

RATTOON HOLDINGS LIMITED

Independent Expert's Report
and
Financial Services Guide

23 August 2006

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23 August 2006



The Independent Directors
Rattoon Holdings Limited
Level 10
350 Collins Street
MELBOURNE VIC 3000

Dear Sirs,

INDEPENDENT EXPERT'S REPORT – PROPOSED ACQUISITION OF TATTERSALL'S SHARES

Introduction

The shareholders of Rattoon eligible to vote on the matter are being asked to approve certain Proposed Transactions whereby GPG and Thorney will transfer their existing shareholdings in Tattersall's to Rattoon in exchange for shares in Rattoon and cash.

In addition, Rattoon proposes to raise between \$5 million and \$8 million in further capital via a placement to sophisticated and professional investors of its ordinary fully paid shares ("**Rattoon Shares**"). The placement is underwritten as to \$5 million.

If implemented, the effect of the Proposed Transactions will be:

- Rattoon will own approximately 7% of Tattersall's ordinary fully paid shares ("**Tattersall's Shares**") (increased from its current holding of approximately 0.9%);
- GPG will have a relevant interest in between approximately 44% and 46% of the increased number of Rattoon Shares (increased from its current shareholding of approximately 20.2%);
- Thorney will have a relevant interest in between approximately 44% and 45% of the increased number of Rattoon Shares (increased from its current shareholding of approximately 11.6%);
- existing shareholders of Rattoon, other than GPG and Rattoon, collectively will own between approximately 4.9% and 5.4% of the increased number of Rattoon Shares (decreased from the current collective shareholding of 68.2%); and
- investors that become shareholders under the proposed placement collectively will hold between approximately 3.6% and 6.7% of the increased number of Rattoon Shares.

Approval of each transaction is conditional upon the approval of each other transaction.

Our role

We have been asked to provide an independent expert's report ("**IER**") setting out our opinion as to whether or not the proposed transfer of their shareholdings in Tattersall's to Rattoon in exchange for Rattoon Shares and cash is "fair and reasonable" to the shareholders of Rattoon entitled to vote on the matter, which are Rattoon Shareholders other than GPG and Thorney ("**Non-associated Shareholders**").

Our conclusion

In our opinion, the Proposed Transactions are fair and reasonable to the Non-associated Shareholders of Rattoon.

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Our reasons are set out in more detail in the following sections of this report. In summary, they are as follows:

Strategic

Implementing the Proposed Transactions will increase Rattoon's shareholding in Tattersall's from approximately 0.9%, to approximately 7%, providing Rattoon with a significant liquid investment in a large listed company operating in the Australian wagering and gaming industry. A shareholding of approximately 7% is of a size which is likely to have some strategic value to another investor in Tattersall's, whereas Rattoon's current shareholding does not have such a strategic value.

The Australian wagering and gaming industry has a limited number of large, listed participants, has recorded significant historical growth, has undergone considerable consolidation and there are currently attempts to further consolidate the industry.

Rattoon has had a recent financial history that could be described, at best, as patchy, both in terms of earnings and share price performance.

Implementing the Proposed Transactions will, in our opinion, result in Rattoon's financial position being secured. It will become a significant investment company:

- focussed on the Australian wagering and gaming industry;
- enjoying significant ongoing dividend income (to the extent that Tattersall's pays a dividend); and
- with a large, liquid, income-earning asset base which has the potential to allow Rattoon to further borrow for further investment purposes.

Tattersall's has the prospect of merging with UNiTAB, (another major industry participant), under a merger proposal agreed by both companies ("**Proposed Merger**"). It is envisaged that the merger of Tattersall's and UNiTAB, should it occur, will result in Tattersall's diversifying its business operations and taking advantage of what are expected to be substantial merger synergy benefits, which will ultimately translate into increased value to Rattoon shareholders.

Value

The terms of the Proposed Transactions are such that the exchange values of the Tattersall's Shares and the Rattoon Shares cannot be determined in advance of approval of the Proposed Transactions.

Under the Proposed Transactions the price at which:

- GPG and Thorney will transfer their Tattersall's Shares to Rattoon, will be determined as the volume-weighted price of Tattersall's shares; and
- Rattoon Shares will be issued to GPG and Thorney, will be determined as the volume-weighted price of Rattoon Shares,

in each case, in the 60 trading days immediately prior to the date Rattoon Shareholders approve the Proposed Transactions.

Therefore, we have set out in this report calculations with a view to indicating a possible range of outcomes, depending upon a range of possible Tattersall's and Rattoon Share prices at which the Proposed Transactions may be implemented, if approved.

It should be noted that the respective prices at which the Proposed Transactions will take place, (if approved) may be different to those set out in this report.

Tattersall's Shares

Given that the Tattersall's Shares the subject of the Proposed Transactions collectively represent some 7% of the Tattersall's Shares, which ordinarily would represent a minority parcel, (although such parcel of shares may have some strategic value) and the price will be based on market trading prices of minority parcels of Tattersall's Shares, we have concluded that Rattoon is likely to pay GPG and Thorney a fair price for their Tattersall's Shares.

We have assessed the fair value of a Tattersall's Share on the basis of a minority interest and in the absence of the possibility of the Proposed Merger with UNiTAB to be within a range of between a low value of \$2.81 and a high value of \$3.22 per share, with a likely mid-point value of \$3.02 per share. This compares favourably to the volume weighted average price ("VWAP") of a Tattersall's shares over the last 60 days prior to 4 August 2006 of \$2.80.

We note that on 16 August 2006 the Australian Competition and Consumer Commission ("ACCC") announced ("ACCC Announcement") that it will oppose the proposed acquisition of UNiTAB by Tabcorp, as it considers that the proposed acquisition is likely to substantially lessen competition in a number of markets related to wagering in Australia and therefore would breach section 50 of the *Trade Practices Act 1974 (Cth)* ("TPA"). The Tattersall's share price reacted favourably to the ACCC announcement, on high volume, as indicated below:

Table 1: Tattersall's recent share trading

Date	Close	% change from previous day	High	Low	Volume
		%	\$	\$	
21-08-2006	3.21	0.63%	3.28	3.20	6,597,462
18-Aug-06	3.19	1.27%	3.22	3.13	9,302,985
17-Aug-06	3.15	2.61%	3.18	3.01	15,892,116
16-Aug-06	3.07	6.97%	3.10	2.88	15,480,435
15-Aug-06	2.87	0.35%	2.87	2.84	1,736,676
14-Aug-06	2.86	0.35%	2.88	2.84	1,856,338

Source: Bloomberg

Note: Date of ACCC announcement.

On 17 August 2006 Tabcorp announced that it would not proceed with the offer for UNiTAB ("**Tabcorp Announcement**").

In our opinion, the increased price is a reaction to the ACCC Announcement and the Tabcorp Announcement and the market assessing that there is an increased possibility of the Proposed Merger of Tattersall's and UNiTAB proceeding.

The Tattersall's Share market price may further increase as a result of the Proposed Merger proceeding. Alternatively, if the UNiTAB shareholders do not approve the Proposed Merger the Tattersall's Share market price may decline.

Up to Friday 18 August 2006, Rattoon had traded only once since 7 July 2006 (when 6 shares traded at between 20 and 25 cents each), on Thursday 17 August 2006, when 3,980 shares traded at 25 cents each. There is too little Rattoon share trading to determine the market reaction to the ACCC Announcement in so far as it may affect Rattoon's Share price. However, as a general observation, given that the majority of Rattoon's investments are Tattersall's Shares, then an increased Tattersall's Share Price should be reflected in an increased Rattoon Share price and vice versa.

In our opinion, a Tattersall's Shareholding of approximately 7% may represent a strategic parcel of shares and provide for the potential to give Rattoon some level of strategic influence over Tattersall's, as it is likely to be one of the major Tattersall's Shareholders. It is arguable as to whether or not such a strategic shareholding should attract a premium above market trading prices of smaller parcels of Tattersall's Shares. However, for the purposes of this report, we have not included any such premium, although we believe that applying some element of a premium for strategic influence would not be unreasonable.

Rattoon Shares

Given that if the Proposed Transactions are implemented, the Rattoon Shares to be held by each of GPG (estimated at between approximately 44% and 46%) and Thorney (estimated at between approximately 44% and 45%) would individually represent at least significant influence and collectively would represent control of Rattoon, it would usually be expected that GPG and Thorney would have to pay some premium above market trading prices of Rattoon Shares in order to increase their respective Rattoon Shareholdings from the existing levels.

This is especially so as the Rattoon Shares are very illiquid, only small parcels trade and trading does not occur on every trading day. This usually results in market trading prices being depressed below the levels at which the shares would trade if the stock were liquid.

Set out in Table 2 below is a comparison of our assessed values of a Rattoon Share (on a minority interest basis) prior to the Proposed Transactions and assuming that the Proposed Transactions are implemented. The analysis sets out a range of alternative scenarios in relation to the amount to be raised under the proposed Capital Raising and the values of Tattersalls Shares and Rattoon Shares at which the Proposed Transactions will be implemented, if approved (refer to paragraph 9.1 below for further details of our calculations).

As will be seen from Table 2:

- the NTA per Rattoon Share as per Rattoon's unaudited management accounts for the financial year ending 30 June ("FY") 2006 ("**Book**") was approximately \$0.224 (pre-tax basis) and the various selected measures of historical Rattoon Share market trading prices (of between 20 cents and 26 cents) represent a premium / (discount) to this value of between approximately 16.1% and (10.7%);
- the NTA per Rattoon Share based on Rattoon's unaudited management accounts for FY2006 adjusted to increase the value of Tattersall's Shares from the Book value of \$2.82 each (which was the last traded price on 30 June 2006) to \$3.22 (being the highest traded price following the ACCC Announcement on 16 August 2006 up to 18 August 2006 (being the latest information available prior to the finalisation of this report) ("**Adjusted**") was approximately \$0.288 (pre-tax basis) and approximately \$0.269 (post-tax basis) and the various selected measures of historical Rattoon Share market trading prices (of between 20 cents and 26 cents) represent a premium / (discount) to this value of between approximately (9.6%) and (30.5%)(pre-tax basis) and approximately (3.2%) and (25.5%) (post-tax basis).

It would usually be expected that GPG and Thorney would have to pay in the region of the post-tax NTA per Rattoon Share (ie \$0.269) in order to acquire the shareholding levels that each of GPG and Thorney would have after implementing the Proposed Transactions.

It is noted that the Rattoon Share market prices have generally been at a premium to the NTA per share at Book value, which valued the Tattersall's shares at \$2.82. It is unknown whether or not the Rattoon Share market prices in the 60 trading days immediately prior to the date Rattoon Shareholders approve the Proposed Transactions, (and consequently, the price at which the Rattoon Shares will be transacted if the Proposed Transaction are implemented), will be at a premium or discount to the Adjusted NTA per share, or indeed the NTA per Rattoon Share adjusted to reflect the Tattersall's Share market price from time to time.

It is for this reason that the analysis in Table 2 sets out a range of alternative scenarios in relation to the amount to be raised under the proposed Capital Raising and the values of Tattersall's Shares and Rattoon Shares at which the Proposed Transactions will be implemented. Our analysis in Table 2 does not take into account any expected dividend from Tattersall's.

Table 2 compares the position of Non-associated Shareholders (in each case on a minority interest basis):

- currently, based on the Book and Adjusted NTA per share values; and
- assuming that the Proposed Transactions are implemented based on various assumptions as to the amount to be raised under the proposed Capital Raising and the values of Tattersall's Shares and Rattoon Shares and the number of Rattoon Shares to be issued.

Table 2: Comparison of values of Tattersall's Shares

	Book 30/06/2006 \$	Adjusted 30/06/2006 Pro forma \$	Low case value Pro forma \$	Mid case #1 value Pro forma \$	Mid case #2 value Pro forma \$	High case value Pro forma \$
NTA (control basis) (pre-tax)	8,590,916	11,033,222	115,842,099	126,108,664	134,763,002	143,934,970
No of shares in Rattoon	38,355,193	38,355,193	510,310,416	524,167,726	530,519,858	496,397,311
NTA per Rattoon Share (control basis) (pre-tax)	\$0.224	\$0.288	\$0.227	\$0.243	\$0.259	\$0.298
NTA per Rattoon Share (control basis) (post-tax)	\$0.224	\$0.269	\$0.226	\$0.242	\$0.258	\$0.296
Market price Premium / (Discount) to NTA						
Rattoon Share market trading prices		Book (pre-tax)	Adjusted Book (pre-tax)	Adjusted Book (post-tax)		
Last trade before ACCC Announcement	\$0.200	(10.7%)	(30.5%)	(25.5%)		
Trade after ACCC Announcement	\$0.250	11.6%	(13.1%)	(6.9%)		
VWAP in June 2006	\$0.260	16.1%	(9.6%)	(3.2%)		
VWAP 60 days to 21-08-06	\$0.240	7.0%	(16.7%)	(10.7%)		
VWAP for CY2006	\$0.257	14.6%	(10.8%)	(4.4%)		

Source: Rattoon unaudited management accounts for FY2006 and PKFCA analysis

Note: Refer Appendix 3 for more detailed calculations

As noted above, the analysis in Table 2 does not allow any element of a premium for strategic value attributed to the GPG Tattersall's Shares and the Thorney Tattersall's Shares. We would consider some allowance for such a premium would not be unreasonable;

The analysis in Table 2 indicates that implementing the Proposed Transactions would be expected to reduce the NTA per Rattoon Share below that Adjusted NTA per share (on both a pre-tax and post-tax basis). In normal circumstances, it would be expected that the market traded prices of Rattoon Shares would be at some discount their NTA backing. Therefore, if after implementing the Proposed Transactions, the NTA per Rattoon Share fell below that prevailing before implementing the Proposed Transactions, all other things being equal, it would also be expected that the market traded prices of Rattoon Shares would also fall below that prevailing before implementing the Proposed Transactions. Such a situation would normally be regarded as being disadvantageous to Non-associated Shareholders.

However, PKFCA has concluded that despite this potential disadvantage, the Proposed Transactions are, on an overall basis, fair and reasonable to the Non-associated Shareholders for the following reasons:

Advantages and disadvantages to the existing Rattoon shareholders, other than GPG and Thorney

Advantages

Liquidity

PKFCA considers that Rattoon is a highly illiquid stock. The implications of this include the potential inability for Rattoon Shareholders to trade their Shareholdings, either at all, or at prices reflecting the NTA per Share. In our opinion, the Proposed Transactions, incorporating the Capital Raising and injecting substantial and attractive assets into Rattoon, should lead to an improvement in the liquidity of Rattoon's Shares.

Impact on earnings per share ("EPS")

The Proposed Transactions should be EPS positive. Assuming that in the future Tattersall's pays fully franked interim and final dividends each of 7.5 cents per Tattersall's Share, (that is, equal to six sevenths of the Tattersall's interim dividend of 8.75 cents in respect of the 7 month period from the restructure date (31 May 2005) to 31 December 2005) paid on 5 April 2006), then Rattoon could expect to receive an annual income of approximately \$6,374,000, fully franked. This compares with the amount of \$533,456 received in respect of the Tattersall's interim dividend paid on 5 April 2006 (or approximately \$914,496 on an annualised basis (that is divided by 7 and multiplied by 12))a and the FY2006 loss after tax of \$203,630, (after interest expense of \$633,807).

Table 3 sets out our calculations of the estimated respective earnings positions and concludes that the result of implementing the Proposed Transactions should be EPS positive:

Table 3: Estimated annualised prospective income

Annualised prospective income	Present position	After Proposed Transactions	After Proposed Transactions	After Proposed Transactions	After Proposed Transactions
		Low	Mid case #1 value	Mid case #2 value	High
Estimated annual fully franked dividend income	\$914,497	\$7,439,497	\$7,439,497	\$7,439,497	\$7,424,497
Estimated annual interest income (Note 1)	\$46,292	\$296,292	\$371,292	\$371,292	\$446,292
Total estimated annual income	\$960,789	\$7,735,789	\$7,810,789	\$7,810,789	\$7,870,789
Estimated annual interest expense	\$690,000	\$2,086,999	\$2,086,999	\$2,086,999	\$2,086,999
FY 2006 Total expenses from continuing operations, excluding borrowing costs	\$232,247	\$232,247	\$232,247	\$232,247	\$232,247
Total estimated annual expenses	\$922,247	\$2,319,246	\$2,319,246	\$2,319,246	\$2,319,246
Estimated annual net income, before tax	\$38,542	\$5,416,543	\$5,491,543	\$5,491,543	\$5,551,543
EPS (pre-tax)					
- Present	\$0.001				
- Low		\$0.011	\$0.011	\$0.010	\$0.011
- Mid		\$0.010	\$0.010	\$0.010	\$0.011
- High		\$0.010	\$0.010	\$0.010	\$0.011
EPS (pre-tax) Increment/(decrement)					
- Low		\$0.010	\$0.010	\$0.009	\$0.010
- Mid		\$0.009	\$0.009	\$0.009	\$0.010
- High		\$0.009	\$0.009	\$0.009	\$0.010

Source: Unaudited management accounts of Rattoon for FY 2006 and PKFCA analysis

Note 1: Cash raised in Capital Raising assumed held on deposit.

Note 2: Refer Appendix 4 for more detailed calculations

Disadvantages

We consider that the following disadvantages to the Non-associated Shareholders would arise from implementing the Proposed Transactions:

- the dilution of the collective shareholdings of the Non-associated Shareholders from the current amount of approximately 68.6% to between approximately 4.9% and 5.4% of Rattoon and conversely GPG will have a relevant interest in between approximately 44% and 46% of Rattoon (increased from its current relevant interest of approximately 20.2%) and Thorney will have a relevant interest in between approximately 43% and 45% of Rattoon (increased from its current relevant interest of approximately 11.6%).

The above will result in a concentration of the shares between GPG and Thorney – that is, over 80% of the shares will be held by two parties. In our opinion, this concentration is likely to adversely affect the liquidity of Rattoon shares on the NSX;

- approval of the Proposed Transactions will result in increased exposure to Tattersall's, whose business operates under a number of licences issued by the Victorian Government. The licences of one of the key business units (Lotteries division) expire in July 2007, whilst the Gaming division licences expire in 2012. In our view, the values of Tattersall's Shares assessed in this report take into account the risks associated with the non-renewal or renewal on different terms, of the licences. Moreover, in the event of non-renewal of the licenses, the Victorian Government will be required to pay to Tattersall's some \$600 million. Whilst the above is a risk that currently exists, it is also important to note that any new operator of the existing business that is conducted by Tattersall's under the licences will need to make the necessary capital investment that Tattersall's has made and we consider that this investment is a barrier to entry.

As the number of Shares that would be issued to both GPG and Thorney will vary with the price of Tattersall's Shares and Rattoon's Shares, set out below is a table showing the number of Rattoon Shares that would be issued to GPG and Thorney assuming different Tattersall's VWAPs and Rattoon's Shares Issue Prices.

Table 4: Rattoon Shareholding Summary

	Transaction prices	Current - Other than GPG & Thorney	Capital Raising	GPG	Thorney	Total
	\$	%	%	%	%	%
Current Shareholdings	38,355,193	68.2%	0.0%	20.2%	11.6%	100.0%
Low case value						
Rattoon Issue Price:	\$0.228					
Tattersall's price:	\$2.812					
Expanded Shareholdings						
- LOW - \$5M Capital Raising	509,752,754	5.1%	4.3%	45.6%	45.0%	100.0%
- MID - \$6.5M Capital Raising	516,339,633	5.1%	5.5%	45.0%	44.4%	100.0%
- HIGH - \$8M Capital Raising	522,926,512	5.0%	6.7%	44.5%	43.8%	100.0%
Mid case #1 value						
Rattoon Issue Price:	\$0.240					
Tattersall's price:	\$3.017					
Expanded Shareholdings						
- LOW - \$5M Capital Raising	517,336,156	5.1%	4.0%	45.8%	45.1%	100.0%
- MID - \$6.5M Capital Raising	523,593,691	5.0%	5.2%	45.2%	44.6%	100.0%
- HIGH - \$8M Capital Raising	529,851,226	4.9%	6.3%	44.7%	44.1%	100.0%
Mid case #2 value						
Rattoon Issue Price:	\$0.252					
Tattersall's price:	\$3.221					
Expanded Shareholdings						
- LOW - \$5M Capital Raising	523,978,760	5.0%	3.8%	45.9%	45.3%	100.0%
- MID - \$6.5M Capital Raising	529,938,317	4.9%	4.9%	45.4%	44.8%	100.0%
- HIGH - \$8M Capital Raising	535,897,874	4.9%	5.9%	44.9%	44.3%	100.0%
High case value						
Rattoon Issue Price:	\$0.288					
Tattersall's price:	\$3.400					
Expanded Shareholdings						
- LOW - \$5M Capital Raising	485,968,301	5.4%	3.6%	45.9%	45.2%	100.0%
- MID - \$6.5M Capital Raising	491,182,806	5.3%	4.6%	45.4%	44.7%	100.0%
- HIGH - \$8M Capital Raising	496,397,311	5.3%	5.6%	44.9%	44.2%	100.0%

Source: PKFCA analysis

Premium for control

We have concluded that GPG and Thorney will individually obtain a significance influence over Rattoon if the Proposed Transactions are implemented. We have been instructed, and assume, and note that the substantial shareholder notices lodged by GPG and Thorney with the ASX and NSX support this view, that while GPG and Thorney are acting in concert in respect of their Tattersall's Shares, they are not acting in concert in respect of their Rattoon Shares. Thus, while collectively GPG and Thorney will obtain control of Rattoon, they are not acting in concert in this regard.

Accordingly, we believe that while it may be appropriate to recognise that some premium should be paid by each of GPG and Thorney for the significant influence over Rattoon that each will gain if the Proposed Transactions are implemented, it is not appropriate that a full control premium be paid by either or both of them, either individually or collectively.

We have concluded that GPG and Thorney are not paying, either individually or collectively, a premium for the significance influence that each will gain from implementing the Proposed Transactions. Despite this, we believe that the Proposed Transactions remain fair and reasonable to the Non-associated Shareholders for the other reasons outlined above. However, equally, in our analysis evaluating the fairness of the Proposed Transactions, we have not taken into account any premium for strategic influence in valuing either the GPG or Thorney Tattersall's Shares.

Basis of advice

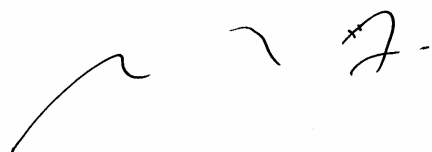
A financial services guide is attached as **Appendix 1**.

This report is general financial advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Rattoon shareholders, who, before acting in relation to the proposal, should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Rattoon shareholders should read the Explanatory Memorandum prepared by Rattoon's directors that accompanies this report and our attached detailed report, of which the above is only a summary.

This Report sets out our opinion as to whether or not the Proposed Transactions are "fair and reasonable" to Non-associated Shareholders, in accordance with the requirements of ASIC Policy Statement 74. This Report should not be used for any other purpose and PKFCA does not accept any responsibility for use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of the Report, in whole or in part, should be reproduced without the written consent of PKFCA, as to the form and context in which it may appear.

Acceptance or rejection of the proposal is a matter for individual Rattoon shareholders (other than GPG and Thorney) based on their views as to value, future market conditions, risk profile, liquidity preference and portfolio strategy, who should consider these issues and should consult their own professional adviser.

Yours faithfully



Vince Fayad
Director

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TABLE OF CONTENTS

1	PROPOSED TRANSACTIONS	13
1.1	INTRODUCTION	13
1.2	SALE AGREEMENTS	13
1.3	CAPITAL RAISING	14
1.4	INTENTIONS REGARDING FUTURE OPERATIONS OF RATTOON	15
1.5	OTHER TERMS AND CONDITIONS	15
2	SCOPE AND LIMITATIONS	16
2.1	REQUIREMENTS FOR A REPORT	16
2.2	BASIS OF ASSESSMENT	17
2.3	MEANING OF "FAIR AND REASONABLE"	18
2.4	RESOLUTION 3	18
2.5	RELIANCE ON INFORMATION	19
2.6	PROSPECTIVE FINANCIAL INFORMATION	19
2.7	CURRENT MARKET CONDITIONS	19
2.8	SOURCES OF INFORMATION	20
2.9	ASSUMPTIONS	20
3	AUSTRALIAN GAMBLING INDUSTRY	21
3.1	OVERVIEW	21
3.2	GAMBLING INDUSTRY SEGMENTS	22
3.3	GAMING INDUSTRY	23
3.4	LOTTERIES INDUSTRY	27
3.5	INDUSTRY REGULATION	29
3.6	GAMBLING CONSOLIDATIONS	31
4	PROFILE OF RATTOON	32
4.1	HISTORY	32
4.2	INVESTMENTS	32
4.3	DIRECTORS AND SENIOR MANAGEMENT	33
4.4	CAPITAL STRUCTURE	33
4.5	SHARE MARKET TRADING	35
4.6	FINANCIAL PERFORMANCE	39
4.7	TAXATION POSITION	39
4.8	FINANCIAL POSITION	40
4.9	CASH FLOW	41
5	PROFILE OF TATTERSALL'S	42
5.1	PRINCIPAL ACTIVITIES	42
5.2	HISTORY	43
5.3	TATTERSALL'S GAMING BUSINESS	43
5.4	TATTERSALL'S LOTTERIES BUSINESS	45
5.5	STRATEGIC AND INTERNATIONAL INVESTMENTS	48
5.6	DIRECTORS AND MANAGEMENT	49
5.7	COMPETITIVE POSITION	50
5.8	LICENCES AND EXCLUSIVITY	51
5.9	CAPITAL STRUCTURE AND OWNERSHIP	55
5.10	SHARE PRICE PERFORMANCE	57
5.11	FINANCIAL PERFORMANCE	60
5.12	FINANCIAL POSITION	62
5.13	CASH FLOW	64
5.14	PROPOSED MERGER BETWEEN UNITAB AND TATTERSALL'S	65
5.15	TABCORP'S PROPOSED BID FOR UNITAB	69
5.16	REVISED TERMS OF THE PROPOSED MERGER	70

6	VALUATION METHODOLOGY	71
6.1	VALUATION METHODS	71
6.2	CONSIDERATION OF APPLICABLE VALUATION METHODS	71
7	VALUE OF TATTERSALL'S	72
7.1	INTRODUCTION	72
7.2	CAPITALISATION OF FUTURE MAINTAINABLE EARNINGS	72
7.3	CASH	76
7.4	ANALYSIS OF RECENT SHARE TRADING	77
7.5	CONCLUSION	80
8	VALUE OF RATTOON BEFORE PROPOSED TRANSACTIONS	81
8.1	INTRODUCTION	81
8.2	NET ASSET VALUE METHOD	81
8.3	LISTED INVESTMENT COMPANIES	81
8.4	RATTOON SHARE MARKET TRADING ANALYSIS	84
8.5	CONCLUSION	86
9	VALUE OF RATTOON AFTER PROPOSED TRANSACTIONS	87
9.1	RANGE OF POSSIBLE NTA FOLLOWING IMPLEMENTING THE PROPOSED TRANSACTIONS	87
10	EVALUATION AND CONCLUSION	88
10.1	VALUE CONSIDERATIONS	88
10.2	RANGE OF POSSIBLE NTA FOLLOWING IMPLEMENTATION OF THE PROPOSED TRANSACTIONS	88
10.3	SUMMARY	88
10.4	ADVANTAGES AND DISADVANTAGES	88
10.5	CONCLUSION	91
APPENDIX 1:	FINANCIAL SERVICES GUIDE	92
APPENDIX 2:	SOURCES OF INFORMATION	94
APPENDIX 3:	MORE DETAILED CALCULATIONS UNDERLYING TABLE 2	95
APPENDIX 4:	MORE DETAILED CALCULATIONS UNDERLYING TABLE 3	97
APPENDIX 5:	INFORMATION ON NSX LIMITED	98
APPENDIX 6:	LISTED COMPARABLE COMPANIES	100
APPENDIX 7:	LISTED COMPANY DESCRIPTIONS	101
APPENDIX 8:	M&A COMPANY DESCRIPTIONS	102
APPENDIX 9:	VALUATION METHODS	103
APPENDIX 10:	MID CASE #1 CALCULATIONS	105
APPENDIX 11:	QUALIFICATIONS DECLARATIONS AND CONSENTS	109

1 PROPOSED TRANSACTIONS

1.1 Introduction

The independent directors of Rattoon Holdings Limited ("**Rattoon**" or "**Company**") have engaged PKF Corporate Advisory Services (NSW) Pty Ltd ("**PKFCA**") to prepare an independent expert's report ("**Report**") in respect of interrelated proposals ("**Proposed Transactions**") involving the proposed acquisition of fully paid ordinary shares in Tattersall's Limited ("**Tattersall's**") owned by each of companies controlled by Guinness Peat Group plc ("**GPG**") and companies controlled by Thorney Holdings Pty Limited ("**Thorney**") in exchange for the issue of fully paid ordinary shares in Rattoon ("**Rattoon Shares**").

In order for the Proposed Transactions to proceed, approval by Rattoon Shareholders entitled to vote on the Proposed Transactions will be sought at the General Meeting of Shareholders to be held on or around September 29, 2006 ("**General Meeting**"). This report is to accompany the Notice of General Meeting ("**Notice**") and Explanatory Memorandum to be provided to the Rattoon shareholders ("**Shareholders**") by the Rattoon Directors. Approval of each resolution in the Notice ("**Resolution**") is conditional upon approval of each other Resolution. What this means is that all Resolutions must be approved, or none will be implemented. Further details relating to each Resolution is set out in the Notice.

Resolutions 1 and 2 in the Notice deal with the Proposed Transactions the subject of this Report. Only Shareholders other than GPG, Thorney and their respective associates (that is, the Non-associated Shareholders) are entitled to vote on Resolutions 1 and 2 in the Notice.

This report has been prepared to assist the Non-associated Shareholders in their consideration of whether or not to approve the Proposed Transactions. This report sets out our opinion as to whether or not the Proposed Transactions are "fair and reasonable" to Non-associated Shareholders, in accordance with the requirements of Australian Securities and Investment Commission ("**ASIC**") Policy Statement 75.

This report should not be used for any other purpose and PKFCA does not accept any responsibility for use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of this report, in whole or in part, should be reproduced without the written consent of PKFCA, as to the form and context in which it may appear.

1.2 Sale Agreements

The major terms of the Sale Agreements are summarised in the Explanatory Memorandum.

It is proposed that each of GPG and Thorney will sell 21.75 million Tattersalls Shares to Rattoon; that is, Rattoon will purchase a total of 43.5 million Tattersalls Shares.

Rattoon will pay for the Tattersalls Shares acquired as follows:

- GPG will sell to Rattoon:
 - 18.2 million Tattersall's Shares in return for the issue of Rattoon Shares ("**GPG Consideration Shares**") and
 - 3.55 million Tattersalls Shares, in return for the payment of cash, (being the Sale Price) funded by way of a loan from GPG; and
- Thorney also will sell to Rattoon:
 - 18.2 million Tattersall's Shares in return for the issue of Rattoon Shares ("**Thorney Consideration Shares**") and
 - 3.55 million Tattersalls Shares, in return for the payment of cash, (being the Sale Price) funded by way of a loan from Thorney.

The number of Rattoon shares to be issued to each of GPG and Thorney in consideration for the acquisition of 18.2 million Tattersalls Shares from each of them will be in accordance with the following formula:

$$No = \frac{A \times B}{C}$$

where:

- No = the number of shares in Rattoon to be issued as consideration for the acquisition by Rattoon of each of GPG's and Thorney's 18.2 million Tattersall's Shares;
- A = the number of Tattersall's Shares (being 18.2 million each for GPG and Thorney);
- B = the Tattersall's VWAP (as defined in the Explanatory Memorandum); and
- C = the Issue Price (as defined in the Explanatory Memorandum).

The "**Sale Price**" for each of GPG and Thorney is calculated by multiplying 3.55 million shares by \$2.8516, being the average cost price per share.

"**Tattersalls VWAP**" means the volume weighted average price of Tattersalls Shares sold on the Australian Stock Exchange Limited ("**ASX**") (excluding any special crossings) during the 60 trading days immediately prior to the date of the General Meeting

"**Issue Price**" means the volume weighted average price of Rattoon Shares sold on the NSX (excluding any special crossings) during the 60 trading days immediately prior to the date Shareholder approval of the Resolutions is obtained.

Completion Date means the day after the General Meeting.

Rattoon has stated that the arrangement of the loans from each of GPG and Thorney to fund the payment for a total of 7.1 million Tattersall's Shares will enable Rattoon to proceed with the acquisition of GPG's and Thorney's Tattersalls Shares without the need to obtain financial accommodation in advance. Rattoon has advised that the interest rate on these loans will be the same as Rattoon's prevailing interest rate on its bank facility at the time.

