Tatts Group Limited
ASX Financial Year Information – 30 June 2009

27 August 2009

RESULTS FOR ANNOUNCEMENT TO THE MARKET

TATTS GROUP LIMITED PRELIMINARY FINAL REPORT

FOR FULL YEAR ENDED 30 JUNE, 2009

In accordance with the ASX Listing Rules, the following documents are attached for immediate release to the market.

1. Preliminary Final Report for the year ended 30 June, 2009 (Appendix 4E)
2. Directors' Report and audited Financial Report for the year ended 30 June 2009

DIVIDEND

The directors have determined a fully franked final dividend of 11.0 cents per share, to be paid on 2 October 2009. The record date for determining entitlements is 8 September 2009.

The Company's Dividend Reinvestment Plan (**DRP**) will operate for the final dividend. To participate in the DRP for this final dividend, those shareholders who have not already done so will need to lodge a DRP Notice of Election with Computershare Investor Services Pty Ltd by the end of the record date, 8 September 2009. The price at which shares are issued under the DRP is the daily volume weighted average market price of the Company's shares sold in the ordinary course of trading on the ASX during the ten trading days commencing on the second trading day after the dividend record date. Shares issued under the DRP will rank equally with existing ordinary shares from the date of issue. Currently there is no discount applicable on the price of shares issued under the DRP. Information about the DRP can be found on the Company's website at www.tattsgroup.com/investors.

The information contained in this release should be read in conjunction with the Company's most recent annual financial report.

ANNUAL GENERAL MEETING

The Directors have resolved to convene the Annual General Meeting of the Company on Friday, 30 October, 2009 commencing at 2.00 pm to be held at the Brisbane Convention & Exhibition Centre, corner Merivale and Glenelg Streets, South Bank, Brisbane.

Penny Grau.

Penny Grau
Company Secretary

Tatts Group Limited
ABN 19 108 686 040

Preliminary Final Report & Accounts
30 June 2009

Tatts Group Limited
ABN: 19 108 686 040
Financial year ended 30 June 2009
(Previous corresponding period:
Financial year ended 30 June 2008)

Results for Announcement to the Market

	Financial Year to 30 June 2008 $'000		**Financial Year to 30 June 2009 $'000**	Percentage change %
Revenue from ordinary activities	3,094,164	to	**3,252,484**	5.1
Profit from ordinary activities after tax attributable to members before impairment charge[1]	257,586	to	**280,841**	9.0
Profit from ordinary activities after tax attributable to members	257,586	to	**277,441**	7.7
Net profit for the period attributable to members	257,586	to	**277,441**	7.7

[1] The Group has booked an impairment loss of $3.4m after tax relating to its investment in Sky City Entertainment Group Limited.

Dividend/distributions	Amount per security (cents)	Franked amount per security (cents)	Amount $'000	Date Paid/ Payable	Amount per share of foreign source dividend (cents)
Final dividend - current year[2]	11.0	11.0	139,708	2/10/09	0.0
Special dividend - previous year[3]	10.5	10.5	132,862	3/10/08	0.0
Interim dividend - current year	10.0	10.0	126,542	3/4/09	0.0
Interim dividend - previous year	9.5	9.5	120,209	4/4/08	0.0

[2] The record date is 8 September, 2009.

[3] The prior year special dividend of 10.5 cents per share as determined by the Directors on 28 August, 2008 was a substitute for the final dividend.

Dividend Reinvestment Plan (DRP)

The Company's Dividend Reinvestment Plan (**DRP**) will operate for the final dividend. To participate in the DRP for this final dividend, those shareholders who have not already done so will need to lodge a DRP Notice of Election with Computershare Investor Services Pty Ltd by the end of the record date, 8 September 2009. Information about the DRP can be found on the Company's website at www.tattsgroup.com/investors.

Explanation of Revenue

Refer to Tatts Group Limited Directors' Report and audited Financial Report.

Explanation of Profit/(loss) from ordinary activities after tax

Refer to Tatts Group Limited Directors' Report and audited Financial Report.

Explanation of Results for the period

Refer to Tatts Group Limited Directors' Report and audited Financial Report.

Statement of Financial Performance

Refer to the Income Statements and accompanying Notes in the audited Financial Report.

Statement of Financial Position

Refer to the Balance Sheets and accompanying Notes in the audited Financial Report.

Statement of Cash Flows

Refer to the Cash Flow Statements and accompanying Notes in the audited Financial Report.

Statement of Retained Earnings

Refer to Note 26 of the audited Financial Report.

NTA Backing

	30 June 2009	30 June 2008
Net tangible asset backing	(56) cents per share	(55) cents per share

Controlled entities acquired or disposed of during reporting period

Refer to notes 9 and 33 of the audited Financial Report.

Associates and Joint ventures entities

Name	Ownership interest		Aggregate share of profits/(losses), where material		Contribution to net profit, where material	
	2009 %	2008 %	2009 $m	2008 $m	2009 $m	2008 $m
LH Developments Pty Ltd	50	50	-	-	-	-
George Adams Pty Ltd and Prizac Investments Pty Ltd	50	50	-	-	-	-
European Gaming Group[4]	100	100	N/A	N/A	N/A	N/A

[4] The European Gaming Group was fully acquired on 3 January 2008, prior to that the ownership interest was 50%. Refer to Note 33 of the audited Financial Report.

Earnings per security

Please refer to Note 38 of the audited Financial Report

Compliance Statement

This report is based on, and should be read in conjunction with, the attached Directors' Report and audited Financial Report for the financial year ended 30 June, 2009.

Penny Grau.

Penny Grau
Company Secretary

27 August 2009

Tatts Group Limited
ABN: 19 108 686 040
Directors' Report & Financial Report
30 June 2009

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Directors' Report

Your Directors present their Report on the consolidated entity consisting of Tatts Group Limited (the Company or Tatts Group) and the entities it controls (the Group) at the end of, or during, the year ended 30 June 2009.

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:

Harry Boon
Dick McIlwain
Robert Bentley
Lyndsey Cattermole AM
Brian Jamieson
Julien Playoust
Kevin Seymour AM

George Chapman AO retired from the Board on 31 August 2008.

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

Other Current Directorships

Harry is currently Chairman of Gale Pacific Limited (Director since August 2005) and a non-executive Director of Toll Holdings Limited (Director since November 2006), PaperlinX Limited (Director since May 2008) and Hastie Group Limited (Director since February 2005), all ASX listed companies.

Special Responsibilities

Chairman of Governance and Nomination Committee

Former Listed Public Company Directorships in last 3 years:

Funtastic Limited (September 2004 to February 2007)

Dick McIlwain
Managing Director and Chief Executive

Member of the Board since 12 October 2006.

Dick is the Managing Director and Chief Executive of Tatts Group, previously having joined UNiTAB as Chief Executive in 1989. He was appointed as a Director of UNiTAB in September 1999.

Dick is a fellow of the Australian Institute of Company Directors and holds a Bachelor of Arts from the University of Queensland.

Other Current Directorships

Dick is the non-executive Chairman of Super Cheap Auto Group Limited (Director since May 2004) and Wotif.com Holdings Limited (Director since April 2006), both ASX listed companies.

<u>Robert Bentley</u>
Non-Executive Director

Member of the Board since 12 October 2006, previously having been appointed to the UNiTAB Board in July 1999.

Bob has extensive business experience in the racing, pastoral and timber related industries and property development.

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).

Other Current Directorships

Bob is Chairman of Queensland Racing Limited and Chairman of the Australian Racing Board. He is also Vice-Chairman of the Asian Racing Federation and Chairman of Sunshine Coast Racing Pty Ltd.

Special Responsibilities

Member of the Governance and Nomination Committee
Member of the Remuneration Committee

<u>Lyndsey Cattermole AM</u>
Non-Executive Director

Member of the Board since 31 May 2005.

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

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

Other Current Directorships

Lyndsey is a Non-Executive Director of Foster's Group Limited (Director since October 1999), an ASX listed company. She is also the Chairman of Methodist Ladies' College and holds directorships with the Melbourne Theatre Company, the Victorian Major Events Committee, Tattersall's George Adams Foundation, Lansa Holdings Inc., JadeLynx Pty Limited, Madowla Park Holdings Pty Ltd, Acumen People and Productivity Pty Ltd and Acumentum Pty Ltd. Lyndsey is also on the advisory board of PACT Group Pty Ltd.

Special Responsibilities

Member of the Audit, Risk and Compliance Committee

<u>Brian Jamieson</u>
Non-Executive Director

Member of the Board since 31 May 2005.

Brian Jamieson was Chief Executive of Minter Ellison Melbourne from 2002 – 2005. Brian retired as Chief Executive of Minter Ellison Melbourne on 31 December 2005. Prior to joining Minter Ellison, he was the 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 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.

Other Current Directorships

Brian is Chairman of Mesoblast Limited (Director since November 2007) and a non-executive Director of Sigma Pharmaceuticals Limited (Director since December 2005) and Oz Minerals Limited (Director since August 2004), all ASX listed companies. He is also a non-executive Director of the Bank of Western Australia Ltd, a subsidiary of the Commonwealth Bank of Australia Ltd. Further he is a Director and Treasurer of the Bionic Ear Institute, a Director of The Sir Robert Menzies Foundation and Chairman of the Tattersall's George Adams Foundation.

Special Responsibilities

Chairman of Audit, Risk and Compliance Committee
Member of Remuneration Committee

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.

Julien 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.

Other Current Directorships

Julien is a Non-executive Director of Australian Renewable Fuels Limited (Director since April 2009), an ASX listed company. He is a director of private equity company MGB Equity Growth Pty Limited, Trustee of the Art Gallery NSW Foundation and on the Advisory Board of The Nature Conservancy.

Special responsibilities

Member of the Audit, Risk and Compliance Committee
Member of the Governance and Nomination Committee
Member of Remuneration Committee and Chairman from 1 September 2008

Kevin Seymour AM
Non-Executive Director

Member of the Board since 12 October 2006, previously having been appointed to UNiTAB's Board in September 2000.

Kevin is Executive Chairman of Seymour Group which is one of the largest private property development and investment companies in Queensland. He has substantial experience in the equities market in Australia. Kevin also has extensive management and business experience including company restructuring. Kevin was previously the independent Chairman of the Queensland Government and Brisbane City Council's Brisbane Housing Company Limited and Chairman of QCTV (formerly Briz31 Community TV) and has served on the Lord Mayor's Drugs Taskforce and is an Honorary Ambassador for the City of Brisbane.

Other Current Directorships

Kevin is Chairman of Watpac Limited (Director since May 1996) and Deputy Chairman of Ariadne Australia Limited (Director since December 1992), both ASX listed companies. He is Deputy Chairman of Queensland Harness Racing Limited and also holds board positions with several private companies in Australia.

Special Responsibilities

Member of Audit, Risk and Compliance Committee
Member of Governance and Nomination Committee

George Chapman AO
Retired Non-Executive Director

Member of the Board from 12 October 2006 to 31 August 2008, previously having been non-executive Chairman of the UNiTAB Board since July 1999.

George 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 Ten Group Limited (from December 1992 to September 1999) and Ten Network Holdings Limited (from April 1998 to September 1999).

As a former surveyor, George has been engaged in real estate development for 40 years.

George is a Fellow of the Australian Institute of Company Directors.

Other Current Directorships

George is the executive Chairman of the Chapman Group which has extensive interests in tourism, real estate and aquaculture.

Special Responsibilities

Chairman of the Remuneration Committee until 31 August 2008

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

Dividends	**($000)**
Final Dividend 2009 Fully franked final dividend for 2009 of 11.0 cents per ordinary share as determined by Directors on 27 August 2009 with a record date of 8 September 2009 and payable on 2 October 2009	139,708
Interim Dividend 2009 Fully franked interim dividend for 2009 of 10.0 cents per ordinary share as determined by the Directors on 27 February 2009 with a record date of 12 March 2009 and paid on 3 April 2009.	126,542
Special Dividend 2008 Fully franked special dividend of 10.5 cents per ordinary share as determined by the Directors on 28 August 2008 with a record date of 12 September 2008 and paid on 3 October 2008 (1)	132,862

(1) The 2008 special dividend was paid in place of the 2008 final dividend, effectively substituting the final dividend both in quantum and timing.

All dividends are fully franked.

Dividend Reinvestment Plan (DRP)

The Company has a DRP in operation. The last date for receipt of a DRP Notice of Election to enable participation for the final dividend is 8 September 2009. No discount is applicable to shares acquired under the DRP. Shares acquired by a participant under the DRP will be provided via a share issue.

Further information in relation to dividends can be found in Note 27 to the financial statements.

Principal activities

The principal activities of the Group during the financial year consisted of:

- The operation of licensed gaming machines in Victoria;
- The operation of regulated lotteries in Victoria, Queensland, 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 the Northern Territory. In New South Wales 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;
- The operation of licensed gaming venues throughout the United Kingdom; and
- Interests in licensed gaming operations in South Africa.

Financial Position

The reported Group Net Profit After Tax (NPAT) for the year ended 30 June 2009 was $277.4 million up 7.7%. Adjusting for the one-off $3.4 million after tax write-down of the carrying value of the Group's investment in Sky City Entertainment Group Limited, underlying NPAT was up 9.0% to $280.8 million.

This result was achieved from reported Group revenue and other income of $3,252.5 million, up 5.1% on the previous year. The comparative figures do not include the full ownership of Talarius Limited, which was 100% acquired on 3 January 2008.

During the year, the Group extended a maturity under the existing $1.1 billion syndicated debt facility. The Group's debt now matures in June 2011 and June 2013. At 30 June 2009, $910.4 million of the facility was drawn down. With the Group's cash holdings this represents a relatively modest net debt burden for the Group relative to its annual business profitability and cash flows. These strong cash flows also underpin the Group's significant levels of intangible assets that are a characteristic of the low tangible assets, high value networked gambling businesses comprising the Tatts Group.

Review of Operations

The Group is a diversified network of neighbourhood based businesses relying on wide area network technology to deliver services to our customers in gaming, wagering, lotteries, gaming services and technical maintenance and support services. The Group has operations across every State and Territory in Australia, and in South Africa and the United Kingdom.

The 2009 financial year has again demonstrated the resilient nature of the Company's diversified neighbourhood business model.

Tatts Pokies achieved strong growth for the year, with revenue up 1.8% to $1,292.2 million. Earnings before Interest and Tax (EBIT) were up 10.5% on the previous year to $215.6 million, reflecting the focus on reducing controllable costs as the business heads towards the end of its operating licence in 2012.

UNiTAB Wagering had an exceptionally strong first half, with revenue up 15.2% for the first half reflecting the weak prior year comparison as a result of the outbreak of equine influenza in the previous year. Revenue returned to more normal growth rates in the second half giving a full year revenue growth of 9.5% to $592.5 million. The strong result was achieved despite almost 900 races being cancelled during the year due to either wet weather or heat. EBIT was up 14.6% to $130.5 million for the year.

Tatts Lotteries business delivered revenue for the year up 2.3%, an impressive result considering that under the new licence regime that has operating since 1 July 2008 the sales in Victoria no longer include products that previously represented approximately 15% of Victorian sales. EBIT for Lotteries was up 15.8% to $108.5 million for the year. Tatts Lotteries benefitted from an extraordinary run of jackpots in Super7's Oz Lotto late in the financial year, culminating in a $106 million jackpot on 30 June 2009.

Maxgaming continued to demonstrate its ability to deliver consistent earnings and strong margins in any operating environment. Despite the economic conditions impacting the hotel and club network in New South Wales, revenue for the year was up 3.9% to $117.8 million. The reliance on information technology enabled Maxgaming to contain costs and deliver EBIT of $41.0 million, up 2.5%, whilst at the same time positioning the business for sustained performance.

Bytecraft Systems revenue of $70.0 million was down 5.9% and EBIT of $4.0 million was down 37.6%, both reflecting the reduction on margins from inter-company charges within the Group. Externally generated revenue grew during the year and now represents a majority of Bytecraft's total revenue.

Tatts International includes the Group's South African and the United Kingdom businesses. In South Africa, the Group currently has licences to operate 1,000 electronic gaming machines in each of KwaZulu Natal and Western Cape. At 30 June 2009 there were 653 and 928 gaming machines respectively in operation. The total South African gaming operations generated revenue of A$38.9 million up 26.8%, and contributed A$2.3 million to EBIT for the year, up 19.1% on the previous year.

The Group's UK operations are conducted through Talarius, which operates 218 venues with more than 8,400 gaming machines. The performance of Talarius has been hampered by the flow on effects of smoking bans in venues, regulatory changes to game play, and the UK economy entering recession. Talarius delivered revenue of A$99.8 million for the year, and a loss at EBIT of A$3.3 million.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the year.

Matters subsequent to the end of the financial year

Other than as stated elsewhere in this Directors' Report, no other matters or circumstances have arisen since 30 June 2009 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 financial years.

Likely developments and expected results of operations

The Victoria State Government is undergoing processes to facilitate future changes to the Gaming, Wagering and Keno licensing arrangements in Victoria post 2012. These processes were not finalised at the date of this Directors' Report, and it is likely that further information will be made available during the 2010 financial year.

The New South Wales Government announced an intention to dispose of the NSW Lotteries business. With enabling legislation yet to pass through the NSW Parliament, at the date of this Directors' Report, the process is yet to progress but could do so during the 2010 financial year.

The Victorian Parliament has passed legislation that allows for the extension of Tatts Group's gaming licence from an expiry date of 14 April 2012 to 15 August 2012. It is likely that further information on this matter will be made available during the 2010 financial year.

In the Directors' opinion, any further disclosure of information would be likely to result in unreasonable prejudice to the Group.

Business Strategies and future developments

Business strategies aimed at achieving the Group's goals will include:

- Optimising our existing licences and underlying businesses to achieve continued growth and operational efficiencies;
- Considering our strategy and involvement in the processes relating to the future of Gaming, Wagering and Keno in Victoria when further information is made available by the Government;
- Involvement to the extent appropriate in the sale processes of State Government owned gambling assets; and
- Maintaining a flexible balance sheet to support business opportunities that fit with the Group's core competencies.

In the Directors' opinion, any further disclosure of information would be likely to result in unreasonable prejudice to the Group.

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 Directors' Report is as follows:

Director	Relevant Interest in Ordinary Shares	Options over Ordinary Shares
Harry Boon	150,000	Nil
Dick McIlwain	1,947,500	2,000,000
Robert Bentley	160,000	Nil
Lyndsey Cattermole	172,663	Nil
Brian Jamieson	78,000	Nil
Julien Playoust	75,000	Nil
Kevin Seymour	24,000,000	Nil

On his retirement from the Board on 31 August 2008, George Chapman had a relevant interest in 4,011,745 shares in the Company.

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 8 to 19 of this report.

Company Secretary

Penny Grau was appointed to the position of Company Secretary on 3 April 2007. 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	10	10	nm	nm	2	2	nm	nm
Dick McIlwain [(a)]	10	10	nm	nm	nm	nm	3	2[(b)]
Robert Bentley	10	10	nm	nm	2	2	3	2
Lyndsey Cattermole	10	10	4	4	nm	nm	nm	nm
George Chapman	1	1	nm	nm	nm	nm	1	1
Brian Jamieson	10	9	4	4	nm	nm	3	3
Julien Playoust	10	9	4	4	2	2	3	3
Kevin Seymour	10	8	4	2	2	2	nm	nm

Column A – Number of 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) Managing Director, not a Non-executive Director
(b) Ex-officio attendee

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 Executives
- G Details of Remuneration
- H Share Based Compensation Options and Rights
- I Additional Information
  - (i) Performance of the Group
  - (ii) Details of remuneration – performance options and rights
  - (iii) Share based compensation: Options and Rights

The information provided in this Remuneration Report has been audited as required by section 308 (3C) of the *Corporations Act 2001*.

A Remuneration Policy

The Board's objective of the Group executive reward framework is to link remuneration to financial performance and shareholder value, and to offer competitive and appropriate remuneration for the results delivered. 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 the interests of shareholders, thereby conforming with market practice in this regard.

B Remuneration Committee

The Remuneration Committee aims to ensure the Group has appropriate remuneration policies and procedures that fairly and responsibly reward executives. The Committee operates under the delegated authority of the Board. The Committee comprises three Non-executive Directors (one of which is the Committee Chair). The Managing Director/Chief Executive attends on an ex officio basis.

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

- Non-executive director remuneration;
- Managing Director/Chief Executive performance review, remuneration, short term and long term incentives;
- Executive remuneration and allocations of short term and long term incentives;
- Employee equity plans;
- Remuneration disclosure;
- Executive recruitment , termination policies, and arrangements for superannuation and succession; and
- Risk management and controls regarding remuneration.

C Non-executive Directors

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 $313,500 per annum; Non-executive Director: $137,940 per annum. Fees for the Chairman of the Audit, Risk and Compliance Committee and Chairman of the Remuneration Committee are an additional $20,900 and $13,063 respectively, in recognition of the increased workload and responsibilities of these Committee Chair positions.

Non-executive Directors are expected to hold shares in the Company 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.

Retirement Benefits of Non-executive Directors

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

The Group has a practice of not offering 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

The aim of the Group'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. The Group is committed to adhering to appropriate corporate governance standards for executive remuneration, having regard to the ASX Corporate Governance Council's Recommendations and relevant stakeholder bodies.

