitoring services in Queensland. TABQ now monitors approximately 31% of the gaming machines in Queensland. TABQ estimates that the incremental EBIT from Golden Gaming for a full year of operations will be approximately $250,000 to the FY 2000 forecast. Additionally, there is potential within TABQ's overall gaming machine monitoring business to cross-sell gaming products and services.

Revenue Management

TABQ has the ability to manage totalisator wagering revenue through varying commission rates, which cannot exceed 25% on any totalisator bet type and 16% across all totalisator pools. Unclaimed dividends and unpaid fractions are not included in the calculation of these limits. These commission rates can now be adjusted in conjunction with the introduction of new policies on roundings and unclaimed dividends. The forecast for FY 2000 is based on a commission rate below TABQ's permitted maximum. TABQ's ability to increase earnings by varying this commission rate is illustrated in the Sensitivity Analysis in Section 6.6.

Natural Language Speech Recognition

The NLSR initiative, if successful, will enable TABQ to provide a fully automated telephone service for a portion of its Telebet customers. Whilst the majority of costs associated with this initiative are reflected in the FY 1999 proforma result and the FY 2000 forecast, no savings are reflected in the forecast as the introduction is assumed to be from June 2000. Potential full year cost savings of up to $1.5 million per annum are expected by TABQ.

Product and Program Fee

The proforma forecast assumes the product and program fee applicable to the first full year of privatisation. If the fee had been calculated using the fee rates applicable for the period from the first to the fourth anniversary of privatisation, the proforma forecast EBIT would have reduced by $3.6 million. If the rates applicable to the period after the fourth anniversary of privatisation were adopted, the proforma forecast EBIT would have increased by $1.0 million.

Shareholder Communications

After listing, the shares in TABQ will be widely held which will have cost implications for sending information to shareholders. Any additional costs in this regard will not impact the results as forecast for FY 2000, but will constitute an ongoing cost thereafter.

6.8 Dividend Policy

The Directors currently intend that if TABQ achieves its forecast for FY 2000, it will pay a fully franked dividend of 10.3 cents per share in October 2000. The Directors can give no assurance as to future levels of dividends or the associated level of franking as they are subject to a number of factors including the achievement of satisfactory operating performance and ongoing capital expenditure requirements of TABQ.

6.9 Proforma Cash Flow Summary

Set out below are the proforma historical cash flow summaries together with the proforma forecast cashflow summary for FY 2000.

Year to 30 June $ Million	1996	1997	1998	1999	2000
	Proforma Historical				Proforma Forecast
Receipts from wagering customers	1,459.3	1,501.6	1,512.3	1,570.4	1,558.2
Payments to wagering customers	(1,216.9)	(1,255.1)	(1,265.3)	(1,313.5)	(1,298.7)
Net wagering receipts	242.4	246.5	247.0	256.9	259.5
Receipts from other customers	2.4	3.2	5.8	6.0	9.7
Product and program fee	(92.8)	(93.7)	(93.7)	(95.8)	(95.4)
Payments to other suppliers and employees	(74.7)	(75.5)	(78.7)	(85.0)	(90.6)
Wagering tax	(47.2)	(48.0)	(48.0)	(49.8)	(49.6)
Operating cash flow before net capital expenditure, interest and income tax	**30.1**	**32.5**	**32.4**	**32.3**	**33.6**
Payment for property, plant, equipment and investments	(9.8)	(9.6)	(8.6)	(11.2)	(18.8)
Proceeds from sale of property, plant and equipment	0.7	1.6	0.3	0.9	0.0
Net cash flow before interest, income tax and dividends	**21.0**	**24.5**	**24.1**	**22.0**	**14.8**

In the four years to FY 1999, TABQ's capital expenditure varied between $8.6 million and $11.2 million per annum, and consisted primarily of expenditure on improving service delivery through technological and facility enhancements.

The proforma forecast cash flow for FY 2000 includes forecast capital expenditure and investments of $18.8 million. This primarily relates to expenditure on technology including the development of NLSR, a major refurbishment of betting terminals to extend their life, a refurbishment of 4TAB's studio, upgrading retail sites and consolidating head office occupancy.

The above proforma cash flow information should be read in conjunction with Notes 1 to 4 appearing in the Schedule to the Investigating Accountants' Report. In particular, the adjustments made to historical financial information in order to produce the proforma cash flow statements are described in Note 3 of that Schedule.

Application Section

Checklist for Completing and Lodging Your TABQ Share Offer Application Form

To ensure your Application Form is completed correctly, follow the checklist below and the detailed instructions on "How to fill out the Application Form" on pages A2 and A3. Please also refer to "Details of the Offer" in Section 2 of the Offer Document. Photocopies of the Application Form will not be accepted. Please write clearly in capital letters using black ink. Please do not write outside of the white boxes.

Please apply as soon as possible. The State has the right to vary the dates and times of the Offer without notifying any recipient of this Offer Document.

STEP 1 Complete the Application Form

Complete the Application Form in accordance with the instructions herein. You must complete your details correctly. Detailed guidance on how to do this is given on page A2, A3 and A4.

STEP 2 Complete your cheque(s)

DO NOT SEND CASH

Please be careful when calculating the correct amount for your cheque. The Retail Offer has a different price depending on what type of applicant you are:

- **Public Applicants / Eligible Employees and Agents of TABQ** - If you are applying for Shares under the Retail Offer (other than Broker Firm Applicants), you must apply for Shares at $2.00 per Share; and
- **Broker Firm Applicants** - If you are applying for a firm allocation of Shares provided by your Stockbroker, you must apply for Shares at the price of $2.10 per Share. If you are uncertain whether you have been provided with a firm allocation of Shares, please contact your Stockbroker. Firm applications must be lodged with your Stockbroker.

To calculate the correct amount for your cheque, use the Ready Reckoner appearing on page A4.

Your cheque(s) should be made payable to "**TAB Queensland Share Offer**" and crossed "Not Negotiable". Cheques must be in Australian dollars (A$) and drawn on an Australian branch of an Australian represented bank.

Cheques will be deposited on the day of receipt.
If your cheque is returned unpaid (dishonored), your application will be rejected.

Pin (DO NOT STAPLE) the cheque(s) horizontally to the bottom of the Application Form where indicated.

STEP 3 Record your Application number

For future reference, record your Application number which you can find on the top left corner of the Application Form (a space is provided on page A2 for your convenience). Your Application number can be used to check on your final allocation of Shares via the TABQ Share Offer Call Centre or the State's website *www.treasury.qld.gov.au* after the Share allocation takes place (Applicants who have provided a CHESS HIN on the Application Form should use their HIN number to check their allocation of Shares).

STEP 4 Fold as shown

Fold the Application Form where indicated.

STEP 5 Lodge your Application

Application Forms and cheques may be lodged with or mailed to:
- any office of the Joint Lead Managers or Co-Managers;
- any other Stockbroker; or
- the Share Registry, Computershare Registry Services Pty Limited, at:

If mailed (no stamp required):	If personally delivered:
TAB Queensland Share Offer	**Level 32**
Reply Paid 6545	**Central Plaza One**
GPO Box 6545	**345 Queen Street**
Brisbane QLD 9030	**Brisbane QLD 4000**

The Application Form and cheque(s) must be **received** by the Share Registry no later than 5.00pm (Queensland time) on the relevant closing dates shown on Page 1 of the Offer Document and in Section 2 of the Offer Document, unless varied. Please allow sufficient time for postal delivery. Applications received at any office of the Joint Lead Managers by the relevant closing time and date will be treated as having been received by the Share Registry.

If you need further information on how to apply for Shares, please contact your Stockbroker or call the TABQ Share Offer Call Centre on *Freecall 1800 333 053.

Payphones, mobile phones may incur additional charges.

6.10 Proforma Balance Sheet

The proforma balance sheet is based on the reported balance sheet as at 30 June 1999 as contained in the audited financial statements of TABQ for FY 1999. It has been prepared as if TABQ had acquired its wagering licences as at that date, paid a dividend to the State of $36 million and as if the capital structure following the date of transfer of Shares under this Offer was in effect.

Proforma Balance Sheet as at 30 June 1999

$'000	Actual	Proforma Adjustments	Proforma
Current assets			
Cash	9,805	-	9,805
Receivables	2,650	-	2,650
Investments[3]	36,000	(36,000)	-
Inventories	995	-	995
Total current assets	**49,450**	**(36,000)**	**13,450**
Non-current assets			
Receivables	447	-	447
Property, plant and equipment	38,193	-	38,193
Intangibles[2]	1,858	35,900	37,758
Total non-current assets	**40,498**	**35,900**	**76,398**
Total assets	**89,948**	**(100)**	**89,848**
Current liabilities			
Creditors[4]	32,184	-	32,184
Provisions	3,912	-	3,912
Total current liabilities	**36,096**	**-**	**36,096**
Non-current liabilities			
Provisions	2,479	-	2,479
Total non-current liabilities	**2,479**	**-**	**2,479**
Total liabilities	**38,575**	**-**	**38,575**
Net assets	**51,373**	**(100)**	**51,273**
Equity			
Share capital[2]	-	35,900	35,900
Asset revaluation reserve	6,604	-	6,604
Accumulated profits[1][3]	44,769	(36,000)	8,769
Total equity	**51,373**	**(100)**	**51,273**

(1) Actual accumulated profits represent an aggregation of the following reserves disclosed in the annual report at 30 June 1999:

	$,000
Establishment and capital	11,654
Reserve for distribution	5,588
Capital reserve	28,554
Accumulated losses	(1,027)
	44,769

(2) Following corporatisation on 1 July 1999 TABQ had an issued capital of 10 shares. On 4 October 1999 an 11.37 million for 1 share split occurred resulting in an issued capital of 113.7 million shares. On 1 July 1999 TABQ acquired a race wagering licence and a sports wagering licence for consideration of $34 million and $1.9 million respectively. The consideration was satisfied on 4 October 1999 by the issue of 17.1 million shares thereby increasing the issued capital to 130.8 million shares.

(3) Special dividend of $36 million paid to the State prior to listing on ASX.

(4) Current liabilities at 30 June 1999 include approximately $15.7 million relating to residual creditors in respect of the previous wagering and racing regimes which are payable in October 1999. Based on the achievement of assumptions underlying the FY 2000 forecast, TABQ has estimated that after payment of the $36 million special dividend to the State it will not require any external borrowing to meet its financial obligations in FY 2000 as and when they fall due. Furthermore TABQ has estimated it will have a positive proforma cash flow in FY 2000. (Refer 6.9 Proforma Cash Flow Summary).

This proforma balance sheet should be read in conjunction with the audited balance sheet and notes thereto appearing in the Schedule to the Investigating Accountants' Report.

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7. Risk Factors

Many factors may affect the financial performance of TABQ and/or the price of its shares. These include the overall economic conditions in Queensland and Australia, changes in government policies, investor perceptions and movements in stock markets.

Before making an investment decision, investors should carefully consider the following risk factors as well as the other information in this Offer Document.

Competition

The performance of TABQ may be adversely affected by competition in the wagering and gaming markets in Queensland and, to some extent, other jurisdictions.

In wagering markets, TABQ competes with bookmakers in Queensland. To some extent, it also competes with interstate and international wagering operators, which can accept off-course wagers from customers located in Queensland through telecommunications media, such as telephones and the internet.

Although TABQ believes its businesses can compete effectively against other wagering and gaming products and has the benefit of exclusive licences for point of sale off-course wagering in Queensland, no assurances can be given that TABQ's businesses and operating results will not be adversely affected by competition in the wagering industry.

TABQ's gaming machine monitoring business competes with a number of LMOs operating in Queensland. Although TABQ has been able to increase its market share, no assurances can be given that competition will not adversely impact its gaming business in future. In addition, existing policy generally restricts TABQ from monitoring in excess of 40% of gaming machines in the State. This may restrict TABQ's ability to respond to changes in this market.

Racing Product

TABQ's race wagering business is dependent on the provision of racing product to its customers. TABQ does not control the racing product or the activities of racing bodies that supply the product upon which TABQ accepts wagers.

Racing and other betting events can be disrupted by inclement weather. TABQ's exposure to weather has been reduced substantially by building its betting calendar around an Australia-wide racing program. Nevertheless, there have been times when excessively wet weather patterns have simultaneously affected racing around Australia.

Publicity relating to the racing industry and the racing product in Australia also impacts public sentiment towards the industry and the attraction of wagering on racing. TABQ cannot control the public image of racing. Any adverse publicity directed towards the industry in general, and in particular the QRI, has the potential to reduce TABQ turnover.

TABQ believes it is important that its customers are provided with accurate and timely racing information. If the quality of coverage of racing and racing information in print and broadcast media materially deteriorates, TABQ's business may be adversely affected.

During the 1990s, the QRI has faced increased competition from racing industries in other States, particularly Victoria and New South Wales. The increased level of funding which TABQ expects the QRI to receive due to the Product and Program Agreement may assist the QRI to increase the attractiveness of racing in Queensland. However, if the competitive position of the QRI deteriorates, TABQ's turnover may be adversely affected.

No Australian race club currently levies charges on interstate totalisator operators, such as TABQ, for the provision of their racing product. TABQ believes it is likely that Queensland's position in the Australian market will be reasonably protected whilst the total TABQ betting on interstate racing is approximately equal to the total of interstate betting on Queensland racing. Furthermore, if the interstate racing product is not provided under the Product and Program Agreement, any charge incurred by TABQ for the provision of interstate racing product may be offset against the product and program fees paid under the Product and Program Agreement.

Industry Regulation

The framework within which wagering and gaming activities may be conducted in Queensland is set out in legislation. Generally, the legislation provides for licensing of industry participants. The regulatory regime in Queensland may change over time in light of factors such as new Government policies and industry development. Actions and policies of the current or any future State Government in changing legislation, regulations or licence conditions in relation to wagering and gaming or in administering the regulatory regime may adversely impact TABQ.

TABQ's New Businesses

Fixed Odds Sports Betting - TABQ expects that turnover on FOSB will become significant over time. In contrast to totalisators, FOSB by its nature carries a degree of risk, as it will be possible for TABQ to make a loss on any event on which it offers FOSB. TABQ has implemented appropriate risk management practices and has contracted with TABCorp to provide a bookbuilding service. If TABQ and TABCorp are unsuccessful in managing this risk, TABQ's profitability may be adversely affected.

Sports Tipping - Revenue from sports tipping is contingent on the introduction of the new product early in 2000. TABQ's forecast may be adversely impacted if the sports tipping forecast results are not achieved.

Computer Systems

Effective and efficient computer systems are integral to the successful operation of TABQ's wagering and gaming businesses.

Although TABQ has been able to consistently achieve a high level of operational systems availability from its totalisator systems and has a fully tested back-up site, no assurances can be given that substantial business losses and costs of systems recovery would not be incurred by TABQ in the event of partial or total failure of its systems.

Year 2000 Date Change

TABQ has undertaken, and is continuing to undertake, a program designed to make TABQ's computer systems Year 2000 compliant. TABQ is continuing to regularly monitor and review with management and independent consultants TABQ's Year 2000 action plan. TABQ is also investigating with its key suppliers ways to ensure its operations will not be adversely impacted by the Year 2000 date change. Details of TABQ's Year 2000 action plan are set out in Section 10.4.

The Year 2000 issue is unique. No assurance can be given that the Year 2000 date change will not adversely affect TABQ's operations.

TABQ's Reputation

In providing wagering and gaming services, it is essential that the operator has a reputation for the highest integrity. TABQ's brand name is widely recognised within Queensland and is a significant asset for TABQ. The occurrence of any event or events which could have a material adverse impact on the reputation of TABQ may have an adverse impact on its turnover and profitability.

Changes to Tax Law

The introduction of the goods and services tax (GST) from 1 July 2000 is beyond the forecast period. Introduction of the GST is scheduled to be implemented so as to have a neutral direct financial impact on gaming and wagering businesses in Australia. That is, any GST imposed on wagering and gaming is intended to be offset by a reduction in gambling taxes. However, the introduction of the GST may influence spending patterns of consumers which could have an adverse impact on expenditure on gaming and racing products and would adversely impact on TABQ's earnings.

The tax law affecting how both TABQ and investors are taxed may also change. In particular, it should be noted that potentially significant changes to Australia's taxation system are currently under consideration by the Federal Government as a part of the Government's Ralph Committee Review of Business Taxation agenda. Such changes may fundamentally alter the basis upon which income tax is determined. The lack of final legislation means there remains significant uncertainty surrounding the ultimate impact of tax reform on TABQ. Final enacted legislation is often markedly different from the initial proposals and therefore the ultimate impact of tax reform measures on TABQ, cannot be definitely confirmed at this stage.

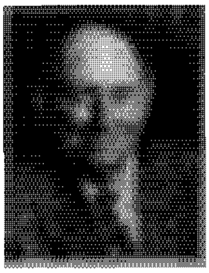
The government announcements on 21 September 1999 in response to the Ralph Committee Review of Business Taxation do not materially affect the forecast for FY 2000.

Shareholder Communications and Share Registry

The ultimate level of shareholder communication and share registry costs for FY 2000 onwards will be a function of the number of TABQ shareholders. The number of TABQ shareholders is beyond the control of the Company and may impact the level of expenses incurred.

8. Directors, Management and Staff

8.1 Board of Directors



George Chapman, Non-Executive Chairman

Mr Chapman was appointed Non-Executive Chairman in July 1999. Mr Chapman is the Executive Chairman of G.E.Chapman Pty Ltd and Skyrail Pty Ltd, which developed, owns and operates the Skyrail Rainforest Cableway in North Queensland. He previously was Chairman of the Cairns Port Authority, was Chairman of Telecasters North Queensland Limited for six years and was a director of The Ten Group Limited and Ten Network Holdings Limited. Mr Chapman holds a Bachelor of Surveying from the University of Queensland and is a Fellow of the Australian Institute of Company Directors. Mr Chapman is aged 61.

John O'Brien, Non-Executive Deputy Chairman

Mr O'Brien rejoined the Board in 1998 after being a Board member and Deputy Chairman between 1990 and 1996. He is also Chairman and Proprietor of Pacific Toyota in Cairns, and a director of Cairns Cyclones Rugby League State League Club and the Cairns Taipans National Basketball League Club. He is a former Chairman of the Cairns Jockey Club and the Queensland Racing Industry Co-ordinating Committee. Mr O'Brien is aged 49.

Dick McIlwain, Managing Director and Chief Executive

Mr McIlwain was appointed a Director in September 1999. He joined TABQ as Chief Executive in 1989 from an executive role in Australian Airlines. He has also had prior experience in the mining industry and broadcasting. He holds a Bachelor of Arts from the University of Queensland, and is a Fellow of the Australian Institute of Company Directors. Mr McIlwain is aged 52.

Robert Bentley, Non-Executive Director

Mr Bentley was appointed as a Director in 1998. He was previously Chairman and Managing Director of Austral Plywoods Pty Ltd, Chairman of the Plywoods Manufacturers Association of Australia, Chairman of the Queensland Principal Club and Chairman of the Ipswich Turf Club. He was also Chairman of the Queensland Racing Industry Co-ordinating Committee. Mr Bentley is aged 56.

John Bird, Non-Executive Director

Mr Bird was appointed a Director in 1998. He is the former Managing Partner of Brown and Bird Certified Practising Accountants, and currently Chairman of the Central Queensland Helicopter Rescue Service Ltd and a director of Ergon Energy Pty Ltd. Mr Bird is also State Treasurer of the Australian Labor Party (Qld) and Chairman of the Labor Group of Companies. He was previously Chairman of Mackay Electricity Corporation, Chairman of Mackay Electricity Board, Chairman of Mackay Regional Health Authority and a Councillor of Pioneer Shire Council. Mr Bird is a Fellow of the Australian Society of Certified Practising Accountants, a Fellow of the Taxation Institute of Australia and a registered company auditor. Mr Bird is aged 53.

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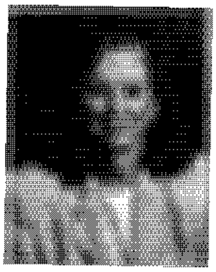
Graeme Fry, Non-Executive Director

Mr Fry was appointed a Director in July 1999. Mr Fry is also a Director of Queensland Cotton Holdings Ltd and a director of Consolidated Manufacturing Industries Limited. He was previously a Senior Partner at Deloitte Touche Tohmatsu, a director of Allgas Energy Ltd and of Seismic Supply International Pty Ltd. Mr Fry is a Fellow of the Institute of Chartered Accountants, a registered company auditor, a member of the Australian Institute of Company Directors, and a member of the Taxation Institute of Australia. Mr Fry is aged 57.

Wayne Myers, Non-Executive Director

Mr Myers was appointed a Director in 1998. Since 1997, he has been General Manager Queensland for AAPT Telecommunications Limited. He had previously held the positions of Deputy Chairman and Managing Director of the Global Private Systems Group (Australia, New Zealand, and the SAARC Region of Asia) of Lucent Technologies Australia Ltd, Queensland Manager for AT&T and Queensland Manager of NEC Australia Pty Ltd. He is currently Chairman of the State's Communications and Information Advisory Board, and a Trustee of the Lang Park Trust. Mr Myers was previously a member of the TABQ Board between 1990 and 1996. Mr Myers is aged 45.



Helen Nugent, Non-Executive Director

Dr Nugent was appointed a Director in July 1999. She is also a non-executive director of Macquarie Bank Ltd, a non-executive director of United Energy Ltd, Chairperson of the Ministerial Inquiry into the Major Performing Arts and Deputy Chair of the Australia Council. Dr Nugent was previously Director of Strategy at Westpac Banking Corporation, a non-executive director of State Bank of NSW, a non-executive director of Mercantile Mutual Holdings Ltd, Professor in Management and director of the Master of Business Administration program at the Australian Graduate School of Management, a Principal of McKinsey and Co, and the Deputy Chair of Opera Australia. Dr Nugent is a Fellow of the Institute of Company Directors and council member of the Australian Institute of Company Directors (NSW Division) as well as a member of the Harvard Club of Australia. Dr Nugent is aged 50.

8.2 Senior Management

In addition to the Chief Executive, the key members of the TABQ senior management team are as follows:

Michael Carr, General Manager - Marketing and Sales

Mr Carr leads both the wagering and gaming services marketing teams. He joined TABQ in 1995 after holding senior marketing roles in the tourism industry with P&O, Southern Pacific Hotels Corporation, and Sitmar Cruises. His formal qualifications include a Bachelor of Commerce (Marketing) and a Master of Business Administration.

Barrie Fletton, Chief Financial Officer and Company Secretary

Mr Fletton joined TABQ in 1992 as Manager - Finance and was promoted to his current position in 1995. Mr Fletton has more than 25 years experience in finance and management. He holds a Bachelor of Business and is a Fellow of both the Institute of Chartered Accountants in Australia and the Chartered Institute of Company Secretaries.

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Bruce Houston, General Manager - Operations

Mr Houston joined TABQ in 1995 as Executive Manager - External Relations and was appointed General Manager - Operations in July 1999. Prior to joining TABQ, he was Senior Policy Adviser to the Queensland Minister for Tourism, Sport and Racing from 1990 to 1995. He had previously worked for 17 years with Ansett, culminating in the role of National Sales Manager for the Hotels and Resorts Division.

Stephen Lawrie, General Manager - Technology

Mr Lawrie was appointed General Manager - Technology in May 1999. He began his software development career with TABQ in 1982, and has more than 16 years experience with TABQ's online wagering systems - seven of which were as Manager of the Betting Systems Group. He has also worked with the State Bank of NSW and Australia Post. He holds a degree in Applied Science - Computing from Queensland University of Technology.

8.3 Staff

Staff (full time equivalent numbers) by major category as at 30 September 1999 are summarised below:

TABQ Full Time Equivalent Employees by Area of Employment

Category	Number
Managers	28
Administration and Clerical	28
Trade-based	32
Race Operational	27
IT and Other Professional	64
Regions and Branch	79
Telebet	166
Total	**424**

Source: TABQ

8.4 Corporate Governance

Role of the Board

The Board is responsible for the overall corporate governance of TABQ. The Board recognises the need for the highest standards of behaviour and accountability.

The Board is primarily responsible for:

- formulating and approving objectives, goals and strategic direction for management;
- monitoring financial performance, including adopting annual budgets and approving TABQ's financial statements;
- ensuring that adequate systems of internal control exist and are appropriately monitored for compliance;

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- selecting the chief executive and reviewing the performance of senior operational management; and
- ensuring significant business risks are identified and appropriately managed.

The Board has established two committees, being the Audit and Governance Committee and the Remuneration and Nominations Committee, for assistance in carrying out its obligations.

Audit and Governance Committee

Audit and Governance Committee meetings are held periodically throughout the year. It is the policy of the Board that at least the majority of the members of the Committee are non-executive directors. The Committee comprises Mr John Bird and Mr Graeme Fry.

The main functions of the Committee are to:

- assess the appropriateness of accounting policies, practices and disclosures and whether the quality of financial reporting is adequate;
- review the scope and results of internal, external and compliance audits;
- maintain open lines of communication between the Board and internal auditors, external auditors and the Company compliance officers;
- review and report to the Board on the annual report and financial statements; and
- assess the adequacy of TABQ's internal controls and make informed decisions regarding compliance policies, practices and disclosures.

Remuneration and Nominations Committee

The Committee has been established to review the remuneration policies of TABQ and packages of all directors and senior executive officers on at least an annual basis. The Committee will periodically review the composition of the Board and make recommendations to ensure that the Board comprises persons who have the skill and experience appropriate for the business activities and operations undertaken by TABQ. The Committee comprises Mr George Chapman, Mr John O'Brien and Dr Helen Nugent.

Ethical Standards

Code

TABQ has adopted the corporate governance principles published by the Australian Institute of Company Directors. A code of conduct has been adopted and distributed to all staff.

Apart from legal obligations, directors are required to disclose any potential conflict of interest. Where the Board is considering a matter in which a Board member has an interest, that member will not be present while the matter is being considered and will not vote on the matter.

Confidential or sensitive information, the disclosure of which may adversely affect TABQ, may not be divulged or communicated to persons not employed or engaged by the Board.

TABQ intends to establish insider trading guidelines for staff to ensure that unpublished price sensitive information about TABQ or any other company is not used in an illegal manner.

Auditor

Effective from the date of listing of TABQ on ASX, PricewaterhouseCoopers has been appointed as TABQ's external auditor.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
Securities Ltd
ACN 003 311 617
Holder of dealer's licence No. 11203

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The Honourable the Treasurer
Executive Building
100 George Street
BRISBANE QLD 4000

The Directors
TAB Queensland Limited
240 Sandgate Road
ALBION QLD 4010

4 October 1999

Subject: Investigating Accountants' Report on Financial Information

Dear Treasurer and Directors

We have prepared this report on the consolidated financial information of TABQ for inclusion in an Offer Document to be dated 15 October 1999 in connection with the invitation to investors to purchase 130.8 million shares from the State of Queensland, representing 100% of TABQ's issued capital at that date.

Expressions defined in the Offer Document have the same meaning in this report. The nature of this report is such that it should be given by an entity which holds a dealer's licence under the Corporations Law. PricewaterhouseCoopers Securities Ltd is wholly owned by PricewaterhouseCoopers and holds the appropriate dealer's licence.

Background

The Totalisator Administration Board of Queensland was established as a statutory authority by the State Government to implement a legal form of off-course wagering in Queensland. The Totalisator Administration Board of Queensland has expanded into a number of new businesses in recent years, including:

- acquiring a licence to provide monitoring and value added services for gaming machines throughout Queensland; and
- entering an agency agreement for Keno and a facilities and services agreement for an overseas totalisator operator.

The Totalisator Administration Board of Queensland became corporatised on 1 July 1999 as a government owned corporation. TABQ is a continuation of, and the same legal entity as, the Totalisator Administration Board of Queensland.

With effect from 1 July 1999 the regulatory and tax regimes which applied to TABQ's wagering activities were altered by the *Wagering Act 1998* and *Wagering Regulation 1999*. TABQ acquired a 99 year race wagering licence to conduct race wagering throughout Queensland. The first 15 years of this licence are exclusive, however race wagering on a fixed price basis can be conducted on-course by licensed bookmakers, and interstate and international totalisator operators may receive wagers from people in Queensland via telephone or internet wagering accounts.

Additionally, with effect from 1 July 1999 TABQ entered into a Product and Program Agreement with the Queensland Racing Industry which sets out commercial arrangements for the provision of racing product and program to TABQ.

TABQ was also granted an exclusive 15 year sports wagering licence under the *Wagering Act 1998*, although licensed bookmakers can conduct some on-course sports wagering. As well TABQ has entered into an arrangement with Golden Casket to offer a new sports tipping product through the Golden Casket network of agents in Queensland.

Scope

You have requested PricewaterhouseCoopers Securities Ltd to prepare an Investigating Accountants' Report covering the following financial information set out in Section 6 of the Offer Document:

- the proforma historical profit and loss statements and cash flow summaries of TABQ for each of the four years ended 30 June 1996 to 30 June 1999;
- the proforma balance sheet as at 30 June 1999, which has been prepared as if TABQ had acquired its wagering licences at that date, paid a dividend of $36 million to the State, and as if the capital structure following the date of transfer of Shares under the Offer was in effect; and
- the forecast comprising the proforma forecast profit and loss statement and cash flow summary for the year ending 30 June 2000 and the forecast reported profit and loss statement for the same period.

Review of proforma historical financial information

The proforma historical financial information is set out in Section 6 of the Offer Document. The historical financial information for each of the four years ended 30 June 1996 to 30 June 1999 which forms the basis of the proforma information has been extracted from TABQ's audited financial statements. The Auditor-General of Queensland was the auditor of TABQ throughout that period and the audit reports state that the audits were conducted in accordance with Queensland Audit Office Auditing Standards to provide reasonable assurance as to whether the financial statements were free of material misstatement. Unqualified audit opinions were expressed on the financial statements.

Proforma adjustments have been made to the historical reported financial information to give effect to changes introduced by the *Wagering Act 1998 and Wagering Regulation 1999*, the new commercial arrangements with the Queensland Racing Industry under the Product and Program Agreement applicable in the first year following privatisation, amortisation of the race wagering and sports wagering licences based on the wagering authority fee levied of $34 million and $1.9 million respectively which is in the range of a valuation by PricewaterhouseCoopers Securities Ltd, and additional expenses associated with TABQ operating as a listed company, comprising registry costs, ASX listing fees and Board fees and expenses. These proforma adjustments are described in Note 3 of the Schedule to this report.

The objective of these proforma adjustments is to reflect the position as if these adjustments had been in effect since 1 July 1995. The proforma historical financial information is not necessarily indicative of actual results of operations and cash flows that would have been achieved by TABQ had the changes described above occurred earlier, nor is it necessarily indicative of future results.

We have conducted our review of the proforma historical financial information in accordance with Australian Auditing Standards applicable to review engagements. We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances, including:

- analytical review of the historical financial information;
- comparison of consistency in application of applicable Accounting Standards and accounting policies;
- review of work papers, accounting records and other documents; and
- inquiry of Directors, management and others.

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These review procedures were substantially less in scope than an audit examination conducted in accordance with Australian Auditing Standards, the purpose of which is the expression of an opinion on financial statements taken as a whole. Accordingly, we do not express such an opinion.

Our review procedures included a review of the fair market value of the race wagering and sports wagering licences.

Opinion on proforma historical financial information

Based on our review, which is not an audit, nothing has come to our attention which would require any further adjustment to the proforma historical financial information set out in Section 6 and the Notes forming part thereof in the Schedule to this report, in order for it to present fairly the proforma profit and loss and cash flows of TABQ for each of the four years ended 30 June 1999, and the proforma balance sheet at 30 June 1999, in accordance with the basis of preparation set out in Section 6 and the Notes in the Schedule to this report, and accounting policies prescribed in Australian Accounting Standards and other mandatory professional reporting requirements.

Review of the forecast

The Directors are responsible for the preparation and presentation of the forecast including the assumptions on which it is based.

Our review of the forecast was conducted in accordance with Auditing Standard AUS 902 "Review of Financial Reports". Our procedures consisted primarily of inquiry and comparison and other such analytical review procedures we considered necessary so as to adequately evaluate whether the assumptions appear reasonable in the circumstances.

These procedures included discussion with the management of TABQ and have been undertaken to form an opinion whether anything has come to our attention which causes us to believe that TABQ's assumptions do not provide a reasonable basis for the preparation of the forecast and whether, in all material respects, the forecast is properly prepared on the basis of the assumptions and is presented fairly, on a basis consistent with Australian Accounting Standards and the accounting policies of TABQ as set out in the Schedule to this report.

Our work was not intended, planned or undertaken to specifically detect problems that may result from the inability of computer software and hardware to properly process dates related to the Year 2000 issue.

Our review is substantially less in scope than an audit examination conducted in accordance with Australian Auditing Standards. A review of this nature provides less assurance than an audit and accordingly we do not express an audit opinion on the forecast included in the Offer Document.

Opinion on the forecast

The forecast has been adopted by the Directors to provide investors with a guide to the potential future profitability of TABQ, based upon the achievement of certain economic, operating, development and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of subjective judgement involved in the preparation of forecasts. Accordingly, investors should have regard to the investment risks set out in Section 7 of the Offer Document.

The underlying assumptions are subject to significant uncertainties and contingencies which can be outside the control of TABQ. If events do not occur as assumed, actual results and distributions achieved by TABQ may vary significantly from the forecast. Accordingly, we do not express an audit opinion on the forecast, nor can we confirm or guarantee the achievement of the forecast, as future events, by their very nature, are not capable of independent substantiation.

Based on our review of the forecast:

- nothing has come to our attention which causes us to believe that the key assumptions set out in Section 6.5 of the Offer Document do not provide a reasonable basis for the forecast; and

- in our opinion, the forecast is properly compiled on the basis of the underlying assumptions and presented on a basis consistent with the accounting policies of TABQ, Australian Accounting Standards and other mandatory professional reporting requirements.

Subsequent events

Apart from the matters dealt with in this report, and having regard to the scope of our report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of TABQ have come to our attention that would require comment on, or adjustment to, the information referred to in our report or that would cause such information to be misleading or deceptive.

Without qualification to the above opinions, attention is drawn to the following matter:

The impact of the Year 2000 issue on TABQ's business, and any costs entailed in identifying and rectifying any problem that may arise out of this issue, could affect any reliance that might otherwise have been reasonable to place on the financial and other prospects of TABQ. The risks to the Company arising from the impact of the Year 2000 issue are set out in Section 7 of the Offer Document.

Declaration

Details of the involvement of PricewaterhouseCoopers Securities Ltd in the Offer Document and declarations relating to its interests are set out in Section 10.15 of the Offer Document.

Yours faithfully

Paul Lindstrom

Paul Lindstrom

Authorised Representative

David Usasz

David Usasz

Authorised Representative

INVESTIGATING ACCOUNTANTS' REPORT - SCHEDULE

The proforma historical and forecast profit and loss and cash flow statements are presented in Section 6.

This proforma financial information should be read in conjunction with Notes 1 to 4 set out below. As indicated in Note 1, in compiling this proforma financial information we have made certain adjustments to the historical results which were extracted from financial statements audited by the Auditor-General of Queensland. These adjustments are set out in Note 3.

TABQ's balance sheet as at 30 June 1999 and supporting information are set out in Note 5.

Notes to and forming part of the proforma historical financial information

1. Basis of preparation of proforma financial information

The proforma profit and loss and cash flow information has been prepared to give effect to the changes initiated by the *Wagering Act 1998 and Wagering Regulation 1999,* the new commercial arrangements with the Queensland Racing Industry under the Product and Program Agreement applicable in the first year following privatisation, amortisation of the race wagering and sports wagering licences based on the wagering authority fee levied of $34 million and $1.9 million respectively which was in the range of a valuation by PricewaterhouseCoopers Securities Ltd, and additional expenses associated with TABQ operating as a listed company, comprising registry costs, ASX listing fees and Board fees and expenses, as if they had been in effect since 1 July 1995. The proforma adjustments are described in detail in Note 3.

The proforma historical financial information is not necessarily indicative of the actual results of TABQ's operations and cash flows that would have been attained by TABQ had the matters described above occurred earlier, nor is it necessarily indicative of future results.

The historical financial statements for the four years ended 30 June 1999, which form the basis of the proforma financial information, have been audited by the Auditor-General of Queensland and are not included in the Offer Document.

2. Statement of accounting policies

The significant accounting policies that have been applied in preparing the historical profit and loss, cash flow and balance sheet information which form the basis of the proforma historical financial information, are:

(a) Basis of preparation of the accounts

The accounting policies adopted comply with the requirements of the *Financial Administration and Audit Act 1977,* Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views. The proforma financial information has been prepared on a full accrual basis and in accordance with the historical cost convention and does not take into account changing money values except where otherwise stated. The accounting policies have been consistently applied, unless stated to the contrary.

(b) Principles of consolidation

The consolidated financial statements are those of the economic entity comprising TABQ as the holding entity and its subsidiaries.

The consolidated financial statements include the information contained in the accounts of the holding entity and in those of its subsidiaries from acquisition date after adjusting the carrying amount of their assets to fair value. There has been no change in control since the date of acquisition.

The accounts of the subsidiaries are prepared for the same financial years as the holding entity, using consistently applied policies. All inter entity balances and transactions have been eliminated in full on consolidation.

(c) Revenue recognition

Wagering revenue represents commissions, fractions and unclaimed dividends.

Commission is set for each wagering pool, subject to a maximum of 25% of turnover on any particular pool. In any year, TABQ must return to bettors (exclusive of fractions and unclaimed dividends not claimed within twelve months) no less than 84% of the total amount wagered in that year, such that in any year TABQ's total commission deductions must not exceed 16% of turnover.

TABQ is entitled to retain fractions resulting from the rounding down of winnings to be paid to bettors and any dividends not claimed within 12 months from the conduct of on-course and off-course totalisator activities. Fractions are brought to account as revenue on completion of each wagering event. Unclaimed dividends are recognised as revenue immediately as they occur based on historical levels of unclaimed amounts.

(d) Cash

For the purpose of the statement of cash flows, cash includes cash on hand, cash at bank (net of any outstanding bank overdrafts), funds at 11 am call and bank accepted bills readily convertible to cash within two working days.

(e) Receivables

Trade debtors are recognised at the amount receivable as they are due for settlement. Collectibility of trade debtors is reviewed on an ongoing basis and debtors that are known to be uncollectible are written off. A provision for doubtful debts is raised where there is some doubt to the collectibility of the debt.

(f) Investments

Current investments consist of bank accepted bills, bank term deposits and short term money market investments excluding those referred to in Note 1(d) above. Bank accepted bills are recorded at maturity value and any unearned interest is included in trade creditors. Other current investments are recorded at cost.

Non-current investments are stated at the lower of cost or the recoverable amount.

(g) Valuation of property, plant and equipment

Fixed assets are carried at cost or valuation as determined in accordance with the Treasurer's policy "Recording and Valuation of Non-Current Physical Assets in the Queensland Public Sector" June 1997. TABQ adopts a policy whereby significant fixed assets are revalued at periods not exceeding five years. Significant fixed assets comprise freehold property, the core wagering system and assets with an individual gross carrying value in excess of $500,000.

With the exception of freehold land, fixed assets are depreciated on a straight line basis so as to allocate the net costs against revenue over the estimated useful lives of the assets. As a general policy, assets with a value in excess of $5,000 are capitalised and items under this value are charged as an expense in the year of purchase. Component parts below the threshold which form part of a major project are capitalised. In addition, some assets which form part of the retail network or attractive assets are capitalised notwithstanding their value falls below the threshold.

Capital works in progress represent contract payments and other expenditure incurred in respect of assets which are yet to be made fully operational.

(h) Intangibles

On 1 July 1999 TABQ acquired a race wagering licence and a sports wagering licence from the State for a consideration of $34 million and $1.9 million respectively. These licences are amortised over the period during which the benefit of the licences are expected to be derived, namely 99 and 15 years respectively.

The broadcasting licence of the subsidiary is shown at Directors' valuation less accumulated amortisation. The value of the licence is amortised with effect from 1 July 1999 over a period of 15 years. The Directors of Broadcasting Station 4IP Pty Limited revalued the licence as at 30 June 1999.

TABQ has a 10 year licence for conducting business as a licensed gaming machine monitoring operator. The cost of this licence is being amortised over 10 years.

TABQ has acquired a number of narrowcast licences. These licences are amortised over the period of each licence.

(i) Inventories

Inventories are valued at the lower of cost or net realisable value.

(j) Leases

The cost of operating leases, where the lessors effectively retain substantially all of the risks and benefits of ownership of the leased items, is included in the determination of operating profit over the lease term. There were no finance leases as at 30 June 1999.

(k) Trade and other creditors

The amounts reported represent liabilities for goods and services provided to TABQ prior to the end of the financial year and which are unpaid. These amounts are usually paid within 30 days of recognition, or in the case of the racing industry, at the scheduled time for distribution.

(l) Employee entitlements

The provision for employee entitlements to wages, salaries and annual leave represents the amount to which an obligation exists up to the balance date. The provision has been calculated on nominal amounts based on current wage and salary rates and includes related on-costs. Provision is made for accrued annual leave and for benefits payable to a limited number of employees remaining in the Female Retirement fund.

The liability for employee entitlements to long service leave has been recognised in accordance with current accounting standards.

Sick leave is non-vesting and total sick leave taken during the period does not exceed the total yearly sick leave entitlements. Sick leave is charged as an expense in the period in which it is taken.

All permanent TABQ employees are entitled, after serving a qualifying period, to contribute to a Superannuation Plan which provides defined benefits based on years of service and final average salary. TABQ also contributes to the plan and these contributions are legally enforceable. Actuarial assessment of the plan was last made on 1 July 1998. In the opinion of the actuary, the fund is in a sound financial condition and, based on recommended contribution rates, the assets of the fund over the ensuing three years will, in the normal course, provide adequately for the expected liabilities of the fund.

Casual employees and permanent employees who elect not to contribute to the TABQ Superannuation Plan receive benefit by way of TABQ contributions to a public superannuation fund in accordance with legislative requirements.

(m) Segment information

TABQ operates predominantly in the wagering and gaming industries in Queensland.

3. *Historical financial information and proforma financial information*

As indicated in Note 1, in compiling the proforma information in the proforma financial statements for the four years ended 30 June 1999, we made adjustments to the historical results. Such historical results were extracted from financial statements audited by the Auditor-General of Queensland. The historical financial information, adjustments made to derive the proforma financial information and explanations thereof, are set out below:

Year to 30 June $'000	1996	1997	1998	1999
EBIT as historically reported	**52,970**	**56,529**	**57,113**	**58,632**
Add/(deduct) adjustments for:				
(a) On-course wagering changes	10,469	9,663	8,576	7,683
(b) Totalisator tax and Racing Development Fund levy	87,878	89,666	89,903	93,988
(c) Wagering tax	(47,292)	(48,044)	(48,001)	(49,920)
(d) Unpaid fractions	6,017	6,144	6,174	6,290
(e) Unclaimed dividends	4,379	4,353	4,520	4,569
(f) Product and Program fee	(92,851)	(93,777)	(93,724)	(96,064)
(g) QOGR fees and charges	(598)	(598)	(598)	(598)
(i) Listed company expenses	(1,770)	(1,770)	(1,770)	(1,770)
(j) Amortisation of wagering licences	(470)	(470)	(470)	(470)
Proforma historical EBIT before abnormals	**18,732**	**21,696**	**21,723**	**22,340**

Proforma cash flow statements

Year to 30 June $'000	1996	1997	1998	1999
Net cash flow as historically reported	**54,862**	**56,760**	**60,353**	**57,749**
Add/(deduct) adjustments for:				
(a) On-course wagering changes	10,469	9,663	8,576	7,683
(b) Totalisator tax and Racing Development Fund levy	87,162	91,148	89,689	93,679
(c) Wagering tax	(47,221)	(47,981)	(48,004)	(49,760)
(d) Unpaid fractions	6,017	6,144	6,174	6,290
(e) Unclaimed dividends	4,379	4,353	4,520	4,569
(f) Product and Program fee	(92,771)	(93,699)	(93,729)	(95,869)
(g) QOGR fees and charges	(598)	(598)	(598)	(598)
(h) Extraordinary items	443	443	(1,107)	-
(i) Listed company expenses	(1,770)	(1,770)	(1,770)	(1,770)
Proforma net cash flow before interest and income tax	**20,972**	**24,463**	**24,104**	**21,973**

Commentary on adjustments

(a) On-course wagering changes

Up to 30 June 1999 TABQ provided assistance to racing clubs in the running of on-course activities for which an on-course service fee was charged.

Under the revised arrangements, TABQ will bring to account on-course wagering revenue. TABQ will pay racing clubs a 4.9% commission on all on-course turnover in addition to the Product and Program fee relating to on-course revenue.

The above adjustment reflects these new arrangements by including on-course wagering revenue and the commission payable to the racing clubs and by removing the on-course service fee and costs associated with providing these services.

(b) & (c) Wagering tax

From 1 July 1999 under the *Wagering Act* 1998 TABQ will pay a wagering tax, monthly in arrears, of 20% of the "Gross Revenue". "Gross Revenue" is the total wagering revenue as shown in the proforma profit and loss statements less unpaid fractions.

This wagering tax replaces the totalisator tax and Racing Development Fund levy previously incurred.

(d) & (e) Unpaid fractions and unclaimed dividends

Until 30 June 1999, unpaid fractions and unclaimed dividends were indirectly remitted to the Racing Development Fund. Unpaid fractions represent the rounding down of a bettor's return on a winning wager. Unclaimed dividends are uncollected returns on winning wagers.

TABQ is now entitled to retain all unpaid fractions immediately and unclaimed dividends after a period of one year.

The proforma historical financial information has been adjusted to reflect the retention by TABQ of the unpaid fractions and unclaimed dividends remitted in each of those years to the Queensland Racing Industry. Unclaimed dividends have been treated as being subject to wagering tax in the years in which they are recognised in the profit and loss statements.

(f) Product and Program fee

From 1 July 1999, TABQ pays the Queensland Racing Industry a Product and Program fee. The Product and Program fee is calculated on the following basis:

Period	Fixed fee per month	Variable fee per month*
1 July 1999 to privatisation	$2,833,333	22.0%
Privatisation to 1st anniversary of privatisation	$2,916,667	25.0%
1st anniversary of privatisation to 4th anniversary of privatisation	$2,916,667	26.5%
From 4th anniversary of privatisation to expiry or termination of Agreement	Nil	39.0%

* Percentage of Gross Wagering Revenue as is defined in the Product and Program Agreement which equates to race wagering revenue excluding unclaimed dividends and unpaid fractions.

For the purpose of the proforma financial statements, the fee has been calculated from 1 July 1995 on a fixed fee of $2,916,667 per month plus a monthly fee of 25% of race wagering revenue excluding unclaimed dividends and unpaid fractions, reflecting the arrangements for the first year of privatisation. If the fee had been calculated using the fee rates applicable from the 1st to the 4th anniversary of privatisation, the proforma 1999 EBIT would have reduced by $3.7 million.

If the rates applicable to the period after the 4th anniversary of privatisation were adopted, the proforma 1999 EBIT would have increased by $0.8 million.

The Agreement commenced on 1 July 1999 and continues for the duration of the period for which the race wagering licence grants exclusivity to TABQ.

The fee will replace the distributions of profits previously paid to the Queensland Racing Industry.

(g) *QOGR regulatory fee*

Under the race wagering licence, TABQ pays to QOGR an annual fee and other sundry licence charges from 1 July 1999 of approximately $598,000 per annum.

(h) *Extraordinary items*

Purchase of property, plant and equipment for the two years ended 30 June 1996 and 30 June 1997 have been adjusted to reflect the allocation of a sales tax refund in relation to capital items which was originally reflected as an extraordinary item of $1,107,000 in the financial statements for the year ended 30 June 1998.

(i) *Expenses associated with being a listed company*

The proforma profit and loss and cash flow statements reflect the inclusion of additional expenses associated with TABQ operating as a listed company with effect from 1 July 1995, comprising registry costs, ASX listing fees and Board fees and expenses.

(j) *Amortisation of wagering licences*

A race wagering licence and a sports wagering licence were acquired by TABQ on 1 July 1999 and have been amortised as if acquired on 1 July 1995 based on the wagering authority fee levied of $34 million and $1.9 million respectively.

4. ***Reconciliation of proforma EBIT to proforma operating cash flows before interest and income tax***

Year to 30 June **$'000**	**1996**	**1997**	**1998**	**1999**
Proforma EBIT before abnormal items	**18,732**	**21,696**	**21,723**	**22,340**
Historical reconciling items:				
Depreciation and amortisation	10,158	9,297	9,466	9,536
Development and research	(9)	-	(21)	-
Loss (profit) on sale of fixed assets	(147)	(195)	28	21
Bad debts	1	2	2	37
Increase in provisions	636	303	609	207
(Increase) decrease in trade debtors	310	21	(1,101)	(1,429)
(Increase) decrease in other debtors and prepayments	136	(10)	28	(48)
Decrease (increase) in inventories	(125)	201	195	(402)
Increase in totalisator and other deposits	69	562	1,166	1,191
Increase (decrease) in trade creditors	658	(1,492)	213	233
Interest received less interest earned	(248)	(15)	(165)	130
Additional reconciling items:				
Amortisation of wagering licences	470	470	470	470
Timing of wagering tax	71	63	(4)	160
Timing of totalisator tax	(717)	1,483	(214)	(309)
Timing of Product and Program fee	81	77	(4)	196
Proforma operating cash flows before net capital expenditure, interest and income tax	**30,076**	**32,463**	**32,391**	**32,333**

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When reconciling proforma EBIT to proforma operating cash flows before interest and income tax, the above table shows that the approach was to retain all historical reconciling items, which were included in the audited financial statements for those years. The additional reconciling items reflect the differences in cash flow and profit and loss treatment arising on the proforma adjustments described in Note 3.

5. *Balance sheet as at 30 June 1999*

Set out below is the audited balance sheet of TABQ at 30 June 1999, and notes to the balance sheet.

$'000	Note	Actual
Current assets		
Cash	(i)	9,805
Receivables	(ii)	2,650
Investments	(iii)	36,000
Inventories	(iv)	995
Total current assets		**49,450**
Non-current assets		
Receivables	(ii)	447
Property, plant and equipment	(v)	38,193
Intangibles	(vi)	1,858
Total non-current assets		**40,498**
Total assets		**89,948**
Current liabilities		
Creditors	(vii)	32,184
Provisions	(viii)	3,912
Total current liabilities		**36,096**
Non-current liabilities		
Provisions	(viii)	2,479
Total non-current liabilities		**2,479**
Total liabilities		**38,575**
Net assets		**51,373**
Equity		
Establishment and capital		11,654
Reserves		40,746
Accumulated losses	(ix)	(1,027)
Total equity		**51,373**

Notes to the Balance Sheet		30 June 1999 $'000
(i)	*Cash*	
	Investments convertible to cash within 2 working days	9,805
(ii)	*Receivables*	
	Trade debtors current	2,273
	Other debtors and prepayments	377
		2,650
	Trade debtors non current	447
		447
(iii)	*Investments*	
	Bank accepted bills	31,000
	Bank term deposits	5,000
		36,000
(iv)	*Inventories*	
	Wagering tickets	421
	Other	574
		995
(v)	*Property, plant and equipment*	
	Depreciation is charged on freehold buildings at 4% per annum and on freehold improvements at 14.3% per annum	
	Freehold land, buildings and improvements	
	At valuation - 1999	9,328
	Less accumulated depreciation	-
		9,328
	Depreciation is charged on leasehold improvements at 14.3% per annum	
	Leasehold improvements	
	At cost	12,878
	Less accumulated depreciation	6,335
		6,543
	Depreciation is charged on plant and equipment at rates ranging from 10% to 50% per annum	
	Plant and equipment	
	At valuation - 1998	770
	At cost	13,002
	Less accumulated depreciation	8,608
		5,164
	Depreciation is charged on computer equipment at rates ranging from 14.3% to 50% per annum	
	Computer equipment	
	At valuation – 1998	323
	At cost	46,553
	Less accumulated depreciation	31,928
		14,948
	Capital works in progress	2,210
	Total property, plant and equipment net book value	***38,193***

	30 June 1999 $'000
(vi) *Intangibles*	
Commercial Broadcasting Licence at directors' valuation - 1999	1,500
Narrowcast Radio Licence - written down value	155
Gaming Operators Licence - written down value	203
	1,858
(vii) *Creditors*	
Distribution due to participating clubs	12,011
Incentives due to participating clubs	1,251
Deposits, dividends and refunds due in respect of Totalisator investments	13,970
Trade creditors	4,952
	32,184
(viii) *Provisions*	
Employee entitlements	
Current	
Annual leave	1,454
Long service leave	1,008
Redundancy	1,450
	3,912
Non Current	
Long service leave	2,274
Female retirement fund	205
	2,479
(ix) *Accumulated losses*	
Accumulated losses relate to losses incurred by TABQ's subsidiary 4IP Pty Ltd	1,027
(x) *Lease commitments*	
As at 30 June 1999 the following commitments existed in respect of rental property leases	
- Not later than one year	4,505
- Later than one year but not later than two years	4,058
- Later than two years but not later than five years	7,994
- Later than five years	4,274
	20,831
(xi) *Commitments for expenditure*	
At 30 June 1999 commitments for capital expenditure were as follows:	
Wagering terminals and gaming machines	54
Purchase of Automatic Call Distribution System	876
Other	40
- Not later than one year	970

(xii) *Subsequent events*

(a) Corporatisation and privatisation process

The Totalisator Administration Board of Queensland was corporatised in accordance with the provisions of the *Government Owned Corporations Act 1993* on 1 July 1999. TABQ is a continuation of, and the same legal entity, as the Totalisator Administration Board of Queensland, as it existed prior to corporatisation.

Privatisation of TABQ is scheduled to take place during November 1999 by way of this Offer. In relation to this, the following TABQ shares have been issued:

- following corporatisation on 1 July 1999, 10 shares were issued;
- on 4 October 1999, an 11.37 million for one share split occurred resulting in an issued capital of 113.7 million shares; and
- on 4 October 1999, a further 17.1 million shares were issued to the State as consideration for the acquisition of the race wagering licence and sports wagering licence as discussed in (b) below.

(b) Wagering licences

On 1 July 1999, TABQ acquired a race wagering licence and a sports wagering licence from the State for $34 million and $1.9 million, respectively. These licences were granted under the *Wagering Act 1998*. The race wagering licence is for 99 years with the first 15 years being exclusive. The sports wagering licence is for an exclusive period of 15 years.

(c) Federal income tax

TABQ is subject to Federal income tax at the statutory rate (currently 36%) from the date when the State ceases to beneficially own all shares in TABQ.

(d) Acquisition of Golden Gaming

On 17 September 1999, TABQ acquired a 100% interest in Golden Gaming. The consideration for the acquisition was paid in cash.

(e) Payment of dividend

Prior to the listing on ASX, TABQ will pay a special dividend of $36 million to the State.

10. Additional Information

10.1 Rights of Shareholders

TABQ and therefore its Subsidiaries are wholly owned by the State. After the successful completion of the TABQ Share Offer, the State will relinquish all of its ownership of TABQ and its Subsidiaries.

The Board is responsible for the management of TABQ. After the listing of TABQ on ASX, certain matters require a resolution of shareholders, such as the election of directors, although the Board may appoint a person to fill a casual vacancy and that person will hold office as a director until TABQ's next annual general meeting.

The rights of TABQ shareholders are subject to TABQ's Constitution, which will apply from 4 October 1999 or such other date on which the Offer Document is signed. The details of the Constitution are set out in Section 10.5. Shareholders may transfer their shares subject to the Constitution, the *Corporations Law* and the requirements of ASX. Subject to any special or preferential rights attaching to any class or classes of shares, shareholders are entitled in a winding up of TABQ to share in any surplus assets in proportion to the shares held by them, less any amounts which remain unpaid on the shares at the time of distribution.

The Act contains restrictions on the number of voting shares in TABQ that may be held by a shareholder and its associates. The Minister administering the Act and TABQ also have the power to require a shareholder to provide information to determine whether the shareholder and its associates have breached any of the shareholding restrictions of the Act.

10.2 Relationship with the State

The State is offering all of its TABQ Shares for sale under the Offer. Following successful completion of the Offer, the State will cease to be a shareholder of TABQ. However, a large portion of the activities of TABQ will continue to be regulated by the State under a number of statutes including the *TAB Queensland Limited Privatisation Act 1999*, the *Wagering Act 1998*, the *Racing and Betting Act 1980*, the *Gaming Machine Act 1991* and the *Keno Act 1996*. This legislation and the licences granted under the legislation provide part of the framework within which wagering and gaming activities in Queensland are conducted and regulated. Actions and policies of the State Government in changing legislation or regulations or administering this regulatory regime may impact on TABQ. Like all regulatory regimes, the regulatory regime in Queensland may change over time in light of factors such as new policy and industry developments. The State Government may change its policy as to the regulation of wagering and gaming activities which may adversely affect the operations of TABQ, and TABQ's competitive position.

The State has provided certain immunities to Directors. They are set out in the Act. In addition, certain indemnities described in Section 10.13 have been provided.

The State will retain power following the Offer to administer the shareholding restrictions as set out in this Offer Document and as prescribed in the Act. Some of these powers are set out below.

Power to require information regarding entitlement to TABQ Shares - Until 31 August 2004, the Act enables TABQ or the Minister administering the Act to require a person who is entitled to TABQ Shares, or who they suspect of being entitled to TABQ Shares, to provide information to determine whether there is any breach of the shareholding restrictions encompassed in the Act.

Consequence of failing to provide information or breaching shareholding restrictions - Where a person (described in the Act as a prohibited holder) fails to comply with a request for information or contravenes the shareholding restrictions, the registered holder of shares to which the prohibited holder is entitled may be required to dispose of those shares or forfeit those shares to the State.

Voting or dividend rights attaching to shares to which a prohibited holder is entitled may be affected, as orders may require the disposal or forfeiture of those shares, even though the prohibited holder is not the registered holder of the shares.

Failure to comply with a request for information under the Act (or providing information which is materially false or misleading) is an offence punishable by a fine.

10.3 Prohibition on Directors

A director of TABQ is prohibited from being a director of a company that is in a position to exercise control of a commercial television broadcasting licence that has the same licence area as the commercial radio broadcasting licence which is held by TABQ's wholly owned subsidiary, Broadcasting Station 4IP Pty Ltd. This prohibition is provided under section 61 of the *Broadcasting Services Act 1992*.

If approved by the Minister, QOGR may conduct audit programs for investigating business and executive associates of TABQ. "Business and executive associates" are persons whom the Minister reasonably believes to be associated with the ownership or management of TABQ and would include directors. QOGR may conduct investigations to determine whether the associate is a suitable person to be associated with TABQ.

Under TABQ's race wagering licence and sports wagering licence, TABQ is required to ensure the vacation from office of a director in accordance with a direction of the Minister where the person is determined to no longer be a suitable person. Under the *Gaming Machine Act 1991*, it is a ground for suspending or cancelling the monitoring operator's licence if an associate is determined not to be a suitable person.

Under TABQ's race wagering licence and sports wagering licence, TABQ is not to appoint a director or alternate director without obtaining the prior written approval of the Chief Executive.

10.4 Year 2000 Disclosure

The Directors make the following disclosure in relation to TABQ and its Subsidiaries' Year 2000 action plan (TABQ's Year 2000 Action Plan):

- the aim of TABQ's Year 2000 Action Plan is to ensure that, so far as TABQ and its Subsidiaries can control, the advent of Year 2000 will not have a material adverse effect on systems, equipment and services which support its main operating divisions;
- key parts of TABQ's Year 2000 Action Plan have been tested. Testing of TABQ's major systems has been substantially concluded. The testing process has included remedial action and retesting. The validity of test results is being monitored on an ongoing basis; and
- the preparation and implementation of contingency plans, another key part of the TABQ's Year 2000 Action Plan, are well advanced. The purpose of such plans is to outline procedures to ensure continuity of service, to a reasonable standard, if failures occur in TABQ's or its Subsidiaries' critical systems. No significant delays are anticipated in respect of the contingency planning process. As with all businesses, TABQ and its Subsidiaries cannot guarantee the Year 2000 readiness of third parties whose businesses impact on TABQ's businesses. Significant third parties which TABQ and its Subsidiaries deal with include telecommunication carriers, power suppliers, utilities, customers and business partners. TABQ's contingency processes, however, include identifying major areas of operational dependency and planning for workarounds.

This statement is a Year 2000 disclosure statement for the purposes of *The Year 2000 Information Disclosure Act 1999*. A person may be afforded statutory protection from liability for this statement in certain circumstances.

10.5 Constitution

Location of Company - The Constitution enhances some of the mandatory requirements set out in the Act. TABQ and its Subsidiaries must at all times have their head office located in Queensland. Further, the residence of a majority of the directors, including the managing director of TABQ, the principal operational offices of certain Company personnel, the principal operational offices of certain Company services and the usual location for the holding of TABQ Board meetings will be in Queensland. The mandatory requirements in the Act and the Constitution set out factors to determine that the head office of TABQ is located in Queensland. The mandatory requirements are intended to prevail over any conflict or inconsistency that these provisions have with the *Corporations Law*.

Voting - Subject to compliance with the shareholding restrictions outlined in the Act, at a general meeting, every member present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll for each fully paid share held by that person, with adjustments for partly paid shares.

Dividends - The profits of TABQ which the directors from time to time determine to distribute by way of dividend are divisible amongst the members in proportion to the shares held by them less any amounts that remain unpaid at the time of declaration of the dividend.

Dividend Reinvestment Plan - The Constitution contains provisions allowing directors to implement a Dividend Reinvestment Plan. See Section 10.6 for more details.

Issuance of Further Shares - The directors may, subject to the restrictions on the allotment of shares imposed by the Constitution, the Act, ASX Listing Rules and the *Corporations Law*, allot or grant options in respect of, or otherwise dispose of, further shares on such terms and conditions as they see fit.

Transfer of Shares - Subject to the Act, holders of shares may transfer them by a proper transfer effected in accordance with the business rules of SCH and ASX and as otherwise permitted by the *Corporations Law*.

Winding Up - Subject to any special or preferential rights attaching to any class or classes of shares, members will be entitled in a winding up to share in any surplus assets of TABQ in proportion to the shares held by them, less any amounts which remain unpaid on those shares at the time of distribution.

Directors - The minimum number of directors is three. The maximum number of directors is fixed by the directors but may not be more than nine unless the shareholders of TABQ pass a resolution amending that number. A majority of the directors of TABQ, including the managing director, must be ordinarily resident in Queensland.

Directors' Indemnity - TABQ, to the extent permitted by law, indemnifies each director or executive officer and any person who has previously served in such capacity against any liability or cost incurred by the person as an officer of TABQ or a related body corporate. This includes, but is not limited to, liability for negligence or costs incurred in defending proceedings in which judgement is given in favour of the person or in which the person is acquitted. The indemnity may be extended to other officers at the discretion of the directors.

10.6 Dividend Reinvestment Plan

TABQ has established, but not implemented, a Dividend Reinvestment Plan (DRP). The DRP is to provide shareholders with a choice of reinvesting dividends in additional TABQ shares rather than receiving those dividends in cash. The directors have not commenced and do not intend to commence the DRP at the present time. The DRP will remain suspended until such time as the directors consider it appropriate to implement the DRP. The full terms and conditions of the DRP may be inspected at the registered office of TABQ during normal business hours.

Some of the features of the DRP are:

Eligibility - All TABQ shareholders are eligible to participate in the DRP except as otherwise determined by the directors. The directors may determine that the following shareholders cannot participate in the DRP:

- shareholders who have a registered address in a country where in the opinion of the directors, participation in the DRP would be unlawful, impractical or impossible;
- shareholders who are not resident in Australia and whose participation in the DRP may be subject to legal requirements in their country of residence; or
- shareholders who are prohibited by the Act.

The directors may also determine that a shareholder whose participation in the DRP could result in a breach of the Constitution or have an adverse effect on the licences held by TABQ or for which TABQ intends to apply cannot participate in the DRP or can participate only in respect of such part of their dividends as the directors determine.

Participation - Participation in the DRP is optional. TABQ shareholders who are eligible to participate in the DRP may elect to reinvest dividends on some or all of their shares by subscribing for additional fully paid TABQ shares except where, under the Constitution or otherwise by law, the directors are entitled to retain all or part of that dividend. A shareholder may terminate their participation in the DRP or increase or decrease the percentage of their shares that are to participate in the DRP at any time by giving written notice to TABQ using the prescribed form.

Issue Price of shares - The issue price of TABQ shares under the DRP will be at a discount up to 5%, unless otherwise determined by the directors, to the weighted average market price of TABQ shares sold in the ordinary course of trading on ASX in the five trading days immediately following the ceasing of 'cum dividend' trading on ASX in relation to the dividend to be paid. If no TABQ shares are sold in that period, the discount will be applied to the weighted average market price of TABQ shares sold on ASX on the last 5 days that trading occurred in the shares prior to the commencement of 'ex dividend' trading after making adjustments for the dividend and any bonus issue.

Shares issued under the DRP - The number of TABQ shares to be issued to each participant in the DRP will be determined as the nearest whole number of shares, rounded down, which would be acquired at the issue price for the amount of the dividend. Any amount of the dividend which, due to the rounding down, is not applied in paying up TABQ shares will be forgone.

Modification and Termination by the Directors - The DRP may be varied, suspended or terminated at any time by the directors giving notice, in accordance with the rules of the DRP to all shareholders participating in the DRP. A variation or suspension of the DRP takes effect on the date specified in the director's notice.

Costs - No brokerage, commission or other transaction costs and no stamp duty or other duties are payable by participants on TABQ shares issued under the DRP.

10.7 Employee Share Plan

TABQ has established an employee share plan which has been approved by its shareholders. The full terms and conditions of the plan may be inspected at the registered office of TABQ during normal business hours. The directors have not commenced and do not intend to commence the employee share plan at the present time. The employee share plan will not be commenced until such time as the directors consider it appropriate. The following is a summary of its principal terms:

Eligibility - An employee of TABQ or its subsidiaries, (including a director who holds office in an executive capacity), who has been employed or appointed as the case may be, immediately prior to an issue under the employee share plan for a period of at least 12 months or a lesser period at the Board's discretion, is eligible to participate in the employee share plan and may do so at the invitation of the Board by completing an application for shares form.

Entitlement - Shares may not be offered, issued or allotted under the employee share plan if the total number of shares issued to employees in the previous five years under the employee share plan established by TABQ together with the number of shares which would be issued if each outstanding invitation to acquire unissued shares under any other employee share or option plan established by TABQ was accepted, exceed 5% of the total number of ordinary shares issued by TABQ at the date of the offer.

Acquisition Price - The acquisition price for the shares issued under the employee share plan will be determined by the Board but will be at least as high as the market value of the shares in TABQ at the date of the offer less a discount of up to 5% on the weighted average market price for all shares in TABQ sold on ASX during the five trading days immediately preceding the date of the offer.

