



Tabcorp Holdings Limited
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9 August 2012

To: Australian Securities Exchange
Companies Announcements Platform
20 Bridge Street
Sydney NSW 2000

RESULTS FOR ANNOUNCEMENT TO THE MARKET

TABCORP PRELIMINARY FINAL REPORT FOR THE FULL YEAR ENDED 30 JUNE 2012

In accordance with the ASX Listing Rules 4.3A, the following information in respect of the year ended 30 June 2012 is transmitted for lodgement:

1. Media Release; and
2. Directors' Report and Financial Report.

The Directors have declared a final dividend of 11 cents per share fully franked at the company tax rate of 30% to be paid on 26 September 2012. The dividend record date for the purpose of entitlement to the final dividend will be 22 August 2012. The ex-dividend date is 16 August 2012.

The Directors decided to continue the operation of the Company's Dividend Reinvestment Plan (DRP) for the final dividend. There will be no discount and no underwriting applicable to the DRP. The price at which shares will be issued under the DRP for the final dividend is the daily volume weighted average market price of Tabcorp shares sold in the ordinary course of trading on the Australian Securities Exchange over a period of ten business days beginning on the second business day after the dividend record date. To participate in the DRP at the final dividend, DRP elections must be received by Tabcorp's share registry (Link Market Services Limited) by the end of the record date. Information regarding the DRP can be found on the company's website at www.tabcorp.com.au.

Kerry Willcock
Executive General Manager – Corporate, Legal and Regulatory

Enc.

* * * * *
* 9 August 2012 * * * * *

Tabcorp 2012 full year results

Highlights

- Net Profit After Tax (NPAT) from continuing operations, \$340.0 million, up 12.7%¹
- Earnings Before Interest and Tax (EBIT) from continuing operations \$591.7 million, up 5.2%²
 - Revenues up 3.1%
 - Variable contribution up 5.4%
 - Operating expenses up 5.2%
- Earnings Per Share from continuing operations 47.6 cents, up 4.6%², following capital management activities
- Full year dividend of 24 cents per share, including final dividend of 11 cents per share. Pay out ratio 50.9% of NPAT
- Awarded new Victorian Wagering and Betting Licence – set for smooth transition on 16 August 2012
- Successfully launched new Victorian Keno business in April 2012, with more than 600 venues now live
- Tabcorp Gaming Solutions (TGS) sign-ups exceed 8,500 EGMs
- Strong revenue growth continued in fixed odds, Trackside and Luxbet. Retail wagering and online turnover also grew
- FY13 debt maturities refinanced

Group performance overview

Tabcorp Holdings Limited today announced NPAT from continuing operations of \$340.0 million, up 12.7%¹, for the year to 30 June 2012. The result reflects underlying earnings growth and lower interest expense following the demerger.

EBIT from Tabcorp's continuing operations was \$591.7 million, up 5.2%², supported by strong EBIT growth from the Wagering business, up 10.0%², and the Media and International business, up 8.1%. EBIT from Gaming, up 1.1%, and Keno, down 1.0%, incorporated start-up costs associated with the launch of the new TGS and Victorian Keno businesses respectively.

¹ Prior year NPAT of \$534.8 million included \$591.2 million profit from discontinued operations and impairment of \$358.0 million, resulting in FY11 NPAT from continuing operations of \$301.6 million. FY11 result included interest expense of \$134.4 million, which reflected the higher debt levels prior to the demerger of the Casinos business, compared with \$94.7 million in the current period.

² Prior year comparative from continuing operations excludes impairment of \$358.0 million.

* Tabcorp declared a final dividend of 11 cents per share, fully franked and payable on 26 September 2012 to shareholders registered at 22 August 2012. The full year dividend is 24 cents, constituting a dividend payout ratio of 50.9% of NPAT, in line with previous guidance.

Tabcorp Chairman Paula Dwyer said FY12 was a successful year for Tabcorp, with the company recording solid revenue and profit growth, despite challenging market conditions.

“Tabcorp’s earnings performance in FY12 is the culmination of our management of regulatory change, the targeting of investments in the right areas and the focus on innovation and new technologies,” Ms Dwyer said.

“The required refinancing activities have been completed and we are ready for the transition to the new gambling industry structure in Victoria. We will move to a new Victorian Wagering and Betting Licence and also launch our new gaming services business, Tabcorp Gaming Solutions, later this month.”

Business performance – continuing operations

Measured in EBIT, the divisional results for the year to 30 June 2012 were:

- **Wagering:** EBIT \$242.2 million, up 10.0%³.

Wagering is the largest of Tabcorp’s four businesses and the revenue trends the business experienced in 1H12 continued into the second half. This translated into revenue growth of 4.4% for FY12. Wagering revenues for the year to 30 June 2012 were \$1,637.4 million.

Operating expenses were \$279.8 million, up 6.2%, driven by investment in technology to expand Trakside, fixed odds and self service terminals, as well as increased costs for sponsorship and promotional activities due to competition.

The growth in fixed odds revenues continued to outperform, increasing 41.5% in FY12 to \$321.4 million, offsetting a decline in totalisator revenues. Revenues from Trakside were \$82.3 million, up 65.6%, driven by the game’s expansion in NSW and continued growth in Victoria where it has been long established.

Wagering turnover increased in both the NSW and Victorian retail distribution channels, despite the challenging market conditions. NSW turnover, aided by fixed odds racing and a full year of Trakside, was up 6.5% to \$3,911.0 million. Retail wagering turnover grew 0.9% in Victoria to \$3,047.8 million. During FY12, Tabcorp added 186 new retail outlets to its network as part of the company’s retail investment strategy.

Telephone betting turnover was down 6.8% to \$825.6 million, as customers continued to shift to more convenient online technology. Online turnover achieved growth of 14.5% to \$2,159.2 million. New account openings were up 21% on the prior corresponding period and the number of downloads of the TAB Sportsbet iPhone, iPad and Android apps has exceeded 550,000.

³ Prior year comparative excludes impairment of \$358.0 million.

Tabcorp's Northern Territory-based bookmaking business Luxbet realised revenue growth of 34.8% to \$27.9 million through improved yield and strong second half turnover.

Contributions to the Australian racing industry from Wagering were \$600.8 million. This was comprised of \$324.2 million in contributions in Victoria, up 0.6% and \$238.6 million in contributions in NSW, up \$1.0%. In addition to these racing industry distributions, race field fees nationally were \$38 million in FY12.

In December 2011, Tabcorp was awarded the new, 12-year Victorian Wagering and Betting Licence. Transition activities for the new licence arrangements, which commence on 16 August 2012, are on track.

- **Media and International:** EBIT \$57.1 million, up 8.1%.

Tabcorp's Media and International business grew FY12 revenues by 6.1% to \$190.2 million. The growth was due to increased subscription revenues and the increased export of Australian and New Zealand racing, which is now distributed to 31 partner countries.

Operating expenses were \$113.4 million, up 4.6%, driven by outside broadcast television production, rights fees and digital investments.

Tabcorp retained South Australian and Tasmanian thoroughbred media rights in FY12. Returns to the Australian racing industry through broadcast rights fees and international business contributions totaled \$51.9 million in FY12, up 6.6%.

- **Gaming:** EBIT \$244.1 million, up 1.1%.

The Gaming business' focus in FY12 was on preparation for the transition to the new gaming industry structure in Victoria. Gaming revenues were up 0.1% to \$1,078.9 million and operating expenses were well controlled at \$35.4 million, down 3.5%.

Under the new post-August 2012 structure, Tabcorp will transition out of its existing Tabaret business and launch a new business, Tabcorp Gaming Solutions (TGS). TGS will assist clubs and pubs in managing their gaming offer to patrons. TGS has now contracted more than 8,500 electronic gaming machines and is expected to contribute approximately \$55 million in EBITDA per annum from August 2012. TGS' Diamond Rewards loyalty program has been launched with more than 100 venues live.

- **Keno:** EBIT \$48.3 million, down 1.0%.

Keno grew revenues by 8.0% to \$183.1 million, while operating expenses grew 12.9% to \$38.6 million. The growth in expenses is largely attributable to start-up costs of approximately \$4 million for the new Victorian Keno business, which commenced in April 2012. Victorian Keno is now live in more than 600 venues.

Tabcorp's NSW and Queensland Keno businesses performed strongly with Queensland revenues up 6.9% and NSW revenues up 7.6%. As part of the NSW Keno hotel expansion program, 74 hotels were added to the network.

* * * * *

Managing Director and Chief Executive Officer David Attenborough said: “Tabcorp achieved its key operational targets across all four businesses, delivering strong earnings growth despite the challenging trading conditions.

“Our Wagering business benefited from our continued investment in a multi-channel strategy across online, mobile and retail, delivering to our customers a full range of fixed odds and totalisator products – everywhere, every time.

“The Sky media business expanded vision distribution online and internationally, while enhancing vision quality through further investment in the latest outside broadcast technology.

“Keno is a growing and an important part of our business and following the launch of the Victorian licence in April, it operates in more than 3,400 venues along the eastern seaboard.

“Our operating expenses, which included start-up expenses associated with the new Victorian Keno and Tabcorp Gaming Solutions businesses, were well-managed in FY12.”

The Dow Jones Sustainability Index once again recognised Tabcorp Holdings Limited as the overall global leader in the gambling industry and a world leader in the promotion of responsible gambling in its 2011 ratings.

Funding

During the year, Tabcorp completed the refinancing of its debt facilities by:

- raising A\$250 million through the offer of Tabcorp Subordinated Notes;
- raising A\$210 million equivalent from the US Private Placement (USPP) market;
- extending the maturity date of A\$400 million of its syndicated bank facility from June 2013 to June 2015.

The company’s sources of funding are now diversified across bank facilities, retail bonds, institutional bonds and the USPP market. Tabcorp’s FY13 average interest rate is expected to be approximately 8.25% p.a.

Outlook

Tabcorp’s continuing businesses have started the year with good momentum and will benefit from a number of valuable growth opportunities in FY13, such as the new Victorian Keno business and TGS.

“We will continue to execute on our growth strategies in FY13 and use our market-leading capabilities to ensure Tabcorp’s customers have access to the most compelling gambling entertainment products in the market,” Mr Attenborough said.

Tabcorp intends to target a dividend payout ratio of 80% of NPAT in FY13, excluding the expected write-off of Victorian Gaming goodwill in 1H13.

For more information:

Financial analysts: Damien Johnston, Chief Financial Officer, 03 9868 2583

Media: Nicholas Tzaferis, GM Corporate Affairs, 03 9868 2529

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Tabcorp full year results to 30 June 2012

• **Reported**

– Revenues	\$3,038.5 million, up 3.1%
– Operating expenses	\$416.1 million, up 5.2%
– EBITDA	\$725.2 million, up 5.6% ⁴
– EBIT	\$591.7 million, up 5.2% ⁴
– Net profit after tax from continuing operations	\$340.0 million, up 12.7% ⁵
– Earnings per share (EPS) from continuing operations	47.6 cents, up 4.6% ⁴
• Dividend per share, fully franked	
– Dividend	24 cents
– NPAT payout ratio	50.9%
• Segment EBIT	
– Wagering	\$242.2 million, up 10% ⁴
– Media & International	\$57.1 million, up 8.1%
– Gaming	\$244.1 million, up 1.1%
– Keno	\$48.3 million, down 1.0%

Stakeholder benefits

• Taxes on gambling paid incl. gaming levy	\$1,121.9 million, up 0.6%
• Income generated for racing industry	\$652.7 million, up 1.7%
– VIC	\$324.2 million, up 0.6%
– NSW	\$238.6 million, up 1.0%
– Race field fees	\$38.0 million, up 10.0%
– Broadcast rights & international contributions	\$51.9 million, up 6.6%
• Contribution to State community benefit funds	\$78.7 million, up 0.5% ⁶
• Income taxes paid and payable	\$157.0 million, up 24.1%

⁴ Prior year comparative from continuing operations excludes impairment of \$358.0 million.

⁵ Prior year NPAT of \$534.8 million included \$591.2 million profit from discontinued operations and impairment of \$358.0 million, resulting in FY11 NPAT from continuing operations of \$301.6 million. FY11 result included interest expense of \$134.4 million, which reflected the higher debt levels prior to the demerger of the Casinos business, compared with \$94.7 million in the current period.

⁶ Prior year contribution to State community benefits funds of \$91.5 million included \$13.2 million from the demerged Casino business.

Media Release



**TABCORP HOLDINGS LIMITED
AND CONTROLLED ENTITIES**

**DIRECTORS' REPORT AND
FINANCIAL REPORT**

**FOR THE YEAR ENDED
30 JUNE 2012**

A.B.N. 66 063 780 709

ASX CODE: TAH

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Company directory

Directors

The Directors of Tabcorp Holdings Limited ("the Company") at the date of this report and at any time during the financial year ended 30 June 2012 (except as otherwise stated) are:

Name	Title
Paula Dwyer	Chairman and Non Executive Director
David Attenborough	Managing Director and Chief Executive Officer
Elmer Funke Kupper	Non Executive Director
Steven Gregg	Non Executive Director
Jane Hemstrich	Non Executive Director
Justin Milne	Non Executive Director
Zygmunt Switkowski	Non Executive Director

Company Secretaries

Kerry Willcock
Michael Scott

Registered office

5 Bowen Crescent
Melbourne, VIC 3004, Australia
Telephone: 03 9868 2100
Website: www.tabcorp.com.au

Share registry

Link Market Services Limited
Level 1, 333 Collins Street
Melbourne, VIC 3000, Australia
Telephone: 1300 665 661 (local call cost within Australia)
Telephone: 02 8280 7418
Website: www.linkmarketservices.com.au

Auditor

Ernst & Young

Corporate information

The Company is a company limited by shares that is incorporated and domiciled in Australia.