Reward Structure and Mix

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. The Group aligns executive remuneration to the market at or above the 50th percentile for fixed annual remuneration. Fixed annual remuneration is reviewed annually and adjusted subject to market movements, Group profitability, individual performance, and movements in the CPI.

The Group 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.

The performance rating for each executive is determined through an annual performance review conducted by the manager to whom the executive reports. In the case of the named executives in this report the review is conducted by the Chief Executive, and the Chairman reviews the Managing Director/Chief Executive's performance. Such reviews are conducted against individual KPIs and accountabilities and goals specific to each executive's responsibilities. Performance is then rated according to an achievement scale and weighted in line with the relative importance of the respective performance areas. Scores are aggregated to arrive at an overall individual performance rating.

There are no guaranteed base pay increases in any executive contracts of employment.

(ii) Short-Term Incentive Plan (STIP)

The Group's short-term incentive framework is structured to reward performance based on the performance of the Group, of the Strategic Business Unit (SBU) or division to which an individual belongs, and the individual's personal performance. There is also a component available at the discretion of the Managing Director/Chief Executive and the Remuneration Committee to recognise special contributions. Employees must have a minimum of six months' service to be eligible to participate in the STIP.

SBU/Divisional and individual performance outcomes align with the Group'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 the Group'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. Performance above the business plan profit target 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.

The total STI bonus pool is divided into three pools to enable payments to be allocated based on Group performance, SBU/Divisional performance and special individual contributions. The relative contribution by each SBU/Division to the targets used to determine the total STIP Pool will have a significant bearing on how much, if anything, is available for allocation in the SBU/Divisional pool. SBU/Divisional targets include profit outcomes, revenue growth performance, expense management, project delivery, product development, and margin improvement.

Pool ($)	X	(	Individual Bonus Entitlement (IBE)	÷	Total Individual Bonus Entitlements (TIBE)	) =	Individual Bonus from Pool ($)

The quantum of STI paid to an executive is determined by the individual's performance rating based on an annual assessment, the individual's Fixed Annual Remuneration and the STI percentage of Fixed Annual Remuneration applicable to that executive. This is used to calculate what proportion of each of the Group and SBU/Divisional pools will be paid to the executive as a short term incentive. The Remuneration Committee, in consultation with the Managing Director/Chief Executive and SBU/Divisional Heads, will make allocations from the special contributions pool based upon the achievement of key strategic initiatives.

Band	FAR ($)	X	STI % of FAR	X	Individual Performance Rating (IPR)	=	Individual Bonus Entitlement (IBE)

Under the Managing Director/Chief Executive's employment contract to apply from 12 October 2009, one half of his STIP will be subject to similar financial criteria as outlined above. The other half will be determined by the Board based on the Managing Director/Chief Executive's performance in meeting key performance indicators set by the Board and not dependent on the Group's profitability.

(iii) Long-Term Incentive Plan (LTIP)

The long-term incentive plan in the form of performance options and/or performance rights aims to focus appropriate management personnel on improving the Group's performance over a three to five year horizon.

Vesting of performance options and/or performance rights granted under the LTIP prior to 1 July 2008 is based on performance against Relative Total Shareholder Return (TSR) targets. Vesting of performance options and/or performance rights granted after 1 July 2008 is based on a combination of Relative TSR and Earnings Per Share (EPS) targets, with up to half of the options and/or rights vesting for executives if TSR targets are achieved and up to half if EPS targets are achieved.

The Relative TSR measure, combining dividend returns and share price appreciation, reflects a performance condition under which the Group's growth in TSR since the determination date of the instrument is measured against a representative peer group of the top 100 ASX listed companies (by market capitalisation, excluding companies in the oil and gas, metal and mining and related industries, real estate, financial services, and building and construction industries). The peer group is compiled from the Top 100 companies on the determination date of instruments provided under the plan. The peer group used for instruments granted before the 2009 financial year excluded just oil and gas, real estate and metals and mining companies, with the broader exclusions going forward now providing a more comparable peer group for Tatts Group.

Whilst annual allocations of instruments will be made, a three year vesting test period applies with a further one year period for testing comprising two further tests at six monthly intervals. (A two year period applies for such retesting for performance options and performance rights granted prior to 1 July 2008). The exercise period expires on the seventh anniversary of the determination date.

TSR, being an externally based market measure which is a relative performance measure against public company peers, provides a strong link between this remuneration component and shareholder value creation. It is Tatts Group's view the shareholders' interests are best met by combining the achievement of appropriate TSR growth with sustained growth in EPS. At the same time, EPS represents a more relevant and transparent measure for motivating LTIP participants.

The EPS performance condition will be measured on the basis of the actual EPS percentage increase achieved over a three year period from the 1st of July in the financial year in which the performance options and/or performance rights are granted. This will be assessed against target levels for the Group. For LTIP instruments granted after 1 July 2009 the relevant EPS measure in this regard will exclude the Tatts Pokies segment net profit after tax, due to the run-off of this business by 2012.

Details of the remuneration of Directors, key management personnel and other executives are set out at pages 13 to 19.

Allocation/Vesting/Exercise

Executives and senior managers may be granted performance options and/or performance rights at the discretion of the Board. The potential grant is determined by the participant's level within the Group structure. No amount is payable by the recipient upon grant of performance options or rights.

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

Allocations of performance options and performance rights may be exercised upon vesting (following satisfaction of the performance and time based vesting conditions as set out below). Up to 100% of performance options and performance rights granted prior to 1 July 2008 may vest subject to achievement of a Relative TSR hurdle in comparison to the peer group that applied at that time. For equity instruments granted after 1 July 2008 but prior to 1 July 2009, vesting for half the instruments granted to executives who lead SBUs or divisions may vest subject to achievement of a Relative TSR hurdle and half based on achievement of an EPS growth target. For LTIP participants who did not lead SBU's or divisions in the 2009 financial year, vesting for equity instruments granted after 1 July 2008 but prior to 1 July 2009 is based solely on achievement of an EPS growth target.

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

The percentage of performance options and/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.

From 1 July 2009 50% of performance options and/or performance rights granted to all LTIP participants may vest based on Relative TSR performance as measured against the more targeted peer group described above, and 50% may vest if EPS growth targets are achieved. In relation to both measures, the vesting of performance options and/or performance rights granted post 1 July 2008 will be tested over 3 years, with 2 subsequent retests at six monthly intervals thereafter for instruments that are subject to TSR hurdles. Instruments issued pre 1 July 2008 will be retested on 4 subsequent occasions at six monthly intervals.

On exercise of vested performance options and performance rights, which may occur up to 7 years from determination date, the Company may deliver shares by new issue or by purchasing shares on market for transfer to participants. The exercise price of the performance options is determined by reference to the thirty day volume weighted average price of the shares as traded on the ASX in the thirty days up to and including the determination date.

Grants of shares under the LTIP 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 of Australia, made under a disclosure document or which do not require a disclosure document.

Expiry of Unvested Performance Options and Performance Rights

Performance options and performance rights that have not vested before the end of the vesting period will lapse 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 otherwise agreed at the date of grant or using its discretion to waive some or all of the vesting conditions if the reason for ceasing employment is death, total and permanent disability or redundancy.

Hedging

Participants in the LTIP may not enter into any contract, arrangement or transaction which is designed or intended to hedge or otherwise limit exposure to the Group's shares which are subject to an unvested award under the plan. Any person who is proven to have contravened the hedging policy may face disciplinary action which, depending on the seriousness of the breach, could include termination of employment.

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).

E Employee Share Plan

The general share acquisition plan was a general employee share plan by which offers were made to eligible employees to acquire restricted shares. The plan was discontinued as at 1 July 2007. A holding lock has been placed on shares by placing them in a restricted class, to ensure they cannot be disposed of whilst subject to a disposal restriction and/or forfeiture condition.

F Employment Contracts of the Managing Director/Chief Executive and Executives

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 [(1)]	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	12 months written notice	A combination of notice and payment in lieu of notice totalling no less than 12 months.
B Fletton	No fixed duration	12 months written notice	A combination of notice and payment in lieu of notice totalling no less than 12 month.
P Grau	No fixed duration	12 months written notice	A combination of notice and payment in lieu of notice totalling no less than 12 months.
R Gunston	No fixed duration	12 months written notice	A combination of notice and payment in lieu of notice totalling no less than 12 months.
B Houston	No fixed duration	12 months written notice	A combination of notice and payment in lieu of notice totalling no less than 12 months.
S Lawrie	No fixed duration	12 months written notice	A combination of notice and payment in lieu of notice totalling no less than12 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

(1) On 27 March 2009 D McIlwain's contract was amended with effect from 12 October 2009 and extended for a further 3 years to 12 October 2012. It provides for notice on termination of the lesser of 12 months or the period remaining until 12 October 2012.

In November 2008 the notice period for termination was changed to 12 months for those not previously at this level for all the above executives, other than the Managing Director/Chief Executive, to provide consistency across the executive group. The Group may terminate an employment contract without cause by providing written notice, in accordance with the specified period or making payment in lieu of notice, based on the individual's fixed annual remuneration component.

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 or rights not exercised before or on the date of termination may lapse.

G Details of Remuneration

Amounts of remuneration

Details of the remuneration of the Directors of the Company, the key management personnel of the Group and specified executives who received the highest remuneration for the year ended 30 June 2009 are set out in the following tables.

The key management personnel of the Group include the Directors as per pages 1 to 4 above and the following executive officers:

- Ray Gunston - *Chief Financial Officer*
- Stephen Lawrie – *Chief Information Officer*

The key management personnel of the Group have been refined this financial year to include only those executives with responsibility for the planning, controlling and directing of the Group and therefore excludes those executives who lead individual SBUs. The comparative figures in the following tables represent Directors' fees and executive remuneration for the key management personnel of the reporting period 1 July 2007 to 30 June 2008.

In addition, the following persons must be disclosed under the *Corporations Act 2001* as they are among the 5 highest remunerated Group and/or Company executives:

- Michael Carr – *Chief Executive, MaxGaming*
- Barrie Fletton – *Chief Executive, UNiTAB Wagering*
- Penny Grau - *General Counsel & Company Secretary*
- Bruce Houston - *Executive General Manager, Media, Government & Community Relations*
- Brendan Redmond – *Executive General Manager, Business Development & International Investments*

Key management personnel and other executives of the Group and other executives of the Company and Group

2009	**Short-term benefits** [1]			**Post-employ-ment benefits**	**Long Term Benefits**	**Share-based payment**		
Name	**Cash salary and fees $**	**Cash Bonus (STI)** [2] **$**	**Other** [3] **$**	**Superannuation $**	**Long Service Leave $**	**Performance Options (LTI) $**	**Performance Rights (LTI) $**	**Total $**
Non-executive Directors								
Harry Boon	309,000	N/A	-	-	-	N/A	N/A	309,000
Robert Bentley	124,734	N/A	-	11,226	-	N/A	N/A	135,960
Lyndsey Cattermole	135,960	N/A	-	-	-	N/A	N/A	135,960
George Chapman [4]	22,094	N/A	-	1,988	-	N/A	N/A	24,082
Brian Jamieson	143,633	N/A	-	12,927	-	N/A	N/A	156,560
Julien Playoust	134,635	N/A	-	12,117	-	N/A	N/A	146,752
Kevin Seymour	124,775	N/A	-	11,185	-	N/A	N/A	135,960
Sub-total- Non-executive Directors	**994,831**	**-**	**-**	**49,443**	**-**	**-**		**1,044,274**
Executive Director								
Dick McIlwain [5] (Managing Director/Chief Executive)	1,737,567	935,550	-	13,745	29,329	666,667	-	3,382,858
Other Key Management Personnel [6]								
Ray Gunston [7, 8]	702,922	247,000	-	13,745	11,796	132,704	21,511	1,129,678
Stephen Lawrie [7, 8]	453,755	118,000	-	13,745	7,650	83,109	12,456	688,715
Sub-total- Key Management Personnel	**1,156,677**	**365,000**	**-**	**27,490**	**19,446**	**215,813**	**33,967**	**1,818,393**
Other Executives								
Michael Carr [8]	452,755	93,000	-	14,334	7,962	85,917	13,547	667,515
Barrie Fletton [8]	443,178	86,000	-	13,745	7,791	84,260	13,391	648,365
Penny Grau [7]	422,922	70,000	-	13,745	7,070	26,843	-	540,580
Bruce Houston [7]	327,922	55,000	-	13,745	5,494	25,382	6,218	433,761
Brendan Redmond [7, 8]	427,921	87,000	684,914	13,745	7,152	81,281	12,830	1,314,843
Total Other Executives	**2,074,698**	**391,000**	**684,914**	**69,314**	**35,469**	**303,683**	**45,986**	**3,605,064**
Totals	**5,963,773**	**1,691,550**	**684,914**	**159,992**	**84,244**	**1,186,163**	**79,953**	**9,850,589**

1 Short term benefits may include amounts paid to superannuation at the discretion of the individual.

2 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 (75%), Ray Gunston (102%), Stephen Lawrie (75%), Michael Carr (59%), Barrie Fletton (56%), Penny Grau (56%), Bruce Houston (56%) , Brendan Redmond (59%)

3 Other payments as follows –
Brendan Redmond - Includes the value of expatriate and living away from home benefits in respect of his role as Executive General Manager, Business Development and International Investments.

4 George Chapman retired from the Board on 31 August 2008

5 The Managing Director/Chief Executive has 51% of his total remuneration related to the performance of the Group, and 49% which is not directly linked to the Group's performance.

6 As required to be disclosed under the *Corporations Act 2001*, except for Penny Grau and Bruce Houston, 60% of the total remuneration of key management personnel and other executives is not related to the performance of the Group, and 40% is related to the Group's performance. For Penny Grau and Bruce Houston, these percentages are 70% and 30% respectively.

7 Denotes one of the 5 highest paid executives of the Company, as required to be disclosed under the *Corporations Act 2001*.

8 Denotes one of the 5 highest paid executives of the Group, as required to be disclosed under the *Corporations Act 2001*.

2008	Short-term benefits [1]			Post-employment benefits	Long Term Benefits	Share-based payment		
Name	Cash salary and fees $	Cash Bonus (STI) [3] $	Other [4] $	Superannuation $	Long Service Leave $	Performance Options (LTI) $	Performance Rights (LTI) $	Total $
Non-executive Directors								
Harry Boon	283,333	N/A	-	-	-	N/A	N/A	283,333
Robert Bentley	117,431	N/A	-	10,569	-	N/A	N/A	128,000
Lyndsey Cattermole	128,000	N/A	-	-	-	N/A	N/A	128,000
George Chapman	128,899	N/A	-	11,601	-	N/A	N/A	140,500
Brian Jamieson	135,780	N/A	-	12,220	-	N/A	N/A	148,000
Julien Playoust	117,431	N/A	-	10,569	-	N/A	N/A	128,000
Kevin Seymour	117,431	N/A	-	10,569	-	N/A	N/A	128,000
Sub-total- Non-executive Directors	1,028,305	-	-	55,528	-	-	-	1,083,833
Executive Director								
Dick McIlwain [2] (Managing Director/Chief Executive)	1,752,712	787,850	-	12,035	-	666,667	-	3,219,264
Other Key Management Personnel [5]								
Michael Carr [7]	401,662	105,000	-	45,249	10,922	40,278	13,547	616,658
Barrie Fletton [7]	391,611	105,000	-	46,466	10,672	39,587	13,391	606,727
Penny Grau [6]	406,871	90,000	-	13,129	6,729	8,509	-	525,238
Ray Gunston [6, 7]	657,704	325,000	-	13,129	10,946	88,195	33,777	1,128,751
Bruce Houston [6]	309,371	65,000	-	13,129	5,158	10,471	6,218	409,347
Stephen Lawrie [6]	369,695	135,000	-	32,882	6,894	37,802	12,456	594,729
Frank Makryllos	370,204	115,000	-	13,129	6,398	35,431	13,080	553,242
Brendan Redmond [6, 7]	444,028	110,000	380,853	13,129	6,812	38,091	12,830	1,005,743
Kevin Szekeley	249,204	70,000	-	13,129	4,166	8,324	4,729	349,552
Bill Thorburn	329,889	130,000	-	41,190	5,443	19,833	-	526,355
Sub-total- Key Management Personnel	3,930,239	1,250,000	380,853	244,561	74,140	326,521	110,028	6,316,342
Other Executives [5]								
Peter Fonseca [7]	215,060	26,510	416,480	13,129	3,587	7,407	4,395	686,568
Totals	6,926,316	2,064,360	797,333	325,253	77,727	1,000,595	114,423	11,306,007

1. Short term benefits may include amounts paid to superannuation at the discretion of the individual.

2. The Managing Director/Chief Executive has 52% of his total remuneration related to the performance of the Group, and 48% which is not directly linked to the Group's performance.

3. 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 (68%), Michael Carr (71%), Barrie Fletton (72%), Ray Gunston (100%), Brendan Redmond (78%) and Peter Fonseca (40%). Ray Gunston received an ex gratia payment of $100,000.

4. Other payments as follows –
Brendan Redmond - Includes the value of expatriate and living away from home benefits in respect of his role as Executive General Manager, Business Development and International Investments.
Peter Fonseca – Includes the value of expatriate and living away from home benefits in respect of his role as Director, Thuo Gaming, South Africa.

5. As required to be disclosed under the *Corporations Act 2001*, except for Peter Fonseca, Penny Grau and Bruce Houston, 60% of the total remuneration of key management personnel is not related to the performance of the Group, and 40% is related to the Group's performance. For Peter Fonseca, Penny Grau and Bruce Houston, these percentages are 70% and 30% respectively.

6. Denotes one of the 5 highest paid executives of the Company, as required to be disclosed under the *Corporations Act 2001*.

7. Denotes one of the 5 highest paid executives of the Group, as required to be disclosed under the *Corporations Act 2001*.

H Share Based Compensation Options and Rights

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 /or rights are granted annually to eligible participants but do not vest unless both performance and time-based hurdles are met. These conditions ensure that eligible employees are rewarded only when percentage EPS growth and/or TSR growth targets are met as set out in Section D (iii) of this Remuneration Report.

Options and rights granted in 2005 were retested on 7 January 2009 and 84.72% of these vested to participants, representing 232,925 options and 70,784 rights, given the Company's TSR performance at the 67th percentile of the peer group. Further testing at 7 July 2009 did not result in any further vesting of the remaining options and rights. Testing of the remaining options and rights yet to vest will continue at six monthly intervals until 7 July 2010.

The terms and conditions of each grant of options and rights 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	07 July 2012	$3.10	$0.67	7 July 2008
	30 November 2006	30 November 2013	$3.65	$0.80	30 November 2009
	30 November 2007	30 November 2014	$3.99	$1.02	30 November 2010
	30 November 2008 (1)	30 November 2015	$2.56	$.31	30 November 2011
	30 November 2008 (2)	30 November 2015	$2.56	$.33	30 November 2011
Performance Option (Chief Executive)	30 November 2006	30 November 2013	$3.13	$1.00	30 November 2009
Performance Right	16 December 2005	07 July 2012	N/A	$1.80	7 July 2008
	30 November 2006	30 November 2013	N/A	$2.56	30 November 2009

(1) Options granted with TSR market based vesting conditions

(2) Options granted with EPS non-market based vesting conditions

Options and rights granted under the LTIP carry no dividend or voting rights. Options and rights do not entitle option or right holders to participate in issues of shares except in respect of pro-rata bonus issues and rights issues in the manner specified by the ASX Listing Rules.

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 determination date.

Details of performance options over ordinary shares in the Company granted during the reporting period as remuneration to the only executive director of the Company and each of the key management personnel and selected other executives of the Group who remained employed within the Group at the date of this Remuneration Report are set out below. Upon exercise of each option or exercise of each right, the holder receives one fully paid ordinary share of the Company. Further information on the options and rights is set out in Notes 28 and 39 of the audited Financial Report.

	Number of options granted during the year		Number of options vested during the year		Number of rights vested during the year	
	2009	2008	**2009**	2008	**2009**	2008
Executive Director of Tatts Group Limited						
Dick McIlwain (Managing Director/Chief Executive)	-	-	-	-	-	-
Other key management personnel of Group						
Ray Gunston	755,200	160,554	105,794	-	19,111	-
Stephen Lawrie	494,800	102,279	-	-	-	-
Key Executive options/rights	1,250,000	262,833	105,794	-	19,111	-
Other executives						
Michael Carr	489,300	107,036	-	-	-	-
Barrie Fletton	479,200	104,657	-	-	-	-
Penny Grau	196,800	42,900	-	-	-	-
Bruce Houston	159,100	33,196	-	-	-	-
Brendan Redmond	463,500	101,089	-	-	-	-
Total options/rights	3,037,900	651,711	105,794	-	19,111	-

No performance options were exercised during the period covered by this Remuneration Report.

Details of the ordinary shares provided as a result of the exercise of vested rights are as follows:

	Date of exercise of rights	Number of ordinary shares issued on exercise of rights during the year	
		2009	2008
Other key management personnel of Group			
Ray Gunston	2 March 2009	19,111	-
Total options/rights		19,111	-

No consideration is paid on the exercising of rights.