Employee Loans - Participating employees may, at the discretion of TABQ, participate in the Plan by way of a loan from TABQ to the participating employee. Once the Plan is established, a funding facility will be available with such finance to be available on zero interest/concessional terms, subject to all dividends being used to repay outstanding interest and principal. TABQ will have full recourse against the employee for repayment of the Loan.

Trust - A trust is to be established to enable a trustee to purchase or subscribe for shares in TABQ on behalf of participating employees.

Trustee - A corporate trustee has not as yet been appointed by the Directors of TABQ under the rules of the employee share plan. The directors of the trustee must consist of the managing director of TABQ, a representative of the employees of TABQ and such other person as TABQ nominates. The trustee may be replaced at any time by resolution of the directors of TABQ.

Further Issues - Where the trustee holds shares on behalf of a participating employee, that participating employee is able to direct the trustee to take up any rights to subscribe for shares which TABQ offers to existing shareholders.

10.8 Executive Incentive Option Plan

TABQ has established an Executive Incentive Option Plan (the Option Plan) which has been approved by its shareholders. The full terms and conditions of the Option Plan may be inspected at the registered office of TABQ during normal business hours. The Option Plan is open to executives and senior management of TABQ as determined at the absolute discretion of the directors.

A summary of its principal terms is set out below:

Grant of Options - The Board may, in its absolute discretion, grant options to purchase fully paid ordinary shares in the capital of the Company to executives and senior management of TABQ, including directors of TABQ or a company related to TABQ, or to a nominee of such person who has been approved by the directors. Options granted pursuant to the Option Plan will not be quoted on ASX.

Vesting Options - Options shall vest in the option holder at such times as the directors shall determine at the time the options are granted. The Option Plan states that as a general rule and, subject to the absolute discretion of the directors, options must vest in the option holder in tranches over a period of not more than five years. The first tranche which shall represent up to a maximum of 65% of the total options to be granted, shall not vest until the expiration of at least two years from the date of grant of the options with the remaining three tranches to be in equal proportions vesting on each remaining anniversary thereafter. Notwithstanding these time periods, the directors in their absolute discretion, may alter the time at which options may vest by giving written notification of the alteration to the option holder.

Exercise of Options - Options granted pursuant to the Option Plan are not transferable and are exercisable at any time after the options have vested in the holder and before the options lapse. Options may not be exercised until they are vested and unless the performance criteria determined by the directors at the time of grant of the options have been met by the option holder.

Exercise Price - In relation to Options issued to eligible persons specified in the Offer Document, the Retail Offer Application Price; or in relation to all other options, the greater of the weighted average closing price of TABQ ordinary shares on ASX for the five trading days immediately preceding the day on which the options were granted or twenty cents.

Lapse of Options - Options granted pursuant to the Option Plan will lapse upon the earlier of:

a. immediately on the holder of the options ceasing to be director, executive or senior manager with the Company or a company related to it for reasons involving fraud or misconduct;

b. immediately where the holder of the options is the approved nominee of a director, executive or senior manager with the Company or a company related to it and such director, executive or senior manager ceases to be such for reasons involving fraud or misconduct;

c. one month after the holder has ceased to be a director, executive or senior manager with the Company or a company related to it for reasons other than fraud or misconduct provided that the directors in their absolute discretion may extend the period of one month to such period as they may determine in respect of all or any of the options;

d. where the holder of the options is the approved nominee of a director, executive or senior manager with the Company or a company related to it, one month after such director, executive or senior manager ceases to be such for reasons other than fraud or misconduct provided that the directors in their absolute discretion may extend the period of one month to such period as they may determine in respect of all or any of the options; or

e. on the date and at the time specified by the directors at the time of the grant of the options or if not specified, on or prior to 5.00pm the day which is five years after the date on which the options were granted.

New Shares - All shares issued upon the exercise of options rank equally with TABQ's existing ordinary shares on issue. TABQ will apply for quotation on ASX of all shares issued upon the exercise of options.

Reorganisation - In the event of a reconstruction of the issued capital of the Company, the number of options to which each eligible executive or senior manager is entitled or the exercise price per share of the options or both shall be reconstructed in accordance with ASX Listing Rules and in a fair and equitable manner. If TABQ makes a bonus issue of shares or other convertible securities pro rata to shareholders, the options will be reconstructed in accordance with ASX Listing Rule 6.22.

Participation in new share issues - A holder of options may only participate in new pro rata issues of securities by TABQ if the options have been exercised and shares in TABQ allotted to that holder.

Issued Options - No options have been issued as at the date of the Offer Document. The Company has obtained an indicative approval from ASX to issue 1,000,000 options under the Option Plan to Mr Richard McIlwain, the chief executive officer of the Company after TABQ is listed on ASX. The options to be issued to Mr McIlwain will be issued within one month after the date of quotation of the securities of TABQ on ASX and in accordance with the terms set out above and will vest as follows - 625,000 after two years, 125,000 after three years, 125,000 after four years, 125,000 after five years. The options may not be exercised until the performance criteria, as determined by the Board in their absolute discretion and as detailed to Mr McIlwain on the grant of the options, has been achieved.

10.9 Regulatory Structure

This Section summarises the regulatory structure in relation to wagering and gaming laws under which TABQ operates.

TABQ's wagering and gaming activities are regulated under the *Wagering Act 1998*, *Gaming Machine Act 1991*, *Racing and Betting Act 1980*, and *Keno Act 1996*, their associated rules and regulations and the terms of any licences issued under these Acts. The Minister with primary responsibility for these Acts, except for the *Racing and Betting Act 1980*, is the Queensland Treasurer. The Minister responsible for the *Racing and Betting Act 1980* is the Minister for Tourism, Sport and Racing. QOGR is generally responsible for regulating the operation of these Acts, except for the *Racing and Betting Act 1980*. QOGR acts as a regulator to oversee the probity and integrity of the wagering and gaming industries in which TABQ operates.

Further, TABQ and its subsidiary, Golden Gaming, form one of the six organisations which monitor electronic gaming machines in Queensland clubs and hotels under the *Gaming Machine Act 1991*.

Licences

The licences mentioned below including the full terms and conditions on which they were issued to TABQ are available for inspection in accordance with Section 10.11.

Race Wagering Licence - On 1 July 1999, TABQ was granted a race wagering licence, which is valid for a period of 99 years expiring on 1 July 2098. Under the *Wagering Act 1998*, no other race wagering licence may be granted to anyone except TABQ or a wholly owned subsidiary of TABQ until 2014, unless TABQ's licence is cancelled or ceases to have effect before that date. The licence authorises TABQ to conduct, in Queensland, off-course and on-course wagering on gallops, harness and greyhound racing which is being held lawfully in Queensland or elsewhere. The licence allows TABQ to conduct wagering by way of a totalisator or on a fixed

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odds basis. Race wagering may also be conducted on-course, on a fixed odds basis, by bookmakers licensed under the *Racing and Betting Act 1980*. Race clubs may in limited circumstances obtain an on-course wagering permit. Interstate and international totalisator operators may receive wagers from people in Queensland through telephone or internet-accessed wagering accounts.

TABQ paid $34 million as a wagering authority fee for the race wagering licence. TABQ is also required to pay a quarterly regulatory fee to QOGR on 1 January, 1 April, 1 July and 1 October each year of the term. The initial quarterly regulatory fee is $137,500 for each quarter. This fee is increased on 1 October each year based on the increase in consumer price index for the previous financial year.

Sports Wagering Licence - On 1 July 1999, TABQ was granted a sports wagering licence under the *Wagering Act 1998*. The licence is valid for a period of 15 years expiring on 1 July 2014. During this period, a sports wagering licence may only be granted to TABQ or a wholly owned subsidiary of TABQ. Wagering on sporting events may also be conducted on-course by bookmakers licensed under the *Racing and Betting Act 1980*.

TABQ paid $1.9 million as a wagering authority fee for the sports wagering licence. TABQ is not required to pay any regulatory fees to QOGR in respect of this licence.

The licence authorises TABQ to conduct, in accordance with the *Wagering Act 1998*, wagering on sporting events or contingencies (whether in Australia or elsewhere) approved by the Minister and on other approved events and contingencies. Sports wagering may be conducted by way of totalisator or on a fixed odds basis.

Gaming Machine Monitoring Operator's Licence - On 18 September 1997, TABQ was granted a monitoring operator's licence under the *Gaming Machine Act 1991*. The licence was granted for a term of ten years expiring on 17 September 2007. The licence allows TABQ to monitor gaming machines in Queensland as a licensed monitoring operator under the *Gaming Machine Act 1991*.

TABQ paid $250,000 for the monitoring operator's licence. On 17 September 1999, TABQ acquired the licence and business of Golden Gaming, the gaming company previously owned by Golden Casket.

Only the holder of a monitoring operator's licence may:

- install electronic monitoring systems for licensed gaming machine venues and charge fees for monitoring; and
- monitor and install linked jackpots for gaming machines.

The licences require the holder to provide basic monitoring services to operators of gaming machines.

No exclusive rights have been granted to any monitoring operator. Individual monitoring operators must not provide services in respect of more than 40% of the total number of gaming machines under the conditions of the licence and current State Government policy. Currently, in addition to TABQ and its subsidiary, Golden Gaming, five other entities are currently actively operating as LMOs.

Wagering Act

The *Wagering Act 1998* and *Wagering Regulation 1999* impacts on the operations of TABQ by:

- requiring TABQ to pay wagering tax - the wagering tax is prescribed by regulation. Currently, for wagering conducted by means of totalisator, the tax payable monthly is the sum of 20% of the commission deducted by TABQ for the relevant month and 20% of the amount retained in that month as unclaimed dividends. Currently, for fixed odds wagering, the tax payable monthly is 20% of the total invested in the month less the amount paid out in winning bets; or if there is an ancillary wagering agreement such as an agreement by another person to provide book managing services, 20% of the win revenue generated by the manager from the book;
- regulating the amount that TABQ may deduct from amounts invested on each totalisator. The maximum commission that TABQ may deduct on any product (other than a sports tipping product) is 25% of the amount invested, with a cap on the overall deductions of 16% over a year for all totalisator operations;
- from 1 July 1999 to 30 August 1999, allowing TABQ (or a wagering manager) to retain the amount of a winning bet not claimed after a period of five years;
- from 31 August 1999, allowing TABQ (or a wagering manager) to retain the amount of a winning bet not claimed after a period of one year;
- allowing TABQ (or a wagering manager) to retain unpaid fractions;
- providing grounds for the suspension and cancellation of a licence;
- regulating key employees and key operators of TABQ and any wagering manager (which must be a corporation and approved by the Minister);
- prescribing the type of records and accounts and control systems of TABQ;
- requiring the approval of certain equipment used by TABQ in conducting its wagering operations such as its computer systems, communications network and various types of betting terminals; and

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- regulating the distribution network of TABQ so that TABQ may only appoint wagering agents who operate from specified kinds of places, such as a racing venue, retail shopping premises or other commercial premises approved by the Chief Executive, a temporary place approved by the Chief Executive, certain parts of casinos and certain parts of premises which are licensed under the *Liquor Act 1992*. TABQ may accept wagers by phone or any other form of communication.

Rules - The Minister may make rules about approved wagering. The rules bind the licensee/wagering manager and the person betting.

Under the transitional provisions of the *Wagering Act 1998* the rules in force under the now repealed section 193 of the *Racing and Betting Act 1980* and the *Racing and Betting Regulation 1981*, sections 63 to 68 and part 7 remain in force until 1 July 2000 or such earlier date upon which rules are made under the *Wagering Act 1998* superseding them.

Extension of Credit - The licensee/wagering manager or wagering agent must not make a loan or extend credit to enable a person to take part in approved wagering.

Gaming Machine Monitoring

Gaming Machine Market - The ownership and operation of gaming machines in Queensland is regulated by the *Gaming Machine Act 1991*. The *Gaming Machine Act 1991* makes playing of gaming machines legal and sets up a regime for licensing and authorising those who can manufacture, sell, own, repair, monitor and operate gaming machines.

The *Gaming Machine Act 1991* is administered by QOGR with the Queensland Gaming Commission, an independent body, being responsible for licencing and associated decisions under the legislation.

The Queensland Gaming Commission is a body corporate established under the *Gaming Machine Act 1991*. The Commission's functions conferred by the *Gaming Machine Act 1991* and the Minister include:

- granting licences for gaming machine monitoring operators;
- cancelling and suspending licences; and
- determining machine numbers for venues.

Essentially, a club or hotel may apply for a licence to operate a specified number of gaming machines. Currently, the maximum number of machines that may be allowed for a club licence is 280 and for a hotel licence is 35. The machines are to be located at approved places on the premises to which the club or hotel liquor licence relates.

Regulation of Gaming Machine Monitoring Operators - Only the holder of a monitoring operator's licence may:

- install electronic monitoring systems for licensed gaming machine venues and charge fees for monitoring; and
- monitor and install linked jackpots for gaming machines.

Monitoring fees are not prescribed and are determined by market forces.

Only monitoring operators and approved financiers may lease gaming machines to licensed gaming machine venues. A monitoring operator or approved financier may only repossess a gaming machine with the approval of the Chief Executive. No exclusive rights have been granted in relation to leasing of gaming machines and there is no restriction on the market share in relation to the market for leasing gaming machines.

The grounds for suspension and cancellation of the licence are detailed in the *Gaming Machine Act 1991*.

There are restrictions on the ownership and management of monitoring operators and disclosure requirements in relation to the change in the monitoring operator's circumstances.

Monitoring operators are to provide the Chief Executive with information on licensed key monitoring employees or key operators.

Keno

Regulation of Keno - The conduct of Keno in Queensland is governed by the *Keno Act 1996*. QOGR is responsible for the administration of the *Keno Act 1996*. Under the regulatory regime adopted for Keno, the Governor-in-Council, the Minister and Chief Executive and the Inspectors have roles as regulators in approving, directing and investigating certain matters.

Regulation of Keno Agents - Jupiters Gaming Pty Ltd was issued a Keno licence in 1997 which is for a 25 year term with a period of ten years exclusivity.

The Keno licensee can appoint agents if the person is prescribed under the regulations as a person eligible to be a Keno agent. An agent may not commence operations under an agency agreement until the end of a qualifying period. During this period, the Chief Executive is able to investigate the suitability of the agent. The Chief Executive may also conduct investigations to ensure the continuing suitability of agents.

The Keno licensee and its agents may only operate from the places approved by the Chief Executive. The regulations can provide for times that a Keno game cannot be conducted.

There is a show cause procedure which details the circumstances in which the Chief Executive may suspend or direct the termination of the agency agreement, give a direction to an agent to rectify a matter or censure an agent.

TABQ - Keno Agreement - Jupiters Gaming Pty Ltd has appointed TABQ as its agent to operate Keno games in TAB branches and agencies and agreed smaller hotels and clubs. The TABQ Keno Agreement was entered into on 23 June 1997 between TABQ and Jupiters Gaming Pty Ltd. This agreement is for a period of ten years. Under this agreement, TABQ is permitted to appoint subagents on terms consistent with the agreement and the Keno Act.

10.10 Material Contracts

Set out below are the contracts and other documents considered to be material:

Agreement for Acquisition of Golden Gaming

On 8 September 1999, TABQ entered into an agreement with Golden Casket for the purchase of its wholly owned subsidiary, Golden Gaming. Golden Gaming's business involves gaming machine monitoring and an allied services business. The completion of the acquisition by sale of all the issued shares in Golden Gaming to TABQ occurred on 17 September 1999. The agreement specified the assets of Golden Gaming at completion.

Golden Casket retained the intellectual property rights in the jackpot system known as "Mega Gold". Golden Casket and TABQ have agreed to negotiate (for a period of 90 days after completion) in respect of a hardware and software supply and Licence Agreement for Mega Gold (Mega Gold Agreement). TABQ has paid $800,000 (Mega Gold Fee) into the trust account of Golden Casket's lawyers pending the outcome of negotiations. If the Mega Gold Agreement is entered into, the Mega Gold Fee and interest accrued will be paid to Golden Casket. If the Mega Gold Agreement is not entered into, the Mega Gold Fee and interest will be paid to TABQ.

The agreement provides that Golden Casket will not apply for a monitoring operator's licence or be directly or indirectly engaged interested or concerned in licensed monitoring operations (except in respect of the provision of services to TABQ under the Sentinel Services Agreement) for a period of three years after the completion of the sale.

Gold Coast Telebet Centre Agreement

TABQ has an agreement relating to the operation of a telephone betting centre for and on behalf of TABQ. The agreement expires on 31 January 2006.

The operators of the centre agree to:

- operate and conduct the centre as a fully operational and efficient telephone betting centre;
- provide properly trained staff and services to properly and efficiently manage the telephone betting centre; and
- market and promote the activities of TABQ as required.

TABQ agrees to provide:

- the centre, data lines from the centre to the TABQ central computer, computer terminals, telephone call handling equipment an other office equipment, information services and business activity reports on the centre;
- the operators with a supply of marketing and promotional material; and
- training services, if requested.

The operators are paid fees which include annual management fees and fees calculated on the basis of available operator capacit and transactions processed.

Facilities and Services Agreement

TABQ has entered into an agreement with Asia Pacific Totalisators Limited, a licensed totalisator operator located in Vanuatu, t provide it with facilities and technical services. The agreement commenced on 15 January 1996 and continues until 15 January 200 TABQ earns revenue from fees charged to provide these facilities and services.

Keno Agreement

Jupiters Gaming Pty Ltd (Jupiters) has a licence to conduct Keno in Queensland under the *Keno Act 1996*. TABQ has a Keno Agreement with Jupiters which commenced on 23 June 1997 and is for a period of 10 years. Under this agreement, Jupiters appointed TABQ as its agent for the purpose of conducting the Keno game at TABQ branches and agencies and agreed hotels and clubs.

In accordance with the specifications provided by Jupiters Gaming and using the system software and hardware developed, modified, acquired and tested pursuant to the agreement, TABQ and subagents:

- accept Keno wagers;
- provide Keno wager data to Jupiters' host computer;
- provide Keno tickets to Keno players in accordance with the data received from Jupiters' host computer;
- pay winning Keno players in accordance with instructions received from Jupiters' host computer; and
- display Keno game information.

Jupiters pays TABQ a commission calculated as a percentage of turnover. TABQ agrees to deliver an annual marketing plan to Jupiters and expend on marketing and promotion not less than a specified portion of TABQ commission.

Domestic Agreement - Sky Channel Pty Ltd

TABQ has entered into an agreement with Sky Channel Pty Ltd for the provision to TABQ agencies of the "racing service". The "racing service" is defined to mean live television and sound broadcasts of races together with supporting commentary, programming of racing and various cinematograph films and other programs which are transmitted by Sky Channel Pty Ltd from time to time. As consideration for the provision of the racing service, TABQ pays Sky Channel Pty Ltd a fee.

The agreement commenced on 1 July 1997 and is for a term of five years. TABQ has an option to renew the agreement for a further term of five years.

Pay Television Production Cost Contribution Agreement

TABQ has entered into a Production Cost Contribution Agreement with Sky Channel Pty Ltd in relation to the production of the Sky Racing program for transmission into private homes in Australia. This agreement commenced on 5 September 1998.

The agreement will terminate on 4 September 2001 at the option of TABQ. If TABQ does not exercise its option, then the agreement will continue until 4 September 2003. TABQ then has an option to extend the agreement from 5 September 2003 to 4 September 2008.

Under the agreement, Sky Channel Pty Ltd agrees to produce, at its cost, the Sky Racing program for transmission into private homes in Australia by Optus Vision, Foxtel and Austar. TABQ agrees to pay an annual contribution fee towards the cost to Sky Channel Pty Ltd of producing the Sky Racing Program.

Wagering Management Agreement

TABQ has entered into an agreement with Golden Casket for Golden Casket to be appointed as its sole wagering manager in relation to certain sports tipping products.

Golden Casket agrees it will, at its cost:

- develop the sports tipping product;
- liaise with the regulator regarding the making of rules necessary to conduct the product;
- distribute the sports tipping product through Golden Casket's network of approximately 920 lottery agents, consisting of small business operators;
- if requested by TABQ, after 12 months following the launch of the sports tipping product, use its best endeavours to facilitate the distribution of the sports tipping product through TABQ agents and outlets nominated by TABQ; and
- develop, manage and implement the promotion of the sports tipping product.

After one year, if the product is to be distributed by TABQ agents and outlets, TABQ must at its expense and with Golden Casket's approval develop and install any necessary hardware and software for distribution of the sports tipping product by nominated TABQ agents or outlets.

In addition to any agency commission, Golden Casket agrees to pay TABQ a monthly fee which is calculated based on a percentage of the gross wagering revenue as defined in the agreement for the month.

Golden Casket will retain unclaimed winning bets. However, it may only use them for additional prizes offered as part of the sports tipping product or as prizes in the promotion of the sports tipping product.

Golden Casket will retain unpaid fractions unless otherwise specified in the rules made by the Minister in relation to the sports tipping product.

TABCorp Agreement

TABQ has entered into an agreement with TABCORP Manager Pty Ltd for TABCORP Manager Pty Ltd to provide bookbuilding services to TABQ for fixed odds investments received by TABQ.

The agreement is for a period of three years from 6 September 1999. TABQ has three options to extend the term by one year.

Under the agreement, TABCORP Manager Pty Ltd will:

- manage the fixed returns book;
- provide technical assistance to TABQ;
- licence TABQ to use the Sportsbet brand;
- provide TABQ with connection to the host risk management system;
- supply interactive voice response software and allow TABQ to use TABCORP's voice response system on certain terms;
- use best endeavours to procure the provision of Teletext services;
- make available advertising and promotional campaigns and jointly develop product and marketing strategies;
- provide administrative functions to manage cash settlements; and
- if requested, provide training on certain terms.

TABCorp Manager Pty Ltd is entitled to a fee calculated on gross book revenue.

Product and Program Agreement

TABQ has entered into a Product and Program Agreement with Product Co and the Control Bodies. The agreement commenced on 1 July 1999 and continues for the duration of the period for which the race wagering licence grants exclusivity to TABQ. Under the agreement, in return for the product and program fee paid by TABQ, Product Co agrees to supply Australian Racing Product, the Queensland Racing Calendar and the Queensland Racing Program to TABQ.

Executive Service Agreement

TABQ has entered into a two year Executive Service Agreement with its chief executive officer (CEO), Mr Richard McIlwain. The agreement is in the usual form for agreements of this nature.

The agreement contains standard confidentiality and non-competition provisions which apply for a period of one year after termination of his employment. The provisions, amongst other things, provide that on termination of the agreement, the CEO will not:

(a) anywhere within Queensland, New South Wales or Victoria directly or indirectly in any capacity, carry on, advise, provide services to or be engaged, concerned or interested in or associated with any business or activity which is competitive with any business carried on by TABQ or its subsidiaries at the date of termination of his employment;

(b) canvass, solicit or endeavour to entice away from TABQ any person who or which during the term of the agreement or at the date of termination of the agreement was or is a client or customer of or supplier to TABQ or any subsidiary or in the habit of dealing with TABQ or any of its subsidiaries;

(c) solicit, interfere with or endeavour to entice away any employee of TABQ or its subsidiaries; or

(d) counsel, procure or otherwise assist any person to do any of the acts referred to above.

10.11 Documents Available for Inspection

Copies of the following documents are available for inspection free of charge during normal office hours at TABQ's head office located at 240 Sandgate Road, Albion, Queensland for 12 months after the date of issue of the Offer Document:

- TABQ's Constitution;
- Race wagering licence;

- Sports wagering licence;
- Monitoring operator's licence;
- the DRP;
- Employee Share Plan Trust Deed and rules of TABQ Employee Share Plan;
- Executive Incentive Option Plan;
- Consents of the persons named in the Offer Document;
- Product and Program Agreement; and
- Indemnities provided to the Directors by the State and TABQ.

10.12 No Material Change Except as Disclosed

If, after the date of issue of the Offer Document and before Shares are transferred pursuant to the Offer, TABQ or the State becomes aware that there has been a significant change affecting a matter included in those documents, a material statement in those documents is false or misleading or there is a material omission from those documents or a significant new matter has arisen, the Directors and the State will provide information about those developments as required under ASX Listing Rules. The information will be provided through advertisements in major Australian metropolitan newspapers.

10.13 Interests of Directors and Directors' Indemnities

Interests of Directors - Directors are not required by the Constitution to hold any TABQ shares. No Director as at the date of the Offer Document is the beneficial holder of any TABQ shares. However, the Directors may acquire Shares offered for sale pursuant to the Offer. The Directors are entitled to, and intend to, acquire Shares offered by the State to Eligible Employees and Agents on the same terms as all other Eligible Employees and Agents. At at the date of issue of the Offer Document, no Director holds any interest in shares or options of TABQ, including beneficial interests. It is intended to issue 1,000,000 options to Mr Richard McIlwain, CEO and managing director of TABQ, pursuant to the terms of the Executive Incentive Option Plan as specified in Section 10.8 above.

Generally, other than set out above or elsewhere in this Offer Document:

- no Director of TABQ and no firm in which a Director of TABQ is or was at the relevant time a partner has, or has had in the two years before the date of this Offer Document, any interest in the promotion of, or in any property proposed to be acquired by, TABQ; and
- no amounts, whether in cash or shares or otherwise, have been paid or agreed to be paid to any director of TABQ or to any firm in which he or she is or was a partner, either to induce him or her to become, or to qualify him or her as, a director, or otherwise for services rendered by him or her or by the firm in connection with the promotion or formation of TABQ.

Directors' Fees - The Constitution provides that the directors are entitled to such remuneration as the directors determine, but the remuneration of non-executive directors must not exceed in aggregate a maximum amount fixed by TABQ in a general meeting for that purpose.

As at the date of issue of the Offer Document, the aggregate annual maximum remuneration for the non-executive directors is $475,000.

Directors' Indemnities and Immunities - The Directors have authorised and signed the Offer Document. The Act provides that the Directors are not civilly liable for anything done or omitted to be done in good faith for the purpose of complying with a direction of the Act Ministers. A direction has been given by the Act Ministers for the Directors to sign this Offer Document.

The State has indemnified each Director against any liability including legal costs that is incurred by the Director in relation, whether directly or indirectly, to their assistance and co-operation provided to the State and the Due Diligence Committee in connection with the possible sale of a parcel of the State's shares in TABQ to a cornerstone investor and the sale of the State's shares in TABQ to the public by issue of this Offer Document, including the signing of this Offer Document. The indemnity does not apply in the case of a lack of good faith or dishonesty by the Director.

TABQ has executed a Deed of Indemnity, Insurance and Access in favour of the Directors. The Deed of Indemnity, Insurance and Access grants an indemnity to Directors and gives Directors the right of access to board papers and requires TABQ to maintain an insurance cover for the Directors.

10.14 Other Consents

Written consents to the issue of the Offer Document have been given and at the date of issue of the Offer Document have not been withdrawn by the following parties in the following terms:

Each of the Joint Lead Managers has given their written consent to be named in the Offer Document. They have not caused or authorised the issue of the Offer Document. They make no representation regarding, nor take any responsibility for, any statements in or omission from the Offer Document.

Each of the Co-Managers has given their written consent to be named in the Offer Document. They have not caused or authorised the issue of the Offer Document. They make no representations regarding, nor take any responsibility for, any statement in or omission from the Offer Document.

Clayton Utz has given its written consent to be named in the Offer Document as lawyers to the State and the Offer. Clayton Utz has advised the State generally on the Offer. It makes no representation regarding, nor takes any responsibility for, any statement in or omissions from the Offer Document.

PricewaterhouseCoopers Securities Limited has given, and not withdrawn, its consent to the issue of the Offer Document in paper and electronic form to be issued on 15 October 1999 in relation to the sale of shares in TABQ, containing the Investigating Accountants' Report in the form and context in which it is included.

PricewaterhouseCoopers Securities Limited has not authorised or caused the issue of this Offer Document and accordingly makes no representation or warranty as to the completeness and accuracy or otherwise of the information contained in the Offer Document, other than in the Investigating Accountants' Report in Section 9 and the Taxation Considerations for Individual Investors in Section 10.17.

The Auditor-General of Queensland has given its written consent to be named in the Offer Document. The Auditor-General of Queensland has not caused or authorised the issue of the Offer Document and has not been involved in the preparation of any part of the Offer Document. The Auditor-General of Queensland makes no representation regarding, and takes no responsibility for, any statement in, or omission from the Offer Document.

Computershare Registry Services Pty Limited has given its consent to be named in the Offer Document in the form and context in which it is named. Computershare Registry Services Pty Limited has not caused or authorised the issue of the Offer Document and has not been involved in the preparation of any part of the Offer Document. It makes no representation regarding, and takes no responsibility for, any statement in or omission from the Offer Document.

None of the other advisers to the State or TABQ referred to in the Corporate Directory have caused or authorised the issue of the Offer Document. None of those advisers make any representation regarding, or take any responsibility for any statements in or omissions from the Offer Document.

10.15 Interests of Experts

No expert nor any firm in which an expert is or was a partner has, or has had in the two years before lodgement of the Offer Document, an interest in the promotion of, or in any property proposed to be acquired by TABQ in connection with its formation or promotion; and no amounts, whether in cash or shares or otherwise, have been paid or agreed to be paid to any expert or to any firm in which he or she is or was a partner for services rendered by the expert or the firm in connection with the promotion or formation of TABQ.

Clayton Utz has acted as lawyers to the State in relation to the TABQ Share Offer. The State has paid or agreed to pay Clayton Utz approximately $674,400 for its services to the date of the Offer Document. After the date of issue of the Offer Document, Clayton Utz may receive additional fees in accordance with time-based charges subject to certain limits agreed with the State.

PricewaterhouseCoopers Securities Ltd has acted as Investigating Accountants to the TABQ Share Offer and has prepared an Investigating Accountants' Report for inclusion in the Offer Document, and provided a range of related services in connection with the TABQ Share Offer. The State has paid or agreed to pay PricewaterhouseCoopers Securities Ltd approximately $670,000 for its services. PricewaterhouseCoopers Securities Ltd may receive additional fees if agreed by the State. After the date of issue of the Offer Document, PricewaterhouseCoopers Securities Ltd may receive additional fees in accordance with time based charges subject to certain limits agreed with TABQ.

ABN AMRO has acted as financial adviser to the State in relation to the TABQ Share Offer. The State has agreed to pay ABN AMRO $125,000 per month plus expenses together with a completion fee of $1,000,000 for its services.

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10.16 Expenses of the Offer

All expenses connected with the Offer are being borne by the State, with the exception of any legal expenses of the Board and ASX fees associated with being a publicly listed company which are being borne by TABQ.

The State will pay the Joint Lead Managers a brokerage fee of 1.0% in respect of successful Applications from Public Applicants and a brokerage fee of 1.5% in respect of successful Applications from Broker Firm Applicants. The Joint Lead Managers will pay a fee of 1.0% to Stockbrokers on successful Applications from Public Applicants bearing their stamp and a fee of 1.5% on successful Applications from Broker Firm Applicants bearing their stamp.

The State will pay a management fee to the Joint Lead Managers of up to $900,000, of which some will, in turn, be paid to the Co-Managers.

Commission will be payable to the Joint Lead Managers in respect of Shares sold under the Institutional Offer at the rate of 1.85% of proceeds raised in the Institutional Offer.

10.17 Taxation Considerations for Investors

The following taxation discussion has been provided for the State by PricewaterhouseCoopers and is a simplified outline of the tax position for Australian resident investors based on the current law. While different classes of investors are contemplated in the discussion, it does not purport to be a complete analysis of the Australian income tax law as it applies to resident investors and consequently it is not intended that the discussion is either exhaustive or definitive. For example, the discussion does not apply to investors who are share traders or investors who are superannuation entities.

The information set out hereunder reflects the Australian taxation law as at 20 September 1999. Notwithstanding this, it should be noted that there are potentially significant changes to Australia's taxation system currently under consideration by the Federal Government as part of the Government's Ralph Committee Review of Business Taxation agenda. Such changes may fundamentally alter the basis upon which income tax is determined in relation to individuals, corporations, trusts and other classes of investor. Many of these changes have been deferred by the Federal Government although some comment is provided as to the potential implications of government announcements made to date. The lack of final legislation means there remains significant uncertainty surrounding the ultimate impact of tax reform on the TABQ shareholders. Final enacted legislation is often markedly different from initial proposals and therefore it is strongly recommended that further advice or clarification be sought once legislation has been enacted.

Non-resident investors - No action has been taken to register or qualify the Shares of the Offer, or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia. Accordingly, any investor who is a non-resident for Australian tax purposes should seek their own advice in relation to the tax consequences of an investment in TABQ.

Dividend Reinvestment Plan - No comment is made in relation to the potential tax consequences of the Dividend Reinvestment Plan as it has not been implemented at the current time.

It is strongly suggested that all applicants, be they individuals, corporations or trustees, seek professional advice from a qualified taxation adviser in relation to their own taxation situation.

Taxation of Dividends

Individual resident investor

Taxation of dividends

A resident individual shareholder may be entitled to a rebate of tax in respect of imputation credits attached to franked dividends received from TABQ and which are together with the imputation credits, included in the individual's assessable income. The franked dividend may give rise to a tax liability to the individual to the extent to which their marginal rate of tax exceeds the rebate of tax. To the extent that an unfranked dividend is paid by TABQ, such a dividend will be taxable to the individual at his or her marginal rate of tax.

Taxation consequences of disposal of Shares

A resident individual who subsequently disposes of his or her TABQ Shares will generally be subject to capital gains tax in respect of that disposal. Broadly, where such Shares are disposed of for a consideration that exceeds the amount paid on acquisition, that excess may be subject to capital gains tax. Specifically, the gain will be taxed in the hands of the individual although it should be noted that the cost base would be adjusted for inflation where the individual has held the Shares greater than 12 months. Additionally, the mechanism for calculating an individual's taxable capital gain currently employs an averaging methodology that may reduce the ta ultimately payable on any realised gain.

Conversely, a resident individual shareholder who receives consideration on disposal of his or her TABQ shares which is less tha the amount originally paid by that person to acquire those Shares will generally realise a capital loss. Such a capital loss may b applied by that individual to offset any other taxable capital gains realised during the same year and may be carried forward int future years to offset such gains if the individual has insufficient capital gains to absorb the loss in that year. Importantly, it is nc possible to offset a capital loss against ordinary income.

Tax Reform Proposals

As TABQ shares will be acquired after 1 October 1999, the following consequences **may** flow to individual investors following the Federa Government's announcements in relation to the Ralph Committee Review of Business Taxation:

- the original cost of shares for capital gains tax purposes may no longer be adjusted for inflation where individual investors hold th shares for greater than 12 months
- the averaging methodology currently used for calculating capital gains for individuals may not be available
- where an individual holds TABQ shares for at least one year, only one half of the difference between the proceeds received or disposal and the original cost may be subject to tax.

Other points to note include:

- excess imputation credits will be refunded to resident individuals where imputation credits are attached to dividends received from 1 July 2000
- in the event that proposed changes in the company tax rate are implemented as announced, adjustments may be required to the rebates available in respect of franked dividends received in future years. These adjustments are expected to be commensurate with the reduction in the company tax rate and may be phased in over a transitional period.

Resident company investor

Taxation of dividends

A resident corporate shareholder may be entitled to a rebate of tax in respect of both franked and unfranked dividends received from TABQ and which are included in the company's assessable income. Further, any franking credit attaching to the dividend may add to the corporate shareholder's franking account balance.

Taxation consequences of disposal of Shares

A resident company that subsequently disposes of its TABQ Shares will generally be subject to capital gains tax in respect of that disposal. Broadly, where such Shares are disposed of for a consideration that exceeds the amount paid on acquisition, that excess may be subject to capital gains tax. Specifically, the gain will be taxed to the company although it should be noted that the cost base of the Shares would be adjusted for inflation where the company has held the Shares for greater than 12 months.

Conversely, a resident company, which receives consideration on disposal of its TABQ Shares which is less than the amount originally paid by the company to acquire those Shares, will generally realise a capital loss. Such a capital loss may be applied by the company to offset any other taxable capital gains realised during the same year and may be carried forward into future years to offset such gains if the company has insufficient capital gains to absorb the loss in that year. Importantly, it is not possible to offset a capital loss against ordinary income. Additionally, it may be possible for any capital loss to be transferred to another company that is part of the same wholly owned group.

Tax Reform Proposals

As TABQ shares will be acquired after 1 October 1999, the following consequences **may** flow to corporate investors following the Federal Government's announcements in relation to the Ralph Committee Review of Business Taxation:

- the original cost of shares for capital gains tax purposes may no longer be adjusted for inflation where corporate investors hold the shares for greater than 12 months
- in the event that proposed changes in the company tax rate are implemented as announced, adjustments may be required to the rebates and franking credits available in respect of franked dividends received in future years. These adjustments are expected to be commensurate with the reduction in the company tax rate and may be phased in over a transitional period.
- the dividend rebate in respect of unfranked dividends may be removed with effect from 1 July 2000.

Resident trustee investor

Taxation of dividends

A resident trustee is required to include the total amount of any dividend received as assessable income in the trust's income tax return. However, a beneficiary of a discretionary trust or unitholder of a unit trust is placed in the same position as if they had received the dividend directly. Accordingly, the recipient should be entitled to receive their respective share of any available franking rebate. Expenses may reduce the dividend income receivable by the recipient; however, this should not reduce the available franking rebate.

Where the dividend received by the trust is not franked, individual recipients of the trust distribution will be subject to income tax on the dividend income received from the trust at their marginal rate of tax. However, a corporate recipient may be entitled to a franking rebate regardless of whether such a dividend is franked.

Taxation consequences of disposal of Shares

A resident trustee that subsequently disposes of its TABQ Shares will generally be subject to capital gains tax in respect of that disposal. Broadly, where such Shares are disposed of for a consideration that exceeds the amount paid on acquisition, that excess may be subject to capital gains tax. Any such gain may be distributed to the beneficiaries or unitholders of the trust and will be taxed in their hands although it should be noted that the cost base would be adjusted for inflation where the trustee has held the Shares greater than 12 months.

Conversely, a resident trustee who receives consideration on disposal of its TABQ Shares which is less than the amount originally paid by the trustee to acquire those Shares will generally realise a capital loss. Such a capital loss may be applied by the trust to offset any other taxable capital gains realised during the same year and may be carried forward into future years to offset such gains if the trust has insufficient capital gains to absorb the loss in that year. Importantly, it is not possible to offset a capital loss against ordinary income nor is it possible for a trustee to distribute a capital loss to the beneficiaries or unitholders of the trust.

Tax Reform Proposals

While details are yet to be released, the Ralph Committee Review of Business Taxation has recommended the adoption of an "entity tax regime". Broadly, the impact of these proposals is that certain trusts will be taxed in a similar manner to companies, with similar consequences flowing to beneficiaries or unitholders in receipt of trust distributions as would apply to distributions received by shareholders of a company.

Stamp Duty - The Act provides that no stamp duty will be payable to acquire TABQ Shares under the Offer Document. All subsequent transfers of TABQ Shares may attract State stamp duty applicable to marketable securities. If a person trades TABQ Shares on ASX through a Stockbroker, stamp duty in Queensland is currently payable at the rate of 0.15% by the seller and 0.15% by the purchaser on the sale price of the Shares.

If TABQ Shares are traded otherwise than on ASX through a Stockbroker, stamp duty is payable in Queensland by either the purchaser or the seller at the rate of 0.3% of the sale price of the Shares or the market value of the Shares at the time of sale, whichever is greater.

Vendor and Directors' Authorisation

This Offer Document is authorised by the State of Queensland and is signed for and on behalf of the State of Queensland by:

David Hamill
Treasurer of Queensland

This Offer Document is authorised and signed by all of the Directors of TABQ:

George Chapman	John O'Brien
Robert Bentley	John Bird
Graeme Fry	Richard McIlwain
Wayne Myers	Helen Nugent

RMC.260

11. Glossary

ABS Australian Bureau of Statistics;

Act *TAB Queensland Limited Privatisation Act 1999*;

Application a valid application to purchase Shares;

Application Form Application form included in the Offer Document;

Application Monies the applicable Retail Offer Application Price or the Broker Firm Application Price multiplied by the number of Shares applied for;

ASIC Australian Securities & Investments Commission;

ASX Australian Stock Exchange Limited ACN 008 624 691 or the stock exchange of that company as the context requires;

ASX Listing Rules the Listing Rules of ASX;

Australian Racing Product Australian racing information supplied to TABQ under the Product and Program Agreement;

Board the board of directors of TABQ;

Broker Firm Applicant an applicant pursuant to the Retail Offer who has been offered a firm allocation of Shares by their Stockbroker;

Broker Firm Application Price $2.10 per Share, being the amount payable by Broker Firm Applicants under the Retail Offer in respect of broker firm Applications;

Business Day a day other than a Saturday or Sunday on which banks are open for general business in Brisbane, Australia;

CHESS Clearing House Electronic Subregister System operated by ASX Settlement and Transfer Corporation Pty Limited ACN 008 504 532;

Chief Executive the chief executive for the purposes of the *Wagering Act 1998*, *Gaming Machine Act 1991* or *Keno Act 1996*, as the context requires;

Co-Managers see Directory;

Constitution TABQ's constitution;

Control Bodies Queensland Principal Club, Queensland Harness Racing Board and Greyhound Racing Authority;

Directors the directors of TABQ who sign this Offer Document;

DRP TABQ's dividend reinvestment plan;

EBIT earnings before interest and tax;

EBITDA earnings before interest, tax, depreciation and amortisation;

Eligible Employees and Agents full time and casual employees and permanent full time contractors of TABQ or its Subsidiaries and TABQ agents, as determined by the Directors;

Final Price the price at which each Share will be sold to successful bidders in the Institutional Offer;

FootyTAB totalisator betting on each round of the National Rugby League competition season;

FOSB fixed odds sports betting;

Fractions the amounts resulting from the rounding down of winnings paid to bettors or roundings;

FY financial year ended or ending 30 June as the context requires;

Gaming all legal forms of gambling (other than wagering) which includes lotteries, poker and gaming machines, casino gambling, football pools and other forms of gambling;

Golden Casket Golden Casket Lottery Corporation Limited ACN 078 785 449;

Golden Gaming Golden Gaming Pty Ltd ACN 079 909 541;

GSP Gross State Product;

HIN Holder Identification Number;

Institutional Offer the invitation made to institutions and the JLMs, on behalf of clients, under the Offer Document;

Joint Lead Managers or JLMs see Directory;

LMO licensed monitoring operator granted a monitoring operator's licence under the *Gaming Machine Act 1991*;

Minister the Minister of the State responsible for administering the relevant legislation;

Offer or TABQ Share Offer the Retail Offer and Institutional Offer;

Offer Document or TABQ Share Offer Document Offer Document issued on 15 October 1999 for the purchase of TABQ Shares;

Product and Program Agreement the agreement between TABQ, Product Co and the Control Bodies;

Product Co Queensland Race Product Co Ltd ACN 081 743 722;

Public Applicants Eligible Employees and Agents and other members of the public in Australia (excluding Broker Firm Applicants);

QOGR Queensland Office of Gaming Regulation;

QRI Queensland Racing Industry;

Queensland Government or State Government the Government of Queensland and includes the Crown in right of the State;

Queensland Racing Calendar a calendar of race meetings scheduled to be held in Queensland supplied to TABQ under the Product and Program Agreement;

Queensland Racing Program the program of races upon which wagering can be offered under the Queensland Racing Calendar supplied to TABQ under the Product and Program Agreement;

Retail Offer the invitation made to Public Applicants and Broker Firm Applicants to purchase Shares under the Offer Document;

Retail Offer Application Price $2.00, being the amount payable on application in respect of each Share by applicants under the Retail Offer (excluding Broker Firm Applicants);

SCH Securities Clearing House Pty Limited;

Share Registry see Directory;

Share(s) or TABQ Share(s) one, some or all of the 130.8 million fully paid ordinary shares in TABQ offered for sale by the State;

the State the State of Queensland;

Stockbroker a participating organisation of ASX;

Subsidiaries each of Golden Gaming, Broadcasting Station 4IP Pty Ltd ACN 010 033 806 of Level 4 TAB Building 240 Sandgate Road Albion Queensland 4010 and TABQLD Super Pty Ltd ACN 069 949 524 of TAB Building 240 Sandgate Road Albion Queensland 4010;

TAB Limited TAB Limited ACN 081 765 308 and its subsidiaries;

TABCorp TABCorp Holdings Limited ACN 063 780 709 and its subsidiaries;

TABQ or Company TAB Queensland Limited ACN 085 691 738;

TFN Tax File Number;

US Person the meaning given to that term by Regulation S under the *US Securities Act of 1933*.

ANNUAL REPORT 2007

Tattersall's
Limited

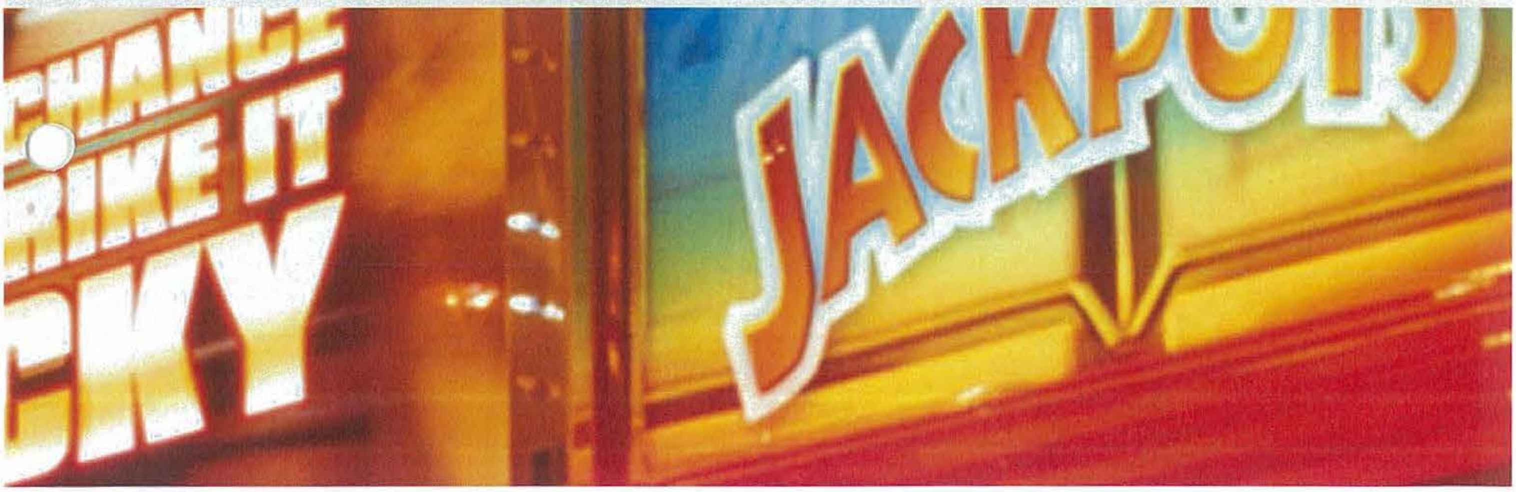
ABN 19 108 686 040

Tattersall's Limited
A diversified Gambling & Entertainment organisation

Tattersall's Limited delivers quality gambling and entertainment products & services both in Australia and Internationally.

Our mission is to deliver superior and sustainable shareholder value by being:
- customer focussed
- recognised for integrity and trustworthiness
- innovative
- responsive to, and engaging with the community
- recognised for our self reliant, accountable and customer focussed staff

Our goals are to:
- retain and optimise our existing franchises
- grow our gambling and entertainment capabilities
- expand into new territories & innovative channels
- deliver operating efficiencies

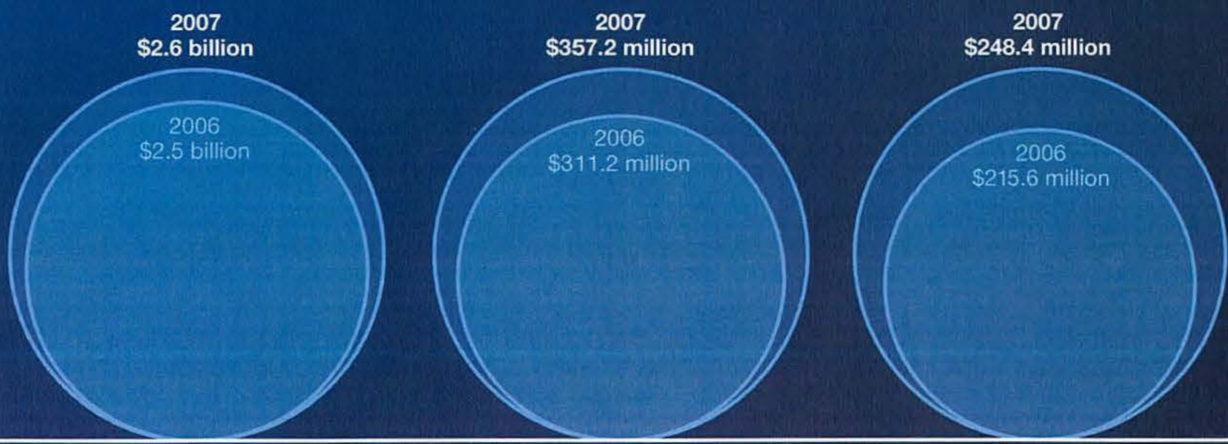


Contents

Delivering outstanding growth

The 2007 financial year was a company-changing year. The Company completed the merger with UNiTAB and a number of other acquisitions and disposals while accelerating and exceeding the synergy targets for the Tattersall's UNiTAB merger and growing pro-forma net profit before tax from the $311.2m reported by the two companies in the 2006 financial year to $357.2m.

These remarkable outcomes were achieved without disrupting the forward momentum of any of the Group's businesses or its capacity to seize future business opportunities. They have produced a more geographically and operationally diversified collection of complementary businesses focussed on delivering improved profit performance and returns to shareholders.



2007 revenue increase
↑3.5%

2007 net profit before tax increase
↑14.8%

2007 net profit increase
↑15.2%

Graphs are PRO-FORMA – 2006 and 2007 figures assume that the merged group existed for the full 12 months in both years.

RMC.005

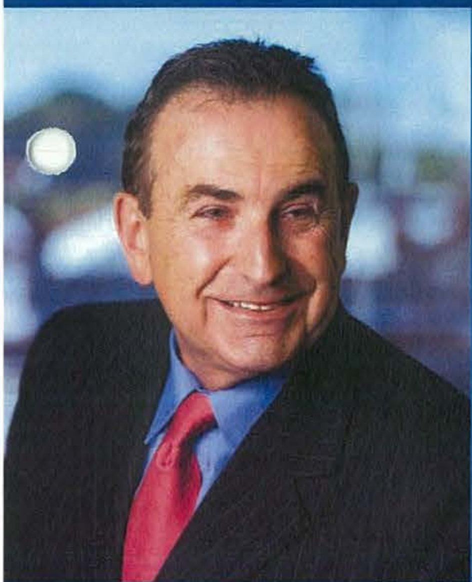
Joint Report from the Chairman and Chief Executive

Year in Review

The year to 30 June 2007 has been a significant period in Tattersall's short history as a publicly listed company.

After more than 100 years as a private estate, Tattersall's listed on the Australian Stock Exchange (ASX) on 7 July 2005. Since then, Tattersall's has diversified its business, significantly increasing profits and returns to shareholders and more than doubling market capitalisation, making Tattersall's one of the largest gambling companies in Australia.

The major part of this outstanding growth was achieved in the past twelve months.



Harry Boon

Dick McIlwain

RMC.006

Year in Review (continued)

The Tatts Pokies, Lotteries, UNiTAB Wagering, Maxgaming and Bytecraft businesses have performed well throughout the year with the wagering sector being a stellar performer. In our relatively mature markets, management's ability to focus on efficiently delivering quality products and services to our customers is critical in establishing the platform for sustained success.

The merger with UNiTAB, which became effective on 12 October 2006, was important in positioning Tattersall's for the future. The benefits from the merger have been significant:

- increased scale delivering operational cost efficiencies of around $23.2 million this year, with ongoing annual benefits of around $32.7 million expected by the end of next year;
- diversified geographical operations creating greater opportunities and spreading risk;
- diversified business operations with the merger adding wagering and gaming monitoring technology to the existing gaming and lotteries strengths; and
- bringing together a unified and focussed Board and management team to optimise the potential from the merged Group.

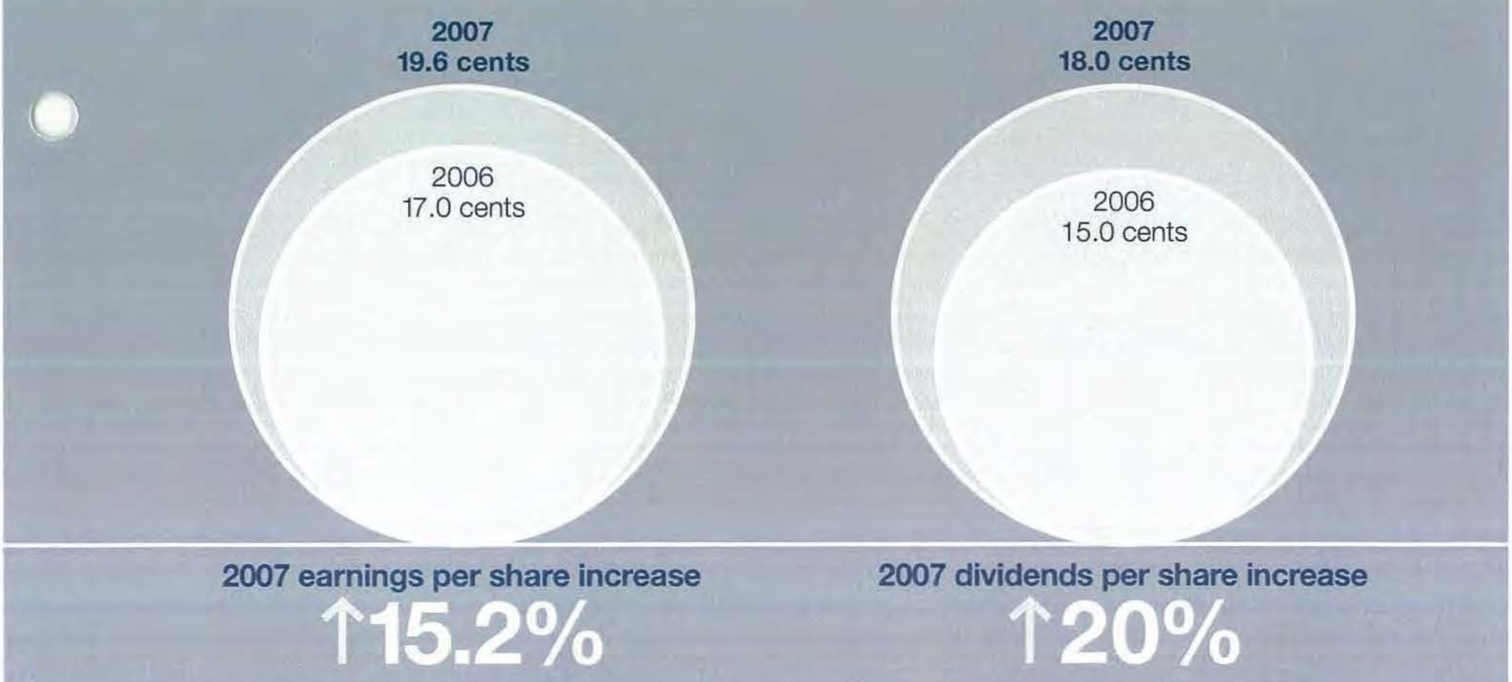
The growth in Tattersall's has not been limited to the merger.

In February 2007, Tattersall's and Macquarie Bank Limited, through the joint venture company European Gaming Ltd, acquired the shares in Talarius Limited (formerly Talarius plc), a United Kingdom listed gaming company operating over 8,100 gaming machines in almost 200 adult gaming centres (AGCs).

Talarius is a natural and strategic extension of Tattersall's existing businesses and core competencies. Notwithstanding the many challenges ahead, including regulatory change in the UK, Talarius is an exciting long term opportunity. Talarius also provides a platform from which we can grow our presence in the European market through industry consolidation and leveraging the experience from our existing Tatts Pokies, Maxgaming and Bytecraft businesses.

This foray into the European market follows the establishment of our gaming business in South Africa, where the first venue commenced operations in November 2004. As a start-up operation, the South African market has taken longer to penetrate. However, the business model is now well established, and this investment provides the ability to deliver improved financial contributions as more electronic gaming machines (EGMs) are rolled out and as further licence approvals are obtained.

On 16 April 2007, Tattersall's announced an agreement to acquire the shares in Golden Casket Lottery Corporation Limited, the exclusive lottery operator in Queensland. This transaction was completed on 29 June 2007. Although not influencing these current results, Golden Casket is clearly a very strong strategic fit with Tattersall's existing lotteries



Graphs are PRO-FORMA – 2006 and 2007 figures assume that the merged group existed for the full 12 months in both years.

RMC.007

business. The combined lotteries businesses are expected to be solid contributors to the Group's ongoing performance with EBITDA anticipated to exceed $90 million in the 2008 financial year.

In keeping with our focus on our core competencies, Bytecraft Entertainment was sold during the year, leaving Bytecraft Systems as an integral part of the Group. Bytecraft Systems provides installation and maintenance services not only to Tattersall's and UNiTAB, but also to an expanding external client base.

The legal claim by the former Trustees of the Estate of the Late George Adams was settled on 19 April 2007. The settlement resulted in a surplus of approximately $51 million against the $71.4 million provision established at the time of the float of the Company. This has enabled shareholders to be rewarded with a special dividend of 4.0 cents per share from the balance of the provision. This settlement concluded the last significant issue from the restructure and creation of the listed company.

Financial Performance

Through this period of rapid growth, Tattersall's has maintained focus on delivering strong financial performance and returns to shareholders.

Reported revenue for the period was up 30.1% to $2.4 billion. On a pro-forma basis – that is, assuming the merged Group was in place for the full 12 months – revenue exceeded $2.5 billion, up 3.5%.

Importantly, management has demonstrated its ability to leverage increased size and scale, with reported Net Profit After Tax (NPAT) up 124.5% to $288.6 million and pro-forma full year NPAT up 15.2% to $248.4 million.

The improved financial performance has been reflected in enhanced total shareholder returns. A total of 22.0 cents per share has been distributed in dividends to shareholders in respect of the current year. When the final, fully franked dividend of 10.0 cents per share is combined with the interim dividend of 8.0 cents per share and the special dividend of 4.0 cents per share, this represents a payout ratio for the year of 96.5% of reported NPAT. Over the same period, Tattersall's share price has improved significantly from $2.79 per share at the start of the financial year.

Outlook

While much has been achieved in a short period, there are many challenges and opportunities ahead.

The Victorian Government's lengthy lottery licence review process has resulted in ongoing uncertainty and delay in awarding a new 10 year licence. At the time of printing this report a decision is close or will have occurred following this elongated process. The outcome will be communicated via the ASX and on Tattersall's website (www.tattersalls.com.au) and discussed at the AGM.

Having acquired the Golden Casket lottery in Queensland, we are now focussing on driving operational efficiencies across the combined lottery business, as well as seeking additional business development opportunities.

The Tatts Pokies business faces a challenging period ahead with the impact from a number of recent Government regulatory announcements. The increased Health Benefit Levy on EGMs will reduce NPAT by around $12 million, while the removal of 283 EGMs as a result of further regional caps will make revenue growth more difficult to achieve.

Tattersall's current Victorian gaming licence does not expire until 2012. However, a significant Government review is underway to determine the industry structure beyond 2012. Similarly, the Victorian wagering licence, which Tattersall's does not presently hold, also expires in 2012, and is also the subject of a Government review. Tattersall's will be an active participant in this process through the expertise of its UNiTAB wagering business.

In the short period since listing on the ASX, Tattersall's has demonstrated its ability to focus on improving operational efficiencies and to actively seek out and complete transactions. For this, much credit and thanks go to all management and staff within the expanded Group.

The achievements to date have given Tattersall's broader capabilities to actively pursue other strategic opportunities. Importantly, with relatively low levels of debt, Tattersall's has the balance sheet to back this up and is well placed to optimise our position on licensing renewal, further industry consolidation and any other investment opportunities within Australia and internationally.

Your management and Directors are committed to ensuring we maintain our focus on our core strengths and continue in our quest to further improve returns to shareholders through ongoing cost efficiency and value adding investments, while maintaining high standards of probity and business ethics.

Harry Boon   Dick McIlwain

Harry Boon
Chairman

Dick McIlwain
Managing Director/Chief Executive

RMC.008

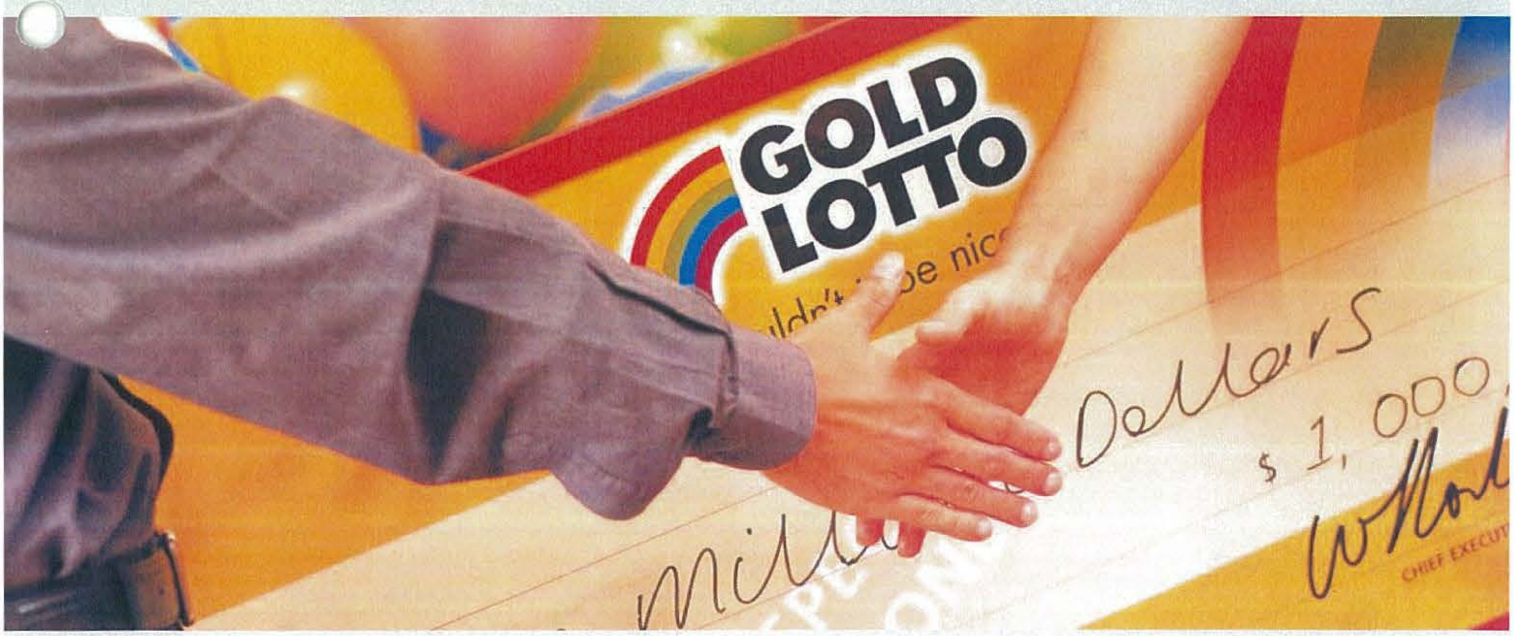
Delivering outstanding growth

	Reported			Pro-forma[1]		
	2007 $ million	2006 $ million	Change %	2007 $ million	2006 $ million	Change %
Total Revenue	2,414.0	1,855.2	30.1	2,573.1	2,485.2	3.5
Statutory Charges						
- Government	1,119.7	1,018.3	10.0	1,143.6	1,108.9	3.1
- Other	504.0	442.2	14.0	520.7	506.6	2.8
Operating Costs	396.5	172.8	129.5	461.4	470.9	-2.0
EBITDA	459.2	221.9	106.9	447.4	398.8	12.2
NPBT	381.8	188.8	102.2	357.2	311.2	14.8
NPAT	288.6	128.5	124.5	248.4	215.6	15.2
Earnings Per Share – cents	26.1	18.3	42.6	19.6	17.0	15.2
Total Dividend Per Share (fully franked) – cents	22.0	16.25	35.4	18.0	15.0	20.0

Delivery in line with our strategy

24 July 2006	Secured a second gaming licence in South Africa.
12 October 2006	Merger with UNiTAB became effective.
22 November 2006	Announced the proposed acquisition of Talarius in the United Kingdom.
1 February 2007	Acquired Talarius through European Gaming, a joint venture with Macquarie Bank.
28 February 2007	Completed the sale of Bytecraft Entertainment.
16 April 2007	Announced the acquisition of Golden Casket Lottery Corporation.
19 April 2007	Trustee Commission case settled.
29 June 2007	Golden Casket Lottery Corporation acquisition completed.

1 PRO-FORMA – 2006 and 2007 figures assume that the merged group existed for the full 12 months in both years.



RMC.009

The Group has restructured to form a set of self-managed strategic business units with responsibility for maintaining a commercial focus in delivering improving profit margins from a sustainable revenue base.

The commercial operations are supported by a group of tightly managed corporate activities in shared services providing technical and other corporate support activities.

RMC.010

Tatts Pokies

Tatts Pokies is licensed to own and operate 13,750 EGMs in Clubs and Hotels throughout Victoria.

Year in Review

The year just completed has seen a solid performance in what has been a challenging period.

Gaming revenue for the year was up 1.5% to $1.247 billion. Growth was skewed towards the end of the year with second half revenue up 1.8% compared to 1.2% for the first half. Total revenue was up 1.9% to $1.259 billion. Importantly, EBITDA was up 5.7% to $235.1 million, reflecting the ability of management to continue to drive operational efficiencies.

The year was punctuated by the loss of a major venue in July 2006, extended disruption to key venues due to major redevelopments in preparation for the July 2007 whole of venue smoking bans, and the removal of popular games no longer compliant due to new regulations.

Major redevelopments at large venues including the Knox Club, Welcome Stranger, Newmarket Tavern and Stamford Hotel significantly disrupted operations resulting in declining revenue. All of these venues are now performing very strongly and the full benefits of their redevelopments will be realised during the 2008 financial year.

Regulations introduced in 2003 require the phasing out by January 2008 of EGMs which do not have the capacity to provide Player Information Displays. This has resulted in the removal of many strong performing older games. Where possible, these games have been or will be replaced with similar games.

Tatts Pokies has continued to work with venues in delivering quality facilities, products and customer service. Fifty venues completed refurbishments during the past year. On top of this, external smoking facilities were developed in venues representing 88% of Tatts Pokies revenue. Early indications are that venues which developed good external smoking facilities have not been adversely impacted by the new regulations.

In addition to these redevelopments, Tatts Pokies also opened three new venues with a total of 85 EGMs and topped up eight existing venues with a net increase of 59 EGMs.