If approved, completion of the Proposed Transactions is to take place on the first business day after the date of the General Meeting. The GPG Consideration Shares and the Thorney Consideration Shares will rank equally with all other Shares in the capital of Rattoon.

In respect of the first 18.2 million of Tattersall's Shares transferred from each of GPG and Thorney, Rattoon will retain the rights to any dividend that comes with the shares upon their transfer and no rebate of dividend will occur. If such shares are transferred ex-dividend, GPG and Thorney will transfer any such dividend entitlement to Rattoon, together with an amount equal to the franking credit payable in respect of the dividend. On the remaining 3.55 million Tattersall's Shares transferred from each of GPG and Thorney, either the shares will be transferred ex-dividend or Rattoon will rebate the dividend entitlement in full to GPG and Thorney respectively, together with an amount equal to the franking credit payable in respect of the dividends.

1.3 Capital Raising

In addition to the above, Rattoon proposes to raise up to \$8 million in further capital via a placement of Rattoon Shares at the same Issue Price as that at which the GPG Consideration Shares and Thorney Consideration Shares are to be issued ("**Capital Raising**") to professional and sophisticated investors as nominated by Bell Potter Securities Limited ("**Underwriter**"), which will underwrite \$5 million pursuant to an underwriting agreement ("**Underwriting Agreement**"). Rattoon proposes to issue up to \$3 million worth of additional Rattoon Shares resulting from over subscriptions.

The total additional capital to be raised will be a minimum of \$5 million (the underwritten amount of the Capital Raising), and a maximum of \$8 million.

The Shares issued pursuant to the Capital Raising will rank equally with all other Shares in the capital of Rattoon.

It is a condition precedent to the Underwriting Agreement that Shareholders approve each of the Resolutions set out in the Notice.

Pursuant to the Underwriting Agreement, the Underwriter is required, upon the direction of the Company, to subscribe for any Shares not subscribed for by professional and sophisticated investors pursuant to the Capital Raising at the same Issue Price as that at which the GPG Consideration Shares and Thorney Consideration Shares are to be issued. The Underwriter is entitled to receive an underwriting commission based on the total price of all Shares subscribed for by it.

1.4 Intentions regarding future operations of Rattoon

Each of GPG, Thorney and Rattoon has advised that:

- there is no present intention to:
 - change the business of Rattoon;
 - alter the future employment of the present employees of Rattoon;
 - transfer any other property between Rattoon and GPG or Thorney or any of their respective associates;
 - otherwise deploy any of the fixed assets of Rattoon; or
 - change significantly the financial or dividend policies of Rattoon; and
- the up to \$8 million in further capital raised via the Capital Raising will be used by Rattoon to fund working capital requirements.

1.5 Other terms and conditions

The Proposed Transactions are subject to, and conditional upon, the satisfaction of the following conditions precedent:

- Shareholders approving the Proposed Transactions;
- simultaneous completion of the acquisition by Rattoon of Thorney's Tattersall's Shares and the issue to Thorney of the Thorney Consideration Shares and simultaneous completion of the acquisition by Rattoon of GPG's Tattersall's Shares and the issue to GPG of the GPG Consideration Shares.

GPG has obtained requisite approval under the Australian Government's Foreign Investment Policy to the acquisition by GPG of the GPG Consideration Shares.

2 SCOPE AND LIMITATIONS

2.1 Requirements for a report

2.1.1 Corporations Act

Section 606 (“**Section 606**”) of the *Corporations Act 2001 (Cth)* (“**Corporations Act**”) provides, amongst other things, that a person may not acquire a relevant interest in issued voting shares in the capital of Rattoon if that person's or someone else's voting power increases from 20% or below to more than 20% or from a starting point that is above 20% and below 90% of the voting power in Rattoon.

Various exceptions to Section 606 are set out in Section 611 of the Corporations Act (“**Section 611**”), including Item 7 that relates to the acquisition being previously approved by a resolution passed at a general meeting of Rattoon at which no votes were cast in favour of the resolution by the person proposing to make the acquisition or that person's associates.

These provisions of the Corporations Act are relevant to the Proposed Transactions as:

- at the date of this Report:
 - GPG has a relevant interest in 7,743,480 Rattoon Shares, representing approximately 20.2% of all the Rattoon Shares; and
 - Thorney has a relevant interest in 4,287,814 Rattoon Shares, representing approximately 11.6% of all the Rattoon Shares; and
- if the Proposed Transactions are implemented, depending upon the issue of new Rattoon Shares under the Capital Raising:
 - GPG will have a relevant interest in between approximately 44% and 46% of the increased number of Rattoon Shares (increased from its current shareholding of approximately 20.6%);
 - Thorney will have a relevant interest in between approximately 43% and 45% of the increased number of Rattoon Shares (increased from its current shareholding of approximately 11.6%).

Accordingly, approval by the Non-associated Shareholders is required for the issue of the GPG Consideration Shares and the Thorney Consideration Shares.

As stated in the Notice, for the purposes of the Corporations Act no votes may be cast on Resolutions 1 or 2 by GPG, Thorney or any of their associates.

2.1.2 NSX Listing Rules

Rattoon is listed on the Stock Exchange of Newcastle Limited Trading as NSX Corporate Stock Exchange (“**NSX**”). Shareholders are asked to approve the Proposed Transactions pursuant to NSX Listing Rules 6.43(iii) and 6.25.

NSX Listing Rule 6.43(iii) requires Rattoon to obtain Shareholder approval if it wishes to acquire a substantial asset from a person with voting power of at least 10% of the voting securities of Rattoon. As at the date of this report, GPG has a relevant interest in approximately 20.2 % and Thorney has a relevant interest in approximately 11.6%, of the voting power of Rattoon. However, the NSX Listing Rules do not define the term “substantial asset”.

We have been advised that Rattoon has consulted with the NSX which has determined that NSX Listing Rule 6.43(iii) applies to the Proposed Transactions. Accordingly, Shareholder approval of the Proposed Transactions is required.

Pursuant to NSX Listing Rule 6.25, Rattoon may not issue shares that represent more than 15% of its existing share capital without the prior approval of Rattoon's Shareholders in general meeting. As the GPG Consideration Shares, the Thorney Consideration Shares and the new Rattoon Shares to be issued pursuant to the Capital Raising will collectively represent more than 15% of Rattoon's existing share capital, Shareholder approval for the issue of such shares is required.

2.2 Basis of Assessment

2.2.1 Introduction

Neither Item 7 in the table in Section 611 of the Corporations Act, NSX Listing Rule 6.43(iii) or NSX Listing Rule 6.25 prescribe the requirement for an independent expert's report to be provided the Shareholders, nor do they prescribe any standard measure or test against which to judge a proposal.

2.2.2 ASIC announcements

Some guidance is provided by Policy Statements ("**PS**") and Practice Notes ("**PN**") issued by the ASIC which establish certain guidelines in respect of independent expert's reports required under the Corporations Act 2001 (Cth) ("**Act**"). In particular, PS 74 "Acquisitions Agreed to by Shareholders" and PS 75 "Independent Expert Reports to Shareholders" have been considered.

PS 74 provides that, with regard to a proposal subject to Section 611 of the Corporations Act, the proposal should be assessed on the basis of whether it is "fair and reasonable" to the Non-associated Shareholders. Under PS 74, ASIC does not draw any distinction between "fair" and "reasonable" and indicates that the assessment of whether a proposal is fair and reasonable should:

- be judged in all circumstances of the proposal;
- compare the value of the shares to be acquired under the proposal and the value of the consideration to be paid. However, this is only one element of the assessment;
- compare the likely advantages and disadvantages for the Non-associated Shareholders if the proposal is agreed to, with the advantages and disadvantages to those shareholders if it is not; and
- consider whether a premium for control is applicable.

PS 75 relates to the assessment of takeover offers pursuant to Section 640 of the Corporations Act. Under PS 75, ASIC draws a distinction between "fair" and "reasonable". An offer is "fair" if the consideration is equal to, or greater than, the value of the securities subject to the offer. The reasonableness of the proposal includes the consideration of factors other than price. It is possible that the offer is not "fair", but may still be "reasonable", if there are other factors that cause acceptance of the offer to be in the best interests of shareholders.

In considering transactions to be approved under Section 611 less weight is given to the fairness criteria than for transactions requiring approval under Section 640. Given that the Non-associated Shareholders are not receiving an offer to acquire their Shares but are being asked to approve the Proposed Transactions, the issue becomes whether, on balance, the advantages of doing so are assessed to outweigh the disadvantages of doing so. In such circumstances the equivalence of the consideration under the Proposed Transactions with the value of the securities held by Non-associated Shareholders is relevant to the Non-associated Shareholders to the extent that the Proposed Transactions affect the value of their Shareholding.

2.2.3 Conclusions as to test to be applied

Corporations Act

For the purposes of Section 611, in the Report we will adopt the test set out in PS 74, that is, whether or not the Proposed Transactions are considered to be “fair and reasonable” to the Non-associated Shareholders.

NSX listing Rules

As the NSX Listing Rules do not prescribe the requirement for an independent expert’s report to be provided the Shareholders, nor any standard measure or test against which to judge a proposal, there is no separate test or standard required for the purposes of the NSX Listing Rules.

2.3 Meaning of “fair and reasonable”

PKFCA will assess whether or not the Proposed Transactions are “fair and reasonable” by considering the following matters:

- whether or not, on balance, the advantages to the Non-associated Shareholders of approving the Proposed Transactions outweigh the disadvantages to the Non-associated Shareholders of approving the Proposed Transactions;
- whether or not, on balance, the disadvantages to the Non-associated Shareholders of not approving the Proposed Transactions outweigh the advantages to the Non-associated Shareholders of not approving the Proposed Transactions;
- the above considerations will include an assessment of:
 - the value of the consideration to be paid by Rattoon under the Proposed Transactions and comparison with the respective values of the consideration to be given by each of GPG and Thorney;
 - the existing and proposed shareholding structure of Rattoon; and
 - the financial positions of Tattersall’s and Rattoon and their assessed attendant risk profiles; and
- whether a premium for control is applicable, and if applicable, whether or not an appropriate premium for control is reflected in the consideration under the Proposed Transactions.

As the Proposed Transactions are interdependent, they will be judged in terms of their overall effect. It is not meaningful to assess the individual elements of the Proposed Transactions separately.

2.4 Resolution 3

Resolution 3 set out in the Notice (“**Resolution 3**”) seeks approval of Shareholders to the issue of new Rattoon Shares under the Capital Raising.

PKFCA is not required to provide an opinion in relation to Resolution 3 and does not do so in this report. However, we have commented upon some of the possible impacts of the approval or non-approval of Resolution 3, in so far as approval or non-approval would affect our conclusions in relation the Proposed Transactions.

In order to be approved, each Resolution must be passed by not less than 51% of all the votes cast by Shareholders entitled to vote on the relevant Resolution (whether in person or by proxy, attorney or representative).

2.5 Reliance on Information

This report is based upon financial and other information provided by Rattoon. PKFCA has considered and relied upon this information. PKFCA believes the information provided to be reliable, complete and not misleading, and has no reason to believe that any material facts have been withheld. The information provided was evaluated through analysis, inquiry and review for the purpose of forming an opinion as to whether the Proposed Transactions are fair and reasonable.

PKFCA's procedures, in the preparation of the Report, involved an analysis of financial information and accounting records. This did not include verification work nor constitute an audit in accordance with Australian Auditing Standards ("AUS") nor did they constitute a review in accordance with AUS 902 applicable to review engagements.

PKFCA does not warrant that its inquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation.

It is understood that the accounting information provided to PKFCA was prepared in accordance with generally accepted accounting principles and except where noted, (including adoption of AIFRS) prepared in a manner consistent with the method of accounting used by Rattoon, in previous accounting periods.

2.6 Prospective financial information

The information relied upon by PKFCA includes prospective financial information of Tattersall's or UNiTAB. Prospective financial information of Tattersall's and UNiTAB is set out in the documents issued in relation to the listing of Tattersall's on the ASX and the Proposed Merger of Tattersall's and UNiTAB. The achievability of the prospective financial information of Tattersall's and/or UNiTAB is not warranted or guaranteed by the management of Rattoon or PKFCA.

PKFCA has not been engaged to undertake an independent review of the prospective financial information, and has not undertaken such a review. Accordingly, we do not express an opinion on the reasonableness of the assumptions underlying the projections, or their achievability. However, we have considered the prospects of Rattoon and its business, for the purpose of undertaking a valuation of Rattoon and we have considered generally the prospects of Tattersall's and its business, for the purpose of undertaking an evaluation of the Proposed Transactions.

Prospective financial information is dependent on the outcome of many assumptions, some of which are outside the control of Rattoon, Tattersall's and/or UNiTAB. Assumptions relating to prospective financial information can be reasonable at the time of their preparation, but can change materially over a relatively short time.

2.7 Current market conditions

Our opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. Accordingly, changes in those conditions may result in the valuation becoming quickly outdated and in need of revision. PKFCA reserves the right to revise any valuation, or other opinion, in the light of material information existing at the valuation date that subsequently becomes known to PKFCA.

2.8 Sources of Information

Appendix 1 to this report sets out details of information referred to, and relied upon, by PKFCA during the course of preparing this report and forming our opinion.

In preparing this report, we have relied on information provided by various officers of Rattoon. We have not undertaken any verification of the financial or other information provided by those officers, or other parties, as set out in this report. PKFCA believes the information provided to be reliable, complete and not misleading and has no reason to believe that any material facts have been withheld. The information provided was evaluated through analysis, inquiry and review for the purpose of forming our opinion. Where PKFCA has relied on the views and judgement of management the information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Rattoon has agreed to indemnify PKFCA, PKF NSW Partnership, and their partners, directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided by Rattoon which is false and misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

2.9 Assumptions

In forming PKFCA's opinion, the following has been assumed:

- all relevant parties have complied, and will continue to comply, with all applicable laws and regulations and existing contracts and there are no alleged or actual material breaches of the same or disputes (including, but not limited to, legal proceedings), other than as publicly disclosed and that there has been no formal or informal indication that any relevant party wishes to terminate or materially renegotiate any aspect of any existing contract, agreement or material understanding, other than as publicly disclosed;
- that matters relating to title and ownership of assets (both tangible and intangible) are in good standing, and will remain so, and that there are no material legal proceedings, or disputes, other than as publicly disclosed;
- information in relation to the Proposed Transactions provided to the Rattoon shareholders or any statutory authority by the parties is complete, accurate and fairly presented in all material respects;
- publicly available information relied on by PKFCA is accurate and not misleading;
- if the Proposed Transactions are implemented, that they will be implemented in accordance with their terms; and
- the legal mechanisms to implement the Proposed Transactions are correct and effective.

3 AUSTRALIAN GAMBLING INDUSTRY

3.1 Overview

Gambling has an economic definition, referring to "wagering money or something of material value on an event with an uncertain outcome with the primary intent of winning additional money or material goods". Typically the outcome of the wager is evident within a short period of time. Players must be over 18 years of age to participate in gambling activities in Australia, except for South Australia where the minimum age to play lotteries is currently 16 years. As at 30 June 2004, there were about 15.3 million Australians, 76% of the population, over the age of 18.

Summary statistics on gambling in Australia include:

- total annual expenditure is approximately A\$16.2 billion (A\$ 1,067 per adult)
- participation: 82% of adults, with 13 casinos and 6,017 pubs and clubs
- 199,217 gaming machines
- 4,732 lottery outlets
- 4,227 TAB outlets

As a form of entertainment, gambling is broadly characterised by the Australian Bureau of Statistics as part of Australia's overall recreation and cultural activities. Australians spend about \$60 billion, 11% of household disposable income ("HDI"), on recreation and cultural activities each year. Over the last 10 years, recreation and cultural expenditure grew at a compound annual growth rate (CAGR) of about 5% while gambling expenditure grew about 9% CAGR. Gambling expenditure in Australia totalled about \$16 billion, representing about 3% of HDI and 28% of consumer expenditure on recreation and cultural activities.

Figure 1 shows the trends in gambling expenditure for the 10 years ended 30 June 2004.

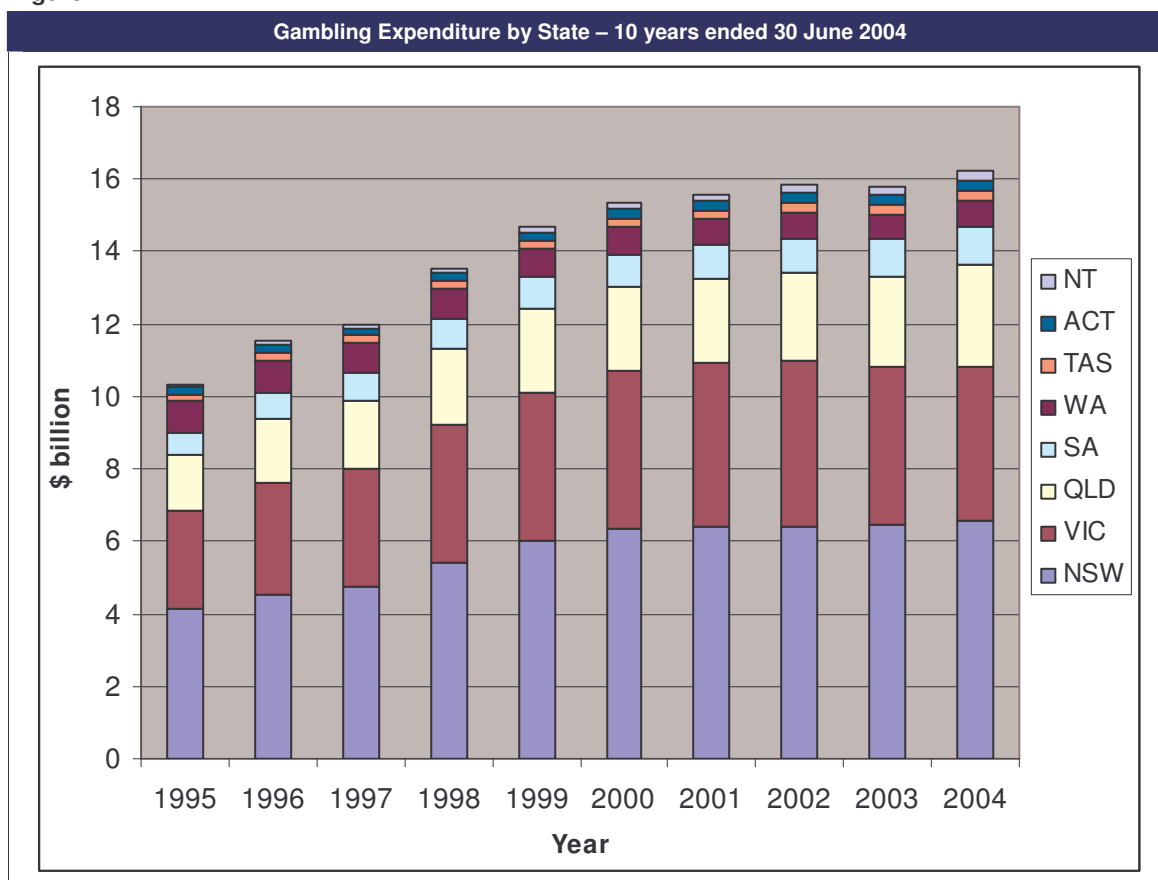
Figure 1



Source: Queensland Office of Economic and Statistical Research

Figure 2 sets out trends in Australian gambling expenditure, by State:

Figure 2



Source: Queensland Office of Economic and Statistical Research

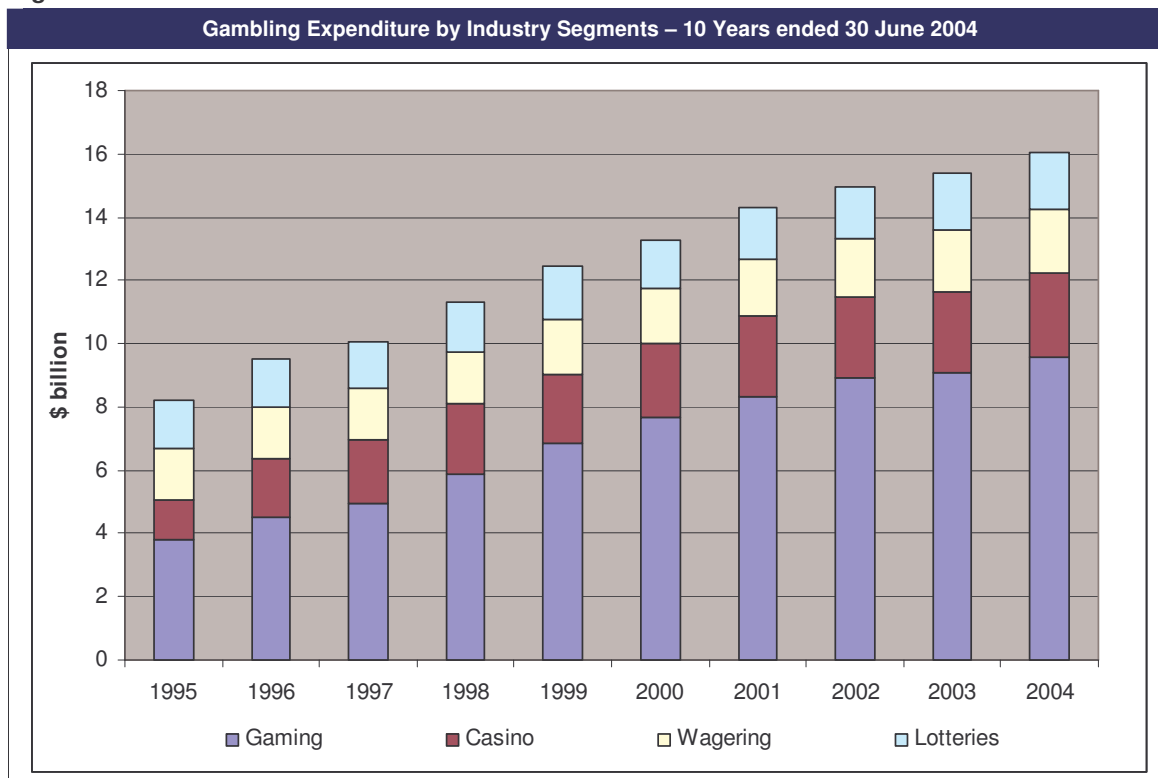
3.2 Gambling Industry Segments

The Australian gambling industry may be categorised into the following four broad segments:

- Gaming - The operation of gaming machines in hotels and licensed clubs in all jurisdictions of Australia (excluding Western Australia where gaming is currently prohibited in hotels and clubs). Gaming machines may be linked together in order to offer larger jackpots. This segment does not include gaming machines located in casinos.
- Lotteries - All activities conducted under the categories of lotteries, lotto, instant lotteries, keno, Club Keno2, pools and minor gaming. A public lottery is a lottery or other game or competition of chance, or part skill, in which people pay money to enter with the possibility of obtaining a prize and includes a lottery game or competition that involves a scheme of Pari Mutuel betting.
- Wagering - Betting with bookmakers, totalisators and betting exchanges which can be either fixed odds or Pari Mutuel betting. It involves betting on the outcome of horse and greyhound races, both on course and off course, along with other specific local, national or international sporting and other activities.
- Casinos - Wagers on table games, gaming machines and keno systems in licensed casinos. Casino table games have set rules and fixed odds designed to return a set percentage from each wager to the casino operator.

Figure 3 shows the strong growth in gaming expenditure and moderate growth in the other segments contributed to the increase in gaming expenditure for the 10 years ended 30 June 2004. Gambling expenditure grew at a compound average growth rate of 4.6% for the 10 years to 30 June 2004.

Figure 3



Source: Queensland Office of Economic and Statistical Research

3.3 Gaming Industry

The first legalised gaming machines in Australia commenced operation in 1956 in New South Wales when gaming machines were introduced into licensed clubs, with hotels following in the 1980s. The ACT and the Northern Territory introduced gaming machines in the 1970s. Victoria, Queensland, South Australia and Tasmania introduced gaming machines in the 1990s.

Gaming machines in Australia can only be operated in licensed clubs, hotels and casinos, except for Western Australia where gaming machines are currently permitted only in the casino. The provision of gambling through internet based media and other interactive gambling services by Australian entities is prohibited (subject to a number of exceptions) under the Interactive Gambling Act.

Gaming expenditure accounted for 60% of total gambling expenditure in Australia. The overall trend of growth in gaming over the 10 years ended 30 June 2004 reflects:

- the introduction of gaming machines to additional States and Territories during that time;
- an increase in the number of gaming machines in the States and Territories where gaming machines had already been permitted;
- the introduction of new types of gaming machines developed by manufacturers; and
- improvements to the quality of facilities and services provided by gaming venues.

Table 5 sets out the geographic location of gaming machines in Australia:

Table 5: Gaming Machines in Australia

State/ Territory	Number of machines	Date	Source
NSW	99,772	30/06/2005	NSW Office of Liquor, Gaming and Racing
QLD	40,693	30/06/2006	Queensland Office of Gaming Regulation
VIC	27,147	30/06/2006	Victorian Commission for Gambling Regulation
SA	12,884	30/06/2006	SA Office of the Liquor and Gambling Commissioner
ACT	5,148	30/06/2005	ACT Gambling and Racing Commission
TAS	2,289	30/06/2005	Tasmanian Gaming Commission
WA	1,500	30/06/2005	WA Department of Racing, Gaming and Liquor
NT	985	30/06/2005	NT Racing, Gaming and Licensing

Source: State Government and Government Gaming Departments

Table 6 shows the different frameworks for gaming machine regulation and ownership, electronic monitoring of machines, and taxation of each Australian jurisdiction.

Table 6: Gaming Operations in Australia

State / Territory	Gaming Operator(s) / Machine Owner(s)	Monitoring Operator(s)	Machine Cap ¹	Venue Gaming machine Cap	
				Hotel	Clubs
ACT	Individual Clubs and hotels	N/A	5,200	12	No cap
NSW	Individual Clubs and hotels	UNiTAB	104,000	30	450
NT	Individual Clubs and hotels	UNiTAB	See below ²	10	45
QLD	Individual Clubs and hotels	UNiTAB Odyssey	40,693 ³	40	280
SA	Individual Clubs and hotels	Independent Groups	12,884	40	40
TAS	Network Gaming	Network Gaming	2,500	30	40
VIC	Tattersall's, Tabcorp	Tattersall's/Tabcorp	27,500	105	105
WA ⁴	N/A	N/A	N/A	N/A	N/A

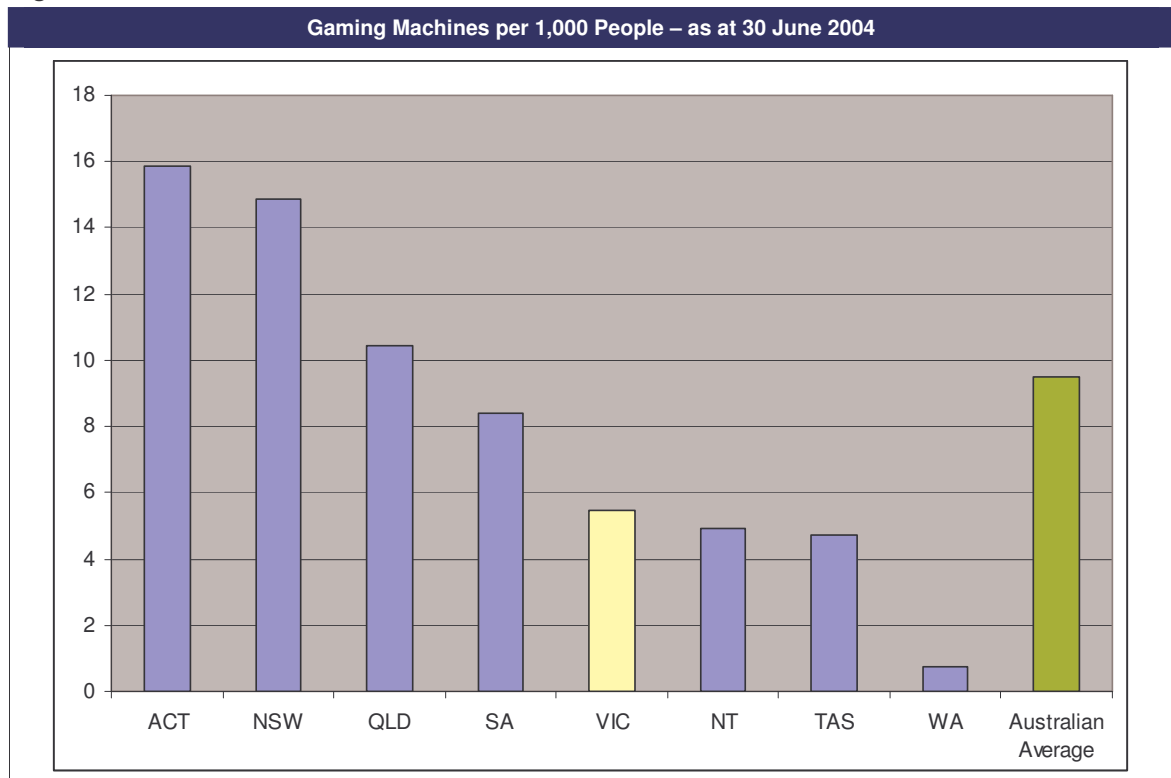
Source: Tattersall's Prospectus and State Government Gaming Departments

Notes:

1. Regulatory cap on gaming machine numbers in licensed clubs and hotels (excluding casinos).
2. Cap in the Northern Territory is 55% of the national average of gaming machines per capita.
3. There is no cap on the aggregate number of gaming machines in licensed clubs, only a cap for each individual venue. The cap on the aggregate number of gaming machines in hotels is 18,843 machines. As at 30 June 2006, there were 40,693 gaming machines in licensed clubs and hotels in Queensland.
4. Gaming machines are permitted in the casino only

Figure 4 sets out information on the number of gaming machines per person in various Australian jurisdictions:

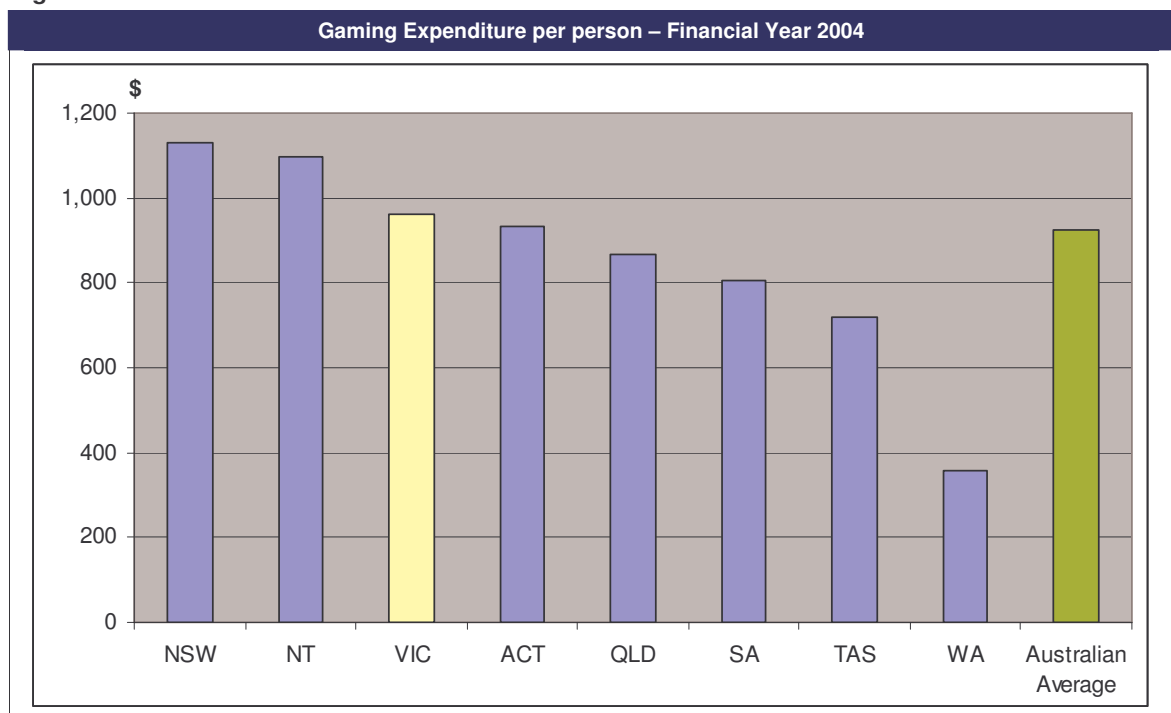
Figure 4



Source: Queensland Office of Economic and Statistical Research and Australian Bureau of Statistics

Figure 5 sets out the information on gaming expenditure per person in various Australian jurisdictions:

Figure 5



Source: Queensland Office of Economic and Statistical Research

The number of gaming machines per capita varies between the States and Territories. Of the States and Territories which permit the operation of gaming machines in licensed clubs and hotels, Victoria has the third lowest number of gaming machines per capita.