I Additional Information

(i) Performance of the Group

In considering the Group's performance and its implications for shareholders' wealth in the context of appropriate remuneration levels and structures, the Remuneration Committee has regard to measures such as net profit, dividends paid, earnings per share, and changes in the share price, in the current and previous financial years.

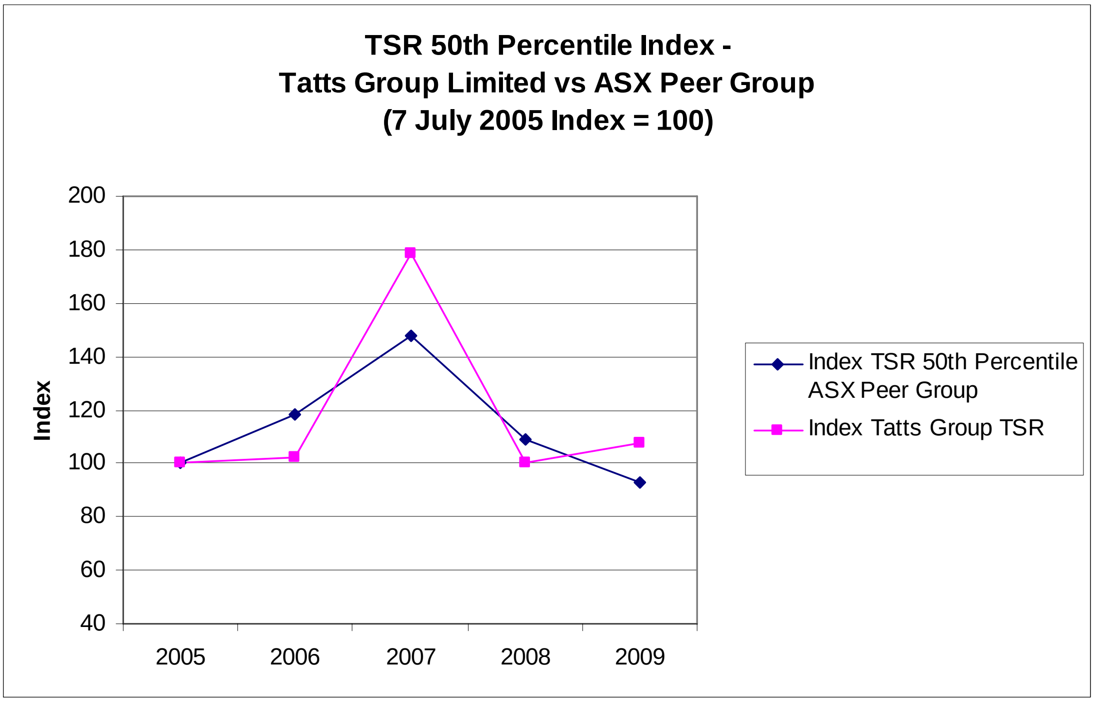
As the Company listed on the Australian Stock Exchange on 7 July 2005, financial information prior to this date is not relevant. Since that time, there have been a number of events, including mergers, acquisitions, licence renewal outcomes, and the settlement of the Trustee Commission Claim which have created substantial volatility in the measures outlined above. This is reflected in the following table:

	2009	**2008**	**2007***	**2006**
Net profit attributable to equity holders of the Company ($'000)	277,441	257,586	288,581	128,542
Dividends paid/payable ($'000)	266,250	253,071	278,377	114,850
Dividend payout ratio (%)	96.0	98.2	96.5	89.3
EPS (¢)	21.9	20.4	26.1	18.3
STIP as percentage of net profit (%)	1.78	1.71	1.90	1.17

* The net profit in 2007 includes the gain from the provision reversal on the Trustee Commission Claim settlement. As a result, a special dividend of 4 cents per share was paid.

As outlined earlier, a net profit target is established by the Board and an STI is awarded if the net profit target is achieved or exceeded. The STI is determined as a declining proportion of above target performance. Assessment of performance against target involves making appropriate adjustments to actual profit to ensure that only the performance attributable to management activity is rewarded under this approach.

While the LTIP options and rights granted in 2005 having reached the three year vesting test conditions in the 2009 financial year, the graph below reflects that during the year the Group TSR outcome exceeded the 50th percentile level TSR ASX Peer Group. In fact, at the retest date of 7 January 2009 the Group's TSR performance achieved the 67th percentile of the peer group. This followed on from the relative underperformance in the 2008 financial year where the share price was adversely affected by the Victorian Government's announcement on the gambling licence arrangements that will apply beyond 2012.



(ii) Details of remuneration – performance options and rights

For each grant of options and rights as set out below, the percentage of the maximum grant that was paid, or that vested, in the financial year is provided.

	Options/Rights					
Name	**Financial year granted**	**Vested %**	**Forfeited %**	**Financial years in which options/rights 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	277,778
Michael Carr	2009	-	-	30/06/2012	nil	126,254
	2008	-	-	30/06/2011	nil	51,556
	2007	-	-	30/06/2010	nil	13,582
Barrie Fletton	2009	-	-	30/06/2012	nil	123,648
	2008	-	-	30/06/2011	nil	50,410
	2007	-		30/06/2010	nil	13,425
Penny Grau	2009	-	-	30/06/2012	nil	50,781
	2008	-	-	30/06/2011	nil	20,664
Ray Gunston	2009	-	-	30/06/2012	nil	194,864
	2008	-	-	30/06/2011	nil	77,333
	2007	-	-	30/06/2010	nil	20,294
	2006	84.72%	-	-	-	-
Bruce Houston	2009	-	-	30/06/2012	nil	42,294
	2008	-	-	30/06/2011	nil	15,989
	2007	-	-	30/06/2010	nil	4,210
Stephen Lawrie	2009	-	-	30/06/2012	nil	127,673
	2008	-	-	30/06/2011	nil	49,265
	2007	-	-	30/06/2010	nil	12,489
Brendan Redmond	2009	-	-	30/06/2012	nil	119,597
	2008	-	-	30/06/2011	nil	48,691
	2007	-	-	30/06/2010	nil	12,863

No options were exercised during the year and therefore no shares were issued. Some rights vested and were exercised during the year – refer to section H of the Remuneration Report for further details.

(iii) Share based compensation: Options and Rights

Name	**A Remuneration consisting of options and rights**	**B Value at grant date $**	**C Value at exercise date $**	**D Value at lapse date $**
Dick McIlwain	19.7	-	-	-
Michael Carr	14.9	156,729	-	-
Barrie Fletton	15.1	153,494	-	-
Penny Grau	5.0	63,054	-	-
Ray Gunston	13.7	241,900	34,400	-
Bruce Houston	7.3	52,503	-	-
Stephen Lawrie	13.9	158,490	-	-
Brendan Redmond	7.2	148,468	-	-

A The percentage of the value of remuneration consisting of options and rights, based on the value of options and rights expensed during the current year.

B The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options and rights granted during the year as part of remuneration.

C The value at exercise date of options and rights that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options and rights at that date.

D The value at lapse date of options and rights that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied

Loans to Directors and Executives

There were no loans to Directors and executives during the financial year.

Shares under options and rights

Unissued ordinary shares of the Company under options or rights at the date of this report are as follows:

Award type	Grant date	Expiry date	Exercise price	Number under options/rights
Performance option	16 December 2005	07 July 2012	$3.10	274,935
Performance right	16 December 2005	07 July 2012	N/A	12,768
Performance option	30 November 2006	30 November 2013	$3.13	2,000,000
Performance option	30 November 2006	30 November 2013	$3.65	628,106
Performance right	30 November 2006	30 November 2013	N/A	194,219
Performance option	30 November 2007	30 November 2014	$3.99	1,322,369
Performance option	30 November 2008	30 November 2015	$2.56	7,139,200
			Total	**11,571,597**

Shares issued on the exercise of rights

During the year ended 30 June 2009, employees and executives have exercised 70,784 rights with a grant date of 16 December 2005 at an issue price of $1.80. No further shares have been issued since that date. No consideration is paid on the exercising of rights.

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. Each Deed indemnifies those persons for the full amount of all such liabilities including costs and expenses.

For the year ended 30 June 2009, $nil (2008: $5,251.00) in aggregate has been paid pursuant to the Deeds in respect of legal costs incurred by certain former Directors of the Company.

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 year, consistent with the Company's Constitution, the Company has paid the premium in respect of a contract insuring each of the Directors and the Secretary 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.

Pursuant to the terms of the Company's standard engagement letter with PricewaterhouseCoopers (PwC), it indemnifies PwC against any liabilities, losses, claims, costs, damages or expenses that may result from third party claims arising out of or in relation to the provision of services or the use of any work performed under the engagement letter. The indemnity is for the full amount of all such liabilities including costs and expenses. The indemnity does not apply if prohibited by the *Corporations Act 2001.*

Proceedings on behalf of the 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*.

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 is important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided in respect of the Group 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**	
	2009 $	2008 $
Non-audit services		
(a) Other assurance services		
Fees paid to PricewaterhouseCoopers Australian firm:		
Audit of regulatory returns	**51,335**	40,935
Due diligence services	**30,000**	-
Total remuneration for other assurance services	**81,335**	40,935
(b) Taxation services		
Fees paid to PricewaterhouseCoopers Australian firm:		
Tax compliance services, including review of company tax returns	**26,643**	7,477
Total remuneration for taxation services	**26,643**	7,477
Total remuneration for non-audit services	**107,978**	48,412

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 is 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 23, and forms part of the Directors' Report for the financial year ended 30 June 2009.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/010, 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	**Dick McIlwain**
Chairman	**Managing Director/Chief Executive**

Melbourne
27 August 2009

PricewaterhouseCoopers
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Auditor's Independence Declaration

As lead auditor for the audit of Tatts Group Limited for the year ended 30 June 2009, 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 Tatts Group Limited and the entities it controlled during the period.

Con Grapsas
Partner
PricewaterhouseCoopers

Melbourne
27 August 2009

Income statements
For the year ended 30 June 2009

	Notes	Consolidated		Parent entity	
		2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Revenue from continuing operations	5	**3,250,800**	3,085,565	**421,187**	135,119
Statutory outgoings					
Government share		**(1,479,721)**	(1,439,504)	**-**	-
Venue share/commission		**(625,715)**	(603,167)	**-**	-
Other income	6	**1,684**	8,599	**-**	88
Other expenses from ordinary activities	7				
Product/program fees		**(186,215)**	(170,971)	**-**	-
Employee expenses		**(161,959)**	(140,905)	**(7,442)**	(5,920)
Operating fees and direct costs		**(66,617)**	(65,113)	**-**	-
Telecommunications and technology		**(35,042)**	(35,447)	**-**	-
Marketing and promotions		**(34,880)**	(36,545)	**-**	-
Information services		**(12,091)**	(12,297)	**-**	-
Property expenses		**(53,365)**	(36,526)	**(28)**	(221)
Restructuring costs	7	**(2,472)**	(4,237)	**(359)**	-
Other expenses		**(34,947)**	(33,632)	**(3,499)**	(4,058)
Share of net loss of associates and joint ventures accounted for using the equity method	36(b)	**(105)**	(4,133)	**-**	-
Profit before interest, income tax, depreciation, amortisation and impairment		**559,355**	511,687	**409,859**	125,008
Impairment of assets	7	**(4,857)**	-	**-**	(775,910)
Depreciation and amortisation	7	**(104,745)**	(98,739)	**(46)**	(100)
Interest income		**8,423**	9,587	**33,396**	7,785
Finance costs	7	**(57,650)**	(53,625)	**(48,607)**	(9,333)
Profit / (loss) before income tax		**400,526**	368,910	**394,602**	(652,550)
Income tax (expense) / benefit	8	**(122,478)**	(112,070)	**6,639**	(28,589)
Profit / (loss) from continuing operations		**278,048**	256,840	**401,241**	(681,139)
Profit from discontinued operations	9	**-**	1,197	**-**	-
Profit / (loss) for the year		**278,048**	258,037	**401,241**	(681,139)
Profit / (loss) is attributable to:					
Ordinary equity holders of Tatts Group Limited	26(b)	**277,441**	257,586	**401,241**	(681,139)
Minority interest		**607**	451	**-**	-
		278,048	258,037	**401,241**	(681,139)
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:		**Cents**	Cents		
Basic earnings per share	38	**21.9**	20.3		
Diluted earnings per share	38	**21.9**	20.3		
Earnings per share for profit attributable to the ordinary equity holders of the Company:		**Cents**	Cents		
Basic earnings per share	38	**21.9**	20.4		
Diluted earnings per share	38	**21.9**	20.4		

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

Balance sheets
As at 30 June 2009

	Notes	Consolidated		Parent entity	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
ASSETS					
Current assets					
Cash and cash equivalents	10	**373,761**	251,939	**64,367**	45,359
Trade and other receivables	11	**158,138**	68,369	**752,651**	604,861
Inventories	12	**7,001**	7,976	**-**	-
Total current assets		**538,900**	328,284	**817,018**	650,220
Non-current assets					
Trade and other receivables	11	**89**	38	**-**	-
Investments accounted for using the equity method	36	**8,605**	7,917	**-**	-
Available-for-sale financial assets	13	**29,241**	28,444	**-**	-
Derivative financial instruments	14	**-**	2,066	**-**	-
Property, plant and equipment	15	**302,328**	344,802	**7,765**	7,811
Investment properties	16	**14,939**	8,745	**-**	-
Intangible assets	17	**3,310,964**	3,274,079	**-**	-
Deferred tax assets	18	**40,405**	38,335	**5,077**	7,704
Other non-current assets	19	**1,707**	2,901	**2,777,539**	2,676,481
Total non-current assets		**3,708,278**	3,707,327	**2,790,381**	2,691,996
Total assets		**4,247,178**	4,035,611	**3,607,399**	3,342,216
LIABILITIES					
Current liabilities					
Trade and other payables	20	**462,987**	313,218	**12,189**	8,414
Interest bearing liabilities	21	**3,473**	230,127	**-**	218,056
Derivative financial instruments	14	**594**	-	**594**	-
Current tax liabilities		**29,249**	24,808	**28,087**	24,117
Provisions	22	**18,205**	9,552	**549**	471
Total current liabilities		**514,508**	577,705	**41,419**	251,058
Non-current liabilities					
Trade and other payables	20	**43,484**	48,466	**-**	-
Interest bearing liabilities	21	**904,255**	649,657	**748,776**	429,855
Derivative financial instruments	14	**8,733**	-	**8,733**	-
Provisions	22	**4,054**	10,595	**54**	19
Deferred tax liabilities	23	**176,718**	171,329	**2,530**	1,757
Total non-current liabilities		**1,137,244**	880,047	**760,093**	431,631
Total liabilities		**1,651,752**	1,457,752	**801,512**	682,689
Net assets		**2,595,426**	2,577,859	**2,805,887**	2,659,527
EQUITY					
Contributed equity	25	**2,333,193**	2,321,082	**3,432,660**	3,420,549
Reserves	26	**(2,829)**	2,745	**(5,388)**	2,200
Retained profits	26	**265,744**	254,553	**(621,385)**	(763,222)
Parent entity interest		**2,596,108**	2,578,380	**2,805,887**	2,659,527
Minority interest		**(682)**	(521)	**-**	-
Total equity		**2,595,426**	2,577,859	**2,805,887**	2,659,527

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

Statements of recognised income and expense
For the year ended 30 June 2009

		Consolidated		Parent entity	
		2009 **$'000**	2008 $'000	**2009** **$'000**	2008 $'000
Changes in the fair value of available-for-sale financial assets, net of deferred tax	26	**(874)**	(3,613)	**-**	-
Impairment of available-for-sale assets, net of deferred tax	26	**3,400**	-	**-**	-
Changes in the value of interest rate swaps, net of deferred tax	26	**(15,278)**	8,912	**(8,732)**	-
Gain on realisation of interest rate swap, net of deferred tax	26	**(2,366)**	-	**-**	-
Changes in the value of forward foreign exchange contracts, net of deferred tax	26	**(594)**	-	**(594)**	-
Changes in the value of foreign currency, net investment hedges	26	**4,945**	13,325	**-**	-
Exchange difference on translation of foreign operations	26	**(3,391)**	(13,090)	**-**	-
Actuarial loss on retirement benefit asset, net of tax	26	**-**	(3,411)	**-**	-
Net (expense)/income recognised directly in equity		**(14,158)**	2,123	**(9,326)**	-
Profit / (loss) for the year		**278,048**	258,037	**401,241**	(681,139)
Total recognised income and expense for the year		**263,890**	260,160	**391,915**	(681,139)
Total recognised income and expense for the year is attributable to:					
Ordinary equity holders of Tatts Group Limited		**263,283**	259,709	**391,915**	(681,139)
Minority interest		**607**	451	**-**	-
		263,890	260,160	**391,915**	(681,139)

The above statements of recognised income and expense should be read in conjunction with the accompanying notes.

Cash flow statements
For the year ended 30 June 2009

	Notes	Consolidated		Parent entity	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST) net of prizes paid		**3,264,487**	3,139,485	**436**	110,119
Payments to suppliers and employees (inclusive of GST)		**(414,426)**	(388,301)	**(8,835)**	(9,390)
Payments to Government		**(1,423,507)**	(1,431,006)	**-**	-
Payments to venues/commissions		**(625,715)**	(603,168)	**-**	-
Payment for product and program fees		**(186,215)**	(170,971)	**-**	-
		614,624	546,039	**(8,399)**	100,729
Interest received		**14,103**	18,098	**2,538**	7,754
Interest paid		**(59,376)**	(51,959)	**(47,998)**	(7,118)
Income taxes paid		**(116,092)**	(124,827)	**(114,798)**	(116,262)
Repayments received from entities in the tax consolidated group		**-**	-	**128,808**	73,277
Net cash inflow/(outflow) from operating activities	37	**453,259**	387,351	**(39,849)**	58,380
Cash flows from investing activities					
Payments for purchase of subsidiaries, net of cash acquired		**(35,608)**	(60,527)	**-**	(62,208)
Payments for investments in joint venture entities		**(793)**	(716)	**-**	-
Payments for other assets		**-**	(10)	**-**	-
Payments for property, plant and equipment		**(68,005)**	(81,199)	**-**	-
Payments for investment properties		**(140)**	-	**-**	-
Payments for intangibles		**(8,778)**	(21,827)	**-**	-
Payments for deferred expenditure		**(158)**	(488)	**-**	-
Loans from/(to) non-related parties		**(714)**	(8,500)	**-**	-
Loans (to)/from related parties		**(4,498)**	(2,875)	**307,304**	186,833
Proceeds from sale of other assets		**884**	4,527	**-**	-
Proceeds from sale of property, plant and equipment		**1,287**	16,920	**-**	11,650
Proceeds from disposal of subsidiary, net of cash disposed		**-**	145	**-**	-
Net cash (outflow)/inflow from investing activities		**(116,523)**	(154,550)	**307,304**	136,275
Cash flows from financing activities					
Dividends paid		**(247,384)**	(297,359)	**(247,384)**	(297,359)
Dividends paid to minority interests		**(682)**	-	**-**	-
Proceeds from borrowings		**47,057**	950,635	**-**	647,929
Repayment of borrowings		**(11,514)**	(906,380)	**(1,063)**	(530,000)
Net cash outflow from financing activities		**(212,523)**	(253,104)	**(248,447)**	(179,430)
Net increase/(decrease) in cash and cash equivalents		**124,213**	(20,303)	**19,008**	15,225
Cash and cash equivalents at beginning of the financial year		**250,770**	272,906	**45,359**	30,134
Effect of exchange rate movements on cash and cash equivalents		**(1,973)**	(1,833)	**-**	-
Cash and cash equivalents at end of the financial year	10	**373,010**	250,770	**64,367**	45,359

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

Note 1 Summary of significant accounting policies

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

(b) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

Compliance with IFRS
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of Tatts Group Limited comply with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

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, 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 judgment in the process of applying the Tatts Group Limited 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 Tatts Group Limited ("Company" or "parent entity") as at 30 June 2009 and the results of all subsidiaries for the year then ended. Tatts Group 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 Note 1(i)).

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.

Investments in subsidiaries are accounted for at cost in the individual financial statements of the Company.

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.

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

European Gaming Group (refer Note 33 and Note 36)

The investment in the European Gaming Group 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 Company, 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.

(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.

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.

(iii) 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 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 (refer Note 36).

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.

(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 the Company'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 forming part of the net investment are 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 and International gaming operations.

Gaming monitoring revenue
Gaming revenue in relation to monitoring activities/services provided by Maxgaming in Queensland and New South Wales 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 year which will be drawn in the next financial period, are deferred and recognised as revenue in the next financial period.

Revenue from lottery 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.

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 are 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 year is the tax payable on the current year's taxable income based on the 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 either 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 Company 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 consolidation legislation

Tatts Group Limited and its wholly owned Australian subsidiaries have adopted the tax consolidation legislation. From 31 May 2005 Tatts Group 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, Tatts Group 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, Tatts Group 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.

(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. 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. The corresponding obligation, net of finance charges, is included in interest bearing liabilities. 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 (refer Note 31). 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 where the Group is a lessor is recognised in income on a straight-line basis over the lease term (refer Note 16).