Tatts Pokies also continues to enhance its product offer, rolling out 40 new games during the year and increasing the number of EGMs linked to jackpots from 37.4% at the start of the year to 41.8% at 30 June 2007. Most notably, Tatts Pokies introduced two new proprietary jackpots called

RMC.011

"Showcase" and "Platinum" which reduced the reliance on EGM manufactured products. The increase in the number of linked EGMs was also facilitated by the introduction of QCOM based EGMs which was possible due to the ongoing development of the proprietary Tatts Pokies jackpot system.

Licence Renewal

The current gaming licence in Victoria expires in 2012. The gaming licence review process is at an early stage with the Government undertaking consultation with interested parties in respect of the proposed industry structure going forward.

These reviews are expected to continue for some time. Tattersall's will be an active participant in the review process and will announce to the ASX and update our web site with any significant progress on this issue (www.tattersalls.com.au).

The Future

The 2008 financial year promises to be a challenging one for the Tatts Pokies business following several regulatory changes that come into effect during this period. These include:

- the increase in the Health Benefit Levy to $4,333.33 per EGM, up from $3,000, reducing NPAT by approximately $12 million;
- the move to whole of venue smoking bans from 1 July 2007;
- regional caps requiring 283 EGMs to be removed from nominated venues by 18 December 2007;
- the requirement for Player Information Displays on every EGM from 1 January 2008.

To counter the cumulative effects of these regulatory changes, Tatts Pokies has continued to focus on driving business efficiencies and improving its business model.

Significant work was undertaken with venues in preparation for the move to whole of venue smoking bans, drawing on experience from the gaming room smoking bans introduced in 2002. This included collaborative work on the design of external smoking facilities to create a welcoming environment for customers. Early indications are that this work is paying off with year to date revenue up approximately 3.5%.

Tatts Pokies took over the Moonee Valley gaming venue on 20 July 2007. This is a newly renovated 105 EGM venue that will contribute to the full year results for 2008.

Approval has been granted for Tattersall's to develop the Lynbrook Hotel with 55 EGMs. As a greenfield site it is not expected to be operational until 2009. This follows the success of Tattersall's development of The Club at Caroline Springs and provides opportunities for Tatts Pokies to achieve long-term growth in what is a highly regulated market.

Victorian Commission for Gaming Regulation (VCGR) approval has also been received for a new 60 EGM venue at Wodonga Country Club. This venue is expected to be trading before the end of the 2007 calendar year.

As part of our normal capital expenditure program, Tatts Pokies has been progressively introducing the Player Information Displays. This project will be completed by 1 January 2008.

The coming year will be challenging and a difficult period in which to deliver strong growth. Despite this, we are confident that the many achievements throughout 2007 and the continued focus on operational improvements have put Tatts Pokies in a good position to face these challenges.

RMC.012

UNiTAB Wagering

The provider of totalisator wagering (tote) and fixed odds betting services to retail customers in Queensland, South Australia, Northern Territory and remotely to account holders via TABonline.com.au, Telebet and Telebet Express. UNiTAB's totalisator pools exceed $3 billion annually.

Year in Review

The 2007 financial year was an outstanding year for UNiTAB wagering. In the reported results, wagering delivered $410.9 million in revenue and $102.6 million in EBITDA for the nine months since the merger.

On a pro-forma basis - that is, assuming wagering was part of the Group for the full 12 months – wagering revenue was up 8.2% and exceeded $500 million for the first time. Importantly, the focus on delivering bottom line growth was intensified following the merger, resulting in EBITDA increasing 17.6% to $134.7 million for the full 12 months.

UNiTAB experienced its best ever Spring Carnival with off-course sales up 9.3% over the previous Spring Carnival. Sales growth was relatively consistent across the network with the greatest growth coming from internet sales which delivered 9% of all wagering sales in the 2007 financial year. The full year results were impacted by the loss of 245 race meetings in June due to inclement weather.

Fixed odds betting revenue was up a remarkable 35% for the full year on the back of 48% revenue growth in the previous year.

The 2007 financial year has seen the completion of a major system migration project that was commenced in the 2000 financial year. This has been a long but seamless process to replace the legacy mainframe system with a Windows NT based wagering server program that provides greater operational efficiency and future flexibility.

The 2007 financial year also saw the completion of the roll out of approximately 2,200 wagering terminals to around 1,000 outlets in Queensland, South Australia and the Northern Territory.

These two initiatives, along with UNiTAB's rolling outlet refurbishment program, reinforce the Group's commitment to consistent reinvestment in systems and facilities for customers.

The Future

In 2007 UNiTAB wagering achieved the greatest growth rates in a decade with positive signs of continued growth. Until the outbreak of the equine influenza virus disrupted racing in Australia in late August 2007, UNiTAB wagering had achieved year to date growth of 6.5%.

While the equine influenza virus has impacted the 2008 financial year we anticipate that sustainable growth going forward should be slightly above the average growth in the household disposable income index.

During the year ahead UNiTAB will introduce "Easybet", a fractional betting product that will provide choice, simplicity and certainty for customers wishing to make multiple selections on trifecta and first4 bet types.

UNiTAB will also introduce the quadrella, providing customers with the opportunity to select the winners of four nominated races at a race meeting.

Through our commitment to ongoing investment in our infrastructure, terminals, products and facilities, the wagering business is well positioned to deliver sustainable growth in an efficient and cost effective manner.

RMC.013

Lotteries

The only non-Government lottery operator of its kind in Australia with lottery operations in five States and Territories accounting for over half of lottery sales throughout Australia.

Year In Review

Tattersall's operates the lotteries in Victoria, Tasmania, the Australian Capital Territory, the Northern Territory, and now Queensland. Tattersall's also provides administrative services for the members of the Australian Lotto Bloc, National Lotto Bloc and the Powerball Bloc, administering games such as Powerball and Super 7's Oz Lotto.

The 2007 financial year has seen the Lotteries division deliver an outstanding result. Operating in a low margin environment, the focus on cost management and efficiency gains has been instrumental in delivering reported EBITDA of $35.3 million, up 34.1% on the previous year.

This year's result has benefited from an $8 million reduction in the depreciation charge for the lotteries system following the one-year extension to the Victorian licence granted in December 2006.

The product performance within the lotteries division was broadly in line with expectations:

- Saturday Tattslotto, which represents approximately 55% of total lotteries revenue, had revenue growth of 4.2% to $314.1 million which included the benefit of an additional Saturday during the year;
- The number of Powerball jackpots of $15 million or more was down from twelve in 2006 to eight this year. Despite jackpots reaching at least $25 million on three occasions during the second half of the year, lower frequency of larger jackpots resulted in revenue declining 3.6% to $110.5 million for the year;
- The number of Super 7's Oz Lotto jackpots of $10 million or more doubled from nine last year to 18 in 2007 – including two $25 million jackpots – driving revenue up 31.5% to $53.2 million. The revenue growth in Super 7's Oz Lotto is off the back of the success of the product enhancements undertaken during the 2006 financial year.

Internet registered players increased from 106,000 in 2006 to almost 136,000 players in 2007. The growth in internet sales continued during the year across all major products and now represents 2.7% of total sales, up from 2.2% in 2006.

Licence Renewal

Tattersall's operates the Victorian lottery under a licence issued in 2000 by the Victorian Government and which was set to expire on 30 June 2007. This licence has been the subject of an extensive licence review process with Tattersall's making a detailed submission in February 2006 to bid for a new ten year licence.

Due to delays in the evaluation of submissions in the licence review process the Victorian Government provided Tattersall's with a one-year extension of its current licence to 30 June 2008.

The licence review continues with the Government's process being subjected to several enquiries and fresh assessments. Tattersall's has continued to co-operate with the process and remains confident in our ability to continue as the licensed operator of public lotteries in Victoria.

At the time of printing this report a decision is close or will have occurred following this elongated process. The outcome will be communicated via the ASX and on Tattersall's website (www.tattersalls.com.au) and discussed at the AGM.

The Future

Tattersall's has operated business as usual throughout the Victorian lottery licence renewal process. We have continued to seek operational efficiencies through improved procurement practices and have made further lottery system enhancements that will deliver increased productivity to lottery retailers.

The bringing together of the Tattersall's and Golden Casket lotteries businesses creates a business with expected revenue of around $1 billion in 2008 and EBITDA expected to exceed $90 million. The lotteries business now directly employs approximately 270 people and will have over 2,000 retailers in five States and Territories in Australia.

The combination of a co-ordinated national approach and local management in each jurisdiction will provide the lotteries business with strategic direction and operational capability to continue to grow the business and realise its full potential.

Maxgaming

The leading EGM monitoring and jackpot services company in Queensland, Northern Territory and New South Wales.

Year in Review

Maxgaming contributed $84.5 million to reported revenue and $45.9 million to reported EBITDA for the 2007 financial year. On a pro-forma full year basis revenue was up 0.3% to $112.3 million and EBITDA up 0.2% to $61.2 million.

The 2007 financial year presented numerous challenges to the gaming market in both Queensland and NSW.

A full smoking ban came into force in Queensland at the start of the financial year while in NSW clubs had to adjust to higher gaming tax rates applied to medium to large revenue venues from September 2006. NSW gaming venues were also preparing for the introduction of a full smoking ban from 2 July 2007.

Maxgaming met the challenges in Queensland increasing its EGM monitoring market share over the year from 79.6% to 81.8%. The conversion of many venues to longer contracts, a successful tender for the Coles hotels and the renewal of the Queensland monitoring operators licence for ten years have established a framework for maintaining this increase in market share.

The NSW business holds the exclusive licence to supply central monitoring to all EGMs and exclusive licences for statewide jackpots in hotels and clubs. Total EGMs monitored in NSW reduced from 100,653 to 100,050 at 30 June 2007.

The NSW state-wide linked jackpot business increased linked EGMs from 4,002 to 4,729 over the year. This growth partly flowed from a business focus on developing the fraternal linked market, particularly within the hotel segment.

These factors lead to a decline in the number of EGMs linked to higher daily fee games and as a result a decline in total linked revenue. However, the second half of the financial year saw the roll-out of three new hotel fraternal links adding 870 EGMs and a growth in total fraternal linked EGMs across pubs and clubs from 1,187 to 2,235 EGMs.

In addition, to further address the impacts on margins of this shift in sales mix, the business implemented a redundancy program and introduced new lower cost communication technologies across parts of the network.

The Future

With the first year of the smoking ban behind it, the Queensland gaming market, particularly the jackpot links revenue, is returning to growth in 2008. Opportunities exist for continued penetration with products launched in 2007 such as the Bullionaire statewide link along with new products to be released in 2008 including card based cashless gaming and new link games. These should assist with further growth in revenues and margins.

The NSW business will benefit from a lift in the monthly monitoring fee from $32.49 to $33.42 per EGM from 1 July 2007. The Statewide Link business will continue to progress gradually given the impact on our customers of the full smoking ban and as the higher gaming taxes applying to larger clubs from September continue to be felt. To support the business, a range of new link products are due for release early in 2008. These include a new Aristocrat statewide Hyperlink game called Thunderhearts which will be co-pooled with the top level jackpot of Maximillions.

RMC.015

Bytecraft

The provision of third party installation, repair and maintenance services for lottery, gaming, wagering, banking, point of sale (POS) and other transactional equipment and systems throughout Australia.

Year in Review
The 2007 financial year has been one of significant change for the Bytecraft group of companies.

Bytecraft Entertainment was sold in February 2007 for \$42.5 million – a profit before tax of \$4.6 million. Although Bytecraft Entertainment had a very strong eight months, mainly achieved off the back of its success at the Asian Games in Doha in December 2006, the business was not considered core to the Group's operations.

Tattersall's has retained the Bytecraft Systems business which is core to the Group through its provision of installation and support services to the Group and other external customers. Bytecraft Systems has continued to expand its customer base with approximately 50% of revenue now sourced from customers external to the Group.

Bytecraft enjoys a substantial multi million dollar vendor support relationship with a global leader in IT Infrastructure and Solutions. Bytecraft provides this customer with warranty support services for its range of mobile computing equipment throughout Australia. In addition Bytecraft provides nationwide onsite hardware services on POS and Teller equipment for a number of Australia's leading banking and retail institutions.

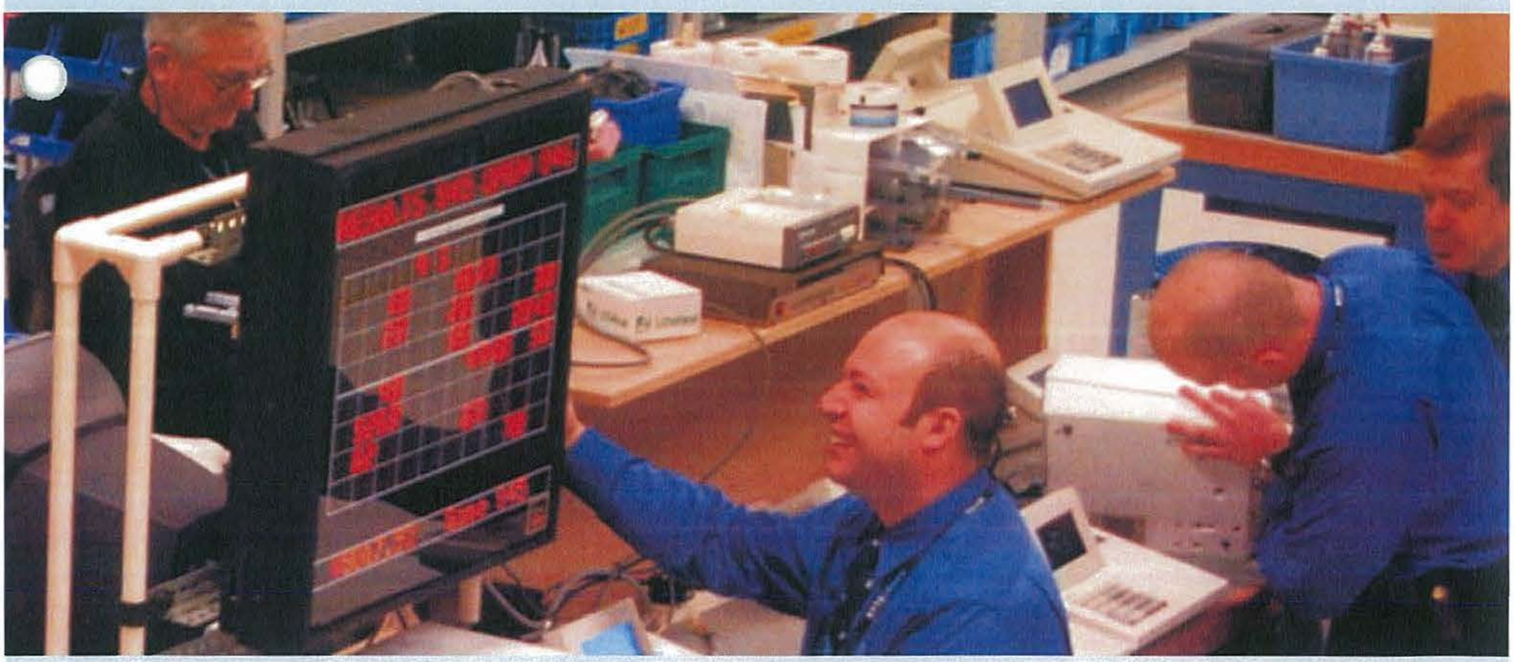
Through this period of considerable change Bytecraft Systems has turned around its financial performance delivering reported EBITDA growth of 289% to \$7.6 million this year from \$2.0 million the previous year. This has been achieved through a combination of business rationalisation and cost reductions.

During the year, Bytecraft Systems completed the acquisition of the Getronics Gaming business in Queensland and in May 2007 commenced providing the maintenance services to Maxgaming for its licensed monitoring customers.

The Future
With the distractions of the disposal of Bytecraft Entertainment, integration, and consolidations behind it, management is now firmly focussed on continuing to deliver sustained growth.

The 2008 financial year will see Bytecraft Systems achieve the full year benefit from providing the maintenance services for Maxgaming customers in Queensland and the full year benefit from the structural changes implemented in the second half of the 2007 financial year.

Bytecraft Systems will also benefit from the acquisition of the remaining 30% of EGMTech, which was completed on 4 July 2007. Throughout the financial year EGMTech provided project services in Japan, Guam and Korea.



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International

The provision of gaming based services in South Africa and Europe.

Year in Review
In South Africa the results for the year have been mixed.

Tattersall's, through the majority owned Thuo group of companies, is continuing to grow its footprint in the South African gaming industry. Tattersall's currently has licences to operate 1,000 EGMs in each of the Western Cape and KwaZulu Natal (KZN) provinces.

At 30 June 2007, 715 EGMs were in operation in Western Cape, up from 507 at the start of the financial year. KZN Province is in its early stages of development after being awarded a licence in December 2006. The establishment costs have been incurred and the rollout commenced with 74 EGMs in operation at 30 June 2007.

South African gaming contributed A$2.4 million to the Group's EBITDA for the 2007 financial year.

Meanwhile, in August 2006 it was announced that Uthingo Management Pty Ltd, a company in which Tattersall's holds a 10% interest, had not achieved preferred bidder status to operate the national lottery. Uthingo ceased conducting the lottery in April 2007 and there is currently no national lottery operating in South Africa.

In Europe, Tattersall's converted its 10.4% interest in Talarius Plc (now Talarius Limited) into a 50:50 joint venture with Macquarie Bank Limited in the European Gaming Group, which now owns 100% of Talarius. Talarius is an AGCs operator with over 8,100 gaming machines in around 200 AGCs throughout the UK.

With the acquisition only finalised in February 2007, European Gaming contributed a modest $1.5 million to EBITDA for the year. More importantly however, Talarius provides Tattersall's with a solid platform from which to participate in the expected industry transformation in Europe.

The gaming market in the UK is currently undergoing considerable regulatory change, such as the introduction of smoking bans, maximum play restrictions and increased reporting obligations. While this can have an adverse impact on the short term financial performance of the business it will not impede our strategy for growth in this market. In fact, it is expected to accelerate consolidation and provide opportunities for the Talarius business.

Year ahead
The year ahead should be one of continued consolidation and growth in both South Africa and Europe.

In South Africa, the performance of the EGMs in operation has been very good compared to other operators. The challenge for management in South Africa is to continue to roll out EGMs and grow the reach and penetration of the business.

The strategy for Talarius is in a very early stage of implementation but provides an exciting long term opportunity in Europe. Industry consolidation is likely to continue in the face of further regulatory change, and Talarius is well positioned to participate through the resource backing of Tattersall's and Macquarie Bank.

In addition, Talarius will undergo an operational review during the year and look to leverage off the experience and skills of management at Tatts Pokies, Maxgaming and Bytecraft.

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Working together to promote responsible gambling

Tattersall's continues to engage openly with all stakeholders, including community interest groups, counselling agencies and individual gamblers. Our primary interest in this dialogue with these stakeholders is to ensure that our services are offered and used responsibly.

We continue to participate actively in the Victorian Responsible Gambling Ministerial Advisory Council, and contributed to the development of a new Responsible Gambling Code of Conduct. The code covers all forms of gambling in Victoria and clearly defines what is expected of gambling operators to ensure they are creating an appropriate environment by providing sufficient information and an adequate level of customer care.

Tattersall's was also involved in planning and execution of the Victorian Responsible Gambling Awareness Week. All Tattersall's venues and outlets in Victoria displayed responsible gambling point-of-sale material. Gaming venue staff also promote Player Information Displays on gaming machines which allow customers to track their gambling activity.

UNiTAB Wagering representatives have continued to participate in Queensland's Responsible Gambling Advisory Committee, its various sub-committees, and in regional Gambling Help groups across the State. This has included participation in the development of a new Player Loyalty policy which will form part of the Queensland Responsible Gambling Code of Practice.

Significantly, an audit by the Queensland Office of Gambling Regulation found our wagering outlets across Queensland to have a 100% commitment to the Queensland Responsible Gambling Code of Practice.

Our philosophy of engaging with gambling support providers is demonstrated in South Australia through SATAB's participation in the Gambler's Rehabilitation Liaison Group. SATAB provided training to gambler's help counsellors during the year to better inform them of the way the industry works and to assist in their understanding of gambling on wagering products.

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NT TAB also participated in Responsible Gambling Awareness Week during 2006/07 by working with the local gambling counselling service to distribute and display posters promoting responsible gambling messages in all NT TAB outlets.

Tattersall's Award for Enterprise and Achievement
The Tattersall's Award for Enterprise and Achievement is a community sponsorship program that rewards individuals who help others and work for worthy community causes.

Now in its 27th year, this monthly award has recognised and rewarded over 320 "unsung heroes" in local communities since 1980. The individuals who have won awards have displayed courage in overcoming disabilities or hardship, been inspirational in their support of those in need or demonstrated a level of personal charity we can all admire.

Each monthly winner receives $5,000 and a $15,000 donation to their nominated beneficiary or charity. From this group of twelve, an annual award winner is chosen and receives a personal prize of $15,000 along with a donation of $75,000 to their nominated beneficiary or charity.

Nomination forms and details of the monthly winners can be found on our website www.tattersalls.com.au

Philanthropy
Established in 2005, the Tattersall's George Adams Foundation continues the philanthropic activities previously conducted by the Estate of the Late George Adams.

Tattersall's contributes financially to the Foundation enabling the Foundation to support a wide range of charitable and non-profit organisations within the Tattersall's trading jurisdictions.

The Foundation's mission is to make a positive impact on communities with an emphasis towards the less fortunate and the needy in the areas of wellness, culture and community projects. The Foundation supports a wide range of projects that make a lasting difference to society.

The Foundation has donated significant funding to metropolitan and regional hospitals, medical and agricultural research, aged care facilities, disadvantaged youth, homelessness, disability services, regional 'arts' programs, educational programs etc.

A sample of organisations that have received support from the Foundation include:

- Austin Hospital's 'Islet Cell Transplant Program' – one of the most promising treatments available for Type1 diabetes;
- Good Shepherd's mentoring program helping struggling youth affected by social isolation, emotional pain or disadvantage;
- Orchestra Victoria's 'Community Program' bringing 200 performances to more than 240,000 people throughout Victoria;
- The Clontarf Foundation – establishment of an Academy in Alice Springs to improve the discipline, life skills and self esteem of young aboriginal men.

For further information regarding the Foundation and the support that Tattersall's provides visit www.tattersallsfoundation.org

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Corporate Governance Statement

The Board recognises the importance of good corporate governance and establishing accountability of the Board and management.

The Board is satisfied with Tattersall's application of the principles in the ASX Corporate Governance Council Recommendations (ASX Recommendations), and that Tattersall's corporate governance framework, policies and practices will ensure the continued effective management and operation of Tattersall's. Tattersall's corporate governance policies centre around the Board, the Board committees and the principles that govern their interaction with, and oversight of, management.

Tattersall's corporate governance framework, policies and practices will remain under regular review as expectations and requirements develop to ensure that Tattersall's continues to comply with industry practice.

The Role of the Board
The Board is committed to act in the best interests of Tattersall's to ensure that Tattersall's is properly managed and consistently improved.

The principal role of the Board is to:

- Protect and enhance the interests of shareholders;
- Influence and monitor strategy;
- Oversee the management of Tattersall's and evaluate the performance of the Managing Director/Chief Executive and other executives;
- Provide guardianship of Tattersall's corporate values;
- Monitor the integrity of financial reporting;
- Oversee risk management and legal compliance; and
- Oversee shareholder communications.

Board Composition
The Board currently comprises seven Non-executive Directors and the Managing Director/Chief Executive. All Directors have entered into appointment agreements and deeds of indemnity, insurance and access.

The minimum number of Tattersall's Directors is three and the maximum number is nine unless Tattersall's shareholders resolve to vary that number. Tattersall's Directors are elected at Annual General Meetings of Tattersall's. The Board has resolved that it will have eight members.

The Managing Director/Chief Executive will not retire by rotation. Provided that Tattersall's has three or more Directors, one third of the Directors (rounded down to the nearest whole number) will retire at each Annual General Meeting. In any case, no Director may retain office for more than three years or after the third Annual General Meeting following the Director's appointment, whichever is the longer period. In each case, the retiring Director may then seek re-election.

Board Charter
The Board has developed a charter to provide a framework for the effective operation of the Board. The Charter addresses the following matters:

- Responsibilities of the Board;
- Relationship between the Board and management;
- Appointment and role of the Chairman;
- Composition of the Board;
- Performance of the Board;
- Board committees;
- Board meetings; and
- Access by Directors to independent advice.

A summary of the Board Charter may be found at www.tattersalls.com.au.

Independence of Directors
Each member of the Board is required to apply independent judgement to decision making in their capacity as a Director. A Non-executive Director will be considered independent by the Board if no relationship exists between the Director and Tattersall's that may interfere with the exercise of their independent judgement.

The Board considers the factors outlined below when assessing the independence of each Non-executive Director, being whether:

- The Director is or has been a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- The Director is or has been a Tattersall's employee in the previous three years;
- The Director is or has been a material professional adviser or consultant to the Group in the previous three years;
- The Director is or has been a material supplier or customer of the Group or an officer of, or otherwise associated directly or indirectly with, a material supplier or customer;
- The Director has or has had material contractual relationships with the Group other than as a Director;
- The Director's length of tenure may materially interfere with the ability to act in the Company's best interests; and
- The Director has any material business or other relationships which may materially interfere with the ability to act in the Company's best interests.

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Family ties and cross directorships may also be relevant in considering interests and relationships which may compromise a Non-executive Director's independence. The test of whether a relationship is material is based on the nature of the relationship and the circumstances of the Director. Materiality is considered from the perspective of the Company, the Director and the person or entity with which the Director has a relationship.

The Board considers the factors relevant to assessing independence and determines the independence of its Non-executive Directors, and the Board as a whole, each year. This review has recently been carried out in respect of members of the Board and all Non-executive Directors were considered to be independent with the exception of Mr Bob Bentley, who as Chairman of Queensland Thoroughbred Racing Board is indirectly associated with a material supplier to UNiTAB. The Board acknowledges that, in accordance with the ASX Recommendations, it has a majority of Directors (including the Chairman) who are considered to be independent.

Independent Professional Advice
External advice may be sought by a Director in accordance with the terms of the Director's appointment agreement.

Each Non-executive Director's appointment agreement provides that:

- Professional advice generally in relation to the discharge of the Director's responsibilities to the Company may be sought;
- The Chairman must be notified before advice is sought;
- Any advice obtained may be given to the Board, if appropriate as determined by the Chairman; and
- The Company will reimburse reasonable expenses where the above procedures have been followed.

Director induction and professional development
Tattersall's has an induction program to facilitate immediate involvement in Board activities by any new Directors.

Tattersall's also recognises that Board members must be provided with a range of opportunities for professional development. The Board encourages Directors to identify areas for professional development, and Tattersall's will provide the Directors with sufficient access to appropriate resources.

Board Committees
The Board has established appropriate committees to assist it in the discharge of its responsibilities. However, the Board will not delegate any of its decision making authority to those committees except as expressly specified in the Committee charters.

The table shows the composition of each current Committee which changed substantially as a consequence of the merger with UNiTAB.

Composition of Board Committees

Role	Audit, Risk & Compliance	Governance & Nomination	Remuneration
Chairman	Brian Jamieson	Harry Boon	George Chapman
Members	Lyndsey Cattermole	Bob Bentley	Brian Jamieson
	Julien Playoust	Julien Playoust	Julien Playoust
	Kevin Seymour	Kevin Seymour	Bob Bentley

Other committees may be established by the Board as and when required. Membership of Board Committees will be based on the needs of Tattersall's, relevant legislative and other requirements and the skills and experience of individual Directors.

The Board had previously decided to review the performance of Committee members annually. However, because of the relatively short time the Committee members have had to work together, particularly given the change of membership of the Committees following the merger with UNiTAB in October 2006, the Board has determined to complete its first review before the end of the next reporting period. The charter (or a summary thereof) of each Board Committee is available on the Company's website at www.tattersalls.com.au.

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Audit, Risk and Compliance Committee

Composition

The Chairman and members of the Audit, Risk and Compliance Committee are shown in the previous table. The Board will ensure that an independent director who is not Chairman of the Board, remains Chairman of the Committee and that the Committee will have between three and six members, the majority of whom are independent Directors.

Responsibilities

The Audit, Risk and Compliance Committee will assist the Board in its oversight responsibilities by monitoring and advising on:

- The truth and fairness of the view given by the financial statements of Tattersall's;
- The integrity of Tattersall's accounting and financial reporting;
- Tattersall's accounting policies and practices and consistency with accounting standards;
- The scope of work, independence and performance of the internal and external auditors;
- Compliance with legal and regulatory requirements;
- Compliance with Tattersall's risk policy framework;
- Tattersall's control environment;
- Related party transactions;
- The overall efficiency and effectiveness of Tattersall's financial operations;
- Tattersall's credit policies and operational risk limits; and
- Tattersall's overall risk management program.

External auditor

It is the responsibility of the Audit, Risk and Compliance Committee to review and approve the external auditor's arrangement for the rotation and succession of audit and review partners, including their approach to managing the transition. The procedure for the selection and appointment of the external auditor and the Committee's policy for the rotation of external audit engagement partners are outlined in the Audit, Risk and Compliance Committee's charter and described on the Company's website at www.tattersalls.com.au.

The external auditor must attend the Company's Annual General Meetings, and be available to answer shareholders' questions regarding:

- The conduct of the audit;
- The preparation and the content of the audit report;
- Accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- The independence of the auditor in relation to the conduct of the audit.

Governance and Nomination Committee

Composition

The Chairman and members of the Governance and Nomination Committee are shown in the previous table. The Board will ensure that the Chairman of the Committee is the Chairman of the Board or an independent Director and that the Committee will have between three and six members, the majority of whom are independent Directors.

Responsibilities

The Governance and Nomination Committee will assist the Board in its oversight responsibilities by monitoring and advising on:

- Board composition and succession planning;
- The identification of persons for appointment to the Board;
- The appointment of the Managing Director/Chief Executive;
- The process of reviewing the independence of Directors;
- Board performance evaluation;
- A procedure to address the induction and education needs of Directors;
- Corporate governance developments; and
- The development and implementation of Tattersall's code of conduct.

Board Performance Evaluation

The Committee has responsibility for organising Board performance evaluation. Given that the post merger Board has now been working together for close to 12 months, it was thought appropriate to undertake a Board evaluation process. That evaluation process has commenced and is scheduled for completion before the Annual General Meeting. It is then proposed to undertake an evaluation process of individual Board members during 2008. However, individual Board members up for re-election this year have been evaluated by the Non-executive Directors. The Board evaluation process will involve the completion of a questionnaire by Directors and appropriate senior executives on a confidential basis. The results of those questionnaires will be compiled by the Company Secretary and an issues paper prepared for discussion by the Board.

Appointment of New Directors

Potential Directors will be nominated for appointment to the Board on the basis of a number of criteria including their identified skills and experience. This information will be communicated to shareholders to assist them in their decision whether to elect the nominee at the relevant Annual General Meeting.

Any person invited to join the Board will enter into an appointment agreement setting out the Director's duties, rights, responsibilities and the terms and conditions associated with that appointment. All new Directors appointed to the Board will undertake an induction program co-ordinated by the Company Secretary.

Remuneration Committee

Composition

The Chairman and members of the Remuneration Committee are shown in the previous table. The Board will ensure that an independent director who is not the Chairman of the Board remains Chairman of the Committee. The Managing Director/Chief Executive is an ex-officio member of the Remuneration Committee and invited to attend meetings at the request of the Committee members. The Board will ensure that the Committee will have a minimum of three Non-executive Director members and have no more than six members, the majority of whom are independent Directors.

Responsibilities

The Remuneration Committee will assist the Board in its oversight responsibilities by monitoring and advising on:

- Non-executive Director remuneration;
- Managing Director/Chief Executive remuneration;
- Executive remuneration;
- Executive contracts;
- Employee equity plans;
- Remuneration disclosure;
- Stakeholder engagement in relation to Tattersall's remuneration policies;
- Executive succession planning and organisational development and training; and
- Risk management and controls in relation to remuneration.

Risk Management

Tattersall's operates a risk management framework that provides the Board with a communication process to continually assure it that risks inherent in the operations and activities of the Group have been prudently managed.

The Board has delegated the review of risk management practices to the Audit, Risk and Compliance Committee. As part of this role, the Committee regularly reviews the effectiveness of the risk management system and reports to the Board on the risk management framework, at least annually.

Tattersall's management team is responsible for implementing the risk management system, in particular identifying risk, developing methods of improving internal controls and governance systems and reporting material business risks to the Board.

Particular focuses in this regard include:

- Corporate planning and key strategic project implementation;
- The financial practices undertaken pursuant to the policies and procedures such as delegations of authority, budget monitoring and project performance reports;
- The operation and reporting structures of Tattersall's compliance programme in relation to legislative and regulatory requirements of Tattersall's businesses;
- The change management, standard operating environment, and security policy processes and practices that, along with other technology related risk management structures, reflect the risk management approach to Tattersall's technology infrastructure;
- An Internal Audit programme that provides assurance to the Board and senior management regarding the adequacy of risk management, compliance and control systems; and
- An annual review of the insurance program to ensure adequate coverage of insurable risks.

For the current reporting period, the Chief Executive and the Chief Financial Officer have made statements in accordance with Recommendations 4.1 and 7.2 of the ASX Recommendations.

Key Policies

Continuous disclosure policy

Tattersall's is committed to complying with its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules and releasing relevant information to the market and shareholders in a timely and direct manner.

The Board has adopted a policy which is designed to ensure that, information which is not generally available and which may have a material effect on the price or value of the Company's securities (price sensitive information) is identified and appropriately considered by the Directors and senior executives for disclosure to the market.

The policy also sets out procedures which must be followed in relation to releasing announcements to the market and discussion with analysts, the media or shareholders.

A summary of the continuous disclosure policy is available on the Company's website at www.tattersalls.com.au. Tattersall's market announcements are also available on the Company's website after they are released to ASX.

Whistleblower's policy
The Board has adopted a policy which outlines the steps which Directors and employees should take if they have a genuine suspicion of improper conduct (as described in the policy) regarding Tattersall's activities.

A summary of the whistleblower's policy is available on the Company's website at www.tattersalls.com.au.

Securities trading policy
The Board has adopted a policy which sets out the circumstances in which Directors and employees of Tattersall's may deal in Company securities and enter into transactions in products which operate to limit the economic risk of holding the Company's securities. The policy was reviewed during the reporting period.

An overriding principle of the policy is that Directors and employees who possess price sensitive information must not deal in Company securities or enter into any transactions in risk limiting products. The policy specifies 'blackout periods' during which Directors and employees must not deal in Company securities or enter into transactions in risk limiting products, regardless of whether or not they are in possession of price sensitive information. The policy has limited exceptions (e.g. acquisitions under employee equity plans).

As a result of the review the policy has been amended to remove the 'trading windows'. It was considered the trading windows were unnecessarily restrictive and the better approach is to ensure employees and Directors comply with the insider trading obligations contained in the Corporations Act. Additional safeguards exist in respect of Directors and senior executives who have notification requirements before they can trade.

A summary of the securities trading policy is available on the Company's website at www.tattersalls.com.au.

Shareholder Communication
The Board has adopted shareholder communication practices to provide effective communication, ready access to information and ease of participation in general meetings. The Company's website (www.tattersalls.com.au) contains all relevant material and the Company will provide a simultaneous web cast of the Annual General Meeting.

Code of Conduct
Tattersall's is committed to promoting ethical and compliant behaviour among Directors and employees. To this end the Board has adopted a Code of Conduct applying to all Directors and employees. The Code includes:

- Avoidance of conflict of interest;
- Promotion of confidentiality;
- Fair dealing;
- Delivery of shareholder value while fulfilling obligations to the community;
- Compliance; and
- Acting responsibly.

The Code of Conduct can be found on the Company's website at www.tattersalls.com.au.

Chairman and Chief Executive (CE)
The Chairman is responsible for leading the Board, ensuring Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Group's senior executives.

The CE is responsible for implementing Group strategies and policies.

The Board Charter specifies that there must be clear division of roles between the Chairman and CE.

Commitment
The Board held 15 board meetings during the year. The number of Board and Committee meetings held during each Directors period of appointment and attended by each Director is disclosed on page 27.

The commitments of Non-executive Directors will be considered by the Governance and Nomination Committee prior to a Director's appointment to the Board of the Company and will be reviewed as part of performance assessment.

This Corporate Governance Statement should be read in conjunction with the Directors' Report and the Remuneration Report (contained in the Directors' Report) as those Reports also contain information required to be included by the ASX Recommendations.

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Directors' Report

Your Directors present their report on the consolidated entity consisting of Tattersall's Limited (Company or Tattersall's) and the entities it controls (Group) at the end of, or during, the year ended 30 June 2007.

Directors

The following persons were Directors of the Company during the whole of the financial year and up to the date of this Directors' Report, except as otherwise stated:

- Harry Boon
- Dick McIlwain — *Appointed 12 October 2006*
- Robert Bentley — *Appointed 12 October 2006*
- Lyndsey Cattermole AM
- George Chapman AO — *Appointed 12 October 2006*
- Brian Jamieson
- Julien Playoust
- Kevin Seymour AM — *Appointed 12 October 2006*

- David Jones AO OBE KSJ — *Resigned 12 October 2006*
- Duncan Fischer — *Resigned 12 October 2006*
- James King — *Resigned 12 October 2006*
- Michael Vertigan AC — *Resigned 12 October 2006*

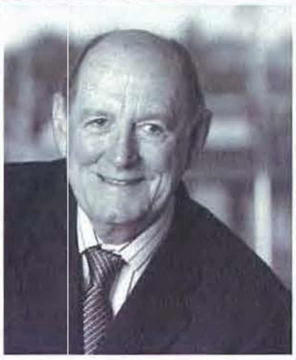

Harry Boon


Dick McIlwain


Lyndsey Cattermole


Robert Bentley


Julien Playoust


George Chapman


Brian Jamieson


Kevin Seymour

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Harry Boon
Chairman
Non-executive Director
Member of the Board since 31 May 2005.

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

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

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

Special Responsibilities
Chairman of the Governance and Nomination Committee

Other Listed Public Company Directorships in previous 3 years:
Ansell Limited (April 2002 to June 2004)
Funtastic Limited (September 2004 to February 2007)
Gale Pacific Limited (August 2005 to present)
Hastie Group Limited (February 2005 to present)
Toll Holdings Limited (November 2006 to present)

Dick McIlwain
Managing Director and Chief Executive
Member of the Board since October 2006.

Dick is the Managing Director and Chief Executive of Tattersall's, previously having joined UNiTAB as Chief Executive in 1989. He was appointed as a Director of UNiTAB in September 1999.

Prior to joining UNiTAB, Dick held commercial roles at Australian Airlines (now the domestic arm of Qantas) and Utah Development Company.

Dick is also the Non-executive Chairman of Super Cheap Auto Group Limited and Wotif.com Holdings Limited.

Dick is a fellow of the Australian Institute of Company Directors and holds a Bachelor of Arts from the University of Queensland.

Special responsibilities
Member of the Remuneration Committee (ex officio)

Other Listed Public Company Directorships in previous 3 years:
Super Cheap Auto Group Limited (May 2004 to present)
Wotif.com Holdings Limited (April 2006 to present)

Robert Bentley
Non-executive Director
Member of the Board since October 2006, previously having been appointed to the UNiTAB Board in July 1999.

Bob is Chairman of the Queensland Thoroughbred Racing Board and founding Chairman of Queensland Racing Limited. He is also a Director of the Australian Racing Board and Chairman of the Australian National Racing Committee. Bob was previously Chairman and Managing Director of Austral Plywoods Pty Ltd and Chairman of the Plywoods Manufacturers Association of Australia, Chairman of the Three Codes Racing Industry Coordinating Committee and Chairman of the Statutory Thoroughbred Control Board (from 1992 to 1996).

Bob has extensive business experience in the pastoral and timber related industries and property development.

Special Responsibilities
Member of the Governance and Nomination Committee
Member of the Remuneration Committee

Other Listed Public Company Directorships in previous 3 years:
Nil

George Chapman AO
Non-executive Director
Member of the Board since October 2006, previously having been Non-executive Chairman of the UNiTAB Board since July 1999.

George is the Executive Chairman of the Chapman Group which has extensive interests in a number of businesses. He was previously Chairman of the Cairns Port Authority, Chairman of Telecasters North Queensland Limited (Chairman from November 1992 to April 1998, and a Director since 1990) and was a Director of the Ten Group Limited (from December 1992 to September 1999) and Ten Network Holdings Limited (from April 1998 to September 1999). A former surveyor, he has been engaged in real estate development for 40 years and is heavily involved in the Tourism industry.

George is a Fellow of the Australian Institute of Company Directors.

Special Responsibilities
Chairman of the Remuneration Committee

Other Listed Public Company Directorships in previous 3 years:
Nil

Lyndsey Cattermole AM
Non-executive Director
Member of the Board since 31 May 2005.

Lyndsey was the founder and Managing Director of Aspect Computing Pty Ltd from 1974 to 2003, and a Director of Kaz Group Limited from 2001 to 2004. Lyndsey has also held many board and other membership positions on a range of government, advisory, association and not for

RMC.026

profit committees including the Committee for Melbourne, the Australian Information Industries Association and the Victorian Premier's Round Table and as Chairman of the Woman's and Children's Health Care Network.

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

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

Special Responsibilities
Member of the Audit, Risk and Compliance Committee.

Other Listed Public Company Directorships in previous 3 years:
Foster's Group Limited (October 1999 to present)

Brian Jamieson
Non-executive Director
Member of the Board since 31 May 2005.

Brian Jamieson was Chief Executive of Minter Ellison Melbourne and a partner of the Minter Ellison Revenue Group from 2002 – 2005. Brian retired as Chief Executive of Minter Ellison Melbourne on 31 December 2005. Prior to joining Minter Ellison, he was Chief Executive Officer at KPMG from 1998 – 2000, Managing Partner of KPMG Melbourne and Southern Regions from 1993 – 1998 and Chairman of KPMG Melbourne from 2001 – 2002. He was also a KPMG Board member in Australia, and a member of the USA Management Committee.

Brian is a Non-executive Director of Sigma Pharmaceuticals Limited, Oxiana Limited and HBOS Australia Pty Ltd. He is also a Director and Treasurer of Care Australia and the Bionic Ear Institute, and a Director of Veski, The Sir Robert Menzies Foundation, the Australian Council – Major Performing Arts Board and the Tattersall's George Adams Foundation.

Brian has over 30 years of experience in providing advice and audit services, to a diverse range of public and large private companies.

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

Special Responsibilities
Chairman of the Audit, Risk and Compliance Committee
Member of the Remuneration Committee

Other Listed Public Company Directorships in previous 3 years:
Oxiana Limited (August 2004 to present)
Sigma Pharmaceuticals Limited (December 2005 to present)

Julien Playoust
Non-executive Director
Member of the Board since 21 November 2005.

Julien is Managing Director of AEH Group, a Sydney-based investment company. His professional career includes management consulting with Andersen Consulting and Accenture. He has experience in mergers and acquisitions, strategy, change, technology and supply-chain programs within consumer discretionary, property, banking, financials and resource sectors.

Current appointments include director of private equity company MGB Equity Growth Pty Ltd and Trustee of the Art Gallery NSW Foundation. He is a Member of the Australian Institute of Company Directors, Australian Institute of Management, Royal Australian Institute of Architects and The Executive Connection.

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

Special responsibilities
Member of the Audit, Risk and Compliance Committee
Member of the Governance and Nomination Committee
Member of the Remuneration Committee

Other Listed Public Company Directorships in previous 3 years:
Nil

Kevin Seymour AM
Non-executive Director
Member of the Board since October 2006 previously having been appointed to UNiTAB's Board in September 2000.

Kevin is Deputy Chairman of Ariadne Australia Limited and Chairman of Watpac Limited. He is also a member of the Albion Park Harness Racing Club and holds board positions with several private companies in Australia. Kevin was previously the Independent Chairman of the Brisbane Housing Company Limited and Chairman of Briz31 Community TV.

Kevin is Executive Chairman of Seymour Group which is one of the largest private property development companies in Queensland. He is also Chairman of Seymour Funds Management Pty Ltd and Seymour Wealth Management Pty Ltd and has substantial experience in the equities market.

Kevin has extensive property development and business experience.

Special Responsibilities
Member of the Audit, Risk and Compliance Committee
Member of the Governance and Nomination Committee

Other Listed Public Company Directorships in previous 3 years:
Watpac Limited (May 1996 to present)
Ariadne Australia Limited (December 1992 to present)

RMC.027

Principal activities

During the period the principal activities of the Group changed substantially following the acquisition, by way of a scheme of arrangement, of UNiTAB Limited and the subsequent acquisitions of Golden Casket Lottery Corporation Limited and a joint venture interest in Talarius Limited (formerly Talarius Plc).

The principal activities of the Group now consist of:

- The operation of licensed gaming machines in Victoria;
- The operation of regulated lotteries in Victoria, Queensland (from 29 June 2007), Tasmania, Australian Capital Territory and the Northern Territory;
- The conduct of wagering and sports betting in Queensland, South Australia and the Northern Territory;
- The conduct of gaming machine monitoring and supply of jackpot and other value add services in Queensland, New South Wales and Northern Territory. In NSW this includes exclusive licences to operate inter-venue linked jackpots;
- The provision of third party installation, repair and maintenance services for gaming, wagering, lottery, banking, point of sale and other transactional equipment and systems throughout Australia;
- Interests in licensed gaming operations in South Africa and the United Kingdom.

Dividends

The Board continues its previously indicated commitment to maintaining a high dividend payout ratio. The total dividend paid or payable in respect of this year is 22 cents per share, represented by:

	2007 (Per Share)	2007 ($'000)	2006 (Per Share)	2006 ($'000)
Interim Dividend	8.0(2)	101,228	8.75(1)	61,842
Final Dividend	10.0	126,535	7.50	53,008
Special Dividend	4.0	50,614	-	-
Total Dividend	22.0	278,377	16.25	114,850

(1) The 2006 Interim Dividend related to profits for the 7-month period from the Restructure Date of the Company of 1 June 2005 to 31 December 2005.
(2) The 2007 Interim Dividend was paid on 30 March 2007.

The 2007 Final and Special Dividends have been declared since the end of the financial year, and are payable on 5 October 2007 with a Record Date of 14 September 2007. All dividends are fully franked.

Review of Operations

The reported Net Profit After Tax (NPAT) for the year ended 30 June 2007 was $288.6 million, up 124.5% from the prior year. This was achieved from the Group revenue and other income of $2,418.2 million, up 30.3% on the previous year.

The reported NPAT includes the settlement of the Trustee Commission claim, which resulted in a one-off benefit to profit before tax from the provision write-back of $51.4 million.

This is the first year of reporting of the Company's financial results reflecting the merger of Tattersall's Limited and UNiTAB Limited. As the merger occurred on 12 October 2006 (merger date), the financial statements represent 12 months financial results for the Tatts Pokies, Lotteries, Bytecraft and South African businesses of Tattersall's Limited, and the financial results for the Wagering and Maxgaming businesses of UNiTAB Limited from the merger date.

The 2007 financial year has been transformational for the Group. The merger with UNiTAB Limited provided a significant opportunity for the Company to broaden its geographical and operational business base. Through operations in gaming, wagering, lotteries, gaming services and technical maintenance and support services, the Group has various operations across every State and Territory in Australia, and in South Africa and the United Kingdom. The Group disposed of Bytecraft Entertainment in February 2007, having recognised this business as non-core to the Group.

RMC.028

The merger has also provided an opportunity to realise a significant reduction in the operating cost base of the business – a process that will continue into the 2008 financial year and will now also encompass the integration of the operations of Queensland's Golden Casket Lottery Corporation, which was acquired on 29 June 2007.

Tatts Pokies growth improved in the second half of the year, realising the benefits of investment in new games and jackpots in the first half. Revenue was up 1.9% for the year, with Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) up 5.7% on the previous year to $235.1 million following a strong focus on realising operational efficiency gains.

UNiTAB Wagering became a part of the Group from the merger date. Wagering's very strong performance contributed $410.9 million in revenue and $102.6 million in EBITDA during that period. On a pro-forma 12 month basis, Wagering produced an outstanding result, with revenue up 8.2% to $543.2 million and EBITDA up 17.6% to $134.7 million on the previous year.

Revenue for the Lotteries business increased 4.4% to $593.5 million and EBITDA grew a significant 34.1% to $35.3 million on the 2006 figures. This impressive profit performance reflected the significant reductions achieved in the operating costs of the business across most expenditure items including marketing spend. This result has been achieved against a backdrop of uncertainty pending the finalisation of the Victorian Government's decision on the awarding of a 10 year public lotteries licence in Victoria.

Maxgaming continued to deliver a solid performance in a challenging environment in Queensland and NSW and on the back of increased market share in Queensland. Maxgaming's contribution to the Group's reported results was $84.5 million of revenue which generated $45.9 million in EBITDA. On a pro-forma 12 month basis, revenue was up 0.3% to $112.3 million and EBITDA up 0.2% to $61.2 million on the previous year.

Bytecraft Systems, the part of Bytecraft retained by the Group, generated an excellent growth in EBITDA over the previous year of 289.0%, contributing $7.6 million to the Group results. The operation and subsequent disposal of Bytecraft Entertainment in February 2007 contributed $8.5 million in net profit before tax to the Group results this year.

The Group's international business is very much in its early development phase in South Africa and the United Kingdom. In South Africa, the Group was granted a second licence in December 2006 to operate 1,000 electronic gaming machines in KwaZulu Natal. This complements the existing licence to operate 1,000 gaming machines in Western Cape, which with 715 machines at 30 June 2007 generated an EBITDA of $5.3 million. The total South African gaming operations contributed $0.5 million to the Group Net Profit Before Tax (NPBT) for the year.

In February 2007, the Group converted a 10.4% interest in Talarius plc into a 50% interest in European Gaming Limited, a company jointly owned with Macquarie Bank Limited, which acquired 100% of Talarius plc. The Group's interest in European Gaming contributed $1.5 million to Earnings Before Interest and Tax (EBIT) for the current year.

In the Group's balance sheet, the level of net debt arising from absorbing the UNiTAB debt, acquiring Golden Casket and taking a bigger share of Talarius is expected to stabilise around the $550 million level. This represents a relatively modest debt burden for this business relative to its annual business profitability and cash flows. These strong cash flows provide the basis of the significant levels of intangible assets that are a characteristic of networked gambling businesses such as Tattersall's.

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the year were:

On 12 October 2006, Tattersall's Limited merged with UNiTAB Limited, resulting in 558,585,825 ordinary fully paid shares being issued to shareholders of UNiTAB, and the payment of $56.4 million cash to UNiTAB shareholders who did not take up the share offer. The transaction consideration, including costs, was just under $2.1 billion, and increased total shares on issue to 1,265,355,056.

On 1 February 2007, the Group, through its $118 million investment in European Gaming Limited, a 50/50 joint venture with Macquarie Bank Limited, jointly acquired 100% of Talarius plc in the United Kingdom.

On 28 February 2007, the Group completed the disposal of Bytecraft Entertainment Pty Ltd for consideration of $42.5 million. Bytecraft Systems Pty Ltd has been retained.

RMC.029

On 1 March 2007, Uthingo Management Pty Ltd, a company in which the Group holds a 10% interest, ceased operating as the national lottery operator in South Africa.

On 16 April 2007, the Company announced that agreement had been reached to acquire the shares in Golden Casket Lottery Corporation Limited and to enter into a 65 year lottery operator agreement in Queensland, for a total cash payment of $542.2 million. The acquisition was completed on 29 June 2007.

On 16 April 2007, the Victorian State Government announced an increase in the Health Benefit Levy applied to each gaming machine in Victoria effective from 1 July 2007. This is expected to impact NPAT by approximately $12 million in the coming year.

On 19 April 2007, the Company announced the settlement of the Trustee Commission claim, resulting in total final payments of $19.3 million, with the remaining balance of the provision held for this purpose of $51.4 million transferred as a gain to the income statement.

Matters subsequent to the end of the financial period

Other than as stated elsewhere in this Directors' Report, no other matters or circumstances have arisen since 30 June 2007 which have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future years.

Likely developments and expected results of operations

Likely developments in the operations of the Group that were not finalised at the date of this report included:

- Government and Parliamentary reviews are continuing to assess the Victorian Government's process in determining the granting of a 10-year lottery operator licence in Victoria. Tattersall's is currently operating the Victorian lottery under a licence that is due to expire on 30 June 2008 following a one year extension. A decision on the granting of a 10-year lottery operator licence in Victoria is expected to be known during the year ending 30 June 2008.
- Following the acquisition of Golden Casket Lottery Corporation Limited, Tattersall's has given an undertaking to the Australian Competition and Consumer Commission that it will divest Bounty Limited, a wholly owned subsidiary of Golden Casket.

Further information on likely developments in the operations of the Group, and the expected results of operations have not been included in this Directors' Report because the Directors believe it would be likely to result in unreasonable prejudice to the Group and because they are confidential.

Environmental regulation

The operations of the Group are not subject to any particular and significant environmental regulation under any law of the Commonwealth of Australia or any of its States or Territories.

Directors' Interests in Shares

The relevant interest of each Director in the share capital of the Company at the date of this report is as follows:

Director	Relevant Interest in Ordinary Shares	Options over Ordinary Shares
Harry Boon	150,000	Nil
Dick McIlwain	3,247,500	2,000,000
Robert Bentley	140,000	Nil
Lyndsey Cattermole	172,663	Nil
George Chapman	4,011,745	Nil
Brian Jamieson	78,000	Nil
Julien Playoust	50,000	Nil
Kevin Seymour	42,060,665	Nil

Executive Directors are the only Directors entitled to participate in the Long-Term Incentive Plan. Details of these interests are disclosed in the Remuneration Report which appears on pages 27 to 43 of this report.

RMC.030

Company Secretary

Penny Grau was appointed to the position of Company Secretary on 3 April 2007, replacing Marion Rodwell who had taken over the position from Simon Doyle on 12 October 2006. Prior to this appointment, Penny practiced as a corporate lawyer for 18 years, the last 8 years as a partner with national law firm Clayton Utz. Penny holds Bachelors of Laws and Commerce, a Masters of Laws, and a Graduate Diploma in Applied Finance and Investment.

Meetings of Directors

The number of scheduled Board meetings and meetings of Board Committees, and the number of meetings attended by each of the Directors of the Company during the year were:

	Board of Directors meetings		**Audit, Risk & Compliance**		**Governance & Nomination**		**Remuneration**	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Harry Boon	15	15	1(b)	1	1	1	nm	nm
Dick McIlwain (a) (c)	10	10	nm	nm	nm	nm	2	2
Robert Bentley (a)	10	10	nm	nm	0	0	2	2
Lyndsey Cattermole	15	14	4	3	1(b)	1	nm	nm
George Chapman (a)	10	9	1(d)	1	nm	nm	2	2
Brian Jamieson	15	15	4	4	nm	nm	3	3
Julien Playoust	15	15	2(e)	2	0(a)	0	3	3
Kevin Seymour (a)	10	9	3	3	0	0	nm	nm
David Jones (b)	5	3	nm	nm	1	1	nm	nm
Duncan Fischer (b)	5	3	nm	nm	nm	nm	1	1
James King (b)	5	3	nm	nm	1	1	1	1
Michael Vertigan (b)	5	4	1	1	nm	nm	nm	nm

Column A – Number of scheduled meetings during the year while the Director was a member of the Board or Committee.

Column B – Number of meetings attended by the Director during the year.

nm – Not a member of the relevant Committee

(a) – Appointed 12 October 2006

(b) – Resigned 12 October 2006

(c) – Managing Director, not a Non-executive Director

(d) – Resigned 21 December 2006

(e) – Appointed 21 December 2006

Remuneration Report

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

A Remuneration Policy

B Remuneration Committee

C Non-executive Directors

D Executive Remuneration Structure
- i) Fixed Annual Remuneration
- ii) Short Term Incentive Plan
- iii) Long Term Incentive Plan

E Employee Share Plan

F Employment Contracts of Managing Director/Chief Executive and Senior Executives

G Details of Remuneration

H Share Based Compensation Options and Rights

I Additional Information

RMC.031

The information provided under headings A-H includes remuneration disclosures that are required under AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the Financial Report and have been audited.

A Remuneration Policy (audited)

The objective of Tattersall's executive reward framework is to link remuneration to financial performance and shareholder value, and to offer competitive and appropriate remuneration for the results delivered. For this period of reporting, the remuneration strategy has been applied in its entirety. The remuneration strategy and structure are described in this Remuneration Report to indicate the structure and processes in place throughout the financial year.

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

B Remuneration Committee (audited)

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

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

- Non-executive remuneration;
- Managing Director/Chief Executive remuneration;
- Executive remuneration;
- Executive contracts;
- Employee equity plans;
- Remuneration disclosure;
- Executive succession planning and organisational development and training;
- Stakeholder engagement in relation to the Group's remuneration policies; and
- Risk management and controls regarding remuneration.

C Non-executive Directors (audited)

Fees to Non-executive Directors reflect the demands which are made on, and the responsibilities of the Directors. Fees are reviewed annually by the Board to ensure Non-executive Directors' fees are appropriate and consistent with market practice. Non-executive Directors' fees are determined within an aggregate fee pool limit, which if increased requires shareholder approval. The current maximum total Non-executive Directors' fee pool is $1.5 million per annum.

The annual fee amount is determined on a total cost basis representing cash and superannuation. Fees are paid on the following basis: Chairman $250,000 per annum; Non-executive Director: $120,000 per annum. Fees for the Chairman of the Audit, Risk and Compliance Committee and Chairman of the Remuneration Committee increased in January 2007 by $20,000 and $12,500 respectively, in recognition of the increased workload and responsibilities of these Committee Chair positions. During the reporting period, Non-executive Directors could elect to take a percentage of their annual fee in the form of restricted shares, which could not be disposed of for a period of three years. This arrangement is not currently being offered.

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

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

Retirement Benefits of Non-executive Directors
There are no retirement benefit schemes for Non-executive Directors, other than statutory superannuation contributions.

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

Non-Monetary Benefits of Non-executive Directors
There are no non-monetary benefits offered to Non-executive Directors.

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

Target Reward Structure and Mix
The Group's executive remuneration framework is structured to ensure it is market competitive and complementary to the reward strategy of the organisation and the interests of shareholders.

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

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

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

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

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

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

For salaried employees, salary adjustments are made after assessment of (a) an employee's positioning relative to the market range for the type of position held; and (b) how an individual has performed relative to their peer group after standardisation of raw performance ratings.

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

Employees in specific parts of the business who are covered by Enterprise Bargaining Agreements receive annual agreed salary increments in accordance with the terms of those agreements.

There are no guaranteed base pay increases in any executive contracts of employment.

ii) Short-Term Incentive Plan

Tattersall's short-term incentive framework is structured to reward performance excellence based on the actual performance of the Group, of the business unit to which an individual belongs, and the individual's personal performance. There is also a component available at the discretion of the Chief Executive and the Remuneration Committee to recognise the achievement of special contributions such as in this reporting period meeting key synergy targets arising as a consequence of the merger of the Tattersall's and UNiTAB businesses.

Key business unit and individual performance outcomes align with Tattersall's strategic objectives over a 12 month period. Any awards provided under the STIP are subject to the achievement of Group profitability targets, determined annually in line with Tattersall's business planning process, and which are approved by the Board. The size of the total available Short-Term Incentive (STI) pool will vary depending on the level of profitability achieved. Individual participation in the STIP varies according to job level.

The use of a profit target ensures that awards under the STIP only become available after the achievement of profit levels consistent with the business plan. Performance above this threshold is leveraged to ensure an acceptable return to both shareholders and executives. If either Group performance or individual performance is not achieved at the target level, no STI may be awarded. The Board reserves its right to adjust up or down total STI payments under the STIP in line with under or over-achievement against target performance levels.

In addition to Group and individual performance that formed the basis of STI payments in the previous reporting period, this year the total STI bonus pool will also recognise the contribution of business units from different parts of the Group. This change has been made to better align STI payments with the contribution made by the various parts of the business. Consequently, within the total available STI pool there exist three smaller pools. They are the Company Performance Pool (i.e. the Group's profit performance), a Divisional/Strategic Business Unit (SBU) Pool and a Special Contributions Pool. Each pool will equate to a percentage of the total available pool (determined by reference to Group profitability results as outlined above) for the payment of short-term incentive payments. The percentage from the total STI pool for each of the constituent pools is shown below.

Pool	**Weighting**
Company Performance	30%
Divisional/SBU Performance	30%
Special Contributions	40%

The percentage share of the total STI bonus pool to each of these constituent pools may vary from year to year. This year the Special Contributions pool will amount to approximately 40% of the total pool. This percentage share is relatively high this year in recognition of the significant activities in the year including the integration activities following the Tattersall's/UNiTAB merger and the associated achievement of the synergies expected to be delivered as a result of the merger, and various other corporate initiatives and acquisitions.

The Divisional/SBU Performance pool will not necessarily be available to employees in all Divisions or SBUs. The relative contribution by each Division and SBU to the targets used to determine the total STI Pool will have a significant bearing on how much, if anything, is available in the Divisional/SBU pool for employees of each Division and SBU. Divisional and SBU targets include expense management, project delivery, product development, margin improvement and profit contribution outcomes.

The total STI payable to an individual will be determined by the number of Bonus Units established or achieved by that individual in both the Company and Divisional/SBU Performance pools, plus any amount allocated from the Special Contributions Pool. Bonus units are determined by reference to the annual Individual Performance Rating (IPR) of each employee. The potential annual entitlement for each employee is determined by multiplying the individual's Fixed Annual Remuneration by their STI percentage and their IPR.

RMC.034

FAR ($)	X	STI % of FAR	X	Individual Performance Rating (IPR)	=	Individual Bonus Entitlement (IBE)

Calculation of an individual's actual share of either the Company or Divisional/SBU Performance pools is determined by multiplying the total available pool by the Individual Bonus Entitlement (IBE) divided by the sum of Total Individual Bonus Entitlements (TIBE) in the respective pool.

Pool ($)	X	(	Individual Bonus Entitlement (IBE)	÷	Total Individual Bonus Entitlements (TIBE)	)	=	Individual Bonus from Pool ($)

Final allocations between employees within the Divisional/SBU Performance Pool is subject to the final assessment of the respective Chief Executives of each Division/SBU.

The Remuneration Committee, in consultation with the Managing Director/Chief Executive and Divisional/SBU Heads, will make allocations from the Special Contributions Pool based upon the achievement of key strategic initiatives, including, for example this year, the achievement of synergy targets.

Details of the remuneration of Directors and other key management personnel are set out at pages 34 – 39.

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

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

The Board has the discretion to grant a mix of performance options and performance rights to participants. This entitles the participants to receive shares, subject to the achievement of both time based and performance based vesting conditions. In exercising its discretion under the plan rules, the Board has determined that in 2007-08 the long-term incentive offer to executives will be restricted to the allocation of performance options only. This is consistent with an increased focus on the simplification of Tattersall's existing incentive offering and the cost-effectiveness of the plan from a Company and shareholder perspective.

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

Grant of Performance Options and Performance Rights
No amount will be payable by the recipient upon grant of either performance options or performance rights.

Allocation/Vesting of Shares
Allocations of performance options and performance rights may be exercised upon vesting (following satisfaction of the performance and time based vesting conditions). At least 50% of performance options and performance rights will vest subject to the achievement of a Total Shareholder Return (TSR) hurdle in comparison to the peer group.

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

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

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

As options and rights allocated under the long-term incentive plan do not vest until the 2008-09 financial year, the Company's performance relative to the performance conditions under the plan are yet to be formally measured and tested.

On exercise, the Company may deliver shares by new issue or by purchasing shares on market for transfer to participants. The exercise price of the performance options is determined by reference to the 30 day volume weighted average price of the shares as traded on the ASX in the 30 days up to and including the determination date.

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

Grants of shares under the long-term incentive plan will be subject to a 5% cap, inclusive of shares that may be issued in respect of each outstanding offer or grant of shares and options or rights to acquire unissued shares if accepted or exercised under other equity plans of the Company for employees and Non-executive Directors, but disregarding offers made outside of Australia, made under a disclosure document or which do not require a disclosure document.

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

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

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

E Employee Share Plan (audited)
General Share Acquisition Plan (Plan not offered in 2007-08)
General
The general share acquisition plan is a general employee share plan by which offers may be made to eligible employees to acquire restricted shares (being shares subject to a disposal restriction as set out below) via salary sacrifice. During the reporting period, Group employees, other than casual employees, were eligible to participate in the general share acquisition plan.

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

RMC.036

Grants of shares under the plan will be subject to a 5% cap. This is inclusive of shares that may be issued in respect of each outstanding offer or grant of shares and options or rights to acquire unissued shares if accepted or exercised under other equity plans of the Company for employees and Non-executive Directors, but disregarding offers made outside Australia, made under a disclosure document or which do not require a disclosure document.

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

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

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

Given the limited participation rate of employees in this Plan during 2006-07, and the existing healthy level of share ownership by employees, in exercising its discretion under the plan rules, the Board has determined that the General Share Acquisition Plan will not be offered in 2007-08.

F Employment Contracts of the Managing Director/Chief Executive and Executives (audited)
The employment conditions of the Managing Director/Chief Executive, Dick McIlwain, and specified executives are formalised in contracts of employment. Other than the Managing Director/Chief Executive, all other executives are employed under contracts of no fixed duration.

		Termination Payment Benefits (other than termination for gross misconduct or retrenchment)	
Name	**Term of Contract**	**Period of Notice**	**Amount of Payment**
D McIlwain	3 year term contract – commenced on 12 October 2006	6 months written notice	No notice or severance payment required upon expiry of contractual term. Where terminated early entitled to no more than that allowed per Part 2 Division 2 of Chapter 2D of the Corporations Act 2001.
M Carr	No fixed duration	No notice period[1]	Payment of 24 months' total remuneration is payable (unless for fraud, misconduct or poor performance).[1]
B Fletton	No fixed duration	No notice period[1]	Payment of 36 months' total remuneration is payable (unless for fraud, misconduct or poor performance).[1] The employee may terminate without notice if his position, responsibility and employment arrangements are diminished or reporting lines are changed without notice, and receive a payment of 24 months' total remuneration (unless for fraud, misconduct or poor performance).[1]
P Grau	No fixed duration	6 months written notice	A combination of notice and payment in lieu of notice totalling no less than 6 months.
R Gunston	No fixed duration	12 months written notice	A combination of notice and payment in lieu of notice totalling no less than 12 months.
B Houston	No fixed duration	6 months written notice	A combination of notice and payment in lieu of notice totalling no less than 6 months.
S Lawrie	No fixed duration	No notice period[1]	Payment of 24 months' total remuneration is payable (unless for fraud, misconduct or poor performance).[1]
F Makryllos	No fixed duration	3 months written notice	A combination of notice and payment in lieu of notice totalling no less than 3 months.