Stock exchange listings

The Company's securities are quoted on the Australian Securities Exchange (ASX) under the codes:

- TAH for ordinary shares;
- TAHHA for Tabcorp Bonds; and
- TAHHB for Tabcorp Subordinated Notes.

Annual reports

The Company's annual reports are available from the Company's website at www.tabcorp.com.au.

Currency

References to currency are in Australian dollars unless otherwise stated.

Directors' report

The Directors of the Company submit their report for the consolidated entity comprising the Company and its controlled entities (collectively referred to as "the Tabcorp Group") in respect of the financial year ended 30 June 2012.

1. Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report (except as otherwise stated) are set out below.

Name	Qualifications, experience and special responsibilities
<p>Paula Dwyer</p>	<p><i>Chairman since June 2011 and Non Executive Director since August 2005</i></p> <p>Bachelor of Commerce; Fellow of the Institute of Chartered Accountants in Australia; Fellow of the Australian Institute of Company Directors (AICD); Fellow of the Financial Services Institute of Australasia</p> <p>Paula Dwyer is a Director of Australia and New Zealand Banking Group Limited, Leighton Holdings Limited and Lion Pty Ltd. She is also a Member of the Takeovers Panel and Deputy Chairman of the Baker IDI Heart and Diabetes Institute.</p> <p>Ms Dwyer had an executive career in finance holding senior positions in investment management, investment banking and chartered accounting with Ord Minnett (now JP Morgan) and PricewaterhouseCoopers.</p> <p>Ms Dwyer was formerly a director of Suncorp Group Limited, Foster's Group Limited, Healthscope Limited, David Jones Limited, Astro Japan Property Group Limited and is a former member of the Victorian Casino and Gaming Authority and of the Victorian Gaming Commission from 1993 to 1995.</p> <p>Ms Dwyer is Chairman of the Victorian Joint Venture Management Committee and Chairman of the Tabcorp Nomination Committee. She is a member of the Tabcorp Audit, Risk and Compliance Committee and Tabcorp Remuneration Committee.</p>
<p>David Attenborough</p>	<p><i>Managing Director and Chief Executive Officer since June 2011</i></p> <p>Bachelor of Science (Honours); Masters of Business Administration</p> <p>David Attenborough joined Tabcorp in April 2010 as Managing Director - Wagering. He became Managing Director and Chief Executive Officer when Tabcorp's demerger of Echo Entertainment Group Limited was completed in June 2011.</p> <p>Mr Attenborough was previously the Chief Executive Officer (South Africa) of Phumelela Gaming and Leisure Limited, the leading wagering operator in South Africa. His previous experience also includes the development of casino, bookmaking and gaming opportunities for British bookmaking company Ladbrokes (formerly part of the Hilton Group Plc).</p>
<p>Elmer Funke Kupper</p>	<p><i>Non Executive Director since June 2012</i></p> <p>Bachelor of Business Administration; Master of Business Administration</p> <p>Elmer Funke Kupper was Tabcorp's Managing Director and Chief Executive Officer from September 2007 to June 2011, and previously Tabcorp's Chief Executive Australian Business from February 2006.</p> <p>Mr Funke Kupper is also Managing Director and Chief Executive Officer of ASX Limited. His prior executive career includes several senior executive positions with the Australia and New Zealand Banking Group Limited, including Group Head of Risk Management, Group Managing Director Asia Pacific and Managing Director Personal Banking and Wealth Management. Previously Mr Funke Kupper was a senior management consultant with McKinsey & Company and AT Kearney.</p> <p>Mr Funke Kupper is a member of the Tabcorp Audit, Risk and Compliance Committee and Tabcorp Nomination Committee.</p>

Name	Qualifications, experience and special responsibilities
Steven Gregg	<p><i>Non Executive Director since July 2012</i></p> <p>Bachelor of Commerce</p> <p>Steven Gregg is a Director of Goodman Fielder Limited and of thoroughbred bloodstock company William Inglis & Son Limited. He is also Consultant and Senior Adviser to the Grant Samuel Group and a Director of The Lorna Hodgkinson Sunshine Home.</p> <p>Mr Gregg had an executive career in investment banking and management consulting, having held senior executive roles with ABN Amro Bank, and Partner and Senior Adviser to McKinsey & Company.</p> <p>Mr Gregg was formerly Chairman of Austock Group Limited.</p> <p>Mr Gregg is a member of the Tabcorp Audit, Risk and Compliance Committee, Tabcorp Nomination Committee and Tabcorp Remuneration Committee.</p>
Jane Hemstritch	<p><i>Non Executive Director since November 2008</i></p> <p>Bachelor of Science (First Class Honours); Fellow of the Institute of Chartered Accountants in Australia; Fellow of the Institute of Chartered Accountants in England and Wales; Fellow of AICD; Member of Chief Executive Women Inc.</p> <p>Jane Hemstritch is a Director of the Commonwealth Bank of Australia, Lend Lease Group and Santos Limited. She is also a Director of the Victorian Opera Company, Deputy Chairman of The Global Foundation, a Member of the Research and Policy Council for the Committee for Economic Development of Australia, and a Member of the Council of the National Library of Australia.</p> <p>Mrs Hemstritch was Managing Director - Asia Pacific for Accenture Limited where she was a member of Accenture's global executive leadership team and headed up its business portfolio in Asia Pacific spanning twelve countries.</p> <p>Mrs Hemstritch is Chairman of the Tabcorp Audit, Risk and Compliance Committee and a member of the Tabcorp Nomination Committee.</p>
Justin Milne	<p><i>Non Executive Director since August 2011</i></p> <p>Bachelor of Arts; Member of AICD</p> <p>Justin Milne is a Director of Basketball Australia Limited and Commissioner of the National Basketball League. He is also a Director of Quickflix Limited and NetComm Wireless Limited, a Board Member of the Sydney Children's Hospital Advisory Network and Chairman of the Sydney Children's Hospital Foundation Building Appeal.</p> <p>Mr Milne had an executive career in telecommunications, marketing and media. From 2002 to 2010 he was Group Managing Director of Telstra's broadband and media businesses, and headed up Telstra's BigPond New Media businesses in China. He is also the former Chairman of pieNETWORKS Limited and former Chief Executive Officer of OzEmail and the Microsoft Network.</p> <p>Mr Milne is a member of the Tabcorp Audit, Risk and Compliance Committee and Tabcorp Nomination Committee.</p>
Zygmunt Switkowski	<p><i>Non Executive Director since October 2006</i></p> <p>Bachelor of Science (Honours); PhD (Nuclear Physics); Fellow of AICD</p> <p>Zygmunt Switkowski is the Chairman of Suncorp Group Limited and is a Director of Oil Search Limited and Lynas Corporation Limited. He is also Chancellor of the Royal Melbourne Institute of Technology and Chairman of Opera Australia. He is a former director of Healthscope Limited and is the immediate past Chairman of the Australian Nuclear Science and Technology Organisation.</p> <p>Dr Switkowski was the Chief Executive Officer and Managing Director of Telstra Corporation Limited from 1999 to 2005, and is a former Chief Executive Officer of Optus Communications. He worked for Kodak (Australasia) for 18 years, serving as the Chairman and Managing Director from 1992 to 1996.</p> <p>Dr Switkowski is Chairman of the Tabcorp Remuneration Committee. He is also a member of the Tabcorp Audit, Risk and Compliance Committee and Tabcorp Nomination Committee.</p>

2. Changes to the Board's composition

2.1. Appointments

Elmer Funke Kupper

Mr Funke Kupper ceased as Tabcorp's Managing Director and Chief Executive Officer in June 2011 upon the implementation of the Demerger of Echo Entertainment Group Limited from the Company pursuant to Tabcorp's Scheme Booklet dated 15 April 2011 (Demerger). As previously foreshadowed, in January 2012 Mr Funke Kupper rejoined the Tabcorp Board as an observer and commenced as a Non Executive Director on 25 June 2012 following the receipt of all necessary regulatory approvals.

Steven Gregg

Mr Gregg commenced as a Non Executive Director on 18 July 2012 following the receipt of all necessary regulatory approvals.

Justin Milne

Mr Milne commenced as a Non Executive Director on 1 August 2011 following the receipt of all necessary regulatory approvals.

3. Directorships of other listed companies

The following table shows, for each person who served as a Director during the financial year and up to the date of this report (unless otherwise stated), all directorships of companies that were listed on the ASX or other financial markets operating in Australia, other than Tabcorp, since 1 July 2009, and the period for which each directorship has been held.

Name	Listed entity	Period directorship held
Paula Dwyer	Astro Japan Property Group ⁽ⁱ⁾	February 2005 to December 2011
	Australia and New Zealand Banking Group Limited	April 2012 to present
	Foster's Group Limited	May 2011 to December 2011
	Healthscope Limited	March 2010 to October 2010
	Leighton Holdings Limited	January 2012 to present
	Suncorp Group Limited ⁽ⁱⁱ⁾	April 2007 to February 2012
David Attenborough	Nil	
Elmer Funke Kupper	ASX Limited	October 2011 to present
Steven Gregg	Austock Group Limited	March 2009 to May 2012
	Goodman Fielder Limited	February 2010 to present
Jane Hemstritch	Commonwealth Bank of Australia	October 2006 to present
	Lend Lease Group	September 2011 to present
	Santos Limited	February 2010 to present
Justin Milne	pieNETWORKS Limited	March 2011 to February 2012
	NetComm Wireless Limited	March 2012 to present
	Quickflix Limited	July 2011 to present
Zygmunt Switkowski	Healthscope Limited	January 2006 to October 2010
	Lynas Corporation Limited	February 2011 to present
	Oil Search Limited	November 2010 to present
	Suncorp Group Limited ⁽ⁱⁱ⁾	September 2005 to present

(i) Ms Dwyer was a Director of Astro Japan Property Group Limited and Astro Japan Property Management Limited which were associated with listed stapled securities of the Astro Japan Property Group.

(ii) Includes the period as a Director of Suncorp-Metway Limited prior to the corporate restructure of the Suncorp Group.

4. Company Secretaries

Kerry Willcock joined the Tabcorp Group in February 2005 as Executive General Manager, Corporate and Legal. She holds a Bachelor of Arts and a Bachelor of Laws, and is a qualified mediator. She has extensive commercial, legal, litigation and government relations experience having worked with Allens Arthur Robinson, Clayton Utz and the Australian Postal Corporation, where she held the position of General Counsel. Kerry is also a member of the Australian Corporate Lawyers Association General Counsel Group and a member of the Australian Institute of Company Directors.

Michael Scott was appointed as an additional Company Secretary on 8 August 2012. He has been in the role of assistant to the Company Secretary since joining the Tabcorp Group in September 2002. He holds a Graduate Diploma of Applied Corporate Governance and a Bachelor of Land Information (Cartography). Michael is a Fellow of Chartered Secretaries Australia, Graduate Member of the Australian Institute of Company Directors and Fellow of Leadership Victoria's Williamson Community Leadership Program.

5. Principal activities

The principal activities of the Tabcorp Group during the financial year comprised the provision of leisure and entertainment services (particularly in relation to gambling).

The Demerger of Echo Entertainment Group Limited from Tabcorp, which was implemented in June 2011, resulted in Tabcorp retaining its wagering, media and international, gaming and keno businesses while Echo Entertainment Group Limited now holds the casinos business previously held by Tabcorp.

Other than in respect of the discontinued casinos business resultant from the Demerger, the Tabcorp Group's principal activities remain unchanged from the previous financial year.

6. Financial results

The financial results of the Tabcorp Group for the prior financial year to 30 June 2011 include the operations of the casinos business up until the Demerger was implemented.

The financial results of the Tabcorp Group for the financial year to 30 June 2012, and comparisons to the prior financial year to 30 June 2011, relate to the continuing operations of its wagering, media and international, gaming and keno businesses, unless otherwise stated.

Profit after income tax was \$340.0 million.

Earnings before interest and tax (EBIT) was \$591.7 million.

Revenue was \$3,038.5 million, which was 3.1% above the previous financial year.

The financial results reported for the prior financial year, which included a full year contribution from the now demerged casinos business and an impairment of \$358.0, were profit after income tax of \$534.8 million, EBIT of \$856.3 million and revenue of \$4,469.6 million.

7. Earnings per share

Basic earnings per share for the period were 47.6 cents.

Diluted earnings per share for the period were 47.5 cents.

Earnings per share reported for the previous financial year, which included a full year contribution from the casinos business prior to demerger, were basic earnings per share of 80.7 cents and diluted earnings per share of 80.4 cents.

Earnings per share is disclosed in note 6 to the Financial Report.

8. Dividends

A final dividend of 11 cents per ordinary share has been declared. The final dividend will be fully franked and payable on 26 September 2012 to shareholders registered at 22 August 2012. The ex-dividend date is 16 August 2012. There will be no discount and no underwriting applicable to the Tabcorp Dividend Reinvestment Plan.