(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, equity instruments 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 and liabilities acquired 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 Note 1(s). If the cost on acquisition is less than the Group's share of the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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

(j) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested six monthly for impairment or more frequently if events or changes in circumstances indicate that they may be impaired. Other assets 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 interest bearing liabilities 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 impairment. Trade receivables are due for settlement between no more than 2 to 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for the impairment of 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 impairment 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 impairment is recognised in the income statement within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses 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 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 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. Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. 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.

(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. Assets in this category are classified as non-current assets, except for those with maturities less than 12 months from reporting date, which are classified as current assets.

(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. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and derecognition
Purchases and sales of investments and other financial assets are recognised on trade date, being 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.

When securities classified as available-for-sale are sold, the accumulated value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Subsequent measurement
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.

Impairment
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 classified as available-for-sale 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);
- 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.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 14, while movements in the hedging reserve are shown in Note 26. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged items is more than 12 months. It is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(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). The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings and forward contracts hedging foreign currency operating and interest payments is recognised in the income statement within finance costs. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) 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.

(q) Property, plant and equipment

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

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

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

–	Buildings	25-50 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 (refer Note 3(c)). 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)).

Plant and equipment under development is not depreciated. Depreciation will commence on completion of the development when the assets are available for use.

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

(r) Investment property

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

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

A property's carrying amount is written down immediately to its recoverable amount if the property's carrying amount is greater than its estimated recoverable amount (Note 1(j)).

(s) Intangible assets

(i) Goodwill

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

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

(ii) Licences

Licences that have a finite useful life are carried at cost less accumulated amortisation and impairment 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	Expires 2098
Sports wagering licence - Qld	8 years	Expires 2014
Totalisator licence – NT	9 years	Expires 2015
Sports bookmaker licence - NT	9 years	Expires 2015
Major betting operations licence - SA	94 years	Expires 2100
Gaming machine monitoring operator's licence – Qld	10 years	Expires 2017
Monitoring provider's licence – NT	5 years	Expires 2011
Centralised monitoring system licence – NSW	10 years	Expires 2016
Inter-club linked gaming system licence – NSW	11 years	Expires 2017
Inter-hotel linked gaming system licence – NSW	13 years	Expires 2019
Radio licences	11 years	Expires 2014
Victorian lotteries licence	10 years	Expires 2018

The Victorian gaming licence was not amortised as the licence expiry payment which may be paid to the Company at the end of the licence period was expected to be not less than the carrying value of the asset. The licence has now been fully impaired (refer Note 17).

The carrying value of 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 was carried at cost by the Company. Due to AASB 3 *Business Combinations* requirements the balance was eliminated on consolidation. The Tattersall's brand has now been fully impaired (refer Note 17).

The UNiTAB brand is an indefinite life asset carried at cost being the fair value on acquisition of UNiTAB. 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 amortisation and impaired losses. Amortisation is calculated using the straight line method to allocate the cost of the software over its estimated useful life of 2 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, expiring in 2072.

(t) Trade and other payables

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

Prizes payable to 'Set for Life' major prize winners are payable over periods exceeding 12 months and are valued at the net present value of the future expected cash flows. The portion of this liability which is payable more than 12 months post balance date is reported as a non-current liability.

(u) Interest bearing liabilities

Interest bearing liabilities, such as loans, are initially recognised at fair value, net of transaction costs incurred and 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.

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

(v) Finance costs

Finance costs incurred for the acquisition, construction or production 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.

(w) Provisions

Provisions 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.

Provisions are measured at the present value of the best estimate of the expenditure required to settle the present obligation.

(x) Employee benefits

(i) Wages and salaries and annual leave

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

(ii) Long service leave

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

(iii) Retirement benefit obligations

All Group employees are entitled to become members of the Group's accumulation (defined contribution) plan, whilst some employees employed by Golden Casket Lottery Corporation Limited (and previously UNiTAB Limited) have previously elected into the plans as outlined below. The accumulation plan receives superannuation guarantee contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

UNiTAB Limited and its controlled entities were acquired on 12 October 2006. UNiTAB Limited and certain controlled entities contributed 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.

In the prior year the defined benefit plan contributed to by employees of UNiTAB Limited 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.

Golden Casket Lottery Corporation Limited 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 Limited 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.

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 in the period in which they occur, 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 (e.g. 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), an equity settled plan.

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 determination date and recognised over the period during which the employees become unconditionally entitled to the options.

The assessed fair value at determination date of options and rights granted to the individuals is allocated equally over a three year period from determination date. Fair values at determination date were determined using a Monte-Carlo Simulation Valuation methodology that takes into account the exercise price, the term of the option, the impact of dilution, the share price at determination 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 and rights 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 Group revises its estimates of the number of options that are expected to become exercisable.

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 LTIP 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.

(vi) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(y) Contributed equity

Ordinary shares are classified as equity.

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

(z) Dividends

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

(aa) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(ab) Goods and Services Tax (GST)

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

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

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

(ac) 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.

(ad) New accounting standards and AASB interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2009 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below. All of the accounting standards and interpretations listed below are applicable to annual reporting periods on or after 1 January 2009, and none have been early adopted by the Group. The Group will apply the revised standards from 1 July 2009.

(i) Revised AASB 3 *Business Combinations,* AASB 127 *Consolidated and Separate Financial Statements* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127*

The revised AASB 3 and AASB 127 change the application of acquisition accounting for business combinations and the accounting for non-controlling interests. Key changes include the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statements, measurement of minority interests at full fair value or the proportionate share of fair value of the underlying net assets and the inclusion of combinations by contract alone. These changes will be applied prospectively to all business combinations and transactions with non-controlling interests from 1 July 2009.

(ii) AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly controlled entity or Associate*

The revised AASB 127 *Consolidated and Separate Financial Statements* will mean all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits. However the investments may need to be tested for impairment as a result of the dividend payment. This is not expected to have a material impact on the Group's financial statements *(iii)* AASB 8 *Operating Segments and* AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8*

AASB 8 and AASB 2007-3 will result in a change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information reported will be based on what the key decision makers of the Group use internally for evaluating segment performance and allocating resources to operating segments. Application of the standard will not affect any of the amounts recognised in the financial statements. Disclosures in the segment note as currently presented are not expected to change significantly under the new approach.

(iv) Revised AASB 123 *Borrowing Costs and* AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123*

The revised AASB 123 has removed the option to expense all borrowing costs and, when adopted, will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already capitalises borrowing costs relating to qualifying assets.

(v) Revised AASB 101 *Presentation of Financial Statements and* AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*

A revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity. The standard does not change the recognition, measurement or disclosure of transactions or events required by other standards. If the Group has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet at the beginning of the comparative period.

(vi) AASB 2008-1 *Amendments to Australian Accounting Standards – Share-based Payments: Vesting Conditions and Cancellations*

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This is not expected to affect the accounting for the Group's share-based payments.

(vii) AASB Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*

AASB-I 16 clarifies which foreign currency risks qualify as hedged risk in the hedge of a net investment in a foreign operation and that hedging instruments may be held by any entity or entities within the Group. It also provides guidance on how an entity should determine the amounts to be reclassified from equity to profit and loss for both the hedging instrument and hedged item. There will be no changes to the existing accounting for hedging of a foreign operation as a result of these changes.

Note 2 Financial risk management

Financial risk management is carried out by a central treasury function (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, monitors and manages financial risks in co-operation with the Group's operating units. The Treasury and Investment Committee internally co-ordinate this process, and the Audit, Risk and Compliance Committee oversees the management and implementation of the risk management framework and policies.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and fair value 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 various risk management approaches, including where appropriate derivative financial instruments such as foreign exchange contracts and interest rate swaps, to hedge certain risk exposures. Derivatives, when utilised, are exclusively for hedging purposes, i.e. not for trading or other speculative purposes. The Group uses a variety of methods to measure the extent of different types of risk to which it is exposed, including market or fair value or face value as appropriate.

The operation of this treasury activity is managed through segregation of duties, reporting requirements and structured authority levels, and is subject to ongoing internal and external audit review.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising predominately from currency exposures to the British Pound, South African Rand, Swedish Kroner, and various other currencies from time to time.

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, and from net investments in foreign operations. Management of foreign exchange risk is focused on minimising the volatility of Group financial results to adverse exchange rate movements by protecting the cash flows of the business and reducing large investment exposures to such exchange rate movements. This is achieved through a combination of risk management approaches including forward foreign exchange contracts, holding foreign currency cash balances against exposures, and minimising offshore net asset holdings through foreign currency denominated debt.

The Group and parent entity's material exposure to foreign currency risk at the reporting dates was as follows:

	30 June 2009	30 June 2008
	GBP '000	GBP '000
Interest bearing liabilities	**111,170**	61,170
Derivative financial liability	**3,746**	-
Forward exchange contracts		
- buy foreign currency (cash flow hedge)	**4,850**	-
	119,766	61,170

The following relevant exchange rates applied during the year:

Currency	**Average rate**		**Spot rate – 30 June**	
	2009	2008	**2009**	2008
British Pound (GBP)	0.46259	0.44990	0.489609	0.480498
South African Rand (ZAR)	6.51005	6.61339	6.234707	7.467829
Swedish Kroner (SEK)	5.63730	5.69657	6.228967	5.762224

Sensitivity analysis

Based on the financial instruments held at 30 June 2009, had the Australian dollar weakened/strengthened by 10% (2008: 10%) against the British Pound with all other variables held constant, the Group's post tax profit for the year would have been the same as that reported in the income statement, while equity would have been $11,977,000 higher/ lower (2008: $6,117,000 higher/lower) than that reported in the balance sheet.

In the parent entity, based on the financial instruments held at 30 June 2009, had the Australian dollar weakened/strengthened by 10% (2008: 10%) against the British Pound with all other variables held constant, the Company's post tax profit for the year would have been the same as that reported in the income statement, while equity would have been $11,977,000 higher/ lower (2008: $6,117,000 higher/lower) than that reported in the balance sheet.

The Group's and Company's exposure to other foreign exchange movements is not material.

(ii) Price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet as available-for-sale financial assets (refer Note 13 for further information). Neither the Group nor the parent entity is directly exposed to commodity price risk.

Such equity investments are not part of the usual business operations or strategies of the Group and do not represent a material exposure to the Group. As at 30 June 2009, the amount held is $29,241,000 (2008: $28,444,000).

Based on the equity securities held at 30 June 2009, had the share price increased/decreased by 10% (2008: 10%) with all other variables held constant, the Group's post tax profit for the year would have been unaffected while equity would have been $2,921,000 higher/lower (2008: $2,845,000 higher/lower).

(iii) Cash flow and fair value interest rate risk

Refer to (d) below.

(b) Credit risk

Credit risk is the risk that the Group will suffer a financial loss due to the inability of a counterparty to meet its financial and/or contractual obligations. In relation to treasury activities, credit risk arises primarily from investments, and from the use of risk management derivative instruments. Business and trade related credit risk is managed through procurement policies in place for the Group. Treasury related credit risk is managed by ensuring all counterparties satisfy credit rating level requirements of a minimum investment grade of BBB+ or greater. As at 30 June 2009, all current counterparties have an investment grade that exceeds this requirement. Through spreading transactions across a range of such counterparties to limit the amount of credit exposure to any one financial institution, the Group thereby avoids any significant concentration of credit risk.

(c) Liquidity risk

Liquidity risk is the risk that monies needed to fund the Group may not be available in sufficient quantities at some future date. 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. Group Treasury manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the maturity profiles of financial assets and liabilities, and maintaining appropriate committed funding lines in anticipation of future requirements. The Group has a policy that ensures any surplus cash is invested using approved investment instruments with approved financial institutions on maturities that ensure short term liquidity availability. Due to the dynamic nature of the underlying businesses, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available and ensuring compliance with borrowing facility covenants and undertakings. This approach is supported through the maintenance of good banking relationships with the Group's core banks.

Maturity of financial assets

The financial assets of the Group, with the exception of available-for-sale financial assets disclosed in Note 13, have maturity periods ranging from 2 to 120 days. Weekly agents and venue sweeps receivables are generally on a 2 to 7 day cash cycle.

Maturities of financial liabilities

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts disclosed are undiscounted cash flows.

Consolidated								
		Less than 6 months	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**	**Total contractual cash flows**	**Carrying value**
		$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
2009								
Trade and other payables	Non-interest bearing	378,822	84,165	29,900	8,626	8,816	510,329	506,471
Bank overdraft	Floating	751	-	-	-	-	751	751
Bank loans	Floating	14,497	16,594	39,770	936,959	-	1,007,820	906,529
Lease liabilities	Fixed	448	-	-	-	-	448	448
Financial liabilities		394,518	100,759	69,670	945,585	8,816	1,519,348	1,414,199
2008								
Trade and other payables	Non-interest bearing	311,592	3,651	30,047	12,951	10,310	368,551	361,684
Bank overdraft	Floating	1,169	-	-	-	-	1,169	1,169
Bank loans	Floating	13,035	260,704	56,064	726,644	-	1,056,447	877,713
Lease liabilities	Fixed	481	-	481	-	-	962	902
Financial liabilities		326,277	264,355	86,592	739,595	10,310	1,427,129	1,241,468

Parent entity							
		Less than 6 months	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**Total contractual cash flows**	**Carrying value**
		$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
2009							
Trade and other payables	Non-interest bearing	12,189	-	-	-	12,189	12,189
Bank loans	Floating	12,447	12,857	33,539	773,252	832,095	748,776
Financial liabilities		24,636	12,857	33,539	773,252	844,284	760,965
2008							
Trade and other payables	Non-interest bearing	8,414	-	-	-	8,414	8,414
Bank loans	Floating	27,668	247,668	36,241	470,526	782,103	647,911
Financial liabilities		36,082	247,668	36,241	470,526	790,517	656,325

Financing arrangements

Up to 5 June 2008, the Company 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, NT TAB Pty Ltd, SA TAB Pty Ltd and Golden Casket Lottery Corporation Limited were a party to a multi-option facility agreement of $225,000,000 and a bridge facility agreement of $530,000,000. In addition, on 3 January 2008 these parties plus European Gaming Ltd (EGL) entered into a British pound denominated bridge facility of GBP 110,000,000 that refinanced the non-recourse debt of EGL in place prior to the full acquisition of the European Gaming Group by Tatts Group Limited.

On 5 June 2008, these facilities were fully repaid and replaced by a syndicated multi-currency revolving facility of the Company together with Tattersall's Holdings Pty Ltd, Tattersall's Gaming Pty Ltd, Tattersall's Sweeps Pty Ltd, UNiTAB Limited, Maxgaming NSW Pty Ltd, Maxgaming QLD Pty Ltd, Golden Casket Lottery Corporation Limited, European Gaming Ltd and Talarius Limited of $1,100,000,000 that has maturities of 2 to 4 years (2008: 1 to 5 years). In December 2008 the 1 year facility in existence at 30 June 2008 was extended by a further 2 years.

In addition, a Master Asset Purchase Agreement exists between Tattersall's Gaming Pty Ltd and Westpac Banking Corporation. This facility expires in April 2010 and was previously incorporated in the multi-option facility agreement above. This facility has previously been used to finance the acquisition of gaming machines.

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

Consolidated	**30 June 2009**			30 June 2008		
	Available facility $'000	**Balance drawn down $'000**	**Weighted average interest rate[(1)] %**	Available facility $'000	Balance drawn down $'000	Weighted average interest rate %
Multi option facility[(2)]	**-**	**-**	-	-	-	6.12
Australian dollar bridge facility[(2)]	**-**	**-**	-	-	-	7.22
Syndicated multi currency revolving facility	**1,100,000**	**910,424**	3.25	1,100,000	872,266	8.10
Commercial facility	**4,389**	**4,389**	6.53	14,839	14,839	6.31
Total	**1,104,389**	**914,813**		1,114,839	887,105	
Represented by						
Bank loans		**910,424**			872,266	
Commercial facility		**4,389**			14,839	
		914,813			887,105	

(1) The weighted average rate represents the variable rate at which the funds have been borrowed. This excludes the overlay of any interest rate derivatives at reporting date.
(2) The weighted average rate in the previous financial year shown is up to the date of closure of the facilities on 5 June 2008.

Of the total facility drawn down at 30 June 2009, $757,059,000 (2008: $657,305,000) has been drawn by the parent entity at a weighted average rate of 3.59% (2008: 8.42%).

In addition, from 3 January to 5 June 2008, the weighted average interest rate associated with the EGL bridging facility was 5.86%.

The banks provided funds under the syndicated multi-currency facility (and previously under the multi-option facility agreement and bridge facility) agreements, covered by financial undertakings that impose certain covenants on the Group. The financial undertakings state that (subject to certain exceptions) the companies' party to these facilities would not provide any other security over their assets, and will ensure that certain financial ratios are maintained. The financial ratios were maintained as at 30 June 2009 and 2008.

(d) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the Group will suffer a financial or economic opportunity loss due to an unfavourable change in interest rates. The Group's interest rate risk arises from the Group's interest bearing assets and borrowings.

Borrowings issued at variable rates expose the Group to cash flow interest rate risk, while borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings at variable rates were denominated in Australian Dollars and British Pounds. When required, the Group may enter into interest rate hedge instruments, ranging from 10% to 100% of the interest rate exposure determined on the debt profile of the Group. Any decision to hedge interest rate risk will be assessed at the inception of each floating rate debt facility and/or at each rollover in light of the overall Group exposure, the prevailing interest rate market and any funding counterparty requirements.

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. As a result, the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

Group Treasury manage interest rate risk by establishing interest rate hedges in accordance with Board approved limits.

At balance date, material exposure to interest rate risk is limited to the bank loans available under the funding arrangements as disclosed in (c) above and cash and cash equivalents as disclosed in Note 10.

All other financial assets and liabilities are either non-interest bearing or not subject to interest rate risk or exposures to such risk are not material.

Sensitivity analysis

At 30 June 2009, if interest rates had increased/decreased by 100 basis points (2008: 100 basis points) from the year end rates with all other variables held constant, the post-tax profit for the year and equity for the Group would have been $3,575,000 lower / higher (2008: $4,160,000 higher/lower).

At 30 June 2009, if interest rates had increased/decreased by 100 basis points (2008: 100 basis points) from the year end rates with all other variables held constant, the post-tax profit for the year and equity of the parent entity would have been $4,856,000 lower / higher (2008: $4,218,000 higher/lower).

(e) Fair value of financial assets and liabilities

Other than those classes of financial assets and liabilities denoted as "listed" (refer Note 13), none of the classes of financial assets and liabilities are readily traded on organised markets in standardised form. The net fair value of financial assets and liabilities 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. The fair values of financial assets and liabilities of the Group and Company are approximately the same as the carrying amount shown in the balance sheet.

(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 in active 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 Company and certain controlled entities have potential financial liabilities which may arise from certain contingencies disclosed in Note 30. No material losses are anticipated in respect of any of those contingencies.

(iii) Derivative financial instruments

For forward foreign 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.

(f) Capital risk management

The Group's policy is to maintain a capital structure for the business which ensures sufficient liquidity and support for business operations, maintains shareholder and market confidence, provides strong stakeholder returns, and positions the business for future growth.

The ongoing maintenance and pursuit of this policy is characterised by:

- Maintaining a gearing ratio that ensures the investment grade positioning of the Group.
- A dividend policy aimed at dividend payout ratios of over 90% on a fully franked basis.
- Investment criteria that consider earnings accretion and risk adjusted rate of return requirements based on the Group's weighted average cost of capital.
- Ongoing cash flow forecast analysis and detailed budgeting processes which, combined with continual development of banking relationships, is directed at providing a sound financial positioning for the Group's operations and financial management activities.

The gearing ratios that management monitor as key metrics for capital management are calculated as net debt divided by total capital (balance sheet gearing ratio), and net debt divided by EBITDA (earnings gearing ratio). Net debt is calculated as total borrowings (interest bearing liabilities as shown in the balance sheet, plus derivative financial liabilities and bank guarantees) less cash and cash equivalents (less prize reserves and other committed cash amounts). Total capital is calculated as 'equity' as shown in the balance sheet (including minority interest) plus net debt. EBITDA (adjusted) is the earnings before interest, tax, depreciation and amortisation as shown in the income statement, adjusted to reflect full year outcomes of continuing operations and with the addition of interest income. Two measures are used for gearing to provide both a balance sheet and earnings / cash flow perspective of the gearing of the business.

	Consolidated	
	2009 $'000	2008 $'000
EBITDA (adjusted)	**571,285**	528,575
Interest bearing liabilities	**927,202**	890,986
Less: cash and cash equivalents (excluding prize reserves, etc)	**(239,790)**	(153,362)
Net debt	**687,412**	737,624
Equity	**2,595,426**	2,577,859
Total Capital	**3,282,838**	3,315,483
Balance sheet gearing ratio	**20.94%**	22.25%
Earnings gearing ratio	**1.20:1**	1.40:1

The Board and management continually assess the relative merits of the potential for higher returns from increased gearing and the advantages that flow to markets and operational stability and strategic flexibility from a strong capital base.
There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements, other than normal banking requirements.

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 may have a financial impact on the entity and 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.

(a) Estimated impairment of goodwill, licences and brands

The Group tests six monthly whether goodwill, licences and brands have suffered any impairment, in accordance with the accounting policy stated in Note 1(s). The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to Note 17 for details of these assumptions.