B Redmond	No fixed duration	12 months written notice	A combination of notice and payment in lieu of notice totalling no less than 12 months.
K Szekely	No fixed duration	6 months written notice	A combination of notice and payment in lieu of notice totalling no less than 6 months.
W Thorburn	No fixed duration	3 months written notice until 30 June 2009, and 6 months thereafter	Up to 30 June 2009, in addition to payment in lieu of notice totalling 3 months, a service payment equal to 2 weeks salary for each year of continuous service capped at 52 weeks, and a separation payment equal to 20% of salary between the date of termination and the date of contract completion. Thereafter, a combination of notice and payment in lieu of notice totalling no less than 6 months.

1 These notice periods apply to 1 March 2008, if terminated by the Company, and then revert to a four week notice period with the termination payment amount a combination of notice and payment in lieu of notice, totalling no less than four weeks.

The terms of employment for the specified executives make provision for a performance related bonus in the form of a STI award and a long-term incentive in the form of an award of performance options.

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

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

G Details of Remuneration (audited)

Amounts of remuneration

Details of the remuneration of the Directors of Tattersall's Limited and the other key management personnel of Tattersall's Limited and of the Group who received the highest remuneration for the year ended 30 June 2007 are set out in the following tables.

The key management personnel of the Group include the Directors as per pages 21 – 23 above and the following executive officers:

- Michael Carr – Chief Executive, Maxgaming
- Barrie Fletton – Chief Executive, Wagering
- Ray Gunston – Chief Financial Officer
- Stephen Lawrie – Chief Information Officer
- Frank Makryllos – Chief Executive, Tatts Pokies
- Brendan Redmond – Executive General Manager, Business Development & International Investments

The key management personnel of the Company includes the Directors as per pages 21 – 23 above, and the following executive officers:

- Penny Grau – General Counsel & Company Secretary
- Ray Gunston – Chief Financial Officer
- Bruce Houston – Executive General Manager, Media, Government & Community Relations
- Brendan Redmond – Executive General Manager, Business Development & International Investments
- Kevin Szekely – Chief Executive, Bytecraft Systems

The comparative figures in the following tables represent Directors' fees and executive remuneration for the reporting period 1 July 2006 to 30 June 2007.

RMC.038

Key management personnel and other executives of Tattersall's Limited

		Short-term Benefits			Post-employment Benefits	Long-term Benefits	Share-based Payment		
Name	**Year**	**Cash Salary and Fees $**	**Cash Bonus*** (STI) $**	**Other** $**	**Superannuation $**	**Long Service Leave $**	**Performance Options (LTI) $**	**Performance Rights (LTI) $**	**Total $**
Non-executive Directors									
Harry Boon – appointed Chairman 12/10/06	2007	213,000	N/A	-	-	-	N/A	N/A	213,000
	2006	120,000	N/A	-	-	-	N/A	N/A	120,000
Robert Bentley – appointed 12/10/06	2007	78,758	N/A	-	7,088	-	N/A	N/A	85,846
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Lyndsey Cattermole	2007	120,000	N/A	-	-	-	N/A	N/A	120,000
	2006	113,394	N/A	-	6,606	-	N/A	N/A	120,000
George Chapman – appointed 12/10/06	2007	84,492	N/A	-	7,610	-	N/A	N/A	92,102
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Brian Jamieson	2007	119,266	N/A	-	10,734	-	N/A	N/A	130,000
	2006	110,092	N/A	-	9,908	-	N/A	N/A	120,000
Julien Playoust	2007	110,092	N/A	-	9,908	-	N/A	N/A	120,000
	2006	67,608	N/A	-	6,085	-	N/A	N/A	73,693
Kevin Seymour – appointed 12/10/06	2007	78,758	N/A	-	7,088	-	N/A	N/A	85,846
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
David Jones (former Chairman) – resigned 12/10/06	2007	71,154	N/A	-	-	-	N/A	N/A	71,154
	2006	250,000	N/A	-	-	-	N/A	N/A	250,000
William Adams – resigned 21/11/05	2007	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2006	42,908	N/A	-	4,128	-	N/A	N/A	47,036
Peter Kerr – resigned 21/11/05	2007	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2006	45,872	N/A	-	4,128	-	N/A	N/A	50,000
James King – resigned 12/10/06	2007	31,334	N/A	-	3,303	-	N/A	N/A	34,637
	2006	110,092	N/A	-	9,908	-	N/A	N/A	120,000
Michael Vertigan – resigned 12/10/06	2007	31,334	N/A	-	3,303	-	N/A	N/A	34,637
	2006	67,608	N/A	-	6,085	-	N/A	N/A	73,693
Sub-total – Non-executive Directors	2007	938,188	N/A	-	49,034	-	N/A	N/A	987,222
	2006	927,574	N/A	-	46,848	-	N/A	N/A	974,422
Executive Directors									
Dick McIlwain (Managing Director/ Chief Executive) – appointed 12/10/06*	2007	1,089,471	1,050,000	-	9,515	-	388,889	-	2,537,875
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

RMC.039

Duncan Fischer (former Managing Director/Chief Executive Officer) – resigned 12/10/06	2007	312,150	N/A	3,567,556	4,229	23,303	N/A	N/A	3,907,238
	2006	1,084,262	232,444	-	27,338	18,134	86,243	20,928	1,469,349
Sub-total – Executive Directors	2007	1,401,621	1,050,000	3,567,556	13,744	23,303	388,889	-	6,445,113
	2006	1,084,262	232,444	-	27,338	18,134	86,243	20,928	1,469,349
Other Key Management Personnel									
Penny Grau – appointed 27/3/07	2007	108,095	40,000	-	3,736	-	-	-	151,831
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ray Gunston ^	2007	592,449	365,000	-	12,686	10,504	27,888	41,947	1,050,474
	2006	509,862	92,071	-	15,138	8,459	16,269	7,895	649,694
Bruce Houston – appointed 12/10/06	2007	201,074	125,000	-	20,034	3,516	2,267	3,627	355,518
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Frank Makryllos – appointed 12/10/06	2007	198,897	150,000	-	9,141	3,398	11,086	9,188	381,710
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Brendan Redmond ^	2007	397,404	140,000	-	12,686	-	10,525	7,484	568,099
	2006	145,448	12,991	-	4,552	-	N/A	N/A	162,991
Kevin Szekely – appointed 1/3/07	2007	77,103	60,000	-	4,794	1,296	1,724	2,759	147,676
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Simon Doyle – resigned 20/11/06	2007	152,804	N/A	-	5,286	2,731	-	-	160,821
	2006	385,227	69,950	-	14,773	6,397	12,395	6,015	494,757
Stephen Found ^ – resigned 28/2/07	2007	291,542	75,000	798,000	9,515	4,795	-	-	1,178,852
	2006	218,930	33,869	-	6,070	5,396	N/A	N/A	264,265
Peter Lee ^ – resigned 3/11/06	2007	121,703	N/A	399,323	5,286	2,028	-	-	528,340
	2006	345,445	34,592	-	14,555	5,737	11,155	5,414	416,898
Adrian Nelson ^ – resigned 24/11/06	2007	158,237	N/A	443,692	5,266	2,642	-	-	609,837
	2006	385,227	34,783	-	14,773	6,397	12,395	6,015	459,590
Sub-total – Key Management Personnel	2007	2,299,308	955,000	1,641,015	88,430	30,910	53,490	65,005	5,133,158
	2006	1,990,139	278,256	-	69,861	32,386	52,214	25,339	2,448,195
Totals	2007	4,639,117	2,005,000	5,208,571	151,208	54,213	442,379	65,005	12,565,493
	2006	4,001,975	510,700	-	144,047	50,520	138,457	46,267	4,891,966

* The Managing Director/Chief Executive has 52% of his total remuneration related to the performance of the Group, and 48% which is not related to the Group's performance.

** Other payments as follows:
Duncan Fischer – payment upon retirement as Managing Director/Chief Executive Officer. Mr Fischer was also paid $845,565 in accrued Annual and Long Service Leave entitlements upon retirement.
Stephen Found – payment upon his resignation as Managing Director of Bytecraft Systems Pty Ltd.
Peter Lee – payment upon his termination as General Manager, Technology.
Adrian Nelson – payment upon his termination as General Manager, Strategy.

*** These cash bonuses represent 100% of the cash bonus paid to each executive in respect of the financial year. Where the individuals' STI target has been exceeded, the Board has exercised its right to adjust upwards the total STI payments (cash bonuses) in line with over-achievement against target performance levels. The following executives have received the following percentage of their target STI cash bonus: Dick McIlwain (94%), Ray Gunston (169%), Brendan Redmond (102%), Stephen Found (50%), Peter Lee (0%) and Adrian Nelson (0%).

^ Denotes one of the five highest paid executives of the Company, as required to be disclosed under the Corporations Act 2001, for whom 60% of their total remuneration is not related to the performance of the Group, and 40% is related to the Group's performance.

RMC.040

Key management personnel and other executives of the Group

		Short-term Benefits			Post-employment Benefits	Long-term Benefits	Share-based Payment		
Name	**Year**	**Cash Salary and Fees $**	**Cash Bonus*** (STI) $**	**Other** $**	**Superannuation $**	**Long Service Leave $**	**Performance Options (LTI) $**	**Performance Rights (LTI) $**	**Total $**
Non-executive Directors									
Harry Boon – appointed Chairman 12/10/06	2007	213,000	N/A	-	-	-	N/A	N/A	213,000
	2006	120,000	N/A	-	-	-	N/A	N/A	120,000
Robert Bentley – appointed 12/10/06	2007	78,758	N/A	-	7,088	-	N/A	N/A	85,846
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Lyndsey Cattermole	2007	120,000	N/A	-	-	-	N/A	N/A	120,000
	2006	113,394	N/A	-	6,606	-	N/A	N/A	120,000
George Chapman – appointed 12/10/06	2007	84,492	N/A	-	7,610	-	N/A	N/A	92,102
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Brian Jamieson	2007	119,266	N/A	-	10,734	-	N/A	N/A	130,000
	2006	110,092	N/A	-	9,908	-	N/A	N/A	120,000
Julien Playoust	2007	110,092	N/A	-	9,908	-	N/A	N/A	120,000
	2006	67,608	N/A	-	6,085	-	N/A	N/A	73,693
Kevin Seymour – appointed 12/10/06	2007	78,758	N/A	-	7,088	-	N/A	N/A	85,846
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
David Jones (former Chairman) – resigned 12/10/06	2007	71,154	N/A	-	-	-	N/A	N/A	71,154
	2006	250,000	N/A	-	-	-	N/A	N/A	250,000
William Adams – resigned 21/11/05	2007	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2006	42,908	N/A	-	4,128	-	N/A	N/A	47,036
Peter Kerr – resigned 21/11/05	2007	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2006	45,872	N/A	-	4,128	-	N/A	N/A	50,000
James King – resigned 12/10/06	2007	31,334	N/A	-	3,303	-	N/A	N/A	34,637
	2006	110,092	N/A	-	9,908	-	N/A	N/A	120,000
Michael Vertigan – resigned 12/10/06	2007	31,334	N/A	-	3,303	-	N/A	N/A	34,637
	2006	67,608	N/A	-	6,085	-	N/A	N/A	73,693
Sub-total – Non-executive Directors	2007	938,188	N/A	-	49,034	-	N/A	N/A	987,222
	2006	927,574	N/A	-	46,848	-	N/A	N/A	974,422

RMC.041

Executive Directors									
Dick McIlwain (Managing Director/ Chief Executive) – appointed 12/10/06*	2007	1,089,471	1,050,000	-	9,515	-	388,889	-	2,537,875
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Duncan Fischer (former Managing Director/Chief Executive Officer) – resigned 12/10/06	2007	312,150	N/A	3,567,556	4,229	23,303	N/A	N/A	3,907,238
	2006	1,084,262	232,444	-	27,338	18,134	86,243	20,928	1,469,349
Sub-total – Executive Directors	2007	1,401,621	1,050,000	3,567,556	13,744	23,303	388,889	-	6,445,113
	2006	1,084,262	232,444	-	27,338	18,134	86,243	20,928	1,469,349
Other Key Management Personnel									
Michael Carr – appointed 12/10/06	2007	269,797	135,000	-	38,670	6,928	11,112	7,902	469,409
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Barrie Fletton – appointed 12/10/06	2007	266,538	170,000	-	38,201	6,848	10,985	7,811	500,383
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Penny Grau – appointed 27/3/07	2007	108,095	40,000	-	3,736	-	-	-	151,831
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ray Gunston ^	2007	592,449	365,000	-	12,686	10,504	27,888	41,947	1,050,474
	2006	509,862	92,071	-	15,138	8,459	16,269	7,895	649,694
Bruce Houston – appointed 12/10/06	2007	201,074	125,000	-	20,034	3,516	2,267	3,627	355,518
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Stephen Lawrie – appointed 12/10/06	2007	251,032	150,000	-	33,569	5,997	10,218	7,266	458,082
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Frank Makryllos – appointed 12/10/06	2007	198,897	150,000	-	9,141	3,398	11,086	9,188	381,710
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Brendan Redmond ^	2007	397,404	140,000	-	12,686	-	10,525	7,484	568,099
	2006	145,448	12,991	-	4,552	-	N/A	N/A	162,991
Kevin Szekely – appointed 1/3/07	2007	77,103	60,000	-	4,794	1,296	1,724	2,759	147,676
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Simon Doyle – resigned 20/11/06	2007	152,804	N/A	-	5,286	2,731	-	-	160,821
	2006	385,227	69,950	-	14,773	6,397	12,395	6,015	494,757

Stephen Found ^ – resigned 28/2/07	2007	291,542	75,000	798,000	9,515	4,795	-	-	1,178,852
	2006	218,930	33,869	-	6,070	5,396	N/A	N/A	264,265
Peter Lee – resigned 3/11/06	2007	121,703	N/A	399,323	5,286	2,028	-	-	528,340
	2006	345,445	34,592	-	14,555	5,737	11,155	5,414	416,898
Adrian Nelson ^ – resigned 24/11/06	2007	158,237	N/A	443,692	5,266	2,642	-	-	609,837
	2006	385,227	34,783	-	14,773	6,397	12,395	6,015	459,590
Sub-total – Key Management Personnel	2007	3,086,675	1,410,000	1,641,015	198,870	50,683	85,805	87,984	6,561,032
	2006	1,990,139	278,256	-	69,861	32,386	52,214	25,339	2,448,195
Other Group Executives									
Peter Fonseca ^ – effective 1/7/06	2007	313,485	20,000	181,790	12,686	3,397	1,602	2,564	535,524
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Totals	2007	5,739,969	2,480,000	5,390,361	274,334	77,383	476,296	90,548	14,528,891
	2006	4,001,975	510,700	-	144,047	50,520	138,457	46,267	4,891,966

* The Managing Director/Chief Executive has 52% of his total remuneration related to the performance of the Group, and 48% which is not related to the Group's performance.

** Other payments as follows:
Duncan Fischer – payment upon retirement as Managing Director/Chief Executive Officer. Mr Fischer was also paid $845,565 in accrued Annual and Long Service Leave entitlements upon retirement.
Stephen Found – payment upon his resignation as Managing Director of Bytecraft Systems Pty Ltd.
Peter Lee – payment upon his termination as General Manager, Technology.
Adrian Nelson – payment upon his termination as General Manager, Strategy.
Peter Fonseca – Non-monetary benefits consistent with his expatriate contract of employment in respect of his role as Chief Executive Officer, Thuo Gaming South Africa.

*** These cash bonuses represent 100% of the cash bonus paid to each executive in respect of the financial year. Where the individuals' STI target has been exceeded, the Board has exercised its right to adjust upwards the total STI payments (cash bonuses) in line with over-achievement against target performance levels. The following executives have received the following percentage of their target STI cash bonus: Dick McIlwain (94%), Ray Gunston (169%), Brendan Redmond (102%), Stephen Found (50%), Peter Fonseca (32%), Peter Lee (0%) and Adrian Nelson (0%).

^ Denotes one of the five highest paid executives of the Company, as required to be disclosed under the Corporations Act 2001, for whom, except for Peter Fonseca, 60% of their total remuneration is not related to the performance of the Group, and 40% is related to the Group's performance. For Peter Fonseca, these percentages are 70% and 30% respectively.

H Share Based Compensation Options and Rights (audited)
Employees eligible to participate in the LTIP are those of senior management level and above, including the Managing Director/Chief Executive, whose performance is of strategic and operational importance to the Group.

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

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

The terms and conditions of each grant of options affecting remuneration in the previous and current reporting periods are as follows:

Award Type	Grant Date	Expiry Date	Exercise Price	Value per option/right at grant date	Date Exercisable
Performance Option	16 December 2005	7 July 2012	$3.10	$0.67	7 July 2008
	30 November 2006	30 November 2013	$3.65	$0.80	30 November 2009
Performance Option (Chief Executive)	30 November 2006	30 November 2013	$3.13	$1.00	30 November 2009
Performance Right	16 December 2005	7 July 2012	N/A	$1.80	7 July 2008
	30 November 2006	30 November 2013	N/A	$2.56	30 November 2009

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

The exercise price of options awarded is based on the weighted average price at which the Company's shares traded on the ASX in the thirty days up to and including the day before the options were granted.

Details of performance options and performance rights over ordinary shares in the Company provided during the reporting period as remuneration to each Executive Director of Tattersall's Limited and each of the key management personnel of the Group at the date of this Remuneration Report are set out in the following table. When exercisable, each option and right is convertible into one ordinary share of Tattersall's Limited. Further information on the options and rights is set out in notes 35 and 48 of the audited Financial Report.

	Number of options granted during the year		Number of options vested during the year		Number of rights granted during the year		Number of rights vested during the year	
	2007	2006	2007	2006	2007	2006	2007	2006
Executive Director of Tattersall's Limited								
Dick McIlwain (Managing Director/ Chief Executive)	2,000,000	-	-	-	-	-	-	-
Duncan Fischer (former Managing Director/CEO)	-	661,998	-	-	-	59,793	-	-
Other Key Management Personnel of Group								
Michael Carr	71,435	-	-	-	15,875	-	-	-
Barrie Fletton	70,614	-	-	-	15,692	-	-	-
Peter Fonseca	10,301	-	-	-	5,150	-	-	-
Penny Grau	-	-	-	-	-	-	-	-
Ray Gunston	106,742	124,874	-	-	23,721	22,558	-	-
Bruce Houston	14,574	-	-	-	7,287	-	-	-
Stephen Lawrie	65,688	-	-	-	14,597	-	-	-
Frank Makryllos	49,266	-	-	-	10,948	-	-	-
Brendan Redmond	67,658	-	-	-	15,035	-	-	-
Kevin Szekely	11,084	-	-	-	5,542	-	-	-
Simon Doyle	-	95,143	-	-	-	17,187	-	-
Stephen Found	73,899	-	-	-	16,422	-	-	-
Peter Lee	-	85,629	-	-	-	15,468	-	-
Adrian Nelson	-	95,143	-	-	-	17,187	-	-
Key Executive options/rights	2,541,261	1,062,787	-	-	130,269	132,193	-	-
Total options/rights	2,778,725	1,376,987	-	-	249,002	248,353	-	-

No options or rights were provided to Penny Grau as she was not employed by the Company at the time of granting these equity instruments.

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

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

I Additional Information (unaudited)

(i) Details of remuneration – performance options and rights

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

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

		Options/Rights				
Name	**Year Granted**	**Vested %**	**Forfeited %**	**Financial years in which options may vest**	**Minimum total value of grant yet to vest $**	**Maximum total value of grant yet to vest $**
Dick McIlwain	2007	-	-	30/06/2010	nil	1,611,111
Duncan Fischer	2007	-	-	-	-	-
	2006	-	100	-	-	-
Michael Carr	2007	-	-	30/06/2010	nil	78,774
Barrie Fletton	2007	-	-	30/06/2010	nil	77,867
Peter Fonseca	2007	-	-	30/06/2010	nil	17,259
Penny Grau	2007	-	-	-	-	-
Ray Gunston	2007	-	-	30/06/2010	nil	117,707
	2006	-	-	30/06/2009	nil	58,683
Bruce Houston	2007	-	-	30/06/2010	nil	24,420
Stephen Lawrie	2007	-	-	30/06/2010	nil	72,435
Frank Makryllos	2007	-	-	30/06/2010	nil	54,326
Brendan Redmond	2007	-	-	30/06/2010	nil	74,607
	2006	-	-	-	-	-
Kevin Szekely	2007	-	-	30/06/2010	nil	18,572
Simon Doyle	2007	-	-	-	-	-
	2006	-	100	-	-	-
Stephen Found	2007	-	100	-	-	-
	2006	-	-	-	-	-
Peter Lee	2007	-	-	-	-	-
	2006	-	100	-	-	-
Adrian Nelson	2007	-	-	-	-	-
	2006	-	100	-	-	-

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

RMC.046

(ii) Share based compensation: Options and Rights

Name	Remuneration consisting of options and rights	Value at grant date $	Value at exercise date $	Value at lapse date $	Total $
Dick McIlwain	15.3%	2,000,000	-	-	2,000,000
Duncan Fischer	-	-	-	-	-
Michael Carr	4.1%	97,788	-	-	97,788
Barrie Fletton	3.8%	96,663	-	-	96,663
Peter Fonseca	0.8%	21,425	-	-	21,425
Penny Grau	-	-	-	-	-
Ray Gunston	6.7%	146,119	-	-	146,119
Bruce Houston	1.6%	30,314	-	-	30,314
Stephen Lawrie	3.8%	89,919	-	-	89,919
Frank Makryllos	5.3%	67,440	-	-	67,440
Brendan Redmond	3.2%	92,616	-	-	92,616
Kevin Szekely	3.1%	23,055	-	-	23,055

Loans to Directors and Executives

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

Indemnities and Insurance

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

- incurred by the person as an officer (as defined in the Corporations Act 2001) of the Company or a subsidiary of the Company; and
- for legal costs incurred by the person in defending an action for a liability incurred by that person as an officer of the Company or a subsidiary of the Company.

The Company has executed Deeds of Indemnity, Insurance and Access, consistent with this Article, in favour of all current and former Directors of the Company, certain current and former Directors of related bodies corporate of the Company, and the current and certain former Secretaries of the Company. Specifically, during or since the financial period, the Company has executed such Deeds in favour of the Directors appointed on 12 October 2006 and the current Company Secretary. Each Deed indemnifies those persons for the full amount of all such liabilities including costs and expenses.

For the year ended 30 June 2007, $2,614 in aggregate has been paid pursuant to the Deeds in respect of legal costs incurred by certain former Directors of the Company.

In respect of the Trustee Commission claim, Julien Playoust and David Purvis (previously Group General Manager Human Resources) have each been provided with an indemnity for all liabilities incurred in acting as representatives in the proceedings which were settled on 19 April 2007.

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

During or since the end of the financial period, consistent with the Company's Constitution, the Company has paid the premium in respect of a contract insuring each of the Directors and the Secretaries named in this Directors' Report, the former Directors, and the officers of the Company and its subsidiaries as permitted by the Corporations Act 2001. The class of officers insured by the policy includes all officers involved in the management of the Group. The terms of the contract of insurance prohibit the disclosure of the nature of the liabilities insured against and the amount of the premium.

Proceedings on behalf of Company

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

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

RMC.047

Non-Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

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

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

- All non-audit services have been reviewed by the Audit, Risk and Compliance Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as advocate for the Group or jointly sharing economic risk and rewards.

During the year the following fees were paid or payable to PricewaterhouseCoopers for the provision of audit and non-audit services:

	Consolidated		Parent entity	
	2007 $	**2006 $**	**2007 $**	**2006 $**
1. Audit services				
Fees paid to PricewaterhouseCoopers Australian firm:				
Audit and review of financial reports and other audit work under the Corporations Act 2001	906,655	701,000	240,000	250,000
Fees paid to related practices of PricewaterhouseCoopers Australian firm	116,445	72,500	-	-
Total remuneration for audit services	1,023,100	773,500	240,000	250,000
2. Non-audit services				
(a) Audit-related services				
Fees paid to PricewaterhouseCoopers Australian firm:				
Audit of regulatory returns	40,200	18,750	2,500	-
Due diligence services	9,000	125,000	9,000	-
Total remuneration for audit-related services	49,200	143,750	11,500	-
(b) Taxation services				
Fees paid to PricewaterhouseCoopers Australian firm:				
Tax compliance services, including review of company tax returns	102,710	33,323	33,520	15,320
Fees paid to related practices of PricewaterhouseCoopers Australian firm	-	-	-	-
Total remuneration for taxation services	102,710	33,323	33,520	15,320
(c) Advisory services				
Fees paid to related practices of PricewaterhouseCoopers Australian firm in relation to Corporate Governance advice	-	33,354	-	33,554
Total remuneration for advisory services	-	33,354	-	33,554
Total remuneration for non-audit services	151,910	210,427	45,020	48,874

Moore Stephens acted as the Group's external auditor for the period 1 July 2005 to 21 November 2005. During this period Moore Stephens received fees of $15,000 for audit services, and fees totalling $112,130 in return for non-audit services provided to the Group, including taxation advice, advisory services and governance advice.

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

Auditor's Independence

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 46.

Rounding of amounts

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

Directors' Resolution

This Directors' Report is made in accordance with a resolution of the Directors.

Harry Boon
Chairman

Dick McIlwain
Managing Director/Chief Executive

Melbourne
30 August 2007

RMC.049

Auditor's Independence Declaration

PRICEWATERHOUSECOOPERS

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As lead auditor for the audit of Tattersall's Limited for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Con Grapsas
Partner
Pricewaterhouse Coopers

Melbourne
30 August 2007

RMC.050

Financial Statements

Income statements

For the year ended 30 June 2007

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent entity 2007 $'000	Parent entity 2006 $'000
Revenue from continuing operations	5	2,404,058	1,851,698	272,219	168,039
Statutory outgoings					
Government share		(1,119,737)	(1,018,339)	-	-
Venue share/commission		(503,996)	(442,193)	-	-
Other income	6	14,123	3,445	2,712	-
Other expenses from ordinary activities	7				
Product/program fees		(130,546)	-	-	-
Employee expenses		(95,206)	(57,590)	(7,129)	(2,317)
Operating fees and direct costs		(55,127)	(32,266)	(3)	(5)
Telecommunications and technology		(25,570)	(17,389)	(4)	(9)
Marketing and promotions		(24,516)	(22,921)	-	-
Information services		(9,722)	(610)	-	-
Property expenses		(16,912)	(5,148)	(50)	(2)
Restructuring costs		(10,108)	-	-	-
Trustee Commission Claim – reversal of provision		51,388	-	51,388	-
Other expenses		(28,831)	(36,830)	(18,590)	(5,867)
Share of net profit of associates and joint ventures accounted for using the equity method		1,461	72	-	-
Profit before interest, income tax, depreciation and amortisation		450,759	221,929	300,543	159,839
Depreciation and amortisation		(85,985)	(56,153)	(290)	(280)
Interest income		16,963	22,820	15,137	17,559
Finance costs		(8,373)	(3,761)	(2,020)	(1)
Profit before income tax		373,364	184,835	313,370	177,117
Income tax expense	8	(88,210)	(58,763)	(29,749)	(36,299)
Profit from continuing operations		285,154	126,072	283,621	140,818
Profit from discontinued operations	9	3,830	2,776	-	-
Profit for the year		288,984	128,848	283,621	140,818
Profit is attributable to:					
Ordinary equity holders of Tattersall's Limited		288,581	128,542	283,621	140,818
Minority interest		403	306	-	-
		288,984	128,848	283,621	140,818
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:		**Cents**	**Cents**		
Basic earnings per share	47	25.7	17.9		
Diluted earnings per share	47	25.6	17.9		
Earnings per share for profit attributable to the ordinary equity holders of the Company:		**Cents**	**Cents**		
Basic earnings per share	47	26.1	18.3		
Diluted earnings per share	47	26.0	18.3		

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

RMC.052

Balance sheets

As at 30 June 2007

		Consolidated		Parent entity	
	Notes	2007 $'000	2006 $'000	2007 $'000	2006 $'000
ASSETS					
Current assets					
Cash and cash equivalents	10	274,483	453,645	30,134	277,498
Trade and other receivables	11	90,911	58,706	314,889	94,702
Inventories	12	7,538	6,662	-	-
Other financial assets	13	-	593	-	-
Total current assets		372,932	519,606	345,023	372,200
Non-current assets					
Receivables	14	113	684	-	-
Investments accounted for using the equity method	15	101,438	3,914	113,171	-
Financial assets	16	39,323	53,280	2,508,466	433,118
Property, plant and equipment	17	289,947	146,993	7,911	16,840
Investment properties	18	8,911	9,077	-	-
Deferred tax assets	19	42,415	21,535	10,748	6,702
Intangible assets	20	2,944,483	44,819	775,910	775,910
Other non-current assets	21	9,771	2,860	-	1,326
Total non-current assets		3,436,401	283,162	3,416,206	1,233,896
Total assets		3,809,333	802,768	3,761,229	1,606,096
LIABILITIES					
Current liabilities					
Trade and other payables	22	306,794	145,318	8,010	5,423
Interest bearing liabilities	23	627,694	36,173	78,422	-
Current tax liabilities		45,273	26,603	36,922	27,113
Provisions	24	8,283	74,913	129	71,176
Other financial liabilities	25	-	596	-	-
Total current liabilities		988,044	283,603	123,483	103,712
Non-current liabilities					
Trade and other payables	26	40,678	174	-	-
Interest bearing liabilities	27	14,840	22,570	-	-
Deferred tax liabilities	28	147,020	10,842	996	234
Provisions	29	4,342	592	76	29
Total non-current liabilities		206,880	34,178	1,072	263
Total liabilities		1,194,924	317,781	124,555	103,975
Net assets		2,614,409	484,987	3,636,674	1,502,121
EQUITY					
Contributed equity	31	2,321,082	316,497	3,420,549	1,415,964
Reserves	32	(4,140)	3,248	849	266
Retained profits	32	297,737	165,815	215,276	85,891
Parent entity interest		2,614,679	485,560	3,636,674	1,502,121
Minority interest		(270)	(573)	-	-
Total equity		2,614,409	484,987	3,636,674	1,502,121

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

RMC.053

Statements of recognised income and expense

For the year ended 30 June 2007

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent entity 2007 $'000	Parent entity 2006 $'000
Changes in the fair value of available-for-sale financial assets, net of tax	32	(3,651)	1,595	-	-
Changes in the value of net investment hedges	32	5,890	-	-	-
Exchange difference on translation of foreign operations	32	(10,210)	1,092	-	-
Actuarial gains on retirement benefit asset, net of tax	30(v)	2,737	-	-	-
Reversal of retained earnings previously recognised on UNiTAB Limited shareholding held prior to full acquisition	32	(5,160)	-	-	-
Net income recognised directly in equity		(10,394)	2,687	-	-
Profit for the year		288,984	128,848	283,621	140,818
Total recognised income and expense for the year		278,590	131,535	283,621	140,818
Total recognised income and expense for the year is attributable to:					
Members of Tattersall's Limited		278,187	131,229	283,621	140,818
Minority interest		403	306	-	-
		278,590	131,535	283,621	140,818

Effect of change in accounting policy:	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent entity 2007 $'000	Parent entity 2006 $'000
Total equity at the beginning of the financial year	484,987	96,027	1,502,121	1,113,523
Adjustment on adoption of AASB 132 and AASB 139, net of tax:				
Available-for-sale financial assets revaluation reserve	-	2,202	-	-
Restated total equity at the beginning of the financial year	484,987	98,229	1,502,121	1,113,523

The above statements of recognised income and expense should be read in conjunction with the accompanying notes.

RMC.054

Cash flow statements

For the year ended 30 June 2007

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent entity 2007 $'000	Parent entity 2006 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST) net of prizes paid		2,493,309	1,884,238	122,499	110,177
Payments to suppliers and employees (inclusive of GST)		(374,218)	(224,805)	(28,694)	(4,213)
Payments to Government		(1,122,252)	(1,013,789)	-	-
Payments to venues		(502,164)	(440,125)	-	-
Payment for product and program fees		(130,810)	-	-	-
		363,865	205,519	93,805	105,964
Dividends received		1,025	4,630	-	57,862
Interest received		16,526	28,367	15,139	17,543
Interest paid		(5,390)	(4,233)	(2,020)	-
Income taxes paid		(85,839)	(36,378)	(23,225)	(34,489)
Net cash inflow/(outflow) from operating activities	45	290,187	197,905	83,699	146,880
Cash flows from investing activities					
Payments for held-to-maturity assets		-	(733,699)	-	(477,239)
Proceeds from sale of held-to-maturity assets		-	806,449	-	477,239
Payments for purchase of subsidiaries, net of cash acquired		(569,165)	(14,076)	(68,699)	-
Payments for investments in joint venture entities		(122,457)	(1,577)	(119,061)	-
Payments for property, plant and equipment		(76,812)	(59,413)	(227)	(326)
Payments for financial assets		-	(21,820)	-	-
Payments for intangibles		(5,607)	(100)	-	(100)
Payments for deferred expenditure		(1,451)	(3,154)	(1,340)	(1,887)
Payments for float costs		-	(9,304)	-	(9,304)
Payments for restructure costs		-	(1,485)	-	(1,485)
Repayment of loans from/(to) non-related parties		1,800	(25,414)	-	(20,945)
Loan from/(to) related parties		-	-	(71,075)	(82,473)
Proceeds from sale of available-for-sale financial assets		48,886	1,199	-	-
Proceeds from land held for sale		-	500	-	-
Proceeds from sale of property, plant and equipment		8,219	3,699	-	-
Proceeds from disposal of subsidiary, net of cash disposed		42,144	-	-	-
Net cash (outflow)/inflow from investing activities		(674,443)	(58,195)	(260,402)	(116,520)
Cash flows from financing activities					
Dividends paid		(154,236)	(61,842)	(154,236)	(61,842)
Dividends paid to minority interests		(100)	-	-	-
Proceeds from issues of shares and other equity securities		-	308,602	-	308,602
Share issue costs		(738)	-	(738)	-
Proceeds from borrowings		636,315	23,529	84,313	-
Repayment of borrowings		(277,724)	(55,370)	-	-
Net cash inflow/(outflow) from financing activities		203,517	214,919	(70,661)	246,760
Net increase/(decrease) in cash and cash equivalents		(180,739)	354,629	(247,364)	277,120
Cash and cash equivalents at beginning of the financial year		453,645	99,016	277,498	378
Cash and cash equivalents at end of the financial year	10	272,906	453,645	30,134	277,498

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

RMC.055

Note 1 Summary of significant accounting policies

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

(a) New accounting policies and changes in presentation

The accounting policies adopted are consistent with those of the previous financial year except as stated below.

(i) Primary statement presentation and restatement of comparatives

The following classifications have been changed to ensure consistency across the enlarged group following the acquisition of UNiTAB Limited and Golden Casket Lottery Corporation Limited during the year (refer Note 40):

Lotteries revenue
Lotteries revenue was previously recorded as gross subscriptions with prizes payable reported under statutory outgoings. Lotteries revenue in this financial report is recorded as gross subscriptions less prizes payable. The impact of this change on the 12 month period to 30 June 2006 is a reduction in both revenue and in statutory outgoings of $693,072,000. There is no impact on net profit.

In the cash flow statement, receipts from customers are shown net of prizes paid/cash returns to customers. Comparatives have been restated accordingly.

Income statement classifications
Certain income statement expense captions and the resulting classifications of a number of expenses have been changed. Comparatives have been restated accordingly. There is no impact on revenue or net profit.

Interest income
Interest income earned on prize reserves and unpaid prizes continues to be included in revenue from continuing operations. Interest income earned on all other balances, which was previously reported in revenue from continuing operations, is now classified as interest income. The impact on the 12 month period to 30 June 2006 is a reduction in revenue from continuing operations of $22,820,000 and an increase in interest income of $22,820,000. There is no impact on net profit.

(ii) Revenue recognition

The accounting policy for revenue recognition is consistent with the previous financial year except as stated below:

Gaming monitoring revenue
Gaming revenue in relation to monitoring activities/services provided by Maxgaming in Queensland and NSW is recognised when goods and/or services are provided.

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

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

Wagering revenue
Wagering revenue is the residual value after deducting the statutory returns to customers from wagering turnover. Revenue is recognised at the point when the event on which the wagering investment is made is officially completed.

Interest revenue
Interest revenue earned on prize reserves and unpaid prizes is included in revenue from continuing operations. Interest revenue from all other balances is included in interest income.

(iii) Property, plant and equipment

The accounting policy for property, plant and equipment is consistent with the previous financial year except for a change in the ranges of useful lives for certain asset categories as stated below:

Depreciation is calculated using the straight-line method to allocate assets' cost, net of their residual values, over their useful lives, as follows:

– Buildings	25-40 years
– Freehold improvements	25-40 years
– Plant and equipment	2-10 years
– Leasehold improvements	7 years

There is no impact of this change on the previous financial year.

RMC.056

(iv) Intangible assets

The accounting policy for intangible assets is consistent with the previous financial year except for a change in the ranges of useful lives for certain asset categories as stated below:

Licences

Licences that have a finite useful life are carried at cost less accumulated depreciation and impaired losses. Amortisation is calculated using the straight line method to allocate the cost of licences over their estimated useful lives.

The expected useful lives used for licences are as follows:

Race wagering licence – Qld	92 years
Sports wagering licences – Qld	8 years
Totalisator licence – NT	9 years
Sports bookmaker licence – NT	9 years
Major betting operations licence – SA	94 years
Gaming machine monitoring operators licence – Qld	1 year
Monitoring provider's licence – NT	5 years
Centralised monitoring system licence – NSW	10 years
Inter-club linked gaming system licence – NSW	11 years
Inter-hotel linked gaming system licence – NSW	13 years
Radio licence	11 years

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

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

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

Brand

The UNiTAB brand is carried at cost being the fair value on acquisition of UNiTAB Limited (refer Note 40). It is reviewed annually by reference to future cash flows to ensure it is not carried in excess of recoverable amount.

Brands with a finite useful life are carried at cost less accumulated depreciation and impaired losses. Amortisation is calculated using the straight line method to allocate the cost of the brands over their estimated useful lives.

The expected useful lives used for brands are as follows:

Brand name – SA	16 years
Golden Casket brands – Qld	65 years

Software

Capitalised software is carried at cost less accumulated depreciation and impaired losses. Amortisation is calculated using the straight line method to allocate the cost of the software over its estimated useful life of 6 to 14 years.

Other

The cost associated with the Golden Casket Lottery Operator Agreement is carried at cost less accumulated depreciation and impaired losses. Amortisation is calculated using the straight line method to allocate the cost of the agreement over its term of 65 years.

There is no impact of these changes on the previous financial year.

(v) Employee benefits

The accounting policy for employee benefits is consistent with the previous financial year except as stated below:

Retirement benefit obligations

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in equity.

There is no impact of this change on the previous financial year.

(b) Basis of preparation

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

Compliance with IFRS

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

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

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

(c) Principles of consolidation
(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Tattersall's Limited ("Company" or "parent entity") as at 30 June 2007 and the results of all subsidiaries for the year then ended. Tattersall's Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

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

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

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

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

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

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

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

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

(ii) Associates
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the deemed parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investments in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer Note 15 and Note 43).

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

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

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

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

(iii) Joint Ventures
Joint ventures
Interests in joint venture entities and partnerships are accounted for in the consolidated financial statements using the equity method and are carried at cost by the deemed parent entity. Under the equity method, the share of the profits or losses of the joint venture is recognised in the income statement, and the share of movements in reserves is recognised in reserves in the balance sheet.

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

Joint venture entity – European Gaming Group (refer Note 43)
The investment in the European Gaming Group joint venture is accounted for in the consolidated financial statements using the equity method as documented above. This investment has been partially financed by a loan denominated in GBP that has been designated as a net investment hedge within the consolidated financial statements.

In the parent entity, a proportion of the investment is designated as a fair value hedge of the foreign currency risk associated with the loan. The proportion of the investment that is hedged has been revalued based on the closing GBP/AUD exchange rate with the gain/loss on revaluation being recognised in the income statement in line with the corresponding gain/loss arising on the revaluation of the GBP loan. The proportion of the investment that is not hedged is valued at cost.

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

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

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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

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

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

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

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

(f) Revenue recognition

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

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

Gaming monitoring revenue
Gaming revenue in relation to monitoring activities/services provided by Maxgaming in Queensland and NSW is recognised when goods and/or services are provided.

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

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

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

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

Wagering revenue
Wagering revenue is the residual value after deducting the statutory returns to customers from wagering turnover. Revenue is recognised at the point when the event on which the wagering investment is made is officially completed.

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

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

Interest revenue earned on prize reserves and unpaid prizes is included in revenue from continuing operations. Interest revenue from all other balances is included in interest income.

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

(g) Income tax

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting or taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

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

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

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

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

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

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

As a result of the acquisition of the UNiTAB tax consolidated group and the Golden Casket tax consolidated group, both these groups joined the Tattersall's tax consolidated group, and entered into the Tattersall's tax funding agreement.

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

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

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

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to Note 1(t)). If the cost on acquisition is less than the Group's share of the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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

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

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

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

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

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

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

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

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

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

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

(i) Financial assets at fair value through profit or loss
This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset as held for trading if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. At 30 June 2007 management have not classified any financial assets as falling within this category.

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

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

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

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

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

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

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

(p) Derivatives
Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in the fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges); or
- hedges of a net investment in a foreign operation (net investment hedges).

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

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

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

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

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

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

(iii) Net investment hedge
Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to profit or loss.

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

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(q) Fair value estimation
The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

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

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

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

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

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

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

– Buildings	25-40 years
– Freehold improvements	25-40 years
– Plant and equipment	2-10 years
– Leasehold improvements	7 years

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

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

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

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

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

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

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

(ii) Licences
Licences that have a finite useful life are carried at cost less accumulated depreciation and impaired losses. Amortisation is calculated using the straight line method to allocate the cost of licences over their estimated useful lives.

The expected useful lives used for licences are as follows:

Race wagering licence – Qld	92 years
Sports wagering licences – Qld	8 years
Totalisator licence – NT	9 years
Sports bookmaker licence – NT	9 years
Major betting operations licence – SA	94 years
Gaming machine monitoring operators licence – Qld	1 year
Monitoring provider's licence – NT	5 years
Centralised monitoring system licence – NSW	10 years
Inter-club linked gaming system licence – NSW	11 years
Inter-hotel linked gaming system licence – NSW	13 years
Radio licence	11 years

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

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

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

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

The UNiTAB brand is carried at cost being the fair value on acquisition of UNiTAB (refer Note 40). It is reviewed annually by reference to future cash flows to ensure it is not carried in excess of recoverable amount.

Brands with a finite useful life are carried at cost less accumulated depreciation and impaired losses. Amortisation is calculated using the straight line method to allocate the cost of the brands over their estimated useful lives.

The expected useful lives used for brands are as follows:

Brand name – SA	16 years
Golden Casket Brands – Qld	65 years

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

(v) IT development and software
Costs incurred in developing products or systems that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project.

Capitalised software is carried at cost less accumulated depreciation and impaired losses. Amortisation is calculated using the straight line method to allocate the cost of the software over its estimated useful life of 6 to 14 years.

(vi) Other
The cost associated with the Golden Casket Lottery Operator Agreement is carried at cost less accumulated depreciation and impaired losses. Amortisation is calculated using the straight line method to allocate the cost of the agreement over the term of 65 years.

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

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

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

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(w) Finance costs

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

No finance costs were capitalised to 30 June 2007.

(x) Provisions

Provisions for legal claims and service warranties are recognised when:

- The Group has a present legal or constructive obligation as a result of past events;
- It is probable that an outflow of resources will be required to settle the obligation; and
- The amount has been reliably estimated.

Provisions are not recognised for future operating losses.

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

(y) Employee benefits

(i) Wages and salaries and annual leave

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

(ii) Long service leave

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

(iii) Retirement benefit obligations

All Tattersall's employees are entitled to become members of the Group's accumulation (defined contribution) plan, whilst those employees employed within the UNiTAB or Golden Casket Lottery Corporation entities may elect into other plans as outlined below. The accumulation plan receives super guarantee contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

During the year the Tattersall's Limited Group's defined benefit plan was closed with all assets/obligations being converted into assets/entitlements within either the Group accumulation plan or another suitable plan nominated by the former members.

UNiTAB Limited and its controlled entities were acquired on 12 October 2006. UNiTAB Limited and certain controlled entities contribute to one defined benefit and several accumulation employee superannuation plans. Contributions by these entities of up to 9% of employees' wages and salaries are legally enforceable.

Golden Casket Lottery Corporation Limited and its controlled entities were acquired on 29 June 2007 (refer Note 40). Golden Casket Lottery Corporation and its controlled entities contribute to the State Public Sector Superannuation Scheme (Q-Super), with all contributions recognised as an expense when incurred. Benefits are provided to employees on either a defined benefit basis or through an accumulation fund. Both funds are administered by the Queensland Government Superannuation Office. No liability is recognised for superannuation benefits in respect of defined benefit and accumulation plans to which Golden Casket Lottery Corporation and its controlled entities contributes as this liability is held on a Whole of Government basis and reported in the Whole of Government financial statements.

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

RMC.067

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.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in equity.

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

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

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

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

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

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

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

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

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

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

(z) Contributed equity
Ordinary shares are classified as equity.

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

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

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

RMC.068

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

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

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

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

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

(ae) New accounting standards and UIG interpretations
Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038)
AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's financial instruments.

(ii) AASB-I 10 Interim Financial Reporting and Impairment
AASB-I 10 is applicable to reporting periods commencing on or after 1 November 2006. The Group has not recognised an impairment loss in relation to goodwill, investments in equity instruments or financial assets carried at cost in an interim reporting period but subsequently reversed the impairment loss in the annual report. Application of the interpretation will therefore have no impact on the Group or the parent entity's financial statements.

Note 2 Financial risk management

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

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

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

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

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

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

Fair value interest rate risk
Refer to (d) below.

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

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

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

Note 3 Critical accounting estimates and judgements

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

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

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

(ii) Non-amortisation of brand and licence in parent entity
At 30 June 2007 the parent entity, Tattersall's Limited, has intangible assets comprising the Tattersall's brand and the Victorian gaming licence (refer Note 20). The brand and licence are carried at cost and have not been amortised by the parent entity (refer Note 1(t)). The carrying amounts are reviewed annually for impairment in accordance with Note 1(j).

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

RMC.070

Note 4 Segment information

Business segments

The consolidated entity is organised on a global basis into the following divisions by product and service type. Additional segments have been presented for the first time to better reflect the Group's organisational structure and its system of internal reporting to the Board of Directors. Comparatives have been restated accordingly.

Tatts Pokies

The operation of gaming machines and Club Keno in Victoria.

Lotteries

The operation of lottery licences within Victoria, Tasmania, ACT, and the Northern Territory and the operation of a Lottery Operator Agreement in Queensland from 29 June 2007.

Wagering

Totalisator and fixed odds betting on thoroughbred, harness, greyhounds and other sporting events in Queensland, South Australia and the Northern Territory from 12 October 2006.

Maxgaming

Gaming machine monitoring and value added services in Queensland and New South Wales from 12 October 2006.

Bytecraft Systems

Warehousing, installation, relocation, repair and maintenance of gaming machines, lottery and wagering terminals and other transaction devices in Australia.

International/Business Development

South African gaming operations, investment in South African Lottery operations and joint venture investment in the European Gaming Group (refer Note 43).

Other

This segment includes Shared Services, investment property and donations made by Tattersall's Foundation Limited. None of these activities constitutes a separately reportable business segment.

Geographical segments

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

Notes to and forming part of the segment information

(a) Accounting policies

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

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

(b) Inter-segment transfers

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

RMC.071

Note 4 Segment information (continued)

Primary Reporting – business segments

2007	Tatts Pokies $'000	Lotteries $'000	Wagering $'000	Maxgaming $'000	Bytecraft Systems $'000	International/ Business Dev't $'000	Other $'000	Inter-segment eliminations[1] $'000	Total Continuing Operations $'000	Discontinued Operations $'000	Consolidated $'000
Total segment revenue and other income	**1,259,175**	**593,517**	**410,871**	**84,513**	**61,268**	**30,060**	**16,347**	**(37,570)**	**2,418,181**	**24,049**	**2,442,230**
Share of net profits/(losses) of associates and joint venture partnerships	-	-	-	-	-	1,461	-	-	1,461	-	1,461
Total revenue/income									**2,419,642**	**24,049**	**2,443,691**
EBITDA	235,053	35,291	102,564	45,942	7,590	1,512	(28,581)	-	399,371	10,533	409,904
Trustee Commission Claim	-	-	-	-	-	-	51,388	-	51,388	-	51,388
Depreciation/Amortisation	(37,111)	(9,292)	(12,476)	(18,512)	(1,473)	(1,394)	(3,075)	(2,652)	(85,985)	(1,600)	(87,585)
Segment result	**197,942**	**25,999**	**90,088**	**27,430**	**6,117**	**118**	**19,732**	**(2,652)**	**364,774**	**8,933**	**373,707**
Interest income									16,963	-	16,963
Borrowing costs									(8,373)	(483)	(8,856)
Profit before income tax									**373,364**	**8,450**	**381,814**
Segment assets and liabilities											
Segment assets	123,104	588,439	467,306	152,326	41,157	115,259	134,755	-	1,622,346	-	1,622,346
Unallocated assets	-	-	-	-	-	-	-	-	2,186,987	-	2,186,987
Total assets									**3,809,333**	**-**	**3,809,333**
Segment liabilities	56,278	218,939	70,810	7,557	6,578	2,856	31,863	-	394,881	-	394,881
Unallocated liabilities	-	-	-	-	-	-	-	-	800,043	-	800,043
Total liabilities									**1,194,924**	**-**	**1,194,924**
Other segment information											
Investments in associates and joint venture partnerships	-	-	-	-	-	94,273	7,165	-	101,438	-	101,438
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	47,930	649	12,526	10,373	6,262	3,696	3,947	-	85,383	-	85,383

1 Inter-segment eliminations against revenue comprise Bytecraft revenue of $25,300,000 and Other segment revenue of $12,270,000.

Note 4 Segment information (continued)

Primary Reporting – business segments

2006	Tatts Pokies $'000	Lotteries $'000	Wagering $'000	Maxgaming $'000	Bytecraft Systems $'000	International/ Business Dev't $'000	Other $'000	Inter-segment eliminations[1] $'000	Total Continuing Operations $'000	Discontinued Operations $'000	Consolidated $'000
Total segment revenue and other income	**1,236,263**	**568,662**	**-**	**-**	**41,961**	**20,258**	**11,471**	**(23,472)**	**1,855,143**	**23,122**	**1,878,265**
Share of net profits/(losses) of associates and joint venture partnerships	-	-	-	-	-	72	-	-	72	-	72
Total revenue/income									**1,855,215**	**23,122**	**1,878,337**
EBITDA	222,480	26,311	-	-	1,951	(7,777)	(21,036)	-	221,929	6,404	228,333
Depreciation/Amortisation	(32,310)	(17,416)	-	-	(1,023)	(1,233)	(3,476)	(695)	(56,153)	(1,944)	(58,097)
Segment result	**190,170**	**8,895**	**-**	**-**	**928**	**(9,010)**	**(24,512)**	**(695)**	**165,776**	**4,460**	**170,236**
Interest income									22,820	-	22,820
Borrowing costs									(3,761)	(466)	(4,227)
Profit before income tax									**184,835**	**3,994**	**188,829**
Segment assets and liabilities											
Segment assets	102,219	113,845	-	-	74,748	59,286	148,895	-	498,993	-	498,993
Unallocated assets	-	-	-	-	-	-	-	-	303,775	-	303,775
Total assets									**802,768**	**-**	**802,768**
Segment liabilities	62,593	110,777	-	-	7,033	2,067	15,525	-	197,995	-	197,995
Unallocated liabilities	-	-	-	-	-	-	-	-	119,786	-	119,786
Total liabilities									**317,781**	**-**	**317,781**
Other segment information											
Investments in associates and joint venture partnerships	-	-	-	-	-	-	3,914	-	3,914	-	3,914
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	46,811	541	-	-	59,948	955	7,494	-	115,749	-	115,749

1 Inter-segment eliminations against revenue comprise Bytecraft segment revenue of $13,200,000 and Other segment revenue of $10,272,000.

Note 5 Revenue

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent entity 2007 $'000	Parent entity 2006 $'000
From continuing operations				
Sales Revenue				
Entertainment products and services	2,320,051	1,796,975	-	-
Rendering of services	55,384	46,237	-	-
	2,375,435	1,843,212	-	-
Other Revenue				
Rents and sub-lease rentals	841	418	1,534	1,534
Licence and management fees	255	409	120,965	108,640
Interest on unpaid prizes and prize reserves	5,223	4,682	-	-
Dividends	1,459	2,375	149,600	57,862
Other revenue	20,845	602	120	3
	2,404,058	1,851,698	272,219	168,039
From discontinued operations (Note 9)				
Rendering of services	24,049	23,122	-	-

Note 6 Other income

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent entity 2007 $'000	Parent entity 2006 $'000
Net gain on disposal of plant and equipment	7,361	2,927	-	-
Net gain on disposal of land and buildings	5,613	-	2,438	-
Gain on revaluation of available-for-sale financial assets	427	-	-	-
Gain on foreign currency derivatives qualifying as hedges	-	-	5,890	-
Loss on foreign currency derivatives qualifying as hedges	-	-	(5,890)	-
Gain on foreign currency derivatives not qualifying as hedges	2	157	-	-
Foreign exchange gains	275	-	274	-
Other	445	361	-	-
	14,123	3,445	2,712	-

RMC.074

Note 7 Expenses

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
(a) Net gains and expenses				
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:				
Expenses				
Depreciation				
Buildings	767	609	276	276
Plant and equipment	68,108	53,937	4	3
Leasehold improvements	1,714	306	-	-
Freehold improvements	605	11	10	1
Plant and equipment under finance lease	831	117	-	-
Investment properties	166	83	-	-
Total depreciation	72,191	55,063	290	280
Amortisation				
Bid costs	257	90	-	-
Licences	5,215	1,000	-	-
Brand	94	-	-	-
Computer Software	8,131	-	-	-
Other	97	-	-	-
Total amortisation	13,794	1,090	-	-
Finance costs				
Interest and finance charges paid/payable	8,373	3,761	2,020	1
Finance costs expensed	8,373	3,761	2,020	1
Rental expense relating to operating leases				
Minimum lease payments	9,871	2,511	-	-
Total rental expense relating to operating leases	9,871	2,511	-	-
Foreign exchange gains and losses				
Net foreign exchange losses	1,380	404	-	-
Net foreign exchange losses recognised in profit from ordinary activities for the year	1,380	404	-	-
Defined contribution superannuation expense	4,557	2,900	63	50
(b) Significant revenue and expenses				
The following material (revenue)/expense items are relevant in explaining the financial performance:				
Trustee Commission Claim – reversal of provision	(51,388)	-	(51,388)	-
Restructuring costs	10,108	-	-	-
(c) Other expenses				
Other expenses include:				
Debt forgiveness on disposal of subsidiary	-	-	13,201	-
Net loss on write-down of available-for-sale financial assets	-	7,400	-	-

The income statement includes the revenue and expenses of UNiTAB Limited and its controlled entities in the 2007 results following the acquisition by the Tattersall's Group on 12 October 2006 (refer Note 40).

Note 8 Income tax expense

	Consolidated		Parent entity	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
(a) Income tax expense				
Current tax	98,941	64,541	35,376	37,018
Deferred tax	(2,118)	(4,616)	(3,284)	(719)
Under/(over) provision in prior years	(3,993)	56	(2,343)	-
	92,830	59,981	29,749	36,299
Income tax expense is attributable to:				
Profit from continuing operations	88,210	58,763	29,749	36,299
Profit from discontinued operations	4,620	1,218	-	-
Aggregate income tax expense	92,830	59,981	29,749	36,299
Deferred income tax expense included in income tax expense comprises:				
Decrease/(increase) in deferred tax assets (Note 19)	(1,264)	(6,967)	(4,046)	(953)
(Decrease)/increase in deferred tax liabilities (Note 28)	(854)	2,351	762	234
	(2,118)	(4,616)	(3,284)	(719)
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax expense	373,364	184,835	313,370	177,117
Profit from discontinuing operations before income tax expense	8,450	3,994	-	-
	381,814	188,829	313,370	177,117
Tax at the Australian tax rate of 30% (2006 – 30%)	114,544	56,649	94,011	53,135
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Depreciation and amortisation	215	-	-	-
Tax offset for franked dividends	(16)	(27)	-	-
Capital expenditure	-	243	-	126
Net capital gains	4,630	-	526	-
Non-assessable income	(17,201)	-	(16,174)	(181)
Capital loss not recognised	-	2,220	-	-
Trustee Commission Claim – deferred tax asset	(5,999)	734	(5,999)	-
Non deductible items	420	1,397	126	601
Non taxable dividends	(269)	(844)	(44,880)	(17,359)
Attributable income	-	46	-	-
Share of net profit of associates	-	(21)	-	-
Debt forgiveness on disposal of subsidiary	-	-	4,230	-
Sundry items	474	(472)	252	(23)
	96,798	59,925	32,092	36,299
Difference in overseas tax rates	25	-	-	-
Under/(over) provision in prior years	(3,993)	56	(2,343)	-
Income tax expense	92,830	59,981	29,749	36,299

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Note 8 Income tax expense (continued)

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity:				
Net deferred tax – debited/(credited) directly to equity (Notes 19 and 28)	526	(39)	-	(1,799)
	526	(39)	-	(1,799)
(d) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	500	-	-	-
Potential tax benefit @ 30%	150	-	-	-

All unused tax losses were incurred by overseas entities that are not part of the tax consolidated group.

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

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

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

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

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

As a result of the acquisition of the UNiTAB tax consolidated group and the Golden Casket tax consolidated group, both these groups joined the Tattersall's tax consolidated group, and entered into the Tattersall's tax funding agreement.

Note 9 Discontinued operation

(a) Description

On 28 February 2007, Reaftin Pty Ltd, a controlled entity, sold its shareholding in Bytecraft Entertainment Holdings Pty Ltd (a wholly owned subsidiary) and its controlled entities.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the eight month period ended 28 February 2007 and the nine month period from the date of acquisition on 5 October 2005 (refer Note 40(b)) to 30 June 2006 (the previous corresponding period).

	Consolidated		Parent entity	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Revenue (Note 5)	24,049	23,122	-	-
Expenses	(20,177)	(19,128)	-	-
Profit before income tax	3,872	3,994	-	-
Income tax expense	(720)	(1,218)	-	-
Profit after income tax of discontinued operations	3,152	2,776	-	-
Gain on sale of the division before income tax	4,578	-	-	-
Income tax expense	(3,900)	-	-	-
Gain on sale of the division after income tax	678	-	-	-
Profit from discontinued operations	3,830	2,776	-	-
Net cash inflow from operating activities	6,294	4,696	-	-
Net cash outflow from investing activities	(6,546)	(3,977)	-	-
Net cash outflow from financing activities	(31)	(205)	-	-
Net (decrease)/increase in cash generated by the division	(283)	514	-	-

(c) Details of the sale of subsidiary

	Consolidated		Parent entity	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Consideration received:				
Cash	42,500	-	-	-
Total disposal consideration	42,500	-	-	-
Carrying amounts of net assets sold	(20,566)	-	-	-
Goodwill	(16,588)	-	-	-
Transaction costs	(768)	-	-	-
Gain on sale before income tax	4,578	-	-	-
Income tax expense	(3,900)	-	-	-
Gain on sale after income tax	678	-	-	-

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Note 10 Current assets - Cash and cash equivalents

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Cash at bank and in hand	86,754	6,087	36	26
Deposits at call	85,068	47,109	3,185	5,233
Fixed interest securities	102,661	400,449	26,913	272,239
	274,483	453,645	30,134	277,498
Reconciliation to cash at the end of the year				
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	274,483	453,645	30,134	277,498
Bank overdrafts	(1,577)	-	-	-
Balances per statements of cash flows	272,906	453,645	30,134	277,498

Cash at bank and in hand
Cash at bank is bearing floating interest rates between zero and 5.78% (2006: zero and 5.3%).

Deposits at call
The deposits are bearing floating interest rates between 5.75% and 7.50% (2006: 5.45% and 6.00%) and have a maturity of between 7 and 14 days.

Fixed interest securities
Fixed interest securities are bearing fixed interest rates with a weighted average of 6.14% (2006: 5.64%) and have maturities between one and three months.

Note 11 Current assets - Trade and other receivables

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Trade receivables	59,844	47,395	-	-
Less: Provision for doubtful receivables	(230)	(771)	-	-
	59,614	46,624	-	-
Other receivables	21,971	6,146	11,784	16
	21,971	6,146	11,784	16
Amounts receivable from:				
Wholly-owned subsidiaries	-	-	303,105	94,654
Joint venture entities	-	1,800	-	-
Other related parties	-	-	-	-
	-	1,800	303,105	94,654
Prepayments	9,326	4,136	-	32
	90,911	58,706	314,889	94,702

Bad and doubtful trade receivables
The Group has recognised a gain of $528,000 (2006: loss of $141,000) in respect of bad and doubtful trade receivables during the year ended 30 June 2007. The gain has been included in 'other expenses' in the income statement.

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

Effective interest rate and credit risk
Information concerning the effective interest rate and credit risk of both current and non-current receivables is set out in the financial instruments note (Note 34).

Note 12 Current assets – Inventories

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Raw materials and stores – at cost	7,708	4,235	-	-
Less depreciation of spare parts inventory	(1,804)	(642)	-	-
	5,904	3,593	-	-
Work in progress – at cost	-	181	-	-
Finished goods – at cost	1,634	2,888	-	-
	7,538	6,662	-	-

Depreciation represents the write-down of spare parts inventory. The write-down for the year ended 30 June 2007 is $1,162,000 (2006: $642,000) and has been included in operational expenses in the income statement.

Note 13 Current assets – Other financial assets

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Derivative financial assets, comprising:				
Forward foreign exchange contracts	-	593	-	-
	-	593	-	-

Note 14 Non-current assets – Receivables

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Prepayments	113	684	-	-

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

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Investments in associated companies (Note 43(a))	-	-	-	-
Interest in joint venture entities (Note 43(b))	101,438	3,914	113,171	-
	101,438	3,914	113,171	-

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Note 16 Non-current assets – Financial assets

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent entity 2007 $'000	Parent entity 2006 $'000
Available-for-sale financial assets comprise:				
Listed securities				
Equity securities	10,170	26,073	-	-
Unlisted investments at cost				
Shares in subsidiaries	-	-	2,508,466	433,118
Units in unit trusts	350	350	-	-
Redeemable preference shares	200	200	-	-
	550	550	2,508,466	433,118
Unlisted investments at recoverable amount				
Managed fund investment – at fair value	21,607	-	-	-
Shares in other related parties – at fair value	6,996	26,657	-	-
	28,603	26,657	-	-
Total available-for-sale financial assets	39,323	53,280	2,508,466	433,118

Available-for-sale financial assets comprise investments in the ordinary share capital of various entities.

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

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

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

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent entity 2007 $'000	Parent entity 2006 $'000
Land and buildings				
Freehold land – at cost	17,847	6,774	4,758	12,312
Buildings – at cost	40,084	17,811	3,271	4,478
Less: Accumulated depreciation	(1,378)	(913)	(272)	(299)
	38,706	16,898	2,999	4,179
Total land and buildings	56,553	23,672	7,757	16,491
Freehold improvements – at cost	4,096	365	134	325
Less: Accumulated depreciation	(610)	(41)	(1)	(1)
	3,486	324	133	324
Leasehold improvements – at cost	13,548	2,872	-	-
Less: Accumulated depreciation	(2,986)	(1,754)	-	-
	10,562	1,118	-	-
Plant and equipment – at cost	443,410	333,725	29	28
Less: Accumulated depreciation	(240,190)	(212,930)	(8)	(3)
	203,220	120,795	21	25
Plant and equipment under development – at cost	16,126	1,084	-	-
	289,947	146,993	7,911	16,840

RMC.081

Reconciliations

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

	Freehold land $'000	Buildings $'000	Freehold improvements $'000	Leasehold improvements $'000	Plant and equipment $'000	Plant and equipment under development $'000	Total $'000
Consolidated							
Carrying amount at 1 July 2006	6,774	16,898	324	1,118	120,795	1,084	146,993
Additions through acquisition of entities (Note 40)	15,452	23,503	2,905	6,459	110,841	5,406	164,566
Additions	-	-	1,284	4,702	60,488	13,341	79,815
Assets included in disposal of discontinued operations	-	-	-	(20)	(17,865)	-	(17,885)
Disposals	(4,379)	(928)	(409)	-	(4,421)	-	(10,137)
Depreciation (Note 7)	-	(767)	(605)	(1,714)	(68,939)	-	(72,025)
Depreciation charge for assets used in year by discontinued operations	-	-	(13)	-	(1,587)	-	(1,600)
Foreign exchange movements	-	-	-	17	203	-	220
Transfers in/(out)	-	-	-	-	3,705	(3,705)	-
Carrying amount at 30 June 2007	17,847	38,706	3,486	10,562	203,220	16,126	289,947

	Freehold land $'000	Buildings $'000	Freehold Improvements $'000	Plant and equipment $'000	Total $'000
Parent entity					
Carrying amount at 1 July 2006	12,312	4,179	324	25	16,840
Additions	-	-	227	-	227
Depreciation expense (Note 7)	-	(276)	(10)	(4)	(290)
Disposals	(7,554)	(904)	(408)	-	(8,866)
Carrying amount at 30 June 2007	4,758	2,999	133	21	7,911

Valuations of land and buildings

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

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Note 18 Non-current assets – Investment properties

	Consolidated		Parent entity	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
At cost				
Opening balance at 1 July	9,077	-	-	-
Transfers from property, plant and equipment (Note 17)	-	9,160	-	-
Depreciation (Note 7)	(166)	(83)	-	-
Closing balance at 30 June	8,911	9,077	-	-
Amounts recognised in profit and loss for investment property				
Rental income	650	297	-	-

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

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

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

	Consolidated		Parent entity	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:				
Within one year	663	650	-	-
Later than one year but not later than 5 years	2,652	2,600	-	-
Later than 5 years	5,304	6,500	-	-
	8,619	9,750	-	-

Note 19 Non-current assets - Deferred tax assets

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
The balance comprises temporary differences attributable to:				
Employee benefits	5,947	2,850	596	433
Depreciation	21,480	8,894	6,146	-
Provisions	8,948	450	1,200	450
Float costs	2,723	3,798	2,723	3,798
	39,098	15,992	10,665	4,681
Other				
Restructure costs	-	1,941	-	1,941
Tax loss carried forward	295	679	-	-
Prepaid income	1,514	-	-	-
Intangibles	163	-	-	-
Financial assets	375	2,359	-	-
Doubtful debts	407	185	-	-
Foreign exchange	1	-	-	-
Accruals	562	379	83	80
	3,317	5,543	83	2,021
Total deferred tax assets	42,415	21,535	10,748	6,702
Deferred tax assets to be settled within 12 months	2,766	12,909	2,216	4,685
Deferred tax assets to be settled after more than 12 months	39,649	8,626	8,532	2,017
	42,415	21,535	10,748	6,702

Movements (Consolidated)	**Employee benefits $'000**	**Depreciation $'000**	**Provisions $'000**	**Float costs $'000**	**Other $'000**	**Total $'000**
Opening balance at 1 July 2005	1,761	6,174	210	1,999	691	10,835
Credited/(charged) to the income statement (Note 8)	514	1,361	240	-	4,852	6,967
Credited/(charged) to equity	-	-	-	1,799	-	1,799
Acquisition of subsidiary	575	-	-	-	-	575
Credited/(charged) to investments	-	1,359	-	-	-	1,359
Closing balance at 30 June 2006	2,850	8,894	450	3,798	5,543	21,535
Credited/(charged) to the income statement (Note 8)	951	4,379	(699)	(1,075)	(2,292)	1,264
Acquisition of subsidiary	2,146	8,207	9,197	-	734	20,284
Disposal of subsidiary	-	-	-	-	(668)	(668)
Closing balance at 30 June 2007	5,947	21,480	8,948	2,723	3,317	42,415

RMC.084

Movements (Parent entity)	Employee benefits $'000	Depreciation $'000	Provisions $'000	Float costs $'000	Other $'000	Total $'000
Opening balance at 1 July 2005	-	-	-	1,999	10	2,009
Credited/(charged) to the income statement (Note 8)	433	-	450	-	70	953
Credited/(charged) to equity	-	-	-	1,799	-	1,799
Credited/(charged) to investments	-	-	-	-	1,941	1,941
Closing balance at 30 June 2006	433	-	450	3,798	2,021	6,702
Credited/(charged) to the income statement (Note 8)	163	6,146	750	(1,075)	(1,938)	4,046
Closing balance at 30 June 2007	596	6,146	1,200	2,723	83	10,748

Note 20 Non-current assets – Intangible assets

Consolidated	Goodwill $'000	Licences $'000	Brands $'000	Software $'000	Other $'000	Total $'000
Year ended 30 June 2006						
Opening net book amount	8,424	2,000	-	-	-	10,424
Additions	1,646	-	100	-	-	1,746
Deferred tax asset	(1,941)	-	-	-	-	(1,941)
Additions through acquisitions of subsidiaries	35,590	-	-	-	-	35,590
Amortisation charge	-	(1,000)	-	-	-	(1,000)
Closing net book amount	43,719	1,000	100	-	-	44,819
At 30 June 2006						
Cost	43,719	3,000	100	-	-	46,819
Accumulated amortisation	-	(2,000)	-	-	-	(2,000)
Net book amount	43,719	1,000	100	-	-	44,819
Year ended 30 June 2007						
Opening net book amount	43,719	1,000	100	-	-	44,819
Additions	-	-	-	5,568	-	5,568
Additions through acquisitions of subsidiaries (Note 40)	2,304,206	272,249	105,317	106,595	135,854	2,924,221
Disposals – discontinued operation (Note 9)	(16,588)	-	-	-	-	(16,588)
Amortisation charge	-	(5,215)	(94)	(8,131)	(97)	(13,537)
Closing net book amount	2,331,337	268,034	105,323	104,032	135,757	2,944,483
At 30 June 2007						
Cost	2,331,337	275,249	105,417	112,163	135,854	2,960,020
Accumulated amortisation	-	(7,215)	(94)	(8,131)	(97)	(15,537)
Net book amount	2,331,337	268,034	105,323	104,032	135,757	2,944,483

Parent	Licences $'000	Brands $'000	Total $'000
Year ended 30 June 2006			
Opening net book amount	373,024	402,786	775,810
Additions	-	100	100
Amortisation charge	-	-	-
Closing net book amount	373,024	402,886	775,910
At 30 June 2006			
Cost	373,024	402,886	775,910
Accumulated amortisation	-	-	-
Net book amount	373,024	402,886	775,910
Year ended 30 June 2007			
Opening net book amount	373,024	402,886	775,910
Additions	-	-	-
Amortisation charge	-	-	-
Closing net book amount	373,024	402,886	775,910
At 30 June 2007			
Cost	373,024	402,886	775,910
Accumulated amortisation	-	-	-
Net book amount	373,024	402,886	775,910

(a) Impairment tests for goodwill
The accounting policy for impairment of assets is set out in Note 1(j).