The following dividends have been paid, declared or recommended by the Company since the end of the preceding financial year:

	\$m
2012 final dividend	
Final fully franked dividend for 2012 of 11 cents per share on ordinary shares as announced on 9 August 2012 with a record date of 16 August 2012 and payable on 26 September 2012.	80.3
2012 interim dividend	
Interim fully franked dividend for 2012 of 13 cents per share on ordinary shares as announced on 9 February 2012 with a record date of 20 February 2012 and payable on 26 March 2012.	92.7
2011 final dividend *	
Final fully franked dividend for 2011 of 19 cents per share on ordinary shares as announced on 16 August 2011 with a record date of 25 August 2011 and payable on 23 September 2011.	130.7

* - based on earnings inclusive of the casinos business prior to Demerger.

Further information regarding dividends may be found in note 5 to the Financial Report.

9. Review of operations

The Tabcorp Group's structure post the Demerger, comprises the following four businesses:

- Wagering;
- Media and International;
- Gaming; and
- Keno.

The activities and results for these continuing businesses during the financial year are discussed below.

9.1. Wagering business

The Tabcorp Group conducts wagering activities in Victoria and New South Wales (NSW) through a network of agencies, hotels and clubs, and provides on-course totalizators at thoroughbred, harness and greyhound metropolitan and country race meetings. Also, totalizator and fixed odds betting is offered on sporting events. The business operates LUXBET.COM, offering a racing, sport and novelty product bookmaking service by telephone and online based in the Northern Territory. In addition, the Tabcorp Group is party to the Premier Gateway International (PGI) joint venture in the Isle of Man.

The Wagering business achieved EBIT (and before impairment) of \$242.2 million, which was 10.0% above the previous financial year. The business's revenue increased by 4.4% to \$1,637.4 million.

9.2. Media and International business

The Tabcorp Group has specialist television and radio operations focused on the racing industry and other sporting activities. The business operates Sky Racing, Sky Sports Radio and other domestic and international broadcasting services.

The Media and International business achieved EBIT of \$57.1 million, which was 8.1% above the previous financial year. The business's revenue increased by 6.1% to \$190.2 million.

9.3. Gaming business

In Victoria, the Tabcorp Group owns and operates electronic gaming machines (EGMs) in licensed hotels and clubs under the Tabaret brand pursuant to the Victorian Gaming Licence. Refer to section 10.3 regarding changes to this business which are scheduled to occur in mid August 2012.

The Gaming business achieved EBIT of \$244.1 million, which was 1.1% above the previous financial year. The business's revenue increased by 0.1% to \$1,078.9 million.

9.4. Keno business

The Tabcorp Group operates Keno in Victoria, New South Wales and Queensland.

On 15 April 2012 a new 10 year Victorian Keno Licence commenced under which a member of the Tabcorp Group conducts and distributes approved Keno games in hotels, clubs and wagering outlets in Victoria. Refer to section 10.2 for further information. Prior to the commencement of the new Victorian Keno Licence, the Tabcorp Group's Club Keno business operated in Victoria through a joint venture arrangement.

The Keno business achieved EBIT of \$48.3 million, which was 1.0% below the previous financial year. The business's revenue increased by 8.0% to \$183.1 million.

10. Significant changes in the state of affairs

The following events, which may be considered to be significant changes in the state of affairs of the Tabcorp Group, have occurred since the commencement of the financial year on 1 July 2011.

10.1. Victorian Wagering and Betting Licence

The new Victorian Wagering and Betting Licence ("the New Licence") was issued to Tabcorp Wagering (Vic) Pty Ltd, a wholly owned subsidiary of Tabcorp, on 19 December 2011. The New Licence period is 12 years and will commence after the expiry of the current Victorian Wagering Licence on 15 August 2012. At the discretion of the responsible minister, the new New Licence may be extended for a further period of up to two years.

The New Licence will allow Tabcorp to offer on-course and off-course wagering and betting on thoroughbred, harness and greyhound racing and approved sporting and other events in Victoria. It also allows for the offering of approved simulated racing games and the operation of a betting exchange.

The documents governing the formal relationship between Tabcorp Wagering (Vic) Pty Ltd and the Victorian Racing Industry were executed on 21 December 2011.

Tabcorp paid the \$410 million fee for the New Licence to the Victorian Government in January 2012.

10.2. Victorian Keno

The Tabcorp Group commenced operations under the new 10 year Victorian Keno Licence on 15 April 2012. The licence authorises Tabcorp Investments No. 5 Pty Ltd, a wholly owned subsidiary of Tabcorp, to conduct and distribute Keno games in approved hotels, clubs (with full and restricted club liquor licences) and wagering outlets throughout Victoria. The new stand-alone licence also includes the right to offer approved simulated racing games in a broader range of approved venues.

10.3. Victorian Gaming / TGS

Tabcorp's Victorian Gaming Licence expires on 15 August 2012, which follows the Victorian Government's decision to move to a new industry structure for gambling in Victoria. Upon the expiry of this licence, Tabcorp will no longer be licensed to conduct, and will therefore cease to operate, its current gaming business.

Tabcorp has responded to this new industry structure by introducing a new business called Tabcorp Gaming Solutions (TGS) to supply EGMs and provide specialised consulting and support services for the new operators of EGMs. TGS is currently contracted in respect of over 8,500 EGMs in Victoria and is on track to commence operations on 16 August 2012.

10.4. Tabcorp Subordinated Notes

The Company raised \$250 million from the offer of Tabcorp Subordinated Notes pursuant to the Prospectus dated 22 February 2012. Tabcorp Subordinated Notes are unsecured, subordinated, cumulative notes listed on ASX under the code TAHHB. Holders of Tabcorp Subordinated Notes are entitled to receive quarterly interest payments (subject to deferral) equal to the sum of the 3 month Bank Bill Rate plus a margin of 4.0% per annum. Tabcorp Subordinated Notes will mature on 22 March 2037, unless redeemed earlier. Tabcorp Subordinated Notes were issued on 22 March 2012 at a price of \$100 each and the minimum investment was for \$5,000.

10.5. Debt refinancing

Tabcorp announced on 30 April 2012 that it had completed the refinancing of debt facilities which were due to mature in the financial year ending 30 June 2013. The refinancing consisted of US\$220 million of debt raised from the US private placement market ("USPP") and extending the maturity of A\$400 million of existing syndicated bank facility from June 2013 to June 2015.

The USPP comprised the issue of US\$87 million of notes maturing in 2019 and US\$133 million of notes maturing in 2022. The US dollar proceeds were converted into \$210.5 million Australian Dollars through the use of cross currency swaps.

10.6. Changes to the Board of Directors

A number of changes occurred to the composition of the Board during the year. Refer to section 2 for information.

10.7. Other significant changes in the state of affairs

There were no significant changes in the state of affairs of the Tabcorp Group that occurred during the financial year other than as set out in this Directors' report.

11. Business strategies

The key strategic priorities of the Tabcorp Group are as follows:

- Wagering
 - Build on strength in retail
 - Drive fixed odds expansion whilst maintaining parimutuel positioning
 - Drive online with best in class offering (including social media)
 - Deepen our customer relationships via our customer relationship management program and through promoting brand loyalty
 - Grow international wagering revenues
- Media and International
 - Maintain growth (including retaining media rights)
 - Expand vision and data distribution reciprocity (including Racing World Australia)
- Gaming / TGS
 - Optimise Victorian gaming earnings until licence expires
 - Commence TGS operations in Victoria
 - Expand TGS
- Keno
 - Grow Keno in current and new markets
 - Expand distribution, self service and product offerings

12. Significant events after the end of the financial year

As announced on 24 July 2012, the Tabcorp Group received confirmation that the Australian Taxation Office has allowed a claim for refunds of GST paid by the Group's Victorian and NSW wagering businesses. The refunds will have a net profit after tax impact of \$14.3 million to the Group, which will be recognised in the financial year ending 30 June 2013. The refunds relate to GST paid between May 2006 and March 2010 on wagering turnover derived from overseas based customers.

No other matters or circumstances have arisen since the end of the financial year, which are not otherwise dealt with in this report or in the Financial Report, that have significantly affected or may significantly affect the operations of the Tabcorp Group, the results of those operations or the state of affairs of the Tabcorp Group in subsequent financial years.

Refer also to note 28 to the Financial Report.

13. Likely developments and expected results

The Tabcorp Group will continue with its strategies, as set out in this report.

The Directors have excluded from this report any further information on the likely developments in the operations of the Tabcorp Group and the expected results of those operations in future financial years, as the Directors have reasonable grounds to believe that to include such information will be likely to result in unreasonable prejudice to the Tabcorp Group.

14. Auditors

The Tabcorp Group's external auditor is Ernst & Young.

The Tabcorp Group's internal audit function is fully resourced by Tabcorp, with KPMG providing specialist independent external support where necessary.

More information relating to the audit functions can be found in the corporate governance statement of the Concise Annual Report.

15. Directors' interests in contracts

Some Directors of the Company, or related entities of the Directors, conduct transactions with entities within the Tabcorp Group that occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the entity would have adopted if dealing with the Director or Director-related entity on normal commercial terms and conditions.

16. Environmental regulation and performance

The Tabcorp Group's environmental obligations and waste discharge quotas are regulated under both state and federal laws. The Tabcorp Group has a record of complying with, and in most cases exceeding, its environment performance obligations.

No environmental breaches have been notified to the Tabcorp Group by any government agency.

The Tabcorp Group's environmental impacts reduced significantly when the former casinos business was demerged in June 2011. Consequently, the Tabcorp Group no longer meets the criteria for the Federal Government's Energy Efficiency Opportunities (EEO) initiative and the National Greenhouse Energy Reporting System (NGERS).

17. Risk management

The Tabcorp Group has a structured and proactive approach to understanding and managing risk. The key focus of the risk management approach is to align strategy, processes, people, technology and knowledge with evaluating and managing the uncertainties and opportunities faced by the Tabcorp Group. Overviews of the Tabcorp Group's risk management processes and internal control framework are disclosed in the corporate governance statement of the Concise Annual Report.

18. Directors' interests in Tabcorp securities

At the date of this report (except as otherwise stated), the Directors had the following relevant interests in the securities of the Company, as notified to the ASX in accordance with section 205G(1) of the Corporations Act 2001:

Name	Number of securities			Tabcorp Subordinated Notes
	Ordinary Shares	Performance Rights	Tabcorp Bonds	
Paula Dwyer	34,292	-	-	-
David Attenborough	58,609	447,761	-	-
Elmer Funke Kupper	-	232,136	1,500	-
Steven Gregg	-	-	-	-
Jane Hemstritch	23,181	-	2,000	-
Justin Milne	-	-	-	-
Zygmunt Switkowski	84,876	-	-	-

19. Board and Committee meeting attendance

During the financial year ended 30 June 2012 the Company held 14 meetings of the Board of Directors, of which seven were standard Board meetings and seven Board meetings were held to discuss special business.

The attendance of the Directors at meetings of the Board and its Committees during the year in review were:

Name	Board of Directors		Audit, Risk and Compliance Committee		Nomination Committee		Remuneration Committee	
	A	B	A	B	A	B	A	B
Paula Dwyer	14	14	5	5	2	2	5	5
David Attenborough ⁽ⁱ⁾	14	14	5	5	2	2	5	5
Elmer Funke Kupper ⁽ⁱⁱ⁾	7	7	3	3	1	1	-	-
Steven Gregg ⁽ⁱⁱⁱ⁾	10	10	4	4	1	1	3	3
Jane Hemstritch	12	14	5	5	2	2	-	-
Justin Milne ^(iv)	14	14	5	5	2	2	-	-
Zygmunt Switkowski	14	14	5	5	2	2	5	5

A – Number of meetings attended

B – Maximum number of possible meetings available for attendance

- (i) The Managing Director and Chief Executive Officer attends Board Committee meetings, but is not a member of any Board Committee. Only Non Executive Directors are members of Board Committees.
- (ii) Commenced as a Non Executive Director on 25 June 2012 following the receipt of all necessary regulatory approvals. The meetings disclosed above relate to the period when Mr Funke Kupper attended meetings as an observer whilst awaiting regulatory approval, for which he was not required to attend and could not vote on any matter.
- (iii) Commenced as a Non Executive Director on 18 July 2012 following the receipt of all necessary regulatory approvals. The meetings disclosed above relate to the period when Mr Gregg attended meetings as an observer whilst awaiting regulatory approval, for which he was not required to attend and could not vote on any matter.
- (iv) Commenced as a Non Executive Director on 1 August 2011 following the receipt of all necessary regulatory approvals. The meetings disclosed above include one Board meeting where Mr Milne attended as an observer whilst awaiting regulatory approval, for which he was not required to attend and could not vote on any matter.

The details of the functions and memberships of the Committees of the Board are set out in the corporate governance statement of the Concise Annual Report. The terms of reference for each Board Committee are available from the corporate governance section of the Company's website.

20. Indemnification and insurance of Directors and Officers

The Directors and Officers of the Tabcorp Group are indemnified against liabilities pursuant to agreements with the Tabcorp Group. Tabcorp has entered into insurance contracts with third party insurance providers, and in accordance with normal commercial practices, under the terms of the insurance contracts, the nature of the liabilities insured against and the amount of premiums paid are confidential.

21. Non-statutory audit and other services

Ernst & Young, the external auditor to the Company and the Tabcorp Group, provided non-statutory audit services to the Company during the financial year ended 30 June 2012. The Directors are satisfied that the provision of non-statutory audit services during this period was compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-statutory audit service provided means that auditor independence was not compromised. These statements are made in accordance with advice provided by the Company's Audit, Risk and Compliance Committee.