As at 30 June 2006, there were 27,147 gaming machines across 521 Victorian licensed clubs and hotels. Gaming machines were introduced into Victorian licensed clubs and hotels in 1992 and to the casino in Melbourne in 1994. The two centralised gaming operators, Tattersall's and Tabcorp, are authorised to operate 13,750 machines each in licensed clubs and hotels. The casino is authorised to operate the balance of 2,500 machines. Gaming machine expenditure, excluding the casino, accounted for \$2.3 billion of the \$4.2 billion Victorian gambling expenditure in the 2004 Financial Year.

Figure 6 sets out information on gaming machines expenditure in Victoria:

Figure 6



Source: Queensland Office of Economic and Statistical Research

Table 7 shows the gaming statistics in Victoria since 30 June 2000.

Table 7 Victorian Gaming Statistics

Financial Year	Adult population	No. of Venues	No. of EGMs	Net EGM expenditure	Average no. EGMs per 1,000 adults	Average net EGM expenditure per adult
2000	3,531,882	536	27,408	\$2,170,581,995	7.76	\$615
2001	3,572,889	537	27,444	\$2,366,016,584	7.68	\$662
2002	3,679,669	534	27,400	\$2,562,820,950	7.45	\$696
2003	3,720,628	532	27,260	\$2,334,294,514	7.33	\$627
2004	3,816,854	530	27,132	\$2,290,929,976	7.11	\$600
2005	3,870,537	523	27,124	\$2,393,030,966	7.01	\$618
2006	3,924,728	521	27,147	\$2,472,451,853	6.92	\$630

Source: Victorian Commission for Gambling Regulation website
EGM Electronic Gaming Machines

3.4 Lotteries Industry

Lotteries involves a draw which has a cost to enter, a prize and with the prize winners being drawn randomly by lot. Lottery products include tickets for lotto games, keno, other lottery style draws including Club Keno and instant scratch tickets. These products, except for instant scratch tickets and Club Keno, are typically distributed via terminals in lottery outlets which are linked to a real time central lottery system through a communications network. Instant scratch tickets are also primarily distributed through lottery outlets as a paper based product displayed at the point of sale. For 2004-2005, the estimated industry revenue was \$5.6 billion from 115 establishments. Lotto sales account for about 60% of the industry revenue, followed by Club Keno (15%) and Instant Lotteries (12%).

The first endorsed lottery in Australia started in 1897 when the Tasmania State Government licensed Tattersall's to operate public lotteries from Hobart. Other states such as Queensland, New South Wales, Western Australia, Victoria and South Australia have established their own state based lotteries since then. Each State and Territory has one principal lottery operator except for ACT which has two principal lottery operators. Currently, each lottery operators manages its own technical infrastructure, comprising central computer systems and a network of retailer terminals. Under a National Competition Policy, a national lotteries market is likely to commence from 2007 as state lottery licences expire in Victoria and NSW.

Table 8 sets out the operators of lotteries in various Australian jurisdictions:

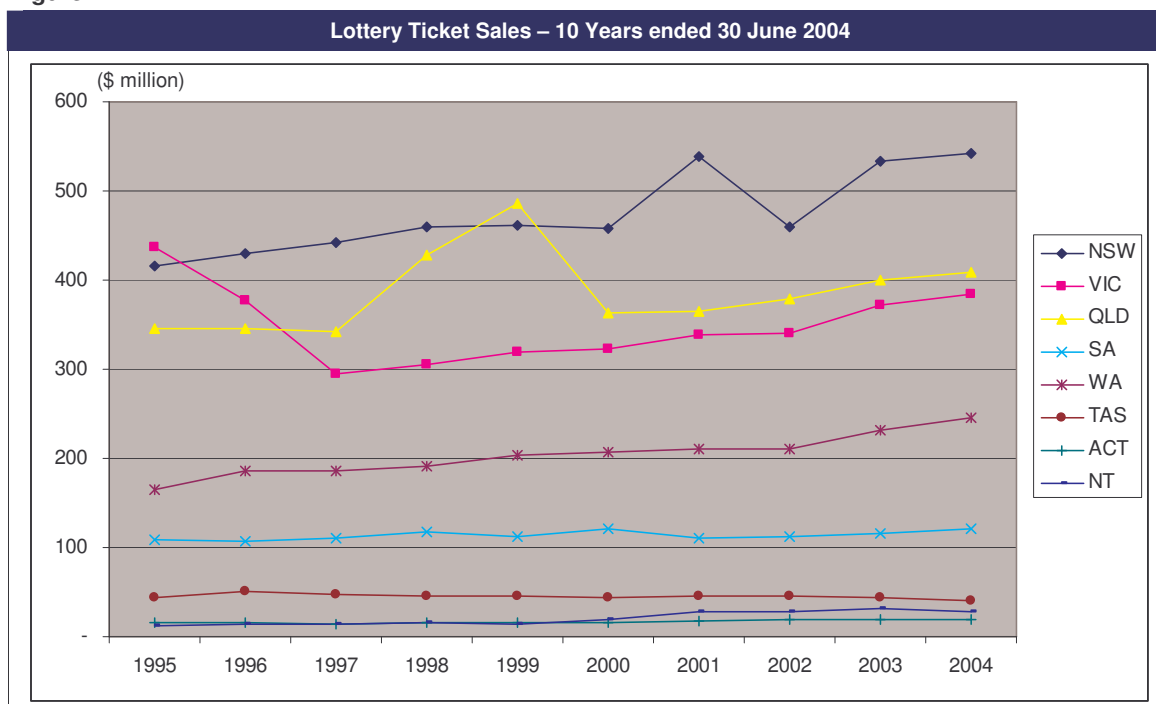
Table 8: Lottery Operators

State/ Territory	Operators
Queensland	Golden Casket Lottery Corporation Limited (State owned)
South Australia	Lotteries Commission of South Australia (State owned)
Western Australia	Lotteries Commission of Western Australia (State owned)
New South Wales	New South Wales Lotteries Corporation (State owned)
ACT	Tattersall's Limited and New South Wales Lotteries Corporation (State owned)
Victoria	Tattersall's Limited
Tasmania	Tattersall's Limited
Northern Territory	Tattersall's Limited

Source: IBISWorld

Figure 7 sets out the trends in lottery ticket sales in various Australian jurisdictions:

Figure 7



Source: Queensland Office of Economic and Statistical Research

The principal lottery operators in each State and Territory have formed national Lottery Blocs to pool prize funds in certain games to offer larger and more attractive prizes nationally. In Victoria, games which are part of the national Lottery Blocs include Tattslotto, Powerball, Oz Lotto, Super 66 and Soccer Pools. The key success factors to lottery providers include effective product promotion, development of new products and having an extensive distribution network.

Table 9 shows the cost structure and market share of the major lottery providers:

Table 9: Cost Structure and Market Share

Cost Items	Cost %	Major Player	Market Share
Taxes and levies	58.5%	Tattersall's	22.7%
Agent commissions	14.9%	NSW Lotteries	20.7%
Advertising	4.1%	Golden Casket Lottery	17.1%
Wages	2.8%	WA Lotteries Commission	9.5%
Other	6.4%	SA Lotteries Commission	6.5%
Profit	8.5%		

Source: IBISWorld

The demand for lotteries sales is typically from the middle and older age groups who tend to spend a small sum each week. Lottery expenditure is sensitive to the level and changes in real household disposable income ("HDI"). Lotteries account for about 0.3% of the Australian HDI. Since the early 1990's, the demand for lotteries as a percentage of HDI decreased mainly due to the competition from other forms of gambling such as gaming machines and wagering.

In the near term, gambling expenditure is likely to be impacted by headwinds such as slower economic growth and high fuel prices. For 2005 -2010, IBISWorld expects lotteries turnover to increase from \$5.0 billion to \$6.5 billion, a compounded average growth rate of 2.9%. Over the outlook period, lotteries expenditure will continue to face significant competition from other forms of gambling such as sports betting and internet gaming.

3.5 Industry regulation

The regulation of gambling activities in Australia is primarily the responsibility of State and Territory governments. Each State and Territory government has enacted legislation to regulate gambling activities in their respective jurisdictions, with a licence, permit or approval required to conduct most forms of gambling activity.

The gaming and lotteries segments of the Australian gambling industry operate under a high degree of government regulation. An overview of the regulatory framework for the Victorian gaming and lotteries segments, together with some specific aspects relating to Tattersall's Australian gaming and lotteries businesses, is set out below.

3.5.1 Gaming regulation in Victoria

The Victorian Commission for Gambling Regulation is responsible for the administration of gaming regulation in Victoria. The two gaming operators in Victoria are licensed to obtain, install and operate gaming machines in licensed clubs and hotels. The aggregate number of gaming machines operated in either licensed clubs or hotels respectively must not exceed 50% of the total number of permitted gaming machines, and at least 20% of machines must be operated outside the Melbourne metropolitan area. The maximum number of machines that can be operated at any single venue is 105. Since 2001, there have been a number of other regulatory changes in relation to gaming in Victoria, including:

- a limit on the maximum value of bank notes permitted for gaming machine bank note acceptors to \$50 for all games approved on or after 1 January 2003, and subsequently from 1 January 2008 for all games;
- a prohibition of auto play functionality for all games approved on or after 1 January 2003, and subsequently from 1 January 2008 for all games;
- electronic game information and electronic player information must be available on all games approved on or after 1 January 2003, and subsequently from 1 January 2008 for all games;
- a limit on withdrawals from ATMs and EFTPOS facilities located in venues to \$200 per transaction, and a limit on the payout of winnings and accumulated credits from a gaming machine which can be paid in cash to \$2,000;
- the introduction of a requirement to display the time on each gaming machine; and
- a prohibition on gaming machine advertising outside venue gaming machine areas.

Health benefit levy

The Victorian State Government established a health benefit levy in 2000, which is currently set at \$3,033.33 per gaming machine per annum, based on a monthly average of gaming machines being operated. The Victorian State Government has stated that there would be no further increases in gaming taxes and levies in the Victorian State Government's current term. The next Victorian State Government election is expected to be held on 25 November 2006.

Local government area caps on gaming machines

Limits on the total number of gaming machines within a specified geographic area have been established for five Victorian local government areas. The Victorian State Government announced in March 2004 that gaming machine caps will be introduced in five new local government areas. In March 2005, the Victorian State Government announced that existing gaming machine cap boundaries will be extended to include parts of six other local government areas. However, neither of these two announced changes has been implemented to date.

Smoking bans in Victoria

In September 2002, as a separate health related initiative, the Victorian State Government introduced a ban on smoking inside gaming rooms in all licensed clubs and hotels. The implementation of this smoking ban had a significant downward impact on the revenue of the Victorian gaming operators. In addition, in October 2004, the Victorian State Government announced that all Victorian licensed clubs and hotels will be smoke free by 1 July 2007.

3.5.2 Reviews of the gambling industry in Victoria

On 13 July 2004, the Victorian State Government announced details of the review of the structure of licensing arrangements for lotteries, gaming, wagering and Club Keno in Victoria. The six principles which the Victorian State Government has endorsed to guide future gambling policy and legislative development are:

- developing and reinforcing the Victorian State Government's commitment to responsible gambling through measures that assist and protect problem gamblers and those at risk of becoming problem gamblers, their families and the wider community;
- developing and maintaining the State's commitment to the highest standards of probity for gambling service providers;
- accepting gambling is a valid activity for many Victorians who are entitled to expect ongoing high standards of service, transparency and accountability from the gambling sector;
- ensuring that the legitimate financial benefits of gambling (both private and public) are transparent, appropriately recognisable and fairly distributed to the Victorian community;
- that to the extent possible consistent with the other principles, gaming service providers operate in a competitive environment; and
- establishing proper consultative processes to ensure that appropriate information is given to, and input received from, the wide variety of persons interested in gambling including stakeholders, affected parties and, to the widest extent possible, the broader Victorian community.

Lotteries

The review commenced in July 2004, and in March 2005 the Victorian State Government announced that post June 2007, the public lotteries licensing structure will be either a single, exclusive licence, or up to three non-exclusive licences. This review does not include a review of Club Keno or the AFL football tipping competition.

The Gambling Regulation (Public Lottery Licences) Act 2005 (Vic) puts in place the two stage licence application process announced by the Victorian State Government, comprising a registration of interest stage followed by a Ministerial invitation to selected registrants to make an application for a licence. In addition and amongst other things, that Act also:

- provides for new licences to be granted for terms of up to 10 years rather than the existing seven year maximum;
- imposes substantial information disclosure requirements on licensees; and
- will change the definition of "public lottery" to apply from 1 July 2007.

It is expected that an announcement of the successful applicant(s) will occur mid to late 2006, but new licence(s) will not commence until after expiry of Tattersall's current public lotteries licence on 30 June 2007.

Gaming, wagering and Club Keno

On 2 March 2006, the Victorian State Government released four issues papers for the review into Victoria's electronic gaming machine, wagering and Club Keno licences. The review will also consider future funding for the racing industry. The issues papers seek public comment on significant issues surrounding the future structure of the post-2012 licensing arrangements.

The Victorian State Government has also stated that an announcement about the future licensing structures would be made in 2007, followed by a licence-awarding process.

The issues paper concerning Gaming Machine Licence Arrangements Post – 2012, released on 2 March 2006, stated that in undertaking the review, the Victorian State Government Minister for Gaming has requested that the review have regard to the Government's:

- position of 27,500 gaming machines being located outside the casino; and
- in-principle support for a minimum of 50% of gaming machines within clubs.

3.5.3 Other regulation

The Interactive Gambling Act regulates the provision of interactive gambling services and prohibits most forms of internet-based and other electronic and interactive gambling services. The Interactive Gambling Act provides a limited number of exceptions which Tattersall's relies on in order to be able to sell lottery tickets and AFL football tipping entries via the internet to residents in the jurisdictions in which it is authorised to operate.

3.6 Gambling Consolidations

There has been a degree of consolidation in the Australian gaming industry in the past, as indicated in the following table:

Table 10: Australian gaming industry consolidation transactions

Transaction	Date
UNITAB - Tattersall's - Proposed	March-2006
Tab - Tabcorp	August-2004
Burswood - Publishing & Broadcasting	August-2004
Darwin Casino - Sky City	February-2004
Jupiter's - Tabcorp	November-2003
Centrebet – Sportsodds	September-2003
Breakwater Trust – Jupiter's	November-2002
Adelaide Casino - Sky City	March-2000
AWA - Jupiter's	September-1999
Star City – Tabcorp	July-1999
Crown - Publishing & Broadcasting	February-1999

Source: PKFCA Analysis

The main listed gambling companies in Australia and their main activities are as set out below:

Table 11: Australian Listed Gambling Companies

Operator	Gaming	Gaming monitoring	Wagering	Casino	Lotteries
UNITAB Tattersall's Tabcorp Sky City PBL	Victoria Victoria	NSW, Qld & NT Victoria Victoria	Qld, SA, NT NSW, Vic 50%: 50%Australian joint venture with Betfair UK	 Qld, NSW	Vic, Tas, ACT, NT SA, NT, NZ Vic, WA, Macau

Source: PKFCA Analysis

4 PROFILE OF RATTOON

4.1 History

Rattoon, formerly known as Phoneware Limited, was listed on the ASX in October 1997 and invested in companies providing software solutions for voice and data billing and management of business telephone operations. In April 2002, Phoneware and its subsidiaries were placed into voluntary administration and subsequently became subject to a Deed of Company Arrangement. Under the Deed of Company Arrangement the assets were realised and distributed to creditors. At a meeting of Shareholders on 1 July 2003, Phoneware was renamed Rattoon Holdings Limited and the Company's main focus was changed from investing in telecommunication services to that of investing in unlisted Australian entities. Rattoon ceased to be subject to the Deed of Company Arrangement on 30 January 2004.

The directors of Rattoon believed that Rattoon's size and structure was better suited to a listing on the NSX and applied to ASX for removal of Rattoon from the official list of the ASX on 18 June 2004. Rattoon was listed on the NSX on 21 June 2004.

Pursuing its new investment objectives, the first investment made by Rattoon was in The Estate of the Late George Adams ("**ELGA**") which owned the share capital in Tattersall's Holdings Pty Limited that subsequently listed on the ASX as Tattersall's. Rattoon continues to hold the majority of its original investment.

Rattoon has also invested in NSX Limited, which is the ultimate parent company of NSX and Bendigo Stock Exchange Limited, which are Australian Markets Licensees allowing the operation of markets in the trading of securities. Rattoon is seeking to invest in other unlisted entities that are likely to provide a stable income stream and opportunities for long term capital growth. Rattoon is also seeking to increase its interest in Tattersall's.

4.2 Investments

4.2.1 Tattersall's

Rattoon holds 6,096,644 shares in Tattersall's. A fuller description of Tattersall's is set out in paragraph 5 below.

4.2.2 NSX Limited

Rattoon holds 800,000 shares in NSX Limited.

NSX Limited, operating since 1999, owns two Australian Market Licensees (Stock Exchanges) for small to medium businesses trading as NSX and Bendigo Stock Exchange Limited ("**BSX**") approved under the Corporations Act. Rattoon began investigations into an investment in NSX Limited while it was still an unlisted entity, however during NSX Limited's capital raising process the nature of the raising evolved into an initial public offering on the ASX. NSX Limited listed on the ASX on 13 January 2005. Rattoon applied for 1,000,000 shares at an offer price of 50 cents per share under the prospectus lodged by NSX Limited on 6 December 2004. This represented 2.54% of the issued capital of NSX Limited upon listing.

More information regarding NSX Limited is set out in **Appendix 5**.

4.3 Directors and senior management

The names and brief biographical details of the directors of Rattoon as at the date of this report are set out below.

Graeme Cureton Chairman

Graeme Cureton joined Rattoon Holdings Limited as a Non-Executive Director on 4 April 2005. He is an Executive Director of Guinness Peat Group Plc and has extensive experience in the financial services and commercial sectors. His other directorships include Capral Aluminium Limited, Greens Foods Limited and CPI Group Limited.

Peter Landos Non-Executive Director

Peter Landos brings substantial investment and commercial experience to the Rattoon Board. He is currently Investment Manager with Thorney Investment Group, a Director of Biological Wool Harvesting Holding Company Limited and an Alternate Director of Adacel Technologies Limited and McPherson's Limited.

Hugh Robertson-Non-Executive Director

Hugh Robertson was appointed to the Board on 1 July 2003. He has had over 20 years experience in the Stockbroking and Investment Industry. Hugh is a Director of two ASX listed companies being OAMPS Limited and Catalyst Recruitment Systems Limited. Hugh is also a Director of Bell Potter Securities Limited.

Ken Stonehouse Financial Controller / Company Secretary

Ken Stonehouse, a qualified accountant, is currently General Manager of the Hindal Group and Company Secretary to seven companies within the financial services sector. In his General Manager role Ken advises numerous public and private companies on financial and general commercial matters.

4.4 Capital structure

As at 30 June 2006, Rattoon had on issue 38,355,193 ordinary shares held by approximately 573 shareholders and 9,700,000 unquoted options.

4.4.1 Shareholdings

The top 10 shareholders as at 31 July 2006 are set out in Table 12 below:

Table 12: Top 10 Shareholders

Shareholder	Shareholding	Percentage
Bell Potter Nominees	8,626,592	22.49
Fadmoor Pty Ltd	4,719,456	12.30
Invia Custodian Pty Ltd	4,447,814	11.60
River Capital Pty Ltd	2,156,028	5.62
Invia Custodian Pty Ltd	1,849,611	4.82
Invia Custodian Pty Ltd	1,233,074	3.21
Bungeeltap Pty Ltd	950,351	2.48
Simon Yencken	820,000	2.14
Transcontinental Asset Mgt	800,000	2.09
Management UBS Wealth	800,000	2.09
Top 10 Shareholders	26,402,926	68.84
Other Shareholders	11,952,267	31.16
Total Shareholding	38,355,193	100.00

Source: Rattoon

4.4.2 Option holdings

The issued unlisted options as at 30 June 2006 are summarised in Table 13 below.

Table 13: Unlisted options as at 30 June 2006

Holder	Number of unlisted options	Percentage of unlisted options	Exercise price \$	Expiry date
Former executive director	1,200,000	12.37%	50.00	30 April 2007
Former executive director	1,200,000	12.37%	25.00	30 April 2007
Other options (Note 1)	7,300,000	75.26%	35.00	Various
Total unlisted options	9,700,000	100.00%		

Source: Rattoon unaudited management accounts for FY2006

Note 1: 3.3 million options expire in 3 years from the date the barrier price of \$50.00 is met. 4.0 million Options expire 3 years from the date the barrier price of \$75.00 is met.

The unlisted options convert to Rattoon Shares on the basis of one Share per one option and have been issued to various employees and directors of Rattoon.

On the basis of the current Rattoon Share price of approximately 20 to 25 cents per share, and considering the range of potential NTA per Share and associated market trading prices as discussed above as set out in Table 2, the unlisted options are significantly "out of the money". Accordingly, we have ignored any dilution effect arising from any assumed conversion of the unlisted options.

4.4.3 Significant transactions

The major activities announced since listing on the NSX up to 30 June 2006 are summarised in the table below:

Table 14: Summary of announcements

Date	Event
12 January 2005	Rattoon successfully applied for 1,000,000 NSX Limited shares at an offer price of \$0.50 per share under the prospectus lodged by NSX Limited on 6 December 2004, representing 2.54% of the issued capital of NSX Limited.
11 April 2005	Rattoon made an offer to all beneficiaries in the ELGA to acquire up to a total of \$100 million of their notional units in ELGA (" Rattoon Offer ").
11 April 2005	Rattoon offered up to 222,222,222 Shares issued at \$0.45 each pursuant to the Prospectus dated 11 April 2005 (" Private Placement ") to fund the Rattoon Offer.
6 June 2005	Rattoon issued 5,982,533 Shares at \$0.45 cents per share pursuant to the Private Placement and the authority obtained from Shareholders at the meeting of Shareholders held 11 May 2005. The Private Placement raised \$2,692,140 and was used to fund the acquisition of units in the estate of ELGA, which was being restructured into Tattersall's.
22 June 2005	Rattoon acquired 3 million shares in Tattersall's for a total amount of approximately \$10.3 million. The acquisitions were funded via a debt facility provided by the National Australia Bank.
30 June 2005	Rattoon has 6.7 million shares in Tattersall's.
6 July 2005	Tattersall's was listed on the ASX.
18 July 2005 – 7 December 2005	Rattoon offered an Equal Access Buy-Back offer (" Share Buy-Back ") to all of its Shareholders, offering 1 Tattersall's Share for every 12 Rattoon Shares held. Rattoon received acceptances from 194 shareholders representing 6,766,187 Rattoon Shares. As per the terms of the Share Buy-Back and allowing for rounding down of acceptances, this equated to 563,775 Tattersall's Shares. Rattoon cancelled 6,807,187 Shares following the completion of the Share Buy-Back on 7 December 2005.

Source: www.newsx.com.au, Rattoon 2005 Annual Report

4.5 Share market trading

Table 15 sets out a summary of Rattoon's Share price performance since listing on NSX:

Table 15: Rattoon quarterly share price information

Quarterly end date	Average High Price	Average Low Price	Average Last Price	Average Volume	VWAP
	\$	\$	\$		\$
30-Jun-2004 ¹	0.29	0.29	0.29	226,740	0.28
30-Sep-2004	0.36	0.35	0.35	166,079	0.35
31-Dec-2004	0.40	0.40	0.40	309,660	0.39
31-Mar-2005	0.59	0.58	0.58	59,848	0.60
30-Jun-2005	0.52	0.50	0.51	61,386	0.51
30-Sep-2005	0.27	0.27	0.27	61,022	0.27
31-Dec-2005	0.26	0.25	0.26	54,485	0.27
31-Mar-2006	0.27	0.27	0.27	28,933	0.27
30-Jun-2006	0.23	0.23	0.23	9,669	0.24
07-Jul-2006 ²	0.23	0.20	0.20	13,464	0.20

Source: www.newsx.com.au

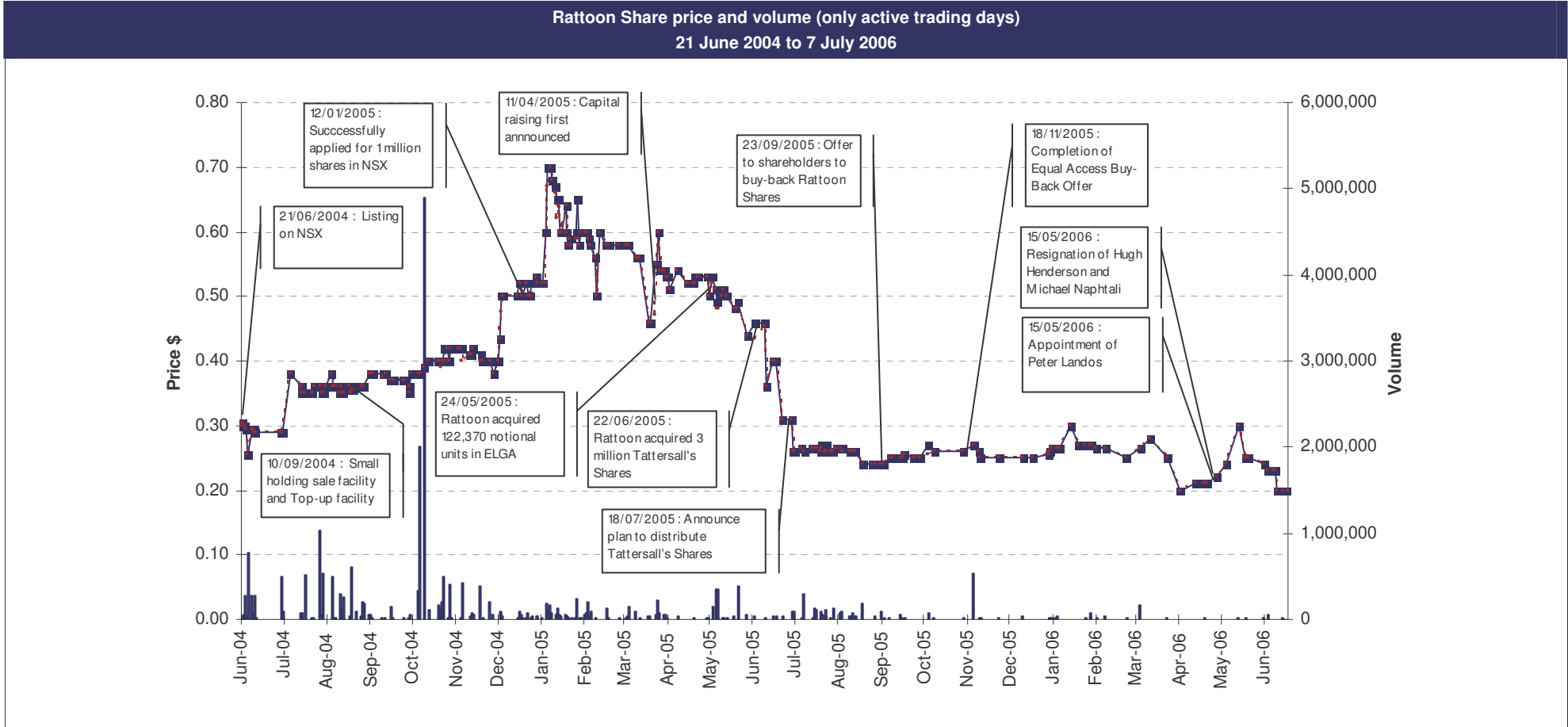
Notes:

¹ Being date of listing 21 June 2004 to 30 June 2004

² Being last trading day prior to 26 July 2006

Rattoon's NSX share market trading from 21 June 2004 (being the date of listing on NSX) to 7 July 2006 (being the last day the shares were actively traded prior to 26 July 2006), together with key highlights is depicted graphically below:

Figure 8



Source: www.newsx.com.au

The VWAP of Rattoon Shares traded on the NSX in June 2006 was approximately \$0.25 each. The VWAP of Rattoon Shares traded on the NSX for calendar year 2006 to 21 August 2006 was approximately 25.7 cents each and in the 60 trading days to 21 August 2006 was approximately 24 cents each. In order to judge whether the market trading prices of Rattoon Shares could be considered to be sufficiently liquid to serve as a basis of considering the value aspects of the Proposed Transactions PKFCA considered the following measures:

Bid-offer spread

The width of the bid-offer spread is indicative of the liquidity in trading of the Rattoon Shares. A smaller bid-offer spread generally indicates that the relevant trading is more liquid than securities with a higher bid-offer spread. Typically, large market capitalisation securities trade on low spreads, usually less than one percent. Smaller companies can sometimes trade on much higher percentages. A rising/ (falling) trend in the bid-offer spread generally indicates that the trading in the relevant securities is becoming less/ (more) liquid.

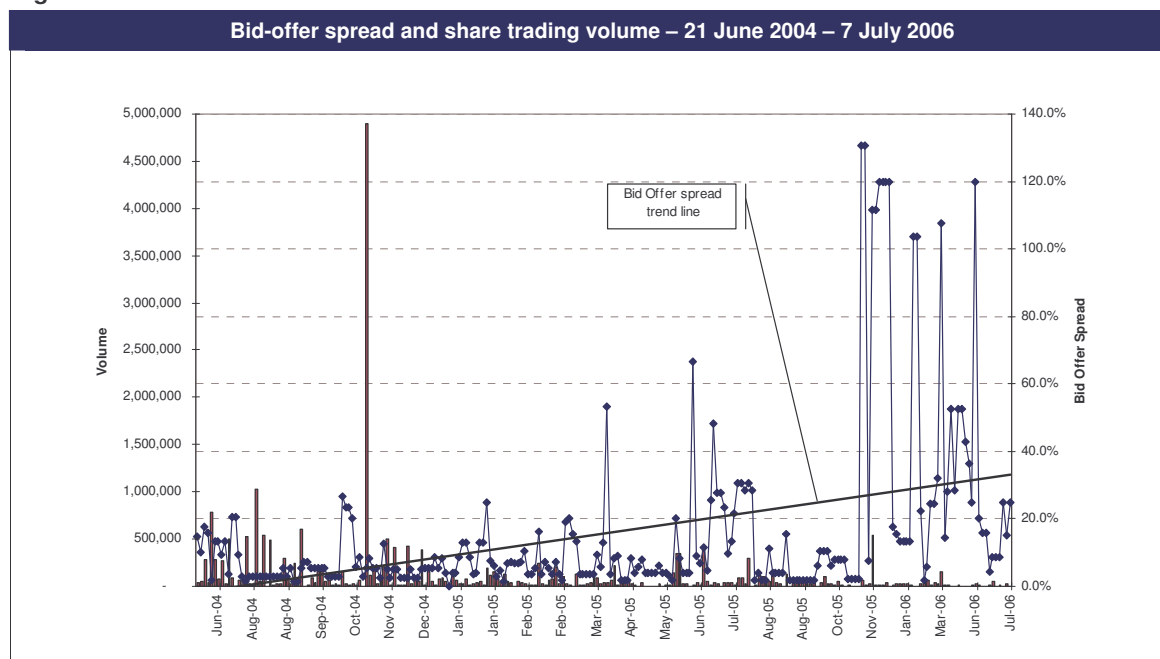
Turnover

Turnover is the average number of securities traded over a period expressed as a percentage of total securities outstanding. Turnover provides an indication of the liquidity of a stock and the general level of interest in securities. Turnover is usually higher in large market capitalisation stocks with a significant degree of institutional shareholders.

Shareholder Ownership

Generally measured as the percentage of securities held by the largest security holders. It can provide an indication of a securities' liquidity. A high figure will often mean that there are fewer securities available for trading. An analysis of the liquidity of Rattoon's Share trading on the NSX during the period 21 June 2004 (being the date of listing on NSX) to 7 July 2006 (being the last day the shares were actively traded prior to 26 July 2006) is set out in Figure 9 below, that indicates the volume of shares traded and the bid-offer spread and trend over the period analysed.

Figure 9



Source: www.newsx.com.au

Notes: The above graph has been adjusted for anomalies

The information in Figure 9 indicates that over the period analysed, the Rattoon bid-offer spread has been between approximately 1.4% and 130.8% with a simple average of 15.7%, a volume weighted average of 9.8% and a rising trend. A bid-offer spread of 130.8% would generally indicate less liquidity than a bid-offer spread of 1.4%.