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

In the prior year the Company had intangible assets comprising the Tattersall's brand and the Victorian gaming licence. The brand and licence were carried at cost and were not amortised by the Company (refer Note 1(s)). The carrying amounts were reviewed annually for impairment in accordance with Note 1(j). The brand and licence were fully impaired in the previous financial year (refer Note 17).

(c) Depreciation of Victorian Lotteries and Tatts Pokies fixed assets

During the previous financial year the Group reassessed the useful lives of assets in relation to the Victorian lotteries licence. Following the awarding of a 10 year licence effective from 1 July 2008, the useful lives of the assets were extended. Previously the assets were depreciated to the term of the previous licence which expired on 30 June 2008.

The estimated useful lives of the existing Tatts Pokies assets were extended following the Victorian Government's announcement on 10 April 2008 on the gambling licence arrangements that will apply after the end of the current licence in 2012.

The impact of both of these on the financial statements in the previous financial year was a reduction in the depreciation charge of $17,000,000.

(d) 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.

Note 4 Segment information

Business segments

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

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.

Wagering
Totalisator and fixed odds betting on thoroughbred, harness, greyhounds and other sporting events pursuant to licences in Queensland, South Australia and the Northern Territory.

Maxgaming
Gaming machine monitoring and value added services in Queensland, New South Wales and the Northern Territory.

Bytecraft Systems
Warehousing, installation, relocation, repair and maintenance of gaming machines, lottery and wagering terminals and other transaction devices in Australia.

International/Business Development
Gaming operations in South Africa, and in the United Kingdom from 3 January 2008 (previously included as a joint venture from 1 February 2007 to 2 January 2008).

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

Although the consolidated entity's divisions are managed on a global basis they operate in three main geographical areas: Australia, South Africa and the United Kingdom. The results of operations and net assets of South Africa and the United Kingdom as discussed above are included within the International Business segment. Separate geographic segments are not disclosed as they represent less than 10% of revenue, profits and assets.

Primary Reporting – business segments

2009	Tatts Pokies $'000	Tatts Lotteries[1] $'000	UNiTAB $'000	Maxgaming $'000	Bytecraft Systems $'000	International/ Business Dev't $'000	Other $'000	Inter-segment eliminations[2] $'000	Total Continuing Operations $'000	Discontinued Operations $'000	Consolidated $'000
Total segment revenue and other income	1,292,243	1,070,706	592,502	117,841	69,972	139,275	3,427	(33,482)	3,252,484	-	3,252,484
Share of net losses of joint venture partnerships	-	-	-	-	-	-	(105)	-	(105)	-	(105)
Total revenue/income									3,252,379	-	3,252,379
EBITDA before impairment	238,797	118,791	147,838	65,316	5,734	15,891	(33,012)	-	559,355	-	559,355
Depreciation/Amortisation	(23,239)	(10,288)	(17,385)	(24,288)	(1,742)	(18,182)	(9,243)	(378)	(104,745)	-	(104,745)
Impairment	-	-	-	-	-	-	(4,857)	-	(4,857)		(4,857)
Segment result	215,558	108,503	130,453	41,028	3,992	(2,291)	(47,112)	(378)	449,753	-	449,753
Interest Income									8,423	-	8,423
Borrowing costs									(57,650)	-	(57,650)
Profit before income tax									400,526		400,526
Segment assets and liabilities											
Segment assets	85,220	717,385	1,769,870	640,992	37,733	426,548	103,899	-	3,781,647	-	3,781,647
Unallocated assets									465,531	-	465,531
Total assets									4,247,178	-	4,247,178
Segment liabilities	20,752	339,894	53,148	5,104	6,344	28,080	27,453	-	480,775	-	480,775
Unallocated liabilities									1,170,977	-	1,170,977
Total liabilities									1,651,752	-	1,651,752
Other segment information											
Investments in associates and joint venture partnerships	-	-	-	-	-	-	8,605	-	8,605	-	8,605
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	10,508	8,564	12,615	8,940	2,904	15,678	8,078	-	67,287	-	67,287

[1] The Lotteries segment includes the operation of lottery licences within Victoria, Tasmania, ACT and the Northern Territory and also the operation of a Lottery Operator Agreement in Queensland. The prior year comparative includes overheads that have been reclassified to 'Other' in the current period.

[2] Inter-segment eliminations against revenue comprise Bytecraft Systems segment revenue of $32,899,000 and other segment revenue of $583,000.

Primary Reporting – business segments

2008	Tatts Pokies $'000	Tatts Lotteries $'000	UNiTAB $'000	Maxgaming $'000	Bytecraft Systems $'000	International/ Business Dev't $'000	Other $'000	Inter-segment eliminations[1] $'000	Total Continuing Operations $'000	Discontinued Operations[2] $'000	Consolidated $'000
Total segment revenue and other income	1,268,867	1,046,471	541,235	113,376	74,331	81,279	7,152	(38,547)	3,094,164	6,383	3,100,547
Share of net losses of associates and joint venture partnerships	-	-	-	-	-	(4,133)	-	-	(4,133)	-	(4,133)
Total revenue/income									3,090,031	6,383	3,096,414
EBITDA	226,080	105,414	130,731	64,258	8,151	6,312	(29,259)	-	511,687	1,877	513,564
Depreciation/Amortisation	(30,920)	(11,728)	(16,928)	(24,243)	(1,752)	(7,901)	(4,730)	(537)	(98,739)	(140)	(98,879)
Segment result	195,160	93,686	113,803	40,015	6,399	(1,589)	(33,989)	(537)	412,948	1,737	414,685
Interest Income									9,587	-	9,587
Borrowing costs									(53,625)	-	(53,625)
Profit before income tax									368,910	1,737	370,647
Segment assets and liabilities											
Segment assets	109,919	600,916	1,778,023	656,426	40,736	395,634	88,433	-	3,670,087	-	3,670,087
Unallocated assets									365,524	-	365,524
Total assets									4,035,611	-	4,035,611
Segment liabilities	32,795	218,054	44,548	5,337	6,658	23,323	20,264	-	350,979	-	350,979
Unallocated liabilities									1,106,773	-	1,106,773
Total liabilities									1,457,752	-	1,457,752
Other segment information											
Investments in associates and joint venture partnerships	-	-	-	-	-	-	7,917	-	7,917	-	7,917
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	36,858	29,245	11,623	9,775	1,370	21,278	5,314	-	115,463	-	115,463

[1] Inter-segment eliminations against revenue comprise Bytecraft Systems segment revenue of $37,873,000 and other segment revenue of $674,000

[2] Discontinued operations relate to Bounty Limited for the six month period to 31 December 2007 (refer Note 9)

Notes to and forming part of the segment information

(a) Accounting policies

Segment information is prepared in conformity with the accounting policies of the Group disclosed in Note 1(d) 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 most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors 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.

Note 5 Revenue

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
(a) From continuing operations				
Sales Revenue				
Entertainment products and services	**3,132,444**	2,978,327	**-**	-
Rendering of services	**105,501**	93,244	**-**	-
	3,237,945	3,071,571	**-**	-
Other Revenue				
Rents and sub-lease rentals	**2,964**	1,857	**216**	216
Licence and management fees	**-**	-	**200**	109,903
Interest on unpaid prizes and prize reserves	**5,460**	8,532	**-**	-
Dividends and distributions	**1,746**	1,266	**420,751**	25,000
Other revenue	**2,685**	2,339	**20**	-
	3,250,800	3,085,565	**421,187**	135,119
(b) From discontinued operations (Note 9)				
Rendering of services	**-**	6,383	**-**	-

Note 6 Other income

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Net gain on disposal of property, plant and equipment	**-**	3,549	**-**	88
Gain on disposal of shares in other related parties	**436**	-	**-**	-
Gain on foreign currency derivatives qualifying as hedges	**-**	-	**4,994**	19,216
Loss on foreign currency derivatives qualifying as hedges	**-**	-	**(4,994)**	(19,216)
Net foreign exchange gains	**1,248**	-	**-**	-
Other	**-**	5,050	**-**	-
	1,684	8,599	**-**	88

Note 7 Expenses

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'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	**4,576**	1,514	**39**	92
Plant and equipment	**61,468**	69,605	**4**	4
Leasehold improvements	**3,624**	1,405	**-**	-
Freehold improvements	**1,816**	1,660	**3**	4
Investment properties	**277**	166	**-**	-
Total depreciation	**71,761**	74,350	**46**	100
Amortisation				
Deferred expenditure	**666**	286	**-**	-
Licences	**7,911**	5,599	**-**	-
Brand	**225**	125	**-**	-
Computer Software	**21,151**	15,333	**-**	-
Other	**3,031**	3,046	**-**	-
Total amortisation	**32,984**	24,389	**-**	-
Finance costs				
Interest and finance charges paid/payable	**60,016**	53,265	**48,607**	9,333
Gain on realisation of interest rate swap	**(2,366)**	-	**-**	-
Finance costs expensed	**57,650**	53,625	**48,607**	9,333
Other items:				
Minimum lease payments expense relating to operating leases	**22,829**	27,515	**3**	-
Net foreign exchange losses	**-**	1,127	**40**	4
Net loss on disposal of property, plant and equipment	**993**	-	**-**	-
Defined contribution superannuation expense	**8,944**	7,276	**-**	263
(b) Significant revenue and expenses				
The following material expense items are relevant in explaining the financial performance:				
Restructuring costs	**2,472**	4,237	**359**	-
Impairment losses on assets				
Available-for-sale financial assets	**4,857**	-	**-**	-
Licences	**-**	-	**-**	373,024
Brand	**-**	-	**-**	402,886
Total impairment losses on assets	**4,857**	-	**-**	775,910

Note 8 Income tax expense

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
(a) Income tax expense/(benefit)				
Current tax	**121,158**	104,856	**(10,684)**	25,705
Deferred tax	**2,857**	8,792	**3,400**	3,805
(Over) / under provision in prior years	**(1,537)**	(1,038)	**645**	(921)
	122,478	112,610	**(6,639)**	28,589
Income tax expense/(benefit)e is attributable to:				
Profit / (loss) from continuing operations	**122,478**	112,070	**(6,639)**	28,589
Profit from discontinued operations (Note 9)	**-**	540	**-**	-
Aggregate income tax expense/(benefit)	**122,478**	112,610	**(6,639)**	28,589
Deferred income tax expense included in income tax expense/(benefit) comprises:				
(Increase) /decrease in deferred tax assets (Note 18)	**(2,785)**	(466)	**2,627**	3,044
Increase in deferred tax liabilities (Note 23)	**5,642**	9,258	**773**	761
	2,857	8,792	**3,400**	3,805
(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable				
Profit / (loss) from continuing operations before income tax expense	**400,526**	368,910	**394,602**	(652,550)
Profit from discontinuing operations before income tax expense	**-**	1,737	**-**	-
	400,526	370,647	**394,602**	(652,550)
Tax at the Australian tax rate of 30% (2008 – 30%)	**120,158**	111,194	**118,381**	(195,765)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Depreciation and amortisation	**953**	203	**-**	2
Non-assessable income	**(166)**	(4)	**-**	-
Non deductible items – impairment of intangible assets	**-**	-	**-**	232,773
Non deductible items	**736**	708	**561**	1
Non taxable dividends	**(50)**	-	**(126,225)**	(7,500)
Share of net loss of associate	**-**	1,240	**-**	-
Unrecognised tax losses	**1,910**	-	**-**	-
Sundry items	**1**	287	**(1)**	(1)
	123,542	113,628	**(7,284)**	29,510
Difference in overseas tax rates	**473**	20	**-**	-
(Over) / under provision in prior years	**(1,537)**	(1,038)	**645**	(921)
Income tax expense/(benefit)	**122,478**	112,610	**(6,639)**	28,589
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising during the year and not recognised in net profit or loss but directly debited or credited to equity				
Net deferred tax – (credited) / debited directly to equity (Note 18 and Note 23)	**(1,264)**	1,048	**-**	-
	(1,264)	1,048	**-**	-
(d) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	**40,318**	28,443	**-**	-
Potential tax benefit @ 28%	**11,289**	7,964	**-**	-

All unused tax losses were incurred by overseas entities that are not part of the tax consolidated group.

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
(e) Unrecognised timing differences				
Temporary differences relating to investments in foreign subsidiaries for which deferred tax liabilities have not been recognised – undistributed retained earnings	**13,708**	14,087	**-**	-
	13,708	14,087	**-**	-

Tattersall's Investments (South Africa) (Pty) Limited has undistributed earnings of $13,708,000 (2008: $14,087,000) which if it paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, however no deferred tax liability has been recognised as the parent entity is able to control the timing of the distributions from the subsidiary and is not expected to distribute profits in the foreseeable future.

Carentan Investments (Pty) Limited has losses at present. Although it expects to make profits in the future, it has not recognised a deferred tax asset on the basis that these profits are not sufficiently probable.

Tax consolidation legislation

Tatts Group Limited and its wholly owned Australian controlled subsidiaries have adopted the tax consolidation legislation. 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 subsidiaries in the case of a default by the head entity, Tatts Group Limited.

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

Note 9 Discontinued Operations

(a) Description

On 8 January 2008, Golden Casket Lottery Corporation Limited, a controlled entity, sold its shareholding in Bounty Limited (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 period from 1 July 2007 to 8 January 2008 for Bounty Limited and its controlled entities in the previous financial year.

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Revenue (Note 5)	**-**	6,383	**-**	-
Expenses	**-**	(4,646)	**-**	-
Profit before income tax	**-**	1,737	**-**	-
Income tax expense (Note 8(a))	**-**	(540)	**-**	-
Profit from discontinued operations	**-**	1,197	**-**	-
Gain on the sale before income tax	**-**	-	**-**	-
Income tax expense	**-**	-	**-**	-
Gain on the sale after income tax	**-**	-	**-**	-
Profit from discontinued operations	**-**	1,197	**-**	**-**
Net cash inflow from operating activities	**-**	2,817	**-**	-
Net cash outflow from investing activities	**-**	(16)	**-**	-
Net cash outflow from financing activities	**-**	-	**-**	-
Net increase / (decrease) in cash generated by the division	**-**	2,801	**-**	-

(c) Details of the sale of controlled entities

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Consideration received				
Cash	**-**	3,250	**-**	-
Total disposal consideration	**-**	3,250	**-**	-
Carrying amounts of net assets sold	**-**	(1,867)	**-**	-
Transaction costs	**-**	(143)	**-**	-
Goodwill	**-**	(1,240)	**-**	-
Gain / (loss) on sale before income tax	**-**	-	**-**	-
Income tax expense	**-**	-	**-**	-
Gain / (loss) on sale after income tax	**-**	-	**-**	-

Note 10 Cash and cash equivalents

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Cash at bank and in hand	**63,951**	69,056	**261**	3,633
Deposits at call	**88,898**	58,814	**9,267**	22,048
Fixed interest securities	**220,912**	124,069	**54,839**	19,678
	373,761	251,939	**64,367**	45,359
Reconciliation to cash at the end of the year				
The above figures are reconciled to cash at the end of the financial year as shown in the statements of cash flows as follows:				
Balances as above	**373,761**	251,939	**64,367**	45,359
Bank overdrafts (Note 21)	**(751)**	(1,169)	**-**	-
Balances per cash flow statement	**373,010**	250,770	**64,367**	45,359

Interest rate risk exposure

(i) Cash at bank and in hand
Cash at bank is bearing floating interest rates between zero and 7.30% (2008: zero and 7.60%).

(ii) Deposits at call
The deposits are bearing floating interest rates between 2.95% and 7.20% (2008: 6.20% and 10.95%) and have a maturity of between 7 and 14 days.

(iii) Fixed interest securities
Fixed interest securities are bearing fixed interest rates with a weighted average of 4.17% (2008: 7.06%) and have maturities between one and three months.

Note 11 Trade and other receivables

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current				
Trade receivables				
Weekly sweeps [1]	**109,725**	26,936	**-**	-
Trade debtors	**13,148**	12,233	**-**	-
Less: Provision for impairment	**(451)**	(366)	**-**	-
	122,422	38,803	**-**	-
Other receivables	**22,393**	17,854	**18**	44
Amounts receivable from:				
Wholly owned subsidiaries (Note 32(e))	**-**	-	**752,327**	604,817
Joint venture entities (Note 32(e))	**7,475**	2,875	**-**	-
	7,475	2,875	**752,327**	604,817
Prepayments	**5,848**	8,837	**306**	-
	158,138	68,369	**752,651**	604,861
Non-current				
Prepayments	**89**	38	**-**	-

[1] Balances with venues, agencies and outlets are swept on recurring cycles of between 2 and 7 days.

Impaired trade and other receivables

The Group has recognised losses of $440,000 (2008: loss of $392,000) in respect of bad and doubtful trade receivables during the year ended 30 June 2009.

At 30 June 2009, there were no material receivables either past due which have not been impaired or individual balances specifically impaired. Collateral is not normally obtained for balances owing.

Other receivables
These amounts generally arise from transactions outside the usual operating activities of the consolidated entity. Where interest is charged, this is on commercial terms. Collateral is not normally obtained.

Foreign exchange and interest rate risk
Information concerning exposure to foreign currency and interest rate risk in relation to trade and other receivables is set out in Note 2.

Fair value and credit risk
Due to the short term nature of trade and other receivables, their carrying amount is assumed to approximate their fair value. Information concerning the credit risk of receivables is set out in Note 2.

Note 12 Inventories

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Spare parts – at cost	**12,035**	10,474	**-**	-
Less accumulated depreciation of spare parts inventory	**(6,219)**	(3,729)	**-**	-
	5,816	6,745	**-**	-
Finished goods – at cost	**1,185**	1,231	**-**	-
Total inventory	**7,001**	7,976	**-**	-

Depreciation represents the write down of spare parts inventory. The write down for the year ended 30 June 2009 is $2,632,000 (2008: $1,925,000) and has been included in operating fees and direct costs in the income statement.

Note 13 Available-for-sale financial assets

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Available-for-sale financial assets comprise:				
Listed securities				
Equity securities – at fair value	**5,355**	5,644	**-**	-
Unlisted investments				
Managed fund investment – at fair value	**23,886**	22,800	**-**	-
Total available-for-sale financial assets	**29,241**	28,444	**-**	-

Impairment and price risk exposure

Information concerning exposure to price and credit risk is set out in Note 2.

The Group has recognised an impairment loss of $4,857,000 (2008: nil) on its available-for-sale financial assets during the year ended 30 June 2009.

Note 14 Derivative financial instruments

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Non-current assets				
Cash flow hedge - Interest rate swap contracts	**-**	2,066	**-**	-
Current liabilities				
Cash flow hedges - Forward foreign exchange contracts	**594**	-	**594**	-
Non-current liabilities				
Cash flow hedge - Interest rate swap contracts	**8,733**	-	**8,733**	-

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies (refer Note 2). Information regarding exposure to the credit risk, foreign exchange risk and interest rate risk is provided in Note 2.

Interest rate swap contracts – cash flow hedges

The Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and pay interest at fixed rates. Swaps currently in place cover approximately 32.2% of the loan principal outstanding (2008: 22%) and are timed to match each payment as it falls due. The contracts require settlement of net interest receivable or payable each six months, and are settled on a net basis. Variable interest rates range between 1.08% and 4.99% (2008: 5.79% and 6.16%) while the fixed interest rate is at AUD 5.67% and GBP 4.82% (2008: GBP 5.71%).

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve to the extent that the hedge is effective (refer Note 26). There was no hedge ineffectiveness in the current or prior financial year. During the year a gain of $2,366,000 (2008: $nil) was recognised as a gain as a result of the close out of an interest rate swap contract. This is included within finance costs in the income statement.

Forward foreign exchange contracts – cash flow hedges

The Group has entered into forward foreign exchange contracts to purchase British Pounds and Swedish Kroner. These contracts are hedging highly probable future interest payments for the next financial year. The contracts are timed to mature when interest payments and contractual payments are due to occur.

The gain or loss from remeasuring the forward foreign exchange contracts at fair value is deferred in equity in the hedging reserve to the extent that the hedge is effective (refer Note 26).