The Company's Board Audit, Risk and Compliance Committee reviews the activities of the independent external auditor and reviews the auditor's performance on an annual basis. The Chairman of the Audit, Risk and Compliance Committee must approve all non-statutory audit and other work to be undertaken by the auditor (if any). Further details relating to the Audit, Risk and Compliance Committee and the engagement of auditors are available in the corporate governance statement of the Concise Annual Report.

Ernst & Young, acting as the Company's external auditor, received or are due to receive \$434,000 in relation to the provision of non-statutory audit services to the Company.

Amounts paid or payable by the Company for audit and non-statutory audit services are disclosed in note 3 to the Financial Report.

22. Corporate governance

The Directors of the Company support and adhere to the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations, 2nd edition*, recognising the need for the highest standard of corporate behaviour and accountability. The Company's corporate governance statement is contained in the Concise Annual Report, and associated information is available under the corporate governance section of the Company's website at www.tabcorp.com.au/about_governance.aspx.

23. Rounding of amounts

Tabcorp Holdings Limited is a company of the kind specified in Australian Securities and Investments Commission Class Order 98/0100. In accordance with that Class Order, amounts in the financial report and the Directors' report have been rounded to the nearest hundred thousand dollars unless specifically stated to be otherwise.

24. Auditor's independence declaration

Attached is a copy of the auditor's independence declaration provided under section 307C of the Corporations Act 2001 in relation to the audit for the financial year ended 30 June 2012. This auditor's independence declaration forms part of this Directors' report.

Auditor's Independence Declaration to the Directors of Tabcorp Holdings Limited

In relation to our audit of the financial report of Tabcorp Holdings Limited for the financial year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink, appearing to be 'Tony Johnson'.

Tony Johnson
Partner
9 August 2012

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Introduction

This Remuneration report outlines the remuneration policy and arrangements for Tabcorp's Directors, executives and senior management in accordance with the requirements of the Corporations Act 2001 and its Regulations. The information provided in this Remuneration report has been audited as required by section 308(3C) of the Corporations Act.

The Remuneration report relates to the key management personnel (KMP) of the consolidated entity comprising the Company and its consolidated entities for the financial year ended 30 June 2012. KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, and comprises all the Directors of Tabcorp and certain members of the Executive Committee. The same group of individuals is regarded as KMP for both the Company and the Group.

As detailed in this Remuneration report, the annual reward structure for the most senior managers comprises three components: a fixed base salary, a short term incentive and a long term incentive in the form of Performance Rights. For KMP who are executives, at least 50% of their total annual reward is 'at risk' in the form of short term or long term incentives tied to the achievement of specific Group, business unit and individual performance objectives and targets.

For the year ended 30 June 2012, short term incentives were awarded to senior managers and will be paid in August 2012. With regard to long term incentives, during the year, an allocation of Performance Rights was made to 8 senior managers. In addition, an allocation of Performance Rights under the long term incentive plan was also made to the Managing Director and Chief Executive Officer following shareholder approval at the 2011 Tabcorp Annual General Meeting.

Whether the allocated Performance Rights generate value for the senior managers will depend on the Company's Total Shareholder Return over a three year period. If, at the end of the three year period, the minimum performance hurdle is not met, all Performance Rights will lapse. The maximum number of Performance Rights will vest only if the highest performance threshold is met at the end of the three year period.

The Board reviews the remuneration for Non Executive Directors each calendar year. The fees for the 2012 financial year are lower than the fees for the 2011 financial year, as the fees were adjusted to reflect the changes in Tabcorp following the demerger of Echo Entertainment Group Limited (Echo) from the Company pursuant to Tabcorp's Scheme Booklet dated 15 April 2011 (the Demerger). The details of Non Executive Director remuneration are included in Section 5.3.

1. Significant changes since 30 June 2011

1.1 Non Executive Directors

Justin Milne, Elmer Funke Kupper and Steven Gregg commenced as Non Executive Directors on 1 August 2011, 25 June 2012 and 18 July 2012 respectively, following the receipt of all necessary regulatory approvals.

1.2 Senior Management Remuneration Framework

As a result of Tabcorp's demerger of Echo and reorganisation of the Wagering and Gaming businesses, the use of a divisional performance multiplier to determine the STI pool available for these businesses has been discontinued. This change ensures senior managers who participate in the STI program are aligned to the achievement of Tabcorp's overall financial objectives whilst also ensuring business unit financial and non-financial targets are considered in determining individual STI outcomes.

2. Governance

The main responsibilities of the Board Remuneration Committee are:

- Establishing and maintaining fair and reasonable remuneration policies and practices that apply to the Group;
- Reviewing and recommending to the Board the remuneration of KMP and the terms and conditions of any incentive plans; and
- Agreeing benchmarks against which annual salary reviews are evaluated.

Remuneration report (audited)

for the financial year ended 30 June 2012



In exercising its responsibilities, the Board Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Directors and executives every year by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality and high performing Board and executive team.

To assist in exercising its responsibilities, the Board Remuneration Committee receives independent advice on matters such as remuneration strategies, mix and structure, as appropriate. During the year ended 30 June 2012 and to the date of this report, no remuneration consultant provided a remuneration recommendation in respect of any KMP.

The Board Remuneration Committee is governed by its Terms of Reference, which are available on Tabcorp's website at www.tabcorp.com.au under the *About Us – Corporate Governance* section.

3. Remuneration philosophy

The key objective of Tabcorp's remuneration philosophy is to enable Tabcorp to attract, motivate and retain high calibre individuals at both Board and senior management level. To achieve this, Tabcorp's remuneration framework is based upon the following key principles:

- Creating shareholder value relative to our peer group;
- Maintaining market competitiveness; and
- Measuring and rewarding individual, business unit and Group performance.

For executive and senior management remuneration, this involves aligning the reward components with the individual's ability to influence results and to increase the focus on variable reward that is leveraged for superior performance.

There has been no significant change in the remuneration strategy since the previous financial year.

4. Key management personnel (KMP)

Name	Position held	Period in position if less than full year
Non Executive Directors		
Current		
Paula Dwyer	Chairman and Director (Non Executive)	
Elmer Funke Kupper	Director (Non Executive)	From 25 June 2012
Jane Hemstritch	Director (Non Executive)	
Justin Milne	Director (Non Executive)	From 1 August 2011
Zygmunt Switkowski	Director (Non Executive)	
Future, pending regulatory approval		
Steven Gregg ⁽ⁱ⁾	Will be appointed Director (Non Executive)	N/A
Executives		
Current Executive Director		
David Attenborough	Managing Director and Chief Executive Officer	
Current Executives		
Mohan Jesudason	Managing Director, Gaming & Group Marketing	
Damien Johnston ⁽ⁱⁱ⁾	Chief Financial Officer	From 12 July 2011
Kerry Willcock	Executive General Manager, Corporate, Legal and Regulatory	

(i) Commenced as a Director and a KMP on 18 July 2012, following the receipt of all necessary regulatory approvals.

(ii) Commenced in position on 9 June 2011, and as a KMP on 12 July 2011 following the receipt of all necessary regulatory approvals.

Details of Director qualifications, experience and other responsibilities are set out on pages 2 to 4 of the Directors' report.

5. Non Executive Director remuneration

5.1 Remuneration framework

The Board Remuneration Committee has responsibility for reviewing and recommending to the Board appropriate remuneration arrangements for Non Executive Directors, taking into consideration factors including:

- The Group's remuneration philosophy;
- The level of fees paid to Board members of other publicly listed Australian companies;
- Operational and regulatory complexity;
- The responsibilities and workload requirements of each Board member; and
- Advice from independent remuneration consultants.

Non Executive Directors' fees are reviewed yearly and the current aggregate annual limit (including superannuation contributions) is set at \$2 million, as approved by shareholders at the Annual General Meeting on 28 November 2005.

Non Executive Directors do not receive any performance or incentive payments and are not eligible to participate in any of Tabcorp's incentive plans. This policy aligns with the principle that Non Executive Directors act independently and impartially. Elmer Funke Kupper has retained some Performance Rights in relation to his former position of Managing Director and Chief Executive Officer, as outlined in section 6.4.2.8. These Performance Rights are not expected to deliver any value to Mr Funke Kupper, and the fair value was fully expensed on cessation of employment in the prior year.

5.2 Structure

Non Executive Directors' remuneration comprises the following components:

- Board fee;
- Board Committee fees; and
- Superannuation (currently 9% of total fees, uncapped).

Some Directors may receive additional remuneration and associated superannuation (where applicable) for:

- Chairmanship of the Victorian Joint Venture Management Committee, receiving a fee equivalent to Chairman of the Remuneration Committee;
- Observer fees, equivalent to the applicable Board and Committee fees (for attending Board and Committee meetings and induction whilst awaiting regulatory approval); or
- Membership of other Committees, such as the previous year's Demerger Due Diligence Committee.

Board fees are structured by having regard to the responsibilities of each position within the Board. Board Committee fees are structured to recognise the differing responsibilities and workload associated with each Committee, and the additional responsibilities of each Committee Chairman.

Board fees are not paid to the Managing Director and Chief Executive Officer, or to executives for directorships of any subsidiaries.

5.3 Current annual fees

The annual fees are detailed in Figure 1 for Non Executive Directors and Board Committee memberships. The fees for the 2012 financial year are lower than the fees for the 2011 financial year, because the fees were adjusted to reflect the changes in Tabcorp following the Demerger.

Figure 1: Non Executive Director and Board Committee fixed annual fees

Position	Board fees ⁽ⁱ⁾ \$	Board Committee fees ⁽ⁱ⁾		
		Audit, Risk & Compliance \$	Remuneration \$	Nomination \$
Chairman	350,000			
Non Executive Director	120,000			
Committee Chairman		40,000	25,000	7,500
Committee Member		20,000	10,000	7,500

(i) Fees exclude superannuation contributions.

6. Senior management remuneration (including Executive Director)

The Remuneration Committee and the Board has responsibility for reviewing the remuneration framework of the Group and recommending to the Board the appropriate remuneration arrangements. The Remuneration Committee approves the remuneration and incentives for members of the Executive Committee and makes recommendations to the Board in relation to the Managing Director and Chief Executive Officer.

6.1 Remuneration framework

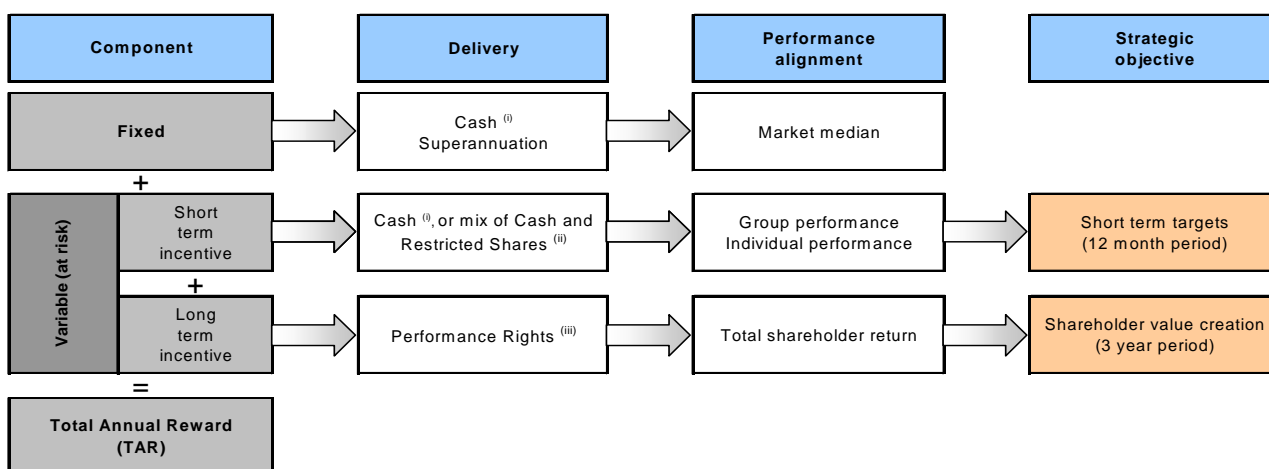
The remuneration framework for senior management comprises a mix of both fixed and variable remuneration components. The level of fixed remuneration an individual receives reflects the scope and responsibilities of their role, their knowledge, skills and experience as well as benchmark market data. Variable remuneration depends on the achievement of Group, business unit and individual performance targets, and shareholder value hurdles. Variable remuneration may be delivered in the form of cash or a mix of cash and Restricted Shares for achievement of short term performance targets, and Performance Rights subject to the achievement of long term performance targets.

The objective of structuring a remuneration framework comprising both fixed and variable components is to ensure remuneration is market competitive and aligned to:

- Shareholders' interests through:
 - The use of financial measures, such as net profit after tax before non-recurring items as the primary reward measure for short term performance outcomes.
 - Rewarding long term company performance measured by reference to a comparable group of companies in the S&P/ASX 100 index, which over the long term should lead to attractive value creation for shareholders.
 - Aligning Group, business unit and individual performance targets to the performance objectives in Tabcorp's annual and long term strategic plans.
 - Attracting, motivating and retaining individuals of the highest calibre.
 - Fostering a culture of high performance in a team based environment.
- Senior managements' interests through:
 - Differentiating reward outcomes based upon individual performance and capability.
 - Linking the form of reward delivery with the ability to influence results.
 - Providing upside opportunity for superior Group performance and increased shareholder value.

The reward structure is outlined in Figure 2.