Goodwill is allocated to the Group's cash-generating units (CGUs) expected to benefit from the synergies of those business combinations.

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

	2007 $'000	2006 $'000
Tatts Pokies[1]	15,552	15,552
Lotteries	443,510	2,357
Wagering	-	-
Maxgaming	-	-
International/Business Development	-	-
Bytecraft Systems[1 2]	9,222	25,810
Goodwill arising on acquisition of UNiTAB Limited[3]	1,863,053	-
Total	2,331,337	43,719

1 The acquisition of Bytecraft Systems on 5 October 2005 resulted in synergies within the Tatts Pokies segment. Of the goodwill recognised on acquisition of Bytecraft Systems, $9,780,000 has been allocated to this segment for the purposes of the impairment review.

2 At 30 June 2006 the Bytecraft segment was allocated goodwill of $16,588,000 relating to the acquisition of Bytecraft Entertainment Pty Ltd on 5 October 2005. On disposal of Bytecraft Entertainment Pty Ltd on 28 February 2007 this amount has been written off against the profit on disposal (refer Note 9).

3 The goodwill arising on the acquisition of UNiTAB remains subject to preliminary fair value assessment and allocation to CGUs.

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

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

(b) Key assumptions used for value in use calculations
The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

1) Cash flow forecasts
Cash flow forecasts are based on the FY08 budget approved by the Board and management's five year forecasts.

2) Terminal value
Terminal value is calculated using a perpetuity growth rate based on the cash flow forecast for year 5, pre-tax weighted average cost of capital and forecast growth rates.

3) Forecast growth rates
Forecast growth rates are principally based on management's expectations for future performance in each business segment.

4) Discount rates
Discount rates used are based on the Group's pre-tax weighted average cost of capital and reflect specific risks relating to the relevant segments and the countries in which they operate. The pre-tax discount rates used range from 10.5% to 15.5% (2006: 13.5% to 15.5%).

Note 21 Non-current assets – Other

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Deferred expenditure	2,300	2,860	-	1,326
Defined Benefit Pension Scheme Asset (Note 30)	7,471	-	-	-
	9,771	2,860	-	1,326

Note 22 Current liabilities – Payables

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Trade payables	207,773	125,857	1,299	401
Other payables and accruals	99,021	19,461	6,711	5,022
	306,794	145,318	8,010	5,423

Note 23 Current liabilities – Interest bearing liabilities

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Unsecured				
Bank loans	627,051	35,002	78,422	-
Lease liabilities	682	1,253	-	-
Finance charges	(39)	(82)	-	-
Total current interest bearing liabilities	627,694	36,173	78,422	-

Refer to Note 27 for details relating to bank loans.

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

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

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

Note 24 Current liabilities – Provisions

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Employee benefits	8,283	4,185	129	448
Provision for Trustee Commission Claim	-	70,728	-	70,728
	8,283	74,913	129	71,176
Movements in Provision for Trustee Commission Claim:				
Carrying amount at 1 July	70,728	71,400	70,728	71,400
Legal expenses incurred	(3,340)	(672)	(3,340)	(672)
Amounts utilised on settlement of claim	(16,000)	-	(16,000)	-
Unused amounts reversed	(51,388)	-	(51,388)	-
Carrying amount at 30 June	-	70,728	-	70,728

Note 25 Current liabilities – Other financial liabilities

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Hedge payable	-	596	-	-
	-	596	-	-

Note 26 Non-current liabilities – Payables

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Trade payables	36,009	174	-	-
Other payables	4,669	-	-	-
	40,678	174	-	-

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Note 27 Non-current liabilities – Interest bearing liabilities

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Bank loans	14,840	21,788	-	-
Lease liabilities (Note 38)	-	782	-	-
Total non-current interest bearing liabilities	14,840	22,570	-	-

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

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

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Multi-option and bridge facilities				
Total facilities	755,000	225,000	-	-
Bank loan used at balance date	(640,843)	(56,790)	-	-
Letters of credit used at balance date	(1,745)	(323)	-	-
Unused at balance date	112,412	167,887	-	-

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, George Adams Pty Ltd, Bytecraft Systems Pty Ltd, Bytecraft Systems NSW Pty Ltd, UNiTAB Limited, Broadcasting Station 4IP Pty Ltd, Maxgaming Holdings Pty Ltd, Maxgaming NSW Pty Ltd, Maxgaming QLD Pty Ltd, TAB Queensland Pty Ltd and NT TAB Pty Ltd are a party to a multi-option facility agreement and a bridge facility agreement. The total multi-option facility is for $225,000,000 of which $112,588,000 (2006: $57,113,000) has been drawn down. The weighted average interest rate for bank loans under the multi-option facility is 6.06% (2006: 5.84%).

The total bridge facility is for $530,000,000 (2006: Nil) which was fully drawn down to fund the acquisition of Golden Casket Lottery Corporation on 29 June 2007 (refer Note 40). The weighted average interest rate for loans under the bridge facility is 6.54%.

The bank provides funds under the multi-option facility agreement and bridge facility agreement covered by financial undertakings that impose certain covenants on the Group. 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 2007.

The unsecured multi-option facility may be drawn at any time in Australian dollars or a number of nominated foreign currencies, and these loans are all repayable in full on or before 31 May 2008.

The $530,000,000 bridge facility is denominated in Australian dollars. Borrowings under the bridge facility are all repayable in full on or before 1 June 2008 when the facility terminates.

It is the Group's intention to refinance the multi-option and bridge facilities in the coming year.

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

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Note 28 Non-current liabilities – Deferred tax liabilities

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
The balance comprises temporary differences attributable to:				
Depreciation	12,099	3,252	895	-
Intangibles	127,401	-	-	-
Interest receivable	669	370	19	224
Donations	1,819	2,894	-	-
Accrued revenue	1,594	223	-	-
	143,582	6,739	914	224
Other				
Prepayments	158	123	-	10
Investments	1,532	1,542	-	-
Inventories	40	377	-	-
Foreign exchange	119	-	82	-
Intangibles	-	301	-	-
Retirement benefit fund	1,389	-	-	-
Unclaimed monies	200	-	-	-
Available-for-sale financial assets	-	1,760	-	-
	3,438	4,103	82	10
Total deferred tax liabilities	147,020	10,842	996	234
Deferred tax liabilities to be settled within 12 months	3,953	8,094	101	-
Deferred tax liabilities to be settled after more than 12 months	143,067	2,748	895	234
	147,020	10,842	996	234

Movements (Consolidated)	Intangibles $'000	Depreciation $'000	Interest Receivable $'000	Non consol group member $'000	Accrued revenue $'000	Other $'000	Total $'000
Opening balance at 1 July 2005	-	-	418	3,555	-	1,795	5,768
Charged/(credited) to the income statement (Note 8)	-	3,252	(48)	(661)	223	(415)	2,351
Charged/(credited) to equity	-	-	-	-	-	1,760	1,760
Acquisition of subsidiary	-	-	-	-	-	963	963
Closing balance at 30 June 2006	-	3,252	370	2,894	223	4,103	10,842
Charged/(credited) to the income statement (Note 8)	-	4,103	299	(1,075)	1,371	(5,552)	(854)
Charged/(credited) to equity	-	-	-	-	-	(526)	(526)
Disposal of subsidiary	-	-	-	-	-	(1)	(1)
Acquisition of subsidiary	127,401	4,744	-	-	-	5,414	137,559
Closing balance at 30 June 2007	127,401	12,099	669	1,819	1,594	3,438	147,020

RMC.090

Movements (Parent)	Depreciation $'000	Interest Receivable $'000	Foreign Exchange $'000	Pre-payments $'000	Total $'000
Opening balance at 1 July 2005	-	-	-	-	-
Charged/(credited) to the income statement (Note 8)	-	224	-	10	234
Closing balance at 30 June 2006	-	224	-	10	234
Charged/(credited) to the income statement (Note 8)	895	(205)	82	(10)	762
Closing balance at 30 June 2007	895	19	82	-	996

Note 29 Non-current liabilities – Provisions

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Employee benefits	4,342	592	76	29

Note 30 Non-current liabilities – Retirement benefit obligations

All employees of the Group and parent entity are entitled to benefits from one of the Group's superannuation plans on retirement, disability or death.

(a) Superannuation plan - Tattersall's employees

All Tattersall's employees are entitled to become members of the Group's accumulation (defined contribution) plan, whilst those employees employed within the UNiTAB or Golden Casket Lottery Corporation entities may elect into other plans as outlined in (b) and (c) below. The accumulation plan receives super guarantee contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

During the year the Tattersall's Limited Group's defined benefit plan was closed with all assets/obligations being converted into assets/entitlements within either the Group accumulation plan or another suitable plan nominated by the former members.

On closure of the defined benefit plan, the net asset relating to the surplus of assets over obligations was transferred to the accumulation plan and has been utilised by the Group during the year to fund certain costs of that fund. As at 30 June 2006 the net asset in the Group's balance sheet constituting the remaining surplus of the plan was $891,000. As at 30 June 2007 the remaining assets are valued at $720,000 and accordingly $171,000 has been charged to the income statement.

(b) Superannuation plan - UNiTAB Limited and controlled entities

UNiTAB Limited and certain controlled entities contribute to one defined benefit and several accumulation employee superannuation plans. Contributions by these entities of up to 9% of employees' wages and salaries are legally enforceable.

Following the Group's acquisition of UNiTAB Limited and its controlled entities on 12 October 2006, the Tattersall's Group has consolidated the net asset relating to the UNiTAB defined benefit plan. The following disclosures are in respect of this plan during the period from 12 October 2006 to 30 June 2007.

(i) Balance sheet amounts

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

	Consolidated
	2007 $'000
Present value of the defined benefit obligation	24,454
Fair value of defined benefit assets	31,925
Net asset in the balance sheet (Note 21)	7,471

(ii) Categories of plan assets
The major categories of plan assets are as follows:

	Consolidated 2007 $'000
Cash	2,426
Equity instruments	20,624
Debt instruments	7,566
Property	1,309
	31,925

(iii) Reconciliations

	Consolidated 2007 $'000
Reconciliation of the present value of the defined benefit obligation, which is fully funded:	
Balance on acquisition of UNiTAB Limited (Refer Note 40)	26,729
Current service cost	2,260
Interest cost	1,259
Contributions by plan participants	541
Actuarial (gains)/losses	(929)
Benefits paid	(5,406)
Balance at the end of the year	24,454
Reconciliation of the fair value of defined benefit assets:	
Balance on acquisition of UNiTAB Limited (Refer Note 40)	30,290
Expected return on plan assets	1,953
Actuarial (losses)/gains	2,981
Contributions by Group companies	1,566
Contributions by plan participants	541
Benefits paid	(5,406)
Balance at the end of the year	31,925

(iv) Amounts recognised in income statement
The amounts recognised in the income statement are as follows:

	Consolidated 2007 $'000
Current service cost	2,260
Interest cost	1,259
Expected return on plan assets	(1,953)
Net expense recognised in the income statement	1,566
Actual return on plan assets	4,934

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(v) Amounts recognised in statements of recognised income and expense

	Consolidated 2007 $'000
Actuarial gain recognised in the year	3,910

(vi) Principal actuarial assumptions

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

	Consolidated 2007 $'000
Discount rate	5.30%
Expected return on plan assets	6.50%
Salary inflation rate – long term	4.75%

The expected return on assets has been based on historical and future expectations of returns for each of the major categories of asset classes as well as expected and actual allocation of plan assets to these major categories.

(vii) Employer contributions

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary.

For the period from 1 July 2006 to 28 February 2007, UNiTAB Limited paid 15.5% of defined benefit members' salaries. For the period from 1 March 2007 to 30 June 2007, UNiTAB Limited paid 12.25% of defined benefit members' salaries. The contribution rate for defined benefit members will continue at 12.25% for the next financial year.

The objective of funding is to ensure that the benefit entitlement of members and other beneficiaries are fully funded by the time they become payable. The method used to determine the employer contribution recommendations at the last actuarial review was the Aggregate method. The method adopted affects the timing of the cost to the employer.

The economic assumptions used by the actuary to make the funding recommendations were an assumed rate of return on plan assets of 7.0% and an assumed salary increase rate of 6.0%.

(viii) Net financial position of plan

In accordance with AAS 25 *Financial Reporting by Superannuation Plans* the plan's net financial position is determined as the difference between the present value of the accrued benefits and the net market value of plan assets. This has been determined as at the date of the most recent financial report of the superannuation fund (1 July 2006), and a surplus of $5,739,000 was reported.

The surplus, as at 30 June 2006, under AAS 25 differs from the net asset recognised in the balance sheet as at 30 June 2007 due to different measurement rules in the relevant accounting standards AAS 25 and AASB 119 *Employee Benefits* and different measurement dates.

(ix) Historic summary

	2007 $'000	2006 $'000	2005 $'000
Defined benefit plan obligation	(24,454)	(26,729)	(27,803)
Plan assets	31,925	30,290	29,692
Surplus	7,471	3,561	1,889
Experience adjustments arising on plan assets	2,981	2,609	2,129
Experience adjustments arising on plan liabilities	929	(1,412)	(2,678)

(c) Superannuation plan – Golden Casket Lottery Corporation Limited and controlled entities
Golden Casket Lottery Corporation Limited and its controlled entities were acquired on 29 June 2007 (refer Note 40). Golden Casket Lottery Corporation and its controlled entities contribute to the State Public Sector Superannuation Scheme (Q-Super), with all contributions recognised as an expense when incurred. Benefits are provided to employees on either a defined benefit basis or through an accumulation fund. Both funds are administered by the Queensland Government Superannuation Office. No liability is recognised for superannuation benefits in respect of defined benefit and accumulation plans to which Golden Casket Lottery Corporation and its controlled entities contributes as this liability is held on a Whole of Government basis and reported in the Whole of Queensland Government financial statements.

Note 31 Contributed equity

	2007 Shares	2006 Shares	2007 $'000	2006 $'000
(a) Share capital				
For the Group:				
Ordinary Shares – fully paid	1,265,355,056	706,769,231	2,321,082	316,497
For the Parent entity:				
Ordinary Shares – fully paid	1,265,355,056	706,769,231	3,420,549	1,415,964

(b) Movements in ordinary share capital:

Dates	Details	Number of shares	Ascribed Value	Consolidated $'000	Parent $'000
30 June 2005	**Balance**	600,000,000		-	1,106,608
7 July 2005	Public offering under prospectus				
	Final Retail Price	49,014,300	$2.90	142,141	142,141
	Final Price	50,985,700	$3.10	158,056	158,056
5 October 2005	Acquisition of Associated entity (Note 40)	6,769,231	$3.25	22,000	22,000
	Transaction costs arising on share issues (tax effected)			(14,105)	(14,105)
	Proceeds on sale of Treasury shares[1]			8,405	1,264
30 June 2006	**Balance**	706,769,231		316,497	1,415,964
12 October 2006	Shares issued as consideration on acquisition of UNiTAB Limited	558,585,825	$3.59	2,005,323	2,005,323
	Transaction costs arising on share issues (tax effected)			(738)	(738)
30 June 2007	**Balance**	1,265,355,056		2,321,082	3,420,549

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 company.

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

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

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Note 32 Reserves and retained profits

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent entity 2007 $'000	Parent entity 2006 $'000
(a) Reserves				
Available-for-sale financial assets revaluation reserve	146	3,797	-	-
Foreign currency translation reserve	(11,025)	(815)	-	-
Hedge reserve	5,890	-	-	-
Share-based payments reserve	849	266	849	266
	(4,140)	3,248	849	266
Movements				
Available-for-sale financial assets revaluation reserve				
Balance 1 July	3,797	-	-	-
Adjustment on adoption of AASB 132 and AASB 139, net of tax[1]	-	2,202	-	-
Revaluation, net of deferred tax	(3,651)	1,595	-	-
Balance 30 June	146	3,797	-	-
Foreign currency translation reserve				
Balance 1 July	(815)	(1,907)	-	-
Currency translation differences arising during the year	(10,210)	1,092	-	-
Balance 30 June	(11,025)	(815)	-	-
Hedge reserve				
Balance 1 July	-	-	-	-
Foreign currency net investment hedge movements	5,890	-	-	-
Balance 30 June	5,890	-	-	-
Share-based payments reserve				
Balance 1 July	266	-	266	-
Performance options and rights expense	583	266	583	266
Balance 30 June	849	266	849	266
(b) Retained profits				
Movements in retained profits were as follows:				
Balance 1 July	165,815	99,115	85,891	6,915
Net profit for the year	288,581	128,542	283,621	140,818
Dividends (Note 33)	(154,236)	(61,842)	(154,236)	(61,842)
Actuarial gains on retirement benefit asset, net of tax	2,737	-	-	-
Reversal of retained earnings previously recognised on UNiTAB Limited shareholding prior to full acquisition	(5,160)	-	-	-
Balance 30 June	297,737	165,815	215,276	85,891

1 The Group had taken the exemption available under AASB 1 *First-time adoption of Australian Equivalents to International Financial Reporting Standards* to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005. For further information please refer to our annual report for the year ending 30 June 2006.

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(c) Nature and purpose of reserves

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

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

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

(iv) Hedge reserve
The hedge reserve is used to recognise the portion of the gain or loss on a hedging instrument in a net investment or cash flow hedge that is determined to be an effective hedge.

Note 33 Dividends

	Parent entity	
	2007 $'000	**2006 $'000**
(a) Ordinary shares		
Final dividend for the year ended 30 June 2006 of 7.5 cents (2005 – Nil) per fully paid share paid on 26 September 2006		
Fully franked based on tax paid @ 30%	53,008	-
Interim dividend for year ended 30 June 2007 of 8.00 cents (2006 – 8.75 cents) per fully paid share paid on 30 March 2007		
Fully franked based on tax paid @ 30%	101,228	61,842

(b) Dividends not recognised at year end

In addition to the above dividends, since the balance sheet date the Directors have recommended the payment of a final dividend of 10.0 cents per fully paid ordinary share, (2006: 7.5 cents) fully franked based on tax paid at 30%. Furthermore, following the settlement of the Trustee Commission Claim and the write back of $51.4 million to the income statement during the year to 30 June 2007, a special dividend of 4.0 cents per fully paid ordinary share fully franked based on tax paid at 30% has also been declared since the balance sheet date. The aggregate amount of the proposed dividend to be paid on 5 October 2007 out of retained profits at 30 June 2007, but not recognised as a liability at year end, is $177,149,708 (2006: $53,007,692).

(c) Franked dividends

The franked portions of the final and special dividends recommended after 30 June 2007 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2008.

	Consolidated		Parent entity	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Franking credits available for subsequent financial years based on a tax rate of 30% (2006: 30%)	171,629	134,238	171,629	134,238

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

RMC.096

(a) Franking credits that will arise from the payment of the amount of the provision for income tax;

(b) Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

(c) Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

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

The impact on the franking account of the dividend recommended by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $75,921,303 (2006: $22,717,582).

Note 34 Financial instruments

(a) Forward exchange contracts

The Lotteries operation procures services from international suppliers denominated in Swedish Kroner. In order to protect against exchange rate movements the consolidated entity enters into forward exchange contracts from time to time to purchase Swedish Kroner. The contracts are timed to mature as close as possible to when the contractual service fees are payable.

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

At the balance sheet date, the details of outstanding contracts of the Group are:

	Sell Australian Dollars		Average Exchange Rate	
Buy Swedish Kroner	**2007 $'000**	**2006 $'000**	**2007**	**2006**
Maturity				
0 – 6 months	-	596	-	5.4943
6 – 12 months	-	-	-	-
	-	596		

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

The following gains, losses and costs have been recognised in the income statement for the 12 month period to 30 June:

	Consolidated		Parent entity	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Gain on foreign currency derivatives not qualifying as hedges (Note 6)	2	157	-	-

(b) Credit risk exposures

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

(c) Interest rate risk exposure

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

Exposures arise from assets and liabilities bearing variable and fixed interest rates.

			Fixed interest maturing in:			
2007	**Notes**	**Floating interest rate $'000**	**1 year or less $'000**	**From 1 to 5 years $'000**	**Non-interest bearing $'000**	**Total $'000**
Financial assets						
Cash and deposits	10	171,822	102,661	-	-	274,483
Trade and other receivables	11	-	-	-	81,585	81,585
Financial assets – Investments	16	-	-	200	39,123	39,323
		171,822	102,661	200	120,708	395,391
Weighted average interest rate		5.79%	6.16%	7.19%		
Financial liabilities						
Bank loans	23, 27	-	627,051	14,840	-	641,891
Trade and other payables	22, 26	-	-	-	347,472	347,472
Employee benefits	24, 29	12,625	-	-	-	12,625
Lease liabilities	23, 27	-	643	-	-	643
		12,625	627,694	14,840	347,472	1,002,631
Weighted average interest rate		6.25%	6.18%	6.18%		
Net financial assets/(liabilities)		159,197	(525,033)	(14,640)	(226,764)	(607,240)

			Fixed interest maturing in:			
2006	**Notes**	**Floating interest rate $'000**	**1 year or less $'000**	**From 1 to 5 years $'000**	**Non-interest bearing $'000**	**Total $'000**
Financial assets						
Cash and deposits	10	53,171	400,449	-	25	453,645
Trade and other receivables	11	-	-	-	54,570	54,570
Financial assets – Investments	16	-	-	200	53,080	53,280
Hedge receivables	13	-	-	-	593	593
		53,171	400,449	200	108,268	562,088
Weighted average interest rate		5.35%	5.64%	6.71%		
Financial liabilities						
Bank loans	23, 27	-	35,002	21,788	-	56,790
Trade and other payables	22, 26	-	-	-	145,492	145,492
Provisions	24	-	-	-	70,728	70,728
Employee benefits	24, 29	4,777	-	-	-	4,777
Lease liabilities	23, 27	-	1,171	782	-	1,953
Hedge payable	25	-	-	-	596	596
		4,777	36,173	22,570	216,816	280,336
Weighted average interest rate		5.75%	5.87%	5.87%		
Net financial assets/(liabilities)		48,394	364,276	(22,370)	(108,548)	281,752

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(d) Fair value of financial assets and liabilities

(i) On-balance sheet

The 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 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 sheet date. For non-traded equity investments, the fair value is an assessment by management based on the underlying net assets, future maintainable earnings and any special circumstances pertaining to a particular investment.

(ii) Off-balance sheet

The parent entity and certain controlled entities have potential financial liabilities which may arise from certain contingencies disclosed in Note 37. As explained in Note 37, no material losses are anticipated in respect of any of those contingencies and the 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 fair value is taken to be the unrealised gain or loss at balance sheet date calculated by reference to the current forward rates for contracts with similar maturity profiles.

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

	Carrying amount		Fair value	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
On-balance sheet financial instruments				
Financial assets				
Cash assets	274,483	453,645	274,483	453,645
Other financial assets				
Investments				
– other entities – listed	10,170	26,073	10,170	26,073
– other entities – unlisted	27,699	350	27,699	350
– redeemable preference shares	200	200	200	200
Trade receivables	59,614	46,624	59,614	46,624
Other receivables	21,971	7,946	21,971	7,946
Shares in other related parties	1,254	26,657	1,254	26,657
Hedge receivables	-	593	-	593
Total financial assets	395,391	562,088	395,391	562,088
Financial liabilities				
Trade payables	243,782	126,031	243,782	126,031
Other payables	103,690	19,461	103,690	19,461
Provisions	-	70,728	-	70,728
Bank loans	642,534	58,743	642,534	58,743
Hedge payables	-	596	-	596
Employee benefits	12,625	4,777	12,625	4,777
Total financial liabilities	1,002,631	280,336	1,002,631	280,336

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

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

Note 35 Key management personnel disclosures

(a) Directors

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

(i) *Chairman – Non-executive*
Harry Boon (appointed 12 October 2006)
David Jones AO OBE KSJ (resigned 12 October 2006)

(ii) *Executive Directors*
Dick McIlwain, Managing Director / Chief Executive (appointed 12 October 2006)
Duncan Fischer, Managing Director / Chief Executive Officer (resigned 12 October 2006)

(iii) *Non-executive Directors*
Harry Boon (appointed as Chairman 12 October 2006)
Robert Bentley (appointed 12 October 2006)
Lyndsey Cattermole AM
George Chapman AO (appointed 12 October 2006)
Brian Jamieson
Julien Playoust
Kevin Seymour AM (appointed 12 October 2006)

James King (resigned 12 October 2006)
Michael Vertigan (resigned 12 October 2006)

(b) Other key management personnel

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

Name	*Position*
Michael Carr	Chief Executive, Maxgaming (appointed 12 October 2006)
Barrie Fletton	Chief Executive, Wagering (appointed 12 October 2006)
Ray Gunston	Chief Financial Officer
Stephen Lawrie	Chief Information Officer (appointed 12 October 2006)
Frank Makryllos	Chief Executive, Tatts Pokies
Brendan Redmond	Executive General Manager, Business Development & International Investments
Simon Doyle	General Manager, Corporate/Company Secretary (resigned 20 November 2006)
Stephen Found	Managing Director, Bytecraft (resigned 28 February 2007)
Peter Lee	General Manager, Technology (resigned 3 November 2006)
Adrian Nelson	General Manager, Business Development (resigned 24 November 2006)

(c) Key management personnel compensation

	Consolidated		Parent entity	
	2007 $	2006 $	2007 $	2006 $
Short term employee benefits – cash salary, fees and cash bonus	8,219,969	4,512,675	6,644,117	4,512,675
Short term employee benefits – other	5,390,361	-	5,208,571	-
Post-employment benefits	274,334	144,047	151,208	144,047
Long term benefits	77,383	50,520	54,213	50,520
Share-based payments	566,844	184,724	507,384	184,724
	14,528,891	4,891,966	12,565,493	4,891,966

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

(d) Equity instrument disclosures relating to key management personnel

(i) Performance options and rights provided as remuneration and shares issued on exercise of such options and rights

Details of performance options and rights provided as remuneration together with terms and conditions of the equity instruments, can be found in sections D, G and H of the Remuneration Report.

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

(ii) Performance options holdings

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

2007	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Dick McIlwain	-	2,000,000	-	-	2,000,000	-
Michael Carr	-	71,435	-	-	71,435	-
Barrie Fletton	-	70,614	-	-	70,614	-
Ray Gunston	124,874	106,742	-	-	231,616	-
Stephen Lawrie	-	65,688	-	-	65,688	-
Frank Makryllos	-	49,266	-	-	49,266	-
Brendan Redmond	-	67,658	-	-	67,658	-
Duncan Fischer	661,998	-	-	(661,998)	-	-
Simon Doyle	95,143	-	-	(95,143)	-	-
Stephen Found	-	73,899	-	(73,899)	-	-
Peter Lee	85,629	-	-	(85,629)	-	-
Adrian Nelson	95,143	-	-	(95,143)	-	-

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

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

(iii) Performance rights holdings

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

2007	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Michael Carr	-	15,875	-	-	15,875	-
Barrie Fletton	-	15,692	-	-	15,692	-
Ray Gunston	22,558	23,721	-	-	46,279	-
Stephen Lawrie	-	14,597	-	-	14,597	-
Frank Makryllos	-	10,948	-	-	10,948	-
Brendan Redmond	-	15,035	-	-	15,035	-
Duncan Fischer	59,973	-	-	(59,973)	-	-
Simon Doyle	17,187	-	-	(17,187)	-	-
Stephen Found	-	16,422	-	(16,422)	-	-
Peter Lee	15,468	-	-	(15,468)	-	-
Adrian Nelson	17,187	-	-	(17,187)	-	-

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

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

(iv) Share holdings

The number of shares in the Company held during the financial year by each Director of Tattersall's Limited and other key management personnel of the Group, including their personally related parties, are set out on the following page. There were no shares granted during the reporting period as compensation.

All shares in the Company are ordinary shares.

2007	Balance at the start of the year	Received during the year on the exercise of options/ rights	Other changes during the year	Balance at the end of the year
Directors of Tattersall's Limited				
Harry Boon	150,000	-	-	150,000
Dick McIlwain	-	-	3,247,500	3,247,500
Robert Bentley	-	-	140,000	140,000
Lyndsey Cattermole	172,663	-	5,000	177,663
George Chapman	-	-	4,011,745	4,011,745
Brian Jamieson	107,000	-	43,000	150,000
Julien Playoust	50,000	-	-	50,000
Kevin Seymour	-	-	42,060,665	42,060,665
Other key management personnel of the Group				
Michael Carr	-	-	11,878	11,878
Barrie Fletton	-	-	66,104	66,104
Ray Gunston	1,094,570	-	18,224	1,112,794
Stephen Lawrie	-	-	11,972	11,972
Frank Makryllos	-	-	323,087	323,087
Brendan Redmond	-	-	195,169	195,169

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

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

(e) Loans to Directors and Key management personnel
No loans are made to Directors or key management personnel.

(f) Other transactions with Directors and Key management personnel
A Non-executive Director, Mr Robert Bentley, is the chairman of the Queensland Thoroughbred Racing Board, which partly owns Queensland Race Product Co Ltd. Payments for the year to 30 June 2007 totalling $127 million (2006: $119 million) were made to Queensland Race Product Co Ltd pursuant to the Product and Program Agreement dated 9 June 1999 for the provision of certain racing information. This contract is based on normal commercial terms and conditions.

Note 36 Remuneration of Auditors

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

	Consolidated		Parent entity	
	2007 $	2006 $	2007 $	2006 $
1. Audit services				
Fees paid to PricewaterhouseCoopers Australian firm:				
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	906,655	701,000	240,000	250,000
Fees paid to related practices of PricewaterhouseCoopers Australian firm	116,445	72,500	-	-
Total remuneration for audit services	1,023,100	773,500	240,000	250,000
2. Non-audit services				
(a) Audit related services				
Fees paid to PricewaterhouseCoopers Australian firm:				
Audit of regulatory returns	40,200	18,750	2,500	-
Due diligence services	9,000	125,000	9,000	-
Total remuneration for audit related services	49,200	143,750	11,500	-
(b) Taxation services				
Fees paid to PricewaterhouseCoopers Australian firm:				
Tax compliance services, including review of company tax returns	102,710	33,323	33,520	15,320
Fees paid to related practices of PricewaterhouseCoopers Australian firm	-	-	-	-
Total remuneration for taxation services	102,710	33,323	33,520	15,320
(c) Advisory services				
Fees paid to related practices of PricewaterhouseCoopers Australian firm in relation to corporate governance advice	-	33,354	-	33,554
Total remuneration for advisory services	-	33,354	-	33,554
Total remuneration for non-audit services	151,910	210,427	45,020	48,874

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

RMC.104

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

Note 37 Contingent liabilities and contingent assets

Contingent liabilities

The parent and consolidated entity had contingent liabilities at 30 June 2007 in respect of:

(a) Bank Guarantees

Guarantee in respect of bank facilities drawn down but not included in the parent entity accounts of Tattersall's Limited is $33,929,000 (2006: $56,790,000). These amounts are recorded in the accounts of the subsidiaries of the parent entity which are party to the guarantee.

(b) Unclaimed Prizes – Golden Casket Lottery Corporation Limited

In terms of the Lotteries Act 1997, prizes which remain unclaimed for a period exceeding 12 months after draw date for lotto products, or 12 months after game closure for Instant Scratch-Its, are eligible for use as certain promotional support for Golden Casket products/brands and donations to specified hospital Foundations. Any such expenditures reduce total prize liabilities.

The lotto entries and Instant Scratch-Its tickets relating to the prize liabilities exceeding 12 months are still eligible to be claimed for a period up to seven years after draw date or game closure. Therefore, while it is considered to be extremely improbable, winners could present these winning entries and tickets making a valid claim for the payment of a prize after the underlying liability has already been drawn down for the payment of additional promotional prizes. While no liability remains in the books for these potential claims, they would still be honoured.

Consequently, there is an unrecognised contingent liability of $21,798,591 in respect of all amounts of additional prize expenditure which have been offset against total prize liabilities.

Note 38 Commitments for expenditure

(a) Capital commitments

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

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Property, plant and equipment – Payable:				
Within one year	37,456	38,301	-	-
Later than one year but not later than five years	1,133	12,960	-	-
	38,589	51,261	-	-

(b) Operating lease commitments

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	15,496	4,123	-	-
Later than one year but not later than five years	35,024	4,330	-	-
Later than five years	6,672	-	-	-
Commitments not recognised in the financial statements	57,192	8,453	-	-

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

(c) Operating commitments

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Commitments in relation to non-cancellable operating activities are payable as follows:				
Within one year	30,107	14,923	-	-
Later than one year but not later than five years	48,058	34,575	-	-
Later than five years	675	-	-	-
	78,840	49,498	-	-

(d) Finance leases

The Group lease various plant and equipment with a carrying amount of $618,000 (2006: $2,006,000) under finance leases expiring within one to three years.

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Commitments in relation to finance leases are payable as follows:				
Within one year	682	1,251	-	-
Later than one year but not later than five years	-	837	-	-
Minimum lease payments	682	2,088	-	-
Future finance charges	(39)	(135)	-	-
Recognised as a liability	643	1,953	-	-
Representing lease liabilities:				
Current (Note 23)	643	1,171	-	-
Non-current (Note 27)	-	782	-	-
	643	1,953	-	-

The weighted average interest rate implicit in the leases is 6.0% (2006: 7.5%).

(e) Employee remuneration commitments

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Commitments under non-cancellable employment contracts not provided for in the financial statements and payable:				
Within one year	3,923	3,375	2,427	3,375
Later than one year but not later than five years	-	1,112	-	1,112
	3,923	4,487	2,427	4,487

Note 39 Related party transactions

(a) Parent entities
The ultimate parent entity within the Group is Tattersall's Limited.

(b) Subsidiaries
Interests in subsidiaries are set out in Note 41.

(c) Directors and specified executives
Disclosures relating to Directors and specified executives are set out in Note 35.

(d) Transactions with related parties

	Consolidated		Parent entity	
	2007 $	**2006 $**	**2007 $**	**2006 $**
Other revenue:				
Licence fee revenue from subsidiaries	-	-	120,437,000	108,193,000
Rental income from subsidiaries	-	-	1,534,000	1,534,000
Management and service fees from subsidiaries	-	-	528,000	447,000
Purchase of goods and services:				
Associates	-	4,504,000	-	-
Other related parties	120,000	1,259,000	120,000	-
Dividend revenue:				
Subsidiaries	-	-	149,600,000	57,862,000
Other related parties	901,000	2,164,000	-	-
Superannuation contributions:				
Contributions to superannuation funds on behalf of employees	7,440,000	4,551,000	82,000	121,000
Tax consolidation legislation:				
Current tax payable assumed from wholly owned tax consolidated entities	-	-	59,126,000	26,614,000

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

	Consolidated		Parent entity	
	2007 $	**2006 $**	**2007 $**	**2006 $**
Current receivables (other revenue):				
Subsidiaries	-	-	-	197,000
Current receivables (tax funding agreement):				
Subsidiaries	-	-	72,966,000	30,145,000

(f) Loans to/from related parties

	Consolidated		Parent entity	
	2007 $	2006 $	2007 $	2006 $
Loans to subsidiaries:				
Beginning of year	-	-	64,312,000	10,418,000
Loans advanced	-	-	257,720,000	55,271,000
Loan repayments received	-	-	(98,361,000)	(2,000,000)
Interest charged	-	-	6,796,000	623,000
End of year	-	-	230,467,000	64,312,000
Loans to joint venture entities:				
Beginning of year	1,800,000	1,943,000	-	-
Loans advanced	-	-	-	-
Loan repayments received	(1,800,000)	(143,000)	-	-
Interest charged	134,000	90,000	-	-
Interest received	(134,000)	(90,000)	-	-
End of year	-	1,800,000	-	-

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

(g) Terms and conditions

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

All other transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of principal on loans advanced by Tattersall's Limited. The average interest rate on loans during the year was 6.0% (2006: 5.5%).

Outstanding balances are unsecured and are repayable in cash.

Note 40 Business combinations

(a) Current period

(i) Acquisition of UNiTAB Limited and its controlled entities

Summary of acquisition

On 12 October 2006, the parent entity, Tattersall's Limited, acquired 99.7% of the issued share capital of UNiTAB Limited and its controlled entities, taking the consolidated entity's holding to 100%.

The acquired business contributed revenues of $495,545,000 and a net profit of $73,632,000 to the Group for the period from 12 October 2006 to 30 June 2007.

At the date of acquisition, the acquired entity's principal activities were:

- the conduct of on-course and off-course race wagering in Queensland;
- the conduct of sports wagering in Queensland;
- the conduct of off-course race and sports totalisator, and fixed odds wagering in South Australia;
- the conduct of race and totalisator wagering, and fixed odds betting in the Northern Territory;
- the conduct of a gaming machine monitoring business and statewide linked jackpot business in New South Wales;
- the conduct of a gaming machine monitoring business and statewide linked jackpot business in Queensland;
- the conduct of a gaming machine monitoring business in the Northern Territory; and
- the provision of broadcasting services associated with race wagering.

RMC.108

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

	$'000
Purchase consideration	
Cash	56,439
Shares issued	2,005,323
Direct cost relating to the acquisition	13,587
Total purchase consideration	2,075,349
Less fair value of net identifiable assets acquired (see below)	(213,096)
Goodwill	1,862,253

An additional $800,000 of goodwill is recognised on consolidation of the UNiTAB Limited investment already held by Tattersall's Limited prior to 12 October 2006.

On acquisition 558,585,825 ordinary shares were issued at an ascribed value of $3.59 (being the quoted price on 12 October 2006) for purchase consideration of $2,005,323,112.

The goodwill is attributable to the expected future cash flows of the business associated with the collective experience and skills of management and staff and the synergies expected to be achieved as a result of the integration of the UNiTAB Limited Group into the Tattersall's Group.

Assets and liabilities acquired

	Acquiree's carrying amount $'000	Preliminary Fair Value $'000
Cash	36,781	36,781
Trade receivables	8,632	8,632
Inventories	1,801	1,801
Other current assets	2,019	2,019
Property, plant and equipment	123,151	139,551
Derivative financial instruments	2,355	2,355
Deferred tax assets	10,468	6,912
Available for sale financial assets	9,771	9,771
Intangible assets – wagering and gaming licences	89,249	272,249
Intangible assets – software	89,079	89,079
Intangible assets – brand	-	53,400
Intangible assets – other	2,772	2,772
Intangible assets – goodwill	75,864	-
Other non-current assets	4,422	4,422
Trade payables	(80,178)	(81,073)
Interest bearing liabilities	(231,647)	(231,647)
Provisions	(7,636)	(7,636)
Provision for tax payable	(4,349)	(4,349)
Deferred tax liability	(37,736)	(91,943)
Net assets	94,818	213,096
Net identifiable assets acquired		213,096

If the acquisition of UNiTAB Limited had occurred on 1 July 2006, consolidated revenue and consolidated profit for the year ended 30 June 2007 would have been $2,563,955,000 and $310,701,000 respectively.

(ii) Acquisition of Golden Casket Lottery Corporation Limited and its controlled entities

Summary of acquisition

On 29 June 2007 Tattersall's Holdings Pty Ltd, a wholly owned subsidiary, acquired 100% of the issued share capital of Golden Casket Lottery Corporation Limited and its controlled entities. At this date, Golden Casket entered into a 65 year Lottery Operator Agreement with the Queensland Lottery Corporation to operate lotteries in Queensland.

At the date of acquisition, the acquired entity's principal activities were the development, marketing and conduct of lottery games in Queensland under a licence issued under the *Lotteries Act 1997* and through its subsidiary, Bounty Limited, the design, development and sale of software/hardware products to the gaming and hospitality industries.

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

	$'000
Purchase consideration	
Cash – acquisition of shares	407,200
Cash – lottery operator agreement	135,000
Total purchase consideration	542,200
Less fair value of net identifiable assets acquired (see below)	(101,049)
Goodwill	441,151

The goodwill is attributable to the expected future cash flows of the business associated with the collective experience and skills of management and staff and the synergies expected to be achieved as a result of the integration of the Golden Casket Group into the Tattersall's Group.

Assets and liabilities acquired

	Acquiree's carrying amount $'000	Preliminary Fair Value $'000
Cash	7,902	7,902
Trade receivables	19,623	19,623
Inventories	1,078	1,078
Financial Assets	21,607	21,607
Property, plant and equipment	25,015	25,015
Deferred tax assets	13,242	13,242
Intangible assets – software	17,516	17,516
Intangible assets – lottery operator agreement	54,907	135,000
Intangible assets – goodwill	2,917	-
Intangible assets – brand	-	50,000
Trade payables	(98,491)	(98,491)
Provisions	(2,626)	(2,626)
Payables – non current	(35,826)	(35,826)
Provision for tax payable	(7,376)	(7,376)
Deferred tax liability	(6,587)	(45,615)
Net assets	12,901	101,049

If the acquisition of the Golden Casket Group and the UNiTAB Group had occurred on 1 July 2006, consolidated revenue and consolidated profit for the year ended 30 June 2007 would have been $2,950,534,000 and $341,459,000 respectively.

RMC.110

Bounty Limited
On acquisition of Golden Casket the Tattersall's Group has undertaken to the Australian Competition & Consumer Commission to dispose of Bounty Limited, a controlled entity.

The assets and liabilities of Bounty Limited consolidated in the Group's balance sheet at 30 June 2007 are as follows:

	$'000
Current assets	1,766
Non-current assets	3,694
Total assets	5,460
Current liabilities	(1,688)
Non-current liabilities	(167)
Total liabilities	(1,855)
Assets of subsidiary held for sale	3,605

(b) Previous corresponding period
On 5 October 2005 the Group acquired 50% of the issued share capital of Bytecraft Systems Pty Ltd and 75% of the share capital of Bytecraft Entertainment Holdings Pty Ltd taking the shareholdings in both entities to 100%.

If the acquisition of Bytecraft Systems Pty Ltd and Bytecraft Entertainment Holdings Pty Ltd had occurred on 1 July 2005, the Tattersall's Group consolidated revenue and consolidated profit for the financial year ended 30 June 2006 would have been $1,863,641,000 and $129,622,000 respectively.

Details of the fair values of the assets and liabilities acquired and goodwill are disclosed in the 30 June 2006 Tattersall's Limited financial statements. There have been no further fair value adjustments to these amounts in the current period.

Note 41 Investments in controlled entities

Name of entity	**Country of incorporation**	**Class of Shares**	**Equity holding 2007 %**	**Equity holding 2006 %**
Controlled entities of Tattersall's Limited:				
UNiTAB Limited*	Australia	Ordinary	100	(1)
Controlled entities of UNiTAB Limited:				
NT TAB Pty Ltd*	Australia	Ordinary	100	(1)
Broadcasting Station 4IP Pty Ltd	Australia	Ordinary	100	(1)
SA TAB Pty Ltd*	Australia	Ordinary	100	(1)
TAB Queensland Pty Ltd	Australia	Ordinary	100	(1)
Maxgaming Holdings Pty Ltd*	Australia	Ordinary	100	(1)
Controlled entities of Maxgaming Holdings Pty Ltd:				
Maxgaming NSW Pty Ltd*	Australia	Ordinary	100	(1)
Maxgaming QLD Pty Ltd*	Australia	Ordinary	100	(1)
Bytecraft Systems Pty Ltd*	Australia	Ordinary	(2)	(2)
Controlled entities of Bytecraft Systems Pty Ltd:				
Bytecraft Systems NSW Pty Ltd	Australia	Ordinary	100	100
Bytecraft Systems (NZ) Limited	New Zealand	Ordinary	100	100
EGM Tech Pty Ltd	Australia	Ordinary	70	70
Reaftin Pty Ltd*	Australia	Ordinary	100	100

Name of entity	Country of incorporation	Class of Shares	Equity holding 2007 %	Equity holding 2006 %
Controlled entities of Reaftin Pty Ltd:				
Bytecraft Systems Pty Ltd*	Australia	Ordinary	(2)	(2)
Tattersall's Holdings Pty Ltd*	Australia	Ordinary	100	100
Controlled entities of Tattersall's Holdings Pty Ltd:				
Tattersall's Sweeps Pty Ltd*	Australia	Ordinary	100	100
Tattersall's Gaming Pty Ltd*	Australia	Ordinary	100	100
Tattersall's Club Keno Pty Ltd	Australia	Ordinary	100	100
Footy Consortium Pty Ltd	Australia	Ordinary	100	100
tatts.com Pty Ltd	Australia	Ordinary	100	100
Tattersall's Australia Pty Ltd	Australia	Ordinary	100	100
Tattersall's Gaming Systems Pty Ltd	Australia	Ordinary	100	100
George Adams Pty Ltd	Australia	Ordinary	100	100
Golden Casket Lottery Corporation Limited*	Australia	Ordinary	100	(1)
Controlled entities of Golden Casket Lottery Corporation Limited:				
Interactive Gold Pty Ltd	Australia	Ordinary	100	(1)
Bounty Limited	Australia	Ordinary	100	(1)
Controlled entities of Bounty Limited:				
Bounty Systems Pty Ltd	Australia	Ordinary	100	(1)
Clubline Systems Pty Ltd	Australia	Ordinary	100	(1)
Infolink Systems Pty Ltd	Australia	Ordinary	100	(1)
Tattersall's Investments (South Africa) (Pty) Limited	South Africa	Ordinary	100	100
Wintech Investments Pty Ltd*	Australia	Ordinary	100	100
Controlled entities of Wintech Investments Pty Ltd:				
Tattersall's Gaming Systems NSW Pty Ltd	Australia	Ordinary	100	100
Carentan Investments (Pty) Limited	South Africa	Ordinary	100	100
Controlled entities of Carentan Investments (Pty) Limited:				
Thuo Gaming KwaZulu-Natal (Pty) Limited	South Africa	Ordinary	(3)	100
Thuo Gaming Western Cape (Pty) Limited	South Africa	Ordinary	(3)	65
Thuo Gaming South Africa (Pty) Limited	South Africa	Ordinary	90 (3)	100
Controlled entities of Thuo Gaming South Africa (Pty) Limited:				
Thuo Gaming North West (Pty) Limited	South Africa	Ordinary	100	100
Thuo Gaming Guateng (Pty) Limited	South Africa	Ordinary	100	100
Thuo Gaming Limpopo (Pty) Limited	South Africa	Ordinary	100	100
Thuo Gaming KwaZulu-Natal (Pty) Limited	South Africa	Ordinary	70	(4)
Thuo Gaming Western Cape (Pty) Limited	South Africa	Ordinary	70	(4)
Thuo Gaming Free State (Pty) Limited	South Africa	Ordinary	100	(5)

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Name of entity	Country of incorporation	Class of Shares	Equity holding 2007 %	Equity holding 2006 %
Controlled entities of Tattersall's Australia Pty Ltd:				
TattsNet Limited	United Kingdom	Ordinary	100	50 (6)
George Adams Holdings Limited	United Kingdom	Ordinary	100	100
Controlled entities of George Adams Holdings Limited:				
tatts.com UK Limited	United Kingdom	Ordinary	100	100
Tattersall's Long Service Leave Fund	Australia		(7)	(7)
Tattersall's George Adams Foundation	Australia		(8)	(8)

(*) These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investment Commission. Refer to Note 42 for further information.

(1) Entity was not part of the Tattersall's Limited Group as at 30 June 2006.

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

(3) Movement in equity holding occurred in 2007 due to restructure in the Carentan Investments sub-group as at 30 September 2006.

(4) Entity was controlled by another South African resident company within the Tattersall's Group.

(5) Entity not incorporated at 30 June 2006.

(6) 50% of the entity owned in 2006 by Tattersall's Australia Pty Ltd. Therefore significant influence but not control was exerted by the Group and immediate parent entity. Equity accounted for in Group's accounts for the period to 30 June 2006.

(7) Not incorporated. The trustees of the entity are employees of Tattersall's Limited, therefore in accordance with AIFRS, Tattersall's Limited Group controls the Fund and the Fund is consolidated.

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

Note 42 Deed of Cross Guarantee

Tattersall's Limited, Tattersall's Holdings Pty Ltd, Tattersall's Gaming Pty Ltd, Tattersall's Sweeps Pty Ltd, Reaftin Pty Ltd, Wintech Investments Pty Ltd, Bytecraft Systems Pty Ltd, UNiTAB Limited, SA TAB Pty Ltd, NT TAB Pty Ltd, Maxgaming Holdings Pty Ltd, Maxgaming NSW Pty Ltd and Maxgaming QLD Pty Ltd are parties to a deed of cross guarantee dated 25 June 2007 under which each company guarantees the debts of the others in the event of the winding up of any of those companies in the circumstances contained in the deed. Golden Casket Lottery Corporation Limited became a party to the deed of cross guarantee by way of a deed of assumption dated 29 June 2007. By entering into the deed, the wholly owned entities have been relieved from certain requirements including preparing and lodging a financial report and directors' report under Class Order 98/1418 by virtue of an Individual Order dated 18 June 2007 issued by the Australian Securities and Investments Commission.

(a) Consolidated income statement

The above parties represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Tattersall's Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated income statement for the year ended 30 June 2007 of the Closed Group consisting of the companies listed above.

Income statement	**2007 $'000**
Revenue from continuing operations	2,353,402
Statutory outgoings	
Government duties/levies	(1,111,015)
Venue share/commission	(495,154)
Other income	10,527
Other expenses from ordinary activities	
Product/program fee	(130,546)
Employee expenses	(84,887)
Operating fees and direct costs	(49,320)
Telecommunications and technology	(23,942)
Marketing and promotions	(18,928)
Information services	(9,687)
Property expenses	(16,421)
Restructuring costs	(10,108)
Trustee Commission Claim – reversal of provision	51,388
Other expenses	(34,542)
Share of net profit of associates and joint ventures accounted for using the equity method	-
Profit before interest, income tax, depreciation & amortisation	430,767
Depreciation and amortisation	(83,826)
Interest income	15,881
Finance costs	(8,221)
Profit before income tax	354,601
Income tax expense	(90,542)
Profit from continuing operations	264,059
Profit from discontinued operations	20,932
Profit for the year	284,991

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(b) Balance Sheet

Set out below is a consolidated balance sheet as at 30 June 2007 of the Closed Group consisting of the companies listed above.

Balance sheet	2007 $'000
ASSETS	
Current assets	
Cash and cash equivalents	255,709
Trade and other receivables	187,072
Inventories	7,554
Financial assets	-
Total current assets	450,335
Non-current assets	
Receivables	102
Investments accounted for using the equity method	108,206
Financial assets	34,542
Property, plant and equipment	265,999
Investment properties	-
Deferred tax assets	40,509
Intangible assets	2,944,475
Other non-current assets	9,396
Total non-current assets	3,403,229
Total assets	3,853,564
LIABILITIES	
Current liabilities	
Trade and other payables	369,336
Interest bearing liabilities	627,213
Current tax liabilities	43,567
Provisions	7,136
Financial liabilities	-
Total current liabilities	1,047,252
Non-current liabilities	
Trade and other payables	40,678
Interest bearing liabilities	15,341
Deferred tax liabilities	149,228
Provisions	4,111
Total non-current liabilities	209,358
Total liabilities	1,256,610
Net assets	2,596,954
EQUITY	
Contributed equity	2,316,494
Reserves	(1,352)
Retained profits	281,812
Total equity	2,596,954

Note 43 Investments accounted for using the equity method

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent entity 2007 $'000	Parent entity 2006 $'000
Associated companies	(a)	-	-	-	-
Joint venture entities	(b)	101,438	3,914	113,171	-
		101,438	3,914	113,171	-

(a) Investments in associated companies

Unlisted	Principal Activities	Reporting Date	Ownership Interest 2007 %	Ownership Interest 2006 %	Carrying Amount of Investment 2007 $'000	Carrying Amount of Investment 2006 $'000
Bytecraft Systems Pty Ltd	Systems Support and Maintenance	30 June	100	100	-	-

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

During the year ended 30 June 2006 Bytecraft Systems Pty Ltd contributed net profit of $119,000 to the Group in the period to 5 October 2005.

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent entity 2007 $'000	Parent entity 2006 $'000
Movement during the year in equity accounted investments in associated companies				
Balance at the beginning of the financial year	-	2,446	-	-
Share of profits after income tax	-	119	-	-
Transfer of retained earnings on acquisition	-	(2,565)	-	-
Balance at the end of the financial year	-	-	-	-

(b) Investments in joint venture entities
Interests are held in the following joint ventures:

Unlisted	Country of Residence	Principal Activities	Reporting Date	Ownership Interest 2007 %	Ownership Interest 2006 %	Carrying Amount of Investment 2007 $'000	Carrying Amount of Investment 2006 $'000
TattsNet Limited	UK	Lottery Consultants	31 Dec	100	50	-	-
LH Developments Pty Ltd	Australia	Property Development	30 June	50	50	2,337	2,337
George Adams Pty Ltd and Prizac Investments Pty Ltd (Splash)	Australia	Property Development	30 June	50	50	4,828	1,577
European Investments (Guernsey) Ltd (refer (c) below)	Guernsey/UK	Investment in Gaming Businesses	31 Dec	50	-	94,273	-
						101,438	3,914

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	Consolidated		Parent entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Retained earnings attributable to interests in joint ventures				
Balance at the beginning of the financial year	-	572	-	-
Share of (loss)/profit after income tax	1,461	(47)	-	-
Write-down of investment	-	(525)	-	-
Balance at the end of the financial year	1,461	-	-	-
Carrying amount of investment in joint ventures				
Balance at the beginning of the financial year	3,914	2,909	-	-
Investments made during year	122,305	1,577	119,061	-
Recognition of available-for-sale financial assets revaluation reserve balance arising on investment held prior to entering joint venture	(17,959)	-	-	-
Share of (loss)/profit after income tax	1,461	(47)	-	-
Foreign exchange movement	(8,283)	(9)	(5,890)	-
Write-down of investment	-	(516)	-	-
Balance at the end of the financial year	101,438	3,914	113,171	-
Share of joint venture assets and liabilities				
Current assets	24,844	335	-	-
Non-current assets	232,374	3,656	-	-
Total assets	257,218	3,991	-	-
Current liabilities	(134,127)	-	-	-
Non-current liabilities	(3,694)	(77)	-	-
Total liabilities	(137,821)	(77)	-	-
Share of net assets of joint ventures	119,397	3,914	-	-
Recognition of available-for-sale financial assets revaluation reserve balance arising on investment held prior to entering joint venture	(17,959)	-	-	-
	101,438	3,914	-	-
Share of joint venture revenue, expenses and results				
Revenue	30,481	-	-	-
Expenses	(28,394)	(47)	-	-
Profit/(loss) before income tax	2,087	(47)	-	-
Income tax expense	(626)	-	-	-
Profit after income tax	1,461	(47)	-	-

(c) Investment in European Gaming Group

Tattersall's Limited established a joint venture group of companies with Macquarie Bank that on 1 February 2007, pursuant to a shareholder and court approved Scheme of Arrangement, acquired 100% of the shares of Talarius Plc, a UK based gaming company. Tattersall's contributed GBP46.85 million for its equity interest in the European Gaming Group of companies, which with non-recourse debt in the European Gaming Group, has been used to fund the acquisition of Talarius Plc.

Prior to establishing the joint venture group of companies, George Adams Holdings Limited, a wholly owned subsidiary, held a 10.4% shareholding in Talarius Plc which was accounted for as an available-for-sale financial asset in the Tattersall's Limited Group accounts in accordance with AASB 139. On sale of this shareholding into the European Gaming Group the reserve balance recognised in the available-for-sale financial assets revaluation reserve of $17,959,000 was realised and offset against the investment in the joint venture in the consolidated financial statements. There was no profit recorded in the consolidated financial statements relating to the transition from a 10.4% shareholding in Talarius Plc to a 50% shareholding in the European Gaming Group.

Contingent liabilities relating to joint ventures
Each party to the joint venture is jointly and severally liable for the debts of the entity. The assets of the entities exceed their debts. Refer to Note 37 for detailed disclosure of the Group's contingent liabilities at 30 June 2007.

Note 44 Events occurring after reporting date

There are no events occurring after the balance sheet date to report.

Note 45 Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Profit for the year	288,984	128,848	283,621	140,818
Non cash flows in operating profit				
Depreciation and amortisation	85,985	58,099	290	280
Employee share options	583	266	583	266
Profit on sale of fixed assets	(12,974)	(2,927)	(2,438)	-
Profit on Trustee Commission Claim – reversal of provision	(51,388)	-	(51,388)	-
Bad and doubtful debts	(487)	141	-	-
Dividend revenue	-	-	(149,600)	-
(Gain)/loss on defined benefit superannuation fund	171	(361)	-	-
Loss on revaluation of available-for-sale assets	(427)	7,400	-	-
Share of joint venture profits	(1,461)	-	-	-
Share of associate profits	-	(72)	-	-
Debt forgiveness on sale of subsidiary	-	-	13,200	-
Change in operating assets and liabilities, net of effects from purchase of controlled entities				
Decrease/(increase) in trade receivables	916	(19,101)	-	-
Decrease/(increase) in inventories	843	(2,160)	-	-
Decrease/(increase) in deferred tax assets	(1,393)	(10,123)	(4,046)	(4,693)
Decrease/(increase) in other operating assets	4,896	15,827	(361)	173
Increase/(decrease) in trade payables	(8,165)	14,178	-	1,987
Increase/(decrease) in other operating liabilities	(19,273)	(20,606)	(16,460)	(19,105)
Increase/(decrease) in provision for income taxes payable	8,869	24,877	9,808	26,379
Increase/(decrease) in provision for deferred tax liabilities	(3,460)	4,450	762	234
Increase/(decrease) in other provisions	(2,032)	(831)	(272)	541
Net cash inflow/(outflow) from operating activities	290,187	197,905	83,699	146,880

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Note 46 Non-cash financing and investing activities

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Acquisition of assets, liabilities and business via issue of shares (Note 40)	2,005,323	22,000	2,005,323	22,000

Note 47 Earnings per share

	Consolidated	
	2007 Cents	2006 Cents
(a) Basic Earnings per share		
Profit from continuing operations attributable to the ordinary equity shareholders of the company	25.7	17.9
Profit from discontinued operations	0.4	0.4
Profit attributable to the ordinary equity shareholders of the company	26.1	18.3
(b) Diluted Earnings per share		
Profit from continuing operations attributable to the ordinary equity shareholders of the company	25.6	17.9
Profit from discontinued operations	0.4	0.4
Profit attributable to the ordinary equity shareholders of the company	26.0	18.3

	2007 Number	2006 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	1,107,293,682	701,687,236
Adjustments for calculation of diluted earnings per share:		
Performance options and performance rights	774,102	133,363
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	1,108,067,784	701,820,599

	2007 $'000	2006 $'000
Reconciliation of earnings used in calculating earnings per share:		
Basic and diluted earnings per share		
Profit from continuing operations	285,154	126,072
Profit from continuing operations attributable to minority interests	(403)	(306)
Profit from continuing operations attributable to the ordinary equity shareholders of the company used in calculating basic and diluted earnings per share	284,751	125,766
Profit from discontinued operations	3,830	2,776
Profit attributable to the ordinary equity shareholders of the company used in calculating basic and diluted earnings per share	288,581	128,542

Note 48 Share-based payments

(a) Long-Term Incentive Plan

Staff eligible to participate in the Long-Term Incentive Plan (LTIP) are those of Senior Manager level and above (including Executive Directors).

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

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

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

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

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Exercisable at end of the year
			Number	Number	Number	Number	Number	Number
Consolidated and parent entity – 2007								
Performance Options								
16 December 2005	7 July 2012	$3.10	1,376,987	-	-	1,049,165	327,822	-
30 November 2006 – Chief Executive	30 November 2013	$3.13	-	2,000,000	-	-	2,000,000	-
30 November 2006	30 November 2013	$3.65	-	778,725	-	-	778,725	-
Performance Rights								
16 December 2005	7 July 2012	N/A	248,353	-	-	143,305	105,048	-
30 November 2006	30 November 2013	N/A	-	249,002	-	-	249,002	-
Consolidated and parent entity – 2006								
Performance Options								
16 December 2005	7 July 2012	$3.10	-	1,376,987	-	-	1,376,987	-
Performance Rights								
16 December 2005	7July 2012	N/A	-	248,353	-	-	248,353	-

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

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Fair value of options and rights granted

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

The model inputs for options and rights granted during the year ended 30 June 2007 included:

	Performance Options – Chief Executive	Performance Options	Performance Rights
Grant date	30 November 2006	30 November 2006	30 November 2006
Exercise price	$3.13	$3.65	N/A
Expiry date	30 November 2013	30 November 2013	30 November 2013
Share price at grant date	$3.81	$3.81	$3.81
Expected life	5.1 years	5.1 years	3.2 years
Volatility	24%	24%	24%
Risk-free interest rate	5.68%	5.68%	5.81%
Dividend yield	4.4%	4.4%	4.4%
Fair value	$1.00	$0.80	$2.56

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

	Performance Options	Performance Rights
Grant date	16 December 2005	16 December 2005
Exercise price	$3.10	N/A
Expiry date	7 July 2012	7 July 2012
Share price at grant date	$3.12	$3.12
Expected life	4.7 years	3.9 years
Volatility	30%	30%
Risk-free interest rate	5.24%	5.24%
Dividend yield	4.88%	4.88%
Fair value	$0.67	$1.80

(b) Expenses arising from share-based payment transactions

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

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Performance rights issued under LTIP	137	87	137	87
Performance options issued under LTIP	446	179	446	179
	583	266	583	266

Directors' Declaration

In the Directors' opinion:

(a) The financial statements and notes set out on pages 48 to 117 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 2007 and of their performance for the financial year ended on that date; and

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) The audited remuneration disclosures set out on pages 27 to 41 of the Directors' Report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001;* and

(d) At the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 42 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 42.

The Directors have been given the declarations by the Chief Executive 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.

Harry Boon	**Dick McIlwain**
Chairman	Managing Director/Chief Executive

Melbourne
30 August 2007

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

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Independent auditor's report to the members of Tattersall's Limited

Report on the financial report and the AASB 124 Remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Tattersall's Limited (the company), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Tattersall's Limited and the Tattersall's Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in the directors' report and not in the financial report. These remuneration disclosures are identified in the directors' report as being subject to audit. The remuneration report contains information also, for which an auditors' opinion is not required and has not been formed. These disclosures have been identified as such.

Directors' responsibility for the financial report and the AASB 124 Remuneration disclosures contained in the directors' report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

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

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

PRICEWATERHOUSECOOPERS

Independent auditor's report to the members of Tattersall's Limited

Report on the financial report and the AASB 124 Remuneration disclosures contained in the directors' report

(continued)

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

For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

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

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

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report and remuneration disclosures of Tattersall's Limited the company for the financial year ended 30 June 2007 included on the Tattersall's Limited web site. The company's directors are responsible for the integrity of the Tattersall's Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report and remuneration disclosures identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or remuneration disclosures. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration disclosures to confirm the information included in the audited financial report and remuneration disclosures presented on this web site.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of Tattersall's Limited is in accordance with 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 2007 and of their performance for the year ended on that date; and

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

(b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Auditor's opinion on the AASB 124 Remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures contained in the directors' report and identified as being subject to audit, comply with Accounting Standard AASB 124.