Note 15 Property, plant and equipment

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

Consolidated	Freehold land	Buildings	Freehold improvements	Leasehold improvements	Plant and equipment	Plant and equipment under development	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cost	27,594	49,647	27,657	34,639	660,759	21,220	821,516
Accumulated depreciation	-	(5,690)	(20,106)	(21,713)	(429,205)	-	(476,714)
Carrying amount at 30 June 2008	27,594	43,957	7,551	12,926	231,554	21,220	344,802
Additions through acquisition of entities (Note 33)	-	2,215	-	14	1,005	-	3,234
Additions	-	3,243	-	3,073	30,654	23,703	60,673
Disposals	-	(360)	(86)	-	(1,834)	-	(2,280)
Depreciation (Note 7)	-	(4,576)	(1,816)	(3,624)	(61,468)	-	(71,484)
Transfers in/(out) (1)	(7,659)	11,176	(3,772)	5,347	(8,018)	(30,779)	(33,705)
Foreign exchange movements	(85)	788	-	-	668	(283)	1,088
Carrying amount at 30 June 2009	19,850	56,443	1,877	17,736	192,561	13,861	302,328
Cost	19,850	86,633	17,219	49,026	608,463	13,861	795,052
Accumulated depreciation	-	(30,190)	(15,342)	(31,290)	(415,902)	-	(492,724)
Carrying amount at 30 June 2009	**19,850**	**56,443**	**1,877**	**17,736**	**192,561**	**13,861**	**302,328**

(1) Transfers include assets transferred (to)/from property, plant and equipment to intangible assets, investment properties and inventory

Consolidated	Freehold land	Buildings	Freehold improvements	Leasehold improvements	Plant and equipment	Plant and equipment under development	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost	17,847	40,084	4,096	13,548	443,410	16,126	535,111
Accumulated depreciation	-	(1,378)	(610)	(2,986)	(240,190)	-	(245,164)
Carrying amount at 1 July 2007	17,847	38,706	3,486	10,562	203,220	16,126	289,947
Fair value adjustments on acquisition of a subsidiary	1,808	6,477	-	-	-	-	8,285
Additions through acquisition of entities	12,539	-	-	7,645	25,195	-	45,379
Additions	69	-	692	402	66,925	17,199	85,287
Assets included in disposal of discontinued operations	-	-	-	-	(194)	(8)	(202)
Disposals	(3,644)	-	(152)	(40)	(1,765)	-	(5,601)
Depreciation (Note 7)	-	(1,514)	(1,660)	(1,405)	(69,605)	-	(74,184)
Depreciation charge for assets used in year by discontinued operations	-	-	-	-	(18)	-	(18)
Transfers in/(out)	-	288	5,185	(3,574)	10,198	(12,097)	-
Foreign exchange movements	(1,025)	-	-	(664)	(2,402)	-	(4,091)
Carrying amount at 30 June 2008	27,594	43,957	7,551	12,926	231,554	21,220	344,802
Cost	27,594	49,647	27,657	34,639	660,759	21,220	821,516
Accumulated depreciation	-	(5,690)	(20,106)	(21,713)	(429,205)	-	(476,714)
Carrying amount at 30 June 2008	27,594	43,957	7,551	12,926	231,554	21,220	344,802

Parent entity	Freehold land	Buildings	Freehold improvements	Plant and equipment	Total
	$'000	$'000	$'000	$'000	$'000
Cost	4,758	3,271	134	29	8,192
Accumulated depreciation	-	(272)	(1)	(8)	(281)
Carrying amount at 1 July 2007	4,758	2,999	133	21	7,911
Depreciation expense (Note 7)	-	(92)	(4)	(4)	(100)
Carrying amount at 30 June 2008	4,758	2,907	129	17	7,811
Cost	4,758	3,271	134	29	8,192
Accumulated depreciation	-	(364)	(5)	(12)	(381)
Carrying amount at 30 June 2008	4,758	2,907	129	17	7,811
Depreciation expense (Note 7)	-	(39)	(3)	(4)	(46)
Carrying amount at 30 June 2009	4,758	2,868	126	13	7,765
Cost	4,758	3,271	134	29	8,192
Accumulated depreciation	-	(403)	(8)	(16)	(427)
Carrying amount at 30 June 2009	**4,758**	**2,868**	**126**	**13**	**7,765**

Valuations of land and buildings

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

Note 16 Investment properties

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
At carrying amount				
Opening balance at 1 July	**8,745**	8,911	**-**	-
Additions	**140**	-	**-**	-
Transfers from property, plant and equipment	**6,331**	-	**-**	-
Depreciation (Note 7)	**(277)**	(166)	**-**	-
Closing balance at 30 June	**14,939**	8,745	**-**	-
Amounts recognised in profit and loss for investment property				
Rental income	**995**	663	**-**	-
Cost recoveries	**95**	80	**-**	-
Direct operating expenses from property that generated rental income	**(44)**	(33)	**-**	-
	1,046	710	**-**	-

Valuation basis
The basis of the valuation of investment properties is at cost less subsequent depreciation. During the financial year the properties have been assessed by independent valuers, and these assessments were greater than the carrying value.

Contractual obligations
Refer to Note 31 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	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'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	**721**	683	**-**	-
Later than one year but not later than 5 years	**3,105**	2,943	**-**	-
Later than 5 years	**5,902**	6,066	**-**	-
	9,728	9,692	**-**	-

Note 17 Intangible assets

Consolidated	**Goodwill $'000**	**Licences $'000**	**Brands[1] $'000**	**Software [2] $'000**	**Other $'000**	**Total $'000**
At 1 July 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
Additions	-	22,215	-	7,961	-	30,176
Fair value adjustments on acquisition of a subsidiary	19,762	-	-	-	-	19,762
Additions through acquisitions of subsidiaries	332,169	-	-	600	-	332,769
Disposals	-	-	-	(41)	-	(41)
Disposals – discontinued operation	(1,240)	-	-	(650)	-	(1,890)
Amortisation charge(Note 7)	-	(5,599)	(125)	(15,333)	(3,046)	(24,103)
Foreign exchange movements	(27,077)	-	-	-	-	(27,077)
Closing net book amount	2,654,951	284,650	105,198	96,569	132,711	3,274,079
At 30 June 2008						
Cost	2,654,951	297,464	105,417	118,914	135,854	3,312,600
Accumulated amortisation	-	(12,814)	(219)	(22,345)	(3,143)	(38,521)
Net book amount	2,654,951	284,650	105,198	96,569	132,711	3,274,079
Additions through acquisitions of subsidiaries (Note 33)	41,258	-	-	934	-	42,192
Additions	-	1,661	-	4,953	-	6,614
Transfers in/(out)[3]	-	(827)	-	27,915	-	27,088
Amortisation charge(Note 7)	-	(7,911)	(225)	(21,151)	(3,031)	(32,318)
Foreign exchange movements	(6,725)	44	-	(10)	-	(6,691)
Closing net book amount	2,689,484	277,617	104,973	109,210	129,680	3,310,964
At 30 June 2009						
Cost	2,689,484	298,296	105,417	181,690	135,854	3,410,741
Accumulated amortisation	-	(20,679)	(444)	(72,480)	(6,174)	(99,777)
Net book amount	**2,689,484**	**277,617**	**104,973**	**109,210**	**129,680**	**3,310,964**

(1) Brands include $53,400,000 of assets with an indefinite life, which are included in the Wagering and Maxgaming segments.
(2) Software includes capitalised development costs being an internally generated intangible asset.
(3) Transfers includes assets transferred (to)/from property plant and equipment and deferred expenditure

Parent entity			**Licences $'000**	**Brands $'000**	**Total $'000**
At 30 June 2007					
Cost			373,024	402,886	775,910
Accumulated amortisation			-	-	-
Net book amount			373,024	402,886	775,910
Impairment charges			(373,024)	(402,886)	(775,910)
			-	-	-
At 30 June 2008					
Cost			373,024	402,886	775,910
Accumulated impairment losses			(373,024)	(402,886)	(775,910)
Net book amount			-	-	-
At 30 June 2009					
Cost			373,024	402,886	775,910
Accumulated impairment losses			(373,024)	(402,886)	(775,910)
Net book amount			**-**	**-**	**-**

(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:

	2009 $'000	2008 $'000
Tatts Pokies	**15,552**	15,552
Lotteries	**460,213**	460,213
Wagering[1]	**1,368,091**	1,364,870
Maxgaming	**500,000**	500,000
International/Business Development[1]	**335,337**	304,025
Bytecraft Systems[2]	**10,291**	10,291
Total	**2,689,484**	2,654,951

1 Refer to Note 33 for details of acquisitions during the financial year

2 The acquisition of an additional 30% of EGM Tech Pty Ltd on 4 July 2007 for $1,625,000 brings the total shareholding to 100% and has resulted in an increase in goodwill of $1,064,000.

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 Company were the brand and licence that were acquired on the purchase of the Estate of the Late George Adams (ELGA) assets. Although these intangible assets were eliminated on consolidation, and were therefore not recognised in the Group balance sheet, they formed part of the Tatts Pokies/Lotteries CGU within the Group impairment testing model in previous years. These assets were fully impaired in the previous financial year (refer (c)).

(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 and other non-current assets:

(i) Cash flow forecasts

Cash flow forecasts are based on the 2010 financial year budget approved by the Board and management's five year forecasts.

(ii) 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.

(iii) Forecast growth rates

Forecast growth rates are principally based on management's expectations for future performance in each business segment. These growth rates take into account historical growth rates for each CGU. These rates are not disclosed as they are commercially sensitive.

(iv) 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 9.8% to 14.0% (2008: 11.1% to 16.2%).

(c) Impairment charge

In the previous financial year an impairment charge arose in the Company to the brand and licence intangible assets following the announcement by the Victorian Government on 10 April 2008 on the gambling licence arrangements that will apply beyond 2012. The impairment of these gambling licence arrangements post 2012 on the business of the Group, and the Government's statements on the licence expiry payment, have led to the brand and licence intangible assets in the Company being fully impaired.

The accounting treatment adopted here for the gaming licence is in accordance with Australian Accounting Standards. It does not reflect any assessment by the Company of its entitlement to the licence expiry payment or other rights following on from the Government's statements.

Note 18 Deferred tax assets

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
The balance comprises temporary differences attributable to:				
Employee benefits	**6,849**	6,337	**403**	299
Depreciation	**24,772**	22,251	**2,537**	4,341
Provisions	**1,646**	1,448	**1,482**	1,320
Float costs	**574**	1,650	**574**	1,650
Listed securities	**1,565**	1,143	**-**	-
Tax losses	**2,238**	1,311	**-**	-
Other	**2,761**	4,195	**81**	94
Total deferred tax asset	**40,405**	38,335	**5,077**	7,704
Deferred tax assets to be settled within 12 months	**10,200**	6,283	**1,949**	3,694
Deferred tax assets to be settled after more than 12 months	**30,205**	32,052	**3,128**	4,010
	40,405	38,335	**5,077**	7,704

Movements - Consolidated	**Employee Benefits**	**Depreciation**	**Provisions**	**Float Costs**	**Tax losses**	**Listed securities**
	$'000	**$'000**	**$'000**	**$'000**	**$000**	**$000**
Opening balance at 1 July 2007	5,947	21,480	8,948	2,723	295	-
Credited /(charged) to the income statement (Note 8(a))	390	(1,220)	424	(1,073)	1,016	-
Charged to equity (Note 8(c))	-	-	-	-	-	1,143
Acquisition of subsidiary	-	3,098	-	-	-	-
Fair value adjustments on acquisition of subsidiary	-	(1,107)	(7,924)	-	-	-
Closing balance at 30 June 2008	6,337	22,251	1,448	1,650	1,311	1,143
Credited /(charged) to the income statement (Note 8(a))	512	2,521	198	(1,076)	927	1,380
Charged to equity (Note 8(c))	-	-	-	-	-	(958)
Acquisition of subsidiary (Note 33)	-	-	-	-	-	-
Foreign exchange movements	-	-	-	-	-	-
Closing balance at 30 June 2009	**6,849**	**24,772**	**1,646**	**574**	**2,238**	**1,565**

Movements - Consolidated (continued)	**Other**	**Total**
	$'000	**$'000**
Opening balance at 1 July 2007	3,022	42,415
Credited /(charged) to the income statement (Note 8(a))	929	466
Charged to equity (Note 8(c))	-	1,143
Acquisition of subsidiary	-	3,098
Fair value adjustments on acquisition of subsidiary	244	(8,787)
Closing balance at 30 June 2008	4,195	38,335
Credited /(charged) to the income statement (Note 8(a))	(1,677)	2,785
Credited to equity (Note 8(c))	-	(958)
Acquisition of subsidiary (Note 33)	206	206
Foreign exchange movements	37	37
Closing balance at 30 June 2009	**2,761**	**40,405**

Movements - Parent entity	**Employee Benefits**	**Depreciation**	**Provisions**	**Float Costs**	**Other**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Opening balance at 1 July 2007	596	6,146	1,200	2,723	83	10,748
Credited /(charged) to the income statement (Note 8(a))	(297)	(1,805)	120	(1,073)	11	(3,044)
Closing balance at 30 June 2008	299	4,341	1,320	1,650	94	7,704
Credited /(charged) to the income statement (Note 8(a))	104	(1,804)	162	(1,076)	(13)	(2,627)
Closing balance at 30 June 2009	**403**	**2,537**	**1,482**	**574**	**81**	**5,077**

Note 19 Other non-current assets

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Non-current				
Unlisted investments:				
Shares in subsidiaries	**-**	-	**2,777,539**	2,676,481
Units in unit trusts	**350**	350	**-**	-
Shares in other related parties	**561**	1,112	**-**	-
Shares in other unlisted investments	**10**	10	**-**	-
Redeemable preference shares	**200**	200	**-**	-
Deferred expenditure	**586**	1,229	**-**	-
	1,707	2,901	**2,777,539**	2,676,481

Unlisted investments

Unlisted investments are not traded in active markets.

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% (2008:1.25%) per annum.

Note 20 Trade and other payables

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current				
Trade payables	**391,686**	245,592	**6,277**	3,293
Other payables and accruals	**68,760**	65,594	**5,912**	5,121
	460,446	311,186	**12,189**	8,414
Amounts payable to related entities (Note 32(e))	**2,541**	2,032	**-**	-
	462,987	313,218	**12,189**	8.414
Non-current				
Trade payables	**43,484**	48,466	**-**	-
	43,484	48,466	**-**	-

Foreign exchange and interest rate risk
Information concerning exposure to foreign currency and interest rate risk in relation to trade and other payables is set out in Note 2.

Fair value and maturity analysis disclosures
Details of the fair value and the maturity analysis are set out in Note 2.

Note 21 Interest bearing liabilities

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current				
Secured				
Lease liabilities (Note 31(d))	**448**	451	**-**	-
Unsecured				
Bank overdrafts (Note 10)	**751**	1,169	**-**	-
Bank loans	**2,274**	228,507	**-**	218,056
	3,025	229,676	**-**	218,056
Total current interest bearing liabilities	**3,473**	230,127	**-**	218,056
Non-current				
Secured				
Lease liabilities (Note 31(d))	**-**	451	**-**	-
Unsecured				
Bank loans	**904,255**	649,206	**748,776**	429,855
Total non-current interest bearing liabilities	**904,255**	649,657	**748,776**	429,855

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

Foreign currency and interest rate risk exposures
Information concerning exposure to foreign currency and interest rate risk in relation to interest bearing liabilities is set out in Note 2.

Fair value and maturity analysis disclosures
Details of the fair value borrowings for the Group and the maturity analysis are set out in Note 2.

Note 22 Provisions

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current				
Employee benefits	**12,401**	9,552	**549**	471
Onerous leases	**1,062**	-	**-**	-
Dilapidations	**4,742**	-	**-**	-
	18,205	9,552	**549**	471
Non-current				
Employee benefits	**1,958**	3,812	**54**	19
Onerous leases	**2,096**	5,980	**-**	-
Dilapidations	**-**	803	**-**	-
	4,054	10,595	**54**	19

Reconciliation of provision movements

	Onerous leases	**Dilapidations**	**Total**
	$'000	**$'000**	**$'000**
Opening balance at 1 July 2008	5,980	803	6,783
Additions through acquisitions of entities (Note 33)	-	4,324	4,324
Utilisation of the provision	(2,869)	-	(2,869)
Credited to the income statement	-	(138)	(138)
Foreign exchange movements	47	(247)	(200)
Closing balance at 30 June 2009	**3,158**	**4,742**	**7,900**

Onerous leases

A provision for onerous leases is recognised for venues in the United Kingdom which have closed but are contracted to future payments under an operating lease.

Dilapidations

A provision for dilapidations is recognised for leasehold properties in the United Kingdom requiring remedial dilapidations work at the expiry of the lease arrangement.

Note 23 Deferred tax liabilities

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
The balance comprises temporary differences attributable to:				
Depreciation	**4,692**	8,056	**-**	16
Intangibles	**162,714**	152,848	**-**	-
Unclaimed dividends	**3,315**	2,806	**-**	-
Interest receivable	**69**	312	**5**	30
Accrued revenue	**1,163**	1,109	**-**	-
Non-consolidated group members	**343**	942	**-**	-
Other	**4,422**	5,256	**2,525**	1,711
Total deferred tax liabilities	**176,718**	171,329	**2,530**	1,757
Deferred tax liabilities to be settled within 12 months	**5,175**	6,284	**5**	815
Deferred tax liabilities to be settled after more than 12 months	**171,543**	165,045	**2,525**	942
	176,718	171,329	**2,530**	1,757

Movements (Consolidated)	**Depreciation**	**Intangibles**	**Unclaimed dividends**	**Interest Receivable**	**Accrued revenue**	**Non-consol group member**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Closing balance at 1 July 2007	12,099	127,401	200	669	1,594	1,819
Charged/(credited) to the income statement (Note 8 (a))	(5,139)	8,975	2,606	61	(485)	(877)
Charged/(credited) to equity (Note 8(c))	-	-	-	-	-	-
Fair value adjustments on acquisition of subsidiary	1,096	16,472	-	(418)	-	-
Closing balance at 30 June 2008	8,056	152,848	2,806	312	1,109	942
Charged/(credited) to the income statement (Note 8 (a))	(3,364)	9,866	509	(243)	54	(599)
Credited to equity (Note 8(c))	-	-	-	-	-	-
Foreign exchange movements	-	-	-	-	-	-
Closing balance at 30 June 2009	**4,692**	**162,714**	**3,315**	**69**	**1,163**	**343**

Movements (Consolidated) (continued)	Other	Total
	$'000	$'000
Closing balance at 1 July 2007	3,238	147,020
Charged/(credited) to the income statement (Note 8(a))	4,117	9,258
Charged to equity (Note 8(c))	95	95
Fair value adjustments on acquisition of subsidiary	(2,194)	14,956
Closing balance at 30 June 2008	5,256	171,329
Charged/(credited) to the income statement (Note 8(a))	(581)	5,642
Credited to equity (Note 8(c))	(306)	(306)
Foreign exchange movements	53	53
Closing balance at 30 June 2009	**4,422**	**176,718**

Movements (Parent entity)	Depreciation	Interest Receivable	Other	Total
	$'000	$'000	$'000	$'000
Opening balance at 1 July 2007	895	19	82	996
Charged/(credited) to the income statement (Note 8(a))	(879)	11	1,629	761
Closing balance at 30 June 2008	16	30	1,711	1,757
Charged/(credited) to the income statement (Note 8(a))	(16)	(25)	814	773
Closing balance at 30 June 2009	**-**	**5**	**2,525**	**2,530**

Note 24 Retirement benefit obligations

All employees of the Group are entitled to benefits from one of the Group's superannuation plans on retirement, disability or death.

Defined benefit superannuation plan – UNiTAB Limited and controlled entities

Following the Group's acquisition of UNiTAB Limited and its controlled entities on 12 October 2006, the Group had consolidated the net asset relating to the UNiTAB defined benefit plan. On 30 May 2008 the 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. At this date the fair value of the plan assets less obligations was $4,060,000.

Relevant disclosures below are for the previous financial year in respect of this plan from 1 July 1007 to 30 May 2008. There was no Defined Benefit Superannuation Scheme asset or liability or plan assets at 30 June 2008.

(i) Reconciliations of movements

	Consolidated	
	2009 $'000	2008 $'000
Reconciliation of the present value of the defined benefit obligation, which is fully funded:		
Balance at 1 July	-	24,454
Current service cost	-	1,766
Interest cost	-	1,189
Contributions by plan participants	-	659
Actuarial losses /(gains)	-	782
Benefits paid	-	(2,878)
Past service costs	-	4,113
Settlements	-	(30,085)
Balance at the end of the year	-	-

	Consolidated	
	2009 $'000	2008 $'000
Reconciliation of the fair value of defined benefit assets:		
Balance at 1 July	**-**	31,925
Expected return on plan assets	**-**	1,885
Actuarial (losses)/gains	**-**	(3,411)
Contributions by Group companies	**-**	1,905
Contributions by plan participants	**-**	659
Benefits paid	**-**	(2,878)
Settlements	**-**	(30,085)
Balance at the end of the year	**-**	-

(ii) Amounts recognised in income statement

The amounts recognised in the income statement are as follows:

	Consolidated	
	2009 $'000	2008 $'000
Current service cost	**-**	1,766
Interest cost	**-**	1,189
Expected return on plan assets	**-**	(1,887)
Past service costs	**-**	4,113
Net expense recognised in the income statement	**-**	5,181
Actual return on plan assets	**-**	(1,526)

(iii) Amounts recognised in statements of recognised income and expense

	Consolidated	
	2009 $'000	2008 $'000
Actuarial (loss) / gain recognised in the year – gross of tax	**-**	(4,873)

(iv) Principal actuarial assumptions

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

	Consolidated	
	2009	2008
Discount rate	**-**	5.40%
Expected return on plan assets	**-**	6.50%
Salary inflation rate – long term	**-**	4.75%

The expected return on assets was 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.

(v) Employer contributions

Employer contributions to the defined benefit section of the plan were based on recommendations by the plan's actuary. For the period from 1 July 2007 to 30 May 2008, UNiTAB Limited paid 12.25% of defined benefit members' salaries.