Figure 2: Senior management reward structure



- (i) May voluntarily elect to salary sacrifice for additional superannuation contributions and motor vehicle novated leases (for fixed component only).
- (ii) Applicable to certain senior management, issued under the Tabcorp Employee Deferred Share Plan and subject to a three year service condition.
- (iii) May vest on the third anniversary after the grant, subject to meeting relevant performance based hurdles.

6.2 Target reward mix

The target reward mix aims to position Total Annual Reward (TAR) at the market median when all performances have been achieved at target. It is set after benchmarking against a wide range of organisations to ensure that the incentive and TAR are competitive, fair and reasonable. Senior management with greater responsibility in key business units have a greater proportion of at risk remuneration.

The target reward mix for the KMP (other than Non Executive Directors and the Managing Director and Chief Executive Officer) is outlined in Figure 3. This target reward mix excludes appointment incentives and additional compensation (refer Section 6.6.2). Refer to Section 6.5 for details of the Managing Director and Chief Executive Officer's remuneration.

Figure 3: KMP target reward mix

KMP	% target reward mix			
	Fixed	Variable (at risk) incentives		Total Annual Reward
		Short term (cash)	Long term (equity)	
Mohan Jesudason	45	30	25	100
Damien Johnston	50	25	25	100
Kerry Willcock	50	25	25	100

6.3 Fixed remuneration

Senior managers receive a fixed remuneration package comprising cash salary, statutory superannuation contributions and other benefits they may elect to receive on a salary sacrifice basis (i.e. additional superannuation contributions and motor vehicle novated leases).

An individual's fixed remuneration is set taking into consideration the scope and responsibilities of their role, their knowledge, skills and experience as well as benchmark market data for similar roles from similar sized companies based on market capitalisation.

Fixed remuneration is reviewed annually taking into consideration an individual's performance (as assessed through the Group's performance management process) and relativity with the external market data. The Remuneration Committee approves the fixed remuneration for the senior executive leadership team and makes recommendations to the Board in relation to the Managing Director and Chief Executive Officer.

During the 2012 financial year, the fixed remuneration of KMP has not increased.

6.4 Variable (at risk) remuneration

6.4.1 Short term incentive (STI)

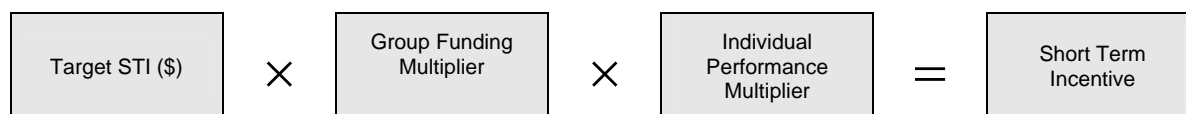
6.4.1.1 Overview

The STI is designed to reward employees for the achievement of Group, business unit and individual performance goals over the relevant 12 month performance period, which are aligned to and supportive of the Group's annual objectives for each financial year.

6.4.1.2 Determining Factors

An individual's short term incentive is calculated by taking the following three key factors into account:

Figure 4: STI calculation



- Target STI

This amount is based on a percentage of the individual's Total Annual Reward (TAR) (refer to Figure 3 above).

- *Group Funding Multiplier (GFM)*

The GFM is linked to the achievement of Tabcorp's target net profit after tax before non recurring items (NPAT) as approved by the Board. The Board considers NPAT to be an appropriate performance measure as it aligns the Group's remuneration philosophy with creating value, and is within the scope of influence of participants. The GFM determines the overall STI pool available for distribution. If the financial performance target is not met, individual awards may be funded at a reduced level, at the discretion of the Board.

- *Individual Performance Multiplier (IPM)*

Individual performance is assessed using a balanced scorecard of individual measures that align to and are reflective of the Group's annual objectives. The balanced scorecard assesses four performance areas – customers, people, organisation, and shareholders. Specific key performance objectives, including the achievement of business unit financial and non-financial targets and strategic objectives are agreed upon for each performance area at the start of the financial year against which the individual is assessed. In the pursuit of superior shareholder returns and value creation, such metrics include the achievement of profit measures and cost management targets; providing the best gambling and entertainment experience for customers; providing operational excellence, regulatory compliance and positive company image; ensuring Tabcorp is a great place to work; and delivering strategic value/opportunities.

To be eligible to receive a STI, participants need to demonstrate required levels of behaviours in line with Group values and must not have any significant controllable compliance breaches.

6.4.1.3. Delivery

The STI is delivered in cash, or a mix of cash and Restricted Shares. It is mandatory for participants at a senior management level, where the target STI is 30% or more of TAR and who do not participate in the long term incentive plan, to defer one third of their total STI into Restricted Shares. Restricted Shares are subject to a three year service condition during which time the shares may not be traded, however participants have full entitlement to dividends and voting rights.

6.4.1.4 Accounting treatment

The financial impact of the STI (excluding any Restricted Shares) is expensed in the relevant financial year and is reflected in the remuneration disclosures for KMP. Restricted Shares are expensed on a straight line basis over a three year period, commencing from the time the Restricted Shares are granted to the participant, which occurs after the end of the financial year.

6.4.1.5 STI performance

For the year ended 30 June 2012, short term incentive targets were derived from the Board approved business plan which included financial and non-financial goals. The Board awarded short term incentives to senior management that reflected the financial performance of the Group against the targets set. The financial performance of the Group for the year ended 30 June 2012 was assessed by the Board as consistent with the business plan expectations and at target.

6.4.2 Long term incentive (LTI)

6.4.2.1 Overview

The LTI is principally designed to reward senior management for contributions to long term shareholder value creation, measured on the third anniversary after the date of grant. Ultimate value from the LTI is only delivered to senior management if certain shareholder returns are achieved on the test date, resulting in the equity instruments vesting.

The LTI is delivered through Performance Rights that provide the senior manager with the opportunity to acquire shares, subject to meeting the market based performance condition, at no cost to the senior manager. Performance Rights are considered an effective instrument for delivering incentives to senior management which is aligned to achieving shareholder value over the three year period.

Performance Rights issued under the LTI plan have the following features:

- Tested against the relevant performance hurdle at the third anniversary of the date of grant;
- May vest at the third anniversary of the date of grant, with any unvested Performance Rights lapsing immediately;
- Upon vesting, the Company will issue or transfer ordinary shares to the senior manager; and
- The fair value will be expensed over a three year period from the grant date in accordance with Accounting Standards.

6.4.2.2 Allocation

The Performance Rights under the LTI are generally allocated annually in September. The number of Performance Rights allocated is calculated as outlined in Figure 5.

Figure 5: Allocation calculation

$$\boxed{\text{Target LTI (\$)}} \div \boxed{\text{Fair Value of Performance Right}} = \boxed{\text{Number of Performance Rights allocated}}$$

6.4.2.3 Vesting conditions

The vesting of Performance Rights issued under the LTI is dependent on meeting a minimum performance hurdle at the test date (third anniversary of the date of grant), as discussed below.

The performance hurdle for Performance Rights issued under the LTI is relative Total Shareholder Return (relative TSR).

TSR measures the return received by shareholders (capital returns, dividends and share price movement) over a specific period relative to a peer group of companies. If there is any change in the dividend payment timetable of a company in the peer group (including Tabcorp), then the TSR performance of that company is adjusted to remove any artificial distortion in the outcome. Tabcorp engages an external consultant to calculate Tabcorp's TSR relative to the peer group of companies.

The Board considers relative TSR to be an appropriate performance measure as it reflects the Group's remuneration philosophy of creating shareholder value relative to our peer group, and recognises that the Company is in the midst of transitioning to the new licence arrangements in 2012 and 2013, the result of which means the setting of future earnings targets remains volatile. The use of an alternative measure such as Earnings Per Share (EPS) either instead of, or in addition to relative TSR, may be considered by the Board in the future.

The peer group used for assessing Tabcorp's relative TSR is based upon the following companies.

Basis	Exclusions
S&P/ASX 100 index	<ul style="list-style-type: none"> ▪ Property trusts; ▪ Infrastructure groups; and ▪ Mining companies Represented by the S&P Global Industry Classification Standards of Metals & Mining, Transportation Infrastructure, Utilities and Real Estate Investment Trusts.

The composition of the peer group may change as a result of specific external events, such as mergers and acquisitions, capital returns, delistings and capital reconstruction. The Board Remuneration Committee has agreed guidelines for adjusting the peer group following such events, and has the discretion to determine any adjustment to the peer group of companies.

The table below sets out the percentage of Performance Rights that will vest depending on Tabcorp's relative TSR ranking as at the applicable test date:

Tabcorp's relative TSR ranking	Percentage of Performance Rights that will vest
Below 50th percentile	0%
At 50th percentile	50%
Above 50th and below 75th percentile	Pro-rata between 50% (at 50th percentile) and 100% (at 75th percentile)
At or above 75th percentile	100%

This testing schedule and vesting criteria are common practice adopted by the companies in the S&P/ASX100 index, which is consistent with Tabcorp's remuneration philosophy (refer to section 3) and senior management remuneration framework (refer to section 6.1).

For Performance Rights which have vested, the Company will issue or transfer ordinary shares to the senior manager, with full voting and dividend rights corresponding to the rights of all other holders of ordinary shares.

6.4.2.4 Lapsing conditions

Performance Rights that have not vested after testing will lapse.

6.4.2.5 Cessation of employment

All unvested Performance Rights will lapse immediately upon cessation of employment. However, the Board Remuneration Committee has discretion in special circumstances to determine the number of Performance Rights retained and the terms applicable. Special circumstances include events such as retirement, redundancy, death and permanent disability.

6.4.2.6 Accounting treatment

Performance Rights issued under the LTI are expensed on a straight line basis over a three year period, commencing from the grant date. Under Accounting Standards, Tabcorp is required to recognise an expense irrespective of whether the Performance Right ultimately vests to the senior manager. A reversal of the expense is only recognised in the event the Performance Rights lapse due to cessation of employment within the three year period.

The 'Remuneration of KMP' tables at section 7.1 (Figures 11C & 11D) reflect the accounting expense recognised in the relevant financial year, not the total fair value of Performance Rights allocated to the executive during the year, which is disclosed in Figure 12E.

6.4.2.7. LTI performance

In the 2012 financial year, there were three scheduled test dates for past allocations under the LTI (to the former Managing Director and Chief Executive Officer as outlined in section 5.1). The performance hurdle for vesting was not achieved for any allocations.

6.4.2.8. Prior year treatment of LTI under the Demerger

In the prior year, as a result of the Demerger, the Board determined to collapse all existing Employee Share schemes prior to the implementation date of the Demerger. Under the LTI, in relation to Performance Rights and Performance Options retained by holders who were employees and former employees, the testing of relevant performance conditions was accelerated to the date on which the Scheme became effective. The acceleration applied only to the pro rata portion of the unvested Performance Rights that was equal to the proportion of the standard vesting period of three years that had elapsed at 3 June 2011.

Any Performance Rights or Performance Options that did not vest upon testing lapsed, and any Performance Rights that did not qualify for testing on a pro rated basis were cancelled in the prior year. The fair value of all Performance Rights and Performance Options were fully expensed at the date of accelerated testing or cancellation.

In relation to the former Managing Director and Chief Executive Officer, following the Demerger there were 232,136 Performance Rights left on foot (as referred to in section 5.1), which will continue to be tested at the respective test dates. The performance hurdles applying in respect of those Performance Rights that remained on foot were not adjusted to reflect the fact that following the Demerger, the TSR on Tabcorp Shares exclude (at least in part) the value of Echo Shares and distributions on such shares during the testing period.

6.4.3. Appointment/retention incentives

6.4.3.1 Criteria for issue

Restricted Shares may be issued to senior managers as an incentive upon appointment (either on joining Tabcorp or transfer to a new position internally) or for retention. These are ordinary shares in the Company, and in order to act as a retention mechanism are subject to time based restrictions of up to three years.

Additionally, senior managers may also be issued Performance Rights upon appointment. These instruments are issued under the LTI and are subject to the same performance hurdles and vesting conditions (refer section 6.4.2).

A combination of equity instruments such as Restricted Shares, subject to time based restrictions, and Performance Rights, subject to performance and time based hurdles, are employed to attract, retain and compensate senior management for equity forfeited.

No new appointment or retention incentives were provided to KMP during the year ended 30 June 2012.

6.4.3.2 Accounting treatment

The fair value of Restricted Shares is expensed as remuneration over the relevant restriction period. At the date disposal restrictions and forfeiture provisions were waived, the fair value of the Restricted Shares was fully expensed.

As Performance Rights are issued under the LTI, they are expensed in the same manner as described in section 6.4.2.6.

6.4.4 Policy prohibiting hedging

Participants in the incentive plans (STI and LTI) are restricted from hedging the value of Restricted Shares and unvested Performance Rights, and must not enter into a derivative arrangement in respect of the equity instruments granted under these plans. Breaches of the restriction will result in equity instruments being forfeited by the senior manager.

These prohibitions are included in Tabcorp's Securities Trading Policy, available from the Corporate Governance section of Tabcorp's website at www.tabcorp.com.au and in the terms and conditions of the incentive plans.

Equity instruments granted under the incentive plans can only be registered in the name of the participant, are identified as non tradable on the share register, and cannot be traded or transferred to another party until vested or until any trading restriction period has expired (where applicable).

The Board at its discretion can request a senior manager to provide a statutory declaration that the senior manager has complied with this policy. During the year, the Board did not require any such declarations.