PricewaterhouseCoopers

PricewaterhouseCoopers

Con Grapsas
Partner

Melbourne
30 August 2007

Shareholder Information

The shareholder information set out below was applicable as at 27 September 2007 based on the details recorded on Tattersall's share register.

A Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

Range	Class of equity security Ordinary shares
1 – 1,000	18,325
1,001 – 5,000	64,471
5,001 – 10,000	8,818
10,001 – 100,000	6,993
100,001 and over	535
Total	**99,142**

There were 400 holders of less than a marketable parcel of ordinary shares.

B Equity security holders

The names of the twenty largest quoted equity security holders are listed below:

	Ordinary shares	
Name	**Number Held**	**Percentage of issued shares**
JP Morgan Nominees Australia Limited	86,660,784	6.89%
Rattoon Holdings Ltd	70,116,359	5.57%
National Nominees Limited	61,808,370	4.91%
HSBC Custody Nominees (Australia) Limited	59,449,848	4.72%
ANZ Nominees Limited (cash income account)	56,708,008	4.51%
Citicorp Nominees Pty Limited	23,030,175	1.83%
Cogent Nominees Pty Limited	22,035,344	1.75%
Tassyd Pty Ltd (Estate Thomas Lyons a/c)	18,834,719	1.50%
Citicorp Nominees Pty Limited (CFS WSLE GEARED SHR FND a/c)	15,235,716	1.21%
RBC Dexia Investor Services Australia Nominees Pty Limited (Pipooled a/c)	14,145,043	1.12%
UBS Wealth Management Australia Nominees Pty Ltd	12,968,218	1.03%
Queensland Investment Corporation	9,843,327	0.78%
Seymour Group Pty Ltd	9,612,600	0.76%
Robin Edward Davey (Estate Alexander Hubbard a/c)	9,568,668	0.76%
W B K Pty Ltd	9,327,340	0.74%
Solid Earth Pty Ltd	9,127,640	0.73%
Kayaal Pty Ltd	9,095,295	0.72%
Vermont Park Holdings Pty Ltd	8,505,481	0.68%
Suncorp Custodian Services Pty Limited	8,222,600	0.65%
Wentworth Investments Pty Ltd	7,176,501	0.57%
Total	**521,472,036**	**41.43%**

C Domicile of ordinary security holder

Domicile	Number of Holders	Percentage of Holders	Number of Securities	Percentage of Securities
Australian Capital Territory	1,247	1.3%	4,190,465	0.3%
New South Wales	10,941	11.0%	372,439,188	29.4%
Northern Territory	309	0.3%	1,393,812	0.1%
Queensland	53,006	53.5%	309,609,762	24.5%
South Australia	2,081	2.1%	13,136,537	1.0%
Tasmania	1,452	1.5%	80,798,175	6.4%
Victoria	26,879	27.1%	440,153,333	34.8%
Western Australia	2,801	2.8%	29,258,948	2.3%
Overseas	426	0.4%	14,374,836	1.1%
Total	**99,142**		**1,265,355,056**	

D Unquoted Equity Securities

	Number on Issue	Number of Holders
Performance options in respect of ordinary shares issued under the Tattersall's Long Term Incentive Plan	2,956,400	32
Performance rights in respect of ordinary shares issued under the Tattersall's Long Term Incentive Plan	303,176	31

E Substantial holders

The following is the only substantial holder of ordinary shares in the Company based on the last notice received:

	Number held	Percentage
Rattoon Holdings Limited[1]	72,787,569	5.75%

1 Details based on the notice of initial substantial holder filed on 2 November 2006.

F Voting rights

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Performance Options and Rights
No voting rights.

G On Market Buy-back

There is no current on-market buy-back in respect of the Company's ordinary shares.

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Corporate Directory

Dividend History

Date Paid	Type	Cents Per Share
5 April 2006	2006 Interim	8.75
26 September 2006	2006 Final	7.50
30 March 2007	2007 Interim	8.0
5 October 2007	2007 Final	10.0
5 October 2007	2007 Special	4.0

All dividend payments are fully franked.

Shareholder Calendar

2008 Calendar Event	Date
Interim Results announcement	28 February 2008
Ex Dividend	10 March 2008
Record Date	14 March 2008
Dividend Payment	4 April 2008
Full year Results announcement	28 August 2008
Ex Dividend	8 September 2008
Record Date	12 September 2008
Dividend Payment	3 October 2008
Annual General Meeting	28 November 2008

Dates may be subject to change.

Share registry

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067
Email web.queries@computershare.com.au
Telephone within Australia 1300 367 346
Telephone outside Australia +61 3 9415 4199
Fax +61 3 9473 2500

To update your shareholder details online and enjoy full access to all your holdings and other valuable information, simply visit www.investorcentre.com/au

Principal registered office in Australia

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Melbourne VIC 3004
Telephone +61 3 8517 7777

Website address

www.tattersalls.com.au

Stock exchange listing

Tattersall's Limited shares are listed on the Australian Stock Exchange under the ticker tts.

Directors

Refer to profiles on pages 21 to 23.

Senior Executives

Michael Carr
Chief Executive Maxgaming

Barrie Fletton
Chief Executive UNiTAB Wagering

Penny Grau
General Counsel & Company Secretary

Raymond Gunston
Chief Financial Officer

Bruce Houston
Executive General Manager Media, Government and Community Relations

Stephen Lawrie
Chief Information Officer

Frank Makryllos
Chief Executive Tatts Pokies

Maree Patane
Chief Auditor

Brendan Redmond
Executive General Manager Business Development & International Investments

Kevin Szekely
Chief Executive Bytecraft

Bill Thorburn
Chief Executive Lotteries

Investor Relations

Gary Woodford
Email investorrelations@tattersalls.com.au

Auditor

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Solicitors

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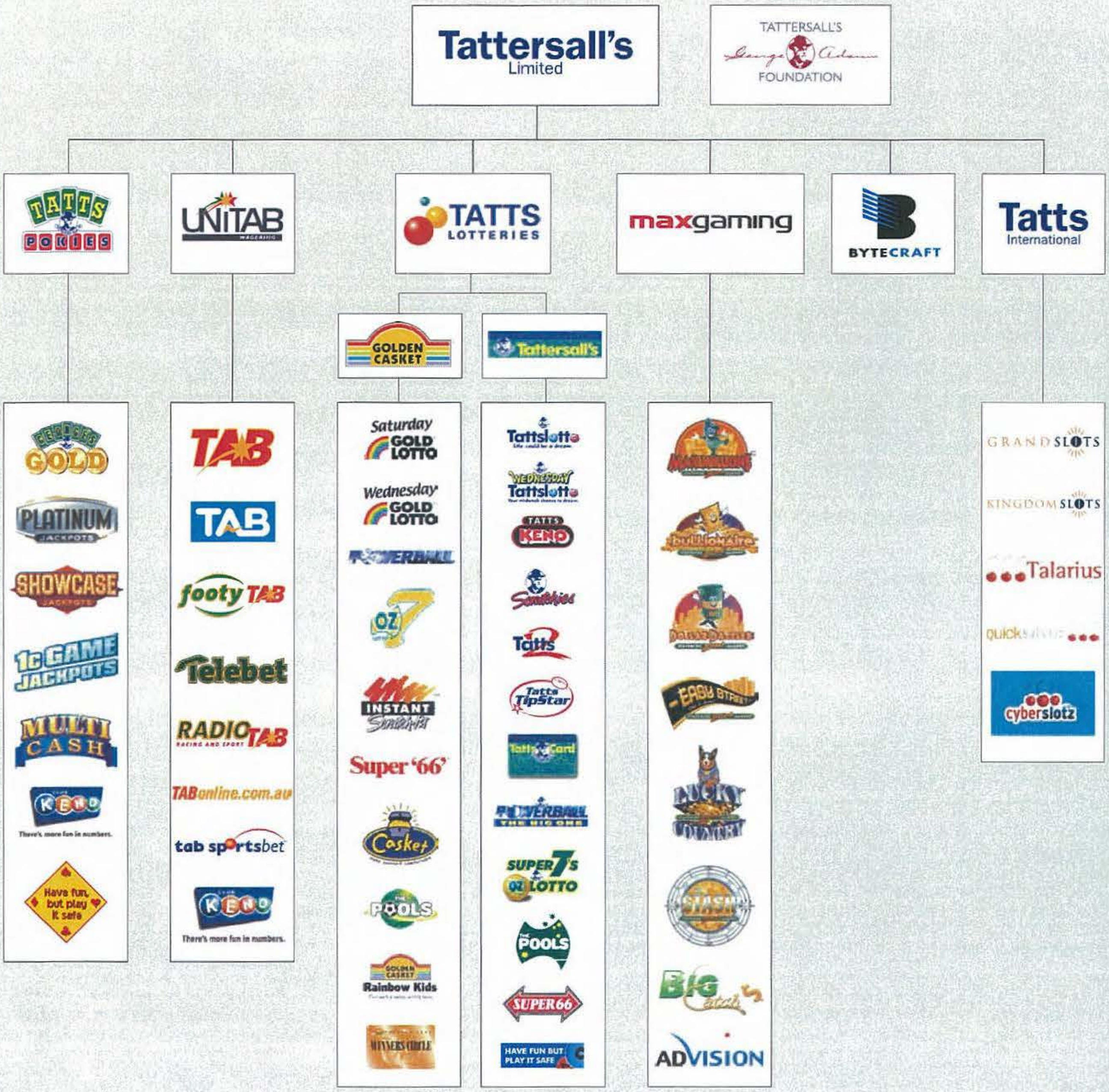
333 Collins Street
Melbourne VIC 3000

Herbert Geer & Rundle
385 Bourke Street
Melbourne VIC 3000

Bankers

Westpac Banking Corporation
360 Collins Street
Melbourne VIC 3000

Group Brand Structure



www.tattersalls.com.au

Last Amended: 10/05/05

Board of Directors - Charter and Guidelines for Operation

May 2005

(note date approved by the Board)

This document is designed to be a working document for guidance purposes only and must be tailored to suit the specific needs of the Board and Tattersall's and to reflect the specific elements of Tattersall's Constitution.

Note: This Charter will need to be amended in due course to take account of the final version of the Non-Executive Director (NED) Appointment Agreement, the Deeds of Access, Indemnity and Insurance and the NEDs share plan.

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Board of Directors Charter

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Charter for Board of Directors

Tattersall's Constitution governs the regulation of meetings and the proceedings of the Board of Directors. This Charter has been developed to:

- summarise and augment the relevant elements of the Constitution;
- provide a clear statement of the roles, responsibilities and operations of the Board for the benefit of both the Board and management[1]; and
- ensure the practices of the Board are consistent with and reflect the Board's commitment to best practice in corporate governance.

1. Responsibilities of the Board

1.1 General

1.1.1 The powers and duties of Directors are set out in the Constitution and at law.

1.1.2 The Directors must act in the best interests of Tattersall's and are to use their best efforts to ensure Tattersall's is properly managed and constantly improved.

The principle role of the Board is to:

- protect and enhance the interests of shareholders;
- influence and monitor strategy
- oversee the management of Tattersall's and evaluate Chief Executive Officer (CEO) and executive performance
- provide guardianship of corporate values
- monitor the integrity of financial reporting
- oversee risk management and legal compliance
- oversee shareholder communications.

[1] ASX Corporate Governance Council, *Principles of Good Corporate Governance and Best Practice Recommendations,* Recommendation 1.1.

1.2 Specific

To discharge its responsibilities and to facilitate its ongoing oversight of Tattersall's, the Board has agreed its role includes, but is not limited to the following matters.

The Board may choose to delegate some these responsibilities to one or more of its Committees. This will be specifically reflected in the Charter of the relevant Committee.

1.2.1 Strategic

- **Strategic planning:** Approving the strategic planning process and timetable, contributing to Tattersall's strategy and objectives, adopting the strategic plan, associated performance indicators and targets and approving any subsequent variations.
- **Business planning:** Approving the business planning process and timetable, adopting the business plan including operating budgets, capital budgets, performance indicators and approving any subsequent variations.
- **Change Management:** Overseeing Tattersall's capacity to identify and respond to changes in its economic and operating environments.
- **Major projects:** Approving and monitoring major projects including corporate restructures/re-organisations, major capital expenditure, capital management, acquisitions and divestitures and any significant initiatives or opportunities that arise outside the annual planning and budgeting process.
- **Stakeholder liaison:** Appropriately involving itself in Tattersall's liaison and communication with key stakeholders.
- **Philanthropy:** Establishing and monitoring an appropriate philanthropic policy for Tattersall's.
- **Performance monitoring:** Overseeing the conduct and performance of the group, its divisions and subsidiaries to ensure they are being properly and appropriately managed. To discharge this duty the Board will give specific and regular attention to:
  - monitoring performance against the strategic and business plans;
  - monitoring performance against peer and competitor companies; and
  - enquiring into and following up areas of poor performance and their cause.

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1.2.2 Governance and Board matters

- **Delegations of authority:** Reviewing, approving and, where appropriate, revising the delegations of authority from the Board to the CEO and significant delegations from the CEO to executives. The Board notes that these delegations must be clearly defined and be sufficient to empower the CEO and the executive team to run Tattersall's.
- **Committees:** Overseeing the work of the Board Committees including determining the need for specific Committees, reviewing the need for those Committees on an ongoing basis, receiving reports from, reviewing the work of, and considering the recommendations made by each Committee.
- **Self assessment**: Developing and implementing a formal process for the Board to assess its performance.
- **Referred matters**: Attending to matters appropriately referred to it by management, the CEO or Committees of the Board.
- **Governance matters:** Attending to corporate governance matters including the identification and nomination to the shareholders of new Directors to fill Board vacancies and to any other matters identified as reserved to the Board.
- **Information needs:** Dictating its information needs to management including the form, timing, content and style of Board papers and ensuring these are fully addressed on an ongoing basis.
- **Director's remuneration:** Reviewing and approving the recommendations presented to the Board in respect of Director's remuneration.
- **Succession planning:** Ensuring that appropriate plans are in place for the succession of the CEO, executives and Board members.

1.2.3 Risk management, compliance and internal controls.

- **Risk management:** Defining Tattersall's risk appetite, approving and overseeing the operation of Tattersall's corporate risk management framework, assessing its effectiveness, understanding and reviewing the major/significant risks facing Tattersall's and monitoring their management.
- **Internal controls:** Overseeing, reviewing and monitoring the operation, adequacy and effectiveness of Tattersall's reporting systems and the overall framework of internal controls established by the CEO including operational, accounting and financial reporting controls.
- **Operational compliance:** Approving, reviewing and monitoring compliance with key corporate policies.
- **Legal compliance:** Overseeing, reviewing and monitoring the operation of Tattersall's programs, policies and procedures to ensure compliance with relevant legislation is actively promoted within Tattersall's.

- **Reputation:** Being aware of and, where appropriate, reviewing any litigation, actions, transactions and issues, papers and reports to external/third parties which impact on Tattersall's and may attract adverse public, government, regulatory or other interest.
- **Encourage the reporting of unlawful or unethical behaviour:** Maintaining a firm stance in relation to encouraging the reporting of unlawful or unethical behaviour and ensuring that employees and management are assured of protection where violations are reported in good faith.

1.2.4 Financial

- **Financial oversight:** Overseeing all aspects of Tattersall's financial position including giving specific attention to the quantum, nature and terms of Tattersall's debt facilitates and its ability to meet its debts and other obligations as they fall due.
- **Financial reporting:** Approving the annual audited financial statements, the half year financial statements, and the theme and text of Tattersall's annual report.
- **Audit:** Selecting Tattersall's external auditors for approval by the shareholders, ratifying the appointment of the internal auditor and approving their respective scopes of work.
- **Dividends:** Declaring and paying interim and final dividends out of profits of Tattersall's and approving the transfer of profits to reserves.
- **Related party transactions**: Reviewing and monitoring all related party transactions to identify whether consideration should be given to seeking shareholder approval

1.2.5 Personnel

- **CEO:** The appointment, regular performance assessment, remuneration, succession planning and, should it be necessary, the dismissal of the CEO.
- **CFO appointment:** Ratifying the appointment of Tattersall's CFO
- **Executive performance and development:** Ensuring an appropriate process is in place to recruit, review the performance of, remunerate, train and develop executives and to provide for management succession.
- **Executive compensation:** Reviewing and approving the compensation, equity and incentive schemes in place for the CEO and executives to ensure they are appropriate and competitive in both structure and quantum.
- **Standards of behaviour:** Reviewing, approving and monitoring compliance with Tattersall's Code of Conduct, which provides guidance regarding ethical behaviour2, including approving all proposed revisions or waivers.

[2] ASX Corporate Governance Council, *Principles of Good Corporate Governance and Best Practice Recommendations,* Principle 3

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1.2.6 Operational

- **Continuous Disclosure**: Ensuring the discharge of Tattersall's continuous disclosure obligations.

2. Relationship between the Board and management

Subject to the formal delegations of authority, the Board delegates responsibility for the operation and management of Tattersall's business to the CEO and the management team. Management are accountable to the Board and are to fulfil this responsibility through the provision of reports, briefings and presentations on a regular basis throughout the year.

The Board will adopt appropriate structures and procedures to ensure it retains its independence and functions independently of management. This will include the non-executive Directors meeting in the absence of management on a periodic, scheduled basis.

Non-executive Directors, acting in their capacity as Directors, may communicate directly with members of the senior management team at any time.

Where Directors are acting in a capacity other than as a Director of Tattersall's, all communication between Directors and employees of Tattersall's will be co-ordinated through the office of the CEO.

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3. The Chairman

3.1 Appointment

The Board is empowered by the Constitution to appoint a Chairman and Deputy Chairman and to determine the period for which each holds office.

In the absence of the Chairman, the Deputy Chairman will act as Chairman. In the absence of the both the Chairman and the Deputy Chairman, fifteen minutes after the time appointed for holding a meeting, the Chairman for that meeting shall be chosen by those Directors present from among their number.

3.2 The Role of the Chairman[3]

The role of the Chairman is to ensure that the Board is functioning effectively.

The Chairman will:

- Chair Board meetings;
- Establish the agenda for, and frequency of, Board meetings (together with the CEO where appropriate);
- Chair meetings of members, including the Annual General Meeting;
- Ensure the Board's decisions have been implemented;
- Be the link between the Board and the CEO/senior management;
- Review matters of concern to Tattersall's together with the CEO;
- Provide guidance and mentoring to the CEO; and
- Be a member of the Remuneration Committee.

There must be clear division of roles between the Chairman and the CEO.

[3] ASX Recommendation 2.2

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4. Composition

4.1 Size & composition

The Board shall be made up of a minimum of three Directors and a maximum of nine Directors (after the first AGM, before which the maximum number is eight). The majority of members should be independent Directors.[4]

4.2 Nomination

The Board has defined, and will keep under ongoing review, its skill requirements. The Board will seek to augment its skills as required.

The Board has a formal Director nomination and selection procedure including a skills matrix which is reviewed by the Governance & Nomination Committee in advance of commencing the search for a new Director. Any recommendations made by the Governance & Nomination Committee are to be ratified by the Board.

Potential Directors will be nominated for appointment to the Board on the basis of their identified skills, knowledge and experience to meet the needs of the Board at the time their appointment is proposed. This information will be communicated to shareholders to assist them in their decision whether to confirm the appointment of the nominee.

4.3 Independence[5]

A Director will be considered independent if they have no relationship to Tattersall's that may interfere with the exercise of their independence from management and Tattersall's.

Examples of such relationships include:

- Being a substantial shareholder of Tattersall's or an officer of or otherwise associated directly with a substantial shareholder of Tattersall's.
- Being employed by Tattersall's or any other group member within the last three years or being a Director after ceasing to hold any such employment.
- Being, within the last three years, a principal of a material professional adviser or a material consultant to Tattersall's or another group member or an employee materially associated with the service provided.

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[4] ASX, Recommendation 2.1
[5] ASX Recommendation 2.1

- Being a material supplier or customer of Tattersall's or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- Having a material contractual relationship with Tattersall's or another group member other than as a Director of Tattersall's.
- Serving on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of Tattersall's
- Having any interests, business or other relationship which could, or could reasonably be perceived to materially interfere with the Director's ability to act in the best interests of Tattersall's.

Family ties and cross-Directorships may be relevant in considering interests and relationships which may compromise independence, and should be disclosed by Directors to the Board.

The Board will consider and conclude on the independence of its non-executive Directors each year. The results of this review (i.e. the independence of individual Directors) will be disclosed in Tattersall's annual report.

4.4 Induction

All new Directors appointed to the Board undertake a formal induction program co-ordinated by the Company Secretary.

5. Performance

5.1 Remuneration

The Board will consider for adoption a remuneration policy established by the Remuneration Committee designed to enhance corporate and individual performance. The level of remuneration will be designed to attract and maintain talented and motivated Directors and employees.

The maximum amount of annual fees to be paid to Directors will be established by the Board and subsequently approved by shareholders.

5.2 Continuing Professional Education

Directors are expected to undertake any necessary continuing professional education to enable then to discharge their duties. Management will brief the Board on changes in the legislative, regulatory or industry framework which impact Tattersall's but this is not a substitute for the Directors' own efforts.

5.3 Performance assessment[5]

The Board recognises that regular reviews of its effectiveness and performance are key to the improvement of the governance of Tattersall's. The Board reviews and evaluates its own performance and the performance of its Committees on an annual basis against both measurable and qualitative indicators.

5.4 Stakeholder liaison

Tattersall's encourages effective communication with stakeholders and their effective participation at general meetings and has strategies in place to effect this. Tattersall's stakeholders include shareholders, employees, clients, suppliers and the community.

The full Board is required to attend Tattersall's Annual General Meeting.

[5] ASX Recommendation 8.1

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5.5 Other

Each Director is:

- Bound by Tattersall's Code of Conduct,[7] and its policies and procedures.
- Expected to hold shares in the Company as determined by the Board from time to time.
- Required to comply with terms and conditions of any arrangements specifically involving them, for example Director's indemnity insurance *(and others where relevant).*
- To comply with the terms of each Director's Appointment Agreement.

[7] ASX Recommendation 3.1

6. Board Committees

The Board may from time to time establish appropriate Committees to assist it in the discharge of its responsibilities. However, the Board will not delegate any of its decision making authority to those Committees.

The Board has established the following Committees:

- Audit, Risk & Compliance Committee[8] [9]
- Governance & Nomination Committee;[10]
- Remuneration Committee[11]; and
- *(Other relevant Committees).*

Each formally constituted Committee will have a written Charter, approved by the Board. Formal minutes of each Committee meeting will be prepared and circulated to each of the Directors within the time frame set out in the relelvant Committee's Charter, together with a clear list of recommendations and/or other matters and issues for the consideration of the full Board at the next Directors' meeting. Where a Committee meeting is necessarily held a short time in advance of a Board meeting, for example where the Audit, Risk & Compliance Committee completes its review of the financial statements only shortly in advance of the Board meeting to approve those accounts, the Board will accept a verbal report from the Chairman of the Committee. However, this must be followed by formal written minutes within the prescribed timeframe.

Membership of Board Committees will be based on the needs of Tattersall's, relevant legislative and other requirements and the skills and experience of the individual Directors.

Membership of the Audit, Risk & Compliance Committee and Governance & Nomination Committee will be restricted to the non-executive Directors. The specific requirements of each Committee are set out in its Charter.

The Board has sole responsibility for the appointment of Directors to Committees and expects that, over time, the Directors will rotate on and off various Committees taking into account the needs of the Committees and the experience of the individual Directors. Appointments to Committees will be for a three year term with staggered anniversary dates.

The role, function, performance and membership of each Committee will be reviewed on an annual basis as part of the Board's self-assessment process.

[8] ASX, Recommendation 4.2
[9] ASX Recommendation 7.1
[10] ASX Recommendation 2.4
[11] ASX Recommendation 9.2

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7. Meetings

Board meetings are held on a regular basis, as determined annually in advance by the Board. The agenda for each meeting is dictated by the needs of Tattersall's and the matters set out in the annual agenda for attention at a particular meeting.

An additional Board meeting can be convened by a Director, or the Company Secretary at the request of any Director at any time by giving all Directors seven days notice in writing. A meeting may, with the consent of all Directors, be convened with less notice.

The Board and Board Committees may hold meetings at two or more venues using any technology (for example: teleconferencing) that gives all members of the Board or the relevant Board Committee a reasonable opportunity to participate in the meeting. However, the personal attendance of Board members at meetings is preferred.

7.1 Declaration of interests

Directors are required to take all reasonable steps to avoid an actual, potential or perceived conflict of interests with Tattersall's interest.

Director's must comply with the requirements of the Corporations Act and the terms of their respective Appointment Agreements with respect to the disclosure of actual, potential or perceived conflicts of interest.

7.2 Quorum

A meeting of the Board will have a quorum if there are three Directors present entitled to vote on a resolution that may be proposed at that meeting.

A quorum must be present at all times during the meeting.

8. Advice to Directors

External advice may be sought by a Director in accordance with the terms of the Director's Appointment Agreement.

9. Publication of the Board Charter and Committee Charters

The Charter will be available to each Director, internal and external auditors and shareholders.

A copy of this Charter is available on Tattersall's website.

10. Review of the Board Charter

The Board will review this Charter and the Charters of its Committees annually and make any necessary or desirable amendments to ensure they remain consistent with the Board's objectives, current law and best practice.

11. Administrative Guidelines

This Charter is supported by administrative guidelines for the operation of the Board.

12. Inconsistency with Constitution

To the extent that there is any inconsistency between this Charter or the Administrative Guidelines and the Constitution, the Constitution will prevail.

Administrative guidelines for the operation of the Board

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Administrative guidelines for the operation of the Board

These guidelines are to be read together with the Board of Directors' Charter.

1. Meetings

Board meetings are held on a regular basis, as determined annually in advance by the Board.

1.1 Annual Agenda

An annual agenda scheduling key matters for consideration or decision by the Board, including the scheduling of a separate strategy meeting, will be developed in June each year for the subsequent twelve months and distributed to all Directors and to senior management.

1.2 Meeting Agenda

The agenda for each meeting will be prepared by the Company Secretary in conjunction with the Chairman and, where appropriate, the CEO.

Matters proposed for the agenda will take into account:

- The Board's annual agenda
- Emerging issues assessed by management or the Board as warranting the Board's attention
- The continuing education needs of the Board including its knowledge and understanding of Tattersall's, its activities and operations, its competitors and the industries in which it operates
- Matters raised in the course of preceding Board meetings
- Matters directly relevant to the Board's defined responsibilities or the decisions reserved to the Board.
- Review of Tattersall's continuous disclosure requirements.

Any Director may approach the Chairman and request that a particular item be added to the agenda for a meeting.

1.3 Confidentiality

All minutes, papers and proceedings for meetings of the Board and Board Committees are confidential.

1.4 Attendance

Directors are required to make every reasonable effort to be fully prepared for and attend each meeting of the Board or the Committee(s) of which they are a member, and to remain in attendance for the full duration of such meetings. Where attendance or remaining in attendance for the full meeting is not possible, leave of absence must be sought, in advance, from the Chairman.

1.5 Actual, potential and perceived conflicts of interest

Subject to the provisions of the Corporations Act, common law and Tattersall's Constitution, the Board is empowered to regulate its meetings and proceedings, including the processes it will apply, in instances of an actual, potential or perceived conflict of interest[12].

As a general statement, the Board is empowered to consider the application of one or more of a number of options, including:

- The Director who is subject to the declared or perceived interest taking no part in discussions and being excluded from the quorum and the decision on the affected matter
- The Director who is subject to the declared or perceived interest being excluded from discussion, the quorum, the decision and access to Board papers pertaining to the affected matter
- The Director who is subject to the declared or perceived interest being excluded from the quorum and the vote, but being permitted to be present for and engaged in discussions of the affected matter

1.6 Decisions

Decisions of the Board are made by consensus of the majority of members present at a duly convened meeting. These decisions will be reflected in the minutes and, where appropriate, any dissenting views that a Director has specifically stipulated will be recorded.

If a matter cannot be concluded by consensus, a formal vote may be required. In the case of an equality of votes, the Chairman of the meeting has a second or casting vote.

Any action required, or decision permitted to be taken, at any meeting of the Board may be taken without a meeting upon receipt of a written resolution and verbal assent, followed by written confirmation, by all Directors entitled to vote on the resolution.

[12] ASX Principle 3

A resolution in writing may consist of one or several documents in identical terms each signed by one or more Directors. All such documents must be filed by the Company Secretary with the minutes.

Use of this option is restricted to matters of extreme urgency that cannot be delayed until the next meeting and, on an exception basis, day-to-day matters that require Board approval but do not require face-to-face discussion.

1.7 Minutes

The draft minutes of each Board meeting and the action statement will be approved by the Chairman and circulated to all Directors as soon as practicable but no later than two weeks after the meeting. Minutes of meetings will be confirmed at the next meeting of the Board.

Minutes are not a verbatim recording of the meeting but will accurately record the resolutions of the Board, key reasons for those decisions (where appropriate) and actions arising.

The action statement from each Board meeting will be approved by the Chair, and attached to the minutes of the meeting, and circulated to all Board members as soon as practicable, but no less than seven days, after each meeting.

The action statement will include accountabilities, performance expectations and the nature and timing of subsequent reporting.

2. Appointment & role of the Company Secretary

The Company Secretary acts as secretary to the Board. This appointment is ratified by the Board for such term, at such remuneration and upon such conditions, as it thinks fit. Any Company Secretary so appointed may also be removed by the Board, subject to the terms of any agreement between Tattersall's and the Company Secretary.

The Company Secretary is responsible for the preparation of minutes of Board meetings including recording the appointments of officers, names of Directors present, and all resolutions, proceedings and action statements.

The Company Secretary will assist the Chairman and the CEO in the development of the agenda for each meeting.

3. Non-Executive Director Appointment Agreement

Any person invited to join the Board shall receive a formal written invitation setting out the Director's duties, rights, responsibilities and the terms and conditions associated with that appointment.

4. Board papers

The agenda and the papers for each Board meeting including all reports on the activities and performance of Tattersall's are to be circulated to Directors and those managers attending by specific or standing invitation, no less than 5 working days before the scheduled meeting.

A paper is to be provided for each agenda item to enable informed discussion and decisions at Board meetings. As a matter of course "oral" reports are to be discouraged.

Business of the Board which is not included in the agenda or for which the papers were late may be discussed at a Board meeting only with the consent of the Chairman and all Directors present.

All Board papers must be prepared in accordance with the Board's guidelines. The Board may, from time to time, revise specific guidelines for the presentation, general content and appropriateness of Board papers.

The Company Secretary will retain a complete hard copy of the Board papers for each meeting. These will be available for reference by Directors subject to the terms of the Deed of Access, Indemnity and Insurance between each of the Directors and Tattersall's.

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5. Induction

Appointees to the Board of Directors must undertake a formal induction program which includes:

- Meetings with the CEO and key members of the senior management team.
- Formal briefings on the financial, strategic and operational position of Tattersall's together with its risk profile.
- A formal briefing on the industry, key issues facing the industry, competitors and Tattersall's position in the industry.
- An appropriate introduction to the analysts that follow Tattersall's and their views.
- A specific briefing on their duties, rights and responsibilities as Directors.
- Details of terms and conditions contained in any arrangements specifically involving Directors, such as Directors' indemnity insurance.
- Visits to the major operations of Tattersall's.

In addition, appointees to the Board will be:

- Provided with copies of the Board Charter, the Administrative Guidelines, and the Charter of each of the Board Committees.
- Provided with copies of the minutes of the Board meetings for a period of at least 6 months prior to the date of appointment and access to papers and minutes for the preceding 12 months.
- Provided with copies of the Annual Reports for Tattersall's for the current year and the preceding year.
- Invited to direct any queries they may have to the Chairman or the CEO or obtain any briefings they feel necessary from the Chairman or the CEO.
- Entitled to request private meetings with key external advisers.

Tattersall's recognises that a potential appointee may wish to undertake some of these briefings or access some of these people or materials when undertaking their due diligence prior to accepting an invitation to join the Board.

Tatts Group

Board of Directors - Charter

Board of Directors Charter

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- oversee the management of Tatts Group and evaluate Chief Executive Officer (CE) and executive performance
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- **Committees:** Overseeing the work of the Board Committees including determining the need for specific Committees, reviewing the need for those Committees on an ongoing basis, receiving reports from, reviewing the work of, and considering the recommendations made by each Committee.

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1.2.3 Risk management, compliance and internal controls.

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- **Internal controls:** Overseeing, reviewing and monitoring the operation, adequacy and effectiveness of Tatts Group's reporting systems and the overall framework of internal controls established by the CE including operational, accounting and financial reporting controls.
- **Operational compliance:** Approving, reviewing and monitoring compliance with key corporate policies.
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- **Encourage the reporting of unlawful or unethical behaviour:** Maintaining a firm stance in relation to encouraging the reporting of unlawful or unethical behaviour and ensuring that employees and management are assured of protection where violations are reported in good faith.

1.2.4 *Financial*

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- **Financial reporting:** Approving the annual audited financial statements, the half year financial statements, and the theme and text of Tatts Group's annual report.
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- **Related party transactions**: Reviewing and monitoring all related party transactions to identify whether consideration should be given to seeking shareholder approval

1.2.5 *Personnel*

- **CE:** The appointment, regular performance assessment, remuneration, succession planning and, should it be necessary, the dismissal of the CE.
- **CFO appointment:** Ratifying the appointment of Tatts Group's CFO
- **Executive performance and development:** Ensuring an appropriate process is in place to recruit, review the performance of, remunerate, train and develop executives and to provide for management succession.
- **Executive compensation:** Reviewing and approving the compensation, equity and incentive schemes in place for the CE and executives to ensure they are appropriate and competitive in both structure and quantum.
- **Standards of behaviour:** Reviewing, approving and monitoring compliance with Tatts Group's Code of Conduct, which provides guidance regarding ethical behaviour[2], including approving all proposed revisions or waivers.

1.2.6 *Operational*

- **Continuous Disclosure**: Ensuring the discharge of Tatts Group's continuous disclosure obligations.

2. Relationship between the Board and management

Subject to the formal delegations of authority, the Board delegates responsibility for the operation and management of Tatts Group's business to the CE and the management team. Management are accountable to the Board and are to fulfil this responsibility through the provision of reports, briefings and presentations on a regular basis throughout the year.

The Board will adopt appropriate structures and procedures to ensure it retains its independence and functions independently of management. This will include the non-executive Directors meeting in the absence of management on a periodic, scheduled basis.

Non-executive Directors, acting in their capacity as Directors, may communicate directly with members of the senior management team at any time.

Where Directors are acting in a capacity other than as a Director of Tatts Group, all communication between Directors and employees of Tatts Group will be co-ordinated through the office of the CE.

3. The Chairman

3.1 Appointment

The Board is empowered by the Constitution to appoint a Chairman and Deputy Chairman and to determine the period for which each holds office.

In the absence of the Chairman, the Deputy Chairman will act as Chairman. In the absence of the both the Chairman and the Deputy Chairman, fifteen minutes after the time appointed for holding a meeting, the Chairman for that meeting shall be chosen by those Directors present from among their number.

3.2 The Role of the Chairman[2]

The role of the Chairman is to ensure that the Board is functioning effectively.

The Chairman will:

- Chair Board meetings;
- Establish the agenda for, and frequency of, Board meetings (together with the CE where appropriate);
- Chair meetings of members, including the Annual General Meeting;
- Ensure the Board's decisions have been implemented;
- Be the link between the Board and the CE/senior management;
- Review matters of concern to Tatts Group together with the CE;
- Provide guidance and mentoring to the CE; and

[2] ASX Recommendation 2.2

- Be a member of the Remuneration Committee.

There must be clear division of roles between the Chairman and the CE.

4. Composition

4.1 Size & composition

The Board shall be made up of a minimum of three Directors and a maximum of nine Directors (after the first AGM, before which the maximum number is eight). The majority of members should be independent Directors.[3]

4.2 Nomination

The Board has defined, and will keep under ongoing review, its skill requirements. The Board will seek to augment its skills as required.

The Board has a formal Director nomination and selection procedure including a skills matrix which is reviewed by the Governance & Nomination Committee in advance of commencing the search for a new Director. Any recommendations made by the Governance & Nomination Committee are to be considered by the Board.

Potential Directors will be nominated for appointment to the Board on the basis of their identified skills, knowledge and experience to meet the needs of the Board at the time their appointment is proposed. This information will be communicated to shareholders to assist them in their decision whether to confirm the appointment of the nominee.

4.3 Independence[4]

A non-executive Director will be considered independent by the Board if no relationship exists between the Director and Tatts Group that may interfere with the exercise of their independent judgement. The Board considers the factors outlined below when assessing the independence of each non-executive Director, being whether:

- The Director is or has been a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- The Director is or has been employed in an executive capacity by the Group and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- The Director is or has been a material professional adviser or consultant to the Group or an employee materially associated with the service provided in the previous three years;

[3] ASX Recommendation 2.1
[4] ASX Recommendation 2.1

- The Director is a material supplier or customer of the Group or an officer of, or otherwise associated directly or indirectly with, a material supplier or customer; and
- The Director has a material contractual relationship with the Group other than as a Director.

Family ties and cross-Directorships may be relevant in considering interests and relationships which may compromise independence, and should be disclosed by Directors to the Board.

The Board will consider and conclude on the independence of its non-executive Directors each year. The results of this review (i.e. the independence of individual Directors) will be disclosed in Tatts Group's annual report.

4.4 Induction

All new Directors appointed to the Board undertake a formal induction program co-ordinated by the Company Secretary.

5. Performance

5.1 Remuneration

The Board will consider for adoption a remuneration policy established by the Remuneration Committee designed to enhance corporate and individual performance. The level of remuneration will be designed to attract and maintain talented and motivated Directors and employees.

The maximum amount of annual fees to be paid to Directors will be established by the Board and subsequently approved by shareholders.

5.2 Continuing Professional Education

Directors are expected to undertake any necessary continuing professional education to enable then to discharge their duties. Management will brief the Board on changes in the legislative, regulatory or industry framework which impact Tatts Group but this is not a substitute for the Directors' own efforts.

5.3 Performance assessment[5]

The Board recognises that regular reviews of its effectiveness and performance are key to the improvement of the governance of Tatts Group. The Board reviews and evaluates its own performance and the performance of its Committees on an annual basis against both measurable and qualitative indicators.

[5] ASX Recommendation 8.1

5.4 Stakeholder liaison

Tatts Group encourages effective communication with stakeholders and their effective participation at general meetings and has strategies in place to effect this. Tatts Group's stakeholders include shareholders, employees, clients, suppliers and the community.

The full Board is required to attend Tatts Group's Annual General Meeting.

5.5 Other

Each Director is:

- Bound by Tatts Group's Code of Conduct,[6] and its policies and procedures.
- Expected to hold shares in the Company as determined by the Board from time to time.
- Required to comply with terms and conditions of any arrangements specifically involving them, for example Director's indemnity insurance *(and others where relevant).*
- To comply with the terms of each Director's Appointment Agreement.

6. Board Committees

The Board may from time to time establish appropriate Committees to assist it in the discharge of its responsibilities. However, other than as specified in the Committees' Charters the Board will not delegate any of its decision making authority to those Committees.

The Board has established the following Committees:

- Audit, Risk & Compliance Committee[7] [8]
- Governance & Nomination Committee;[9] and
- Remuneration Committee[10]

Each formally constituted Committee will have a written Charter, approved by the Board. Formal minutes of each Committee meeting will be prepared and circulated to each of the Directors within the time frame set out in the relevant Committee's Charter, together with a clear list of recommendations and/or other matters and issues for the consideration of the full Board at the next Directors' meeting. Where a Committee meeting is necessarily held a short time in advance of a Board meeting, for example where the Audit, Risk & Compliance Committee completes its review of the financial statements only shortly in advance of the Board meeting to approve those accounts, the Board will accept a verbal report from the Chairman of the Committee.

[6] ASX Recommendation 3.1

[7] ASX. Recommendation 4.2
[8] ASX Recommendation 7.1
[9] ASX Recommendation 2.4
[10] ASX Recommendation 9.2

However, this must be followed by formal written minutes within the prescribed timeframe.

Membership of Board Committees will be based on the needs of Tatts Group, relevant legislative and other requirements and the skills and experience of the individual Directors.

Membership of the Audit, Risk & Compliance Committee and Governance & Nomination Committee will be restricted to the non-executive Directors. The specific requirements of each Committee are set out in its Charter.

The Board has sole responsibility for the appointment of Directors to Committees and expects that, over time, the Directors will rotate on and off various Committees taking into account the needs of the Committees and the experience of the individual Directors.

The role, function, performance and membership of each Committee will be reviewed as set out in its Charter as part of the Board's self-assessment process.

7. Meetings

Board meetings are held on a regular basis, as determined annually in advance by the Board. The agenda for each meeting is dictated by the needs of Tatts Group and the matters set out in the annual agenda for attention at a particular meeting.

An additional Board meeting can be convened by a Director, or the Company Secretary at the request of any Director at any time by giving all Directors seven days notice in writing. A meeting may, with the consent of all Directors, be convened with less notice.

The Board and Board Committees may hold meetings at two or more venues using any technology (for example: teleconferencing) that gives all members of the Board or the relevant Board Committee a reasonable opportunity to participate in the meeting. However, the personal attendance of Board members at meetings is preferred.

7.1 Declaration of interests

Directors are required to take all reasonable steps to avoid an actual, potential or perceived conflict of interests with Tatts Group's interest.

Director's must comply with the requirements of the Corporations Act and the terms of their respective Appointment Agreements with respect to the disclosure of actual, potential or perceived conflicts of interest.

7.2 Quorum

A meeting of the Board will have a quorum if there are three Directors present entitled to vote on a resolution that may be proposed at that meeting.

A quorum must be present at all times during the meeting.

8. Advice to Directors

External advice may be sought by a Director in accordance with the terms of the Director's Appointment Agreement.

9. Publication of the Board Charter and Committee Charters

The Charter will be available to each Director, internal and external auditors and shareholders.

10. Review of the Board Charter

The Board will review this Charter and the Charters of its Committees annually and make any necessary or desirable amendments to ensure they remain consistent with the Board's objectives, current law and best practice.

11. Administrative Guidelines

This Charter is supported by administrative guidelines for the operation of the Board.

12. Inconsistency with Constitution

To the extent that there is any inconsistency between this Charter or the Administrative Guidelines and the Constitution, the Constitution will prevail.

Last Amended: 28 August 2006

Governance & Nomination Committee Charter

August 2006

(note date approved by the Board)

This document is designed to be a working document for guidance purposes only and should be tailored to suit the specific needs of the Governance & Nomination Committee, the Board and Tattersall's

Governance & Nomination Committee Charter

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1. Purpose

The Governance & Nomination Committee (the Committee) is to assist the Board in its oversight responsibilities by advising the Board on:

1.1 Board composition and succession planning including the identification of persons for appointment to the Board;

1.2 A procedure for evaluating the independence and performance of the Board and individual Directors;

1.3 A procedure to address each Director's induction, orientation and education needs; and

1.4 Corporate governance developments in Australia and other jurisdictions in which Tattersall's has, or may have, material operations.

2. Authority

The Committee does not have delegated power to make binding decisions. The Board will have ultimate approval of the matters considered by the Committee.

The Committee may, within the scope of its responsibilities:

2.1 Perform activities and make recommendations to the Board consistent with this Charter;

2.2 Engage independent consultants and other advisors as it deems necessary to carry out its duties, at Tattersall's expense;

2.3 Require the attendance of Company officers at meetings as appropriate; and

2.4 Have unrestricted access to management, employees and information it considers relevant to its responsibilities under this Charter.

3. Organisation

3.1 Membership

3.1.1 The Board of Directors will nominate the Committee members.

3.1.2 The Chairman of the Committee will be the Chairman of the Board or an independent[1] Director.[2]

3.1.3 The Committee will be comprised of least three members[3] and have no more than six members, the majority of whom are independent Directors.

3.1.4 Each member should be capable of making a valuable contribution to the Committee and have skills and experience appropriate to Tattersall's business.

3.1.5 Each member shall have capacity to devote the required time and attention to Committee meetings and must have an understanding of:

- the Board's structure, composition and membership needs;
- the procedure to evaluate the performance and effectiveness of the Board and executives; and
- current and developing corporate governance practices which are considered best practice.

3.1.6 Members will be appointed for a three year term of office with staggered anniversary dates.

3.1.7 The secretary of the Committee will be the Company Secretary, or such other person as nominated by the Board.

3.1.8 Members will be given the opportunity to attend technical or professional development courses to assist them in keeping up to date with relevant issues. The frequency and substance of such courses will be disclosed to shareholders.

3.1.9 The Committee will ensure that there is an appropriate induction process for completion by each new member, which covers the member's responsibilities listed under section 4 "Responsibilities".

3.1.10 The skills and performance of all Committee members will be reviewed annually by the Board (refer to section 6 "Evaluating performance").

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[1] Independence in the context of the Company is defined by the Board (refer to the Board of Directors Charter and Guidelines for Operation).

[2] ASX Corporate Governance Council: Principles of Good Corporate Governance and Best Practice Recommendations: March 2003, Recommendation 2.4

[3] ASX Recommendation 2.4.

3.2 Meetings

3.2.1 Only Committee members are entitled to attend meetings. Other members of the Board of Directors are invited to Committee meetings under a standing invitation. The Committee may invite such other persons to its meetings, as it deems necessary.

3.2.2 The Committee shall meet as frequently as required but no less than twice a year and should be scheduled to correspond with Tattersall's financial reporting cycle.

3.2.3 Special meetings may be convened as required or requested by a Director.

3.2.4 Committee members should endeavour to attend every Committee meeting.

3.2.5 A quorum for any meeting will be a majority of the Committee at the date of the meeting.

3.3 Minutes

3.3.1 The draft minutes of each Committee meeting will be approved by the Committee Chairman and circulated to all Committee members by the Company Secretary within two weeks of the Committee meeting and adopted at the next Committee meeting.

3.3.2 Once the minutes have been approved by the Committee Chairman, a copy of the Committee minutes will be included in the papers for the next Board meeting.

3.3.3 Minutes are not a verbatim recording of the meeting but accurately record the resolutions of the Committee, key reasons for those decisions (where appropriate) and actions arising.

3.3.4 The action statement from each Committee meeting will be approved by the Committee Chairman, and circulated to all Committee members with the minutes of the meeting.

3.3.5 The action statement attached to the minutes will include accountabilities, performance expectations and the nature and timing of subsequent reporting.

3.4 Papers

3.4.1 The agenda and supporting papers should be delivered to the Committee members by the Company Secretary at least five days in advance of each meeting.

3.4.2 Reports and other papers of the Committee shall be made available to all Directors upon request, provided no conflict of interest exists.

4. Responsibilities

The Committee will:

4.1 Board appointments

4.1.1 Conduct an annual review of the membership of the Board, having regard to the competencies of the current Directors and the present and future needs of Tattersall's, and make recommendations to the Board regarding the responsibilities, size and composition of the Board.

4.1.2 Establish formal and transparent policies and procedures for the identification, selection and appointment of new Directors and the reappointment or removal of incumbent Directors, including the criteria for Board membership.

4.1.3 Review the qualifications, skills and experience of Board candidates.

4.1.4 Make recommendations to the Board regarding the appointment, reappointment and removal of Directors, including retirement policies for Directors.

4.1.5 Oversee Board succession, including the succession of the Chairman, to maintain an appropriate balance of skills, experience and expertise on the Board.

4.2 CEO appointment

4.2.1 Establish formal and transparent policies and procedures for the selection and appointment of the CEO.

4.2.2 Establish criteria for the appointment and performance assessment of the CEO including desired skills, qualifications and experience.

4.2.3 Determine the appropriate strategies to identify a new CEO.

4.2.4 Review the qualifications skills and experience of potential CEOs.

4.2.5 Make recommendations to the Board regarding the appointment, reappointment and removal of the CEO.

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4.3 Board performance evaluation

4.3.1 Establish procedures to evaluate the performance of individual Directors and the Board as a whole.

4.3.2 Identify, assess and, where appropriate, develop plans to enhance Director competencies.

4.3.3 Approve an incumbent Director accepting further Directorships or other appointments which may make significant demands on their time and limit their availability.

4.4 Education and training

4.4.1 Develop and oversee appropriate continuing education and training for Directors.

4.4.2 Develop and oversee a formal induction program for new appointees to the Board and Board Committees.

4.5 Independence

4.5.1 Review the criteria for assessing a Director's independence adopted by the Board.

4.5.2 Undertake an annual assessment of, and make recommendations to the Board regarding, the independence of each Director and ensure appropriate disclosure is made in the Annual Report.

4.6 Code of Conduct

4.6.1 Oversee the development and implementation of Tattersall's Code of Conduct and any subsequent disciplinary actions arising from breaches thereof.

4.7 *Corporate Governance*

4.7.1 Advise the Board on corporate governance developments and the evolution of Tattersall's corporate governance framework.

4.7.2 Undertake an annual review of Tattersall's corporate governance practices, and make recommendations to the Board regarding appropriate revisions.

4.7.3 Oversee the implementation of, and compliance with, Tattersall's securities trading policy.

5. Reporting responsibilities

The Committee will:

5.1. Through its Chairman, regularly update the Board about matters relevant to the Committee's role and responsibilities[4] and make appropriate recommendations for approval by the Board.

5.2 Undertake an annual review of the corporate governance statement to be included in Tattersall's Annual Report and propose appropriate revisions.

5.3 Approve the details to be published in Tattersall's Annual Report or other statutory document or report with respect to the responsibilities and activities of the Committee.

5.4 Ensure disclosure in accordance with the ASX Guide to Reporting on Principle 2 and explain any departures from ASX Principle 2 "Structure the Board to add value".[5]

6. Evaluating performance

In order to ensure that the Committee is fulfilling its duties to Tattersall's and its shareholders, the Committee will:

6.1 Undertake an annual assessment of its performance against the requirements of the Charter and provide that information to the Board.

6.2 Obtain feedback from the Board on the Committee's performance on an annual basis and implement any agreed actions.

6.3 Provide any information the Board may request to facilitate its review of the Committee's performance.

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[4] The ASX Principles of Good Corporate Governance and Best Practice Recommendations provides further guidance on the matters to be reported.

[5] ASX Guide to reporting on Principle 2

7. Review of the Committee Charter

The Committee will review the Committee's Charter annually, discuss any required changes with the Board and ensure any revisions to the Charter are approved by the Board.

Tatts Group

Governance & Nomination Committee Charter

Governance & Nomination Committee Charter

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Governance & Nomination Committee Charter

1. Purpose

The purpose of the Governance & Nomination Committee of Tatts Group Limited (Tatts) (the Committee) is to assist the Board in its oversight responsibilities by advising the Board on:

1.1 Board composition and succession planning including the identification of persons for appointment to the Board.

1.2 A procedure for evaluating the independence and performance of individual Directors and therefore determining if the Board comprises a majority of independent[1] directors.

1.3 A procedure to address each new Director's induction and orientation needs.

1.4 Relevant corporate governance developments in jurisdictions in which Tatts group has, or may have, material operations.

2. Authority

The Committee does not have delegated power to make binding decisions. The Board will have ultimate approval of the matters considered by the Committee.

The Committee may, within the scope of its responsibilities:

2.1 Perform activities and make recommendations to the Board consistent with this Charter.

2.2 Engage independent counsel and other advisors as it deems necessary to carry out its duties, at Tatts group's expense.

2.3 Require the attendance of Tatts group officers at meetings as appropriate.

2.4 Have unrestricted access to management, employees and information it considers relevant to its responsibilities under this Charter.

3. Organisation

3.1 Membership

3.1.1 The Board of Directors will nominate the Committee members.

3.1.2 The Chairman of the Committee will be the Chairman of the Board or an independent Director[2].

[1] Independence in the context of the Company is defined by the Board (refer to the Board of Directors Charter and Guidelines for Operation).

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3.1.3 The Committee will be comprised of at least three members[3] and have no more than six members, the majority of whom are independent Directors.

3.1.4 Each member should be capable of making a valuable contribution to the Committee and have skills and experience appropriate to Tatts group's business.

3.1.5 Each member shall have capacity to devote the required time and attention to Committee meetings and must have an understanding of:

- the Board's structure, composition and membership needs;
- the procedure to evaluate the performance and effectiveness of the Board and executives; and
- current and developing corporate governance practices.

3.1.6 The secretary of the Committee will be the Company Secretary, or such other person as nominated by the Board.

3.1.7 Members will be given the opportunity to attend technical or professional development courses to assist them in keeping up to date with relevant issues.

3.1.8 The Committee will ensure that there is an appropriate induction process for completion by each new member, which covers the member's responsibilities listed under section 4 "Responsibilities".

3.2 Meetings

3.2.1 Only Committee members are entitled to attend meetings. Other members of the Board of Directors are invited to Committee meetings under a standing invitation. The Committee may invite such other persons to its meetings, as it deems necessary.

3.2.2 The Committee shall meet as frequently as required but no less than twice a year and at least one meeting should be scheduled to correspond with Tatts group's financial reporting cycle.

3.2.3 Special meetings may be convened as required or requested by a Director.

3.2.4 A quorum for any meeting will be a majority of the Committee at the date of the meeting and provided a quorum exists for the majority of the meeting, this requirement will be taken to have been met.

3.3 Minutes

3.3.1 The draft minutes and action points of each Committee meeting will be approved by the Committee Chairman and the draft minutes circulated to all Committee members by the Company Secretary as soon as practicable so

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[2] Marked-Up Amendments dated 30 June 2010 to the Second Edition August 2007 of the Corporate Governance Principles and Recommendations
[3] ASX Recommendation 2.4.

that the minutes are recorded in the minute book within one month of the meeting.

3.3.2 A copy of the Committee minutes, once they have been approved by the Committee Chairman, will be included in the papers for the next Committee meeting. Minutes, reports and other papers of the Committee shall be made available to all Directors upon request, provided no conflict of interest exists.

3.3.3 Minutes are not a verbatim recording of the meeting but accurately record the resolutions of the Committee, key reasons for those decisions (where appropriate) and actions arising.

4. Responsibilities

The Committee will:

4.1 Board appointments

4.1.1 Conduct an annual review of the membership of the Board, having regard to the competencies of the current Directors and the present and future needs of Tatts group, and make recommendations to the Board regarding the responsibilities, size and composition of the Board.

4.1.2 Establish formal and transparent policies and procedures for the identification, selection and appointment of new Directors and the reappointment or removal of incumbent Directors.

4.1.3 Review the qualifications, skills and experience of Board candidates.

4.1.4 Make recommendations to the Board regarding the appointment, reappointment and removal of Directors.

4.1.5 Oversee Board succession, including the succession of the Chairman, to maintain an appropriate mix of skills, experience, expertise and diversity on the Board.

4.2 CEO appointment

4.2.1 Establish formal and transparent policies and procedures for the selection and appointment of the CEO.

4.2.2 Establish criteria for the appointment and performance assessment of the CEO including desired skills, qualifications and experience.

4.2.3 Determine the appropriate strategies to identify a new CEO.

4.2.4 Review the qualifications skills and experience of potential CEOs.

4.2.5 Make recommendations to the Board regarding the appointment, reappointment and removal of the CEO.

4.3 Board performance evaluation

4.3.1 Establish procedures to evaluate the performance of individual Directors, the Board as a whole, and Board Committees.

4.3.2 Identify, assess and, where appropriate, develop plans to enhance Director competencies.

4.3.3 Approve an incumbent Director accepting further Directorships or other appointments which may make significant demands on their time and limit their availability only if this has not already been noted by the Board.

4.4 Education and training

4.4.1 Develop and oversee appropriate continuing education and training for Directors, if requested.

4.4.2 Develop and oversee a formal induction program for new appointees to the Board.

4.5 Independence

4.5.1 Review the criteria for assessing a Director's independence adopted by the Board.

4.5.2 Undertake an annual assessment of, and make recommendations to the Board regarding, the independence of each Director and ensure appropriate disclosure is made in the Annual Report.

4.6 Code of Conduct

4.6.1 Oversee the development and implementation of Tatts group's Code of Conduct and any subsequent disciplinary actions arising from breaches thereof.

4.7 Diversity policy

4.7.1 Oversee the development and implementation of a diversity policy for Tatts group.

4.7.2 Establish procedures for setting measurable objectives for achieving diversity and for assessing the effectiveness of the diversity policy.

4.7.3 Ensure appropriate disclosure is made in the Annual Report.

4.8 Corporate Governance

4.8.1 Advise the Board on corporate governance developments and the evolution of Tatts group's corporate governance framework.

4.8.2 Undertake an annual review of Tatts group's corporate governance practices, and make recommendations to the Board regarding appropriate revisions.

4.8.3 Oversee the implementation of, and compliance with, Tatts securities trading policy.

5. Reporting responsibilities

The Committee will:

5.1. Through its Chairman, regularly update the Board about matters relevant to the Committee's role and responsibilities and make appropriate recommendations for approval by the Board.

5.2 Undertake an annual review of the corporate governance statement to be included in Tatts Annual Report and propose appropriate revisions.

5.3 Undertake an annual review of the effectiveness and progress in achieving the objectives of Tatts group's diversity policy and report to the Board.

5.4 Undertake an annual review and report to the Board on the relative proportion of women and men employed by Tatts group.

6. Evaluating performance

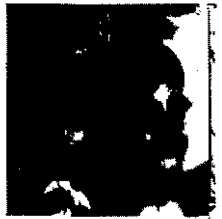
In order to ensure that the Committee is fulfilling its duties to Tatts and its shareholders, the Committee will:

6.1 Undertake an annual assessment of its performance against the requirements of the Charter and provide that information to the Board.

6.2 Obtain feedback from the Board on the Committee's performance biennially and implement any agreed actions.

7. Review of the Committee Charter

The Committee will review the Committee's Charter at least biennially, discuss any required changes with the Board and ensure any revisions to the Charter are approved by the Board.



Totalisator Administration Board of Queensland Annual Report 1999

TAB QUEENSLAND

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Contents

1. developing and promoting services and systems which exceed our customers' expectations and deliver profitable long-term growth and market leadership in the recreational services industry;
2. making our services readily accessible to customers through a strategic mix of dedicated outlets, retail alliances, and personal in-home facilities;
3. promoting a service culture amongst all staff and agents which

TAB QUEENSLAND

THE TAB BOARD

To 30 June 1999, the TABQ Board consisted of no more than ten members appointed by the Governor in Council upon the nomination of the Minister for Racing. Board Members were appointed pursuant to the Racing and Betting Act, and held office for a term not exceeding three years. Board Members during the year to 30 June 1999 are listed below. The Board met on 11 occasions during the year.

Name	Status	Meetings	Appointed	Resigned
Mr RI Templeton MBE	Chairman	1	4 April 96	7 Sept 98
Dr ACB FitzGerald	Deputy Ch	2	4 April 96	7 Sept 98
Mr R Ferrier	Member	2	4 April 96	7 Sept 98
Mrs S Houghton	Member	2	4 April 96	7 Sept 98
Mr R Lette	Member	1	4 April 96	7 Sept 98
Dr J O'Duffy	Member	2	4 April 96	7 Sept 98
Mr K O'Keefe	Member	2	4 April 96	7 Sept 98
Mr C Sourris	Member	2	4 April 96	7 Sept 98
RR Douglas QC	Chairman	7	1 Oct 98	18 June 99
Mr JT O'Brien*	Deputy Ch	8	1 Oct 98	30 June 99
Mr R Bentley*	Member	9	1 Oct 98	30 June 99
Mr J Bird*	Member	9	1 Oct 98	30 June 99
Ms A Chaplain	Member	5	1 Oct 98	17 May 99
Ms R Kelly	Member	8	1 Oct 98	30 June 99
Mr W Myers*	Member	7	1 Oct 98	30 June 99
Mr A Piper	Member	8	1 Oct 98	30 June 99

* Appointed as a Director of TAB Queensland Limited on 1 July 1999.

240 Sandgate Road
Albion Queensland 4010
Telephone [illegible]
Facsimile 07 [illegible]

PO Box [illegible]
Albion Queensland 4010

Telephone 13 [illegible]

Queensland Audit Office

[illegible]

RMC.264

The Totalisator Administration Board of Queensland can boast that it ended its existence as a corporate entity as it began, as sales eclipsed all previous records for the 37th successive year.

TAB QUEENSLAND

Chairman's Report

real entertainment for

Introduction

The Totalisator Administration Board of Queensland can boast that it ended its existance as a corporate entity as it began, as sales eclipsed all previous records for the 37th successive year.

The Final Bottom Line

Strong growth in late afternoon weekday betting, and the introduction of home racing telecasts, have combined to produce the best annual growth since 1993/1994. Sales in 1998/99 increased by 5.5% to pass all previous records.

Revenue from betting operations was also up by 5%. Meanwhile, additional income from our gaming services business offset the predicted slowdown in revenue from other sources.

Profit grew by 2.5% to set a new record of $61.1M. Better than expected revenues were diminished by the costs associated with a shift in business to telephone betting, and our commitment to the home racing program.

Distributions to the racing industry increased again in 1998/99. Direct distributions and incentives to race clubs, and contributions to the RDF, were $46.8M and $10.9M ($45.5M and $10.1M last year).
The Queensland Racing Industry has now received more than $700M in direct distributions and incentives since the TAB was formed in 1962, with half of this amount paid in the last seven years.

Taxes paid to the Government increased as a result of the growth in sales. TABQ also contributed to the cost of the investigations conducted by both the Government and the racing industry into privatisation.

Reform

The 1998/99 financial year was dominated by the relentless pressure to overhaul the relationship between the Queensland Racing Industry (QRI), TABQ, and the Government. This process began with the FitzGerald Commission of Audit in June 1996.

The TABQ/QRI reform package which was negotiated between the current Government and the QRI delivers an ideal balance between incentives and operational flexibility. It creates an arrangement which recognises any additional effort by the racing industry to deliver the racing required to optimise betting. Importantly, it also provides TABQ with the freedom to focus on the development of its betting and other businesses.

Transition

The TABQ reform package will culminate in the privatisation of TABQ late in 1999. The first major structural step was completed when the Wagering Act 1998 commenced, and the Totalisator Administration Board of Queensland became a Company Government Owned Corporation on July 1, 1999. The TAB is now TAB Queensland Limited ACN 085 691 738.

Also, on July 1 a restructured Board took effect and I was appointed Chairman. The new Board has the task of overseeing the transition of the company from a GOC to a public company listed on the Australian Stock Exchange. Following the listing, our challenge is to ensure that it operates as an efficient and successful corporation for the benefit of its shareholders.
We recognise that strong racing and gaming industries are critical to our achieving the commercial success we aspire to.

A Proud Tradition

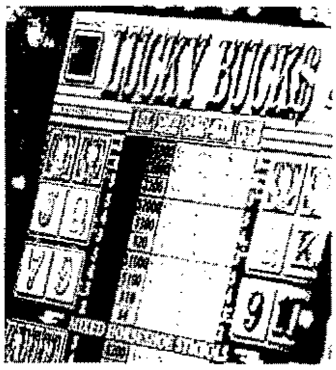
The TAB had been a statutory authority since 1962. It has proudly supported the racing industry with profits generated from its off-course totalisator business. More recently, it has diversified its interests and begun using its resources and extensive state-wide technical infrastructure to secure additional income.

The transition from statutory authority to a corporate GOC, and then a listed company, will provide the community with the opportunity to acquire a direct share in the future of a strong business which has a long, stable and successful history. The new shareholders, and my Board, will owe a debt of gratitude to the previous Boards, and particularly the former Chairmen, the late Sir Albert Sakzewski, Sir Edward Lyons, Justice Callinan, Justice Douglas, and Mr Bob Templeton MBE.

GChapman

GEORGE CHAPMAN

Chairman



the new millennium

We are particularly pleased with the progress of our gaming services business. It was TABQ's first significant attempt to enter a contested new market.

TAB QUEENSLAND

Chief Executive's Overview

real opportunities for

RMC.267

The gap between potential and reality closed dramatically after September 1998 when two major race programming initiatives and our gaming services business began producing revenue. This unusual combination of circumstances produced a significant shift in our business, and has presented us with an opportunity to fine-tune the bottom line as we begin consolidating the considerable gains we made in 1999.

There is Life in the Old Dog Yet!

The outlook for 1998/99 quickly changed in September when televised greyhound racing became available between the regular afternoon and evening racing programs. Sales on greyhounds jumped 62% once we were able to offer betting during a period when our betting operations and our hotel and club agency network were being significantly under-utilised. This increase in sales was achieved for minimal marginal cost.

It's About Distribution

The almost simultaneous commencement of the home racing channel created unprecedented demand for TABQ's telephone betting service. Growth in betting transactions increased by more than 37%, as committed customers shifted their betting from the point of sale network to Telebet. Labour costs, and a substantial contribution to the production of the programs telecast by the three pay TV channels, are largely responsible for an abnormal increase in operating expenses.

Accommodating this remarkable shift in sales remains one of the biggest challenges we are facing. Fortuitously, it coincided with the expansion of the Gold Coast Telebet Centre to 110 operator positions in September, and the substantial completion of a seven-year program to overhaul the sales distribution network.

The program to overhaul the sales network has moved beyond closing and converting agencies, to the replacement of expensive paper-reliant information systems with a fully electronic alternative. Our capacity to change our service distribution systems without totally alienating our customers is one of our enduring strengths. The friction between the need for change, and the capacity of customers to accept new service standards, continues to be balanced against a range of service objectives which focus on developing a rich mix of commercially sustainable sales distribution systems, rather than restricting access to our services at particular times of the day.

The willingness of our customers to accommodate change provides us with the confidence we need to develop the technology required to accommodate the increase in betting by telephone. The architecture of our netbet site www.tabq.com.au is being overhauled to streamline customer access, and we have begun to develop a betting application which uses the natural language speech recognition technology already available in the USA for handling telephone transactions.

The Gaming Game

We are particularly pleased with the progress of our gaming services business. It was TABQ's first significant attempt to enter a contested new market. Our market entry and product development strategies have enabled us to capture a substantial share of this market.

The gaming services business returned early profits. Significantly, it is perfectly positioned to participate in the inevitable consolidation of the market.

The Keno business has stabilised after its rapid early growth. It is now trading at sustainable levels. This business does not require further development to remain highly profitable.

New Horizons

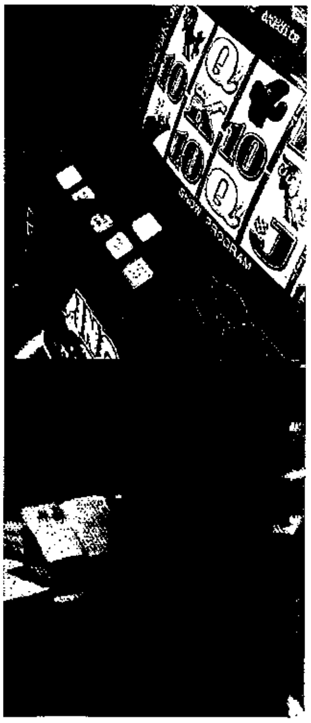
Our core business is robust, and provides a strong foundation for extracting full value from the restructuring and privatisation package which was negotiated during the second half of 1998/1999.