We also considered the volume of Shares traded in the period 21 June 2004 to 7 July 2006 and the analysis is set out in Table 16 below:

Table 17: Volume of shares traded

Month	Average daily volume	Shares outstanding	Percentage turnover (daily)
Jun-04	226,740	39,179,847	0.58%
Jul-04	152,437	39,179,847	0.39%
Aug-04	218,592	39,179,847	0.56%
Sep-04	113,712	39,179,847	0.29%
Oct-04	683,678	39,179,847	1.74%
Nov-04	165,958	39,179,847	0.42%
Dec-04	92,408	39,179,847	0.24%
Jan-05	64,167	39,179,847	0.16%
Feb-05	60,191	39,179,847	0.15%
Mar-05	51,445	39,179,847	0.13%
Apr-05	50,065	39,179,847	0.13%
May-05	70,282	39,179,847	0.18%
Jun-05	63,901	45,162,380	0.14%
Jul-05	77,071	45,162,380	0.17%
Aug-05	59,229	45,162,380	0.13%
Sep-05	50,141	45,162,380	0.11%
Oct-05	18,836	45,162,380	0.04%
Nov-05	149,439	45,162,380	0.33%
Dec-05	25,000	38,355,193	0.07%
Jan-06	17,233	38,355,193	0.04%
Feb-06	26,247	38,355,193	0.07%
Mar-06	62,500	38,355,193	0.16%
Apr-06	6,346	38,355,193	0.02%
May-06	5,373	38,355,193	0.01%
Jun-06	13,271	38,355,193	0.03%
Jul-06	13,464	38,355,193	0.04%

Source: www.newsx.com.au, Rattoon Annual Reports, Interim Financial Reports and announcements

The average daily turnover figures set out in Table 18 indicate an annualised turnover of less than approximately 1.5% of issued shares in the last 12 months.

Currently, GPG and Thorney have an interest in 20.2% and 11.6%, respectively, in Rattoon's Shares, a total of 31.8%, indicating a reasonably tightly held stock.

4.6 Financial Performance

Table 19 sets out a summary of the consolidated Statements of Financial Performance of Rattoon for the years ended 30 June 2003 to 2005 (both inclusive), presented under accounting standards applicable to financial years commencing before 1 January 2005 (“**AGAAP**”) and for the year ended 30 June 2006, presented under accounting standards applicable to financial years commencing on or after 1 January 2005 (“**AIFRS**”).

Table 19: Rattoon Statements of Financial Performance

	Year Ended 30 June			
	AGAAP 2003 \$	AGAAP 2004 \$	AGAAP 2005 \$	AIFRS 2006 \$
Revenue	13,183	2,193,139	1,871,224	707,578
EBITDA (Note 1)	(382,135)	1,236,650	767,182	430,177
Depreciation	-	-	-	-
EBIT (Note 2)	(382,135)	1,236,650	767,182	430,177
Interest (expense)/revenue	159	72,092	(16,028)	(633,807)
Profit before tax	(381,976)	1,308,742	751,154	(203,630)
Income tax expense	-	-	-	-
Profit after tax	(381,976)	1,308,742	751,154	(203,630)
Revenue growth %	n/a	16,536.1%	(14.7%)	(62.2%)
EBIT margin %	(2,898.7%)	56.4%	41.0%	60.8%
EBITDA growth %	n/a	(423.6%)	(38.0%)	(43.9%)
EBITDA margin %	(2,898.7%)	56.4%	41.0%	60.8%

Source: Rattoon Annual Reports; unaudited management accounts for FY2006

Note 1: Earnings before interest taxes and depreciation charges

Note 2: Earnings before interest and taxes

As will be noted from Table 19, Rattoon has had varied profitability. In FY2004, a gain on debt forgiveness was the major component of earnings. In FY2005 and FY2006 its main income has been interest on cash and deposits and dividends whilst its main expenses have been interest and employment expenses.

4.7 Taxation position

As at 30 June 2006, Rattoon’s estimated (unaudited management accounts) future income tax benefit (“**FITB**”) was \$576,861.

The future income tax benefits were not recognised as an asset because it was not probable that Rattoon would have taxable profits allowing recoupment of the same.

The potential future income tax benefits will only be obtained if Rattoon derives Australian assessable income of a nature and of an amount sufficient to enable the benefit from the deductions to be realised, Rattoon continues to comply with the conditions for deductibility imposed by the law and no changes in tax legislation adversely affect Rattoon's ability in realising the benefit from the deductions.

4.8 Financial Position

A summary of the consolidated Statements of Financial Position of Rattoon as at 30 June 2003 to 2006 (both inclusive) are presented in the table below:

Table 20: Rattoon Statements of Financial Position

As at 30 June	AGAAP	AGAAP	AGAAP	AIFRS
	2003	2004	2005	2006
	\$	\$	\$	\$
Current Assets				
Cash assets	23,111	712,008	1,011,742	925,843
Receivables	-	225,790	255,995	-
Others	12,444	54,450	160,296	35,456
Total Current Assets	35,555	992,248	1,428,033	961,299
Non Current Assets				
Investment – NSX Limited	-	-	411,200	480,000
Investment – Tattersall's	-	7,852,090	20,608,706	17,192,536
Investment – Others	426,245	-	-	-
Total Non-Current assets	426,245	7,852,090	21,019,906	17,672,536
Total assets	461,800	8,844,338	22,447,939	18,633,835
Current Liabilities				
Payables	587,358	27,948	159,592	42,919
Interest Bearing Liabilities	-	-	10,017,461	10,000,000
Total Current Liabilities	587,358	27,948	10,177,053	10,042,919
Non Current Liabilities				
Amount owing to wholly-owned entities	8,325	-	-	-
Interest Bearing Liabilities	1,506,891	-	-	-
Total Non-Current liabilities	1,515,216	-	-	-
Total Liabilities	2,102,574	27,948	10,177,053	10,042,919
Net Assets	(1,640,774)	8,816,390	12,270,886	8,590,916

Source: Rattoon Annual Reports; unaudited management accounts for FY2006

Historically, the major current asset has been cash and the major non-current asset has been investments. Rattoon has an interest-bearing liability of \$10 million to its bankers that was incurred to purchase part of its current shareholding in Tattersall's.

As at 30 June 2006 cash and deposits totalled \$925,843. Having regard to the historical profitability and cash flow experience set out in Table 21, PKFCA concludes that the cash is a surplus asset as it is regarded as unnecessary to fund the ongoing operations of Rattoon.

4.9 Cash flow

A summary of the consolidated Cash flow Statements of Rattoon for the years ended 30 June 2003 to 2006 (both inclusive) are presented in the table below:

Table 22: Rattoon Cash flow Statements

Year ended 30 June	AGAAP	AGAAP	AGAAP	AIFRS
	2003	2004	2005	2006
	\$	\$	\$	\$
Cash flows from operating activities				
Receipts from customers	15,247	-	-	-
Interest, dividends and distributions received	159	291,020	1,694,793	780,586
Payments to suppliers and employees	(317,476)	(898,457)	(835,825)	(293,877)
Borrowing costs	-	-	(212,468)	(555,146)
Net cash used in operating activities	(302,070)	(607,437)	646,500	(68,437)
Cash flows from investing activities				
Proceeds from sale of investments	1,696,074	2	200,247	-
Payment for investments	-	(7,698,335)	(13,410,370)	-
Repayment of borrowings	(1,408,957)	-	-	-
Loan funds provided	-	(240,549)	-	-
Repayment of loan funds	-	86,794	153,754	-
Net cash flow provided by (used in) investing activities	287,117	(7,852,088)	(13,056,369)	-
Cash flows from financing activities				
Proceeds from issue of shares	-	9,148,422	2,692,142	-
Proceeds from borrowings	18,523	-	10,000,000	-
Net cash provided by financing activities	18,523	9,148,422	12,692,142	-
Net increase (decrease) in cash held	3,570	688,897	282,273	(68,437)
Cash at the beginning of the financial year	19,541	23,111	712,008	994,281
Cash at the end of the financial year	23,111	712,008	994,281	925,844

Source: Rattoon Annual Reports; unaudited management accounts for FY2006

The major source of cash inflow is from interest and dividends, proceeds from sale of investments, and proceeds from borrowings and issue of shares. The major payments have been for investments and to employees.

5 PROFILE OF TATTERSALL'S

5.1 Principal activities

Founded by George Adams in 1881, Tattersall's grew to become Australia's largest privately owned entity before listing on the ASX in July 2005.

Tattersall's is a leading provider of leisure and entertainment products and services in the gaming and lotteries segments of the Australian gambling industry, together with strategic investments in a number of Australian and overseas gaming and lotteries businesses. In addition to its core Australian operations, Tattersall's also has investments in related businesses such as:

- South African gaming and national lottery operations;
- Provision of warehousing, installation and maintenance services of gaming machines and other transaction devices in Australia; and
- UK leisure and gaming company, Talarius, which operates approximately 9,600 gaming machines across 185 UK gaming centres.

Table 23 shows the principal activities of Tattersall's.

Table 23:

Structure of Tattersall's Operations	
<u>Australia - Core Business</u>	
<u>Gaming</u>	<u>Lotteries</u>
Victoria	Victoria, Tasmania, ACT and Northern Territory
Tattersall's Gaming Pty Ltd (100%)	Tattersall's Sweeps Pty Limited ¹ (100%)
	Victoria, Tasmania, ACT and Northern Territory
	Footy Consortium Pty Limited (100%)
	Victoria
	Club Keno Pty Limited ²
Gaming and Entertainment Services - Australia³	
Bytecraft Systems Pty Limited (100%)	
Bytecraft Entertainment Holdings Pty Limited (100%)	
<u>International - Emerging Business</u>	
<u>Gaming</u>	<u>Lotteries</u>
South Africa	South Africa
Thuo Gaming Western Cape (Pty) Limited (65%)	Uthingo Management (Pty) Limited (10%)
United Kingdom	
Talarius Plc (10.5%)	

Source: PKFCA Analysis

1. Tattersall's Sweeps Pty Limited also sells tickets for selected Australian lottery products via reseller agreements. Tattersall's website sells tickets in several countries.
2. Tattersall's Club Keno Pty Limited and Tabcorp operate Club Keno under a joint venture.
3. Bytecraft has operations in all Australian States and Territories.
4. (Brackets) indicate Tattersall's shareholding percentage in the company.

For FY2006, Tattersall's is expected to have revenue and EBITDA of about \$2,550 million and \$235 million. The gaming and lotteries segmentation is split 70/30 in revenue net of prize terms and 90/10 in EBITDA terms.

5.2 History

Table 24 shows some of the key dates and events in the growth of Tattersall's since its origins in 1881.

Table 24: Tattersall's history

Year	Events
1881	George Adams founded Tattersall's and organised a public sweep on the Sydney Cup Race.
1897	Tattersall's obtained the Tasmanian State Government license to operate the first government endorsed lottery in Australia.
1904	The Estate of the Late George Adams (ELGA) was created upon the death of George Adams.
1954	Tattersall's transferred its operations from Hobart to Melbourne after obtaining the Victorian State Lottery licence.
1980	The Tattsлото 'division one' prize pool exceeded \$1 million.
1983	Tattersall's implemented a centralised computer based lottery system.
1992	Tattersall's obtained one of two Victorian gaming operator's licence to operate electronic gaming machines in licensed clubs and hotels.
1998	ELGA transferred its operating businesses to corporate entities as subsidiaries of Tattersall's Holdings.
1999	Tattersall's and its consortium partners obtained a seven year licence to establish and operate the South African national lottery.
2001	Tattersall's lottery ticket sales exceeded \$1 billion per annum.
2002	The Powerball 'division one' prize draw reached \$35 million for the first time.
2003	Tattersall's acquired a 19.8% interest in EssNet, a Swedish developer of lottery systems. Tattersall's acquired a 50% interest in Bytecraft Systems, a service provider for a range of electronic transactional equipment such as gaming machines. Tattersall's acquired a 25% interest in Bytecraft Entertainment, a provider of lighting and effect services to a range of venues and a wider market of major entertainment events.
2004	Tattersall's acquired a 65% shareholding in Thuo Gaming Western Cape, a South African company which is licensed to operate 1,000 gaming machines in the Western Cape Province, in which Cape Town is situated.
2005	ELGA restructured its assets and beneficiaries interest to facilitate Tattersall's ASX listing. Tattersall's listed 700 million shares on the ASX after issuing 100 million new shares. Tattersall's acquired the remaining 50% in Bytecraft Systems and 75% in Bytecraft Entertainment. Tattersall's acquired a 10.1% interest in Talarius Plc, a UK operator of approximately 9,600 gaming machines in 180 gaming venues.
2006	EssNet, Tattersall's 19.8% strategic investment, divested its online lottery assets to Scientific Games. Tattersall's obtained a licensing agreement with Scientific Games for its lottery technology systems. UNiTAB and Tattersall's proposed Merger of Equals. Tattersall's divested its EssNet Interactive AB investment to Aristocrat Leisure and formed a strategic investment with Aristocrat Leisure. Tattersall's submitted its Responsible Vision for Gambling in Victoria post 2012. Tattersall's announced its intention to bid for the UK National Lottery Licence. Tattersall's secured an additional gaming licence of 1,000 gaming machines in South Africa.

Source: Tattersall's announcements

5.3 Tattersall's gaming business

Tattersall's is one of only two gaming operators permitted to obtain, install and operate gaming machines in Victoria. Tattersall's and Tabcorp are licensed to operate up to 13,750 each. The Victorian duopoly market does not separate the ownership and monitoring of gaming machines as in other states. The Victorian gaming industry is based on two centralised gaming operators being licensed to obtain, install and operate gaming machines in licensed clubs and hotels throughout the state. Gaming machines are connected to, and monitored by, the gaming operator's central computer system.

Tattersall's is required to pay out a minimum of 87% of the gaming machine turnover. This means that government taxes, venues and Tattersall's account for about \$5.20, \$4.40 and \$3.40 respectively for every \$100 played. Tattersall's gaming revenue is about 26% of the net gaming revenue ("NMR"), the revenue collected after the payment of prizes. The prizes include the regular gaming machine payouts and the payment of jackpots. For FY2006, the forecast average NMR per EGM per day is about \$251. The NMR per EGM per day can increase by 20% after a venue refurbishment. Metropolitan venues and hotels tend to have higher NMR per EGM per day than country venues and clubs.

5.3.1 Gaming Network

Two key factors which significantly influence Tattersall's gaming network's revenue performance are the number of gaming machines in operation and the range and quality of the gaming venues in which they are located.

As at 31 December 2005, Tattersall's operated 13,481 of its authorised 13,750 gaming machines in 255 licensed clubs and hotels across Victoria, under the brand of Tatts Pokies. These include accredited gaming venues owned by a number of major groups, as well as a range of individually owned hotels and clubs. Across Tattersall's network, the largest groups as at 2 May 2006 were the Returned & Services League of Australia with 63 clubs, and Australian Leisure & Hospitality with 56 hotels.

The aggregate number of gaming machines operated in either licensed clubs or hotels respectively must not exceed 50% of the total number of permitted gaming machines, and at least 20% of machines must be operated outside the Melbourne metropolitan area.

Tattersall's has long term contracts with the majority of its network of accredited gaming venues. As at 31 December 2005, 91.4% of Tattersall's network of gaming venues, representing over 93% of Tattersall's annual gaming revenue, are contracted through to 2010 or beyond. The specific number of gaming machines and gaming venues in Tattersall's Victorian network can change over time.

5.3.2 Gaming products

Tattersall's primary product in licensed clubs and hotels is electronic gaming machines. Tattersall's has acquired gaming machines from up to six suppliers. Of those six suppliers, more than half of Tattersall's electronic gaming machines installed at 31 December 2005 was supplied by Aristocrat Leisure.

Tattersall's manages the product mix of gaming machines, games and denominations deployed throughout its network of accredited gaming venues. This enables Tattersall's to:

- respond to changes in consumer preferences and demand;
- refresh the gaming offer through the roll out of games and gaming machines across the network; and
- reduce its reliance on any particular gaming machine manufacturer by maintaining diversity of supply.

During FY2006, Tattersall's:

- obtained regulatory approval to install at least an additional 140 gaming machines;
- developed and implemented a broader jackpot capability and functionality and extended the number of gaming machines connected to the jackpot system;
- continued its quarterly cycle of product upgrades to the majority of venues, including rolling out a number of new feature games backed by promotional support; and
- assisted with the development of new gaming venues (such as in Caroline Springs, Victoria, where a new club venue has been developed and opened).

Jackpot systems

Tattersall's, in conjunction with Bytecraft Systems, developed a proprietary jackpot system that allows for the pooling of jackpots by linking gaming machines in a variety of configurations (George's Gold). As part of the gaming offer, jackpots provide players with higher potential individual prizes. As at 31 December 2005, there were 4,417 gaming machines in the Tattersall's network linked to the George's Gold jackpot system. Tattersall's is continuing to develop new strategies for products and jackpots including broadening the jackpot offer across the network of accredited gaming venues.

Tattersall's has designed and implemented a system and infrastructure to provide greater jackpot capability and flexibility, including gaming machine triggered jackpots. Implementation of the roll-out of this project has now commenced.

Tatts Pokies Entertainment Services

Tatts Pokies Entertainment Services sources, hires and promotes live performances across Tattersall's network of accredited gaming venues. This service is designed to assist licensed clubs and hotels by providing a more comprehensive entertainment experience to patrons of gaming venues. For the year ended 31 December 2005, Tatts Pokies Entertainment Services booked over 1,800 live entertainment acts across many of Tattersall's gaming venues.

5.3.3 Gaming regulation and licences

The Victorian State Government has commenced a review of the current structure of licensing arrangements for the gaming segment of the Victorian gambling industry by issuing four issues papers in March 2006. Tattersall's is participating in this review. Following the expiry of Tattersall's existing gaming operator's licence in 2012, it will not be able to continue as a gaming operator in Victoria if it is not granted a gaming operator's licence.

5.4 Tattersall's Lotteries Business

Tattersall's is authorised to conduct approved lotteries in Victoria, Tasmania, the ACT and the Northern Territory. Tattersall's is the only lottery operator of its kind in Australia not owned by a State government. The Victorian lottery licence review is currently in progress. On 23 February 2006, Tattersall's lodged its bid in accordance with the Victorian State Government timetable. It is expected that an announcement of the successful applicant(s) will occur mid to late 2006.

Tattersall's has submitted its comprehensive response to the Victorian Government's Gambling Licence Review. The Review is considering gambling licensing arrangements beyond 2102 when the current licensing arrangements expire. In its submission, *The Responsible Vision*, Tattersall's has outlined structures that will best position the people of Victoria, the Government and stakeholders such as the racing industry and the pubs and clubs of Victoria. Tattersall's has responded in respect of gaming, Club Keno, and worked closely with UNiTAB in making submissions on the wagering licence and funding of the Victorian racing industry.

The lotteries business is forecast to contribute \$20.7 million to EBITDA for FY2006 with ticket sales in Victoria forecast to represent over 85% of Tattersall's total revenue from lotteries.

5.4.1 Lottery network

As the primary interface with consumers, Tattersall's network of accredited lottery outlets is important for the delivery of customer service. As at 31 December 2005, Tattersall's had a distribution network of 923 accredited lottery outlets and 1,460 lottery terminals across the four Australian states and territories outlined above, and reseller agreements for sales in a number of overseas countries. The broad network of accredited lottery outlets includes specialist lottery outlets, which focus principally on lottery products, and a significant number of other retail outlets typically small mixed businesses (including newsagencies) which promote and sell Tattersall's lottery products alongside a range of other products that are independently owned and often co-branded as Tattersall's outlets. Co-branding provides Tattersall's with strong consumer awareness.

A number of Tattersall's Australian lottery products are also sold in Fiji and other countries in which Tattersall's is permitted to sell lottery tickets through reseller agreements and via Tattersall's internet distribution channel.

In addition to its network of accredited lottery outlets, in October 2000 Tattersall's commenced lottery sales (in Tattersall's authorised jurisdictions) via the internet to provide a further distribution channel. For FY2005, Tattersall's sold lottery tickets to the value of approximately \$13.0 million via the internet and as at 31 December 2005 had over 90,000 customers registered to buy lottery tickets via the internet. Internet sales now represent Tattersall's largest single distribution point.

5.4.2 Lottery products

Tattersall's has a product portfolio designed to offer three main lottery draws (Tattslotto, Powerball and Super 7's Oz Lotto) across a week. These three lotteries typically provide over 80% of Tattersall's total ticket sales, and are supplemented with a number of other lottery draws for products which cater to specific market niches and daily entertainment. These products are: Tatts Keno, Wednesday Tattslotto, Tatts 2, Super 66, Scratchies, The Pools and Tatts Tipstar.

Club Keno

Club Keno is a lottery style game, which offers prize payouts depending on the total numbers selected and the correct selection of numbers compared to those drawn. Tattersall's is one of two operators of Club Keno in Victoria. The Club Keno authorisation held by Tattersall's is currently contingent on Tattersall's continuing to hold a gaming operator's license. Tattersall's operates Club Keno under a joint venture agreement with Tabcorp. Tattersall's is currently primarily responsible for the administration and provision of the Club Keno system in licensed venues.

There were a total of 262 venues participating in Club Keno in Victoria as at 31 December 2005 (of which 153 were part of Tattersall's network of gaming venues). Club Keno is forecast to generate revenue for Tattersall's of approximately \$16.3 million for FY2006.

5.4.3 Lottery Bloc operation and administration

The lottery games known as Tattslotto, Powerball, Super 7's Oz Lotto, Super 66 and The Pools in Tattersall's jurisdictions are games which operate on a national basis through four Lottery Blocs known as the Australian Lotto Bloc (under which Tattslotto and Super 66 are conducted), the National Lotto Bloc (under which Super 7's Oz Lotto is conducted), the Powerball Bloc (under which Powerball is conducted) and the Australian Soccer Pools Bloc (under which The Pools is conducted). Whilst New South Wales is a member of the Australian Lotto Bloc, it does not participate in Super 66.

Whilst the principal lottery operators in the relevant States and Territories are members of the Lottery Blocs, each member markets lottery games under its own branding or co-branding. Each Lottery Bloc member sells entries into the relevant lottery draw and contributes an agreed percentage of the revenue received to the combined prize pool for each draw. The operation of these lottery games through Lottery Blocs results in increased prize pools, with:

- significantly larger jackpots than could otherwise be provided by an individual lottery operator;
- additional funds for super draws and bonus draws as well as other promotions; and
- more funds available for distribution across the prize categories or "divisions".

Tattersall's is currently the sole administrator of these Lottery Blocs (except The Pools, which is administered by the Lotteries Commission of South Australia). As administrator, Tattersall's calculates the national prize pools, conducts the lottery draws, calculates prize category payments, and provides reconciliations for settlements between the different member lottery operators. The administration costs of the Lottery Blocs are shared between the members.

5.4.4 Product and system developments

In addition to the continued development of its existing product portfolio, Tattersall's assesses the development of new lottery products, specifically for new distribution channels as these evolve.

The lottery system implemented by Tattersall's in November 2004 was a major development that provides the capability for:

- offering a larger range of choices for the number of line entries per ticket (up to 50 lines);
- enabling customers to purchase tickets up to 26 weeks in advance;
- improving processes for syndicate entries in lottery draws;
- accessing new product distribution channels;
- automating and expanding regular and event related bundling of lottery products (for example weekly, birthday, event,
- Mother's and Father's Day packages; and
- providing customer display at the point of sale incorporating video and scrolling messages.

5.4.5 Tatts Card

The Tatts Card membership program allows for fast, secure and convenient entry to lottery draws and automatic distribution of uncollected prizes. Tatts Card has assisted in developing a loyal customer base as well as strong brand recognition. As at 31 December 2005, there were almost 700,000 Tatts Card members.

For the year ended 31 December 2005, ticket sales to Tatts Card holders represented approximately 57.5% of total lottery ticket sales (excluding Scratchies and Club Keno). The number of Tatts Card registrations and extended periods of membership highlight the strong degree of customer loyalty which Tattersall's has established for its lottery products.

5.4.6 Lotteries regulation and licences

Following the expiry of Tattersall's existing Victorian Public Lotteries Licence on 30 June 2007, and in the event that a new lotteries license is not granted to Tattersall's following the Victorian State Government review, Tattersall's will not be permitted to conduct its current lotteries activities in Victoria, Tasmania and the Northern Territory. On 23 February 2006 Tattersall's lodged its bid in accordance with the Victorian State Government timetable. It is expected that an announcement of the successful applicant(s) will occur mid to late 2006.

In addition to applying for a new public lotteries license in Victoria, to commence on 1 July 2007, Tattersall's continues to have ongoing discussions with relevant lottery stakeholders and industry participants in Australia and abroad regarding the expansion of Tattersall's lottery operations. These discussions may provide Tattersall's with future lottery licensing, service provision and product development opportunities in the short to medium term. Tattersall's is the only ASX listed holder of a public lotteries license in Australia, and one of the few private lottery operators in the world.

5.5 Strategic and international investments

As part of Tattersall's strategy for domestic and international growth and diversification, Tattersall's has made investments in the gambling segment within and outside Australia.

5.5.1 Domestic investments

Bytecraft Systems and Bytecraft Entertainment

Tattersall's acquired a 50% interest in Bytecraft Systems in 2003, and acquired the remaining 50% of the equity on 5 October 2005. Bytecraft Systems' activities include the provision of warehousing, installation, relocation, repair and preventative maintenance services for a range of interactive entertainment systems and electronic transactional equipment (including gaming machines, lottery terminals, ATMs, EFTPOS terminals and wagering terminals) throughout Australia. As at 31 December 2005, Bytecraft Systems employed approximately 400 staff.

Tattersall's also acquired a 25% investment in Bytecraft Entertainment in 2003, and acquired the remaining 75% of the equity on 5 October 2005. Bytecraft Entertainment provides lighting and effects services to a range of venues and a wider market of major entertainment events. Most recently Bytecraft Entertainment was contracted to provide services at the Melbourne 2006 Commonwealth Games.

5.5.2 International investments

Tattersall's has selectively targeted international markets which it believes represent attractive opportunities. Tattersall's international investments related to gaming and lotteries are in either an establishment phase or a minority equity position, and do not currently make a material contribution to Tattersall's financial performance.

Thuo Gaming Western Cape, Thuo Gaming KwaZulu Natal and Thuo Gaming North West

Gaming in South Africa currently operates under the parameters established by the South African National Gambling Board, with the nine provinces in South Africa permitted to operate limited payout gaming machines. To date, four provinces have awarded gaming operator's licences (of which a Tattersall's related entity has been awarded one), two provinces are evaluating applications and the remaining three provincial governments are expected to issue licences in the future.

Tattersall's is a 65% shareholder in Thuo Gaming Western Cape, a South African Tattersall's which is licensed to operate up to 1,000 gaming machines in the Western Cape Province, in which Cape Town is situated. Tattersall's arranges for the refurbishment of gaming machines from its Victorian network and supplies the refurbished gaming machines to Thuo Gaming Western Cape under five year leases.

Tattersall's is currently the sole shareholder of Thuo Gaming KwaZulu Natal and Thuo Gaming North West, which have lodged bids for licences to operate up to 1,000 and 500 gaming machines in the KwaZulu Natal and North West provinces respectively. The KwaZulu-Natal (KZN) Gambling Board has granted the licence for an additional 1,000 gaming machines but the North West bid outcome is still pending. Tattersall's intends to sell down a minority interest in each of these companies to local South African investors.

Talarius

Tattersall's announced on 28 November 2005 that it had purchased a 10.1% stake in the UK Tattersall's, Talarius Plc, for approximately \$12.0 million (£5 million). That shareholding has since increased to 10.5%.

Talarius, which is listed on AIM, the Second Board of the London Stock Exchange, and has a Market Capitalisation of approximately £86m, operates retail based electronic gaming machine venues. In the UK, these gaming centres are typically located in main street locations with generally around 40-50 electronic gaming machines. Talarius operates approximately 9,600 electronic gaming machines in approximately 180 centres, which are branded as Quicksilver.

Uthingo

Tattersall's is a founding 10% shareholder in Uthingo (Management) (Pty) Limited ("**Uthingo**"), the South African national lottery operator. An exclusive licence to establish and operate the South African national lottery was granted to Uthingo by the South African Government in 1999. The licence expires in 2007 (with an option on the South African Government's part to extend the existing licence by one year) and Uthingo has applied for a new licence to run the lottery for the next licence period from 2007. The outcome of the application process is not currently known.

Since its inception, Uthingo has grown considerably, with revenue for the year ended 31 March 2006 of 4.4 billion Rand (equivalent to A\$897.6 million).

On 1 August 2006, Tattersall's announced that Uthingo was unsuccessful in its bid to secure preferred bidder status for the second term of the South African national lottery licence commencing in 2007. The South African National Lotteries Board has selected a preferred bidder other than Uthingo, which will have the first opportunity to negotiate a new licence with the Government and if that is not successful Uthingo, which was second on the list, may still have an opportunity to bid.

The Tattersall's Directors have forecast that Tattersall's will receive dividends of 10.0 million Rand (equivalent to A\$2.0 million) and management fees of 1.9 million Rand (equivalent to A\$0.4 million) from Uthingo during FY 2006. On 1 August 2006, Tattersall's announced the Uthingo shareholding did not make a material contribution to Tattersall's profit.

5.6 Directors and management

Table 25 shows Tattersall's Board of Directors:

Table 25: Board of Directors

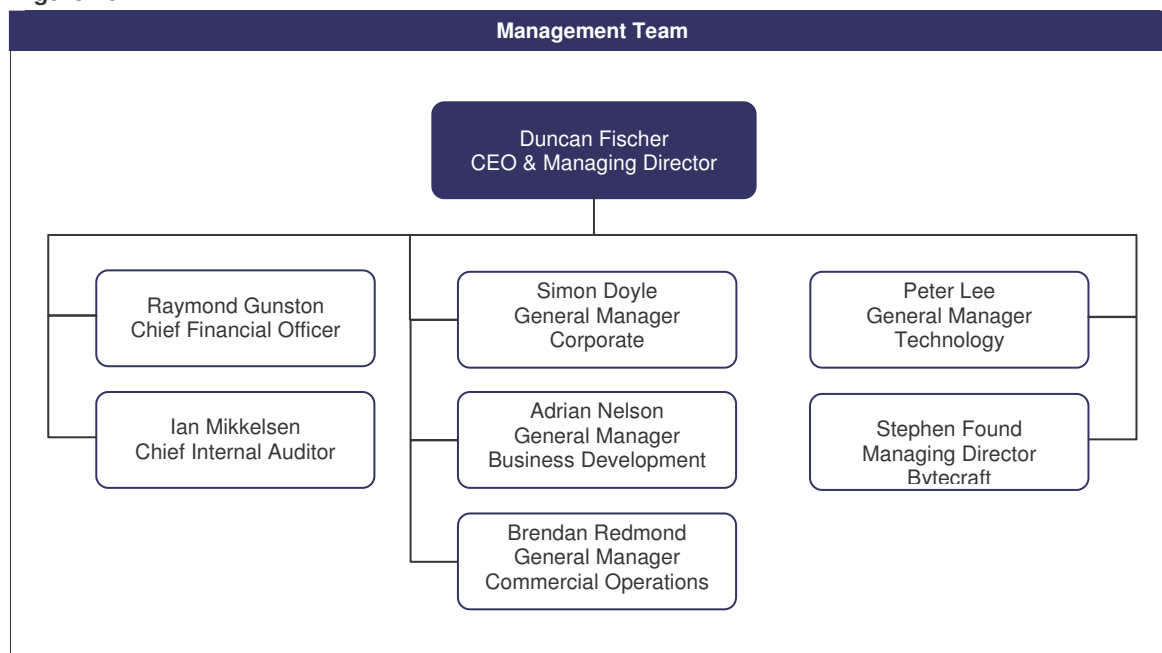
Name	Position	Date Appointed	Shares Held ¹
David Jones	Non-Executive Chairman	01/01/1998	194,967
Duncan Fischer	Managing Director / CEO	01/01/2000	3,055,027
Harry Boon	Non-Executive Director	02/06/2005	150,000
Lyndsey Cattermole	Non-Executive Director	02/06/2005	172,663
Brian Jamieson	Non-Executive Director	02/06/2005	43,000
James King	Non-Executive Director	02/06/2005	150,000
Julien Playoust	Non-Executive Director	21/11/2005	25,000
Michael Vertigan	Non-Executive Director	21/11/2005	614,186

Source: Annual Report 2005 and Tattersall's announcements

Note 1: Number of shares held as at 31 March 2006

Figure 10 shows Tattersall's current management team;

Figure 10



Source: Tattersall's website

5.7 Competitive position

Table 22 sets out an analysis of the competitive position of Tattersall's:

Table 26: SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> Well established business with strong brand and reputation, especially in Victoria Strong cash flow operations and less volatile earnings than the broader market Largely fixed cost base of government taxes, levies and commission payments Highly efficient operations with exclusive lottery and gaming licenses Few close substitutes for its products and monopolistic businesses due to Licence scarcity 	<ul style="list-style-type: none"> Low growth in the mature Australian market with capped gaming machines and limited opportunities to reduce expenses Concentrated geographic exposure to the Victorian regulatory environment High reliance on the gaming business operations which contributes 90% to earnings High capital expenditure to purchase gaming machines and establish overseas operations
Opportunities	Threats
<ul style="list-style-type: none"> Invest in growth areas such as international gaming markets and new distribution networks Diversification through mergers and acquisitions, such as with UNITAB Victorian gaming growth rebounding from the impact of smoking bans and lifting of gaming machine cap Leverage other gambling products across its large customer base 	<ul style="list-style-type: none"> Uncertainty over Licence renewals with the lottery Licence expiring in June 2007 and gaming Licence expiring in April 2012 Adverse regulatory requirements such as measures aimed at problem gambling, implementation of smoking bans and increase in Health Benefit Levy Reduce gambling spending from economic downturn and changes in consumer preference Competitive threats from popularity of online gambling and competitors gaining market share

Source: PKFCA Analysis

5.8 Licences and Exclusivity

5.8.1 Victorian gaming licence

In 1992, Tattersall's was granted one of two 20 year gaming operator's licences by the Victorian State Government. The licence requires the Victorian State Government to conduct a review 15 years after proclamation of the Gaming Machine Control Act to consider whether the existing licence should be extended beyond 2012.