Note 25 Contributed equity

		2009 Shares	2008 Shares	2009 $'000	2008 $'000
(a) Share capital					
For the Group:					
Ordinary Shares – fully paid		**1,270,070,761**	1,265,355,056	**2,333,193**	2,321,082
For the Parent entity:					
Ordinary Shares – fully paid		**1,270,070,761**	1,265,355,056	**3,432,660**	3,420,549

(b) Movements in ordinary share capital:

Dates	Details	Number of shares	Ascribed Value $	Consolidated $'000	Parent entity $'000
1 July 2007	Opening balance	1,265,355,056		2,321,082	3,420,549
30 June 2008	Closing balance	1,265,355,056		2,321,082	3,420,549
2 March 2009	Performance rights issue	48,533	1.80	87	87
3 March 2009	Performance rights issue	4,534	1.80	8	8
11 March 2009	Performance rights issue	12,580	1.80	23	23
3 April 2009	Dividend Reinvestment Plan issues	4,644,921	2.58	11,984	11,984
6 April 2009	Performance rights issue	5,137	1.80	9	9
		1,270,070,761		**2,333,193**	**3,432,660**

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 Tatts Group Limited Constitution, statute, the ASX listing rules and other general law. Subject to certain exceptions, a person's voting power in Tatts Group Limited must not exceed 10%.

Dividend Reinvestment Plan (DRP)

The Company has a DRP in operation under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the provision of ordinary shares rather than being paid in cash. No discount is applicable to shares acquired under the DRP.

Options and right issues

Refer to Note 39 regarding options and rights issued as share based payments.

Note 26 Reserves and retained profits

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
(a) Reserves				
Available-for-sale financial assets revaluation reserve	**(941)**	(3,467)	**-**	-
Foreign currency translation reserve	**(20,660)**	(24,115)	**-**	-
Hedge reserve	**14,834**	28,127	**(9,326)**	-
Share based payments reserve	**3,938**	2,200	**3,938**	2,200
	(2,829)	2,745	**(5,388)**	2,200
Movements				
Available-for-sale financial assets revaluation reserve				
Balance 1 July	**(3,467)**	146	**-**	-
Impairment, net of deferred tax	**3,400**	-	**-**	-
Revaluation, net of deferred tax	**(874)**	(3,613)	**-**	-
Balance 30 June	**(941)**	(3,467)	**-**	-

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Foreign currency translation reserve				
Balance 1 July	**(24,115)**	(11,025)	**-**	-
Transferred to retained earnings (Note 33(b))	**6,846**	-	**-**	-
Currency translation differences arising during the year	**(3,391)**	(13,090)	**-**	-
Balance 30 June	**(20,660)**	(24,115)	**-**	-
Hedge reserve – cash flow hedges				
Balance 1 July	**28,127**	5,890	**-**	-
Foreign currency interest rate swap movement, net of deferred tax	**(15,278)**	8,912	**(8,732)**	-
Gain on realisation of interest rate swap, net of deferred tax	**(2,366)**	-	**-**	-
Forward exchange contracts movements, net of deferred tax	**(594)**	-	**(594)**	-
Foreign currency net investment hedge movements	**4,945**	13,325	**-**	-
Balance 30 June	**14,834**	28,127	**(9,326)**	-
Share-based payments reserve				
Balance 1 July	**2,200**	849	**2,200**	849
Performance options and rights expense	**1,865**	1,351	**1,865**	1,351
Rights exercised	**(127)**	-	**(127)**	-
Balance 30 June	**3,938**	2,200	**3,938**	2,200
(b) Retained profits				
Movements in retained profits were as follows:				
Balance 1 July	**254,553**	297,737	**(763,222)**	215,276
Net profit / (loss) for the year	**277,441**	257,586	**401,241**	(681,139)
Dividends (Note 27)	**(259,404)**	(297,359)	**(259,404)**	(297,359)
Actuarial losses on retirement benefit asset, net of tax	**-**	(3,411)	**-**	-
Transfer from foreign currency translation reserve attributable to acquisition of the European Gaming Group (Note 33(b))	**(6,846)**	-	**-**	-
Balance 30 June	**265,744**	254,553	**(621,385)**	(763,222)

(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 investments 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 upon disposal of the net investment.

(iii) 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.

(iv) Share-based payments reserve

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

Note 27 Dividends

(a) Ordinary shares

	Parent entity	
	2009 $'000	2008 $'000
Final dividend for the year ended 30 June 2007 of 10.0 cents per fully paid share paid on 5 October 2007		
Fully franked based on tax paid @ 30%	**-**	126,536
Special dividend for year ended 30 June 2008 of 10.5 cents (2008 - 4.0 cents on 5 October 2007) per fully paid share paid on 3 October 2008		
Fully franked based on tax paid @ 30%	**132,862**	50,614
Interim dividend for year ended 30 June 2009 of 10.0 cents (2008– 9.5 cents on 30 March 2008) per fully paid share paid on 3 April 2009		
Fully franked based on tax paid @ 30%	**126,542**	120,209

(b) Dividends not recognised at year end

In addition to the above dividends, since the balance sheet date the Directors have determined the payment of a final dividend of 11.0 cents (2008: 10.5 cents) per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend to be paid on 2 October 2009 out of retained profits, but not recognised as a liability at year end, is $139,707,784 (2008: $132,862,281).

(c) Franked dividends

The franked portions of the final dividend determined after 30 June 2009 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 2010.

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2008 – 30%)	**147,501**	131,716	**147,501**	131,716

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

(i) franking credits that will arise from the payment of the amount of the provision for income tax;
(ii) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
(iii) 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 Company if distributable profits of subsidiaries were paid as dividends.

The impact on the franking account of the dividend determined by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $59,874,764 (2008: $56,940,977).

Note 28 Key management personnel disclosures

(a) Key management personnel compensation

	Consolidated		Parent entity	
	2009 $	2008 $	**2009 $**	2008 $
Short term employee benefits – cash salary, fees and cash bonus	**5,189,625**	8,749,106	**5,189,625**	6,800,740
Short term employee benefits – other	**-**	380,853	**-**	380,853
Post-employment benefits	**90,678**	312,124	**90,678**	166,090
Long term benefits	**48,775**	74,140	**48,775**	40,705
Share-based payments	**916,447**	1,103,216	**916,447**	928,069
	6,245,525	10,619,439	**6,245,525**	8,316,457

The key management personnel of the Group has been refined this financial year to include only those executives with responsibility for the planning, controlling and directing of the Group and therefore excludes those executives who lead individual SBU's. The comparative figures in the following tables represent Directors' fees and executive remuneration for the key management personnel (as then defined) in the reporting period 1 July 2007 to 30 June 2008.

(b) 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 and the shares issued on the exercise of such options and rights, together with terms and conditions of the equity instruments can be found in sections D, G, H and I 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 the Company and other key management personnel of the Group, including their personally related parties, are set out below.

2009	**Balance at the start of the year**	**Granted during the year as compensation**	**Forfeited during the year**	**Balance at the end of the year**
Dick McIlwain	2,000,000	-	-	2,000,000
Ray Gunston	392,170	755,200	-	1,147,370
Stephen Lawrie	167,967	494,800	-	662,767

2008	**Balance at the start of the year**	**Granted during the year as compensation**	**Forfeited during the year**	**Balance at the end of the year**
Dick McIlwain	2,000,000	-	-	2,000,000
Michael Carr	71,435	107,036	-	178,471
Barrie Fletton	70,614	104,657	-	175,271
Penny Grau	-	42,900	-	42,900
Ray Gunston	231,616	160,554	-	392,170
Bruce Houston	14,574	33,196	-	47,770
Stephen Lawrie	65,688	102,279	-	167,967
Frank Makryllos	64,594	95,143	-	159,737
Brendan Redmond	67,658	101,089	-	168,747
Kevin Szekely	11,084	27,068	-	38,152
Bill Thorburn	-	100,000	-	100,000

84.72% of options granted on 16 December 2005 vested on 7 January 2009, however none have been exercised as at the end of the year. No other options vested or were exercisable as at the end of the year.

(iii) Performance rights holdings

The number of performance rights over ordinary shares in the Company held during the financial year by each Director of the Company and other key management personnel of the Group, including their personally related parties, are set out below.

2009	**Balance at the start of the year**	**Exercised during the year**	**Forfeited during the year**	**Balance at the end of the year**
Ray Gunston	46,279	19,111	-	27,168
Stephen Lawrie	14,597	-	-	14,597

2008	Balance at the start of the year	Exercised during the year	Forfeited during the year	Balance at the end of the year
Michael Carr	15,875	-	-	15,875
Barrie Fletton	15,692	-	-	15,692
Penny Grau	-	-	-	-
Ray Gunston	46,279	-	-	46,279
Bruce Houston	7,238	-	-	7,238
Stephen Lawrie	14,597	-	-	14,597
Frank Makryllos	17,178	-	-	17,178
Brendan Redmond	15,035	-	-	15,035
Kevin Szekely	5,542	-	-	5,542

No rights were granted during the current or previous financial year as compensation. No further rights vested or were exercisable as at the end of the year.

(iv) Share holdings

The number of shares in the Company held during the financial year by each Director of the Company and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the year as compensation.

All shares in the Company are ordinary shares.

2009	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 Tatts Group Limited				
Harry Boon	150,000	-	-	150,000
Dick McIlwain	3,247,500	-	(1,300,000)	1,947,500
Robert Bentley	160,000	-	-	160,000
Lyndsey Cattermole	172,663	-	-	172,663
Brian Jamieson	78,000	-	-	78,000
Julien Playoust	75,000	-	-	75,000
Kevin Seymour	38,062,960	-	(14,062,960)	24,000,000

On his retirement from the Board on 31 August 2008, George Chapman's shareholding was 4,011,745.

2009	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
Other key management personnel of the Group				
Ray Gunston	1,112,794	19,111	-	1,131,905
Stephen Lawrie	11,972	-	(8,000)	3,972

2008	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 Tatts Group Limited				
Harry Boon	150,000	-	-	150,000
Dick McIlwain	3,247,500	-	-	3,247,500
Robert Bentley	140,000	-	20,000	160,000
Lyndsey Cattermole	172,663	-	-	172,663
George Chapman	4,011,745	-	-	4,011,745
Brian Jamieson	78,000	-	-	78,000
Julien Playoust	50,000	-	25,000	75,000
Kevin Seymour	42,060,665	-	(3,997,705)	38,062,960

2008	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
Other key management personnel of the Group				
Michael Carr	11,878	-	-	11,878
Barrie Fletton	66,104	-	-	66,104
Penny Grau	-	-	-	-
Ray Gunston	1,112,794	-	-	1,112,794
Bruce Houston	141,757	-	-	141,757
Stephen Lawrie	11,972	-	-	11,972
Frank Makryllos	323,087	-	(30,000)	293,087
Brendan Redmond	195,169	-	-	195,169
Kevin Szekely	137,232	-	-	137,232
Bill Thorburn	-	-	-	-

(c) Loans to Directors and key management personnel

No loans are made to Directors or key management personnel.

(d) Other transactions with Directors and key management personnel

A Non-executive Director, Mr Robert Bentley, is the Chairman of Queensland Racing Limited, which controls Queensland Race Product Co Ltd. Payments for the year to 30 June 2009 totalling $124,925,000 (2008: $125,465,000) 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 29 Remuneration of Auditors

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

	Consolidated		Parent entity	
	2009 $	2008 $	**2009 $**	2008 $
Audit services				
Fees paid to PricewaterhouseCoopers Australian firm:				
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**929,425**	954,450	**317,454**	295,000
Fees paid to related practices of PricewaterhouseCoopers Australian firm	**318,711**	378,573	**-**	-
Total remuneration for audit services	**1,248,136**	1,333,023	**317,454**	295,000
Non-audit services				
(a) Assurance services				
Fees paid to PricewaterhouseCoopers Australian firm:				
Audit of regulatory returns	**51,335**	40,935	**-**	-
Due diligence services	**30,000**	-	**-**	-
Total remuneration for assurance services	**81,335**	40,935	**-**	-
(b) Taxation services				
Fees paid to PricewaterhouseCoopers Australian firm:				
Tax compliance services, including review of company tax returns	**26,643**	7,477	**-**	7,477
Total remuneration for taxation services	**26,643**	7,477	**-**	7,477
Total remuneration for non-audit services	**107,978**	48,412	**-**	7,477

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 30 Contingent liabilities

Contingent liabilities
The parent and consolidated entity had contingent liabilities at 30 June 2009 in respect of:

Bank Guarantees

Guarantees in respect of bank facilities drawn down but not included in the Company accounts of the Group are $1,864,000 (2008: $1,809,000).

Note 31 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	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Property, plant and equipment – Payable:				
Within one year	**4,033**	9,033	**-**	-
Later than one year but not later than five years	**100**	-	**-**	-
	4,133	9,033	**-**	-

(b) Operating lease commitments

The Group leases motor vehicles and various buildings under non-cancellable operating leases. The leases have varying terms and renewal rights. On renewal, the terms of the leases are to be negotiated.

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**18,501**	16,236	**-**	-
Later than one year but not later than five years	**42,080**	52,384	**-**	-
Later than five years	**20,262**	14,519	**-**	-
Commitments not recognised in the financial statements	**80,843**	83,139	**-**	-

(c) Operating commitments

Operating commitments, being supply, marketing and sponsorship contracted for at the reporting date but not recognised as liabilities are as follows:

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Commitments in relation to non-cancellable operating activities are payable as follows:				
Within one year	**32,753**	30,288	**-**	-
Later than one year but not later than five years	**40,531**	63,653	**-**	-
Later than five years	**3,894**	75	**-**	-
	77,178	94,016	**-**	-

(d) Finance leases

The Group leases various plant and equipment with a carrying amount of $863,000 (2008: $1,150,000).

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Commitments in relation to finance leases are payable as follows:				
Within one year	**481**	481	**-**	-
Later than one year but not later than five years	**-**	481	**-**	-
Minimum lease payments	**481**	962	**-**	-
Future finance charges	**(33)**	(60)	**-**	-
Recognised as a liability	**448**	902	**-**	-
Representing lease liabilities:				
Current (Note 21)	**448**	451	**-**	-
Non-current (Note 21)	**-**	451	**-**	-
	448	902	**-**	-

(e) Employee remuneration commitments

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Commitments under non-cancellable employment contracts not provided for in the financial statements and payable:				
Within one year	**6,404**	4,046	**4,635**	3,385
Later than one year but not later than five years	**-**	549	**-**	-
	6,404	4,595	**4,635**	3,385

Note 32 Related party transactions

(a) Parent entities

The ultimate parent entity within the Group is Tatts Group Limited.

(b) Controlled entities

Investments in controlled entities are set out in Note 34.

(c) Directors and key management personnel

Disclosures relating to Directors and specified executives are set out in Note 28.

(d) Transactions with related parties

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Other revenue:				
Licence fee revenue from subsidiaries	**-**	-	**-**	109,703
Rental income from subsidiaries	**-**	-	**216**	216
Management and service fees from subsidiaries	**-**	-	**200**	200
Dividend revenue:				
Controlled entities	**-**	-	**420,751**	25,000
Superannuation contributions:				
Contributions to superannuation funds on behalf of employees	**13,339**	10,965	**727**	849
Tax consolidation legislation:				
Current tax payable assumed from wholly owned tax consolidated entities	**-**	-	**126,474**	78,689

(e) Outstanding balances

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

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current receivables				
Tax funding agreement - wholly owned tax consolidated entities	**-**	-	**126,475**	78,689
Loans to wholly owned subsidiaries	**-**	-	**625,852**	526,128
Total amounts receivable from wholly owned subsidiaries	**-**	-	**752,327**	604,817
Loans to Joint Venture entities	**7,475**	2,875	**-**	-
Current payables				
Loans from related entities	**2,541**	2,032	**-**	-

(f) Reconciliation of loans to/from related parties

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Loans to controlled entities:				
Beginning of year	**-**	-	**526,128**	230,467
Loans advanced	**-**	-	**567,200**	627,155
Loan repayments received	**-**	-	**(498,361)**	(326,146)
Interest charged	**-**	-	**30,885**	5,648
Interest received	**-**	-	**-**	(10,996)
End of year	**-**	-	**625,852**	526,128
Loans to joint venture entities:				
Beginning of year	**2,875**	-	**-**	-
Loans advanced	**4,600**	2,875	**-**	-
End of year	**7,475**	2,875	**-**	-
Loans from related entities:				
Beginning of year	**2,032**	418	**-**	-
Loans advanced	**102**	1,916	**-**	-
Exchange movements	**407**	(302)	**-**	-
End of year	**2,541**	2,032	**-**	-

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 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 the Company. The average interest rate on loans during the year was 5.23% (2008: 6.75%).

Outstanding balances are unsecured and are repayable in cash.

Note 33 Business combinations

(a) Current year

(i) Winners Amusements Limited

Summary of acquisition

On 2 October 2008, Talarius Limited, a wholly owned subsidiary of the Group, acquired 100% of Winners Amusements Limited and its controlled entity. The acquired entities' principal activities at the date of acquisition were the operation of gaming venues in the United Kingdom. Details of the preliminary fair value assessment of the assets and liabilities acquired and goodwill are as follows:

	$'000
Purchase consideration	
Cash	5,740
Repayment of debt	4,198
Total purchase consideration	9,938
Direct costs relating to the acquisition	378
Add fair value of net identifiable liabilities acquired	833
Goodwill	11,149

The goodwill is attributable to the expected future cashflows of the business with the expansion of gaming venues in the United Kingdom and the synergies expected to be achieved as a result of the full integration of the business into the European Gaming Group.

Assets and liabilities acquired at 2 October 2008

	Acquiree's carrying amount $'000	**Preliminary Fair Value $'000**
Cash	329	329
Trade receivables	390	334
Property, plant and equipment	1,998	546
Intangible assets – software	1,959	-
Deferred tax asset	30	30
Trade and other payables	(1,004)	(1,004)
Interest bearing liabilities	(4,198)	-
Provision for dilapidations	-	(962)
Employee provisions	-	(106)
Net liabilities	(496)	(833)

The acquired business contributed revenues of $4,242,000 and a net profit of $494,000 to the Group for the period from 2 October to 30 June 2009. If the acquisition had occurred on 1 July 2008, consolidated revenue and consolidated profit for the year ended 30 June 2009 would have been $3,251,808,000 and $277,482,000 respectively.

(ii) CentreRacing

Summary of acquisition

On 1 December 2008, NT TAB Pty Ltd, a wholly owned subsidiary of the Group, acquired the business of CentreRacing and the software of Wagering and Gaming Software Pty Ltd. The acquired business's principal activities at the date of acquisition were the operation of internet and telephone wagering services for domestic and international racing activities. Details of the preliminary fair value assessment of the assets and liabilities acquired and goodwill are as follows:

	$'000
Purchase consideration	
Cash	3,121
Total purchase consideration	3,121
Direct costs relating to the acquisition	199
Less fair value of net identifiable assets acquired	(99)
Goodwill	3,221

The goodwill is attributable to the expected future cashflows of the business. This goodwill has been allocated to the Wagering segment in Note 17.

Assets and liabilities acquired at 1 December 2008

	Acquiree's carrying amount $'000	Preliminary Fair Value $'000
Trade receivables	8	8
Property, plant and equipment	56	56
Intangible assets – software	405	934
Deferred tax asset	14	14
Trade and other payables	(865)	(865)
Employee provisions	(48)	(48)
Net assets (liabilities)	(430)	99

The acquired business contributed revenues of $370,000 and a net loss of $619,000 to the Group for the period from 1 December to 30 June 2009. If the acquisition had occurred on 1 July 2008, consolidated revenue and consolidated profit for the year ended 30 June 2009 would have been $3,251,239,000 and $277,180,000 respectively.

(iii) National Leisure Limited

Summary of acquisition

On 9 June 2009, Talarius Limited acquired 100% of National Leisure Limited together with the assets of two further gaming venues operated by that entity. The acquired entity's principal activity at the date of acquisition was the operation of gaming venues in the United Kingdom. Details of the preliminary fair value assessment of the assets and liabilities acquired and goodwill are as follows:

	$'000
Purchase consideration	
Cash	27,166
Total purchase consideration	27,166
Direct costs relating to the acquisition	509
Less fair value of net identifiable assets acquired	(787)
Goodwill	26,888

The goodwill is attributable to the expected future cashflows of the business with the expansion of gaming venues in the United Kingdom and the synergies expected to be achieved as a result of the full integration of the business into the European Gaming Group.

Assets and liabilities acquired at 9 June 2009

	Acquiree's carrying amount $'000	Preliminary Fair Value $'000
Cash	5,374	5,374
Trade receivables	56	56
Inventory	95	95
Property, plant and equipment	4,074	2,632
Deferred tax asset	162	162
Trade and other payables	(3,844)	(3,844)
Provision for dilapidations	-	(3,362)
Employee provisions	-	(326)
Net assets	5,917	787

The acquired business contributed revenues and net profit of $nil to the Group for the period from 9 June to 30 June 2009. If the acquisition had occurred on 1 July 2008, consolidated revenue and consolidated profit for the year ended 30 June 2009 would have been $3,263,000,000 and $280,074,000 respectively.

(b) Previous corresponding year

Summary of acquisition

The Group established a joint venture group of companies with Macquarie Investments Pty Ltd that on 1 February 2007, pursuant to a shareholder and court approved Scheme of Arrangement, acquired 100% of the shares of Talarius Limited, a UK based gaming company. Around that date the Group contributed GBP 46,850,000 in equity for its interest in the European Gaming Group of companies, which with other equity and non-recourse debt in the European Gaming Group, was used to fund the acquisition of Talarius Limited.