6.5 Executive director contract – Managing Director and Chief Executive Officer

6.5.1 Current contract

David Attenborough is Managing Director and Chief Executive Officer. In accordance with his employment contract, Mr Attenborough receives fixed remuneration and the opportunity to receive variable remuneration through short term and long term incentive arrangements. Mr Attenborough's contract is for a continuing term capable of being terminated on 6 months' notice by Mr Attenborough and 12 months' notice by Tabcorp. The contract does not require any termination payments, other than payment in lieu of notice (if applicable).

6.5.1.1 Fixed remuneration

Mr Attenborough receives fixed remuneration (inclusive of statutory superannuation contributions) of \$900,000 per annum. During the 2012 financial year, the fixed remuneration of Mr Attenborough has not increased, reflecting the timing of his appointment to the position effective 9 June 2011.

6.5.1.2 Short term incentive

Mr Attenborough is eligible to receive a short term performance award based on his individual performance and the Group's performance over the annual performance review period. Mr Attenborough's short term performance award is equivalent to \$600,000 at target and is delivered in cash, with the opportunity for Mr Attenborough to voluntarily sacrifice part of the award into additional superannuation contributions. This short term incentive is similar to that which applies to the STI in section 6.4.1.

6.5.1.3 Long term incentive

The Company intends that the long term incentive component of Mr Attenborough's remuneration package will involve annual grants of Performance Rights or Options, which would be subject to a performance hurdle, with the grant of such Performance Rights or Options being subject to obtaining any necessary shareholder approvals at the relevant time. This long term incentive is similar to that which applies to the LTI in section 6.4.2, other than as set out in this section.

Since being appointed as Managing Director and Chief Executive Officer, Mr Attenborough has received one grant of Performance Rights under the Tabcorp Long Term Incentive Plan, which was approved by shareholders at the Company's 2011 Annual General Meeting. The details follow:

Effective date	Number	Test date	Expiry date
23 September 2011	447,761	23 September 2014	23 September 2014

Upon termination of employment (other than at the discretion of the Board in special circumstances such as, but not limited to, death and permanent disablement), all unvested Performance Rights or Options will lapse immediately. In all circumstances of termination of employment (other than for serious misconduct, in which case all Performance Rights or Options will lapse immediately), a pro-rata number of Performance Rights or Options based on the time served from Effective date to Test date will be tested. In addition, partial lapse of unvested Performance Rights or Options may occur in circumstances where Mr Attenborough takes parental leave or extended unpaid leave. In the event of a takeover offer for the Company or any other transaction resulting in a change of control of the Company, the Board is required to determine, in its absolute discretion, the appropriate treatment regarding any unvested Performance Rights.

Further information relating to these Performance Rights is available in the notice of meeting for the Company's 2011 Annual General Meeting.

6.5.1.4 Other benefits

Mr Attenborough's contract includes benefits comprising of:

Living away from home expenses – Mr Attenborough receives reimbursement of up to \$3,500 per week for living away from home expenses (such as accommodation) until 9 April 2014;

Home leave - Mr Attenborough receives 4 return business class tickets for travel between Australia and South Africa each year until 9 April 2014.

FBT – Tabcorp bears the cost of any fringe benefits tax payable in respect of housing and location assistance until 9 April 2014.

6.6 Executive contracts - KMP

6.6.1 Current contracts

The table below contains details of the contracts of the executives who are KMPs, excluding the Managing Director and Chief Executive Officer. The current contracts do not provide for any termination payments, other than payment in lieu of notice.

Name	Position	Contract duration	Minimum notice period (months)	
			Executive	Tabcorp
Mohan Jesudason	Managing Director, Gaming & Group Marketing	Open ended	6	9
Damien Johnston	Chief Financial Officer	Open ended	6	9
Kerry Willcock	Executive General Manager, Corporate, Legal and Regulatory	Open ended	6	12

6.6.2 Additional Compensation

No new additional compensation arrangements were entered into during the year ended 30 June 2012. Arrangements that were previously put in place are as follows.

Managing Director, Gaming & Group Marketing

Mr Jesudason's contract includes additional compensation that requires him to be an employee of Tabcorp on 30 September 2012 and satisfy certain business outcomes. The maximum compensation payable is \$1,000,000. It was put in place in 2010 and any payment will be made during the financial year ending 30 June 2013.

Chief Financial Officer

Mr Johnston's contract includes additional compensation that requires him to be an employee of Tabcorp on 30 June 2012. The additional compensation of \$182,000 was put in place in 2008 and will be paid during the financial year ending 30 June 2013.

Executive General Manager – Corporate, Legal and Regulatory

Ms Willcock's contract includes additional compensation that requires her to be an employee of Tabcorp on 15 December 2012 and satisfy certain business outcomes. The additional compensation of \$525,000 was put in place in 2010 and will be paid during the financial year ending 30 June 2013.

6.7 Performance of Tabcorp and shareholder wealth

Tabcorp's annual financial performance (which is presented on a pre impairment basis to align with the performance measure for the STI, as outlined in section 6.4.1.2) and indicators of shareholder wealth over the five year period ended 30 June 2012 are highlighted in the graphs below. For periods up to and including the year ended 30 June 2011, the financial performance included Echo Entertainment Group, as indicated by the grey bars. The financial performance of Tabcorp post the Demerger of Echo Entertainment Group is indicated by the green bars.

Figure 6: Net profit after tax ⁽ⁱ⁾

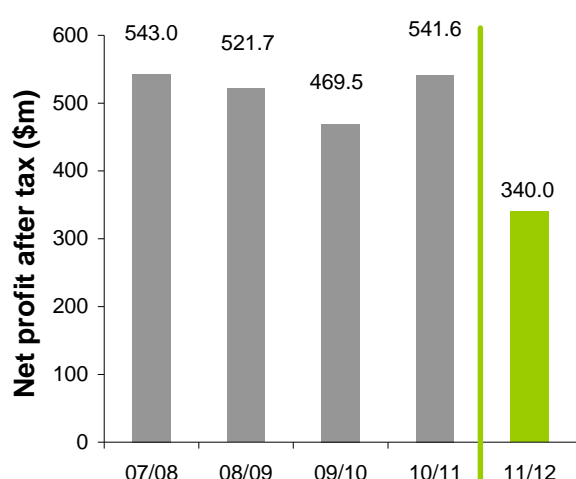
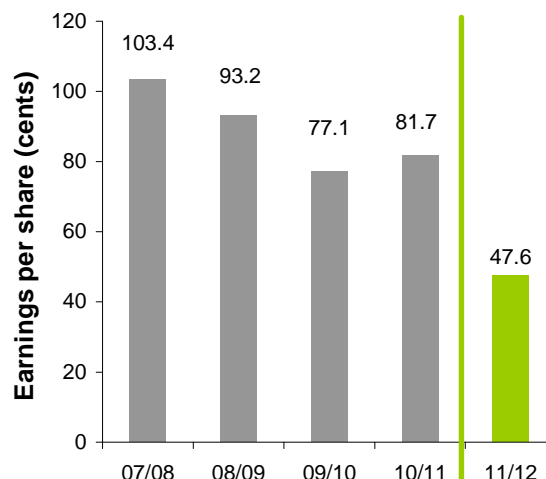


Figure 7: EPS (basic) ⁽ⁱ⁾



(i) The results for the 10/11 year are before both impairment of \$358.0m and gain on demerger of Echo Entertainment Group, net of tax of \$351.2m.
The results for the 07/08 year are before impairment of \$707.6m.

Figure 8: Full year dividend in respect of each financial year (includes interim, final and special dividends) ⁽ⁱⁱ⁾

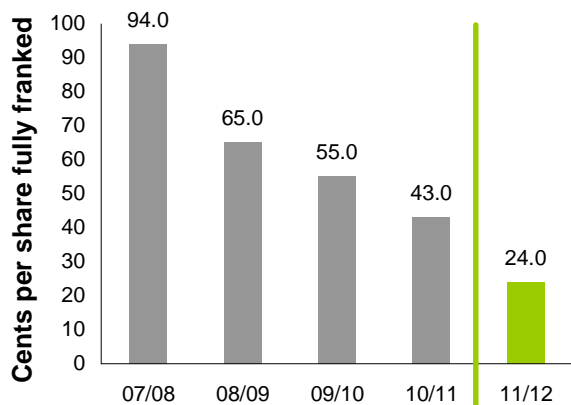
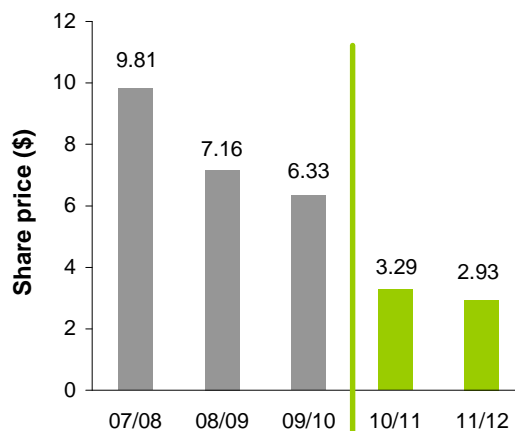


Figure 9: Company share price at the end of each financial year ⁽ⁱⁱⁱ⁾



(ii) The 07/08 year includes the special dividend declared in August 2008 of 47.0 cents per share. This dividend was declared as a substitute for the final dividend for the 07/08 year.

(iii) The closing share price for 10/11 is after the Demerger of Echo Entertainment Group and before the declaration of the final dividend which was based on Group earnings pre-Demerger inclusive of Echo Entertainment Group.

Figure 10 shows Tabcorp's TSR performance relative to the peer group of companies at test dates during the test periods for currently existing LTI allocations made both pre and post the Demerger, together with future test dates.

Figure 10: Current LTI allocations

Grant date	Allocation to	Expiry date	Relative TSR percentile ranking at test date /Future test date		
			First	Second	Third
Allocations post Demerger					
23 Sep 2011	Senior management	23 Sep 2014	23 Sep 2014	N/A	N/A
26 Oct 2011	MD&CEO	23 Sep 2014	23 Sep 2014	N/A	N/A
Allocations pre Demerger					
23 Oct 2008	Former MD&CEO	15 Sep 2015	18 th percentile	18 th percentile	15 Sep 2012
19 Oct 2009	Former MD&CEO	17 Jun 2016	18 th percentile	17 Dec 2012	17 Jun 2013
25 Oct 2010	Former MD&CEO	14 Sep 2017	14 Sep 2014	N/A	N/A

7. Remuneration tables

7.1 Remuneration of KMP

Figure 11A: KMP remuneration for the year ended 30 June 2012 – Non Executive Directors

KMP	Short term	Post employment	Total
	Salary & fees ⁽ⁱ⁾	Super-annuation	
	\$	\$	\$
Current			
Paula Dwyer	412,500	37,125	449,625
Elmer Funke Kupper ⁽ⁱⁱ⁾	73,750	6,638	80,388
Jane Hemstrich	167,500	15,075	182,575
Justin Milne ⁽ⁱⁱⁱ⁾	147,500	13,275	160,775
Zygmunt Switkowski	172,500	15,525	188,025
Future			
Steven Gregg ^(iv)	101,666	8,850	110,516
Total	1,075,416	96,488	1,171,904

- (i) Comprises salary and fees, including fees earned whilst an Observer.
(ii) Appointed as an Observer on 1 January 2012, and commenced as a Director and KMP on 25 June 2012, following the receipt of all necessary regulatory approvals. Total remuneration for the period whilst a KMP was \$3,100.
(iii) Appointed as an Observer on 18 October 2010, and commenced as a Director and KMP on 1 August 2011, following the receipt of all necessary regulatory approvals. Total remuneration for the period whilst a KMP was \$147,377.
(iv) Appointed as an Observer on 14 October 2011, and commenced as a Director and KMP on 18 July 2012 following the receipt of all necessary regulatory approvals. Total remuneration for the period whilst a KMP was nil.

Figure 11B: KMP remuneration for the year ended 30 June 2011 – Non Executive Directors

KMP	Short term	Post employment	Total
	Salary & fees ⁽ⁱ⁾	Super-annuation	
	\$	\$	\$
Current			
Paula Dwyer	297,500	26,775	324,275
Jane Hemstrich	200,379	18,034	218,413
Zygmunt Switkowski	210,076	18,907	228,983
Future			
Justin Milne ⁽ⁱⁱ⁾	116,515	10,486	127,001
Former			
John Story ⁽ⁱⁱⁱ⁾	401,591	36,143	437,734
John O'Neill ⁽ⁱⁱⁱ⁾	176,136	15,852	191,988
Brett Paton ⁽ⁱⁱⁱ⁾	216,136	19,452	235,588
Total	1,618,333	145,649	1,763,982

- (i) Comprises salary and fees, including fees earned whilst an Observer.
(ii) Appointed as an Observer on 18 October 2010, and commenced as a Director and KMP on 1 August 2011 following the receipt of all necessary regulatory approvals. Total remuneration for the period whilst a KMP was nil.
(iii) Ceased as a KMP on 8 June 2011 as a result of the Demerger to join Echo.