Licence Expiry Payment

Tattersall's may, in certain specific circumstances, be entitled to receive a payment from the Victorian State Government upon the expiry of its gaming operator's licence in 2012. Under the Gambling Regulation Act, this Licence Expiry Payment would be payable to Tattersall's if and only if:

- Tattersall's gaming operator's licence expired;
- a new gaming operator's licence was granted to another person unrelated to Tattersall's, with that licence commencing within six months of the expiry of the gaming operator's licence held by Tattersall's; and
- Tattersall's was not granted a new gaming operator's licence within that same six month period.

The Licence Expiry Payment which may be paid to Tattersall's is the lesser of the Licence Value (as defined by a formula contained within the legislation), or the Premium Payment paid to the Victorian State Government by a new licensee.

According, to information included in its prospectus, Tattersall's has stated that if Tattersall's gaming revenues remain at the level of the FY2006 forecast by Tattersall's in its prospectus, for the remaining term of the gaming operator's licence, the prescribed formula would calculate a Licence Value of \$598.0 million. This amount is provided for illustrative purposes only, as the quantum of any Licence Expiry Payment to Tattersall's will depend on the amount of the Premium Payment. Should the amount of the Premium Payment be less than the Licence Value, the Licence Expiry Payment will be that lesser amount. There may be additional limited circumstances in which Tattersall's may receive the Licence Expiry Payment.

Subsequent agreements

Since obtaining the gaming operator's licence in 1992, Tattersall's has entered into agreements with the Victorian State Government with respect to certain matters

Pursuant to an agreement entered into in 1995, the Victorian State Government must regulate Tattersall's conduct of its gaming business on terms substantially as favourable as those which apply to the other gaming operator in Victoria, for the period of the current gaming operator's licence.

An agreement entered into in 1999 removed Tattersall's obligation to pay certain taxes based on a percentage of net profit. At the same time, legislation was enacted which imposed upon Tattersall's (in addition to other taxes set out in legislation) further gaming operator taxes in respect of its licence at the rate of 7.0% of Net Gaming Machine Revenue.

A summary of the relevant key terms of contracts and licences that are material to Tattersall's is provided below.

Victorian gaming operator's licence

The gaming operator's licence held by Tattersall's was originally issued to the Trustees on 14 April 1992 for a period of 20 years, unless it is cancelled earlier in accordance with the Gambling Regulation Act.

With effect from 31 May 2005, the gaming operator's licence was transferred by the Trustees to Tattersall's in accordance with the procedure set out in the Gambling Regulation Act.

Tattersall's, as holder of a gaming operator's licence, is authorised, subject to the Gambling Regulation Act and any conditions to which the licence is subject, to:

- obtain approved gaming machines and restricted components from a person listed on the "Roll of Manufacturers, Suppliers and Testers";
- manufacture approved gaming machines and restricted components;
- supply approved gaming machines and restricted components to gaming venue operators;
- conduct gaming at an approved venue;
- sell or dispose of gaming equipment with the approval of the Victorian Commission for Gambling Regulation;
- service, repair or maintain gaming equipment through the services of licensed technicians; and
- do all things necessarily incidental to carrying on the activities authorised by the Gambling Regulation Act.

Under its gaming operator's licence, Tattersall's must:

- comply with any directions of the Victorian Commission for Gambling Regulation (regarding the types of gaming machines operated at, and arrangements with, randomly selected venues) designed to prevent venue operator collusion with manufacturers and suppliers;
- provide a high quality of service to gaming venue operators and the general public, ensuring, among other things, that gaming equipment is reliable and is serviced and repaired regularly;
- remit gambling taxes and levies due under the Gambling Regulation Act to the Victorian Commission for Gambling Regulation on a weekly basis or as otherwise agreed; and
- not allow the licence to be used by another person as its agent and must not mortgage, assign, sublease or otherwise deal with the licence.

The Gambling Regulation Act provides that any further gaming operator's licence must not commence before the expiry or earlier termination of the gaming operator's licence held by Tattersall's.

In the event each of the following occurs:

- the gaming operator's licence held by Tattersall's expires;
- the Victorian Commission for Gambling Regulation grants a new licence to another person unrelated to Tattersall's where such new licence commences within six months of the expiry of the gaming operator's licence held by Tattersall's; and
- the Victorian Commission for Gambling Regulation does not grant a new licence to Tattersall's within that six month period,

the Gambling Regulation Act provides for Tattersall's to be paid the lesser of the Licence Value of the licence held by Tattersall's and the Premium Payment paid by a new licensee. The Licence Value is determined in accordance with the formula prescribed in the Gambling Regulation Act and set out below:

Licence Value = \$520,000,000 x A, where A is the amount calculated in accordance with the formula:

$A = B / \$13,705,000,000$, where B is the aggregate sum of the actual daily net cash balance (within the meaning of Section 3.4.33 of the Gambling Regulation Act) of gaming machines of Tattersall's for each day from and including 1 January 1995 to and including the last day of the period of Tattersall's licence, but:

- if the amount so calculated is less than 0.25, A is 0.10;

- if the amount so calculated is more than 0.25 and less than 0.45, A is 0.45;
- if the amount so calculated is more than 0.45 but less than 0.85, A is 0.85; or
- if the amount so calculated is more than 1.15, A is 1.15.

A prior agreement entered into between the Trustees and the Victorian State Government Minister for Gaming on 17 November 1995 also deals with the Licence Expiry Payment. Under that agreement, there may be additional limited circumstances in which Tattersall's may be entitled to the Licence Expiry Payment, where the Victorian Commission for Gambling Regulation grants a new licence to another person unrelated to Tattersall's and such new licence commences beyond six months from the expiry of the gaming operator's licence held by Tattersall's.

1995, 1999 and 2005 Agreements with Victorian State Government Minister for Gaming

An agreement was entered into between the Trustees and the Victorian State Government Minister for Gaming on 17 November 1995 and was amended by a further agreement between those parties on 28 June 1999. These agreements (among other things):

- recognise that the Victorian gaming business of Tattersall's is to be regulated on terms substantially as favourable as the terms regulating the gaming business operated by the other gaming operator in Victoria;
- provide that the Minister for Gaming will endeavour to ensure, as far as reasonably able, that no variation is made to the gaming operator's licence except by the Governor in Council with the consent of Tattersall's;
- set out the terms of any Licence Expiry Payment; and
- were assigned to Tattersall's pursuant to the Transfer Agreement on 31 May 2005.

Transfer Agreement

As part of the Restructure, a Transfer Agreement was entered into on 31 May 2005 between the Victorian State Government, the Trustees, Tattersall's and a number of its Subsidiaries, namely Tattersall's Holdings, Tattersall's Sweeps Pty Limited, Tattersall's Gaming Pty Limited and Tattersall's Club Keno Pty Limited.

The purpose of the Transfer Agreement was to:

- facilitate the restructure of the businesses formerly carried out by the Trustees and the listing of Tattersall's on the ASX;
- transfer the rights and obligations under the 1995 agreement as amended by the 1999 agreement, together with all rights and obligations of the Trustees arising pursuant to the 1999 agreement, from the Trustees to Tattersall's; and
- facilitate the transfer of the Victorian Public Lotteries Licence and the gaming operator's licence from the Trustees to Tattersall's.

Further, under the provisions of the Gambling Regulation Act, the Victorian State Government Minister for Gaming was empowered to grant an application by the Trustees for the transfer of the Victorian Public Lotteries Licence and the gaming operator's licence subject to any conditions thought fit by the Minister for Gaming. The Transfer Agreement sets out the conditions under which the Minister for Gaming approved the transfer of the two licences from the Trustees to Tattersall's and consequently the authorisation to operate Club Keno.

The Transfer Agreement contains various representations and warranties given by Tattersall's to the Victorian State Government, in particular relating to obtaining all court orders necessary for the restructure, the provision of information to the Minister for Gaming concerning the process surrounding the restructure and Tattersall's listing and the obtaining of other consents and approvals necessary for the restructure and Tattersall's listing to occur.

Further warranties have been given concerning compliance with other laws and regulations, in particular the Corporations Act and other legally binding requirements of ASIC or ASX which may be applicable.

Tattersall's has agreed to indemnify the Victorian State Government Minister for Gaming, the Victorian State Government, the Victorian Commission for Gambling Regulation and the officers and employees of each of them against all liabilities, losses, claims, demands and proceedings and all costs and expenses in respect of or arising out of the restructure or Tattersall's listing or a breach of any of the provisions of the Transfer Agreement including:

- the consequences of any appeal or actions by or in relation to beneficiaries of ELGA;
- any failure by Tattersall's or any company controlled by Tattersall's or the Trustees to comply with the Corporations Act, or any other legal obligations, in relation to the Restructure and Tattersall's listing;
- any breach of any of the warranties and undertakings set out in the Transfer Agreement; and
- any investigations or enquiry by ASIC or ASX in relation to Tattersall's, the Tattersall's listing or preparation for any such investigation.

Lotteries licences and permits

Tattersall's has held a Victorian lotteries licence since 1954. The licence held by Tattersall's to conduct public lotteries in Victoria has been extended or a new licence has been granted by the Victorian State Government a number of times in the intervening period to date. Tattersall's is the only entity currently licensed to conduct public lotteries in Victoria. In accordance with a determination made by the Victorian State Government Minister for Gaming, there will be no other public lotteries licences issued during the period from 1 July 2004 to 30 June 2007, other than the licence in relation to AFL football tipping (which will expire in December 2007). Tattersall's has submitted an application for a new Victorian Public Lotteries Licence for a 10 year period commencing on 1 July 2007.

The permits held by Tattersall's to operate lotteries (excluding AFL football tipping) in Tasmania and the Northern Territory expire in June 2010 and December 2010, respectively, subject to Tattersall's continuing to hold its Victorian Public Lotteries Licence. The permit to conduct the AFL football tipping competition in Tasmania expires in February 2008, subject to Tattersall's continuing to hold its licence in relation to AFL football tipping in Victoria.

Tattersall's approval to operate lotteries in the ACT has no fixed term. The permit to conduct the AFL football tipping competition in the ACT also has no fixed term, but is subject to Tattersall's continuing to hold its licence in relation to AFL football tipping in Victoria

The Victorian Public Lotteries Licence held by Tattersall's was originally issued to the Trustees on 1 July 2001 and expires on 30 June 2007, unless it is surrendered, cancelled or suspended earlier in accordance with the Gambling Regulation Act.

With effect from 31 May 2005, the Victorian Public Lotteries Licence was transferred by the Trustees to Tattersall's in accordance with the procedure set out in the Gambling Regulation Act. The material conditions of the Victorian Public Lotteries Licence under which Tattersall's conducts public lotteries are as follows:

- Tattersall's must comply with the Gambling Regulation Act and all other applicable laws and regulations and must strictly observe the terms, conditions and provisions of the licence; and
- Tattersall's must maintain its head office and associated infrastructure in Victoria during the term of the licence;

- Tattersall's indemnifies the Victorian State Government against any action, claim, suit or demand associated with the operation of the public lotteries authorised under the Victorian Public Lotteries Licence except for any such action, claim, suit or demand which has resulted from the negligence of the Victorian State Government or any decision made by the Victorian Commission for Gambling Regulation in relation to the conduct of a public lottery which contravenes lottery rules made by Tattersall's in accordance with law;
- the Victorian Commission for Gambling Regulation reviews, and if satisfied, approves, each part of the computer systems to be used for the conduct of the public lotteries. Tattersall's may modify a function or the operation of any of the systems:
 - only if the modification is of a type or one of a class approved, from time to time, by the Victorian Commission for Gambling Regulation; or
 - if the Victorian Commission for Gambling Regulation has approved the particular proposed modified function or operation;
- Tattersall's must continue to conduct each of the public lotteries authorised under the Victorian Public Lotteries Licence unless Tattersall's can satisfy the Victorian State Government Minister for Gaming that a particular public lottery is not commercially viable;
- the amounts of commission or other remuneration derived from the sale of entries into the public lotteries payable to Tattersall's agents shall not exceed those fixed by the Victorian State Government Minister for Gaming from time to time after consultation with Tattersall's; and
- Tattersall's must promptly observe any lawful instruction given by the Victorian State Government Minister for Gaming.

In addition to the licence conditions referred to above, a determination was made pursuant to the Gambling Regulation Act that from 1 July 2004 to 30 June 2007, there will be no public lottery licences issued, other than a licence in respect of an AFL football tipping competition held by Tattersall's.

5.9 Capital Structure and Ownership

5.9.1 Issued shares and options

As at 2 August 2006, Tattersall's had 706,769,231 shares on issue, 6,769,231 of which were issued subsequent to the ASX listing being consideration for the acquisition of 50% of the shares in Bytecraft Systems Pty Ltd.

5.9.2 Shareholdings

Table 27 shows the substantial shareholders as at 2 August 2006. The Gambling Regulation Act limits the level of voting power which any one person and its associates may hold in Tattersall's. Subject to certain exceptions, a person's voting power in Tattersall's must not exceed 10%.

Table 27: Substantial shareholders as at 2 August 2006

Shareholder	Number of Ordinary Shares	Percentage of Ordinary Shares
Guinness Peat Group Plc and Thorney Holdings Pty Ltd ¹	42,496,644	6.01%
Tasmanian Perpetual Trustees Limited	39,545,809	5.60%
Commonwealth Bank of Australia	35,661,155	5.05%

Source: Tattersall's announcements

1. Guinness Peat Group Plc and Thorney Holdings Pty Ltd are associates, as defined in Section 9 of the Corporations Act and accordingly are deemed to have a relevant interest in each other's shareholding.

Table 28 sets out the names of the twenty largest holders of quoted equity securities as at 14 September 2005.

Table 28: Twenty largest quoted security holders

Shareholder	Number of Ordinary Shares	Percentage of Ordinary Shares
Minnamurra Investments Pty Ltd	26,187,091	3.74
Australian Enterprise Holdings Pty Ltd	21,703,114	3.10
Tassyd Pty Ltd	18,834,719	2.69
Tattersall's Clause Y Employee Limited	18,750,068	2.68
Tasmanian Perpetual Trustees Ltd (Estate of the late Sir P O Fysh)	16,680,911	2.38
J P Morgan Nominees Australia Limited	13,888,725	1.98
The Public Trustee (Estate of the late L E Harvey)	13,608,771	1.94
Westpac Custodian Nominees Limited	12,471,464	1.78
National Nominees Limited	9,955,663	1.42
Mr R E Davey (Estate A Hubbarb)	9,568,668	1.37
Hatim Taiy Pty Limited	8,794,448	1.26
Jecani Pty Ltd	8,794,448	1.26
Vermont Park Holdings Pty Ltd	8,505,481	1.22
Wentworth Investments Pty Ltd	7,176,501	1.03
Tasmanian Perpetual Trustees Ltd [Estate D H Harvey settlement]	6,933,322	0.99
Rattoon Holdings Ltd	6,663,834	0.95
Willewa Pty Limited	6,379,112	0.91
Mr R E Beresford	6,200,000	0.89
RJ B Investments Pty Ltd	6,082,938	0.87
Tasmanian Perpetual Trustees Ltd (H H Harvey assignment a/c)	5,777,766	0.83
Total	232,957,044	33.28

Source: Tattersall's Annual Report 2005

Table 29: Distribution of equity securities

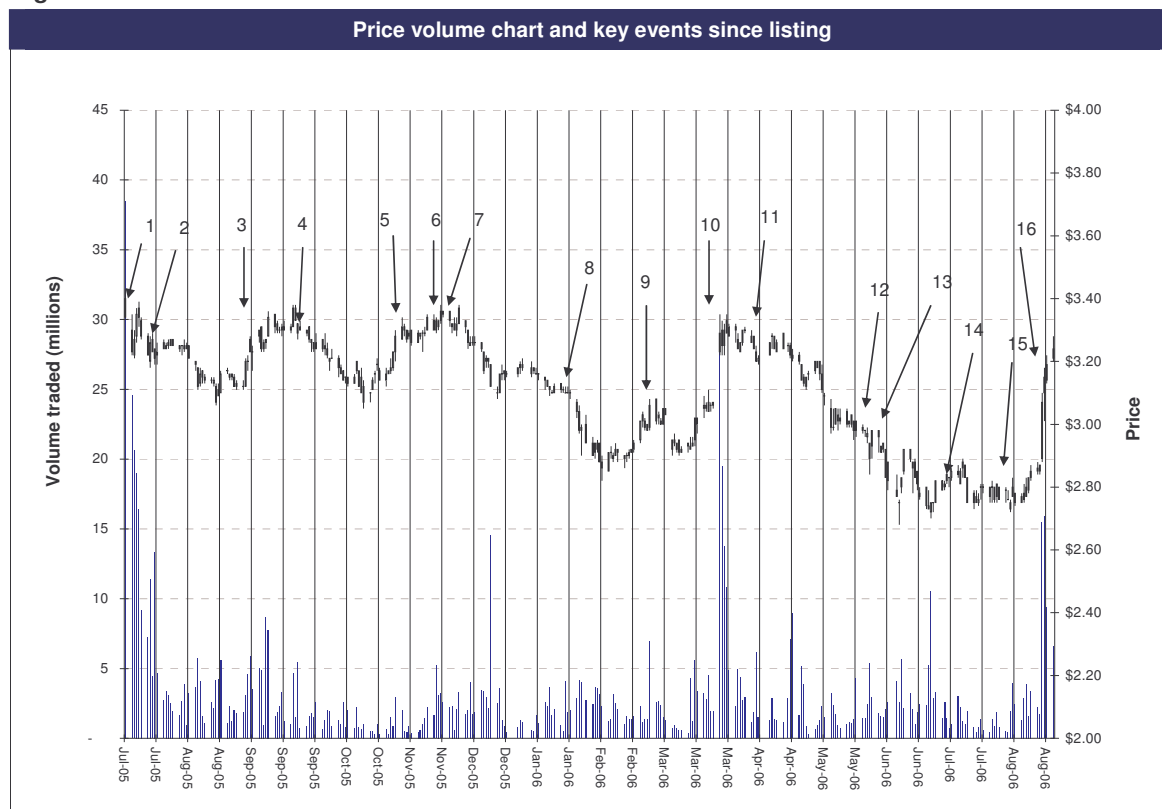
Holding Size	As at 07-07-2005	As at 14-09-2005
1 - 1,000	19,301	18,720
1,001 - 5,000	8,156	15,040
5,001 - 10,000	115	3,558
10,001 - 100,000	269	2,116
100,001 and over	352	405
Total	28,193	39,839

Source: Tattersall's Annual Report 2005 and announcements

5.10 Share price performance

Figure 11 shows the price volume chart and key events since listing in July 2005 to 21 August 2006. The price volume chart shows the recent performance and volatility of Tattersall's share price.

Figure 11



Source: Bloomberg

Table 30: Market Sensitive Announcements

Marker	Date	Events
1	07-07-05	Shares listed on the ASX at \$3.50, a 20% premium to the \$2.90 issue price.
2	20-07-05	Tattersall's signed an agreement with Bill Express to explore the feasibility of linking and sharing various aspects of their retail data communications networks and point of sale infrastructure.
3	05-09-05	Tattersall's reported \$13m NPAT and \$202.8m revenue for the period ended 30 June 2005. The revenue and EBITDA was slightly above its 2005 Prospectus forecast.
4	30-09-05	Tattersall's issued 6.8 million shares, escrowed for up to 5 years, as part of the consideration to acquire the remaining shares in Bytecraft. The transactions will bring Tattersall's total investment in the Bytecraft businesses to \$39m.
5	15-11-06	Tattersall's planned to tender for Victorian 10 year lottery licence due to commence in July 2007.
6	28-11-05	Tattersall's purchased a 10.1% stake in Talarius, a United Kingdom gaming company, for approximately \$12m (GBP5m). Talarius, trading as Quicksilver, operates around 8,000 electronic gaming machines in 167 centres.
7	02-12-05	Tattersall's is added to S&P/ ASX 200 index.
8	23-01-06	Tattersall's Limited announced that Scientific Games Corporation has signed an agreement with EssNet AB (in which Tattersall's holds a 26% equity interest) for Scientific Games to acquire substantially all of the on-line lottery assets of EssNet AB.
9	24-02-06	Tattersall's reported its operating results are in line with its 2006 Prospectus forecasts. The \$1,311.7m revenue, \$120.3m EBITDA and a fully-franked interim dividend of 8.75 cents per share was in line with Tattersall's expectations.
10	27-03-06	Tattersall's and UNiTAB proposed a merger of equals by way of a scheme of arrangement to be voted by UNiTAB shareholders.
11	10-04-06	Aristocrat Leisure agreed to acquire all of the issued shares in EssNet Interactive AB, 25.16% of which is held by Tattersall's.
12	25-05-06	UNiTAB and Tattersall's received clearance from the ACCC for their Proposed Merger of Equals.
13	01-06-08	Tabcorp announced takeover offer for UNiTAB, an alternative to the UNiTAB and Tattersall's proposed Merger of Equals.
14	30-06-06	Tattersall's submitted its response to the Victorian Government's Gambling Licence Review. The review is considering gambling licensing arrangements beyond 2012 when the current licensing arrangements expire.
15	24-07-06	Tattersall's has been granted a gaming licence for 1,000 gaming machines in the South African province of KwaZulu-Natal.
16	16-08-06	Tabcorp withdraws from UNiTAB takeover.

Source: Bloomberg and Tattersall's announcements

In addition to the above, please refer to paragraph 5.16 below in relation to the modification in terms of the UNiTAB offer.

5.10.1 VWAP Analysis

Table 31 sets out an analysis of the VWAP of Tattersall's Shares over the periods indicated:

Table 31: Tattersall's Shares VWAP Analysis

Period	Details	VWAP per Tattersall's Share \$
07-07-05 to 21-08-06	From listing to 21-08-06	3.19
01-01-06 to 21-08-06	CY06 to 21-08-06	3.05
01-01-06 to 24-03-06	CY06 Pre-UNiTAB announcement	3.00
27-03-06 to 21-08-06	Post-UNiTAB announcement to 21-08-06	3.06
27-03-06 to 31-05-06	Post-UNiTAB announcement - Pre Tabcorp announcement	3.22
01-06-06 to 21-08-06	Post Tabcorp announcement	2.90
05-06-06 to 21-08-06	60 days to 21-08-06	2.95

Source: Bloomberg; PKFCA analysis

Table 32 sets out an analysis of the trading volumes of Tattersall's Shares over the periods indicated:

Table 32: Volume of Shares Traded

Month	Average daily volume	Shares outstanding	Daily turnover %
Jul-05	18,195,144	700,000,000	2.60%
Aug-05	2,898,916	700,000,000	0.41%
Sep-05	3,118,656	706,769,231	0.44%
Oct-05	1,098,457	706,769,231	0.16%
Nov-05	1,658,679	706,769,231	0.23%
Dec-05	2,760,711	706,769,231	0.39%
Jan-06	2,276,496	706,769,231	0.32%
Feb-06	2,233,121	706,769,231	0.32%
Mar-06	5,026,589	706,769,231	0.71%
Apr-06	3,224,167	706,769,231	0.46%
May-06	1,815,671	706,769,231	0.26%
Jun-06	3,208,742	706,769,231	0.45%
Jul-06	1,257,291	706,769,231	0.18%
Aug – To 21 Aug 2006	4,094,287	706,769,231	0.58%

Source: Bloomberg; PKFCA analysis

The trading volumes set out in Table 32 indicate that the annual turnover in Tattersall's shares was approximately 100%, which indicates a liquid stock.

5.11 Financial performance

Set out below are the normalised financial results for the years ended 30 June 2003 to 2005 and the normalised forecast for 2006. The historical results are based on Tattersall's normalised adjustments of audited accounts under the revised corporate structure by:

- including the financial and cash flows of ELGA relevant to the future operations of Tattersall's;
- eliminating, where necessary, the impact of intra group transactions; and
- excluding the impact of certain one off items (normalisation adjustments).

Table 33: Income Statement for the years ended 30 June

	Actual 2002 ¹ AGAAP \$000	Actual 2003 ¹ AGAAP \$000	Actual 2004 ¹ AGAAP \$000	Actual 2005 ¹ AGAAP \$000	Forecast 2006 ⁵ AIFRS \$000
Revenue²					
Gaming	1,344,200	1,207,400	1,168,500	1,195,400	
Lotteries	1,089,600	1,190,600	1,229,400	1,227,500	
Total Revenue	2,443,800	2,398,000	2,397,900	2,422,900	2,556,600
Revenue growth	na	(1.9%)	0.0%	1.0%	5.5%
EBITDA³					
Gaming	259,900	218,000	209,900	219,100	
Lotteries	22,400	29,600	33,400	28,500	
Total EBITDA	282,300	247,600	243,300	247,600	234,900
EBITDA Margin	11.6%	10.3%	10.1%	10.2%	9.2%
Depreciation	na	na	na	na	
EBITA	na	na	na	na	
Amortisation	na	na	na	na	
EBIT	na	na	na	na	175,200
Net interest revenue ⁴	na	na	na	na	17,800
Profit before tax					193,000
Income tax expense	na	na	na	na	(59,900)
Profit after tax before Outside equity interest					133,100
Outside equity interest	na	na	na	na	(200)
NPAT	na	na	na	na	132,900

Source: UNITAB Explanatory Memorandum and Company Prospectus

Notes:

1. Based on Tattersall's normalisation of audited accounts including adjustments to exclude the impact of one off items such as intra-group Licence, equipment rental fees, discontinued operations of tatts.com and Sportspick, and reallocation of dividends from Uthingo.
2. Gaming revenue is recognised net of prizes but prior to taxes, levies and gaming venue share. Lotteries revenue is recognised as gross receipts from ticket sales for lotteries drawn and subscriptions to Tatts TipStar but prior to prizes, taxes and commissions to lottery outlets. FY2003 Revenue growth is compared to the adjusted audited FY2002 result as provided in the Tattersall's Prospectus.
3. The Adjusted Historical Financial Information has been presented to EBITDA as Tattersall's operated under a different corporate structure and capital structure with different financing and income tax circumstances prior to the Restructure Date and Tattersall's Listing Date in 2005. In addition, the implementation of the EssNet lottery system in November 2004 has changed Tattersall's depreciation profile. Consequently, reporting depreciation, amortisation, net interest revenue, and income tax expense for periods prior to FY2006 is not considered to be meaningful.
4. Net interest revenue excludes interest earned on funds set aside for prize pools and unpaid prizes. Operating interest earned on these funds is included in revenue from ordinary activities and EBITDA.
5. Given the very different corporate structure and capital structure of the Tattersall's Group prior to the Restructure Date and Tattersall's Listing Date, prior corresponding period comparisons to many of the figures presented for the forecast FY2006 period are neither accurate nor meaningful, and have therefore not been provided.

Table 34 shows the year on year change in dollar and percentage terms for revenue and EBITDA.

Table 34 Revenue and EBITDA year-on-year change in dollar and percentage terms

	2004		2005		2006	
	\$ m	%	\$ m	%	\$ m	%
Revenue			\$ m	%	\$ m	%
Gaming	(38.9)	(3.2%)	26.9	2.3%		
Lotteries	38.8	3.3%	(1.9)	(0.2%)		
Revenue	(0.10)	0.0%	25.0	1.0%		
EBITDA						
Gaming	(8.1)	(3.7%)	9.2	4.4%		
Lotteries	3.8	12.8%	(4.9)	(14.7%)		
Total EBITDA	(4.3)	(1.7%)	4.3	1.8%		

Source: PKFCA Analysis

Below are commentaries on the historical and forecast information.

FY2004 compared to FY2003

Gaming

The decrease in EBITDA of \$8.1 million resulted primarily from lower gaming revenues of \$38.9 million in FY2004 as a result of FY2004 incurring the full year impact of smoking bans, compared to FY2003, which included two months of revenue prior to the introduction of smoking bans. The decrease was, however, partially offset by cost improvements.

Lotteries

The \$3.8 million EBITDA increase during the FY2004 largely flowed from:

- revenue growth of 3.3% or \$38.8 million which arose primarily from obtaining the full year impact of the Tattsлото price increase in December 2002;
- increased Uthingo dividend income of \$1.3 million due to its improved performance; and
- the maintenance of the lotteries cost base at around the same level as the previous year.

FY2005 compared to FY2004

Gaming

EBITDA increased by \$9.2 million arising from:

- an increase in revenue of 2.3% or \$26.9 million in FY2005. This resulted from:
 - an increase in the Victorian average Net Gaming Machine Revenue per machine per day of \$8 to \$242; and
 - a reduction in the average number of Victorian gaming machines for FY2005 of 114 gaming machines to 13,466 operating in an average of 259 venues (as at 30 June 2005 there were 13,364 gaming machines in 256 venues); and
- a minor reduction of the Victorian gaming cost base compared to the previous year.

Lotteries

EBITDA decreased by \$4.9 million due to:

- a decrease in revenue of 0.2% or \$1.9 million in FY2005 predominantly due to a lower than theoretical jackpot sequence in Powerball; and
- the increased costs associated with operating the lottery system, terminals and associated telecommunications infrastructure since 29 November 2004.

5.12 Financial position

Set out below are the Statements of financial position of Tattersall's for the year ended 30 June 2005 and 6 months ended 31 December 2005.

Table 35: Statements of financial position

		30 June 2005	31 December 2005
		audited AIFRS	reviewed AIFRS
	Notes	\$000	\$000
Cash and cash equivalents	1	99,016	58,894
Receivables	1	27,499	78,362
Inventories		444	5,351
Tax assets		2,465	-
Financial assets	2	80,573	409,624
Other current assets		16,579	6,047
Total current assets		226,576	558,278
Receivables		-	200
Equity investments	3	5,355	2,902
Financial assets		31,735	45,021
Property, plant and equipment	4	133,932	150,652
Investment properties		-	5,437
Deferred tax assets		10,835	14,551
Intangible assets	5	10,424	45,991
Other		2,767	2,127
Total non-current assets		195,048	266,881
Total assets		421,624	825,159
Payables	1, 6	166,243	178,179
Interest bearing liabilities	7	36,390	37,147
Tax liabilities		-	6,632
Provisions	8	77,006	79,917
Financial liabilities		2,283	1,755
Total current liabilities		281,922	303,630
Payables		156	89
Interest bearing liabilities	7	36,940	32,165
Deferred tax liabilities		5,767	6,160
Provisions		812	837
Total non-current liabilities		43,675	39,251
Total liabilities		325,597	342,881
Net assets		96,027	482,278

Source: Tattersall's Half-year 31 December 2005 Report

Below are comments on items of significance:

1. Cash includes the cash held by the Tattersall's George Adam Foundation of \$12.2 million. The \$40 million reduction in cash and \$50 million increase in receivables did not change the networking capital position significantly. The networking capital position will vary depending on which the day the reporting period falls due to the timing mismatch in Tattersall's weekly cash collections and remittances cycles.
2. Included in the \$409 million Financial Assets is a \$5.4 million UNiTAB holding of 400,000 shares at a value of \$13.59 per share. Financial Assets increased by \$329 million primarily due to the \$300 million proceeds from listing, most of which have been invested in fixed interest securities.
3. The \$2.9 million equity investments relate to 50% joint venture interests of \$2.3 million Lynhurst Hotel Development Trust and \$0.5 million TattsNet Limited lottery consultants.
4. The \$150 million Property, plant and equipment consists of about \$110 million gaming machines and \$40 million property valued at cost.
5. Intangible assets increased by \$35 million primarily due to the increase in goodwill. The acquisition of Bytecraft Systems and Bytecraft Entertainment Holdings increased goodwill by \$18 million and \$12 million respectively.
6. Trade creditors account for about \$110 million of the \$178 million current liabilities payables.
7. Interest bearing liabilities relate to a Westpac multi-option facility for \$225 million of which \$69 million has been drawn down.
8. The \$80 million provisions balance includes a \$71.4m Trustee Commission Claim by former Tattersall's Trustees Raymond Hornsby, William Adams, Peter Kerr and David Jones. However, the actual amount payable in relation to the claim will be determined by the Supreme Court of Victoria.