Our proven capacity to take full value from our established businesses, and participate in a fiercely competitive marketplace, underlines the potential of our business.

A strong balance sheet, and the restructuring and privatisation package negotiated in the second half of the financial year, provide us with the opportunities we have been seeking to improve revenue quality and diversify into fixed odds sports betting. We are now poised to further maximise the value available from our licences, reputation, technology, and human capabilities.

RD McIlwain

RD McILWAIN
Chief Executive



new market expansion

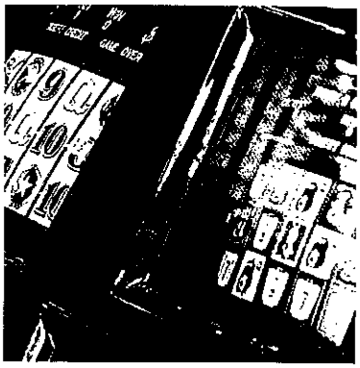
TABQ can offer a stake on a live unfolding and real sport or racing event...with the consumer proposition of real excitement and real fun.

TAB QUEENSLAND

Review of Operations

real fun & excitement

RMC.269



Marketing and Sales

TABQ has continued to manage the pace of retail network expansion to ensure average site turnover and margins are not compromised by profitless saturation of the marketplace. This strategy has become even more relevant since the introduction of the home racing channel. It has reduced the opportunities for any expansion of the point of sale network.

The focus during the year was on the opportunities to reduce distribution costs through the replacement of printed racing information at 130 PubTABs and ClubTABs with electronic displays. At the same time, the central information printing and courier services to the remaining higher turnover offices were converted to a laser on-site printing system.

New 'satellite' agency arrangements were introduced during the year in suitable locations. This concept has provided hotels which adjoin agencies with betting facilities, and offers the opportunity to economically extend trading hours.

Promotional activity was expanded in 1998/99. The new campaign has been built around a new positioning statement which claims that only TABQ can offer a stake on a live unfolding and real sport or racing event. It was launched in May, with the consumer proposition of real excitement and real fun! The new positioning can be seamlessly extended to fixed odds sports betting.

Gaming Business

This was the rollout year for TABQ's gaming services business.

TABQ's competencies in on-line networks and IT development have enabled it to successfully become the lowest cost supplier of gaming services in Queensland. The operating synergies available from the core wagering business have already enabled TABQ to secure a positive cash flow from this new business.

Operations

The introduction of the home racing channel in September 1998 had a momentous impact on telephone betting. Telebet sales grew by $72M or 32%, and now represent 21% of the total wagering business. This surge in demand was met by extra operator positions at the Gold Coast Telebet Centre, and a significant increase in operator hours at Albion. Telebet capacity at Albion is set to increase by a further 100 positions in September 1999.

The TABQ central Printing Department was replaced with a network of on-site printers at the end of the financial year. This electronic distribution of race day information to the retail network has resulted in significant savings in production and delivery costs by replacing labour intensive printing and distribution costs with capital asset ownership costs.

The regional expansion of the 4TAB Racing Radio network continued, with the acquisition of a further five radio licences. 4TAB now broadcasts from 63 transmission sites strategically located throughout the State.

TAB sportsbet™

KENO JACKPOTS

creates Telebet surge

RMC.270

Technology

Undoubtedly the big achievement of the year was the development and commissioning of the technology to support the gaming services business. TABQ's own monitoring system commenced live operations on 15 July 1998. From that day, there has been a constant flow of new features and increasing numbers of electronic gaming machines. The fact that our monitoring facilities were temporarily used by other operators when the QOGR system was shutdown is ample testament to the quality and resilience of our system.

The substantial effort directed to gaming systems has been matched by improvements in the wagering system. The backup site is now fully operational and can be enabled quickly, should the need arise.

Year 2000 compliance has been a significant area of testing and development during the year. All critical systems are now Y2K compliant, although work is scheduled to continue well into 1999 to ensure there are no significant disruptions to operations.

[illegible]

[illegible]

[illegible]

Internal Audit

Internal audit provides an impartial evaluation of internal controls and procedures over the operational, technological, administrative and financial areas. Audit activities in 1998/99 included :

- the replacement of manually conducted audit activities with an automated risk based system in December 1998;
- the documentation of the control systems required by the Wagering Act;
- the establishment of a Quality Assurance Review (QAR) process to monitor compliance with standards for security, service delivery and presentation, and administration within the retail network, involving over 1,000 visits to the retail network by Marketing and Sales staff and follow-up reviews performed by Internal Audit. Trends and failures in complying with retailing standards were followed up with Management and summarised for the Board.

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Facilities and Risk Management

The process of consolidating operations at Head Office commenced. This project will ultimately create excess floor areas, and lead to additional rental income.

The conversion of 130 PubTABs and ClubTABs to 'electronic offices' was completed on time, and within budget. This was a complex project requiring a largely 'generic' solution to satisfy a multitude of different designs and decors. The retail outlet refurbishment program continued, with 11 outlets being upgraded to 'New Generation' decor.

A four-year agreement for fixed premium rates was negotiated for most insurance policies. The early extension of current policies was the result of a deliberate decision to take advantage of a trough in insurance premiums.

1 NORTH QLD
2 CENTRAL QLD
3 DOWNS & SOUTH WEST QLD
4 CAPRICORNIA
5 BURNETT
6 BRISBANE NORTH
7 BRISBANE SOUTH
8 GOLD COAST & LOGAN

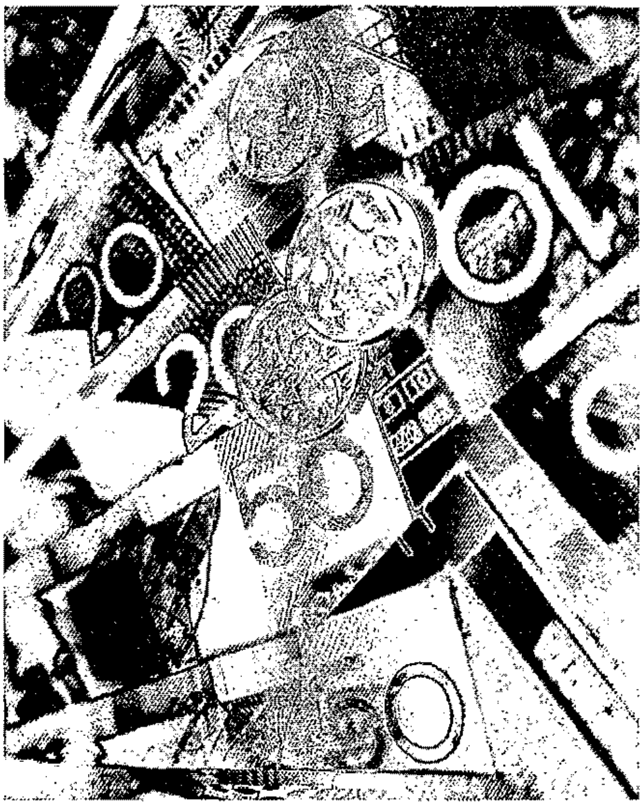
TAB QUEENSLAND

Regional Turnover

Regions and Retail Mix of the TAB

Region	Regional Manager	Off-Course Turnover	% of Turnover	Total Offices	Agents	Branches	Club TABs	Pub TABs	Mini TABs	Sub Agents
Gold Coast & Logan	Mr R Butler	261,397,896	18.39%	102	23	5	10	40	19	5
Brisbane North	Mr M Gay	201,016,385	14.14%	86	32	6	12	29	6	1
Brisbane South	Mr D Siggs	181,178,836	12.75%	82	26	3	9	30	14	
North Qld	Mr C Brock	141,860,340	9.98%	74	17	2	8	38	8	1
Burnett	Mr J Clarke	117,729,179	8.28%	73	17	2	11	30	11	2
Central Qld	Mr J Rawlins	81,978,638	5.77%	57	16	3	6	27	5	
Capricornia	Ms M Blakey	72,275,622	5.08%	48	10	3	4	17	12	2
Downs & Sth West Qld	Mr N Dredge	68,808,871	4.84%	50	16	2	3	23	5	1
Telebet		295,177,609	20.77%	2	1	1				
TOTAL		1,421,423,376	100.00%	574	158	27	63	234	80	12

RMC.273



Contents

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For the Year Ended 30 June 1999

	Note	Consolidated 1999 $000	Consolidated 1998 $000	Holding Entity 1999 $000	Holding Entity 1998 $000
Revenue					
Revenue from operating activities		237,889	226,511	237,889	226,511
On-course service fee		395	488	395	488
Interest earned		2,489	2,494	2,489	2,494
Other revenue		7,232	6,494	6,517	5,785
		248,005	235,987	247,290	235,278
Operating Expenses					
Agents' commissions		30,296	28,672	30,296	28,672
Salaries, wages and associated costs		22,025	18,926	20,330	17,391
Depreciation and amortisation		9,536	9,466	9,369	9,342
Rents and outgoings		4,954	4,846	4,939	4,831
Communications		3,857	3,330	3,454	2,978
Printing and stationery		2,310	2,636	2,299	2,626
Marketing, promotion and advertising		3,269	2,733	3,168	2,632
Broadcast and telecast expenses		3,522	2,517	5,391	4,157
Repairs and maintenance		1,435.	1,459	1,366	1,376
Light and power		1,019	1,044	927	944
Computer expenses		1,333	1,317	1,310	1,289
Postage and freight		769	826	767	824
Board members fees and expenses		139	127	129	116
Legal expenses		134	211	131	210
Auditor's remuneration (Note 18)		54	100	35	85
Other expenses		1,955	2,093	1,852	2,001
		86,607	80,303	85,763	79,474
Operating profit before taxes and other statutory remittances		161,398	155,684	161,527	155,804
Taxes and other statutory remittances	2	(100,278)	(96,077)	(100,278)	(96,077)
Operating profit after taxes		61,120	59,607	61,249	59,727
Extraordinary items	3	(1,450)	1,107	(1,450)	1,107
Operating profit and extraordinary items after taxes		59,670	60,714	59,799	60,834
Accumulated losses at the beginning of the financial year		(898)	(778)	-	-
Total Available for appropriation		58,772	59,936	59,799	60,834
Transfers (to) from reserves	12	580	(585)	580	(585)
Distributions	13	(60,379)	(60,249)	(60,379)	(60,249)
Accumulated losses at the end of the financial year		(1,027)	(898)	-	-

The above profit and loss statement should be read in conjunction with the accompanying notes.

As at 30 June 1999

	Note	Consolidated 1999 $000	Consolidated 1998 $000	Holding Entity 1999 $000	Holding Entity 1998 $000
Current Assets					
Cash		9,805	3,964	9,783	3,946
Receivables	4	2,650	1,194	2,560	1,102
Investments	5	36,000	44,557	36,000	44,557
Inventories	6	995	593	976	570
Total Current Assets		49,450	50,308	49,319	50,175
Non-Current Assets					
Receivables	4	447	420	447	420
Investments	7	-	-	1,497	1,497
Property, plant and equipment	8	38,193	38,127	38,051	37,982
Intangibles	9	1,858	1,791	358	291
Total Non-Current Assets		40,498	40,338	40,353	40,190
Total Assets		89,948	90,646	89,672	90,365
Current Liabilities					
Creditors	10	32,184	33,003	32,110	32,913
Provisions	11	3,912	1,769	3,587	1,486
Total Current Liabilities		36,096	34,772	35,697	34,399
Non-Current Liabilities					
Provisions	11	2,479	2,960	2,425	2,904
Total Non-Current Liabilities		2,479	2,960	2,425	2,904
Total Liabilities		38,575	37,732	38,122	37,303
Net Assets		51,373	52,914	51,550	53,062
Equity					
Establishment and capital		11,654	11,654	11,654	11,654
Reserves	12	40,746	42,158	39,896	41,408
Accumulated losses		(1,027)	(898)	-	-
Total Equity		51,373	52,914	51,550	53,062

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

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For the Year Ended 30 June 1999

	Note	Consolidated 1999 $000	Consolidated 1998 $000	Holding Entity 1999 $000	Holding Entity 1998 $000
Cash Flows from Operating Activities					
Receipts from wagering customers		1,570,415	1,512,301	1,570,415	1,512,301
Payments to wagering customers		(1,331,515)	(1,285,010)	(1,331,515)	(1,285,010)
		238,900	227,291	238,900	227,291
Interest received		2,358	2,659	2,358	2,659
Receipts from other customers		6,424	7,362	5,712	6,653
Payments to suppliers and employees		(77,246)	(70,150)	(76,601)	(69,488)
Taxes paid		(99,969)	(95,863)	(99,969)	(95,863)
Net cash flows from operating activities	17(b)	70,467	71,299	70,400	71,252
Cash Flows from Investing Activities					
Payments for property, plant and equipment		(11,175)	(8,625)	(11,111)	(8,589)
Proceeds from sale of property, plant and equipment		815	338	814	338
Short term funds:					
• invested		(409,684)	(538,646)	(409,684)	(538,646)
• recalled		418,241	529,302	418,241	529,302
Net cash flows used in investing activities		(1,803)	(17,631)	(1,740)	(17,595)
Cash Flows from Financing Activities					
Distribution to racing industry		(62,823)	(58,564)	(62,823)	(58,564)
Net cash used in financing activities		(62,823)	(58,564)	(62,823)	(58,564)
Net increase (decrease) in cash held		5,841	(4,896)	5,837	(4,907)
Opening cash balance		3,964	8,860	3,946	8,853
Closing cash balance	17(a)	9,805	3,964	9,783	3,946

The accompanying notes form part of these financial statements and are to be read in conjunction therewith.

For the year ended 30 June 1999

Note 1 Statement of Significant Accounting Policies

The significant accounting policies which have been adopted in the preparation of these statements are as follows:

(a) Basis of preparation of the accounts

This general purpose financial report has been prepared in accordance with Financial Administration and Audit Act 1977, Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views.

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 of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

(b) Principles of consolidation

The consolidated financial statements are those of the economic entity, comprising TAB Queensland (the holding entity) and Broadcasting Station 4IP Pty Ltd (the subsidiary) which was acquired by the purchase of a 100% holding on 13 June 1991.

The consolidated financial statements include the information contained in the accounts of the holding entity and in those of the subsidiary from acquisition date after adjusting the carrying amount of its assets to fair value. There has been no loss in control since the date of acquisition.

The accounts of the subsidiary are prepared for the same financial years as the holding entity, using consistently applied policies.

All inter entity balances and transactions have been eliminated in full on consolidation.

(c) Comparatives

Where changes have occurred in the presentation of the financial statements, prior year figures have been re-classified for comparative purposes.

(d) Revenue Recognition

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Wagering revenue is recognised at the time a wager has been placed and the outcome of the wager is known.

(e) Cash

For the purpose of the statement of cash flows, cash includes cash on hand, cash at bank (net of any outstanding bank overdrafts), funds at 11am call and bank accepted bills readily convertible to cash within two (2) working days.

(f) Receivables

Trade debtors are recognised at the amount receivable as they are due for settlement. Collectibility of trade debtors is reviewed on an ongoing basis and debtors that are known to be uncollectible are written off. A provision for doubtful debts is raised where there is some doubt as to the collectibility of the debt.

(g) Investments

Current investments consist of bank accepted bills, bank term deposits and short term money market investments excluding those referred to in note 1(e). Bank accepted bills are recorded at maturity value and any unearned interest is included in trade creditors. Other current investments are recorded at cost.

Non-current investments (including subsidiaries) are stated at the lower of cost or the recoverable amount.

(h) Valuation of property, plant and equipment

Fixed assets are carried at cost or valuation as determined in accordance with the Treasurer's policy "Recording and Valuation of Non-Current Physical Assets in the Queensland Public Sector" June 1997. TAB Queensland adopts a policy where significant fixed assets are revalued at periods not exceeding 5 years. Significant fixed assets comprise freehold property, the core wagering system and assets with an individual gross carrying value in excess of $500,000.

With the exception of freehold land, fixed assets are depreciated on a straight line basis so as to allocate the net costs against revenue over the estimated useful lives of the assets. As a general policy, assets with a value in excess of $5,000 are capitalised and items under this value are charged as an expense in the year of purchase. Component parts below the threshold which form part of a major project are capitalised. In addition, some assets which form part of the retail network or attractive assets are capitalised notwithstanding their value falls below the threshold.

Capital works in progress represents contract payments and other expenditure incurred in respect of assets which are yet to be made fully operational.

(i) Intangibles

The broadcasting licence of the subsidiary is shown at directors' valuation less accumulated amortisation. The value of the licence is amortised over its remaining life. The directors of Broadcasting Station 4IP Pty Limited have revalued the licence as at 30 June 1997 and consider this value has remained unchanged to 30 June 1999. Amortisation has been charged against the licence for the year ended 30 June 1999 and the licence revalued as at 30 June 1999.

TAB Queensland acquired a 10 year licence for conducting business as a licensed gaming operator. The cost of this licence is being amortised over 10 years.

TAB Queensland has acquired a number of narrowcast licences. These licences are amortised over the period of each licence.

(j) Inventories

Inventories are valued at the lower of cost or net realisable value.

(k) Leases

The cost of operating leases, where the lessors effectively retain substantially all of the risks and benefits of ownership of the leased items is included in the determination of the operating profit in periodic instalments over the lease term.

There were no finance leases as at 30 June 1999 (1998 nil).

(l) Trade and other creditors

The amounts reported represent liabilities for goods and services provided to the economic entity prior to the end of the financial year and which are unpaid. These amounts are usually paid within 30 days of recognition, or in the case of the racing industry, at the scheduled time for distribution (ie October 1999).

(m) Employee entitlements

The provision for employee entitlements to wages, salaries and annual leave represents the amount to which an obligation exists up to the balance date. The provision has been calculated on nominal amounts based on current wage and salary rates and includes related on-costs. Provision is made for accrued annual leave and for benefits payable to a limited number of employees remaining in the Female Retirement Fund.

The liability for employee entitlements to long service leave has been recognised in accordance with current accounting standards.

Sick leave is non-vesting and total sick leave taken during the period does not exceed the total yearly sick leave entitlements. Sick leave is charged as an expense in the period in which it is taken.

All permanent TAB Queensland employees are entitled, after serving a qualifying period, to contribute to a superannuation plan which provides defined benefits based on years of service and final average salary. TAB Queensland also contributes to the plan and these contributions are legally enforceable. Actuarial assessment of the plan was last made on 1 July 1998 by Mr Leigh McMahon, BA FIAA. In the opinion of the actuary, the fund is in a satisfactory financial condition and, based on recommended contribution rates, the assets of the fund over the ensuing three years will, in the normal course, provide adequately for the expected liabilities of the fund.

Casual employees and permanent employees who elect not to contribute to the TAB Superannuation Plan receive benefit by way of TAB contributions to a public superannuation fund in accordance with legislative requirements.

(n) Segment information

To 30 June 1999 TAB Queensland operated predominantly in the wagering industry in Australia. TAB Queensland also retails Keno products in Queensland on behalf of the licence holder and is a licenced monitoring operator of gaming machines in Queensland.

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For the year ended 30 June 1999

Note 2 Taxes and Other Statutory Remittances

	Consolidated		Holding Entity	
	1999 $000	1998 $000	1999 $000	1998 $000
(a) State Government				
Totalisator tax	80,980	77,460	80,980	77,460
Unpaid fractions net of minimum dividends	6,290	6,174	6,290	6,174
	87,270	83,634	87,270	83,634
Racing Development Fund Levy	13,008	12,443	13,008	12,443
	100,278	96,077	100,278	96,077

(b) In addition to the foregoing, unpaid dividends and refunds totalling $4.569 million were remitted to the Racing Development Fund (1998 $4.520 million).

(c) The subsidiary reported a loss before income tax of $128,273 for the year (1998 $120,218). A future income tax benefit arising from this loss has not been brought to account as the realisation of the benefit is not regarded as virtually certain.

As at 30 June 1999 future income tax benefits attributable to losses of the subsidiary which have not been brought to account totalled $1,286,064 (1998 $1,289,505).

The subsidiary has received confirmation of the availability of certain tax losses and these losses are included in the above amounts.

The future income tax benefits can be realised only in the following events:

(i) future assessable income is derived of a nature and amount sufficient to enable the benefit to be realised;
(ii) the conditions for deductibility imposed by taxation legislation continue to be complied with; and
(iii) no changes in tax legislation adversely affect the company realising the benefit.

Note 3 Extraordinary Items

	Consolidated		Holding Entity	
	1999 $000	1998 $000	1999 $000	1998 $000
Provision for redundancy payments relating to the planned introduction of NLSR technology currently being developed.	(1,450)	-	(1,450)	-
Recovery of sales tax relating to payments over more than one financial year	-	1,107	-	1,107
	(1,450)	1,107	(1,450)	1,107

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For the year ended 30 June 1999

	Consolidated		Holding Entity	
	1999 $000	1998 $000	1999 $000	1998 $000
Note 4 Receivables				
Trade debtors - current	2,300	871	2,243	800
Less provision for doubtful debts	27	6	25	-
	2,273	865	2,218	800
Other debtors and prepayments	377	329	342	302
Total receivables - current	2,650	1,194	2,560	1,102
Trade debtors - non-current	447	420	447	420
Total receivables	3,097	1,614	3,007	1,522

Where collection of the debtor is doubtful a provision for doubtful debts is recognised. The debtors have a maximum maturity of 2 years.

Note 5 Investments - Current

Bank accepted bills	31,000	36,557	31,000	36,557
Bank term deposits	5,000	8,000	5,000	8,000
	36,000	44,557	36,000	44,557
In addition, to the above investments the following items are included as cashin the balance sheet:				
Bank accepted bills convertible to cash within two working days	4,000	-	4,000	-
Short term money market investments	3,500	4,300	3,500	4,300
	7,500	4,300	7,500	4,300

Deposits are bearing floating interest rates between 4.65% and 5.63%.

Note 6 Inventories

Inventories - Wagering tickets	421	186	421	186
- Other	574	407	555	384
	995	593	976	570

Note 7 Investments - Non-current

Wholly owned subsidiary - Broadcasting Station 4IP Pty Limited	-	-	1,497	1,497
	-	-	1,497	1,497

For the year ended 30 June 1999

	Consolidated		Holding Entity	
	1999	*1998*	*1999*	*1998*
	$000	*$000*	*$000*	*$000*
Note 8 Property, Plant and Equipment				
Depreciation is charged on freehold buildings at 4% per annum and on freehold improvements at 14.3% per annum				
Freehold land, buildings and improvements				
At valuation - 1997	-	9,634	-	9,634
At valuation - 1999	9,328	-	9,328	-
Less accumulated depreciation	-	659	-	659
	9,328	8,975	9,328	8,975
Depreciation is charged on leasehold improvements at 14.3% per annum				
Leasehold improvements				
At cost	12,878	10,804	12,869	10,795
Less accumulated depreciation	6,335	4,562	6,328	4,555
	6,543	6,242	6,541	6,240
Depreciation is charged on plant and equipment at rates ranging from 10% to 50% per annum				
Plant and equipment				
At valuation - 1998	770	770	770	770
At cost	13,002	13,155	11,551	11,738
Less accumulated depreciation	8,608	8,496	7,297	7,222
	5,164	5,429	5,024	5,286
Depreciation is charged on computer equipment at rates ranging from 14.3% to 50% per annum				
Computer equipment				
At valuation - 1998	323	323	323	323
At cost	46,553	42,656	46,553	42,656
Less accumulated depreciation	31,928	26,525	31,928	26,525
	14,948	16,454	14,948	16,454
Capital works in progress at cost	2,210	1,027	2,210	1,027
Total property, plant and equipment	85,064	78,369	83,604	76,943
Less accumulated depreciation	46,871	40,242	45,553	38,961
	38,193	38,127	38,051	37,982

Revaluation of non-current assets

Freehold properties were valued to market value at 30 June 1999 on the basis of vacant possession. Valuations were undertaken by the following independent valuers:

Wil R Wiemann, AAPI - Registered Valuer Number 1585 (Queensland)
Samual Balch, AAPI - Registered Valuer Number 1978 (Queensland)
Mark Stallman, AAPI - Registered Valuer Number 1371 (Queensland)

Other non-current assets, including the core wagering system and assets with an historical cost in excess of $500,000 were revalued internally at 30 June 1999 having regard to current replacement costs.

For the year ended 30 June 1999

	Consolidated		Holding Entity	
	1999 $000	1998 $000	1999 $000	1998 $000
Note 9 Intangibles				
Commercial broadcasting licence				
At directors valuation - 1999	1,500	1,500	-	-
Narrowcast radio licence at cost	167	63	167	63
Less accumulated amortisation	12	1	12	1
	155	62	155	62
Gaming operators licence at cost	250	250	250	250
Less accumulated amortisation	47	21	47	21
	203	229	203	229
Total intangibles	1,917	1,813	417	313
Less accumulated amortisation	59	22	59	22
	1,858	1,791	358	291

At 30 June 1999 the directors reviewed the carrying value of the commercial broadcasting licence within the "notional replacement cost" requirements of section 294(4) of the Corporations Law and have formed the opinion that the carrying value of the commercial broadcasting licence at that date is reasonable.

	Consolidated		Holding Entity	
	1999 $000	1998 $000	1999 $000	1998 $000
Note 10 Creditors				
Distribution due to participating clubs	12,011	12,687	12,011	12,687
Incentives due to participating clubs	1,251	1,011	1,251	1,011
Deposits, dividends and refunds due in respect of totalisator investments	13,970	12,777	13,970	12,777
Trade creditors	4,952	6,528	4,878	6,438
	32,184	33,003	32,110	32,913
Note 11 Provisions				
Employee entitlements				
Current				
Annual leave	1,454	1,533	1,259	1,346
Long service leave	1,008	236	878	140
Redundancy	1,450	-	1,450	-
	3,912	1,769	3,587	1,486
Non-current				
Long service leave	2,274	2,770	2,220	2,714
Female retirement fund	205	190	205	190
	2,479	2,960	2,425	2,904
Total provision for employee entitlements	6,391	4,729	6,012	4,390

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For the year ended 30 June 1999

Note 12 Reserves

	Consolidated		Holding Entity	
	1999 $000	1998 $000	1999 $000	1998 $000
Reserve for distribution				
Balance at beginning of year	6,192	7,711	6,192	7,711
Transfer shortfall 30 June 1999	(580)	-	(580)	-
Special distribution for Black Type Racing	-	(1,500)	-	(1,500)
Adjustments to previous distribution	(24)	(19)	(24)	(19)
Balance at end of year	5,588	6,192	5,588	6,192
Capital reserve				
Balance at beginning of year	28,554	27,969	28,554	27,969
Appropriation from profit and loss to provide for future capital requirements	-	585	-	585
Balance at end of year	28,554	28,554	28,554	28,554
Asset revaluation reserve				
Balance at beginning of year	7,412	7,412	6,662	6,662
Increase/(decrease) attributable to revaluation of fixed assets at 30 June 1999:				
Land and buildings	(908)	-	(908)	-
Other	100	-	-	-
Balance at end of year	6,604	7,412	5,754	6,662
Total reserves at end of year	40,746	42,158	39,896	41,408

For the year ended 30 June 1999

Note 13 Distributions to the racing industry and funding of government administration

	Consolidated 1999 $000	Consolidated 1998 $000	Holding Entity 1999 $000	Holding Entity 1998 $000
Distributions to the racing industry were made as follows:				
Distributions to participating clubs				
Gallops clubs	33,715	32,663	33,715	32,663
Harness racing clubs	7,697	7,448	7,697	7,448
Greyhound racing clubs	5,403	5,382	5,403	5,382
	46,815	45,493	46,815	45,493
Incentives to participating clubs				
Gallops clubs	8,485	8,048	8,485	8,048
Harness racing clubs	1,085	1,048	1,085	1,048
Greyhound racing clubs	1,306	1,015	1,306	1,015
	10,876	10,111	10,876	10,111
Funding of government administration				
Payment to the Racing Development Fund administered by the State Government for the purpose of reimbursing the operating costs and expenses of various agencies involved in the administration of the racing industry including:				
The Office of Racing, comprising The Racing Science Centre and The Racing Services Unit				
The Racing Appeals Authority				
The Racing Codes Advisory Board and				
The Racing Industry Co-ordinating Committee	1,666	2,124	1,666	2,124
Payment to the Office of Racing to fund consultancies associated with the privatisation:				
Racing Industry Task Force Working Party	238	762	238	762
Queensland Racing Industry Steering Committee	784	1,759	784	1,759
	2,688	4,645	2,688	4,645
	60,379	60,249	60,379	60,249

For the year ended 30 June 1999

Note 14 Related Party

Wholly-owned Group

The wholly-owned group consists of TAB Queensland and its wholly-owned controlled entity, Broadcasting Station 4IP Pty Ltd. Ownership interests in these controlled entities are set out in note 15.

TAB Queensland paid Broadcasting Station 4IP Pty Ltd a fee for service of $2,068,656 during the year.

Note 15 Investments in Controlled Entities

Name of Entity	Broadcasting Station 4IP Pty Ltd	
Country of Incorporation	Australia	
Class of Shares	Ordinary	
Equity Holding	1999	1998
	100%	100%

Note 16 Events Occurring Subsequent to Balance Date

TAB Queensland operated as a Body Corporate pursuant to the Racing and Betting Act 1980 up until 30 June 1999. On 1 July 1999, TAB Queensland Limited ACN 085 691 738 was incorporated. The regulatory regime applicable to TAB Queensland from the point of corporatisation includes the Government Owned Corporations Act 1993, the Wagering Act 1998 and the Corporations Law. Significant changes occurred in the regulatory regime, the payment for racing product and the way in which wagering taxes are incurred. TAB Queensland is also subject to the tax equivalents regime. TAB Queensland was provided with licences for race wagering and sports wagering. This will enable TAB Queensland to also offer fixed odds sports betting. These changes have occurred as a prelude to the sale of TAB Queensland through a public share offering in November 1999.

For the year ended 30 June 1999

	Consolidated		Holding Entity	
	1999 $000	1998 $000	1999 $000	1998 $000

Note 17 Notes to the Statement of Cash flow

(a) Reconciliation of cash Cash balance comprises:				
Cash on hand	2,305	(336)	2,283	(354)
Investments convertible to cash within 2 working days (note 5)	7,500	4,300	7,500	4,300
	9,805	3,964	9,783	3,946
(b) Reconciliation of operating result to net cash provided by operating activities				
Operating profit and extraordinary items after taxes	59,670	60,714	59,799	60,834
Depreciation and amortisation	9,536	9,466	9,369	9,342
Development and research	-	(21)	-	(21)
Loss on sale of fixed assets	21	28	22	27
Bad debts	37	2	37	2
Increase in provisions	1,657	609	1,623	571
Increase/(decrease) in trade debtors	(1,429)	(1,101)	(1,444)	(1,096)
(Increase)/decrease in other debtors and prepayments	(48)	28	(40)	28
(Increase)/decrease in inventories	(402)	195	(406)	197
Increase in totalisator and other deposits	1,191	1,166	1,192	1,167
Increase/(decrease) in trade creditors	234	213	248	201
Net cash provided by operating activities	70,467	71,299	70,400	71,252

(c) The holding entity has a bank overdraft facility of $60,000 available to it.

Note 18 Auditor's Remuneration

Amounts received or due and receivable by the auditors for auditing the accounts	99	100	80	85
Less over accrual in prior year	(45)	-	(45)	-
	54	100	35	85

For the year ended 30 June 1999

	Consolidated		Holding Entity	
	1999 $000	*1998 $000*	*1999 $000*	*1998 $000*
Note 19 Lease Commitments				
Operating leases As at 30 June the following commitments existed in respect of rental property leases				
- not later than 1 year	4,505	4,239	4,495	4,229
- later than 1 year but not later than 2 years	4,058	3,791	4,050	3,783
- later than 2 years but not later than 5 years	7,994	8,304	7,970	8,280
- later than 5 years	4,274	5,648	4,266	5,632
	20,831	21,982	20,781	21,924
Lease commitments have been calculated to the next option date of each lease				
Lease rentals included in the determination of the operating result for the year	4,712	4,549	4,697	4,534
Note 20 Commitments for Expenditure				
As at 30 June, commitments for capital expenditure were as follows:				
Wagering terminals and gaming machines	54	1,582	54	1,582
Purchase of ACD	876	-	876	-
Other	40	-	-	-
Payable not later than 1 year	970	1,582	930	1,582

Note 21 Superannuation Commitments

The TAB contributes to a defined benefit fund and a public fund (accumulation fund). In the case of the defined benefit fund, an actuarial assessment of the fund is made not less than every three years. At the date of the last review of the fund, the actuary (Mr Leigh McMahon, BA FIAA) concluded that the assets of the fund are sufficient to meet all the benefits payable in the event of the fund's termination, or the voluntary or compulsory termination of employment of each employee. The review was last undertaken as at 1 July 1998 and the trustee is confident that the fund is sound and sufficient to meet all its obligations.

Employer contributions to the fund for the year ended 30 June 1999 were $981,173 (1998 $890,270).

	Consolidated		Holding Entity	
	1999 $000	*1998 $000*	*1999 $000*	*1998 $000*
Defined benefit fund assets at net market value and vested benefits of the fund are as follows:				
TAB Staff Superannuation Fund				
Net assets available to pay benefits	18,000	15,895	18,000	15,895
Vested benefits	15,300	13,431	15,300	13,431
Surplus	2,700	2,464	2,700	2,464

For the year ended 30 June 1999

Note 22 Contingent Assets / Liabilities

There were no known significant contingent assets or liabilities as at 30 June 1999. Any liabilities which might arise out of pre-acquisition activities of the subsidiary are indemnified by the former receivers of the company.

The year 2000 issue concerns the potential failure of computer systems, personal computers and the wide variety of devices utilising microprocessors due to dates being programmed in only two digits, resulting in an ambiguity at the turn of the century or at times prior.

A year 2000 project has been established to facilitate and co-ordinate the year 2000 activities including modification of existing programs and developing contingency plans to ensure continuity of critical systems operations. These activities are expected to be completed by 31 December 1999. TAB Queensland provides no warranties or undertakings in respect of year 2000 compliance or associated business continuity issues.

The project includes reviewing computer hardware and software applications to determine the rectification work required to minimise the risk that computer systems are not year 2000 compliant. It is expected that any contingent liability in relation to the year 2000 activities will be able to be quantified at the end of this review.

The foregoing annual financial statements have been prepared pursuant to the provisions of the Racing and Betting Act 1980 and the Financial Administration and Audit Act 1977 and other prescribed requirements. We certify that:

(a) the foregoing financial statements and notes to and forming part thereof are in agreement with the accounts and records of TAB Queensland;

(b) in our opinion:-

(i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and

(ii) the foregoing annual financial statements have been drawn up so as to represent a true and fair view, in accordance with prescribed accounting standards, of the transactions of TAB Queensland for the period 1 July 1998 to 30 June 1999 and of the financial position as at the close of that year.

GE Chapman

G E Chapman
CHAIRMAN

B J Fletton FCA FCIS
CHIEF FINANCIAL OFFICER and COMPANY SECRETARY

Dated this 20th day of August 1999.

To the Directors of TAB Queensland

Scope

I have audited the financial statements of TAB Queensland for the year ended 30 June 1999. The financial statements include the consolidated financial statements of the economic entity comprising TAB Queensland and the entity it controlled at the year's end. The statements comprise the Profit and Loss Account, Balance Sheet, Statement of Cash Flows, Notes to and forming part of the financial statements and certificates given by the Chairman and the Chief Financial Officer and Board Secretary as required by the Financial Administration and Audit Act 1977.

TAB Queensland is responsible for the preparation and the form of presentation of the financial statements and the information they contain. I have audited the financial statements in order to express an opinion on them.

The audit has been conducted in accordance with QAO Auditing Standards, which incorporate Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included the examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with prescribed requirements which include Australian Accounting Standards so as to present a view which is consistent with my understanding of TAB Queensland and the economic entity's financial position and the results of their operations and their cash flows.

The year 2000 issue has been addressed only in the context of my existing audit responsibility under Australian Auditing Standards to express an opinion on the financial statements. Plans and associated actions to address the year 2000 issue have been reviewed for action taken to date, but the adequacy of those plans has not been assessed. Accordingly, the audit of the financial statements does not provide specific assurance, nor is a specific opinion expressed that the systems of TAB Queensland or other systems such as those of suppliers, vendors, service providers, customers, associates, joint venture parties or third parties are year 2000 compliant.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In accordance with the provisions of the Financial Administration and Audit Act 1977, I certify that I have received all the information and explanations I have required and, in my opinion -

- the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- the statements have been drawn up so as to present a true and fair view in accordance with prescribed accounting standards and other prescribed requirements of the transactions of TAB Queensland and the economic entity for the financial year ended 30 June, 1999 and of the financial position of TAB Queensland and the economic entity as at the end of that year.

L Scanlan

L J Scanlan

AUDITOR-GENERAL OF QUEENSLAND

QUEENSLAND AUDIT OFFICE

BRISBANE

3 SEPTEMBER 1999

CONSTITUTION AND PURPOSE

TAB Queensland was established by the State Government in 1962 to conduct legal off-course wagering in Queensland.

TAB QUEENSLAND

Corporate Governance Statement

Until 30 June 1999, the Board's powers under the Racing and Betting Act 1980 were primarily to control, supervise, regulate and promote the operation of its totalisators throughout Queensland. TAB Queensland also provides services to the State's gaming industry, subject to the provisions of the Gaming Machine Act.

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The Board

The Board is responsible for the overall corporate governance of TAB Queensland. While the Racing and Betting Act provided for a maximum of ten members, there were no more than eight non-executive members at any one time during the year. They were appointed by the Governor-in-Council upon the nomination of the Minister responsible for the racing industry. The Board met eleven times during the year.

Committees

To assist the Board in fulfilling its responsibilities, the Board established two Committees:

Executive and Remuneration Committee

This Committee was established to:

- review and make recommendations to the Board on remuneration packages and policies;
- conduct confidential business negotiations; and
- discuss matters of importance between Board Members.

Audit Committee

The Audit Committee was established to:

- provide ongoing assurance in the areas of financial administration;
- oversee compliance with statutory responsibilities relating to financial disclosure;
- review the scope and outcome of activities of the Internal and External Auditors; and
- monitor the implementation of audit recommendations.

The role of the Audit Committee has been documented in the Terms of Reference and Audit Charter approved by the Board.

Independent Advice

Independent professional advice related to the performance of Board duties may be obtained by a Board Member, in consultation with the Chairman.

Board Delegation

A detailed annual budget of operating and capital expenditure is subject to the approval of the Board. Actual results for TAB Queensland are reported to the Board on a monthly basis, to enable it to monitor performance against budget. Delegations and separate guidelines relating to the investment of surplus cash have been established by the Board.

Ethics

A code of conduct has been adopted and distributed to all staff. Apart from legal obligations, Board Members are required to disclose to the Board any potential conflict of interest. Where matters arise in which a Board Member may have an interest, that Member withdraws from the debate and does not vote on the matter. Board Members and staff are required to maintain confidentiality.

Statutory Compliance

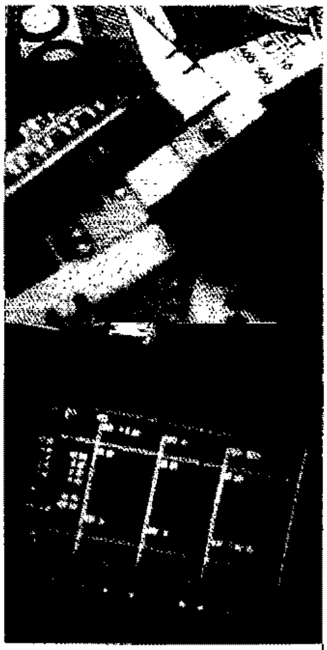
TAB Queensland operates in a highly regulated environment. Compliance was overseen by the Office of Racing, Queensland Audit Office, Queensland Office of Gaming Regulation, Australian Taxation Office, Office of State Revenue and the Workplace Health and Safety Division.

Freedom of Information and Whistleblowers Protection Acts

During 1998-99 TAB Queensland received three requests for information. None of these requests related to instances of suspected negligent or improper management affecting the assets of the organisation.

Legislation

TAB Queensland's obligations under the Racing and Betting Act ceased on the 30 June 1999. The Wagering Act was enacted during the year, to become effective from 1 July 1999. At this time TAB Queensland was reconstituted as a company subject to the provisions of Corporations Law and the Government Owned Corporations Act 1993.



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About TAB Queensland

TAB QUEENSLAND

Background

The Totalisator Administration Board of Queensland began operations on 11 August 1962. It was established by the State Government to conduct legal off-course wagering. TABQ was a corporate entity created under a Government statute, and maintained this status up to 30 June 1999, after which it was reformed as a Company Government Owned Corporation.

The Board's powers to 30 June 1999, under the Racing and Betting Act were primarily to control, supervise, regulate and promote the operation of its totalisators throughout the State. The Government received taxes from betting sales, and profits were distributed to the Queensland racing industry.

Operations

The general scope of the TABQ's wagering service includes the provision of:

- a real time betting system;
- a retail distribution network which includes point of sale outlets, alliances with providers of leisure services, access for remote and disadvantaged customers through telephone and Internet services;
- associated information services delivered through electronically relayed point of sale and household data services, radio broadcasts, television programs and the news media;
- a range of legal betting products on racing and sports.

To improve the profitability of the organisation, TABQ is involved in a range of ancillary businesses including:

- an extensive range of gaming services to hotels and clubs throughout Queensland;
- providing pool management services to other licensed totalisator operators;
- an EFTPOS service throughout the agency network, hotels and clubs;
- the sale of Keno products through the agency network.

TAB sportsbet™

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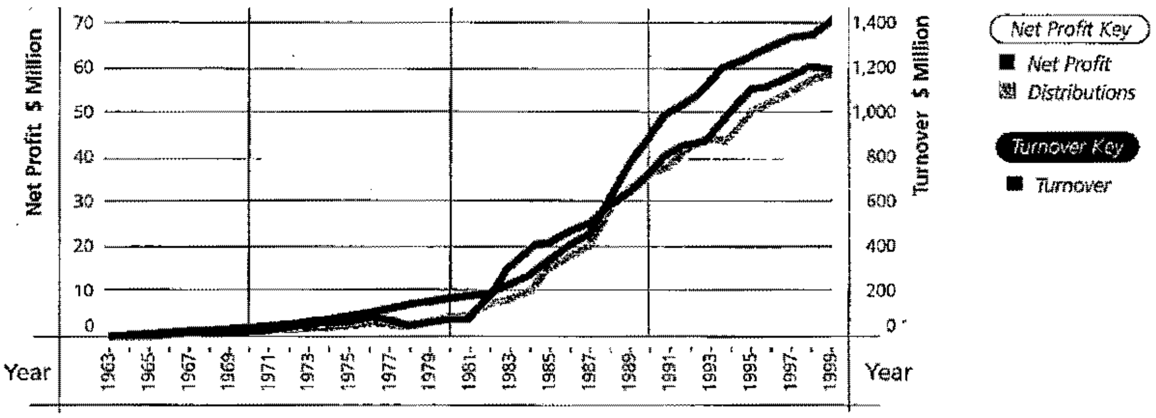
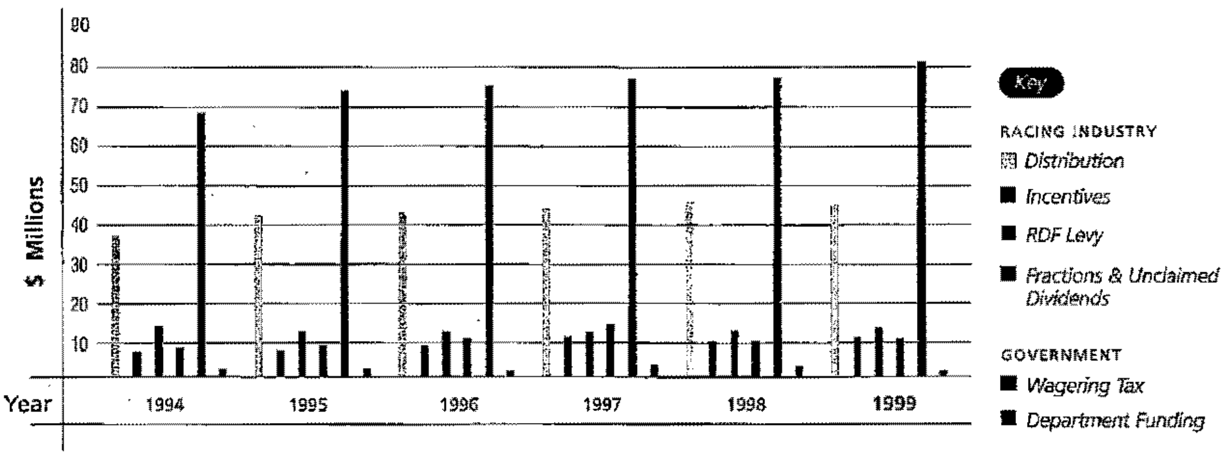
Corporate Performance

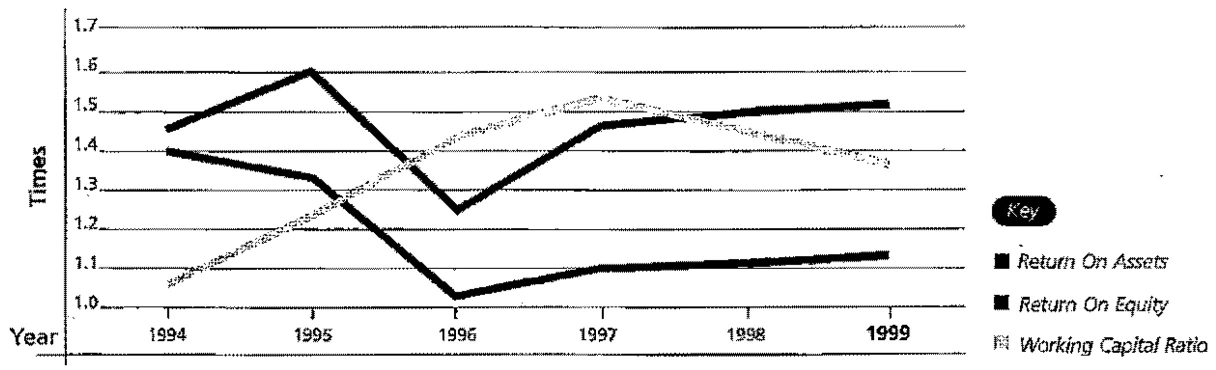
37 Year Summary



Stakeholder Wealth



Corporate Wealth - Key Ratios



5 Year Review of TAB Operating Results

	1999 $000	1998 $000	1997 $000	1996 $000	1995 $000
Turnover					
Off-course	1,421,423	1,347,364	1,332,140	1,297,983	1,268,381
Other	148,209	164,010	168,963	161,921	128,082
Total turnover	**1,569,632**	**1,511,374**	**1,501,103**	**1,459,904**	**1,396,463**
Revenue					
Net wagering revenue	237,889	226,511	224,862	219,512	213,555
Less taxes paid	(100,278)	(96,077)	(95,810)	(93,895)	(90,882)
	137,611	130,434	129,052	125,617	122,673
Interest earned	2,489	2,494	2,882	3,010	2,539
Sundry revenue	7,627	6,982	3,589	2,946	2,218
Total revenue	**147,727**	**139,910**	**135,523**	**131,573**	**127,430**
Expenses					
Agents commissions	30,298	28,672	27,641	26,156	24,423
Salaries and wages	22,025	18,926	17,169	17,480	16,278
Depreciation	9,536	9,466	9,297	10,158	8,904
Communications	7,379	5,847	5,654	5,909	6,099
Rents & outgoings	4,954	4,846	4,519	5,268	4,829
Marketing & Advertising	3,269	2,733	2,302	2,015	2,280
Repairs & maintenance	1,435	1,459	1,223	1,299	1,293
Computer expenses	1,333	1,317	907	1,246	1,452
Other costs	6,380	7,037	7,400	6,062	6,442
Total expenses	**86,607**	**80,303**	**76,112**	**75,593**	**72,000**
Operating Profit					
Operating profit after tax	61,120	59,607	59,411	55,980	55,430
Extraordinary items	(1,450)	1,107	(1,083)		1,226
Profit and extraordinaries	**59,670**	**60,714**	**58,328**	**55,980**	**56,656**
Distributions					
To the racing industry	60,379	61,749	56,600	53,764	51,039
As a percentage of profits	101.19	101.70	97.04	96.04	90.09
Annual Increase (%)					
Off-course turnover	5.50	1.14	2.63	2.33	3.63
Revenue	5.59	3.24	3.00	3.25	4.65
Expenses	7.85	5.51	0.69	4.99	2.65
Profit	2.54	0.33	6.13	0.99	9.74
Distributions	(2.22)	9.10	5.27	5.34	13.39
Financial Ratios					
% Operating profit to sales	4.20	4.51	4.38	4.31	4.47
% Return on equity	116.15	114.74	108.08	102.61	132.64
% Return on assets	147.34	150.51	143.34	126.05	160.33
Working capital ratio	1.37	1.45	1.53	1.43	1.24
Distribution cover (times)	0.99	0.98	1.03	1.04	1.11
Balance Sheet					
Current assets	49,450	50,308	45,406	41,557	48,335
Fixed assets	40,498	40,338	40,692	44,412	35,337
Current liabilities	36,096	34,772	29,676	29,156	39,033
Non current liabilities	2,478	2,960	2,454	2,266	1,925
Equity	51,373	52,914	53,968	54,557	42,714

TAB QUEENSLAND

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Off-Course Turnover by Racing Code / Location

	1998/99			[illegible]			[illegible]	
	Meetings	Turnover	%	Meetings	Turnover	%	Meetings	Turnover
Gallops								
QLD Metro	89	158,96[illegible]	11.16	88	153,920,350	11.42	1.14	3.28
QLD Prov	301	150,315,490	10.57	286	144,575,183	10.73	4.90	3.97
NSW	467	316,2[illegible],372	22.2[illegible]	428	323,625,434	24.02	9.11	(2.27)
VIC	428	37[illegible],777,9[illegible]	26.44	390	369,454,507	27.42	9.74	1.71
Other	282	[illegible],410	9.50	280	133,657,209	9.92	0.71	1.08
Total	1,5[illegible]	1,136,7[illegible]	79.9[illegible]	**1,472**	**1,125,232,683**	**83.51**	**6.39**	**0.99**
Harness								
QLD Metro	51	12,290,502	0.86	55	11,290,719	0.84	(7.27)	8.85
QLD Prov	154	[illegible]	2.18	134	28,767,746	2.14	14.93	7.47
NSW	[illegible]	29,771,134	2.09	165	24,443,665	1.81	23.78	21.81
VIC	[illegible]	53,496,364	3.76	367	48,133,063	3.57	16.35	11.14
Others	142	13,150,225	0.93	123	12,764,999	0.95	15.45	3.02
Total	1,003	139,627,387	9.82	**864**	**125,400,212**	**9.31**	**16.09**	**11.35**
Greyhounds								
QLD Metro	97	17,877,479	1.25	101	16,764,278	1.25	(3.96)	6.64
QLD Prov	[illegible]	26,806,405	1.89	251	23,353,087	1.73	(8.43)	14.77
NSW	432	46,019,364	3.24	355	28,811,701	2.14	21.69	59.73
VIC	422	42,030,149	2.96	209	16,194,271	1.20	101.91	159.64
Others	95	9,328,063	0.66	105	9,152,475	0.68	(9.52)	1.92
Total	1,28[illegible]	142,046,[illegible]	10.00	**1,031**	**94,265,812**	**7.00**	**24.64**	**50.69**
Sports								
FootyTAB	88	3,28[illegible]	0.23	96	2,465,054	0.18	(8.33)	33.30
Other Sports		[illegible]						
Total	88	3,320,670	0.23	**96**	**2,465,054**	**0.18**	**(8.33)**	**34.71**
GRAND TOTAL	3,942	1,421,423,3[illegible]	100.00	**3,463**	**1,347,363,761**	**100.00**	**13.83**	**5.50**

Distribution of TAB Profits to 30 June 1999

Strategic Gallops Clubs

	PRIZE MONEY 1999 $000	DISTRIBUTIONS 1999 $000	DISTRIBUTIONS 37 Yrs $000
Beaudesert Race Club	358	381	2,755
Brisbane Turf Club	8,416	7,737	92,101
Cairns Jockey Club	1,010	941	12,047
Central Queensland Amateur Racing Club	123	115	1,569
Central Warrego Race Club	194	160	1,866
Dalby & Northern Downs Jockey Club	475	458	4,139
Emerald Jockey Club Inc	270	265	3,658
Esk Jockey Club	405	426	2,937
Far North Queensland Amateur Turf Club	265	151	1,855
Gold Coast Turf Club	5,971	4,496	49,685
Hazeldean-Kilcoy Race Club	434	452	3,586
Ipswich Turf Club Inc	2,805	2,949	30,311
Lockyer Race Club	569	590	5,116
Longreach Jockey Club Inc	165	145	1,961
Mackay Turf Club	908	938	12,437
Mt Isa Race Club	529	550	8,047
North Queensland Amateur Turf Club	156	108	1,348
Queensland Turf Club	9,703	8,569	100,888
Richmond Turf Club	140	95	1,361
Rockhampton Jockey Club	2,270	2,271	25,190
Roma Turf Club	193	186	2,363
Sunshine Coast Turf Club	3,149	3,170	26,684
Tattersalls Race Club Brisbane	1,532	1,289	14,272
Tattersalls Race Club Rockhampton	61	49	761
Thangool Race Club Inc	192	190	2,121
Toowoomba Turf Club	2,917	3,063	28,364
Townsville Turf Club	2,125	2,053	23,114
Warwick Turf Club Inc	164	160	2,311
Yeppoon Turf Club Inc	197	191	2,180
Black Type Racing			1,110
TOTAL STRATEGIC GALLOPS CLUBS	**45,696**	**42,149**	**466,134**

Harness Racing Clubs

	PRIZE MONEY 1999 $000	DISTRIBUTIONS 1999 $000	DISTRIBUTIONS 37 Yrs $000
Albion Park Harness Racing Club Ltd	4,505	4,031	51,174
Darling Downs Harness Racing Club	636	652	5,871
Gold Coast Harness Racing Club Ltd	1,400	1,264	12,346
Ipswich Herness Racing Club			1,603
Mackay Harness Racing Club	306	284	3,446
Metropolitan Harness Racing Club - Rocklea Ltd	782	660	8,794
Redcliffe Peninsula Harness Racing & Sporting Club Inc	1,210	1,259	12,042
Rockhampton Harness Racing Club	364	342	10,803
Townsville Harness Racing Club	320	290	575
Black Type Racing			222
TOTAL HARNESS RACING CLUBS	**9,523**	**8,782**	**106,876**

Greyhound Racing Clubs

	PRIZE MONEY 1999 $000	DISTRIBUTIONS 1999 $000	DISTRIBUTIONS 37 Yrs $000
Beenleigh Greyhound Race Club	394	422	4,025
Brisbane Greyhound Racing Club Inc	2,597	2,707	27,357
Bundaberg Greyhound Racing Club	210	192	2,379
Cairns Greyhound Racing Club	181	181	2,262
Capalaba Greyhound Racing Club	247	237	3,183
Ipswich Greyhound Racing Club	913	1,064	7,859
Lower Burdekin Greyhound Racing Club	128	127	1,217
Mackay & District Greyhound Racing Club	200	181	2,298
Mt Isa Greyhound Racing Club	132	121	1,940
Parklands Greyhound Racing Club Ltd	607	642	5,992
Rockhampton Greyhound Racing Club	156	187	2,679
Toowoomba Greyhound Racing Club	330	413	3,764
Townsville Greyhound Racing Club	239	235	3,051
Black Type Racing			168
TOTAL GREYHOUND RACING CLUBS	**6,334**	**6,709**	**68,171**
[illegible]	[illegible]	[illegible]	[illegible]

* Excludes $103,412 incentives paid to developmental clubs which are included next.

TAB QUEENSLAND

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Developmental Clubs

DEVELOPMENTAL CLUBS funded by TAB to 1993
Funded by the Racing Development Fund from 1994 (excludes capital payments). The TAB has funded minor incentives post 1993.

	PRIZE MONEY 1999 $000	DISTRIBUTIONS 1999 $000	DISTRIBUTIONS 37 Yrs $000
Developmental Clubs			
Almaden Race Club	12	9	97
Alpha Jockey Club Inc	17	17	341
Aramac Racing Club	51	50	653
Atherton Turf Club	148	125	1,911
Augathella Race Club	39	25	267
Barcaldine Racing Club	111	95	1,364
Barcoo Amateur Racing Club Inc	61	60	1,097
Beaudesert Hibernian Race Club	49	40	403
Bedourie Amateur Race Club	34	18	249
Bell Race Club	57	50	571
Betoota Race Club Inc	30	18	247
Birdsville Race Club	97	38	519
Bluff & Blackwater Amateur Race Club	23	21	550
Boulia Turf Club	26	23	271
Bowen River Turf Club	20	14	240
Bowen Turf Club	92	87	1,715
Bundaberg Race Club	369	387	5,647
Burdekin Turf Club	245	238	2,826
Burketown Turf Club	21	14	14
Burrandowan Picnic Race Club Inc	25	23	334
Callide Valley Lions Charity Race Club			140
Calliope Jockey Club	47	47	527
Camooweal Jockey Club	49	34	472
Capella Amateur Race Club Inc	20	19	396
Charters Towers Amateur Race Club	33	20	307
Chillagoe Turf Club	16	9	118
Chinchilla Race Club	47	38	659
Clermont Race Club	77	75	1,067
Clifton Jockey Club Inc	25	25	275
Cloncurry Turf Club	83	66	1,020
Coen Amateur Turf Club	23	17	194
Collinsville & District Turf Club	32	31	509

	PRIZE MONEY 1999 $000	DISTRIBUTIONS 1999 $000	DISTRIBUTIONS 37 Yrs $000
Developmental Clubs			
Cooktown Amateur Turf Club	53	34	398
Corfield Amateur Race Club	38	25	368
Cunnamulla & District Diggers Race Club	84	48	529
Dalby Amateur Picnic Race Club	50	18	226
Dawson Jockey Club	89	75	809
Dingo Race Club	53	50	585
Duaringa Race Club	14	13	374
Eidsvold Race Club	56	55	699
Einasleigh Race Club	41	19	281
Eromanga Amateur Race Club	16	9	90
Ewan Amateur Turf Club	41	26	353
Flinton Race Club			26
Gayndah Jockey Club	69	63	890
Georgetown Turf Club	60	50	650
Gladstone Turf Club	273	273	4,903
Goondiwindi Amateur Picnic Race Club	12	9	184
Goondiwindi Race Club	73	72	938
Gordonvale Turf Club	96	74	1,716
Gregory Downs Jockey Club	40	37	517
Gympie Turf Club	359	377	5,525
Herbert River Jockey Club	59	57	1,416
Hughenden Jockey Club	50	45	823
Ilfracombe Picnic Race Club	19	19	388
Injune Race Club	30	25	225
Innisfail Turf Club	163	127	2,589
Isisford Race Club	31	25	265
Jandowae Race Club	52	48	610
Jericho Picnic Race Club			243
Julia Creek Turf Club	38	33	484
Jundah Race Club	34	31	379
Kumbia Race Club	32	38	641
Laura Amateur Turf Club	29	17	218

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TAB QUEENSLAND

Developmental Clubs

	PRIZE MONEY 1999 $000	DISTRIBUTIONS 1999 $000	DISTRIBUTIONS 37 Yrs $000
Lions Club of Blackwater Race Club	21	20	214
Longreach Amateur Jockey Club	18	18	251
Longreach Diggers Jockey Club	18	18	282
Mackay Amateur Race Club	83	52	553
Mackay Diggers Race Club	28	22	320
Mackenzie River Amateur Picnic Race Club	30	20	112
Maranoa Diggers Race Club	39	27	297
Mareeba Turf Club	120	105	1,660
Maxwelton Race Club	20	13	162
McKinlay Race Club	44	27	407
Middlemount Race Club	30	20	40
Miles & District Amateur Picnic Race Club	28	26	375
Mingela Amateur Race Club	20	12	174
Monto Race Club Inc	66	63	931
Moranbah Race Club	100	94	1,839
Morven Race Club	17	13	139
Mt Garnet Amateur Turf Club	38	53	808
Mt Perry Race Club Inc	26	26	358
Muttaburra Amateur Race Club	13	13	13
Nanango Race Club Inc	136	125	1,555
Noccundra Amateur Race Club	18	9	117
Noorama Picnic Race Club			115
Normanton Race Club	51	46	739
North Gregory Turf Club	79	50	669
Oak Park Amateur Picnic Race Club	44	22	313
Oakey & District Race Club			202
Oakley Amateur Picnic Race Club	3	3	64
Peak Downs Amateur Racing Club	17	17	219
Pentland Race Club	17	17	469
Prairie Jockey Club	25	23	313
Quamby Race Club	22	13	172
Quilpie Diggers Race Club	37	25	288

Developmental Clubs

	PRIZE MONEY 1999 $000	DISTRIBUTIONS 1999 $000	DISTRIBUTIONS 37 Yrs $000
Richmond Amateur Race Club	36	25	361
Ridgelands Race Club	35	35	362
Rockhampton St Patricks Day Race Club	40	35	402
Roma Picnic Race Club	55	36	505
Sedan Dip Race Club	21	9	128
South Burnett Race Club	108	100	1,244
Springsure Jockey Club	34	29	529
Springsure St Patricks Day Race Club	15	13	145
St George Jockey Club	31	30	529
Stamford Race Club	31	25	234
Stanthorpe Jockey Club	36	26	456
Stonehenge Race Club	14	9	92
Surat Diggers Race Club	30	23	396
Talwood Race Club			183
Tambo Race Club	79	63	772
Tara Race Club	15	13	205
Texas Jockey Club	43	38	363
Theodore Amateur Race Club	39	39	423
Tower Hill Picnic Amateur Race Club	7	6	90
Towers Jockey Club	102	100	1,690
Twin Hills Race Club	19	17	199
Wandoan Diggers Race Club	36	31	477
Warra Race Club Inc	45	40	650
Warwick Picnic Race Club Inc			131
Western Picnic Race Club	10	10	152
Windorah Race Club	26	19	246
Wyandra Race Club	23	15	177
Yaraka Race Club			89
TOTAL DEVELOPMENTAL CLUBS	**6,196**	**5,291**	**78,823**
GRAND TOTAL	**67,749**	**62,930**	**720,004**
CLUBS NO LONGER RACING			*11,308*
37 YEAR DISTRIBUTION TOTAL ($000)			**731,312**

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[redacted]

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www.tabq

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The acquisition of Northern Territory TAB, the grant of the Totalisator Licence in the Northern Territory and the inclusion of some Territory racing into the TABQ racing program, will also significantly improve the efficiency and profits obtained from the race wagering business.

Full year benefits from fixed price sports betting, and better customer awareness of the availability of this product throughout TABQ's retail network, will combine with the introduction of a fully retailed sports betting service in the Northern Territory on 1 January 2001, to lift sports betting sales. A shorter football season will partly offset the full effect of these benefits.

TABQ's gaming services' market share will move beyond 37% following the acquisition of Tattersall's Queensland gaming services business. The additional Tattersall's sites, and the full year benefits of the Golden Gaming acquisition made in September 1999, offer the opportunity to secure better returns from both monitoring and value-added services.

The patterns experienced in 1999/2000 are likely to be repeated in 2000/2001, apart from some recovery in the facilities fees paid by overseas operators. Increased revenue from facilities fees will emerge from an agreement reached recently with a totalisator operator on Norfolk Island.

DIVIDENDS

A special dividend of $36.0 million was paid to the State of Queensland on 9 November 1999 in respect of surplus profits of The Totalisator Administration Board of Queensland.

Directors have declared a fully franked 2000 final dividend of $13.7 million which has been provided for out of profits for the year ended 30 June 2000. This dividend will be paid on or about 27 October 2000.

CHANGES IN OWNERSHIP

Under the Share Offer Document dated 15 October 1999, the Queensland Government offered all of the 130.8 million issued ordinary shares in TABQ to investors. This offer of the State's shareholding was successfully completed in November 1999 and resulted in the State ceasing to be a shareholder of TABQ. TABQ's ordinary shares were admitted to the official list of the Australian Stock Exchange Limited on 15 November 1999 and commenced trading on 16 November 1999.

ENVIRONMENTAL DISCLOSURE

The operations of the Consolidated Entity are not subject to any particular and significant environmental regulation under any law of the Commonwealth of Australia or any of its States or Territories.
The Consolidated Entity has not incurred any liability (including for rectification costs) under any environmental legislation.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Since the end of the financial year TABQ has acquired Tattersall's Gaming Systems Qld Pty Ltd. This acquisition increases the number of gaming machines monitored by the Consolidated Entity by approximately 1500 machines.

NT TAB Pty Ltd a wholly owned subsidiary of TABQ commenced trading under its Totalisator Licence in the Northern Territory on 1 July 2000.

No other matters or circumstances have arisen since the end of the year which have significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in future financial years.

LIKELY DEVELOPMENTS

Information as to the likely developments in the operations of the Consolidated Entity is set out in the Review of Operations and Results (page 12).

There are no likely developments in the operations of the Consolidated Entity that were not finalised at the date of this Report.

Further information on likely developments in the operations of the Consolidated Entity and the expected results of operations have not been included in this Report because the Directors believe to do so would be likely to result in unreasonable prejudice to the Consolidated Entity.

Directors' Report

INDEMNIFICATION

Pursuant to its Constitution, TABQ indemnifies every person who is, or has been, a Director or Secretary of the Company (to the extent permitted by law) against:

(a) a liability incurred by that person, as a Director or Secretary, to another person (other than the Company or its related bodies corporate). This indemnity does not extend to liabilities arising out of conduct involving a lack of good faith;

(b) a liability for costs and expenses incurred by that person in successfully defending any proceedings, or in connection with an application in relation to any proceedings, in which relief is granted to that person under the Corporations Law.

TABQ has executed a Deed of Indemnity, Insurance and Access in favour of the Directors. The Deed of Indemnity, Insurance and Access grants an indemnity to Directors and gives the Directors the right of access to Board papers and requires TABQ to maintain an insurance cover for the Directors.

INSURANCE OF DIRECTORS AND OFFICERS

During the financial year the Consolidated Entity paid premiums for Directors' and Officers' liability insurance in respect of Directors and executive officers of the Company and its controlled entities as permitted by the Corporations Law. The terms of the policy prohibit disclosure of details of the insurance cover and premiums.