Figure 11C: KMP remuneration for the year ended 30 June 2012 – Executives

KMP	Short term				Long term	Post employment	Total excluding charge for share based allocations	Charge for share based allocations ^(vi)	Total	Performance related ^(v)	Termination benefits
	Salary & fees ⁽ⁱ⁾	Bonus	Non-monetary benefits ⁽ⁱⁱ⁾	Other ⁽ⁱⁱⁱ⁾	Long service leave	Super-annuation		Performance Rights			
Current Executive Director											
David Attenborough ^(iv)	891,191	690,000	409,566	-	4,424	15,775	2,010,956	210,683	2,221,639	41%	-
Current Executives											
Mohan Jesudason	629,238	220,000	-	850,000	16,742	15,775	1,731,755	100,308	1,832,063	17%	-
Damien Johnston ^(iv)	577,327	390,000	-	182,000	15,458	15,775	1,180,560	83,333	1,263,893	37%	-
Kerry Willcock	492,922	266,000	-	525,000	28,082	15,775	1,327,779	72,916	1,400,695	24%	-
Total	2,590,678	1,566,000	409,566	1,557,000	64,706	63,100	6,251,050	467,240	6,718,290		-

- (i) Comprises salary, salary sacrificed benefits (including superannuation and motor vehicle novated leases) and annual leave expense.
- (ii) Comprises the cost to the Company for providing relocation expenses, living away from home benefits, accommodation, car parking, and airfares, where applicable.
- (iii) Comprises additional compensation as outlined in section 6.6.2, and will be paid during the year ending 30 June 2013.
- (iv) Represents the fair value of share based payments expensed by the Company. Value only accrues to the KMP when conditions have been met.
- (v) Represents the sum of bonus and Performance Rights as a percentage of total remuneration, excluding termination payments.
- (vi) Non-monetary benefits include increased FBT charges relating to living away from home expenses. These benefits are outlined in section 6.5.1.4.
- (vii) Commenced as KMP on 12 July 2011, following the receipt of all necessary regulatory approvals. Total remuneration for the period whilst a KMP was \$1,246,996.

The amounts that appear under the heading 'charge for share based allocations' are the amounts required under the Accounting Standards to be expensed by the Company in respect of the allocation of long term incentives and Restricted Shares to KMP. Each year, the Board may decide to allocate long term incentives to executives. Currently, these long term incentives are allocated in the form of Performance Rights, which are expensed by the Company over the three year vesting period. Figures 11C and 11D represent the expenses incurred during the year in respect of current and past incentive allocations. These amounts are therefore not amounts actually received by executives during the year. Whether executives receive any value from the allocation of long term incentives in the future will depend on the performance of the Company relative to a peer group of listed companies. The mechanism which determines whether or not long term incentives vest in the future is described in Sections 6.4.2 and 6.5.1.3.

Remuneration report (audited)
for the financial year ended 30 June 2012



Figure 11D: KMP remuneration for the year ended 30 June 2011 – Executives

KMP	Short term				Long term	Post Employment	Total excluding charge for share based allocations	Charge for share based allocations ^(vi)		Accelerated Charge for Share based payments ^(v)		Total	Performance related ^(vi)	Termination benefits
	Salary & fees ⁽ⁱ⁾	Bonus	Non-monetary benefits ⁽ⁱⁱ⁾	Other ⁽ⁱⁱⁱ⁾	Long service leave	Super-annuation		Performance Options & Rights	Restricted Shares	Performance Options & Share Rights	Restricted shares & former LTI loans			
Current Executive Director														
David Attenborough ^(vii)	717,685	470,000	257,539	-	2,040	15,199	1,462,463	22,109	201,387	66,326	69,444	1,821,729	27%	-
Current Executives														
Mohan Jesudason	638,249	475,000	13,322	300,000	41,863	15,199	1,483,633	351,204	-	555,022	422,584	2,812,443	29%	-
Kerry Willcock	514,436	350,000	-	-	26,556	15,199	906,191	244,314	-	394,171	-	1,544,676	38%	-
Future Executive														
Damien Johnston ^(ix)	67,811	23,868	-	-	38,422	921	131,022	-	-	-	-	131,022	18%	-
Former Executive Director														
Elmer Funke Kupper ^(x)	1,386,938	2,475,000	-	-	(58,106)	15,199	3,819,031	1,330,928	-	(294,357)	-	4,855,602	78%	3,000,000
Former Executives														
Larry Mullin ^(viii)	1,272,356	1,268,182	557,365	-	2,797	-	3,100,700	182,292	119,508	500,000	44,533	3,947,033	37%	-
Matt Bekier ^(xi)	728,771	587,121	30,779	-	17,399	15,199	1,379,269	417,120	-	661,991	-	2,458,380	41%	-
Louise Marshall ^(xii)	379,651	253,636	-	-	3,972	14,278	651,537	107,512	-	253,425	-	1,012,474	36%	-
Total	5,705,897	5,902,807	859,005	300,000	74,943	91,194	12,933,846	2,655,479	320,895	2,136,578	536,561	18,583,359		3,000,000

- (i) Comprises salary, salary sacrificed benefits (including superannuation, motor vehicle novated leases and school fees) and annual leave expense.
- (ii) Comprises the cost to the Company for providing low interest loan to acquire shares in the Company pursuant to issues made under a previous employee share plan, relocation expenses, living away from home benefits, car parking, accommodation, airfares and travel costs, where applicable.
- (iii) Comprises cash appointment incentives and retention payments, where applicable.
- (iv) Represents the fair value of share based payments expensed by the Company, which includes amounts expensed on cessation of employment where equity instruments are retained, and reversal of previously recognised remuneration on cessation of employment where equity instruments lapse. Value only accrues to the KMP when conditions have been met.
- (v) As a result of the Demerger, the remaining fair value of share based payments not already recognised was expensed where the date of testing was accelerated, the equity instruments were cancelled or disposal restrictions and forfeiture provisions were waived. The balance includes the reversal of previously recognised remuneration where equity instruments lapse on cessation of employment resulting from the Demerger.
- (vi) Represents the sum of bonus, Performance Options and Performance Rights (excluding accelerated charge) as a percentage of total remuneration, excluding termination payments.
- (vii) Share based allocations include Restricted Shares that were granted as appointment incentives.
- (viii) Commenced employment on 9 April 2010, and as a KMP on 29 July 2010 following the receipt of all necessary regulatory approvals. Total remuneration for the period whilst a KMP was \$1,698,708. Non-monetary benefits restated for certain costs not previously included of \$78,223.
- (ix) Commenced in role on 9 June 2011. Salary & fees reflects increase in annual leave accrual due to new salary level. Commenced as a KMP on 12 July 2011 following the receipt of all necessary regulatory approvals. Total remuneration for the period whilst a KMP was nil.
- (x) Ceased employment and as a KMP on 8 June 2011. In addition to the amounts disclosed above, payment of annual leave on cessation amounted to \$188,335.
- (xi) Received cash in lieu of superannuation, due to being a senior executive temporary resident of Australia. These amounts are disclosed under salary and fees.
- (xii) Ceased employment and as a KMP on 8 June 2011 as a result of the Demerger to join Echo.
- (xiii) Ceased as a KMP on 8 June 2011 as a result of the Demerger. The remuneration report for the year ended 30 June 2011 included accrued termination benefits of \$337,500. No termination benefits were paid, as Ms Marshall joined Echo following the Demerger.

The amounts that appear under the heading 'Accelerated Charge for Share Based Payments' are the amount required under the accounting standards to be expensed by the Company, in respect of the allocation of Long Term Incentives and Restricted Shares to KMP, resulting from the collapsing of the Company's Employee Share Schemes prior to the implementation of the Demerger. These amounts are therefore not amounts actually received by executives during the year.

7.2 Other remuneration tables

Figure 12A: Short term incentive (STI) achieved

For the year ended 30 June 2012

KMP	Actual STI payment \$	Actual STI payment as a % of maximum STI ⁽ⁱ⁾	Actual STI payment as a % of target STI	STI not achieved as a % of target STI
David Attenborough	690,000	51%	115%	-
Mohan Jesudason	220,000	23%	51%	49%
Damien Johnston	390,000	58%	130%	-
Kerry Willcock	266,000	45%	101%	-

(i) Maximum STI for KMPs may vary, as it is subject to Board discretion.

Figure 12B: Terms and conditions of Performance Rights granted during the year

For the year ended 30 June 2012

Grant date	Fair value at grant date \$	Exercise price \$	Exercise and expiry date	Last exercise/ expiry date
23 September 2011 ⁽ⁱ⁾	1.34	-	23 September 2014	23 September 2014
26 October 2011 ⁽ⁱ⁾	1.49	-	23 September 2014	23 September 2014

(i) Terms and conditions of the Performance Rights are the same. Grant date differs due to Performance Rights granted to the Managing Director and Chief Executive Officer which required shareholder approval at the AGM. Fair value under accounting standards is determined at grant date.

Figure 12C: Performance Rights granted during the year

For the year ended 30 June 2012

KMP	Rights granted 23 September 2011 Number	Rights granted 26 October 2011 Number
David Attenborough	-	447,761
Mohan Jesudason	269,485	-
Damien Johnston	223,880	-
Kerry Willcock	195,895	-
Total	689,260	447,761

Figure 12D: Performance Rights vested and exercised during the year

For the year ended 30 June 2012

No Performance Rights vested or were exercised during the current year.

Figure 12E: Value of Performance Rights granted as part of remuneration

KMP	During the year ended 30 June 2012			
	Granted ⁽ⁱ⁾ \$	Exercised \$	Lapsed \$	As a % of remuneration ⁽ⁱⁱ⁾ %
David Attenborough	667,164	-	-	9%
Mohan Jesudason	361,110	-	-	5%
Damien Johnston	299,999	-	-	7%
Kerry Willcock	262,499	-	-	5%
Total	1,590,772	-	-	

(i) Represents the value of Performance Rights granted during the year. For details on the valuation of the Performance Rights, including models and assumptions used, refer to Note 23 of the Tabcorp Financial Report.

(ii) Represents the fair value of Performance Rights expensed during the year as a percentage of total remuneration, excluding termination payments. Total remuneration includes share based payments.

Directors' report

for the financial year ended 30 June 2012



This report has been signed in accordance with a resolution of Directors.


Paula Dwyer
Chairman

Melbourne
9 August 2012

Income statement
For the year ended 30 June 2012



	Note	2012 \$m	2011 \$m
Revenue		3,038.5	2,947.5
Other income	2	15.0	35.7
Government taxes and levies		(892.8)	(887.5)
Commissions and fees		(1,004.4)	(977.5)
Employment costs		(151.5)	(163.4)
Depreciation and amortisation	2	(133.5)	(124.3)
Property costs		(39.7)	(38.5)
Advertising and promotions		(35.4)	(30.9)
Other expenses		(204.5)	(198.6)
Impairment	2	-	(358.0)
Profit before income tax expense and net finance costs		591.7	204.5
Finance income	2	6.3	9.7
Finance costs	2	(101.0)	(144.1)
Profit from continuing operations before income tax expense		497.0	70.1
Income tax expense	4	(157.0)	(126.5)
Profit/(loss) from continuing operations after income tax		340.0	(56.4)
Discontinued operations			
Profit from discontinued operations and net gain on demerger of Echo Entertainment Group, net of tax	32	-	591.2
Net profit after tax		340.0	534.8
Other comprehensive income			
Change in fair value of cash flow hedges taken to equity		(45.8)	7.1
Recycling of discontinued cash flow hedges to income statement		-	(40.5)
Actuarial gain/(loss) on defined benefit plan	24	(1.8)	1.3
Income tax benefit on items of other comprehensive income	4	14.2	9.6
Other comprehensive income/(loss) for the period, net of income tax		(33.4)	(22.5)
Total comprehensive income for the period		306.6	512.3
Earnings per share:			
From continuing operations			
Basic earnings per share	6	47.6	(8.5)
Diluted earnings per share	6	47.5	(8.5)
Total attributable to shareholders of Tabcorp			
Basic earnings per share	6	47.6	80.7
Diluted earnings per share	6	47.5	80.4

The accompanying notes form an integral part of this income statement.

In June 2011, Tabcorp demerged Echo Entertainment Group. As a result, certain items in the income statement are not directly comparable between years.

Balance sheet

As at 30 June 2012



	Note	2012 \$m	2011 \$m
Current assets			
Cash and cash equivalents	7	151.4	147.1
Receivables	8	52.1	80.1
Inventories	9	4.8	9.4
Property, plant and equipment	11	4.9	-
Other	10	15.0	14.3
Total current assets		228.2	250.9
Non current assets			
Property, plant and equipment	11	313.3	280.5
Intangible assets - licences	12	814.8	430.2
Intangible assets - other	13	1,803.2	1,805.7
Receivables	8	58.8	56.8
Derivative financial instruments	30	17.7	-
Other	10	13.0	14.4
Total non current assets		3,020.8	2,587.6
TOTAL ASSETS		3,249.0	2,838.5
Current liabilities			
Payables	15	384.3	367.7
Interest bearing liabilities	16	-	449.8
Current tax liabilities		42.7	59.5
Provisions	17	31.5	65.9
Derivative financial instruments	30	19.8	3.7
Other	18	11.9	5.4
Total current liabilities		490.2	952.0
Non current liabilities			
Payables	15	-	75.0
Interest bearing liabilities	16	1,224.0	515.2
Deferred tax liabilities	4	63.1	63.3
Provisions	17	5.8	6.2
Derivative financial instruments	30	59.5	15.1
Other	18	0.6	0.8
Total non current liabilities		1,353.0	675.6
TOTAL LIABILITIES		1,843.2	1,627.6
NET ASSETS		1,405.8	1,210.9
Equity			
Issued capital	19	2,084.0	1,973.0
Retained earnings/(accumulated losses)		23.4	(91.9)
Reserves	19	(701.6)	(670.2)
TOTAL EQUITY		1,405.8	1,210.9

The accompanying notes form an integral part of this balance sheet.