5.13 Cash flow

Set out below is a summary of the cash flow statements of Tattersall's for the 6 months periods ended 31 December 2004, 30 June 2005 and 31 December 2005.

Table 36 Tattersall's cash flow statement

	6 months ended		
	31-12-04	30-06-06	31-12-05
	AIFRS \$000	AIFRS \$000	AIFRS \$000
Receipts from customers ¹	1,326,780	1,244,553	1,332,124
Payments to suppliers and employees ¹	(165,535)	(121,073)	(182,175)
Prizes paid	(320,111)	(351,229)	(319,256)
Payments to Government	(481,790)	(479,364)	(501,525)
Payments to venues	(245,292)	(177,566)	(220,603)
	114,052	115,321	108,565
Dividends received	4,051	102	2,359
Interest received	9,631	11,275	14,706
Interest paid	(276)	(2,312)	(2,351)
Income taxes paid	(22,732)	(11,252)	(24,060)
Net cash inflow from operating activities	104,726	113,134	99,219
Payments for held to maturity assets	(188,115)	(200,831)	(575,787)
Proceeds from held to maturity assets	176,997	522,937	246,000
Payments for purchase of subsidiary, net of cash acquired	-	-	(14,076)
Payments for property, plant and equipment	(36,497)	(27,979)	(29,600)
Payments for financial assets	-	(2,336)	(19,139)
Proceeds from sale of treasury shares	-	-	8,405
Payments for intangibles	-	-	(100)
Payments for deferred expenditure	(10,842)	10,842	(48)
Payments for restructure costs	-	(8,424)	-
Payments for float costs	-	(8,557)	(9,304)
Loans (to) / from non-related parties	54	25,487	(24,486)
Loans (to) / from related parties	730	(2,484)	(3,095)
Proceeds from sale of property, plant and equipment	199	1,601	1,118
Net cash flows from investing activities	(57,474)	310,256	(420,112)
Distributions paid	(66,248)	(340,903)	-
Proceeds from issues of shares and other equity securities	-	-	300,197
Repayment of beneficiary loans	-	(29,857)	-
Proceeds from borrowings	23,458	7,836	13,190
Repayment of borrowings	(26,518)	(7,211)	(34,462)
Net cash inflow / (outflow) from financing activities	(69,308)	(370,135)	278,925
Net decrease in cash and cash equivalents	(22,056)	53,255	(41,968)
Cash and cash equivalents at the beginning of half-year	67,458	45,402	99,016
Balancing Adjustment		359	
Cash at end of the half-year	45,402	99,016	57,048

Source: Tattersall's Half-year 31 December 2005 Report

1. Inclusive of goods and services tax

5.14 Proposed Merger between UNiTAB and Tattersall's

5.14.1 Proposed Merger

On 27 March 2006, UNiTAB and Tattersall's announced a proposed merger ("**Proposed Merger**") in which Tattersall's would acquire all of the Shares of UNiTAB that it does not already own via a scheme of arrangement ("**Scheme**") to form a merged company ("**Merged Company**"). The consideration offered by Tattersall's is either:

- 4.33 Tattersall's Shares for each UNiTAB Share held ("**All Shares Option**");
- \$14.00 in cash per UNiTAB Share for 28% of each shareholder's shareholding in UNiTAB and 4.33 Tattersall's Shares for each UNiTAB Share for the balance of the shareholding ("**Cash/Shares Option**"); or
- \$14.00 in cash for each UNiTAB Share held, subject to a pro rata scale as the total cash consideration is capped at \$522 million ("**Maximum Cash Option**").

As part of the scheme of arrangement, Tattersall's will provide a \$522 million cash alternative to purchase UNiTAB shares at a price of \$14.00 per share from those UNiTAB Shareholders who would prefer to receive cash. UNiTAB Shareholders will have the ability to select from two cash alternatives:

- Fixed Proportion Cash: UNiTAB shareholders electing this alternative will receive \$14.00 in cash per UNiTAB share for 28% of their total shareholding. For the remainder of their shares, shareholders will receive 4.33 Tattersall's shares per UNiTAB Share; or
- Maximise Cash: UNiTAB Shareholders electing this alternative will be entitled to receive \$14.00 in cash per UNiTAB Share for up to 100% of their shareholding, subject to scale back depending on the cash elections made by all UNiTAB Shareholders.

If the total cash that would be paid to UNiTAB Shareholders electing both of these cash alternatives exceeds \$522 million, UNiTAB Shareholders who elect the Maximise Cash alternative will receive a pro rata reduction in the percentage of their shareholding that will be entitled to receive \$14.00 in cash per UNiTAB Share. For UNiTAB Shares not bought for cash, UNiTAB Shareholders will receive 4.33 Tattersall's Shares per UNiTAB Share.

If all UNiTAB Shareholders were to fully participate in the Maximise Cash alternative, each UNiTAB Shareholder would receive \$14.00 in cash per share for 28% of their total shareholding.

The Proposed Merger would create a leading Australian gaming, wagering and lotteries company with over \$3.0 billion of revenue and diversified products and services operating in every State and Territory within Australia. The merger is expected to be implemented by way of a scheme of arrangement to be voted on by UNiTAB shareholders.

The Board of UNiTAB unanimously recommends that UNiTAB shareholders vote in favour of the Proposed Merger, in the absence of a superior proposal as they believe it will deliver significant value to UNiTAB Shareholders. UNiTAB Directors (all of whom hold UNiTAB Shares) intend to vote their shares, and any proxies cast at their discretion, in favour of the Proposed Merger.

The Proposed Merger does not require a meeting of Tattersall's shareholders.

Claimed benefits of the merger include that the combined company will deliver value through greater earnings diversification, a broader product offering and operational synergies. The enlarged entity will have high quality earnings with operations in all Australian States and Territories, access to future growth opportunities within Australia and overseas, and be well positioned strategically and financially for future licence opportunities.

Expected synergies in the first full year of operations are claimed to be approximately \$10 million and increasing to approximately \$20 million in the second year and beyond. These synergies will be realised through savings in complementary telecommunications, information technology, infrastructure and other fixed assets as well as certain corporate functions. When including the benefit of these synergies and the impact of a more efficient capital structure, the merger is expected to deliver EPS accretion¹ in the first full year of operations and beyond when compared to Tattersall's and UNiTAB's current consensus EPS forecasts.

The existing brands of both businesses will be maintained. The combined company expects to maintain Tattersall's current dividend payout policy and will have significant balance sheet flexibility to cash fund future growth opportunities, whilst simultaneously providing shareholders with appropriately leveraged returns.

An independent expert's report from Deloitte Corporate Finance has assessed the Proposed Merger as being fair and reasonable, and therefore in the best interest of UNiTAB shareholders in the absence of an alternative proposal that offers increased value to shareholders.

The explanatory memorandum including the independent expert's report sets out relevant information in relation to the proposed merger. This document, along with the notice of meeting is available on the corporate websites of UNiTAB and Tattersall's.

The ACCC was reported as indicating that it does not propose to intervene in the Proposed Merger.

UNiTAB advised its shareholders that there are potential growth prospects available under the Proposed Merger that are not currently available to UNiTAB. These include:

- Tattersall's existing operations in South Africa and investment in the UK are in markets where significant growth is expected in the medium term. These operations are already established which provides a lower risk growth strategy than UNiTAB entering foreign markets on its own;
- should the Queensland lottery licence become available the Merged Company would be well placed to bid for the licence given Tattersall's lottery experience and UNiTAB's connections and location in Queensland;
- the Merged Company may be able to leverage UNiTAB's pari-mutuel gaming skills in the overseas markets where Tattersall's currently has a presence;
- UNiTAB Shareholders will have an increased chance of participating in gaming and wagering in Victoria after 2012 to the extent that Tattersall's may be successful in renewing its licence;
- Tattersall's has a number of international contacts that may lead to future growth opportunities;
- Tattersall's Victorian lotteries licence expires in 2007 and its gaming licence expires in 2012. There is a level of risk surrounding the renewal of these licences which may have a significant impact on the business. It is possible that Tattersall's the licences may not be renewed and the costs associated with these potential renewals are unknown. UNiTAB does not have any short term licence renewal risk in respect of its main licences;
- Tattersall's overseas operations, in particular in South Africa, operate in a more risky environment than pertains in Australia; and
- there is an alternative offer for UNiTAB from Tabcorp. Therefore, by approving the Proposed Merger, UNiTAB Shareholders may miss out on a higher offer from either Tattersall's or Tabcorp. However, it is also possible that the Merged Company could itself be the subject of a takeover offer.

¹ EPS impact is pre restructuring costs and amortisation and includes the benefits of synergies, full take-up of the \$522 million cash facility available to UNiTAB shareholders as part of the proposed scheme of arrangement, and an additional \$300 million buyback post transaction of shares in the combined company.

Upon successful completion of the Proposed Merger, the Merged Company is expected to allocate an additional \$300 million to fund an on-market share buyback. This will result in up to \$822 million being returned to shareholders and the Merged Company achieving an efficient capital structure and debt levels consistent with an investment grade credit profile.

Depending on the cash take up in the scheme, it is expected that upon successful completion of the Proposed Merger (prior to the on-market buyback), the Merged Company will be owned by a mix of the underlying shareholders, with former UNiTAB shareholders owning up to approximately 45% of the shares in the Merged Company.

A Merger Implementation Agreement (including exclusivity and cost reimbursement arrangements) has been executed by Tattersall's and UNiTAB, which is subject to a number of conditions precedent, including:

- Court approval;
- UNiTAB shareholder approval;
- approvals, consents and exemptions from various regulatory authorities; and
- no material adverse change or prescribed occurrences occurring in respect of either party.

The Merger Implementation Agreement requires that, whilst the Merger Implementation Agreement remains current, neither party will solicit or encourage or enter into or continue any discussions with any third party in respect of any proposal by that third party to acquire a substantial part of its business or any of its issued shares.

In addition, each party must immediately notify the other of any such approaches from third parties and, must also identify the third party and the nature of its proposal.

These obligations do not apply to an unsolicited bona fide competing proposal which is superior to any proposal put forward by the other party nor where failing to respond to that proposal could constitute a breach of the Directors' fiduciary duties or statutory obligations.

A party will be required to pay the other \$15 million as reimbursement for costs incurred in relation to the merger, where the merger does not proceed because:

- the Board of that party withdraws its recommendation of the merger or publicly states that it no longer supports the merger or recommends a competing transaction with a third party (other than in circumstances which entitle that party to terminate the Merger Implementation Agreement);
- that party is in material breach of its obligations or of a representation and warranty under the Merger Implementation Agreement and the other party terminates the Merger Implementation Agreement as a result;
- that party breaches its exclusivity obligations, as summarised above and the other party terminates the Merger Implementation Agreement as a result; or
- there is a material adverse change or prescribed occurrence in respect of that party, the prevention of which was within the control of that party and the nature of which, had it occurred prior to the parties entering the Merger Implementation Agreement, might reasonably be expected to have resulted in the other party not entering into the Merger Implementation Agreement, and the other party terminates the Merger Implementation Agreement as a result.

5.14.2 About UNiTAB Limited

UNiTAB is the provider of totalisator and fixed odds betting products in Queensland, South Australia and the Northern Territory via retail outlets, hotels and clubs, telephone and internet gaming machine monitoring and value-adding services in Queensland, Northern Territory and New South Wales.

Wagering

- UNiTAB's wagering operations extend across Queensland, South Australia and the Northern Territory;
- Wagering pool exceeds \$3 billion annually;
- employs more than 1,100 full-time and part-time staff (or an estimated 653 full time equivalents) plus 1,132 agents and their staff;
- operates a retail network that includes 222 TAB retail outlets, 928 outlets in hotels, clubs and at race tracks, four telephone betting centres and internet betting services;
- contributed more than \$160 million to Queensland and South Australian racing industries in FY2005; and
- contributed more than \$88 million in wagering taxes in FY2005.

RadioTAB

RadioTAB supports UNiTAB's wagering business through 73 transmission sites in Queensland, South Australia and the Northern Territory. Its program includes race calls plus other information used by customers to make their wagering decisions.

UNiTAB Gaming

UNiTAB's Maxgaming subsidiaries offer poker machine monitoring services to 1,038 venues in Queensland, 71 in the Northern Territory and 3,094 in New South Wales. These businesses also produce revenue from venue management information systems which are installed on 94% of monitored machines in Queensland and the Northern Territory, jackpots covering 28% of monitored machines in Queensland and the Northern Territory, and approaching 4,500 machines on the exclusive New South Wales wide area jackpot links.

Additionally, 43% of machines under monitoring in Queensland are connected to player loyalty systems supported by Maxgaming Queensland.

5.14.3 About the Merged Company

The Merged Company will become a leading diversified Australian gaming, wagering and lotteries company with over \$3.0 billion of revenue and diversified products and services offered in every State and Territory within Australia.

The Merged Company is expected to have:

- pro forma enterprise value of approximately \$3.8 billion²;
- pro forma revenue of greater than \$3.0 billion;
- pro forma EBITDA of greater than \$400 million;
- pro forma capital structure to target an investment grade credit profile;
- approximately 1,150 wagering outlets and four telephone betting centres across Queensland, South Australia and Northern Territory;
- a licence to operate 13,750 gaming machines in approximately 255 gaming venues across Victoria;
- monitoring of more than 130,000 gaming machines across New South Wales, Queensland and Northern Territory;
- over 920 lottery outlets across Victoria, Tasmania, ACT and Northern Territory, and administrative functions for the conduct of the major national lottery Bloc games;
- electronic machine service and installation operations in every state and territory of Australia;

² , Enterprise value based on closing share prices at 24 March 2006.

- approximately 400 gaming machines in 85 venues in South Africa; and
- an investment in the UK gaming company Talarius Plc, a company which owns and operates approximately 9,600 gaming machines in more than 180 venues.

The above breadth of operations will significantly enhance the Merged Company's ability to actively pursue growth opportunities domestically and abroad. The Merged Company will be diversified by both product and geography as follows:

- operation of gaming machines in Victoria;
- race wagering and sports betting in Queensland, the Northern Territory and South Australia;
- gaming machine monitoring and value-adding services to hotels and clubs in Queensland, the Northern Territory and New South Wales;
- the conduct of lotteries in Victoria, Tasmania, the ACT, Northern Territory, South Africa and the Pacific Islands;
- provision of electronic maintenance services and entertainment services across Australia; and
- interests in gaming machines operations in South Africa and the UK.

Product diversification for the Merged Company will be approximately:

Table 37: Product diversification for the Merged Company

	Revenue Note 1	EBITDA
Gaming Operations	53%	53%
Wagering	21%	25%
Gaming Monitoring & Jackpots	4%	16%
Lotteries	22%	6%

Note 2: Lotteries revenue shown net of prizes paid.

5.15 Tabcorp's proposed bid for UNiTAB

Subsequently to the above announcement, Tabcorp made a competing bid of \$14.25 per UNiTAB share.

Tattersall's stated that:

- UNiTAB's independent expert has assessed the value of the Merged Company at between \$3.20 and \$3.50 per share, which represents a value per UNiTAB share, based on an exchange ratio of 4.33 times, of between \$13.86 and \$15.16. Based on that valuation range, the midpoint of the consideration being offered to UNiTAB shareholders is \$14.51, which is materially superior to Tabcorp's bid of \$14.25;
- unlike the Tabcorp bid, the terms of the Proposed Merger provide UNiTAB shareholders with additional value as the price of Tattersall's rises upon successful completion. For example, using Tattersall's closing share price on the day the Proposed Merger was announced, the implied value per share for UNiTAB was \$14.25. To base an assessment of the value being offered to UNiTAB shareholders solely on the current Tattersall's share price ignores an essential concept of the Proposed Merger where all shareholders benefit from the combination of the two companies;
- the conditions of Tabcorp's bid present significant risks for UNiTAB shareholders given the regulatory and legislative approvals required from the Queensland Government and ACCC. Tattersall's Proposed Merger will comply with all existing legislation in Queensland and the ACCC has stated that it has no intention to intervene;

- its current share price is impacted by licence renewal uncertainty, and any assumption of renewal should have an immediate impact of uplifting the trading multiples applied to Tattersall's current and future earnings; and
- Tabcorp assumes the renewal of its Victorian wagering licence. The newly merged UNiTAB and Tattersall's will provide real competition and innovation in wagering and sports betting and intends to actively pursue the Victorian Wagering licence. If UNiTAB and Tattersall's were to succeed and win this licence, this new licence would, on Tabcorp's own analysis, provide significant value accretion for the merged UNiTAB and Tattersall's.

5.15.1 ACCC to oppose Tabcorp proposed acquisition of UNiTAB

On 2 August 2006 it was reported that the ACCC expressed competition concerns with Tabcorp's bid for UNiTAB, particularly in regard to pooling services. However, it was reported that Tabcorp intends to address the competition concerns before a final decision by the ACCC is announced on 16 August 2006.

The ACCC announced on 16 August 2006 that it will oppose the proposed acquisition of UNiTAB by Tabcorp, as it considers that the proposed acquisition is likely to substantially lessen competition in a number of markets related to wagering in Australia and therefore would breach section 50 of the TPA.

On the 17 August 2006, Tabcorp announced that it was not proceeding with its proposed takeover of UNiTAB.

5.16 Revised terms of the Proposed Merger

In a joint announcement to the ASX dated 20 August 2006, UNiTAB and Tattersall's indicated that the following key points were agreed:

- the Chairman of the merged company will be nominated by the Tattersall's directors;
- Dick McIlwain, the current Managing Director of UNiTAB will be appointed as the Managing Director, for a term of two years;
- Duncan Fischer, current Managing Director of Tattersall's will resign from the board;
- for those shareholders who will elect the cash alternative, the price of at which UNiTAB shares will be purchased will increased from \$14.00 to \$14.25 per UNiTAB share (subject to the total cash consideration available on the scheme being approximately \$532 million);
- the end date of the Merger Implementation Agreement will be extended to 22 September 2006; and
- the merger exchange ratio will remain at 4.33 Tattersall's shares per UNiTAB share.

The meeting of UNiTAB shareholders to consider the Proposed Merger is now scheduled to occur on 12 September 2006.

The UNiTAB Board has reaffirmed its unanimous recommendation that, in the absence of a superior proposal, UNiTAB shareholders vote in favour of the Proposed Merger..

6 VALUATION METHODOLOGY

6.1 Valuation methods

The most reliable evidence as to the value of an asset is the price at which the asset has been bought and sold in an arms length transaction. In the absence of direct market evidence of value, estimates of value are made using methodologies that infer value from other available evidence.

Set out in **Appendix 9** is a summary of the various methods we have considered in the course of arriving at our valuation conclusions.

6.2 Consideration of applicable valuation methods

Discounting of projected cash flows or capitalisation of an estimate of recurring earnings are usually the preferred methods of valuation in the absence of direct market evidence of value. In the absence of any projected cash flows, capitalisation of an estimate of recurring earnings is usually the preferred method of valuation.

However, in the case of companies holding as their main assets, the securities of other listed companies (as is the case of Rattoon), the net asset backing per share is usually the method of valuation adopted.

7 VALUE OF TATTERSALL'S

7.1 Introduction

We have estimated the value of Tattersall's Shares using the capitalisation of future maintainable earnings ("CFME") method and by reference to recent market trading of Tattersall's Shares.

7.2 Capitalisation of Future Maintainable Earnings

In our opinion, this is an appropriate method with which to value Tattersall's as Tattersall's business has traded profitably in the past and is expected to trade profitably in the future.

In undertaking the CFME method to value Tattersall's, we have considered the following:

- an estimate of future maintainable earnings;
- selection of an appropriate earnings capitalisation multiple;
- the value of any surplus assets/liabilities; and
- interest bearing debt.

Set out below are the key parameters and our considerations with respect to each.

7.2.1 Future maintainable earnings

Future maintainable earnings ("FME") is the assessed level of sustainable profits, in real terms, that can be expected to be derived by the existing operations of the business regardless of short term economic fluctuations and excludes any one off profits or losses.

We have considered both EBITDA as the appropriate measure of earnings. Earnings multiples based on EBITDA are less sensitive to different financing structures, depreciation/amortisation accounting policies and effective tax rates. This allows a better comparison with earnings multiples of other companies.

We have based our estimate of the future maintainable earnings of Tattersall's on:

- the historical operational and financial performance of Tattersall's for the period from 30 June 2003 to 30 June 2005 as disclosed in Tattersall's prospectus;
- forecast financial performance for the year ended 30 June 2006, as disclosed in UNiTAB merger documents;
- the performance of Tattersall's in the period to 31 December 2005; and
- stock brokers' consensus earnings forecasts, available from Bloomberg.

Based on the above, we selected an EBITDA of \$235 million as a starting point. We have adjusted the above EBITDA for the following:

- based on our review of the UNiTAB merger documents we have noted that the forecast did not include full utilisation of all gaming machine licences. Based on a profit before tax margin of 12.2% and other parameters disclosed, we have estimated that this would result in an additional EBITDA of approximately \$3.5 million; and
- Tattersall's forecast FY2006 earnings included a once-off cost for licence renewals of approximately \$1.5 million.

For the purposes of this report, we have adopted a maintainable annual EBITDA of \$240 million.

7.2.2 Earnings multiple

The appropriate earnings multiple is usually assessed by collecting market evidence with respect to the earnings multiples of companies that are comparable. Such multiples are derived from:

- share market prices of listed companies (reflecting a minority interest status);
- initial offer prices of shares in comparable companies (where available); and
- prices achieved in mergers and acquisitions of comparable companies (reflecting a controlling interest status).

7.2.3 Share market trading multiples

We have compiled share market trading multiples for companies comparable to Tattersall's. The share price of a listed company represents the market value of a minority interest in that company. In selecting appropriate comparable companies, PKFCA had regard to Australian listed lottery and gaming companies.

Although we consider that Tabcorp is most directly comparable to Tattersall's, we have also considered the multiples of other listed Australian companies offering gaming and lottery services as further evidence of an appropriate multiple. These include UNiTAB's, casino operators (Reef Casino Trust and Sky City), internet and sports betting operators (eBet and Betcorp) and manufacturers of gaming equipment (Aristocrat and Ainsworth Game Technology).

We have excluded two comparable companies from our analysis being International Sports Ltd and Lasseter's Corp Ltd because of their losses and because no earnings forecasts are available. PBL was also excluded due to its size and diversification. The historical and forecast earnings multiples of the selected companies are summarised in the following table.

Table 38: Share market trading multiples

Company	Currency	Reporting Date	Enterprise Value Note 1 \$m	2005 EBITDA Actual x	2006 EBITDA F'cast x	2007 EBITDA F'cast x
UNiTAB	AUD	Jun-05	2,103	19.3	12.7	11.8
Tabcorp Holdings Limited	AUD	Jun-05	10,220	10.3	9.6	9.1
Aristocrat Leisure	AUD	Dec-05	5,350	13.5	12.9	9.8
Ainsworth Game Technology	AUD	Jun-05	119	nm	8.9	7.8
eBet Limited	AUD	Jun-05	27	14	na	na
Betcorp Limited	AUD	Dec-05	26	6.6	na	na
Reef Casino Trust	AUD	Dec-05	190	10.8	na	na
Sky City Entertainment	NZD	Jun-05	3,292	12	10.7	9.9
WMS Industries Inc	USD	Jun-05	857	12	8.1	6.4
Scientific Games Corporation	USD	Dec-05	3,458	17.5	12.4	10.2
Average				12.9	10.7	9.3
Median				12.0	10.7	9.8

Source: Bloomberg

Note 1: The enterprise values were calculated by summing the total of the net borrowings at the company's most recent reporting date and the market capitalisation at 8 August 2006.

Note 2: Earnings were taken from the last annual report.

na not available

nm not meaningful

General comments regarding the operations of the above companies are set out in **Appendix 7**.

Whilst there are some key differences between Tattersall's and the selected companies, the analysis provides an indicative range of multiples that may be regarded relevant for the purpose of valuing Tattersall's.

Our assessment of comparable companies has produced a range of earnings multiples that can be reduced to an average or median. In order to ascertain the appropriate multiple range to apply to Tattersall's we have undertaken a limited review of the individual characteristics of the companies we consider most comparable to Tattersall's. The multiple of any particular company will reflect its own unique circumstances and attributes, such as growth prospects of the business, the quality of its earnings and the risks of the business.

In selecting the earnings multiples to apply to Tattersall's we have considered the multiples set out in Table 38 and the following company specific factors relevant to Tattersall's:

- Tattersall's is exposed to greater regulatory risk than most of the comparable companies due to the fact that various licences of Tattersall's are due for renewal in the near term. These licences include: the Victorian lotteries licence that expires in June 2007 and the Victorian gaming licence of Tattersall's which expires in 2012. Gaming income derived from this latter licence represents approximately 90% of forecast FY06 EBITDA for Tattersall's. The Victorian lottery licence represents approximately 10% of Tattersall's forecast FY06 EBITDA;
- Tattersall's has been listed for less than one year, which may increase the perceived risk of Tattersall's relative to the comparable companies since the operations and management of Tattersall's are less known to the market; and
- Tattersall's has access to international lottery and gaming networks in South Africa and the UK. This increases the potential growth prospects as well as the risk profile of Tattersall's relative to most of the comparable companies. However we note that the international operations of Tattersall's do not currently contribute materially to its forecast FY06 revenues or EBITDA.

7.2.4 Mergers and acquisitions multiples

Table 41 sets out Enterprise Value to EBITDA multiples of Australian gaming consolidation transactions:

Table 39: Enterprise Value to EBITDA multiples of Australian gaming consolidation transactions

Transaction	Completion Date	Enterprise Value (EV) (\$ million)	EV / EBITDA Multiple
Stargames – Shuffle Master Inc	Mar 2006	151	13.7
Burswood – PBL	Sep 2004	873	12.7
Tab – Tabcorp	Aug 2004	2,548	12.6
Casinos Austria – Casinos Austria Holdings	Jul 2004	178	10.3
Jupiter's - Tabcorp	Nov 2003	1,679	9.4
		Average	12.0
		Median	12.7

Source: Bloomberg, Takeover Documents, Annual Reports, Company Announcements

1. Enterprise Value uses the share market capitalisation at completion date
2. Transaction multiples represent Enterprise Value to historic EBITDA unless otherwise stated.

General comments regarding the operations of the above target companies are set out in **Appendix 8**.

7.2.5 Conclusion

We have selected a multiple range of 7.5 to 8.5 times FME EBITDA to apply to Tattersall's on a minority interest basis.

In selecting this range we considered:

- earnings multiples derived from market prices of comparable listed companies with particular regard to Tabcorp;
- prices achieved in mergers and acquisitions of comparable companies;
- company specific factors relating to Tattersall's; and
- changes in industry, regulatory or economic conditions which may impact on sustainability of earnings.

7.2.6 Surplus assets and non-operating liabilities

Surplus assets are assets which form part of a business entity or company but do not contribute to the earnings or cash flow generation capacity of that business or company. These are assets which, if sold, would not impact on the revenue or profit generating capacity of the active business undertaking.

Assets and liabilities which do not form part of the core business activity must be valued separately. Such assets are considered to be 'surplus' to the main business undertaking, but nevertheless represent values which should be reflected in the overall value of the company as they could be sold separately and the cash added to the value of the business units.

As at 25 May 2006, Tattersall's had the following surplus assets and liabilities:

Table 40: Surplus assets and non-operating liabilities

	\$ million
Investments in EssNet AB	28.0
Trustee Commission Claim	(71.4)
Total	(43.4)

Source: Half-Year Report December 2005 and Tattersall's announcements

Investment in EssNet and EssNet Interactive

EssNet recently sold its lotteries business and on 5 May 2006 Aristocrat acquired all of the issued shares in EssNet Interactive for \$70 million. The expected cash proceeds from these sales that will be received by Tattersall's is \$28.0 million.

Contingent liability / Trustee Commission Claim

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

The defendants to this proceeding are Julien Playoust (a current Tattersall's Director), as representative for all non-employee beneficiaries of ELGA, and David Purvis, as representative for the employee beneficiaries of ELGA (collectively, "**Beneficiaries**"). The defendants represent classes of Beneficiaries and in that capacity are obliged to carry out their role on behalf of these Beneficiaries. They do not directly represent Tattersall's or the Tattersall's Shareholders. Tattersall's cannot formally instruct the defendants in relation to the conduct of the defence, even though under the Restructure Implementation Agreement, from the Restructure Date Tattersall's is paying their costs on an indemnity basis and Tattersall's is assuming the liability to pay any commission determined in the proceedings.

The proceedings are still in their relatively early stages and the outcome of these proceedings is uncertain. The maximum percentage commission is set by the relevant legislation at 5%, based on the value of ELGA, but there is no definitive authority on how the commission, if any, should be determined, nor what valuation of ELGA the Supreme Court of Victoria may adopt for the purposes of determining the Trustee Commission Claim. The costs of both defendants are being paid by Tattersall's. The Trustees are paying their own costs in connection with the claim. However, if the Trustees' application for commission is successful, they may apply to the Supreme Court of Victoria for their costs to also be paid by Tattersall's. Tattersall's financial report as at 31 December 2005 contains a provision of \$71.4 million on account of the Trustee Commission Claim, representing 5% of the mid-point of the range of the directors' valuation of ELGA prior to the restructuring of Tattersall's.

Since of the Trustee Commission Claim does not pertain to the ongoing operations of Tattersall's, PKFCA has treated the full provision as a non-operating liability. PKFCA notes that the settlement amount of this contingent liability may be significantly less than the provision made. However, legal costs may be considerable. PKFCA has assumed that \$71.4 million represents a reasonable estimate of the liability.

7.3 Cash

The most significant component of the cash position is the \$409.6 million held in financial assets. These are generally short term, liquid, interest bearing securities.

Table 41 sets out a calculation of the forecast net cash of Tattersall's as at 30 June 2006:

Table 41: Forecast Net Cash as at 30 June 2006

Component	(\$ million)
Cash as at 31 December 2005	58.9
Financial assets as at 31 December 2005	409.6
Interest bearing liabilities as at 31 December 2005	(69.3)
Dividend declared but not paid	(61.8)
Forecast NPAT for 6 months to 30 June 2006	63.0
Receivables	84.4
Payables	(184.8)
Total net cash	300.0

Source: PCKFA

Note 1: Forecast NPAT for the period 1 January 2006 to 30 June 2006 based on forecast FY2006, less results for 6 months to December 2005.

We note that the financial assets balance also includes Tattersall's holding of approximately 400,000 UNiTAB shares which has been included as a cash equivalent at the trading price as at 31 December 2005 of \$13.59. We note that UNiTAB shares have been trading more recently at approximately \$14.30 (CY to 04 August 2006) and \$14.50 each (1 July 2006 to 04 August 2006). For the purpose of this calculation we have not revised the per share value as it would not have a significant impact on the valuation of Tattersall's.

We have also included in the net cash calculation the expected profit from the previous balance sheet date (31 December 2005) until 30 June 2006. In addition, we have included the \$0.0875 per share dividend (\$61.8 million in total) declared in March 2006 and paid in April 2006 since this was not included in the 31 December 2005 Statement of financial position which has been used as the basis for the determination.

As the amount of net cash of approximately \$300 million calculated in Table 41 includes an allowance for interest bearing liabilities as at 31 December 2005 of approximately \$69.3 million, for the purposes of the valuation exercise set out in Table 42, we have assessed the range of surplus cash and cash equivalents (excluding any allowance for interest bearing liabilities) at between \$300 million and \$350 million.

7.3.1 Valuation conclusion

PKFCA's value of Tattersall's derived from the capitalisation of future maintainable earnings is summarised as follows:

Table 42: Value of Tattersall's - capitalisation of FME (minority interest basis)

	EBITDA Low Value \$ million	EBITDA Mid-point Value \$ million	EBTDA High Value \$ million
Maintainable Earnings	240.0	240.0	240.0
EBITDA Multiple	7.5	8.0	8.5
Enterprise Value	1,800.0	1,920.0	2,040.0
Investment in EssNet	28.0	28.0	28.0
Contingent liability	(71.4)	(71.4)	(71.4)
Surplus cash	300.0	325.0	350.0
Net non-operating assets/(liabilities)	256.6	281.6	306.6
Less: Interest bearing liabilities	69.3	69.3	69.3
Equity Value	1,987.3	2,132.3	2,277.3
Number of shares on issue (million)	706.8	706.8	706.8
Value per share	\$2.81	\$3.02	\$3.22

Source: PKFCA Analysis

We have assessed the value of a Tattersall's Share based on the CFME method to be in the range of approximately \$2.80 to \$3.20, with a mid-point of \$3.00.

7.4 Analysis of recent share trading

We have reviewed the above values of Tattersall's shares by reference to recent share market trading therein.

The price at which a company's shares trade on the ASX is an appropriate basis for valuation where:

- the shares trade in an efficient market place where 'willing' buyers and sellers readily trade the company's ordinary shares; and
- the market for the company's shares is active and liquid.