On 3 January 2008, Tatts Group Limited completed the acquisition of Macquarie Investments Pty Ltd's 50% share of the European Gaming Group for GBP 28,000,000, resulting in Tatts Group Limited now owning 100% of the European Gaming Group.

Details of the preliminary fair values of the assets and liabilities acquired and the goodwill arising are disclosed in the 30 June 2008 financial statements. Upon finalisation of the fair value of the assets and liabilities, net liabilities acquired have decreased by $271,000 from $89,256,000 to $88,985,000. As a result of the finalisation of the fair values of the net assets and liabilities and the acquisition accounting, there has been no change to goodwill, however there has been a reallocation from the foreign currency translation reserve to retained earnings. This related to the treatment of the derivative financial liability acquired, which was subsequently realised during the current financial year.

For the period from 1 February 2007 to 3 January 2008 the Group's 50% share of the European Gaming Group has been equity accounted. The operating results and assets and liabilities of the European Gaming Group are consolidated from 4 January 2008.

If the 100% acquisition of European Gaming Group had occurred on 1 July 2007, consolidated revenue and consolidated profit for the year ended 30 June 2008 would have been $3,146,966,000 and $250,371,000 respectively.

Note 34 Investments in controlled entities

Name of entity	Country of incorporation	Equity holding 2009 %	Equity holding 2008 %
Controlled entities of Tatts Group Limited (formerly Tattersall's Limited):			
UNiTAB Limited*	Australia	100	100
NT TAB Pty Ltd*	Australia	100	100
Broadcasting Station 4IP Pty Ltd	Australia	100	100
SA TAB Pty Ltd*	Australia	100	100
TAB Queensland Pty Ltd	Australia	100	100
Maxgaming Holdings Pty Ltd* (1)	Australia	100	100
Maxgaming NSW Pty Ltd*	Australia	100	100
Maxgaming QLD Pty Ltd*	Australia	100	100
Maxgaming Vic Pty Ltd (2)	Australia	100	-
Bytecraft Systems Pty Ltd*	Australia	(3)	(3)
Bytecraft Systems NSW Pty Ltd	Australia	100	100
Bytecraft Systems (NZ) Limited	New Zealand	100	100
EGM Tech Pty Ltd	Australia	100	100
Reaftin Pty Ltd*	Australia	100	100
Bytecraft Systems Pty Ltd*	Australia	(3)	(3)
Tattersall's Holdings Pty Ltd*	Australia	100	100
Tattersall's Sweeps Pty Ltd*	Australia	100	100
Tattersall's Gaming Pty Ltd*	Australia	100	100
Tattersall's Club Keno Pty Ltd	Australia	100	100
Footy Consortium Pty Ltd	Australia	-	(4)
tatts.com Pty Ltd	Australia	100	100
Tattersall's Gaming Systems Pty Ltd	Australia	100	100
George Adams Pty Ltd	Australia	100	100
Tattersall's Australia Pty Ltd	Australia	100	100
TattsNet Limited	United Kingdom	100	100
George Adams Holdings Limited	United Kingdom	100	100
tatts.com UK Limited	United Kingdom	100	100
Golden Casket Lottery Corporation Limited*	Australia	100	100
Interactive Gold Pty Ltd	Australia	-	(4)
Tattersall's Investments (South Africa) (Pty) Limited	South Africa	100	100
Wintech Investments Pty Ltd*	Australia	100	100

Name of entity	Country of incorporation	Equity holding 2009 %	Equity holding 2008 %
Tattersall's Gaming Systems NSW Pty Ltd	Australia	100	100
Carentan Investments (Pty) Limited	South Africa	100	100
Thuo Gaming South Africa (Pty) Limited	South Africa	90	90
Thuo Gaming Western Cape (Pty) Limited	South Africa	70	70
Thuo Gaming KwaZulu-Natal (Pty) Limited	South Africa	70	70
Thuo Gaming North West (Pty) Limited	South Africa	100	100
Thuo Gaming Mpumalanga (Pty) Limited (5)	South Africa	100	100
Thuo Gaming Gauteng (Pty) Limited	South Africa	100	100
Thuo Gaming Free State (Pty) Limited	South Africa	100	100
Victorian Licence Bid Co Pty Ltd (2)	Australia	100	-
European Investments (Guernsey) Limited (6)	Guernsey	-	100
European Investments Holdings (Guernsey) Limited (6)	Guernsey	-	100
European Gaming (Luxembourg) S.a.r.l. (6)	Luxembourg	-	100
European Gaming (Finance) Limited	United Kingdom	100	100
European Gaming Limited	United Kingdom	100	100
Talarius Limited	United Kingdom	100	100
Edinburgh Dungeon Limited	United Kingdom	100	100
In-To-Save Limited	United Kingdom	100	100
Blackheath Leisure (Carousel) Limited	United Kingdom	100	100
RAL Services Limited	United Kingdom	100	100
RAL Limited	United Kingdom	100	100
RAL Machines Limited	United Kingdom	100	100
RAL (S&G) Limited	Alderney	100	100
RAL (Channel Islands) Limited	United Kingdom	100	100
RAL Holdings Limited	United Kingdom	100	100
RAL Employee Benefit Trustees Limited	United Kingdom	100	100
RAL Investments Limited	United Kingdom	100	100
RAL Interactive Limited	United Kingdom	100	100
CZ Trading Limited	United Kingdom	100	100
Cyberslotz Services SRL	Romania	100	100
CZ Holdings Limited	Malta	100	100
Cyberslotz Services Malta Limited	Malta	100	100
CZ Back Office Limited	Malta	100	100
CZ Trading Limited	Malta	100	100
Leisure Promotions Limited	United Kingdom	100	100
Leisurama Holdings Limited	United Kingdom	100	100
Leisurama Entertainment Limited	United Kingdom	100	100
Displaymatics Holdings Limited	United Kingdom	100	100
Winners Amusements Limited	United Kingdom	100	-
Palma Leisure Limited	United Kingdom	100	-
National Leisure Limited	United Kingdom	100	-
Tattersall's Long Service Leave Fund	Australia	(7)	(7)
Tattersall's Foundation Limited	Australia	(8)	(8)

On 30 November 2007 Tattersall's Limited changed its registered company name to Tatts Group Limited.

Share holdings in all controlled entities are classed as ordinary.

(*) 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 Investments Commission. Refer to Note 35 for further information.

(1) On 1 May 2009 ownership of Maxgaming Holdings Pty Ltd was transferred from UNiTAB Limited to Tatts Group Limited.

(2) Entities incorporated during the current financial year.

(3) Owned 50% by Tatts Group Limited and 50% by Reaftin Pty Ltd. 100% equity holding within the Group.

(4) These entities applied for and during the current financial year obtained voluntary deregistration.

(5) On 2 June 2008 Thuo Gaming Limpopo (Pty) Limited changed it name to Thuo Gaming Mpumalanga (Pty) Limited.

(6) During the year these companies were liquidated, and the shares held by Tatts Group Limited in European Investments (Guernsey) Limited transferred to European Gaming (Finance) Limited.

(7) Not incorporated. The trustees of the entity are employees of Tatts Group Limited, therefore in accordance with AIFRS, the 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 Tatts Group Limited, therefore in accordance with AIFRS the Group controls the Foundation and the company is consolidated.

Note 35 Deed of Cross Guarantee

Tatts Group 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, Maxgaming Qld Pty Ltd and Golden Casket Lottery Corporation Limited are parties to a Deed of Cross Guarantee (Deed) dated I May 2009 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. This Deed supersedes the previous Deed dated 25 June 2007 which granted relief pursuant to an Individual Order dated 18 June 2007 issued by the Australian Securities and Investments Commission (ASIC), which ceased to apply for the financial year ended 30 June 2009.

By entering into the current Deed, the wholly owned entities have been relieved under ASIC Class Order 98/1418 from certain requirements including preparing and lodging a financial report and Directors' report.

(a) Consolidated income statement and a summary of movements in consolidated retained profits

The above parties represent a 'Closed Group' for the purposes of the Class Order and they also represent the 'Extended Closed Group'. Set out below is a condensed income statement and a summary of movements in consolidated retained profits of the Closed Group consisting of the companies listed above.

Condensed Income statement	**2009 $'000**	2008 $'000
Profit from continuing operations before income tax	**415,299**	362,714
Income tax expense	**(121,898)**	(108,013)
Profit from continuing operations after income tax	**293,401**	254,701
Loss from discontinuing operations	**-**	(3,972)
Profit for the year	**293,401**	250,729

Movement in retained profits	**2009 $'000**	2008 $'000
Balance at 1 July	**227,317**	281,812
Net profit for the year	**293,401**	250,729
Dividends (Note 27)	**(259,404)**	(297,359)
Transfer of retained earnings from entities outside the closed group	**798**	-
Actuarial losses on retirement benefit asset, net of tax	**-**	(3,411)
Reversal of retained earnings previously recognised as part of the closed group	**-**	(4,454)
Balance 30 June	**262,112**	227,317

(b) Balance Sheet

Set out below is a consolidated balance sheet of the Closed Group consisting of the companies listed above.

Balance sheet	**2009 $'000**	2008 $'000
ASSETS		
Current assets		
Cash and cash equivalents	**338,524**	214,128
Trade and other receivables	**200,323**	105,959
Inventories	**6,554**	7,659
Total current assets	**545,401**	327,746
Non-current assets		
Trade and other receivables	**7,652**	3,381
Financial assets	**301,126**	170,147
Property, plant and equipment	**234,945**	272,760
Intangible assets	**2,970,835**	2,965,618
Deferred tax assets	**28,871**	37,220
Other non-current assets	**1,505**	506
Total non-current assets	**3,544,934**	3,449,632
Total assets	**4,090,335**	3,777,378

Balance sheet	2009 $'000	2008 $'000
LIABILITIES		
Current liabilities		
Trade and other payables	**454,200**	310,632
Interest bearing liabilities	**3,473**	230,127
Derivative financial instruments	**594**	-
Current tax liabilities	**26,532**	17,462
Provisions	**10,130**	7,106
Total current liabilities	**494,929**	565,327
Non-current liabilities		
Trade and other payables	**43,484**	48,466
Interest bearing liabilities	**750,890**	434,694
Derivative financial instruments	**8,733**	-
Provisions	**1,741**	3,592
Deferred tax liabilities	**177,106**	184,129
Total non-current liabilities	**981,954**	670,881
Total liabilities	**1,476,883**	1,236,208
Net assets	**2,613,452**	2,541,170
EQUITY		
Contributed equity	**2,333,193**	2,321,081
Reserves	**18,147**	(7,228)
Retained profits	**262,112**	227,317
Total equity	**2,613,452**	2,541,170

Note 36 Investments accounted for using the equity method

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Joint venture entities	**8,605**	7,917	**-**	-

(a) Investments in joint venture entities

Interests are held in the following joint ventures:

Unlisted	Country of Residence	Principal Activities	Reporting Date	Ownership Interest		Carrying Amount of Investment	
				2009 %	2008 %	**2009 $'000**	2008 $'000
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	**6,268**	5,580
European Investments (Guernsey) Limited	Guernsey/UK	Investment in Gaming businesses	31 Dec	100	100	**-**	-
						8,605	7,917

The Company established a joint venture group of companies with Macquarie Investments Pty Ltd that on 1 February 2007, pursuant to a shareholder and court approved Scheme of Arrangement, acquired 100% of the shares of Talarius Limited, a UK based gaming company. Tatts Group Limited contributed GBP46,850,000 for its equity interest in the European Gaming Group of companies, which with other equity and non-recourse debt in the European Gaming Group, was used to fund the acquisition of Talarius Limited.

On 3 January 2008 the Company acquired the remaining 50% issued capital of European Investments (Guernsey) Limited taking the total holding to 100%, assuming control of the European Gaming Group. Refer to Note 33 for further information. The financial performance information presented in respect of the joint venture structure is for the period from 1 July 2007 to 3 January 2008 in the previous financial year. During the year ended 30 June 2008 European Investments (Guernsey) Limited and its controlled entities contributed a net loss of $4,133,000 to the Group in the period to 3 January 2008. The financial results for the period from 4 January to 30 June 2008 are fully consolidated into the Group's results.

(b) Reconciliation of movements in joint ventures

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Carrying amount of investment in joint ventures				
Balance at the beginning of the financial year	**7,917**	101,438	**-**	113,171
Investments made during year	**793**	752	**-**	-
Share of loss after income tax	**(105)**	(4,133)	**-**	-
Foreign Exchange movement	**-**	-	**-**	(3,375)
Transfer of investment on acquisition	**-**	(90,140)	**-**	(109,796)
Balance at the end of the financial year	**8,605**	7,917	**-**	-
Share of joint venture assets and liabilities				
Current assets	**378**	1,421	**-**	-
Non-current assets	**15,888**	9,801	**-**	-
Total assets	**16,266**	11,222	**-**	-
Current liabilities	**186**	430	**-**	-
Non-current liabilities	**7,475**	2,875	**-**	-
Total liabilities	**7,661**	3,305	**-**	-
Share of net assets of joint ventures	**8,605**	7,917	**-**	-
Share of joint venture revenue, expenses and results				
Revenue	**142**	30,700	**-**	-
Expenses	**(244)**	(36,604)	**-**	-
Loss before income tax	**(102)**	(5,904)	**-**	-
Income tax expense	**(3)**	1,771	**-**	-
Loss after income tax	**(105)**	(4,133)	**-**	-

(c) Contingent liabilities and commitments 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. At 30 June 2009 contingent liabilities are $nil (2008: $nil). The share of capital commitments which have not been recognised as a liability at 30 June 2009 are $12,498,000 (2008: $nil).

Note 37 Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Profit /(loss) for the year	**278,048**	258,037	**401,241**	(681,139)
Non cash flows in operating profit				
Depreciation and amortisation	**104,745**	98,739	**46**	100
Amortisation of borrowing costs	**2,174**	(121)	**2,174**	162
Loss/(profit) on sale of fixed assets	**993**	(3,549)	**-**	(88)
Impairment of assets	**4,857**	-	**-**	775,910
Employee share options	**1,865**	1,350	**1,865**	1,350
Bad and doubtful debts	**440**	341	**-**	120
Dividend revenue	**-**	-	**(420,751)**	(25,000)
Interest revenue	**-**	-	**(30,885)**	-
Dividends/distributions reinvested	**(1,715)**	(1,266)	**-**	-
Gain on realisation of interest rate swap	**(2,366)**	-	**-**	-
Share of joint venture loss	**105**	4,133	**-**	-
Foreign exchange gain on liquidation of investment in related parties	**(251)**	-	**-**	-
Change in operating assets and liabilities, net of effects from purchase of controlled entities				
(Increase)/decrease in trade and other receivables	**(85,975)**	10,461	**(2,864)**	-
Decrease/(increase) in inventories	**1,603**	(815)	**-**	-
Decrease/(increase) in deferred tax assets	**5,500**	(9,543)	**2,627**	3,044
Decrease/(increase) in other operating assets	**1,489**	26,026	**(280)**	(30)
Increase in trade and other payables	**144,414**	979	**2,122**	-
Increase in other operating liabilities	**439**	8,898	**-**	1,107
Increase/(decrease) in provision for current tax liabilities	**3,478**	(28,873)	**3,970**	(18,202)
Increase/(decrease) in deferred tax liabilities	**(5,293)**	22,539	**773**	761
Increase/(decrease) in other provisions	**(1,291)**	15	**113**	285
Net cash inflow/(outflow) from operating activities	**453,259**	387,351	**(39,849)**	58,380

Non-cash financing activities

Dividends satisfied by the issue of shares under a dividend reinvestment plan are shown in Note 25(b). Options and rights issued to employees under the Group's long term incentive plan are shown in Note 39.

Note 38 Earnings per share

	Consolidated	
	2009 Cents	2008 Cents
(a) Basic earnings per share		
From continuing operations attributable to the ordinary equity shareholders of the Company	**21.9**	20.3
From discontinued operations	**-**	0.1
Total basic earnings per share attributable to the ordinary equity shareholders of the Company	**21.9**	20.4
(b) Diluted earnings per share		
From continuing operations attributable to the ordinary equity shareholders of the Company	**21.9**	20.3
From discontinued operations	**-**	0.1
Profit attributable to the ordinary equity shareholders of the Company	**21.9**	20.4

	Consolidated	
	2009 Cents	2008 Cents
(c) Reconciliation of earnings used in calculating earnings per share:		
Basic and diluted earnings per share		
Profit from continuing operations	**278,048**	256,840
Profit from continuing operations attributable to minority interests	**(607)**	(451)
Profit from continuing operations attributable to the ordinary equity shareholders of the Company used in calculating basic and diluted earnings per share	**277,441**	256,389
Profit from discontinued operations	**-**	1,197
Profit attributable to the ordinary equity shareholders of the Company used in calculating basic and diluted earnings per share	**277,441**	257,586

	2009	2008
	Number	Number
(d) 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	**1,266,497,384**	1,265,355,056
Adjustments for calculation of diluted earnings per share:		
Performance options and performance rights	**385,539**	688,723
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**1,266,882,923**	1,266,043,779

Note 39 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 performance rights are granted under the LTIP for no consideration. Options and rights granted to date are for a three year vesting period with a subsequent one or two year testing period to achieve the requisite total shareholder return or earnings per share performance level. The exercise period for both these instruments granted to date will expire on the seventh anniversary of their allocation date.

Performance options and performance rights granted under the LTIP 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 determination date. 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 LTIP:

Consolidated and parent entity – 2009

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
Performance Options								
16 December 2005	7 July 2012	$3.10	274,935	-	-	-	274,935	232,925
30 November 2006 – Chief Executive	30 November 2013	$3.13	2,000,000	-	-	-	2,000,000	-
30 November 2006	30 November 2013	$3.65	648,790	-	-	20,684	628,106	-
30 November 2007	30 November 2014	$3.99	1,361,903	-	-	39,534	1,322,369	-
30 November 2008	30 November 2015	$2.56	-	7,218,500	-	79,300	7,139,200	-
Performance Rights								
16 December 2005	7 July 2012	N/A	83,552	-	70,784	-	12,768	-
30 November 2006	30 November 2013	N/A	204,561	-	-	10,342	194,219	-

Consolidated and parent entity – 2008

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
Performance Options								
16 December 2005	7 July 2012	$3.10	286,893	-	-	11,958	274,935	-
30 November 2006 – Chief Executive	30 November 2013	$3.13	2,000,000	-	-	-	2,000,000	-
30 November 2006	30 November 2013	$3.65	669,902	-	-	21,112	648,790	-
30 November 2007	30 November 2014	$3.99	-	1,361,903	-	-	1,361,903	-
Performance Rights								
16 December 2005	7 July 2012	N/A	88,412	-	-	4,860	83,552	-
30 November 2006	30 November 2013	N/A	215,118	-	-	10,557	204,561	-

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

The weighted average share price at the date of the exercise of rights exercised during the year ended 30 June 2009 was $2.79 (2008: not applicable).

Fair value of options and rights granted

The model inputs for options granted during the year ended 30 June 2009 included:

	Performance Options	Performance Options
Performance conditions	TSR – Market based	EPS – Non-market based
Grant date	30 November 2008	30 November 2008
Exercise price	$2.56	$2.56
Expiry date	30 November 2015	30 November 2015
Share price at grant date	$2.52	$2.52
Expected life	5.1 years	5.0 years
Vesting period	3 year	3 year
Volatility	29%	29%
Risk free interest rate	4.01%	4.01%
Dividend yield	8.9%	8.9%
Fair value	$.31	$.33

The model inputs for options granted during the year ended 30 June 2008 included:

	Performance Options
Grant date	30 November 2007
Exercise price	$3.99
Expiry date	30 November 2014
Share price at grant date	$4.00
Expected life	7 years
Vesting period	3 year
Volatility	28%
Risk free interest rate	6.32%
Employee exit rate	5%
Exercise multiple	3.0
Fair value	$1.02

(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	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Performance rights issued under LTIP	**170**	198	**170**	198
Performance options issued under LTIP	**1,695**	1,152	**1,695**	1,152
	1,865	1,350	**1,865**	1,350

Note 40 Events occurring after reporting date

In the opinion of the Directors, there have been no material matters or circumstances which have arisen between 30 June 2009 and the date of this report that have significantly affected or may significantly affect the operations of the Group, the results of those operations and the state of affairs of the Group in subsequent financial periods.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 24 to 87 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 2009 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) at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 35 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 35.

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
Chairman

Dick McIlwain
Managing Director/Chief Executive

Melbourne
27 August 2009

PRICEWATERHOUSECOOPERS

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Independent auditor's report to the members of Tatts Group Limited

Report on the financial report

We have audited the accompanying financial report of Tatts Group Limited (the company), which comprises the balance sheet as at 30 June 2009, 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 Tatts Group Limited and the Tatts Group 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.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial 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 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.

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

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

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Independent auditor's report to the members of Tatts Group Limited (continued)

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

Auditor's opinion

In our opinion:

(a) the financial report of Tatts Group 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 2009 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 19 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Tatts Group Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Con Grapsas
Partner

Melbourne
27 August 2009