DIRECTORS' INTERESTS

The relevant interest of each Director in the share capital of the Company as notified by the Directors to the Australian Stock Exchange in accordance with Section 205G of the Corporations law at the date of this Report is as follows:

Name	Fully Paid Ordinary Shares	Options Over Ordinary Shares
G Chapman	310,530	Nil
J O'Brien	5,000	Nil
R McIlwain	Nil	1,000,000
R Bentley	20,000	Nil
J Bird	7,000	Nil
G Fry	5,000	Nil
W Myers	5,000	Nil
H Nugent	Nil	Nil
K Seymour	8,808,710	Nil

DIRECTORS' MEETINGS

The number of Directors' meetings (and meetings of Committees of Directors) and number of meetings attended by each of the Directors of the Company during the year were:

Name	Board of Directors		Audit & Governance Committee		Remuneration & Nominations Committee	
	A	B	A	B	A	B
G Chapman	15	15	-	-	2	2
J O'Brien	15	14	-	-	2	2
R McIlwain	10	10	-	-	-	-
R Bentley	15	15	-	-	-	-
J Bird	15	15	5	5	-	-
G Fry	15	15	5	5	-	-
W Myers	15	14	-	-	-	-
H Nugent	15	15	-	-	2	2
K Seymour	0	0	-	-	-	-

Column A indicates the number of meetings held during the year while the Director was a member of the Board or Committee.

Column B indicates the number of meetings attended by the Director during the year while the Director was a member of the Board or Committee

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DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

The Remuneration and Nominations Committee is vested with responsibility for making recommendations to the Board on the remuneration policies and packages applicable to Board members and senior executives of the Company. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and is competitive in attracting, retaining and motivating people of the highest quality.

Employees including the executive director and senior executives may receive bonuses based on achievement of specific goals. Such bonuses may include options over ordinary shares. The ability to exercise the options is conditional upon the Company achieving certain performance criteria. Non-executive Directors do not receive any performance related remuneration.

Directors' Remuneration

The total remuneration received or due and receivable by Directors of the Company for the year ended 30 June 2000 was:

	Base Emolument[1]	Other Compensation[2]	Total Compensation (excluding options)	Fair Value of Options granted during the year[3]
Executive Director				
R McIlwain	426,405	148,565	574,970	350,000[4]
Non-Executive Directors				
G Chapman	91,125	4,605	95,730	-
J O'Brien	48,528	2,698	51,226	-
J Bird	48,125	2,552	50,677	-
W Myers	48,125	2,552	50,677	-
G Fry	47,125	2,412	49,537	-
H Nugent	44,750	2,479	47,229	-
R Bentley	41,000	2,217	43,217	-
K Seymour[5]	-	-	-	-

1. Non-executive Directors' remuneration represents fees in connection with attending Board, Board Committees and subsidiary companies' board meetings.
2. In respect of Non-executive Directors this represents Company contributions to superannuation.
   In respect of the Executive Director this represents contributions to superannuation, provision of motor vehicle and other benefits.
3. The fair value of options granted during the year has been determined using the industry standard Black Scholes options pricing model. This is not a market price but an estimate of the fair value as these options are not traded. This valuation takes into account the price at grant date, the exercise price, the expected life of the option, the volatility in price of the underlying stock and expected dividends.
   The options are only exercisable if specified performance criteria are satisfied, namely that the Company's earnings before tax per issued share must increase by 5% per annum compound up to the date the options vest. If the performance criteria are not satisfied at the time of vesting, but are at a later date (prior to the lapse date) the options may be exercised at that later date.
4. 1,000, 000 options granted at an exercise price of $2.00 which expire on 16 January 2005 and vest in varying tranches 2, 3, 4 and 5 years following grant. Each option entitles the holder, on payment of the exercise price, to subscribe for one fully paid ordinary share in the Company.
5. Appointed after the end of the reporting period.

Executive Officers' Remuneration

The following table shows the remuneration of the five most highly remunerated officers of the Company and the Consolidated Entity who were officers as at 30 June 2000.

	Base Emolument[1]	Bonus	Other Compensation[2]	Total Compensation (excluding options)	Options Granted during the year[3,4]	Exercise Price	Fair Value of Options granted during the year[5]
	$	$	$	$	$	$	$
B Fletton	134,517	80,914	33,071	248,502	150,000	2.08	49,500
M Carr	145,728	-	29,575	175,303	160,000	2.08	52,800
S Lawrie	131,475	778	27,358	159,611	150,000	2.08	49,500
B Houston	119,663	-	35,772	155,435	150,000	2.08	49,500
G Curnow	106,503	-	28,499	135,002	75,000	2.08	24,750

1. The senior executives are those executives responsible for the strategic direction and management during the year.
2. Reflects contributions to superannuation, provision of motor vehicle and other benefits.
3. Exercisable in varying tranches 2, 3 and 5 years following grant of the options.
4. All options expire on 21 January 2005. Each option entitles the holder, on payment of the exercise price to subscribe for one fully paid ordinary share in the Company.
5. Refer discussion of fair value of options in Note 3 under heading "Directors' Remuneration".

Directors' Report

Revenue margins from totalisator activity were in line with forecasts at 15.7% of sales. Growth in Trifecta betting to 23.5% of sales, and the recent decisions by the only two other pooling systems in Australia to increase their deductions from betting, have created an opportunity to improve margins further, without becoming uncompetitive. The maximum allowable average annual deduction from betting pools in Queensland is 16%.

Fixed price sports betting was introduced in September 1999. Revenue of $0.9 million was achieved from a win rate of almost 10%. This new product grew rapidly after TABQ's agency and branch network was fitted with interactive betting information modules, and betting was made available on www.tabq.com in the second half of the financial year. Football produced 77% of sales. Cricket, golf, and tennis were the next best betting mediums.

Gaming Services

The acquisition of Golden Gaming Pty Ltd, and the completion of the first full year of monitoring operations, generated a 200% increase in revenue from gaming. Margins on this business continued to improve as TABQ's market share moved toward 33%, and the number of effective operators in Queensland declined to four. The maximum allowable market share for a single operator in Queensland is 40%.

Revenue and margins from gaming will continue to improve beyond June 2000. The full year benefits of the Golden Gaming Pty Ltd acquisition in late 1999, growth in market share to 37% following the acquisition of Tattersall's Queensland gaming services business in August 2000, and opportunities to improve revenue quality by increasing sales of value-added services, will all produce more revenue for this business.

Other Revenue

Revenue from other sources faded marginally in 1999/2000. Keno sales declined by 1.6%, income from overseas facilities management contracts was down 26.4%, and licence fees from Golden Casket's SportsTip fell well short of forecast. Meanwhile, advertising sales from RadioTAB were flat. The shortfall in these areas has largely been offset by better than expected earnings from interest.

Capital Expenditure

Substantial progress was made toward the unusually large 1999/2000 capital expenditure program. The completion of the consolidation of Head Office, the refurbishment of RadioTAB's Brisbane broadcasting facilities and eight agencies, deployment of retail facilities to support sports betting, the installation of fully-electronic information systems at 140 retail sites, and the commencement of the Natural Language Speech Recognition (**NLSR**) system, are the highlights from the 1999/2000 capital works program.

Nevertheless, capital expenditure fell short of forecast because of the decision to stage the introduction of the NLSR telephone betting technology over a full year beginning in May 2000, and defer the next stage of the seven-year redevelopment of the core wagering system to make way for more pressing revenue producing projects.

The capital program should be substantially re-aligned in 2000/2001, with expenditure to be in the order of $25 million over the two-year period 1999/2001. This commitment is consistent with the long term investment in our business and the forecasts prior to the decision to capitalise the cost of the labour employed on the development of new software.

Costs

Expenditure in 1999/2000 reflected the shifting nature of TABQ's business. The cost of additional racing information, home race telecasts and labour, have all grown to support our increasing reliance on electronically distributed betting information, the rapid growth in telephone betting, and the development of the gaming services business. Meanwhile, stationery, communications costs, and computer expenses have either fallen as a result of the electronic distribution of racing information, incentives to reduce wastage in agents' remuneration packages, competition in the telecommunications industry, and less expensive computer maintenance arrangements.

An extraordinarily large share register, regulatory requirements and the product fees paid to the Queensland Racing Industry to gain access to all Australian racing, are all new costs. They represent nearly 41% of all expenses, and are expected to continue at a comparable level next year.

Market Outlook

The outlook for 2000/2001 is quite promising.

The race wagering business will benefit from better quality revenue and a racing program which includes an extra two racing Saturdays, an additional four racing Sundays, and more weekday Queensland race meetings.

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DIRECTORS

The Directors of TAB Queensland Limited (**TABQ** or the **Company**) at any time during or since the end of the year are:

George Chapman (Chairman)
Director since July 1999

John O'Brien (Deputy Chairman)
Director since July 1999*

Richard (Dick) McIlwain
(Managing Director)
Director since September 1999

Robert (Bob) Bentley
Director since July 1999*

John Bird
Director since July 1999*

Graeme Fry
Director since July 1999

Wayne Myers
Director since July 1999*

Helen Nugent
Director since July 1999

Kevin Seymour
Director since September 2000

* previously a member of The Totalisator Administration Board of Queensland.

The Directors' qualifications and experience are detailed on page 9 under the heading Board of Directors and those pages are incorporated in and form part of this Report.

PRINCIPAL ACTIVITIES

The Consolidated Entity's (being TABQ and the entities it controlled at the end of or during the year ended 30 June 2000) principal activities during the course of the year were:

- the conduct of race wagering on-course and off-course pursuant to a Race Wagering Licence granted under the Wagering Act 1998 (Queensland);
- the conduct of sports wagering pursuant to a Sports Wagering Licence granted under the Wagering Act 1998 (Queensland);
- the conduct of a gaming machine monitoring business pursuant to Licences granted under the Gaming Machine Act 1991 (Queensland);
- the provisions of broadcasting services associated with racing.

It is noted in this Report that the Consolidated Entity acquired Golden Gaming Pty Ltd and a Totalisator Licence in the Northern Territory (discussed below under the heading "Review of Operations and Results"), and other than with respect to those matters there have been no significant changes in the Consolidated Entity's activities during the year.

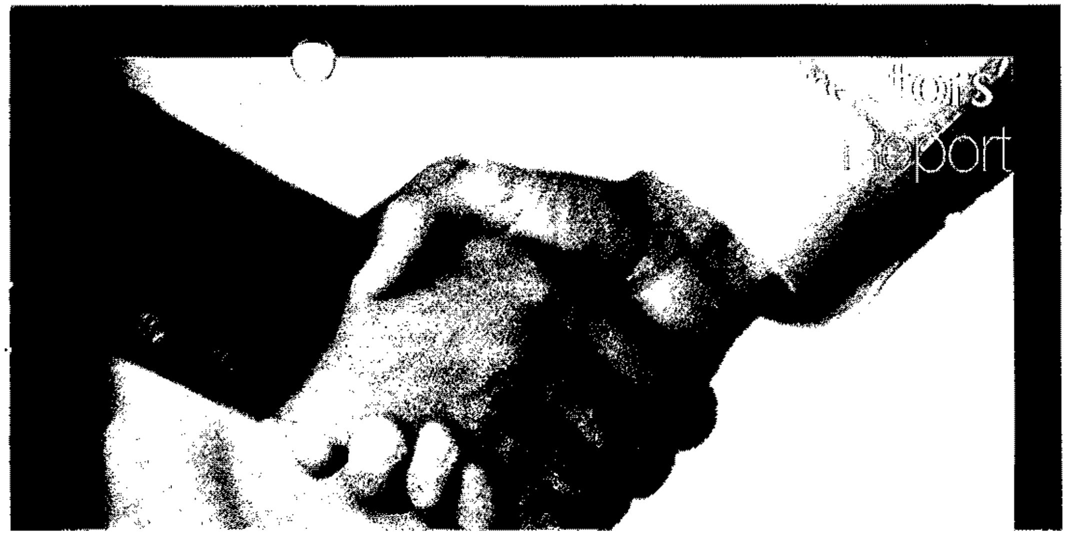
SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

This Report is in respect of the first year of operations of the Consolidated Entity. Other than the privatisation of TABQ (see below under the heading "Changes of Ownership") and its listing on the Australian Stock Exchange, there have been no significant changes in the state of affairs of the Consolidated Entity during the financial year. It is noted in this Report that during the year the Consolidated Entity acquired Golden Gaming Pty Ltd and was granted a Totalisator Licence in the Northern Territory (discussed below under the heading "Review of Operations and Results").

REVIEW OF OPERATIONS AND RESULTS

Race Wagering

TABQ holds exclusive 15-year Race and Sports Wagering Licences in Queensland. Totalisator betting in 1999/2000 produced revenue of $255.6 million from betting on 4,265 race meetings and rugby league matches.



OPTIONS

During or since the end of the financial year, the Company granted options over unissued ordinary shares to a number of employees as part of their remuneration.

At the date of this Report unissued ordinary shares of the Company under the Company's Executive Incentive Option Plan are:

Issue Date of Option	Expiry Date	Exercise Price of Option	No. of Options on issue at 30 June 2000[1]
15 December 1999	16 January 2005	$2.00	1,000,000
17 February 1999	21 January 2005	$2.08	1,330,000
			2,330,000

1. Subsequent to year end no options have been exercised.

No shares were issued during the reporting period or prior to the date of this Report as a result of the exercise of an option over unissued shares or interests. No options have been granted since the end of the financial year.

All options expire on the earlier of their expiry date, or (except in the case of the options granted to R McIlwain) on termination of the employee's employment. No options expired during the year ended 30 June 2000.

The market price of the Company's shares at 30 June 2000 was $2.04.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the Directors' Report, the Annual Financial Report and the Concise Report.

Consequently, amounts in the Directors' Report, the Annual Financial Report and the Concise Report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

AUDITOR

PricewaterhouseCoopers continues in office in accordance with Section 327 of the Corporations Law.

This Report is made in accordance with a resolution of the Directors and is made on 13 September 2000.

G Chapman
Chairman

R D McIlwain
Managing Director

EXECUTIVE MANAGEMENT TEAM

Michael Carr
General Manager - Marketing and Sales

Robbie Cooke
General Counsel & Strategist

Graeme Curnow
Executive Manager - Human Resources

Barrie Fletton
Chief Financial Officer and Company Secretary

Bruce Houston
General Manager - Operations

Stephen Lawrie
General Manager - Technology

John McCormack
General Manager - RadioTAB

Maree Patane
Executive Manager - Audit

Greg Shannon
Executive Manager - Facilities

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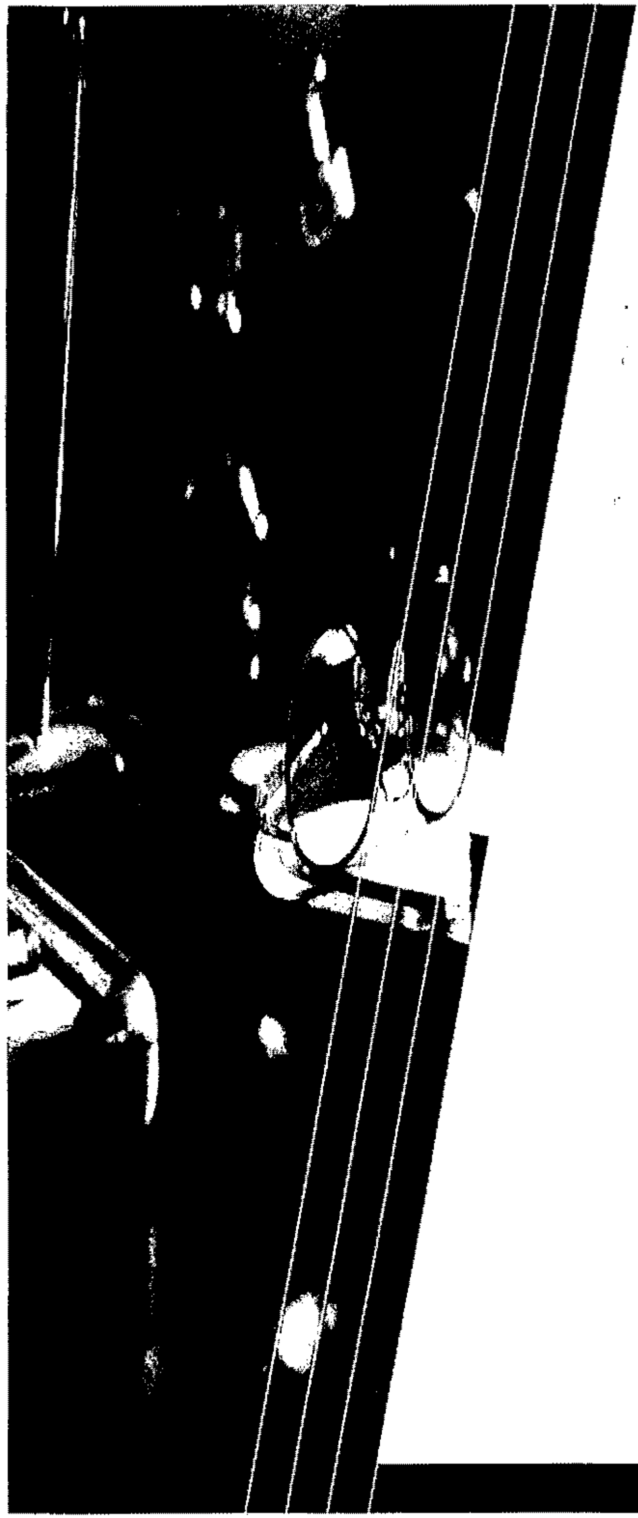

TABQ is committed to best practice in the area of corporate governance. This statement provides an outline of the main corporate governance practices undertaken by the Company during the year.

The Board of Directors - Role of the Board

The Board is responsible for the overall corporate governance of TABQ.
The Board recognises the need for the highest standards of behaviour and accountability. The Board of TABQ has final responsibility for managing the Company's business and affairs.
This responsibility is addressed by the Board:

- formulating and approving objectives, goals and strategic direction for management;
- monitoring financial performance, including adopting annual budgets and approving TABQ's financial statements;
- ensuring that adequate systems of internal control exist and are appropriately monitored for compliance;
- selecting the Chief Executive and reviewing the performance of senior operational management; and
- ensuring significant business risks are identified and appropriately managed.

Management of the day to day operations of the Company vests in the Chief Executive who, together with the executive team, is accountable to the Board.

DISCUSSION AND ANALYSIS OF CONSOLIDATED PROFIT AND LOSS STATEMENT

Total wagering revenue of $256.5M was earned from on and off-course totalisator sales and fixed price sports betting sales totalling $1,538M. This was a slight increase on combined TABQ and race club totalisator sales last year, notwithstanding the continued decline in on-course activity.

Fixed price sports betting commenced operations in September 1999, and was progressively rolled out to a number of TAB retail outlets over the ensuing six months. Both totalisator betting and fixed price betting are available through TABs, Telebet and the Internet.

Changes to totalisator deductions and the method of rounding totalisator dividends were made during the year, which were neutral in terms of dividends paid to wagering customers, but were beneficial in respect of product fee and wagering tax, and brought TABQ in line with other TABs.

Revenue of $2.9M was derived from providing compulsory monitoring and a range of value added services to a number of licensed gaming venues around Queensland. In September 1999, TABQ acquired Golden Gaming Pty Ltd, lifting gaming machine numbers by more than 50%. This, combined with operating efficiencies and expansion of the original gaming business was responsible for an increase of almost 200% in gaming revenue.

Revenue of $8.5M was derived from other activities including retailing of Keno through TABs, providing pooling services to foreign tote operators, renting equipment to TAB agents, and investing surplus funds.

The most significant costs incurred by the Consolidated Entity are the product and program fee payable to the Queensland Racing Industry for the provision of all Australian racing product, and wagering tax payable to the Queensland Government in respect of the exclusive Wagering Licences granted. These costs amounted to $92.0M and $49.2M respectively, and accounted for 55% of all wagering revenue.

Other costs included commissions paid to agents ($35.7M), salaries and on-costs of $24.5M net of development costs capitalised, and depreciation of property, plant and equipment and amortisation of licences totalling $10.0M.

TAB

Profit and loss statement

for the year ended 30 June 2000

Fixed price sports betting commenced September 1999.

RMC.306

Balance

sheet

for the year ended 30 June 2000

Total equity of

$66.6 million.

BALANCE SHEET as at 30 June 2000

	Consolidated $'000
CURRENT ASSETS	
Cash	24,627
Receivables	2,757
Inventories	885
Other	296
TOTAL CURRENT ASSETS	28,565
NON-CURRENT ASSETS	
Receivables	-
Investments	-
Property, plant and equipment	43,058
Intangibles	45,802
Other	6,907
TOTAL NON-CURRENT ASSETS	95,767
TOTAL ASSETS	124,332
CURRENT LIABILITIES	
Accounts payable	27,500
Borrowings	112
Provisions	26,488
TOTAL CURRENT LIABILITIES	54,100
NON-CURRENT LIABILITIES	
Accounts payable	2,193
Provisions	1,441
TOTAL NON-CURRENT LIABILITIES	3,634
TOTAL LIABILITIES	57,734
NET ASSETS	66,598
EQUITY	
Share capital	35,900
Reserves	6,604
Retained profits	24,094
TOTAL EQUITY	66,598

The above consolidated balance sheet should be read in conjunction with the accompanying notes and discussion and analysis.

BOARD OF DIRECTORS

George Chapman,
Non-Executive Chairman
Mr Chapman was appointed Non-Executive Chairman in July 1999. Mr Chapman is the Executive Chairman of G E Chapman Pty Ltd and Skyrail Pty Ltd, which developed, owns and operates the Skyrail Rainforest Cableway in North Queensland. He previously was Chairman of the Cairns Port Authority, was Chairman of Telecasters North Queensland Limited for six years and was a director of The Ten Group Limited and Ten Network Holdings Limited. Mr Chapman holds a Bachelor of Surveying from the University of Queensland and is a Fellow of the Australian Institute of Company Directors. Mr Chapman is aged 62.

John O'Brien,
Non-Executive Deputy Chairman
Mr O'Brien was re-appointed to The Totalisator Administration Board of Queensland in 1998 after being a member and Deputy Chairman between 1990 and 1996. Mr O'Brien was appointed to the Board of the Company in July 1999. He is also Chairman and Proprietor of Pacific Toyota in Cairns, and a director of Cairns Cyclones Rugby League State League Club and the Cairns Taipans National Basketball League Club. He is a former Chairman of the Cairns Jockey Club and the Queensland Racing Industry Co-ordinating Committee. Mr O'Brien is aged 50.

Dick McIlwain,
Managing Director and Chief Executive
Mr McIlwain was appointed a Director in September 1999. He joined TABQ as Chief Executive in 1989 from an executive role in Australian Airlines. He has also had prior experience in the mining industry and broadcasting. He holds a Bachelor of Arts from the University of Queensland, and is a Fellow of the Australian Institute of Company Directors. Mr McIlwain is aged 53.

Robert Bentley,
Non-Executive Director
Mr Bentley was appointed to The Totalisator Administration Board of Queensland in 1998. Mr Bentley was appointed to the Board of the Company in July 1999. He was previously Chairman and Managing Director of Austral Plywoods Pty Ltd, Chairman of the Plywoods Manufacturers Association of Australia, Chairman of the Queensland Principal Club and Chairman of the Ipswich Turf Club. He was also Chairman of the Queensland Racing Industry Co-Ordinating Committee. Mr Bentley is aged 57.

John Bird,
Non-Executive Director
Mr Bird was appointed a Director of The Totalisator Administration Board of Queensland in 1998 and to the Board of the Company in July 1999. He is the former Managing Partner of Brown and Bird Certified Practising Accountants, and currently Chairman of the Central Queensland Helicopter Rescue Service Ltd and a director of Ergon Energy Pty Ltd. Mr Bird is also State Treasurer of the Australian Labor Party (Qld) and Chairman of the Queensland Labor Group of Companies. He was previously Chairman of Mackay Electricity Corporation, Chairman of Mackay Electricity Board, Chairman of Mackay Regional Health Authority and a Councillor of Pioneer Shire Council. Mr Bird is a Fellow of the Australian Society of Certified Practising Accountants, a Fellow of the Taxation Institute of Australia and a registered company auditor. Mr Bird is a member of the Australian Institute of Company Directors. Mr Bird is aged 54.

Graeme Fry,
Non-Executive Director
Mr Fry was appointed Director in July 1999. Mr Fry is also a Director of Queensland Cotton Holdings Ltd, Consolidated Manufacturing Industries Limited and the Australian Rugby League Foundation. He was previously a Senior Partner at Deloitte Touche Tohmatsu, a director of Allgas Energy Ltd and of Seismic Supply International Pty Ltd. Mr Fry is a Fellow of the Institute of Chartered Accountants, a registered company auditor, a member of the Australian Institute of Company Directors, and a member of the Taxation Institute of Australia. Mr Fry is aged 58.

Wayne Myers,
Non-Executive Director
Mr Myers was re-appointed to The Totalisator Administration Board of Queensland in 1998 and to the Board of the Company in July 1999. Since 1997, he has been General Manager Queensland for AAPT Telecommunications Limited. He has previously held the position of Deputy Chairman and Managing Director of the Global Private Systems Group (Australia, New Zealand, and the SAARC Region of Asia) of Lucent Technologies Australia, Queensland Manager for AT&T and Queensland Manager of NEC Australia Pty Ltd. He is currently Chairman of Queensland's Communications and Information Advisory Board, and a Trustee of the Lang Park Trust. Mr Myers was previously a member of The Totalisator Administration Board of Queensland Board between 1990 and 1996. Mr Myers is aged 46.

Helen Nugent,
Non-Executive Director
Dr Nugent was appointed as Director in July 1999. She is also a non-executive director of Macquarie Bank Ltd and United Energy Ltd, as well as being Deputy Chair of the Australia Council. Dr Nugent was previously Director of Strategy at Westpac Banking Corporation, a non-executive director of State Bank of NSW, a non-executive director of Mercantile Mutual Holdings Ltd, Professor in Management and director of the Master of Business Administration program at the Australian Graduate School of Management, a Principal of McKinsey and Co, and the Deputy Chair of Opera Australia. In 1999, she was Chairperson to the Ministerial Inquiry into the Major Performing Arts. Dr Nugent is a Fellow of the Institute of Company Directors and council member of the Australian Institute of Company Directors (NSW Division) as well as a member of the Harvard Club of Australia. Dr Nugent is aged 51.

Kevin Seymour,
Non-Executive Director
Mr Kevin Seymour was appointed to the Board of the Company on 1 September 2000. Mr Seymour is the Chairman of Ariadne Australia Limited and the Chairman of Watpac Limited. He has extensive experience in the racing industry and is the Vice Chairman of the Albion Park Harness Racing Club. Mr Seymour also holds board positions with several private companies in Australia and has extensive property development and business experience. Mr Seymour is aged 60.

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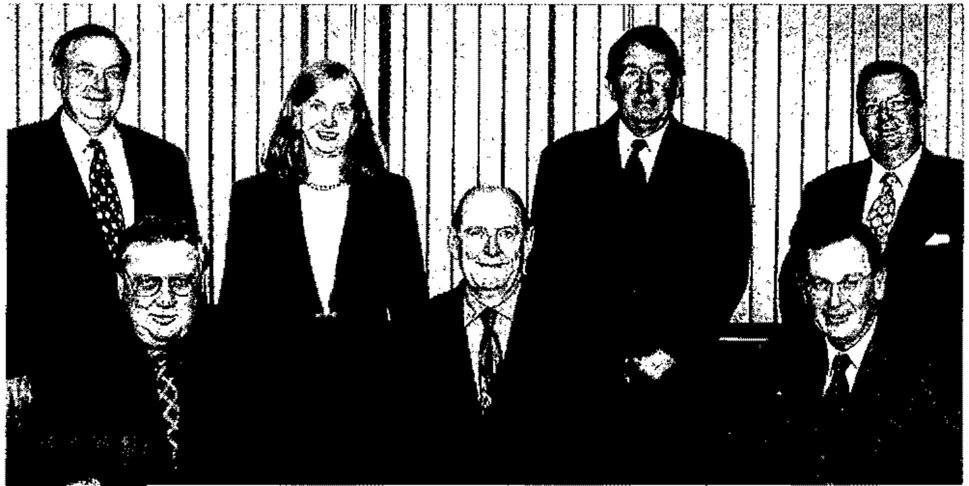
TAB



TAB Queensland Limited's Board of Directors
Seated L - R: John O'Brien (Deputy Chairman), George Chapman (Chairman), Dick McIlwain (Managing Director)
Standing L - R: John Bird, Dr Helen Nugent, Bob Bentley, Graeme Fry
Inset: Above - Wayne Myers, Below - Kevin Seymour

DISCUSSION AND ANALYSIS OF CONSOLIDATED BALANCE SHEET

The balance sheet for the Consolidated Entity reflects the following significant items:

- Cash holdings of $24.6M will be adequate to meet ongoing operational requirements, minor acquisitions and dividend payments;
- Property, plant and equipment of $43.0M represents physical assets at written down value. These assets include land and buildings (predominantly Head Office), wagering equipment and computer systems;
- Intangible assets are $45.8M at written down value, comprising Wagering Licences in Queensland and a Totalisator Licence in the Northern Territory, Broadcasting Licences, Monitoring Operator's Licences and a minor amount of goodwill. Licences are amortised on a straight-line basis so as to allocate their cost over the periods in which revenue will be earned. The Totalisator Licence for NT TAB Pty Ltd was purchased just prior to year-end and came into effect on 1 July 2000, thus no amortisation has been charged to 30 June 2000;
- Accounts payable within 12 months of $27.5M including product fee and wagering tax for June 2000 paid July 2000;
- Employee provisions of $6.4M, of which $5.9M is estimated to be payable within 12 months include an amount of $1.3M provided at 30 June 1999 for redundancies payable as a result of the introduction of the Natural Language Speech Recognition **(NLSR)** system. This amount continues to be provided for based on the success of the NLSR technology;
- Provision for dividend $13.7M allows for the payment of a fully franked dividend of 10.5 cents per share;
- Retained profits of $24.1M, of which $8.9M is attributable to amounts brought forward from a former non-corporate entity, The Totalisator Administration Board of Queensland. This amount has been supplemented by a $5.4M adjustment as a result of the introduction of tax effect accounting.

TAB

Discussion and analysis of consolidated balance sheet

Cash holdings of $24.6 million.

RMC.308

Statement of cash flows

for the year ended 30 June 2000

Cash receipts

$1.572 billion.

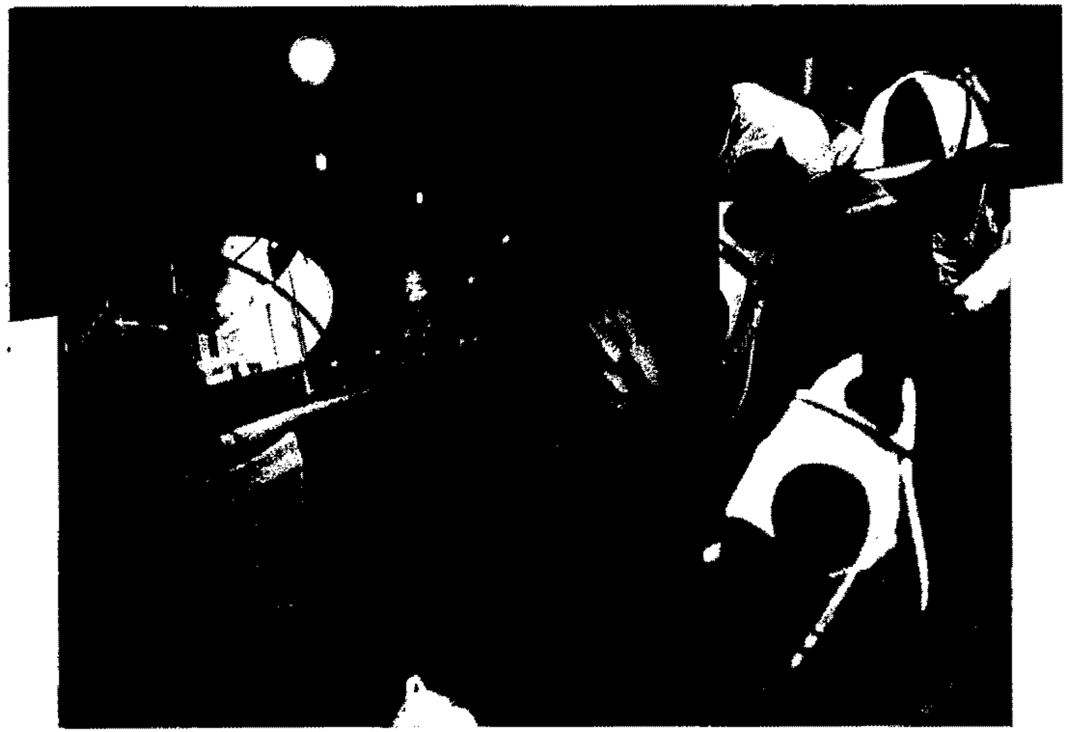
Cash returns

$1.305 billion.

STATEMENT OF CASH FLOWS for the Year Ended 30 June 2000

	Consolidated $'000
Cash flows from operating activities	
Cash receipts in the course of operations	1,572,457
Cash returns to customers in the course of operations	(1,305,296)
Payments to suppliers, service providers and employees	(87,764)
Payments to Queensland Government – wagering taxes	(46,295)
Payments to Queensland Racing Industry – product fees	(96,084)
Interest received	1,513
Net cash inflow from operating activities	38,531
Cash flows from investing activities	
Payment for purchase of controlled entity, net of cash acquired	(1,305)
Payments for property, plant, equipment and intangibles	(23,558)
Proceeds from sale of property, plant and equipment	245
Net cash outflow from investing activities	(24,618)
Cash flows from financing activities	
Dividends paid	(36,000)
Net cash outflow from financing activities	(36,000)
Net decrease in cash held	(22,087)
Cash at beginning of financial period	46,602
Cash at the end of financial period	24,515

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes and discussion and analysis.



Company's shared intellectual property in the NLSR system by licensing its interest in this technology to co-developer VeCommerce Limited and TABQ subscribing for almost 1.2 million of their listed ordinary shares.

Industry & Government Support

Queensland racing received $92 million in product fees during 1999/2000, plus a number of special payments from the Queensland Government on privatisation. Payments to the Racing Industry from TABQ in 1998/1999 were $75.2 million.

The Queensland State Government also continued to share directly in the wealth created by TABQ through wagering taxes and fees in 1999/2000 of $49.8 million.

Public Sensitivity to Gambling

TABQ recognises that it carries a range of social responsibilities as a significant supplier of wagering services in Queensland. Active participation on the Government's Responsible Gambling Advisory Committee is accepted as one of the more significant opportunities to develop a better understanding of the unique recreational benefits available from a skill-based wagering service which is supported by a full array of betting information.

TABQ will continue to acknowledge community views on gambling, and promote the responsible enjoyment of its services. We cannot ignore the obligation we have to the Racing Industry to secure the future of an activity which has been part of the Australian recreational landscape for almost 200 years.

Forecasts, Proformas and Real Profit

Finally, the actual after tax profit of $23.5 million is the result of trading under both Government and private ownership. The after tax profit would have been approximately $15 million if TABQ had been a listed company throughout the entire reporting period. This compares with a proforma forecast of $14.9 million in the Share Offer Document published last October, and is the more relevant base for forming a view on the future potential of TABQ.

R D McIlwain
CHIEF EXECUTIVE and
MANAGING DIRECTOR

RMC.309

Our ongoing investment in more efficient service delivery systems continues to be an integral part of a strategy to improve earnings.

Gaming Services

TABQ's gaming services business is producing good returns from the Company's earlier investment in gaming systems. The acquisition and integration of Golden Gaming Pty Ltd from Golden Casket Lottery Corporation Limited has delivered the market share needed to justify an ongoing investment in the maintenance and development of new gaming systems.

This market share was further enhanced by the post year end acquisition of Tattersall's Gaming Systems Qld Pty Ltd which added approximately 1500 gaming machines to those monitored by the Company.

Business Strategy

TABQ's participation in the consolidation of the gaming services and wagering businesses in Queensland and elsewhere has proven to be a sound investment strategy. This strategy has enabled TABQ to build on its competencies, and has produced immediate returns.

Meanwhile, TABQ will continue to progress opportunities to improve its efficiency, and remain ahead of the market. The architecture of www.tabq.com has been overhauled, and the next generation of our fully electronic interactive retailing systems will apply the lessons learned from the re-development of www.tabq.com and the early versions of the interactive point-of-sale betting information systems.

Our ongoing investment in more efficient service delivery systems continues to be an integral part of a strategy to improve earnings. The preferred strategy is to take full value from the development and ownership of any new systems. This has included the opportunity to exploit the

DISCUSSION AND ANALYSIS OF STATEMENT OF CASH FLOWS

Cash flows from operating activities were $1.57 billion for the year to 30 June 2000. These cash flows are provided predominantly (more than 99%) by race wagering activity, and supplemented by revenue from gaming machine monitoring and services, commission from retailing Keno on behalf of the licence holder, renting equipment to agents and providing pooling facilities on a fee for service basis to foreign operators. Cash flows from wagering activities are predominantly (more than 99%) sales of betting products, supplemented by other cash flows associated with wagering such as net movements in telephone betting account balances and security deposits received from agents.

Cash returns to customers ($1.31 billion) were predominantly (more than 99%) for the payment of winning dividends to wagering customers.

Payments to suppliers, service providers and employees ($88 million) included the following:

- Commissions paid to agents for selling wagering products - $36M;
- Salaries and on-costs paid to and on behalf of employees - $23M;
- Costs associated with occupying freehold and leasehold properties - $6M;
- Cost of providing information services, including extensive radio network, Sky racing vision, newspaper form and Austext services - $6M; and
- All other cash operating expenses - $17M.

Additionally, $46M was paid to the Queensland Government as wagering taxes, and the Queensland Racing Industry received $96M (with a further $4M and $8M respectively owing at year end).

An amount of $1.5M was received as interest on cash holdings, notwithstanding a substantial diminution in cash in November 1999 due to the payment of a special dividend of $36M to the State of Queensland.

Cash flows from investing activities include $1.3M paid for the acquisition of Golden Gaming Pty Ltd from Golden Casket Lottery Corporation Limited, adding around 3,600 gaming machines to the Consolidated Entity's gaming business.

A further $23.6M was expended on property, plant and equipment, including the payment in late June of $8M to acquire a Totalisator Licence in the Northern Territory effective from 1 July 2000. Property, plant and equipment includes the development of Natural Language Speech Recognition technology, continual development of the wagering systems, the continuing refurbishment and upgrade of betting premises and the deployment of wagering equipment for fixed price sports betting.

Discussion and analysis of statement of cash flows

Queensland Racing Industry received $96 million.

RMC.310

Notes to the concise financial report

for the year ended 30 June 2000

Earnings per Share 18.0 cents

NOTES TO THE CONCISE FINANCIAL REPORT for the Year Ended 30 June 2000

This Concise Financial Report relates to the Consolidated Entity consisting of TAB Queensland Limited and the entities it controlled at the end of, or during the year ended 30 June 2000. The accounting policies adopted are consistent with those of the previous year.

1. SEGMENT INFORMATION

The Consolidated Entity operates predominately in the leisure and entertainment industry in Australia. Activities include the provision of wagering, gaming and related broadcasting services and facilities.

2. DIVIDENDS

	2000 $'000
Ordinary Shares	
Special dividend paid to State Government of Queensland on 9 November 1999	36,000
Final dividend of 10.5 cents per fully paid ordinary share recognised as a liability and expected to be paid on 27 October 2000 Franked at 34%	13,734

Franked Dividends

The franked portions of the dividends proposed as at 30 June 2000 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2001.

3. EARNINGS PER SHARE

	2000
Basic earnings per share	18.0 cents

No adjustment has been made in the above calculation in relation to movements in share capital prior to 15 November 1999, the listing date. There is no material difference between basic earnings per share and diluted earnings per share.

4. EVENTS OCCURRING AFTER BALANCE DATE

Since the end of the financial year TAB Queensland Limited has acquired Tattersall's Gaming Systems Qld Pty Ltd. This acquisition increased the number of gaming machines monitored by the Consolidated Entity by approximately 1500 gaming machines.

NT TAB Pty Ltd commenced trading under its Totalisator Licence in the Northern Territory on 1 July 2000.

5. FULL FINANCIAL REPORT

Further information can be obtained from the full Annual Report (which comprises this Concise Report plus the Annual Financial Report) which is available, free of charge, on request from the Company. A copy may be requested by calling 1800 333 053. Alternatively, both the Annual Financial Report and the Concise Report can be accessed via the Internet at www.tabq.com.

Opportunities to improve earnings will rely heavily on the introduction of Natural Language Speech Recognition call handling technology.

Chief Executive's Report

Off-course race wagering, fixed price sports betting, and the rapid development of TABQ's gaming services business, all combined to deliver revenue growth in 1999/2000. The mix of revenue, and continual adjustments to costs, have enabled us to increase earnings before interest, taxes, depreciation and amortisation, and exceed both the forecast and proforma profits from the Share Offer Document which was used by investors to purchase shares in the Company in November 1999.

Race Wagering

Off-course race wagering sales growth, a further shift toward high-yield bet types, and adjustments to the amount deducted from individual wagering pools, provided the foundation for a 1.8% increase in race wagering revenue. The average deduction from pools in 1999/2000 was 15.7%. This is below the allowable maximum of 16%.

The race wagering business also continues to benefit from the progressive conversion of the retail network to electronically supported raceday information systems, and the more efficient handling of the recent rapid growth in the sales delivered by telephone and www.tabq.com. Fully electronic information distribution systems are already supported in 38% of all retail sites. Meanwhile, telephone and Internet sales have risen to 23.7% of all sales, after being 16.5% two years ago.

Future opportunities to improve the earnings from the wagering business will rely heavily on the introduction of Natural Language Speech Recognition (**NLSR**) call handling technology, and the extension of TABQ's retailing systems into new markets.

NLSR is an investment in call handling capacity which will reduce service delivery costs. It is expected to process up to 20% of the 13.4 million telephone betting calls currently handled by operators each year, simply by enabling a computer to hear, repeat, and process bets. The savings in under-utilised equipment, occupancy, labour and parking costs are obvious for a business which experiences short, sharp peaks in demand.

...provided TABQ with the opportunity to extract early profits from the extension of TABQ's retailing systems into a new marketplace.

Meanwhile, the Northern Territory TAB acquisition is expected to add approximately a cent to earnings per share after tax in 2000/2001. The installation of TABQ's systems into the Territory, and the substitution of the Territory's race broadcasting service with the RadioTAB program provided by TABQ's wholly-owned commercial race broadcaster, Broadcasting Station 4IP Pty Ltd, have provided TABQ with the opportunity to extract early profits from the extension of TABQ's retailing systems into a new marketplace.

Interest in sports betting is already four times the levels of FootyTAB.

Sports Wagering

TABQ's sports wagering business has grown beyond FootyTAB to fixed price betting. Fixed price betting was first offered by TABQ in September 1999 with the assistance of TABCORP's "tab sportsbet" book building service. It is supported with interactive information modules in agencies, branches, and participating hotels and clubs. This service is also available on www.tabq.com.

Interest in sports betting is already at four times the levels experienced when TABQ relied on FootyTAB alone. Win rates have regularly achieved double digits.

RMC.311

TAB

Dear Shareholder

The transition from Government to private ownership in November 1999 dominated TAB Queensland Limited's **(TABQ)** corporate and financial activities in 1999/2000. The Company ended the financial year in the hands of just over 100,000 individual and institutional shareholders.

Forecasts in the Share Offer Document used to transfer TABQ from Government to private ownership proved to be a reliable indication of the potential of our business in 1999/2000. Both earnings before interest and tax of $27.4 million, and profit after tax of $23.5 million, were slightly better than forecast. These results provide the foundation for further growth in earnings.

The results were largely achieved on the back of growth in off-course race wagering revenue, the introduction of fixed price sports betting, and the expansion of the gaming services business. These activities continue to build profits from the more efficient use of the Company's existing retailing and technical systems. This strategy will unfold further in 2000/2001 with the acquisition of the Northern Territory TAB and Tattersall's Gaming Systems Qld Pty Ltd.

Meanwhile, your Board continues to review the potential to use the Company's strong balance sheet to consolidate its current business, and position it for the eventual removal of restrictions on its ownership during 2004. This includes the opportunity to offer a cornerstone shareholding of up to 20% of the Company's shares to a single entity.

Your Directors have taken the view that the premature introduction of a cornerstone shareholder could reduce the potential to form more suitable commercial alliances. Shareholders can be sure that the Board will use its unique control over the register only when it is likely to maximise the value available from ultimately being the only listed TAB in Australia to have a flexible ownership structure.

Current cash holdings will be used to grow the business, and improve earnings per share.

In the meantime, the current cash holdings will be used to pursue opportunities to grow the business, and improve earnings per share with acquisitions which exploit our strengths and improve our competitiveness. We will consider other options for dealing with the Company's under-geared balance sheet only if further opportunities to build the business fail to emerge.

The prospects for the 2000/2001 financial year are encouraging. The integration of the recent acquisitions, continuing growth in sports betting, and a more favourable racing calendar, suggest that profit next year will comfortably exceed the pro forma forecast from the privatisation Share Offer Document for 1999/2000 of $14.9 million.

The Share Offer Document indicated a dividend of 10.3¢ per share would be paid in October. Your Directors have determined that this dividend be increased to 10.5¢ per share and will be paid on or about 27 October 2000.

George Chapman
CHAIRMAN

6. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

The total remuneration received or due and receivable by Directors of the Company for the year ended 30 June 2000 was:

	Directors of Entities in the Consolidated Entity 2000 $
Income paid or payable, or otherwise made available, to Directors by entities in the Consolidated Entity and related parties in connection with the management of affairs of the parent entity or its controlled entities (excluding value of options issued to the Managing Director).	963,263

The numbers of parent entity Directors whose total income from the parent entity or related parties was within the specified bands are as follows:

$		$	
40,000	-	49,999	3
50,000	-	59,999	3
90,000	-	99,999	1
570,000	-	579,999	1

Executive Officers' Remuneration

	Executive Officers of the Consolidated Entity $
Remuneration received, or due and receivable, from entities in the Consolidated Entity and related parties by Australian based executive officers (including the Managing Director) whose remuneration was at least $100,000:	
Executive officers of the parent entity	1,564,001
Executive officers of other entities in the Consolidated Entity	129,778
	1,693,779

TAB

Notes to the concise financial report

for the year ended 30 June 2000

Fully franked dividend of 10.5 cents per share

RMC.312

Notes to the concise financial report

for the year ended 30 June 2000

Total number of employees full-time and casuals 754.

Notes to the Concise Financial Report for the Year Ended 30 June 2000 (Cont.)

The numbers of Australian based executive officers (including the Managing Director) whose remuneration from entities in the Consolidated Entity and related parties was within the specified bands are as follows:

$		$	Executive Officers of the Consolidated Entity
110,000	–	119,999	1
120,000	–	129,999	1
130,000	–	139,999	1
150,000	–	159,999	2
170,000	–	179,999	1
240,000	–	249,999	1
570,000	–	579,999	1

7. **COMPARATIVES**

TAB Queensland Limited was incorporated on 1 July 1999 and operates under a regime that is significantly different from its predecessor, The Totalisator Administration Board of Queensland.

Due to the misleading nature of comparisons between the two entities, ASIC has determined that Class Order 98/1416 applies, granting relief from providing comparative figures in the first year of operations of an entity that has not previously prepared financial reports in accordance with the Corporations Law.

Further financial information can be obtained from TAB Queensland Limited's Annual Financial Report which may be obtained free of charge on request to the Company's Share Registry on 1800 333 053.

DIRECTORS' DECLARATION

In the opinion of the Directors of TAB Queensland Limited **(TABQ)** the accompanying Concise Financial Report of the Consolidated Entity, comprising TABQ and its controlled entities, for the year ended 30 June 2000 set out on pages 18 to 26:

(a) has been derived from or is consistent with the consolidated Annual Financial Report for the financial year; and

(b) complies with Accounting Standard AASB 1039 "Concise Financial Reports".

Dated at Brisbane this 13th day of September 2000

Signed in accordance with a resolution of the Directors:

G Chapman
Chairman

R D McIlwain
Managing Director

HIGHLIGHTS FOR 1999/2000

Activities

July 1999

- TAB Queensland Limited granted exclusive Sports and Race Wagering Licences.

September 1999

- Launched retail fixed price sports betting on a wide range of sporting events.
- Acquired Golden Gaming Pty Ltd expanding the Group's gaming machine monitoring business.

November 1999

- Admitted to the official list of the Australian Stock Exchange.

April 2000

- Selected as the preferred purchaser of the Northern Territory TAB.

June 2000

- Completed acquisition of the Northern Territory TAB.
- Awarded Totalisator Licence to conduct race and sports wagering in the Northern Territory.
- Commenced operation of the Natural Language Speech Recognition System **(NLSR)**.
- Licensed NLSR intellectual property rights to VeCommerce Limited and subscribed for a share placement in VeCommerce Limited.

Financial

	2000
Total Revenue	$269.3M
EBITDA	$37.4M
EBIT	$27.4M
Profit before Tax	$28.9M
Profit after Tax	$23.5M
State Gambling Taxes	$49.2M
Revenue generated for the Queensland Racing Industry	$92.0M

Key Ratios

Earnings per Share	18.0 cents
Dividend per Share (fully franked)	10.5 cents
Return on Shareholders' Equity	35%
Number of Employees (including fulltime and casual as at 30 June 2000)	754
Number of Shareholders (as at 30 June 2000)	103,528

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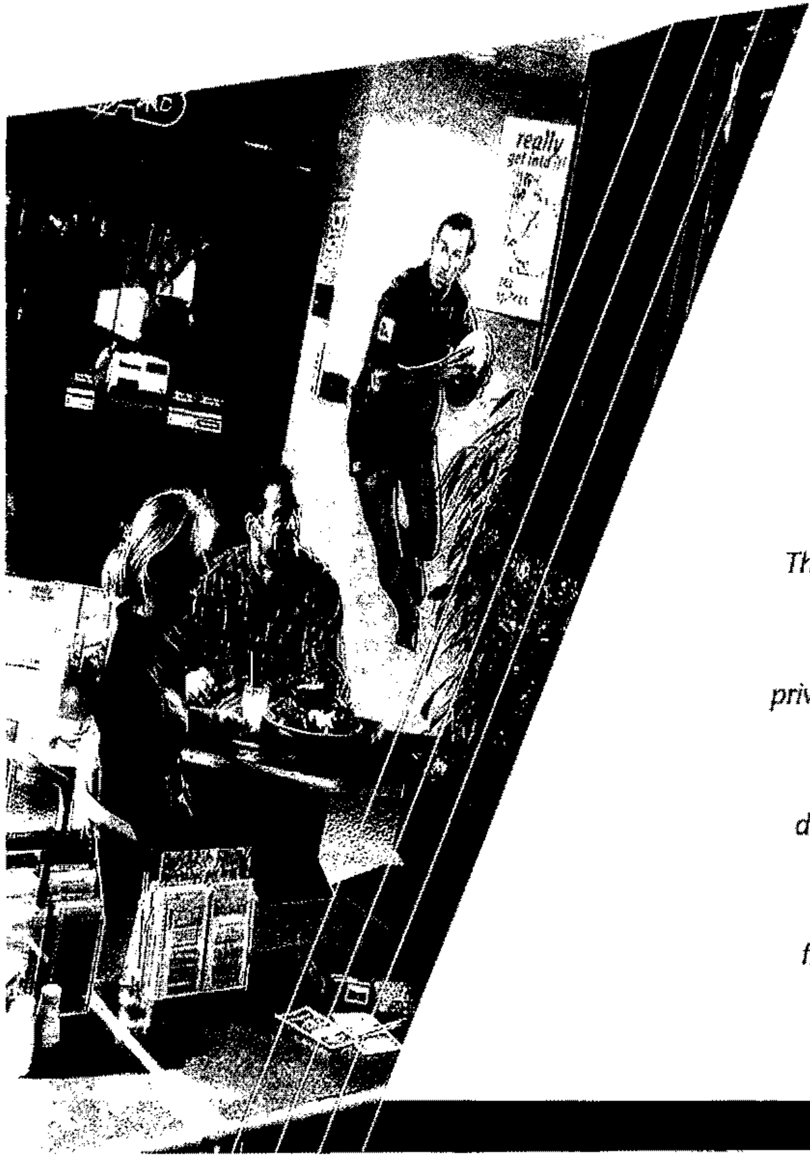
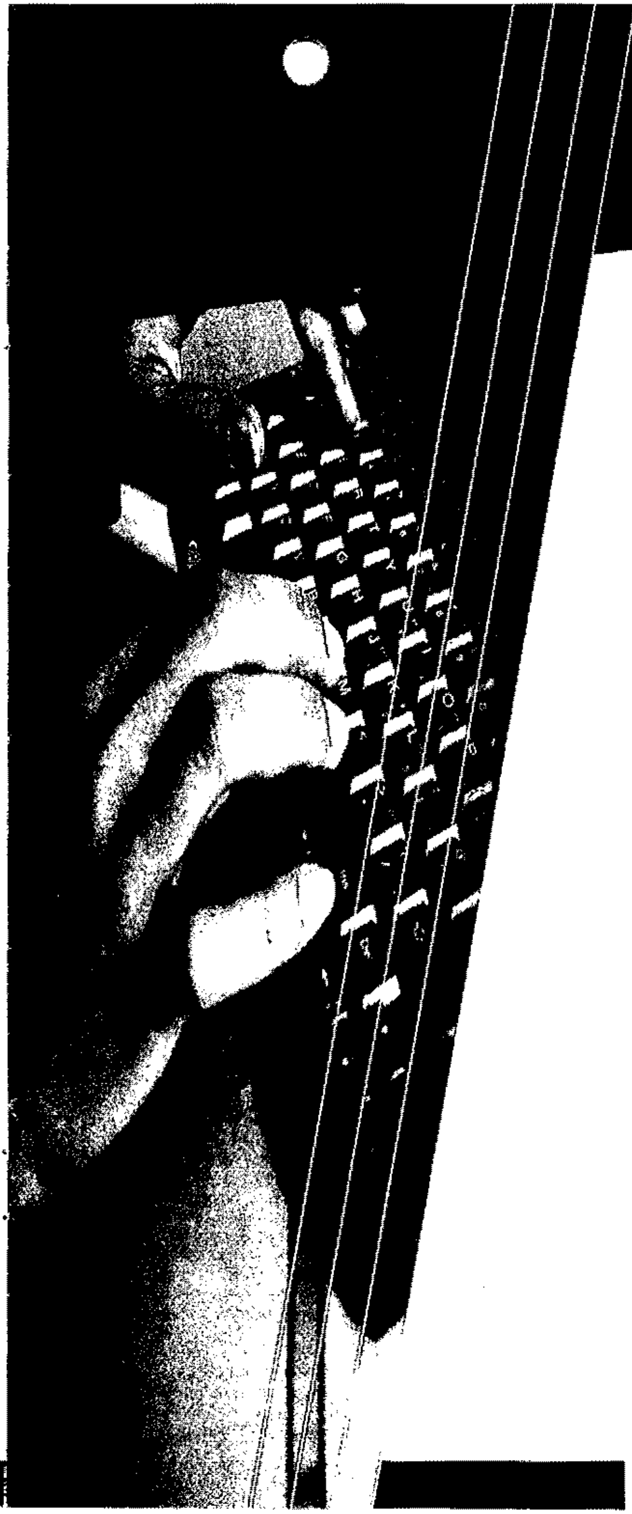


The transition from Government to private ownership in November 1999 dominated TABQ's corporate and financial activities in 1999/2000.



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To the Members of TAB Queensland Limited

Scope
We have audited the concise financial report of TAB Queensland Limited (the "**Company**") for the financial year ended 30 June 2000 as set out on pages 18 to 26 in order to express an opinion on it to the members of the Company. The Company's Directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of the Company for the financial year ended 30 June 2000. Our audit report on the full financial report was signed on 13 September 2000 and was not subject to any qualification.

Our procedures in respect of the audit of the concise financial report included testing that the information included in it is consistent with the full financial report and examination, on a test basis, of evidence supporting the amounts, discussion and analysis and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion as to whether the concise financial report complies with Australian Accounting Standard AASB 1039: Concise Financial Reports in that, in all material respects, it is presented fairly in accordance with that standard.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion
In our opinion, the concise financial report of the Company complies with Accounting Standard AASB 1039: Concise Financial Reports.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants

B. S. Delaney

B S Delaney
Partner

Brisbane
13 September 2000

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Shareholder Information

Top Twenty Shareholders

At 4 September 2000, the twenty largest holders of the Company's fully paid ordinary shares held approximately 42.7 million shares, equal to 32.65 percent of the total ordinary shares issued.

	Name of Shareholder	Number of Ordinary Shares	Percentage Held
1	Rubicon Nominees Pty Ltd	7,737,403	5.92
2	Chase Manhattan Nominees Limited	7,413,373	5.67
3	Perpetual Nominees Limited (PMISF A/C)	3,548,422	2.71
4	Permanent Trustee Australia Limited (FIR0020 A/C)	3,116,968	2.38
5	Queensland Investment Corporation	2,535,000	1.94
6	Seymour Group Pty Ltd	2,220,000	1.70
7	National Nominees Limited	2,162,529	1.65
8	Permanent Trustee Australia Limited (FIR0027 A/C)	2,134,923	1.63
9	Kayaal Pty Ltd	2,100,000	1.61
10	Solid Earth Pty Ltd	2,100,000	1.61
11	WBK Pty Ltd	2,100,000	1.61
12	Westpac Custodian Nominees Limited	1,209,336	0.92
13	AMP Life Limited	727,539	0.56
14	Perpetual Nominees Limited (ICIS A/C)	636,295	0.49
15	BT Custodial Services Pty Limited (SUB CUS A/C)	546,932	0.42
16	Citicorp Nominees Pty Limited	501,547	0.38
17	Travelon Insurance (Agencies) Pty Limited	500,000	0.38
18	CSS Board	486,823	0.37
19	AMP Nominees Pty Limited	458,870	0.35
20	Commonwealth Custodial Services Limited	455,194	0.35
	Total	42,691,154	32.65%

Substantial Shareholders

At 4 September 2000, the following entries were contained in the register of substantial shareholdings with respect to the Company's ordinary shares:

Shareholdings	Number of Shares
Solid Earth Pty Ltd (by notice dated 16 December 1999)	8,808,710
Commonwealth Bank of Australia (by notice dated 30 August 2000)	6,912,418
Guiness Peat Group plc (by notice dated 27 January 2000)	6,636,936
Perpetual Trustees Australia Limited (by notice dated 18 April 2000)	6,740,371

Distribution of Shareholdings (as at 4 September 2000)

Range	Number of Holders of Ordinary Shares	% of Holders	Number of Shares	% of Shares
1 - 1,000 shares	89,325	90.81	47,793,076	36.54
1,001 - 5,000 shares	7,821	7.95	19,776,174	15.12
5,001 - 10,000 shares	876	0.89	6,610,304	5.05
10,001 - 100,000 shares	298	0.30	7,233,094	5.53
100,001 - and over	50	0.05	49,387,352	37.76
Total	98,370	100%	130,800,000	100%

Holders of Non-Marketable Parcels

At 4 September 2000 there were 146 shareholders (holding a total of 13,956 shares) with less than a marketable parcel of the Company's shares (being 233 or fewer shares).

Voting Rights of Shareholders

The fully paid ordinary shareholders of the Company are entitled to vote at any meeting of the Members of the Company and their voting rights are:

- on a show of hands - one vote per shareholder; and
- on a poll - one vote per fully paid ordinary share.

Shareholder Restrictions

The TAB Queensland Limited Privatisation Act 1999 (the "**Act**") sets out two classes of restrictions in relation to shareholdings in the Company. All shareholding restrictions in the Act expire on 31 August 2004 and in summary the restrictions are:

1. No entity, other than an exempt entity or an approved cornerstone investor, may become entitled to more than 10% of the voting shares in the Company.
2. Only one entity at any time, which is designated as the cornerstone investor by the Governor-in-Council under the Act, may become entitled to up to 20% of the voting shares in the Company. In the event that there is a cornerstone investor in the future, the cornerstone investor can not sell down its shareholding in the Company for a period of two years from the date that it first acquires shares as the prescribed cornerstone investor without the prior approval of the Minister responsible for administering the Act. At the date of this Concise Report no cornerstone investor had been prescribed under the Act.

On Market Buy-back

There is no current on-market buy back in respect of the Company's shares.

Our Vision &

To be the leading provider of challenging, exciting and rewarding betting and entertainment services.

We aim to achieve this by:

- *understanding our customers' needs and market opportunities better than our competitors;*
- *rapidly implementing profitable products and services to meet these needs;*
- *inviting our people to apply their expertise to deliver results;*
- *continuously improving our performance;*
- *pursuing growth opportunities in new business consistent with our strengths.*

Thereby:

- *generating the profit required to grow the business and support our shareholders.*

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TAB

www.tabq.com

Annual Report
If you wish to obtain the full Annual Report (which comprises this Concise Report plus the Annual Financial Report) please contact TAB Queensland Limited's Share Registry on 1800 333 053. The Annual Financial Report will be provided free of charge. A copy of this Concise Report and the Annual Financial Report can be found on our internet site, www.tabq.com.

Important Note
The financial statements and disclosures contained in this Concise Report have been derived from the Annual Financial Report. The Concise Report does not provide as full an understanding of the financial performance, financial position and financing and investing activities of the Consolidated Entity as the Annual Financial Report.

General Information

GENERAL INFORMATION

Registered Office
TAB Queensland Limited
240 Sandgate Road
Albion Brisbane Qld 4010

Telephone: (07) 3262 6666
Facsimile: (07) 3262 3014

Company Secretary
Barrie J Fletton

Share Registry
Computershare Registry Services Pty Ltd
GPO Box 523
Brisbane Qld 4001
Telephone: 1800 333 053

Change of Address
Shareholders should advise the Share Registry immediately in writing as soon as their address changes. Broker sponsored shareholders should advise their sponsoring broker.

Annual General Meeting
The Annual General Meeting of the Company will be held at the Silk's Function Room, Albion Park Raceway at 3 Amy Street, Albion, Brisbane at 1.30pm (Brisbane time) on Friday 17 November 2000.

Stock Exchange Listed Securities
The Company's shares are listed on the Australian Stock Exchange (ASX). The ASX code is "TQL".

Key Dates*
Dividend payment (final) *
27 October 2000
Annual General Meeting
17 November 2000
* Dates may be subject to change

Consolidation of Shareholdings
Please contact the Company's Share Registry if you have received more than one Concise Report for the same shareholding. Broker sponsored shareholders should advise their sponsoring broker.

Tax File Number
Shareholders who have not provided their tax file number and would like to do so should contact the Company's Share Registry on 1800 333 053. The Company is required to deduct tax at the top marginal rate plus the Medicare levy from unfranked or partially franked dividends paid to Australian resident shareholders who have not supplied their Tax File Number or exemption details.

Direct Credit of Dividends
Shareholders may nominate a financial institution account in Australia into which dividend payments may be credited.
Please contact the Company's Share Registry on 1800 333 053 for a form to make such nomination.

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TAB QUEENSLAND LIMITED ACN 085 691 738

Concise Report 2000

Item for Decision

AGENDA ITEM 5

REPORT ON GOVERNANCE AND NOMINATION COMMITTEE

Distribution: Tattersall's Board

A meeting of the Governance and Nomination Committee was held on 30 August 2007.

Matters Resolved by the Committee

As a consequence of that meeting the members resolved to recommend to the Board the following:

1. That the amendments to the Independence Criteria shown by way of mark-up in the attached schedule entitled "Independence Criteria Schedule" be adopted.

2. That, in accordance with the Independence Criteria, all of the Directors be considered as independent except for:

   (a) Dick McIlwain as a consequence of him being an executive of the Company; and
   (b) Bob Bentley as a consequence of him being a person otherwise associated indirectly with a material supplier to the Group.

3. That the Charter be amended to delete reference to paragraph 3.1.6 of the Charter.

   Paragraph 3.1.6 provides "Members will be appointed for a three year term of office with staggered anniversary dates."

4. That the Board support the re-election of the three retiring Directors comprising Messrs Boon and Jamieson and Ms Cattermole.

Matters Noted by the Committee

It was also thought appropriate to draw to the Board's attention for noting the following:

5. The Committee resolved to adopt a process for the evaluation of the Board's performance which involves the following key steps:

   (i) Provision of a Board evaluation questionnaire to Board members and specified senior executives.

(ii) Preparation of an Issues Paper which will be prepared by the Company Secretary in conjunction with the Chairman based on the questionnaire responses. Results will be aggregated to preserve confidentiality.

(iii) The initial draft of the Issues Paper will be reviewed jointly by the Chairman and the Chief Executive to identify any sensitive issues that need to be managed. The Chairman will raise any sensitive issues with individual Directors and any issues with the Chairman will be raised by the Chairman of the Audit, Risk and Compliance Committee.

(iv) The Issues Paper will be discussed at a Board meeting.

(v) A debriefing session will occur with those senior executives who have contributed to the evaluation process.

The evaluation of the Board's performance is proposed to occur before the AGM with the questionnaire to be distributed at or shortly after the September Board meeting.

A review of individual Directors will occur in the following year.

6. The Committee:

   (i) reviewed and provided comments generally on the draft Corporate Governance Statement;

   (ii) resolved that the information relating to its responsibilities and activities contained in the draft Corporate Governance Statement be approved for publication in the Annual Report.

Recommendation:

That the Board resolve to adopt the matters recommended by the Committee as set out in items 1 – 4 above.

PENNY GRAU
Company Secretary

FOR BOARD MEETING HELD ON 27.09.07

	Independence Criteria	H Boon	D McIlwain	R Bentley	L Cattermole	G Chapman	B Jamieson	J Playoust	K Seymour
	Confirmed Details	Yes	N/A	Yes	Yes	Yes	Yes	Yes	Yes
1.	The Director is or has been a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company	X	X	X	X	X	X	X	X
2.	The Director is or has been a Tattersall's employee in the previous three years	X	√	X	X	X	X	X	X
3.	The Director is or has been a material professional adviser or consultant to ~~Tattersall's~~the Group in the previous three years	X	X	X	X	X	X	X	X
4.	The Director is or has been a material supplier or customer of ~~Tattersall's~~the Group or an officer of, or otherwise associated directly or indirectly with a material supplier or customer	X	X	Note [1]	X	X	X	X	X

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5.	The Director has or has had material contractual relationships with ~~Tattersall's~~the Group other than as a Director	X	X	X	X	X	X	X	X
6.	The Director's length of tenure may materially interfere with the ability to act in the Company's best interests	X	X	X	X	X	X	X	X
7.	The Director has any material business or other relationships which may interfere with the ability to act in the Company's best interests	X	X	X	X	X	X	X	X
8.	No other relationship exists between the Director and Tattersall's that may interfere with the exercise of independent judgement	X	X	X	X	X	X	X	X

NOTE: Family ties and cross directorships may also be relevant in considering interests and relationships which may compromise a non-executive Director's independence.

Note [1]: B. Bentley is Chairman of Queensland Thoroughbred Racing Board (**QTRB**). Through Queensland Product Co. (**QPC**) QTRB supplies product to UNiTAB and UNiTAB has made payments totalling $127M to QPC for the year ended 30 June, 2007. As a consequence, previously UNiTAB had considered B. Bentley not to be independent as he did not meet criteria 4.