In order to assess the reliability of using the share market trading price of Tattersall's shares as a basis for determining the value of the shares in Tattersall's we have had regard to:

- the 'spread' of shareholders and the total number of shares that they hold;
- the level of trading activity of the shares (i.e. the volume of trades as a percentage of the total quoted shares, and the frequency of the trades);
- the presence of any factors that may indicate that trading in the shares is the result of significant speculative trading; and
- the level of knowledge that the 'willing' buyers and sellers have in respect of Tattersall's and the market in which it operates.

We have reviewed the following factors relating to the trading activity of Tattersall's shares on the ASX:

- the daily high, low and closing share price;
- the daily volume of trading; and
- the VWAP of Tattersall's over selected periods.

The tables below summarise recent trading in Tattersall's shares.

Table 43: Recent trading in Tattersall's Shares

	High	Low	VWAP	Average daily volume
As at 21 August 2006	3.21	3.20	3.25	6,597,462
1 month to 31 July 2006	2.89	2.73	2.80	1,257,291
3 months to 31 July 2006	3.23	2.68	2.90	2,085,340
6 months to 31 July 2006	3.35	2.68	2.99	2,805,055
Since listing 7 July 2005	3.62	2.68	3.10	3,514,233

Source: Bloomberg; PKFCA analysis

Table 44: Tattersall's VWAP over various periods

VWAP	Details	VWAP \$
07-07-05 to 21-08-06	To 21 August 2006	3.19
01-01-06 to 21-08-06	To 21 August 2006	3.05
01-01-06 to 24-03-06	Pre-UNiTAB announcement	3.00
27-03-06 to 21-08-06	Post-UNiTAB announcement	3.06
27-03-06 to 31-05-06	Pre Tabcorp announcement	3.22
01-06-06 to 21-08-06	Post Tabcorp announcement	2.90
05-06-06 to 21-08-06	60 days prior to 21-08-06	2.95

Source: Bloomberg; PKFCA analysis

Table 45: Volume of Shares Traded

Month	Average daily volume	Shares outstanding	Daily turnover %
Jul-05	18,195,144	700,000,000	2.60%
Aug-05	2,898,916	700,000,000	0.41%
Sep-05	3,118,656	706,769,231	0.44%
Oct-05	1,098,457	706,769,231	0.16%
Nov-05	1,658,679	706,769,231	0.23%
Dec-05	2,760,711	706,769,231	0.39%
Jan-06	2,276,496	706,769,231	0.32%
Feb-06	2,233,121	706,769,231	0.32%
Mar-06	5,026,589	706,769,231	0.71%
Apr-06	3,224,167	706,769,231	0.46%
May-06	1,815,671	706,769,231	0.26%
Jun-06	3,208,742	706,769,231	0.45%
Jul-06	1,257,291	706,769,231	0.18%
Aug – To 21 Aug 2006	4,094,287	706,769,231	0.58%

Source: Bloomberg; PKFCA analysis

We note the following with respect to the share price of Tattersall's trading between 7 July 2005 and 21 August 2006:

- Tattersall's closing share price on 21 August 2006 was \$3.21;
- the Tattersall's share price has traded between \$2.68 and \$3.62 in the period reviewed;
- the \$3.62 high price was traded on 7 July 2006 - listing date;
- the \$2.68 low price was traded on 14 June 2006;
- the share price has meandered lower to the bottom end of its trading range since listing. However, since the announcement of the Proposed Merger, the share price has improved; and
- the VWAP price is \$3.19 since listing and about \$2.95 in recent months.

Refer to paragraph 5.10 above for additional details of Tattersall's share market trading. Tattersall's shares are actively traded and covered by major brokers. The following are indicators of good liquidity:

- there is relatively high volume in the trading of Tattersall's shares:
 - the annual turnover of Tattersall's shares is equivalent to 0.8 times the total number of shares on issue as at 4 August 2006;
 - relatively high average daily volume of more than 1 million shares, the liquidity measure used for inclusion in the ASX S&P 200 Index;
- information in the Tattersall's FY2005 Annual Report disclosed the top twenty shareholders comprise approximately 33% of the total number of shares outstanding - therefore there is a reasonable degree of 'spread' in Tattersall's shareholders. There were 99 holders of less than a marketable parcel of ordinary shares of a 39,839 total shareholders;
- the high degree of institutional investment in Tattersall's;
- continuous disclosure policy and major broker coverage implies a reasonably informed market;

7.4.1 Conclusion on market trading

We have estimated the value of Tattersall's shares based on recent share market trading to be in the range of \$2.90 to \$2.95. The highest VWAP (of \$3.22 per Share) was between the date of announcement of the Proposed Merger with UNiTAB and before the announcement of the counter-offer by Tabcorp.

We note that there may be limitations in using the market trading share price to obtain a value of Tattersall's Shares. Notwithstanding the limitations associated with recent share market trading, the share price trading range is the agreed basis for implementing the Proposed Transactions and we have considered the value of Tattersall's shares on this basis.

We consider the market for Tattersall's shares to be well informed and liquid as:

- Tattersall's released its financial statements for the half year ended 31 December 2005 to the market on 24 February 2006, providing a recent update regarding its financial performance;
- Tattersall's is followed by a number of equities analysts including Macquarie Bank, UBS, Deutsche Bank, JP Morgan, Goldman Sachs JBWere, Morgan Stanley and ABN Amro; and
- there is sufficient trading volume in Tattersall's shares.

Accordingly we believe that it is reasonable to assume that the Tattersall's share price represents an objective assessment of the value of Tattersall's shares on a minority interest basis.

7.5 Conclusion

We have assessed the value of a Tattersall's Share on a minority interest basis based on:

- the capitalisation of future maintainable earnings method to be in the range of approximately \$2.80 to \$3.20, with a mid-point of \$3.00; and
- recent share market trading to be in the range of \$2.90 to \$2.95. The highest VWAP (of \$3.22 per Share) was between the date of announcement of the Proposed Merger with UNiTAB and before the announcement of the counter-offer by Tabcorp.

8 VALUE OF RATTOON BEFORE PROPOSED TRANSACTIONS

8.1 Introduction

Given that Rattoon is an investment company, PKFCA considered the following indicators of value to assess whether the Proposed Transactions are “fair and reasonable” to Non-associated Shareholders:

- the value of Rattoon using the value of net assets (“**NAV**”) valuation method; and
- cross checked the value produced by the NAV method by reference to recent market trading of Rattoon Shares.

8.2 Net asset value method

The NAV method involves the determination of the value of the net assets on a going concern basis. A going concern basis is often considered an appropriate method of valuation for an investment holding company.

In undertaking the valuation of Rattoon we have considered:

- the financial position of Rattoon as at 30 June 2006, based on unaudited management accounts for FY2006 prepared on a going concern assumption;
- the asset portfolio as at 30 June 2006 (investments in Tattersall's and NSX) based on unaudited management accounts for FY2006;
- any adjustments required to the net asset value of Rattoon;
- any costs of realisation including selling costs, the time taken to obtain payment and any taxation liabilities which are applicable; and
- the applicability of a discount for minority interest.

The recorded book value may not be the most appropriate value to be ascribed to an asset or liability. Accordingly, we have obtained a statement of financial position of Rattoon as at 30 June 2006 based on unaudited management accounts for FY2006 and adjusted where necessary items of the financial position of Rattoon as at 30 June 2006 to reflect market value.

8.3 Listed investment companies

The value of the underlying investment portfolio held in a listed investment company (“**LIC**”) is generally calculated on the basis of the NTA per share, whether or an allowance for any tax liabilities on investment gains is incorporated into the calculation. The market price of a LIC relates to its NTA, but ultimately supply and demand may cause the market price to differ from the value of the underlying portfolio. LICs may therefore trade at a discount, premium or at par to their respective NTA.

However, investors need to be aware that market prices may differ from the NTA for a variety of reasons including current market sentiment, the past performance of the LIC and the future expectations for the fund. Also the amount of cash each LIC holds in its investment portfolio may affect the premium or discount to NTA and dilute performance returns.

Table 46 shows that the shares of LICs investing in listed Australian shares are currently trading at discounts of 10% (sector average) and 5% (market capitalisation-weighted sector average) to their respective pre-tax NTA.

Argo Investments, Australian Foundation and Milton Corporation were excluded due to their large market capitalisation and established portfolio history.

Table 46 LIC Premiums/ Discounts to NTA as at 30 June 2006

ASX	Listed Investment Company	Size (\$ mil)	Last	Pre-tax	Prem / Disc %
Code	Australian Shares	Mkt Cap ¹	Price (\$)	NTA (\$)	Pre-tax NTA
ALR	Aberdeen Leaders Ltd	91	1.60	1.66	-3.6%
AMH	Amcil Limited	62	0.59	0.79	-25.3%
AOD	Aurora Sandringham Income	43	9.65	10.041	-3.9%
BKI	Brickworks Investment Co Ltd	281	1.35	1.429	-5.5%
CIN	Carlton Investments Limited	470	18.50	19.6	-5.6%
CYA	Century Australia Investment	212	1.20	1.28	-6.6%
CHO	Choiseul Investments Limited	479	5.47	5.47	0.0%
CAM	Clime Capital Ltd	36	0.95	1.1	-14.1%
CTN	Contango Microcap Ltd	73	1.25	1.499	-16.6%
DJW	Djerriwarrh Investments Ltd	743	4.65	4.45	4.5%
FAT	Fat Prophets Australia Fund	28	0.89	1.1999	-25.8%
HIC	Huntley Investment Co Ltd	111	0.84	0.987	-15.4%
HIP	Hyperion Flagship Invest Ltd	29	1.69	1.76	-4.0%
MIR	Mirrabooka Investments Ltd	216	1.91	1.94	-1.5%
MMA	MMC Contrarian Ltd	201	0.90	1.116	-19.4%
PRV	Premium Investors Ltd	205	1.03	1.105	-6.8%
SYL	Sylvastate Ltd	53	4.80	5.24	-8.4%
VTP	Van Eyk Three Pillars Ltd	76	1.17	1.34	-13.1%
WAM	Wam Capital Ltd	113	1.67	1.698	-1.6%
WHF	Whitefield Ltd	204	4.07	4.43	-8.1%
WIL	Wilson Investment Fund Ltd	123	0.94	1.1385	-17.9%
WLS	Wilson Leaders Ltd	57	1.08	1.277	-15.4%
Sector Average					-9.7%
Weighted Sector Average²					-5.3%

Source: Bloomberg, Company Announcements

1. As at 10 August 2006
2. Weighted average takes into account the size of each LIC, rather than treating them equally

8.3.1 Valuation of Rattoon Net Assets

The table below sets out the statement of financial position of Rattoon as at 30 June 2006 stated at Book and Adjusted Values, based on unaudited management accounts for FY2006 and our assessed market values of Tattersall's Shares.

Table 47: Rattoon Financial Position

		Book 30/06/2006	Adjusted 30/06/2006 Pro forma
		\$	\$
Current Assets			
Cash Assets	1	925,843	925,843
Other	2	35,456	35,456
Total Current Assets		961,299	961,299
Non Current Assets			
Investments - NSX	3	480,000	480,000
Investments - TTS	4	17,192,536	19,634,842
Deferred Tax Assets		0	0
Total Non-Current Assets		17,672,536	20,114,842
TOTAL ASSETS		18,633,835	21,076,141
Current Liabilities			
Payables	5	42,919	42,919
Interest Bearing Liabilities	6	10,000,000	10,000,000
Current Tax Liabilities		0	0
Total Current Liabilities		10,042,919	10,042,919
Total Non-Current Liabilities		0	0
TOTAL LIABILITIES		10,042,919	10,042,919
NTA (control basis) (pre-tax)		8,590,916	11,033,222
No of shares in Rattoon		38,355,193	38,355,193
NTA per Rattoon Share (control basis) (pre-tax)		\$0.224	\$0.288
Tax provision		0	(732,692)
FITB		0	0
NTA (control basis) (post-tax)		8,590,916	10,300,530
NTA per Rattoon Share (control basis) (post-tax)		\$0.224	\$0.269
Market price Premium / (Discount) to NTA (pre-tax)		(10.7%)	(10.7%)
Value per Rattoon Share (minority basis)		\$0.200	\$0.257

Source: Rattoon unaudited management accounts for FY2006 and PKFCA analysis

Notes:

- 1 *Cash:* In our opinion these items are fairly stated in the accounts and reflect market value.
- 2 *Other assets:* As advised by the management of Rattoon, these items are fairly stated in the accounts and reflect market value.
- 3 *Investment in NSX:* Given that NSX comprises only 2.7% of the total investments, PKFCA considered that the value attributed by the investment would not materially affect the total value of Rattoon and accepts as current market value the value of NSX reported in the unaudited management accounts for FY2006.
- 4 *Investment in Tattersall's:* The value of the equity investment reflects the market value of Tattersall's shares as at 30 June 2006 (Book) and at a price of \$3.22 (Adjusted).

- 5 *Payables:* Based on the accounting controls and regular audit of Rattoon, PKFCA considers the book value of the other liabilities to be fairly stated and reflect the market value.
- 6 *Interest-bearing liabilities:* The interest-bearing borrowing of \$10 million represents a floating bank / rate bill provided by the National Australia Bank Limited. The facility is secured by a first-ranking Registered Mortgage Debenture over the whole of Rattoon's assets. The loan was negotiated on arm's length, commercial terms (and therefore market rates), and therefore the face value is considered current value.

8.3.2 Other Assets

Based on the unaudited management accounts for FY2006, Rattoon has estimated FITB at June 30, 2006 is \$576,861 (refer paragraph 4.7 above). These tax losses (assuming Rattoon meets the conditions for deductions set out in Income Tax Assessment Act 1997) should be available to be utilised by Rattoon whenever it realises its future profits. However, the utilisation of the available tax losses may not occur in the foreseeable future for the following reasons:

- for the financial period ended 31 June 2003 to 31 June 2006, Rattoon has experienced varied profitability;
- based on the unaudited management accounts for FY2006, in its latest financial year ended 30 June 2006, Rattoon reported a loss before tax of \$203,630; and
- Rattoon receives fully franked dividends from its investment in Tattersall's.

We are of the opinion that the tax losses do not have any value.

Based on the above, we have assessed the value of Rattoon based on the unaudited management accounts for FY2006 and the NAV method to be approximately \$8.6 million (or approximately 22 cents per Rattoon Share) as at 30 June 2006. The NAV method produces a marketable control value.

8.4 Rattoon share market trading analysis

We have also reviewed the value of Rattoon Shares by reference to recent share market trading.

The adopting of the market trading price of shares is an appropriate basis for valuation where:

- the shares trade in an efficient market place where 'willing' buyers and sellers readily trade the company's ordinary shares; and
- the market for the company's shares is active and liquid.

In order to assess the reliability of using the traded market price of Rattoon Shares as a basis for valuing Rattoon Shares we considered:

- the 'spread' of ordinary shareholders and the total number of ordinary shares that they hold in the Rattoon;
- the level of trading activity of Rattoon Shares (i.e. the volume of trades as a percentage of the total Shares, and the frequency of the trades);
- the presence of any factors that may indicate that trading in the shares is the result of significant speculative trading; and
- the level of knowledge that the 'willing' buyers and sellers have in respect of the Rattoon and the market in which it operates.

PKFCA reviewed the evidence in relation to the market trading of Rattoon's Shares since its listing on NSX from 21 July 2004 up to 7 July 2006 (being the last active trading day prior to 26 July 2006), (refer paragraph 4.5 above) and we note the following:

- following its debut on the NSX, the share price climbed steadily on a quarter-to-quarter basis and peaked at an average of \$0.58 in March 2005 quarter, followed by a fall to a quarterly average ranging from \$0.20 to \$0.27 per Share thereafter;

- heavy trading activity is observed during the period leading to the acquisition of 1 million shares in NSX in January 2005;
- Rattoon's average closing Share price from 1 July 2006 to 7 July 2006 was \$0.20, giving rise to a market capitalisation of \$7.67 million (based on 38.4 million shares issued as at 7 July 2006);
- although some significant announcements were made, share prices declined gradually from the period January 2005 to June 2005 and stabilised below \$0.30 per share thereafter;
- the Share price is currently trading at its lowest at \$0.20 on 7 July 2006 (being the last active trading day prior to 26 July 2006);
- the VWAP of Rattoon shares in the period 1 January 2006 to 7 July 2006 (being the last day the shares were actively traded prior to 26 July 2006) was approximately \$0.26 each; and
- the VWAP of Rattoon shares in the 60 trading day period to 21 August 2006 was approximately \$0.24 each.

In analysing the liquidity of Rattoon's Share trading we considered the following indicators of liquidity:

- there is relatively low trading volume. The total traded volume since listing is approximately 26.6% of the total Shares;
- the average daily trading volume in Rattoon Shares consistently decreased during the period, falling from approximately 226,740 shares in the June 2004 quarter to 9,669 shares in the June 2006 quarter;
- since listing on NSX on 21 June 2004 until 26 July 2006, Rattoon Shares traded on 260 days out of a total of a 530 trading days;
- the latest reported information indicates that the top 10 Shareholders comprise approximately 56% of the total number of Shares. Therefore there is a limited degree of 'spread' among Rattoon's Shareholders;
- Rattoon bid-offer spread since listing has been between approximately 1.4% and 130.8% with a simple average of 15.7%, a volume weighted average of 9.8% and the bid-offer spread trend line as shown in paragraph 4.5 above displays a rising trend; and
- the average daily turnover figures set out in paragraph 4.5 above indicate an annualised turnover of less than approximately 1.5% of issued shares in the last 12 months.

We have also considered the dilutionary effect of options issued over the shares. Of the 7.9 million options issued, based on the recent share prices, the unlisted options are significantly "out of the money". Therefore the dilutionary effect of these options is immaterial to the overall valuation.

Minority parcels of securities are traded on NSX. Therefore, the traded price reflects a minority interest value. An adjustment for control/significant influence is relevant where the aim is to value the Company as a whole or where the interest being valued may amount to significant influence or control.

The individual interests in Rattoon that will be acquired by GPG and Thorney if the Proposed Transactions are implemented represent significant influence interests and collectively represent a controlling interest. Therefore we have considered the application of an appropriate premium to the observed Share price.

Based on our analysis of recent share market trading activity, in our opinion, the market value of a Rattoon Share is in the range of \$0.20 to \$0.25 each.

8.5 Conclusion

Based on the above, we have assessed the value of a Rattoon Share based on the NAV method to be approximately 22.4 cents on a Book basis and approximately 26.9 cents on an Adjusted basis.

The last market trade on 17 August 2006 was \$0.25 per Rattoon Share, the VWAP in June 2006 was approximately \$0.25 per Rattoon Share and the VWAP in the 60 days to 21 August 2006 was approximately \$0.24 Rattoon Share.

The value of the underlying investment portfolio held in an LIC on a per share basis is usually based on its NTA. The on-market price of an LIC relates to its NTA, but ultimately supply and demand may cause it to differ from the true value of the underlying portfolio. LICs, may therefore trade at a discount, premium or at par to its NTA. However, investors need to be aware that on-market prices may differ from the NTA for a variety of reasons including current market sentiment, the past performance of the LIC and the future expectations for the fund. Also the amount of cash each LIC holds in its investment portfolio may affect the premium or discount to NTA and dilute performance returns.

We note that there may be limitations in using the share price to obtain a fair market value for Rattoon Shares. Accordingly, whilst we have considered the value based on current share prices as a cross check on the reasonableness of the primary valuation of Rattoon based on the NTA method, we note that the market trading price of Rattoon is not likely to fully reflect the fair market value of Rattoon given the limitations associated with the lack of liquidity surrounding recent share market trading.

9 VALUE OF RATTOON AFTER PROPOSED TRANSACTIONS

9.1 Range of possible NTA following implementing the Proposed Transactions

Appendix 3 sets out an analysis of the Book and Adjusted financial positions of Rattoon and a possible range of Statements of Financial Position of Rattoon following implementing the Proposed Transactions, based on various assumptions as to the Issue Price of the Rattoon Shares, the price at which the Tattersall's Shares are acquired and the amount of funds raised in the Capital Raising (referred to as the "**Adjustments**"), the major ones of which are set out in the Notes to Table 50 in Appendix 3. The sum of the Book position and Adjustments equates to the "**Proforma**" position.

Set out in **Appendix 10** is a copy of the calculations for the Base case adopted in this report. Similar calculations have been undertaken for the Low and the High cases set out herein.

10 EVALUATION AND CONCLUSION

10.1 Value considerations

Prior to 21 August 2006 and the announcement of the Proposed Transactions, the VWAP of Rattoon Shares in various periods were as follows:

Table 48: VWAP of Rattoon Shares

VWAP 60 days to 21-Aug-06	VWAP June 2006	VWAP for CY2006
\$0.240	\$0.248	\$0.257

Source: NSX and PKFCA analysis

The latest Rattoon Share price prevailing before 21 August 2006 was approximately 25 cents, which represents a premium of approximately 11.6% to the Book NTA per Share of approximately 22.4 cents as at 30 June 2006.

The various Rattoon Share market prices represent a premium / (discount) to Book NTA as at 30 June 2006 and Adjusted NTA per Shares, as set out in Appendix 3.

10.2 Range of possible NTA following implementation of the Proposed Transactions

Appendix 3 sets out an analysis of the possible range of Statements of Financial Position of Rattoon following implementing the Proposed Transactions, based on various assumptions as to the Issue Price of the Rattoon Shares, the price at which the Tattersall's Shares are acquired and the amount of funds raised in the Capital Raising.

Table 49: Market price Premium / (Discount) to NTA

Rattoon Share market trading prices	Market price Premium / (Discount) to NTA			
	Book	Adjusted Book	Adjusted Book	Adjusted Book
	(pre-tax)	(pre-tax)	(pre-tax)	(post-tax)
Last trade before ACCC Announcement	\$0.20	10.7%	(30.5%)	(25.5%)
Trade after ACCC Announcement	\$0.25	11.6 %	(13.1%)	(6.9%)
VWAP in June 2006	\$0.248	10.9 %	(13.7%)	(7.5%)
VWAP 60 days to 21-08-06	\$0.240	7.0 %	(16.7%)	(10.7%)
VWAP for CY2006	\$0.257	14.6%	(10.8%)	(4.4%)

Source: Rattoon unaudited management accounts for FY2006 and PKFCA analysis

10.3 Summary

In summary, Rattoon's Shares have most recently traded at approximately 20 to 25 cents each, the estimated NTA per Share as at 30 June 2006 was approximately 22.4 cents (Book value) and 28.8 (Adjusted (pre-tax)), 26.9 cents (Adjusted (after tax)) and the estimated NTA per Rattoon Share after implementing the Proposed Transactions ranges between approximately 22.7 cents and 29.8 cents per Share (pre-tax) and 22.5 cents and 29.6 cents per Share (post-tax), depending upon the various assumptions made.

The estimated NTA per Rattoon Share after implementing the Proposed Transactions is less than the estimated NTA per Rattoon Share on an Adjusted basis, with the exception of the High case.

10.4 Advantages and disadvantages

The following is a list of factors that may be considered when determining the advantages and disadvantages of the Proposed Transactions:

10.4.1 Advantages of implementing the Proposed Transactions

Substantial increase in assets

The acquisitions by Rattoon of the GPG's Tattersall's Shares and Thorney's Tattersall's Shares will increase Rattoon's strategic stake of shares in Tattersall's.

Historically, Rattoon has had variable profitability. The Company suffered significant losses in the past and since listing on the NSX has experienced modest operating profitability. The Company has only a modest amount of net assets (refer paragraph 4.8 above).

Making a judgement as to the future profitability of Rattoon largely depends upon making a judgement as to the profitability of its investment activities and ability to raise any necessary additional capital.

Rattoon's cash as at 30 June 2006 was approximately \$926,000 (refer paragraph 4.8 above). In order to make additional investments, given the present cash position of Rattoon, Rattoon will need to raise further funds, which is likely to require an equity raising in some form. Uncertainty exists as to the amount that would be required, that would be possible to raise and the terms of any such raising, in the absence of the Proposed Transactions.

The Proposed Transactions offer a means of relatively quickly achieving a substantial increase in the investment portfolio assets of Rattoon and (providing Tattersall's continues to pay fully franked dividends in line with recent levels) securing a significant fully franked income stream to Rattoon.

Potential earnings impact

Implementing the Proposed Transactions has the potential to provide significant ongoing earnings to Rattoon by increasing the size of its investments. In addition, as set out in Table 3, the Proposed Transactions should be EPS positive. However, there is some degree of risk attached to the earnings of Tattersall's.

Impact on risks

Implementing the Proposed Transactions will result in:

- an injection of significant investment assets and cash and funding to further develop and expand the business, and will ensure that Rattoon may continue in business;
- a reduced level of gearing and thus a lower financial risk profile; and
- result in a significant increase in the size of the company's operations that may improve the attraction of the Company's shares to investors.

10.4.2 Disadvantages of implementing the Proposed Transactions

Substantial dilution of shareholdings of existing Rattoon Shareholders other than GPG and Thorney

The issue of the GPG Consideration Shares and the Thorney Consideration Shares as consideration for the relevant acquisitions and the Capital Raising will result in a dilution of the shareholdings of all other existing Rattoon Shareholders.

If the Proposed Transactions proceed, the proportion of Rattoon's Shares in which GPG and Thorney collectively will have a relevant interest will increase very significantly, resulting in GPG and Thorney each gaining significant influence in Rattoon and collectively gaining control of Rattoon.

Such an interest could deter a takeover offer for Rattoon and prevent a bidder for Rattoon, should one exist, from moving to compulsorily acquire all the shares in Rattoon if GPG and Thorney did not sell their Shares.

Control premium

The Proposed Transactions do not involve GPG and Thorney paying a premium to the assessed value of the equity for the significant influence gained.

10.4.3 Advantages of NOT implementing the Proposed Transactions

Substantial dilution of shareholdings of existing Rattoon Shareholders other than GPG and Thorney

The substantial dilution of shareholdings of existing Rattoon Shareholders other than GPG and Thorney will not occur.

10.4.4 Disadvantages of NOT implementing the Proposed Transactions

The likelihood of an alternative proposal being made

We believe it unlikely that an alternative proposal would be made by another party that could obtain special value from Rattoon. If no alternative proposal is received and the Proposed Transactions are not implemented, this may have an adverse impact on the Rattoon Share price.

Management has advised that there are no alternative courses of action or other sources of finance currently under consideration.

This report was completed immediately prior to the announcement of the Proposed Transactions. It is noted that the Issue Price of new Rattoon Shares will be determined as the VWAP based on the 60 days immediately prior to the date Shareholder approval of the Resolutions is obtained (that is, at the General Meeting). Accordingly:

- we have not had the opportunity to gauge the market reaction to the announcement of the Proposed Transactions (in terms of the movements in the Rattoon Share prices and Rattoon Shareholders should monitor the position in this regard; and
- immediately prior to completion of this report there has not been any opportunity for other parties to come forward to make proposals to Rattoon Shareholders alternative to the Proposed Transactions and Rattoon Shareholders should monitor the position in this regard. Rattoon Directors have advised us that prior to agreeing to put the Proposed Transaction to the consideration of the Rattoon Shareholders, no other proposals had been received by the Company.

Non-associated Shareholders could reject the Proposed Transactions in the hope that a more favourable arrangement could be negotiated. However, as we believe that:

- the Proposed Transactions are otherwise fair and reasonable;
- the Proposed Transactions were negotiated by commercial parties in possession of relevant information and acting at arm's length; and
- we are unaware of any evidence that either GPG or Thorney may be willing to renegotiate the arrangements,

we believe that there is a significant risk that Rattoon would not be able to obtain a more favourable proposal.

10.4.5 Indeterminate

Potential upside and downside

Shareholders will participate in any future increase or decrease in the Share price, which will be largely dependent upon the future investment performance of Tattersall's.

Change in business activity

Implementing the Proposed Transactions will result in Rattoon's changing its business focus and risk profile from that of investment in unlisted Australian entities, which is a risk profile that may be significantly different to some Shareholders' original investment criteria.

10.4.6 Rattoon share price in the absence of the Proposed Transactions

In the absence of the Proposed Transactions, and any other proposal, PKFCA believes that the Rattoon Share market trading price would continue to reflect some discount to the NTA, which in turn, would depend on movements in the values of the Tattersall's shares and NSX shares owned by Rattoon.

10.5 Conclusion

In the opinion of PKFCA, the advantages outweigh the disadvantages of implementing the Proposed Transactions and the disadvantages outweigh the advantages of not implementing the Proposed Transactions.

APPENDIX 1: FINANCIAL SERVICES GUIDE

This Financial Services Guide (“FSG”) is issued in relation to Report prepared by PKFCA at the request of the Directors of Rattoon in relation to the Proposed Transactions that Rattoon acquire GPG’s Tattersall’s Shares and Thorney’s Tattersall’s Shares. The Report is intended to accompany an Explanatory Memorandum that is to be provided by the Directors to the Rattoon shareholders entitled to vote on the Proposed Transactions.

Engagement

PKFCA has been engaged to prepare the Report expressing our opinion as to whether or not the Proposed Transactions are fair and reasonable to the Non-associated Shareholders under Section 611 and NSX Listing Rules 6.43(iii) and 6.25.

Financial Services Guide

PKFCA holds an Australian Financial Services Licence (License No: 247420) (“Licence”). As a result of the Report being provided to you we are required to issue to you, as a retail client, a FSG. The FSG includes information on the use of general financial product advice and is issued so as to comply with our obligations as holder of the Licence.

Financial services we are licensed to provide

The Licence authorises PKFCA to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, to carry on a financial services business to provide general financial product advice for securities and certain derivatives (limited to old law securities, options contracts and warrants) to retail and wholesale clients.

We provide financial product advice by virtue of an engagement to issue the Report in connection with the issue of securities of another person.

The Report includes a description of the circumstances of our engagement and identifies the party who has engaged us. You have not engaged us directly but will be provided with a copy of the Report (as a retail client) because of your connection with the matters on which the Report has been issued.

The Report is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in the Report.

General financial product advice

The Report provides general financial product advice only, and does not provide personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives (either financial or otherwise), your financial position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments. An individual’s decision in relation to the Proposed Transactions described in the Explanatory Memorandum may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

Benefits that we may receive

PKFCA has charged fees for providing the Report. The basis on which our fees will be determined has been agreed with, and our fees will be paid by, the person who engaged us to provide the Report. Our fees have been agreed on either a fixed fee or time cost basis.

Remuneration or other benefits received by our employees

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of PKFCA or related entities but any bonuses are not directly connected with any assignment and in particular are not directly related to the engagement for which our Report was provided.

Referrals

We do not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

PKFCA is the licensed corporate advisory arm of PKF New South Wales, Chartered Accountants and Business Advisers. The directors of PKFCA may also be partners in PKF New South Wales, Chartered Accountants and Business Advisers.

PKF New South Wales, Chartered Accountants and Business Advisers is comprised of a number of related entities that provide audit, accounting, tax and financial advisory services to a wide range of clients.

PKFCA’s contact details are as set out on our letterhead.

Complaints resolution

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, PKF Corporate Advisory Services (NSW) Pty Ltd, Level 10, 1 Margaret Street, Sydney NSW 2000.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical.

If we cannot reach a satisfactory resolution, you can raise your concerns with the Financial Industry Complaints Service (“FICS”). FICS is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. PKFCA is a member of FICS. FICS may be contacted directly via the details set out below.

Financial Industry Complaints Service Limited
PO Box 579
Collins Street West
Melbourne VIC 8007
Toll free: 1300 78 08 08
Facsimile: (03) 9621 2291

Email: www.fics@fics.asn.au

APPENDIX 2: SOURCES OF INFORMATION

In preparing this report we have had access to and relied upon the following principal sources of information:

- annual reports of Rattoon for the three years ended 30 June 2005, the half year reports for the 6 months ended 31 December 2003 to 2005, both inclusive and unaudited management accounts for the year ended 30 June 2006;
- prospectus issued by Tattersall's in relation to its listing on the ASX;
- annual report of Tattersall's for the year ended 30 June 2005 and the half year report for the 6 months ended 31 December 2005;
- annual reports of NSX for the four years ended 30 June 2006 and the half year reports for the 6 months ended 31 December 2003 to 2005, both inclusive;
- various announcements to the NSX or ASX (as applicable) by each of Rattoon, NSX, and Tattersall's;
- Management information relating to Rattoon;
- internet sites of each of Rattoon, NSX, and Tattersall's;
- recent press articles and other publicly available information on Tattersall's and Rattoon and the Australian wagering and gaming industry and various participants in the industry and brokers reports on Tattersall's;
- details of Rattoon's shareholders and option holders and share and options registers;
- historical trading volumes and prices of Rattoon's Shares and options traded on the NSX;
- historical trading volumes and prices of Tattersall's Shares and options traded on the ASX;
- publicly available economic research publications;
- publicly available information published by Bloomberg.

In addition to the above, PKFCA has had various discussions with various directors of Rattoon regarding the nature of Rattoon's businesses, operations, financial positions and prospects.

APPENDIX 3: MORE DETAILED CALCULATIONS UNDERLYING TABLE 2

Table 50: More detailed calculations underlying comparison of values of Tattersall's Shares

	Book 30/06/2006	Adjusted 30/06/2006 Pro forma	Low case value Pro forma	Mid case #1 value Pro forma	Mid case #2 value Pro forma	High case value Pro forma
	\$	\$	\$	\$	\$	\$
Current Assets						
Cash Assets	925,843	925,843	5,925,843	7,425,843	7,425,843	8,925,843
Other	35,456	35,456	35,456	35,456	35,456	35,456
Total Current Assets	961,299	961,299	5,961,299	7,461,299	7,461,299	8,961,299
Non Current Assets						
Investments - NSX	480,000	480,000	432,000	480,000	480,000	528,000
Investments - TTS	17,192,536	19,634,842	139,455,442	149,630,635	159,730,870	168,628,590
Deferred Tax Assets	0	0	0	0	0	0
Total Non-Current Assets	17,672,536	20,114,842	139,887,442	150,110,635	160,210,870	169,156,590
TOTAL ASSETS	18,633,835	21,076,141	145,848,741	157,571,934	167,672,169	178,117,889
Current Liabilities						
Payables	42,919	42,919	42,919	42,919	42,919	42,919
Interest Bearing Liabilities	10,000,000	10,000,000	30,246,360	30,246,360	30,246,360	30,246,360
Current Tax Liabilities	0	0	0	0	0	0
Total Current Liabilities	10,042,919	10,042,919	30,289,279	30,289,279	30,289,279	30,289,279
Total Non-Current Liabilities	0	0	0	0	0	0
TOTAL LIABILITIES	10,042,919	10,042,919	30,289,279	30,289,279	30,289,279	30,289,279
NTA (control basis) (pre-tax)	8,590,916	11,033,222	115,559,462	127,282,655	137,382,890	147,828,610
No of shares in Rattoon	38,355,193	38,355,193	509,752,754	523,593,691	529,938,317	496,397,311
NTA per Rattoon Share (control basis) (pre-tax)	\$0.224	\$0.288	\$0.227	\$0.243	\$0.259	\$0.298
Tax provision	0	(732,692)	(732,692)	(732,692)	(732,692)	(732,692)
FITB	0	0	0	0	0	0
NTA (control basis) (post-tax)	8,590,916	10,300,530	114,826,770	126,549,963	136,650,199	147,095,918
NTA per Rattoon Share (control basis) (post-tax)	\$0.224	\$0.269	\$0.225	\$0.242	\$0.258	\$0.296
Market price Premium / (Discount) to NTA (pre-tax)	(10.7%)	(10.7%)	(5.0%)	(10.0%)	(10.0%)	(15.0%)
Market Value per Rattoon Share (minority basis)	\$0.200	\$0.257	\$0.215	\$0.219	\$0.233	\$0.253
Market price Premium / (Discount) to NTA (pre-tax)	11.6%	11.6%				
Market Value per Rattoon Share (minority basis)	\$0.250	\$0.321				\$0.200
Market price Premium / (Discount) to NTA						
Rattoon Share market trading prices	Book (pre-tax)	Adjusted Book (pre-tax)	Adjusted Book (post-tax)			
Last trade before ACCC Announcement	\$0.200	(10.7%)	(30.5%)	(25.5%)		
Trade after ACCC Announcement	\$0.250	11.6%	(13.1%)	(6.9%)		
VWAP in June 2006	\$0.248	10.9%	(13.7%)	(7.5%)		
VWAP 60 days to 21-08-06	\$0.240	7.0%	(16.7%)	(10.7%)		
VWAP for CY2006	\$0.257	14.6%	(10.8%)	(4.4%)		

Source: Rattoon unaudited management accounts for FY2006 and PKFCA analysis

Notes to Table 50

Note 1: Cash

- Low value Only underwritten Capital Raising amount raised - \$5M.
- Base Case value Mid-point between Low value and High value.
- High value All Capital Raising amount raised (underwritten and non-underwritten) - \$8M.

Note 2: Investments - NSX

Adopted Values + / - %

- Low value \$0.54 -10.00%
- Mid-point value \$0.60
- High value \$0.66 10%
- Book value (30/06/06) \$0.60

Note 3: Investments - Tattersall's

	Adopted Values	Earnings-based (minority basis)	VWAP 60 days to 21-Aug_06	VWAP Post Tabcorp announcement	VWAP Post-UNITAB announcement - Pre Tabcorp announcement	Last trade 4-Aug_06	Deloitte value range - UNITAB IER
- Low value	\$2.81	2.81		2.80		2.76	\$3.10
- Mid-value#1	\$3.02	3.02	2.95				
- Mid-value#2	\$3.22	3.22			3.22		
- High value	\$3.40						\$3.40
- Book value (30/06/06)	\$2.82						
- Book value (Adjusted)	\$3.22						

Note 4: No Rattoon Shares

	Adopted Values	+ / - %	VWAP 60 days to 21-Aug_06	VWAP June 2006	VWAP for CY06	Adjusted Book - 30/06/06
- Low value	\$0.23	-5.00%				
- Mid-value#1	\$0.24		0.24			
- Mid-value#2	\$0.25	5%		0.248	0.257	
- High value	\$0.29					0.288

Note 5: Ignoring tax liabilities on gain in value of Tattersall's investment

Note 6: Interest Bearing Liabilities Additional borrowings to purchase additional 7.1 million Tattersall's Shares for cash totalling \$20,246,360.

Source: Rattoon unaudited management accounts for FY2006 and PKFCA analysis

APPENDIX 4: MORE DETAILED CALCULATIONS UNDERLYING TABLE 3

Table 51: More detailed calculations underlying estimated annualised prospective income

Annualised prospective income	Present position	After Proposed Transactions Low	After Proposed Transactions Mid case #1 value	After Proposed Transactions Mid case #2 value	After Proposed Transactions High
Estimated annual fully franked dividend income					
Annual fully franked Tattersall's dividend per share (estimated)	\$0.15	\$0.15	\$0.15	\$0.15	\$0.15
Number of Tattersall's shares held	6,096,644	49,596,644	49,596,644	49,596,644	49,596,644
Estimated annual fully franked dividend income	\$914,497	\$7,439,497	\$7,439,497	\$7,439,497	\$7,439,497
Estimated annual interest income					
Cash/deposits (Note 1)	\$925,843	5,925,843	7,425,843	7,425,843	8,925,843
Interest income % pa	5%	5%	5%	5%	5%
Estimated annual interest income	\$46,292	\$296,292	\$371,292	\$371,292	\$446,292
Total estimated annual maintainable income	\$960,789	\$7,735,789	\$7,810,789	\$7,810,789	\$7,885,789
Estimated annual interest expense					
- Principal amount	\$10,000,000	\$30,246,360	\$30,246,360	\$30,246,360	\$30,246,360
- Annual interest rate % pa	6.90%	6.90%	6.90%	6.90%	6.90%
Estimated annual interest expense	\$690,000	\$2,086,999	\$2,086,999	\$2,086,999	\$2,086,999
FY 2006 Total expenses from continuing operations, excluding borrowing costs	\$232,247	\$232,247	\$232,247	\$232,247	\$232,247
Total estimated annual maintainable expenses	\$922,247	\$2,319,246	\$2,319,246	\$2,319,246	\$2,319,246
Estimated annual net income, before tax	\$38,542	\$5,416,543	\$5,491,543	\$5,491,543	\$5,566,543
Estimated # Rattoon Shares on issue					
- Present	38,355,193				
- Low		509,752,754	517,336,156	523,978,760	485,968,301
- Mid		516,339,633	523,593,691	529,938,317	491,182,806
- High		522,926,512	523,593,691	535,897,874	496,397,311
EPS (pre-tax)					
- Present	\$0.001				
- Low		\$0.011	\$0.011	\$0.010	\$0.011
- Mid		\$0.010	\$0.010	\$0.010	\$0.011
- High		\$0.010	\$0.010	\$0.010	\$0.011
EPS Increment/(decrement)					
- Low		\$0.010	\$0.010	\$0.009	\$0.010
- Mid		\$0.009	\$0.009	\$0.009	\$0.010
- High		\$0.009	\$0.009	\$0.009	\$0.010

Source: Unaudited management accounts of Rattoon for FY 2006 and PKFCA analysis

Note 1: After Proposed Transactions cash raised in Capital Raising assumed held on deposit.

APPENDIX 5: INFORMATION ON NSX LIMITED

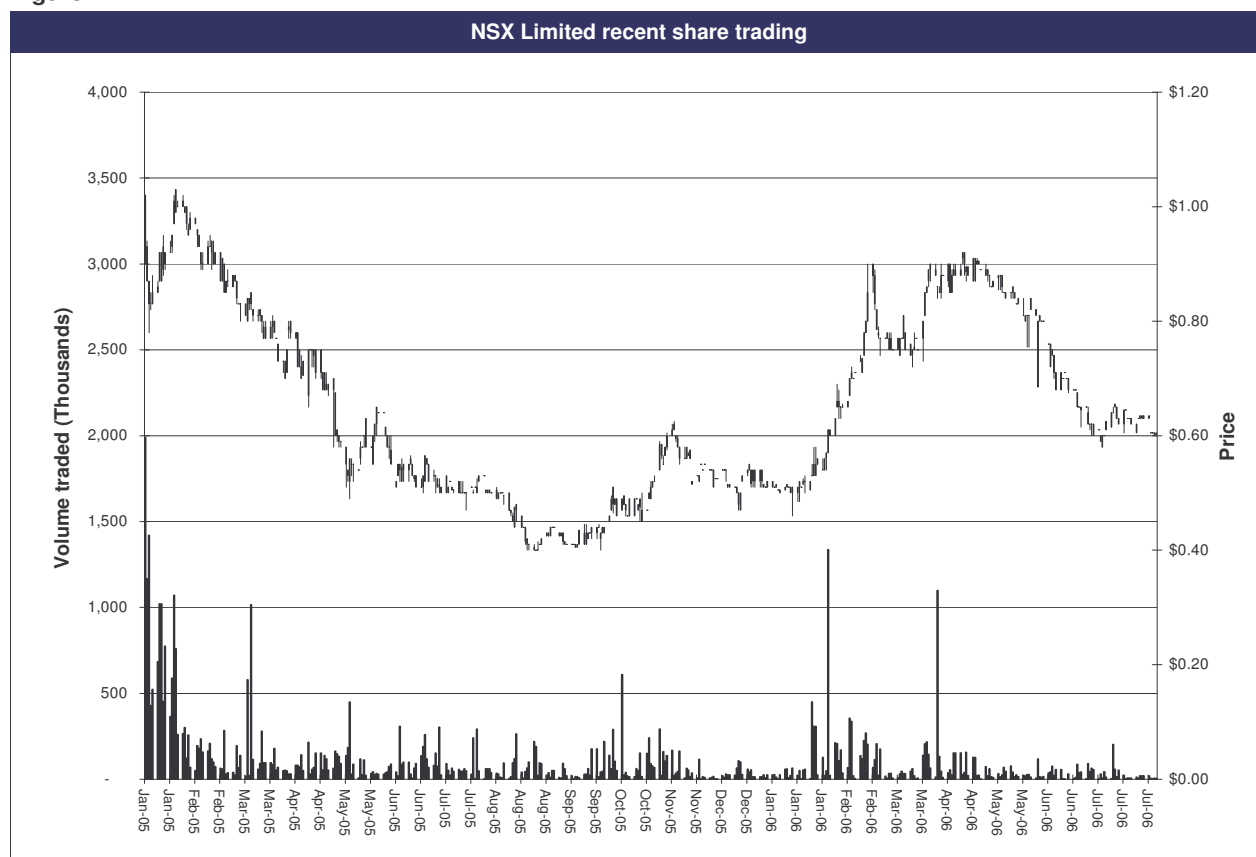
In the half year ended 31 December 2005 NSX Limited reported:

- the consolidation of NSX and BSX operations occurred;
- revenue from operating activities was \$870,772 (compared with \$289,600 for the half year ended 31 December 2004). The increase in revenue reflects NSX success in attracting not only new securities to list on the exchange (currently 81), but additionally NSX success in attracting brokers (currently 12) and nominated advisors (over 25) to become associated with the NSX;
- a loss before income tax of \$400,904 (compared with a loss of \$22,280 in the half year ended 31 December 2004). This increase resulted primarily from non-recurring expenses following the integration of NSX and BSX activities. It is expected that the integration process will result in long term benefits;
- in the pursuit of developing new and innovative markets NSX Limited entered into a Joint Venture (JV) agreement with COM-AGEX Asia Pty Ltd (announced 22 February 2006), the purpose of which is to establish an international derivatives exchange to service the needs of the region. The JV is tasked with pursuing a business model which establishes an Asian Commodities and Agriculture Electronic Derivatives Exchange under the umbrella of an Australian Market License environment. It is expected that the new Derivatives Exchange will create and trade a range of specially designed benchmark instruments and financial products on an integrated futures and options trading platform. The growth strategy is driven by the view of the renewed significance of commodities as a formal true alternative asset class. NSX Limited considers that the Derivatives Exchange will be sufficiently differentiated from other Exchanges by way of product and user market focus;
- the Net tangible asset backing per ordinary share at 31 December 2005 was 22.68 cents and as at 31 December 2004 was 4.72 cents
- the Consolidated Statement of Cash Flows for the half year ending 31st December 2005 shows a negative cash flow for the period of \$338,574 and a cash balance at that date of \$11,350,539;
- Basic and diluted earnings per share (cents per share) at 31 December 2005 were (0.81) and as at 31 December 2004 were (0.13).

On 6 April 2006, Thorney Pty Limited lodged notice that it had become a substantial shareholder in NSX Limited, with 3,460,695 shares representing 7% of the voting power in the company.

Figure 12 sets out the recent trading in NSX Limited shares on the ASX:

Figure 12



Source: Bloomberg

In the release regarding the financial report for the half year ended 31 December 2005 NSX Limited reported the following trading statistics:

Table 52: NSX Limited Trading Statistics

As at	June 2002	June 2003	June 2004	June 2005 Note 1	December 2005 Note 1
Listed Securities (No.)	10	13	27	73	87
Market Capitalisation (\$m)	8	83	232	564	747
Period	FY02	FY03	FY04	FY05	6 months to Dec 2005
Volume Traded ('000 shares)	81.9	804.1	13,252	47,303	16,027
Value Traded (\$'000)	20.9	366.3	3,893	18,604	4,634
Number of Trades (No.)	33	59	396	1,754	421
Average Volume Per Trade ('000)	2.5	13.6	33.5	27	38
Average Price Per Share (\$)	\$0.25	\$0.45	\$0.29	\$0.39	\$0.32
Note 1: from 2005 all figures include BSX data.					

Source: NSX Limited

APPENDIX 6: LISTED COMPARABLE COMPANIES

Table 53: Listed investment companies – valuation parameters

		Reporting Date	2005 EBITDA	2006 EBITDA	2007 EBITDA	2005 EBITDA	2006 EBITDA	2007 EBITDA
			\$m	\$m	\$m	\$m	x	x
UNiTAB	AUD	06/2005	2102.9	108.8	165.4	177.8	19.3	12.7
Tabcorp Holdings Limited	AUD	06/2005	10220.1	991.1	1062.8	1121.7	10.3	9.6
Aristocrat Leisure	AUD	12/2005	5349.9	394.9	415.4	546.0	13.5	12.9
Ainsworth Game Technology	AUD	06/2005	118.8	0.3	13.4	15.2	nm	8.9
eBet Limited	AUD	06/2005	27.2	1.9	na	na	14.0	na
Betcorp Limited	AUD	12/2005	26.4	4.0	na	na	6.6	na
Reef Casino Trust	AUD	12/2005	190.1	17.7	na	na	10.8	na
Sky City Entertainment	NZD	06/2005	3291.9	274.2	307.8	334.2	12.0	10.7
WMS Industries Inc	USD	06/2005	856.5	71.1	106.4	134.2	12.0	8.1
Scientific Games Corporation	USD	12/2005	3458.1	197.8	278.8	337.9	17.5	12.4
Average							12.9	10.7
Median							12.0	10.7

Source: Bloomberg

1. The enterprise values were calculated by summing the total of the net borrowings at the company's most recent reporting date and the market capitalisation at 8 August 2006.
2. Earnings were taken from the last annual report.
nm not meaningful

APPENDIX 7: LISTED COMPANY DESCRIPTIONS

UNITAB Limited provides wagering and betting services in Australia. The Company holds a license to operate both on-course and off-course totalisators for race wagering in Queensland and also to conduct sports betting. The Company also offers interactive trade betting through the Internet and telephone and other services including Keno, FootyTAB and fixed odds sports betting products.

TABCORP Holdings Limited provides wagering and gaming services and facilities. The Company's wagering division sells totalisator bets on horse and greyhound racing and totalisator and fixed odds bets on sporting events and are offered through a network of retail and on-course outlets and by telephone. The gaming division owns and operates gaming machines in hotels and clubs.

Aristocrat Leisure Limited manufactures and sells gaming machines under the "Aristocrat" brand name in Australia and internationally. The Company also supplies gaming systems, software, table gaming equipment and other gaming related products and services to casinos, clubs and hotels.

Ainsworth Game Technology Limited designs, develops and manufactures gaming machines and games combination software and other related equipment for the gaming industry in Australia. Products include the Ambassador video gaming machines, video games and Embassy Jackpot systems.

eBet Limited is an Internet gaming and wagering company. eBet develops and markets gaming systems products and solutions such as player tracking, machine management and cards for gaming machines. The Company also develops and offers online gaming.

Betcorp Limited is a licensed sports betting organization based in Australia. The Company provides online and telephone based betting services from an array of international sports to bettors in North America, Australia and Asia.

Reef Casino Trust operates The Reef Hotel Casino Complex in Cairns, North Queensland. The complex includes a 128-room hotel, nightclub, a conservatory, a gaming area, lounge and bar, restaurants and conference facilities.

Sky City Entertainment Group Limited owns and operates the Sky City entertainment facility in Auckland. The facility includes Sky City Casino, Sky Tower, Sky City Hotel, restaurants and bars, conference facilities, a 700 seat theatre, car parking and an inter-city bus terminal. Sky City also owns the Sky City Adelaide and Sky City Darwin casinos in Australia.

WMS Industries Inc. designs, manufactures, sells, and leases gaming machines and video lottery terminals. The Company's products are distributed throughout the United States and internationally.

Scientific Games Corporation provides services, systems, and products to both the pari-mutuel gaming and instant ticket lottery industries. The Company operates an instant ticket and online lottery products, systems, and services business. Scientific also operates wagering and communications, venue management, and telecommunications products businesses.

APPENDIX 8: M&A COMPANY DESCRIPTIONS

Stargames – Shuffle Master Inc

In March 2006, Shuffle Master Inc acquired all the remaining shares of Stargames Limited for a cash consideration of \$1.55 per share. Stargames designs, manufactures and markets electronic gaming machines, gaming technologies and related gaming services. Shuffle Master, a manufacturer of automatic card shuffles based in Las Vegas, expects the acquisition will increase its presence in the Australasian region and provide it with access to a product line that will be potentially attractive to major Australasian customers as well as to other customers outside the region.

Burswood – PBL

In September 2004, Publishing and Broadcasting Limited (PBL) acquired the remaining 84.40% of Burswood for a cash consideration of \$1.40 per share. Burswood operates the Burswood complex, comprising the Casino, Hotel, Convention Centre, Theatre and Dome and the development of land held for resale. PBL is involved in television production and broadcasting; magazine publishing and distribution; gaming and entertainment; and investment in the internet, pay television, and other media and entertainment sectors. PBL intends to enhance Burswood's casino business (without making major changes to it), such as improving international and local gaming operations, enhancing overseas and interstate marketing, and improving IT systems.

TAB – Tabcorp

On 23 February 2004 Tabcorp announced a takeover offer of \$2.00 cash plus between 0.20 and 0.22 Tabcorp shares for each Tab share held. The implied value of TABCORP's offer is \$4.50 per TAB share. Tab provides totalisator and wagering services within NSW. Tab also has interests in the NSW gaming industry, and in local and international horseracing broadcasting through its media interests. Tabcorp Holdings offers a wide range of gambling and entertainment products such as Star City and Jupiter's casinos, TAB, Tabaret, Keno and TAB Sportsbet. Tabcorp expects to gain operational synergies and enhance the merged group's position as Australia's premier gambling and entertainment group.

Casinos Austria – Casinos Austria Holdings

In July 2004, Casinos Austria International Holdings Limited ("Casinos Holdings") completed its takeover offer of the remaining 30.3% Casinos Austria International Limited ("CAIL") shares for \$1 cash consideration. CAIL was a listed Australian company operating a portfolio of 20 casinos located in Australia, Canada, South Africa, Egypt, the Palestinian Territories, Argentina, Venezuela, India and on board cruise ships. CAIL was established as an Australian business unit of Casinos Holdings to operate a portfolio casinos located in Australia, Canada, South Africa, Egypt, the Palestinian Territories, Argentina, Venezuela, India and on board cruise ships. Casino Holdings held development rights to operate land based and ship based casinos for all geographical areas outside Europe. The acquisition was expected to improve efficiency and reduce costs by consolidating its global casino operations.

Jupiter's - Tabcorp

In November 2003, Tabcorp completed its takeover offer for Jupiter's via a scheme of arrangement. Jupiter's has interests in tourism, leisure and gaming such as hotel and casino operations in Brisbane and the Gold Coast, a casino investment in Townsville, and extensive interests in electronic gaming and technology. The acquisition was expected to provide the merged group with growth opportunities, synergies, increased scale, business diversity and enhanced financial strength.

APPENDIX 9: VALUATION METHODS

In conducting our assessment of the value of the various assets considered in this report, the following commonly used business and equity valuation methods have been considered:

Discounted Cash Flow Method

The discounted cash flow (“DCF”) method is based on the premise that the value of a business or any asset is represented by the present value of its future cash flows. It requires two essential elements:

- the forecast of future cash flows of the business asset for a number of years (usually five to 10 years); and
- the discount rate that reflects the riskiness of those cash flows used to discount the forecast cash flows back to net present value (“NPV”).

DCF is appropriate where:

- the businesses’ earnings are capable of being forecast for a reasonable period (preferably five to 10 years) with reasonable accuracy;
- earnings or cash flows are expected to fluctuate significantly from year to year;
- the business or asset has a finite life;
- the business is in a ‘start up’ or in early stages of development;
- the business has irregular capital expenditure requirements;
- the business involves infrastructure projects with major capital expenditure requirements; or
- the business is currently making losses but is expected to recover.

Capitalisation of Future Maintainable Earnings Method

This method involves the capitalisation of estimated future maintainable earnings by an appropriate multiple. Maintainable earnings are the assessed sustainable profits that can be derived by the vendor’s business and excludes any one off profits or losses. An appropriate earnings multiple is assessed by reference to market evidence as to the earnings multiples of comparable companies.

This method is suitable for the valuation of businesses with indefinite trading lives and where earnings are relatively stable or a reliable trend in earnings is evident.

Net Realisable Value of Assets

Asset based valuations involve the determination of the fair market value of a business based on the net realisable value of the assets used in the business.

Valuation of net realisable assets involves:

- separating the business or entity into components which can be readily sold, such as individual business units or collection of individual items of plant and equipment and other net assets; and
- ascribing a value to each based on the net amount that could be obtained for this asset if sold.

The net realisable value of the assets can be determined on the basis of:

- *orderly realisation*: this method estimates fair market value by determining the net assets of the underlying business including an allowance for the reasonable costs of carrying out the sale of assets, taxation charges and the time value of money assuming the business is wound up in an orderly manner. This is not a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value;
- *liquidation*: this is a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value; or
- *going concern*: the net assets on a going concern method estimates the market value of the net assets but does not take into account any realisation costs. This method is often considered appropriate for the valuation of an investment or property holding company. Adjustments may need to be made to the book value of assets and liabilities to reflect their going concern value.

The net realisable value of a trading company’s assets will generally provide the lowest possible value for the business. The difference between the value of Rattoon’s identifiable net assets (including identifiable intangibles) and the value obtained by capitalising earnings is attributable to goodwill.

The net realisable value of assets is relevant where a company is making sustained losses or profits but at a level less than the required rate of return, where it is close to liquidation, where it is a holding company, or where all its assets are liquid. It is also relevant to businesses which are being segmented and divested and to value assets that are surplus to the core operating business. The net realisable assets methodology is also used as a check for the value derived using other methods.

These approaches ignore the possibility that Rattoon's value could exceed the realisable value of its assets.

Share Market Trading History

The application of the price that a company's shares trade on the NSX is an appropriate basis for valuation where:

- the shares trade in an efficient market place where 'willing' buyers and sellers readily trade Rattoon's shares; and
- the market for Rattoon's shares is active and liquid.

Constant Growth Dividend Discount Model

The dividend discount model works best for:

- firms with stable growth rates;
- firms which pay out dividends that are high and approximate free cash flow to equity;
- firms with stable leverage; and
- firms where there are significant or unusual limitations to the rights of shareholders.

Special Value

Special value is the amount which a potential acquirer may be prepared to pay for a business in excess of the fair market value. This premium represents the value to the potential acquirer of potential economies of scale, reduction in competition or other synergies arising from the acquisition of the asset not available to likely purchases generally. Special value is not normally considered in the assessment of fair market value as it relates to the individual circumstances of special purchases.

APPENDIX 10: MID CASE #1 CALCULATIONS

Table 54: Mid Case #1 Calculations

GPG Consideration Shares		(A x B) / C 229,061,257
<i>The number of shares in Rattoon to be issued to GPG</i>		
A (the number of Tattersalls shares being acquired by Rattoon from GPG in return for Rattoon Shares)	18,200,000	
B (the volume weighted average price of Tattersall's shares of the same class as GPG's Tattersall's Shares sold on the Australian Stock Exchange (excluding any special crossings) during the 60 trading days immediately prior to the date shareholder approval of this resolution is obtained)	3.02	
C (the volume weighted average price of Ordinary Shares in Rattoon sold on the Newcastle Stock Exchange (excluding any special crossings) during the 60 trading days immediately prior to the date shareholder approval of this resolution is obtained)	0.240	
Thorney Consideration Shares		(A x B) / C 229,061,257
<i>The number of shares in Rattoon to be issued to Thorney</i>		
A (the number of Tattersalls shares being acquired by Rattoon from Thorney in return for Rattoon Shares)	18,200,000	
B (the volume weighted average price of Tattersall's shares of the same class as Thorney's Tattersall's Shares sold on the Australian Stock Exchange (excluding any special crossings) during the 60 trading days immediately prior to the date shareholder approval of this resolution is obtained)	3.02	
C (the volume weighted average price of Ordinary Shares in Rattoon sold on the Newcastle Stock Exchange (excluding any special crossings) during the 60 trading days immediately prior to the date shareholder approval of this resolution is obtained)	0.240	
Rattoon issued shares (30 June 2006)	38,355,193	
Rattoon issued options (30 June 2006)	9,700,000	

Rattooon's shareholding in NSX Limited	800,000					
Rattooon's shareholding in Tattersalls	6,096,644	0.86%				
GPG's holding in Tattersall's	21,750,000	3.08%				
Thorney's holding in Tattersall's	21,750,000	3.08%				
	49,496,644	7.02%				
Current holdings in Rattooon						
GPG's holding in Rattoon	7,743,480	20.2%				
Thorney's holding in Rattoon	4,447,814	11.6%				
	12,191,294	31.8%				
Prospective holdings in Rattoon						
GPG's holding in Rattoon						
- Current	7,743,480					
- New	229,061,257					
Total	236,804,737					
Thorney's holding in Rattoon						
- Current	4,447,814		Underwritten	5,000,000	0.240	20,858,450
- New	229,061,257		Further subscriptions	3,000,000	0.240	12,515,070
Total	233,509,071					
Total GPG & Thorney holding in Rattooon	470,313,807					

Rattoon shares - LOW - assuming \$5M Capital Raising		Shareholdings	Current - Other than GPG & Thorney	Capital Raising	GPG	Thorney	Total
Current - GPG	7,743,480	Current	68.2%	0.0%	20.2%	11.6%	100.00%
Current - Thorney	4,447,814						
Current - Other than GPG & Thorney	26,163,899	Expanded	5.1%	4.0%	45.8%	45.1%	100.00%
Current - Total	38,355,193						
New - GPG	229,061,257						
New - Thorney	229,061,257						
New - Capital Raising - Underwritten \$5M	20,858,450						
New - Capital Raising - No Further subscriptions	0						
Total	517,336,156						
Rattoon shares - MID - assuming \$6.5M Capital Raising		Shareholdings	Current - Other than GPG & Thorney	Capital Raising	GPG	Thorney	Total
Current - GPG	7,743,480	Current	68.2%	0.0%	20.2%	11.6%	100.00%
Current - Thorney	4,447,814						
Current - Other than GPG & Thorney	26,163,899	Expanded	5.0%	5.2%	45.2%	44.6%	100.00%
Current - Total	38,355,193						
New - GPG	229,061,257						
New - Thorney	229,061,257						
New - Capital Raising - Underwritten \$5M	20,858,450						
New - Capital Raising - Half Further subscriptions - \$1.5M	6,257,535						
Total	523,593,691						

Rattoon shares - HIGH - assuming \$8M Capital Raising		Shareholdings	Current - Other than GPG & Thorney	Capital Raising	GPG	Thorney	Total
Current - GPG	7,743,480	Current	68.2%	0.0%	20.2%	11.6%	100.00%
Current - Thorney	4,447,814						
Current - Other than GPG & Thorney	26,163,899	Expanded	4.9%	6.3%	44.7%	44.1%	100.00%
Current - Total	38,355,193						
New - GPG	229,061,257						
New - Thorney	229,061,257						
New - Capital Raising - Underwritten \$5M	20,858,450						
New - Capital Raising - All Further subscriptions - \$3M	12,515,070						
Total	529,851,226						

Source: PKFCA

APPENDIX 11: QUALIFICATIONS DECLARATIONS AND CONSENTS

Qualifications

PKFCA is the licensed corporate advisory arm of PKF New South Wales, Chartered Accountants and Business Advisers. PKFCA provides advice in relation to all aspects of valuations and has extensive experience in the valuation of corporate entities.

Mr Vince Fayad B.Bus, CA, is a Director of PKFCA. Mr Fayad is also a Partner of PKF New South Wales. Mr Fayad has been actively involved in the preparation of this report. Mr Fayad has over 25 years experience in a number of specialist corporate advisory activities including company valuations, due diligence investigations, preparation and review of business feasibility studies, public company floats, accounting, advising on mergers and acquisitions, advising on independence expert reports, preparation of information memoranda and other corporate investigations. Accordingly, Mr Fayad is considered to have the appropriate experience and professional qualifications to provide the advice offered.

Independence

PKFCA is not aware of any matter or circumstance that would preclude it from preparing this report on the grounds of independence either under regulatory or professional requirements. In particular, we have had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and ASIC. PKFCA considers itself to be independent in terms of PN 42 – Independence of Experts' Reports, issued by ASIC.

Neither PKFCA, nor its owner practice, PKF New South Wales, has acted for Rattoon with regard to any matter in the past. In particular, neither PKFCA nor PKF (or any other PKF related party) has provided Rattoon with any services or advice with regard to past valuations for the purpose for which this report is required. PKFCA has not held and, at the date of this report, does not hold any shareholding in or other relationship with Rattoon that could be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transactions.

PKFCA has previously undertaken a number of valuation reports for Australian subsidiaries of GPG in relation to other investments held by it. In addition, the ultimate owner of PKFCA, PKF Chartered Accountants & Business Advisers provides certain accounting and tax compliance services to Australian subsidiaries of GPG. PKFCA does not believe that the above services represent a conflict of interest to it, nor impair its ability to provide objective advice. PKFCA confirms that it has not provided any advice to GPG in relation to the Proposed Transactions.

PKFCA will receive a fee based on time spent in respect of the preparation of this report. PKFCA will not receive any fee contingent upon the outcome of the Proposed Transactions, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Proposed Transactions.

Two drafts of this report were provided to the Directors of Rattoon for review of factual accuracy. Certain changes were made to the report as a result of the circulation of the draft reports. However, no changes were made to the methodology, conclusions or recommendations made to the Non-associated Shareholders as a result of issuing the draft reports.

Disclaimer

This report has been prepared at the request of the Directors of Rattoon and was not prepared for any purpose other than that stated in this report. This report has been prepared for the sole benefit of the Directors of Rattoon and Rattoon shareholders. Accordingly, this report and the information contained herein may not be relied upon by anyone other than the Directors of Rattoon and Rattoon shareholders without the written consent of PKFCA. PKFCA accepts no responsibility to any person other than the Directors of Rattoon and Rattoon shareholders in relation to this report.

The statements and opinions contained in this report are given in good faith and are based upon PKFCA's consideration and assessment of information provided by the Directors, executives and management of Rattoon.