Cash flow statement
For the year ended 30 June 2012



	Note	2012 \$m	2011 \$m
Cash flows from operating activities			
Net cash receipts in the course of operations		3,127.0	4,439.3
Payments to suppliers, service providers and employees		(1,572.6)	(2,357.2)
Payment of government levies, betting taxes and GST		(765.7)	(1,075.2)
Finance income received		6.2	8.1
Finance costs paid		(111.1)	(159.2)
Income tax paid		(158.3)	(197.7)
Net cash flows from operating activities	20	525.5	658.1
Cash flows from investing activities			
Payment for property, plant and equipment and intangibles		(631.0)	(595.6)
Proceeds from sale of property, plant and equipment and intangibles		1.2	2.1
Loan repayments received from customers		0.8	-
Loans advanced to customers		(5.0)	(47.6)
Net cash flows used in investing activities		(634.0)	(641.1)
Cash flows from financing activities			
Proceeds from issue of shares		-	427.7
Payment of transaction costs for share issue		-	(12.7)
Payment of transaction costs for capital reduction		(0.8)	(21.1)
Payment of transaction costs for demerger		(34.7)	(64.7)
Net cash flows from revolving bank facilities		250.0	(210.0)
Proceeds from long term borrowings		460.5	1,090.0
Repayment of long term borrowings		(450.0)	(938.6)
Cash reduction through demerger of entities	32	-	(124.5)
Dividends paid		(111.4)	(269.7)
Payments for on-market share purchase		(0.8)	(9.8)
Proceeds from sale of treasury shares		-	1.6
Net cash flows used in financing activities		112.8	(131.8)
Net increase/(decrease) in cash held		4.3	(114.8)
Cash at beginning of year		147.1	261.9
Cash at end of year	7	151.4	147.1

The accompanying notes form an integral part of this cash flow statement.

The cash flow statement for the prior year includes the cash flows of the Echo Entertainment Group for the period up to the demerger date, refer note 32(c).

Statement of changes in equity

For the year ended 30 June 2012



	Issued capital		Retained earnings/ (accumulated losses)	Net unrealised losses reserve	Employee equity benefit reserve	Demerger reserve	Total equity
	Ordinary shares	Treasury shares					
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2012							
Balance at beginning of year	1,973.0	-	(91.9)	(0.3)	-	(669.9)	1,210.9
Profit for the period	-	-	340.0	-	-	-	340.0
Other comprehensive income/(loss)	-	-	(1.3)	(32.1)	-	-	(33.4)
Total comprehensive income for the period	-	-	338.7	(32.1)	-	-	306.6
Dividends paid	-	-	(223.4)	-	-	-	(223.4)
Dividend reinvestment plan	112.0	-	-	-	-	-	112.0
Transaction costs for capital reduction	(0.6)	-	-	-	-	-	(0.6)
Restricted shares issued	-	(0.8)	-	-	-	-	(0.8)
Share based payments expense	-	0.4	-	-	0.7	-	1.1
Balance at end of year	2,084.4	(0.4)	23.4	(32.4)	0.7	(669.9)	1,405.8
2011							
Balance at beginning of year	3,737.6	(3.7)	(310.0)	23.1	7.7	-	3,454.7
Profit for the period	-	-	534.8	-	-	-	534.8
Other comprehensive income/(loss)	-	-	0.9	(23.4)	-	-	(22.5)
Total comprehensive income for the period	-	-	535.7	(23.4)	-	-	512.3
Dividends paid	-	-	(317.6)	-	-	-	(317.6)
Dividend reinvestment plan	47.9	-	-	-	-	-	47.9
Echo Entertainment Group demerger distribution	(2,219.8)	-	-	-	-	(669.9)	(2,889.7)
Ordinary shares issued	427.7	-	-	-	-	-	427.7
Transaction costs for share issue and capital reduction	(24.4)	-	-	-	-	-	(24.4)
Transfers	12.8	-	-	-	(12.8)	-	-
Restricted shares issued	-	(1.0)	-	-	-	-	(1.0)
Share based payments expense	-	3.1	-	-	6.6	-	9.7
Payment on Performance Rights cancellation	-	-	-	-	(1.5)	-	(1.5)
Net outlay to purchase shares ⁽ⁱ⁾	(8.8)	-	-	-	-	-	(8.8)
Disposal of shares	-	1.6	-	-	-	-	1.6
Balance at end of year	1,973.0	-	(91.9)	(0.3)	-	(669.9)	1,210.9

(i) Net outlay for the purchase of Company shares for Performance Rights exercised by certain executives in lieu of issuing new share capital.

The accompanying notes form an integral part of this statement of changes in equity.

1. Significant accounting policies and corporate information

Tabcorp Holdings Limited ('the Company') is a company limited by shares which are traded on the Australian Securities Exchange. The Company is incorporated and domiciled in Australia, and is a for-profit entity. The financial report of the Company for the year ended 30 June 2012 comprises the Company and its subsidiaries (collectively referred to as 'the Group') and the Group's interest in joint ventures.

During the prior period the Tabcorp Group demerged its Casino businesses, referred to in this document as the Echo Entertainment Group (refer note 32).

The financial report was authorised for issue by the directors on 9 August 2012.

(a) Statement of compliance

(i) Changes in accounting policy and disclosures

The Group has adopted the following new and amended accounting standards, which became applicable from 1 July 2011:

AASB 124	Related Party Disclosures
AASB 1048	Interpretation of Standards
AASB 1054	Australian Additional Disclosures
AASB 2009-12	Amendments to Australian Accounting Standards
AASB 2009-14	Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement
AASB 2010-4	Further amendments to Australian Accounting Standards arising from the Annual Improvements Project
AASB 2010-5	Amendments to Australian Accounting Standards
AASB 2010-6	Amendments to Australian Accounting Standards - Disclosure on Transfer of Financial Assets
AASB 2011-1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project

The adoption of these standards did not have any effect on the financial position or performance of the Group.

(ii) New Australian Accounting Standards or International Financial Reporting Standards issued but not yet effective

Australian Accounting Standards or International Financial Reporting Standards that have been recently issued or amended but are not yet effective have not been applied to the financial report.

The following amendments by the AASB to Australian Accounting Standards and the IASB to International Financial Reporting Standards are not expected to have a material impact on the Group's financial position and performance, however increased disclosures will be required in the Group's financial statements.

AASB/IFRS Reference	Title	Application date for Group
AASB 9	Financial Instruments	1 July 2013
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9	1 July 2013
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	1 July 2013
AASB 10	Consolidated Financial Statements	1 July 2013
AASB 11	Joint Arrangements	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	1 July 2013
AASB 13	Fair Value Measurement	1 July 2013
AASB 119	Employee Benefits	1 July 2013
AASB 127	Separate Financial Statements	1 July 2013
AASB 128	Investments in Associates and Joint Ventures	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	1 July 2013
AASB 2011-7	Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards	1 July 2013
AASB 2011-8	Amendments to Australian Accounting Standards arising from AASB 13	1 July 2013
AASB 2011-9	Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income	1 July 2012
AASB 2011-10	Amendments to Australian Accounting Standards arising from AASB 119	1 July 2013
AASB 2012-2	Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities [AASB 7 & AASB 132]	1 July 2013
AASB 2012-3	Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities [AASB 132]	1 July 2014
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle	1 July 2013

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board. The financial report also complies with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

(b) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia.

The financial report is presented in Australian dollars.

The financial report is prepared on the historical cost basis, except for derivative financial instruments and pension assets that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged with fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged. Non current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The accounting policies have been applied consistently throughout the Group for the purposes of this financial report.

The Company is a Company of the kind specified in Australian Securities and Investments Commission ('ASIC') Class Order 98/0100. In accordance with that Class Order, amounts in the financial report and the Directors' report have been rounded to the nearest hundred thousand dollars, unless specifically stated to be otherwise.

1. Significant accounting policies and corporate information (continued)

(c) Accounting estimates and assumptions

Significant accounting estimates and assumptions

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities recognised in the financial statements are described in the following notes:

- note 1 - Significant accounting policies
 - (j) Taxation
 - (l) Receivables
 - (r) Intangible assets
 - (u) Provisions
 - (w) Employee benefits
- note 14 - Impairment testing of goodwill and intangibles with indefinite lives
- note 23 - Employee share plans
- note 24 - Pensions and other post employment benefit plans

(d) Basis of consolidation

Controlled entities

Controlled entities are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of controlled entities are included in the consolidated financial report from the date control commences until the date that control ceases. The financial statements of the controlled entities are prepared for the same reporting period as the Company, using consistent accounting policies.

Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement.

Jointly controlled entities

Investments in jointly controlled entities are accounted for using equity accounting principles and are carried at the lower of the equity accounted amount and the recoverable amount.

The Group's share of the jointly controlled entity's net profit or loss is recognised in the consolidated income statement from the date joint control commences until the date joint control ceases. Other movements in reserves are recognised directly in consolidated reserves.

Jointly controlled operations and assets

The interest of the Group in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls, the liabilities it incurs, the expenses it incurs, and the share of income that it earns from the sale of goods or services by the joint venture.

Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(e) Foreign currency

Translation and balances

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement with the exception of differences on foreign currency borrowings that are in an effective hedge relationship. These are taken directly to equity until the liability is extinguished at which time they are recognised in the income statement. Refer to note 1(g) for further detail.

Non monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

Group companies

On consolidation the assets and liabilities of foreign operations are translated into Australian dollars at the rate of the exchange prevailing at the reporting date, and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income.

(f) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for cash flow hedge accounting, the effective portion of the gain or loss is deferred in equity while the ineffective portion is recognised in the income statement.

The fair value of interest rate swap and cross currency swap contracts is determined by reference to market values for similar instruments.

1. Significant accounting policies and corporate information (continued)

(g) Hedging

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecast transaction subsequently results in the recognition of a non financial asset or liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, then the associated gains and losses that were recognised directly in equity are reclassified into the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement (i.e. when interest income or expense is recognised). For cash flow hedges, the effective part of any gain or loss on the derivative financial instrument is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects the income statement. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the designation of the hedge relationship is revoked but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the variability of changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, any gain or loss on the derivative is recognised directly in the income statement.

(h) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Wagering and gaming revenue

Revenue is recognised as the residual value after deducting the return to customers from the wagering and gaming turnover.

Fixed odds betting revenue

Revenue is recognised as the net win or loss on an event. The amounts bet on an event are recognised as a liability until the outcome of the event is determined, at which time the revenue is brought to account. Open betting positions are carried at fair value and gains and losses arising on these positions are recognised in revenue.

Provision of technology services

Revenue is recognised where the contracted outcome can be reliably measured and control of the right to be compensated for the services exists under the contractual agreement.

Sale of goods

Revenue is recognised when:

- the significant risks and rewards of ownership of the goods have passed to the buyer;
- it is probable consideration will pass from the buyer in accordance with an established arrangement; and
- the amount of consideration can be reliably measured.

Media operations revenue

Revenue includes subscription income, advertising revenue and product recoveries, and is recognised once the service has been rendered.

Customer loyalty programmes

The Group operates loyalty programmes enabling customers to accumulate award credits for wagering and gaming spend. A portion of the spend, equal to the fair value of the award credits earned, is treated as deferred revenue. Revenue from the award credits is recognised when the award is redeemed or expires.

Interest revenue

Interest revenue earned from customers in the ordinary course of operations is disclosed within revenue.

Dividends

Revenue is recognised when the right to receive payment is established.

(i) Net finance costs

Finance income is recognised as the interest accrues, using the effective interest rate method.

Finance costs are recognised as an expense when incurred.

(j) Taxation

Income tax

Income tax comprises current and deferred income tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- goodwill; and
- the initial recognition of an asset or liability in a transaction which is not a business combination and that affect neither accounting nor taxable profit at the time of the transaction.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Refer to note 4(d) for details regarding tax consolidation.

1. Significant accounting policies and corporate information (continued)

(j) Taxation (continued)

Goods and services tax

Revenues, expenses, assets and liabilities are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- wagering and gaming revenues, due to the GST being offset against government taxes; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Claims for refunds

Potential claims for refunds from taxation authorities are recognised when their existence is considered to be virtually certain. The Group considers virtually certain to be the point at which formal confirmation of the claim is received from the relevant authority. Refer to note 28.

(k) Cash

Cash comprises cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash for the purpose of the cash flow statement.

(l) Receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amount (where applicable). An allowance for doubtful debts is made when there is objective evidence that collection of the full amount is no longer probable. Factors considered when determining if an impairment exists include ageing and timing of expected receipts, management's experienced judgement and facts in the individual situation. Bad debts are written off when identified.

(m) Inventories

Inventories include consumable stores, finished goods and work in progress, and are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(n) Other receivables

Other receivables are initially recognised at amortised cost. Subsequent increases in receivables due to the passage of time or resulting from a revision of the estimate of cash inflows are recognised in the income statement. An allowance for impairment is recognised when there is objective evidence that the Group will not be able to collect the receivable. Subsequent increases in receivables due to the passage of time are not recognised where a receivable is fully impaired.

(o) Non current assets held for sale and discontinued operations

Assets classified as held for sale (and all assets and liabilities in a disposal group) are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in the income statement. The same applies to gains and losses on subsequent re-measurement. No depreciation or amortisation is charged on these assets while they are classified as held for sale.

A discontinued operation is a component of the Group's business that represents a separate major line of business or is a controlled entity acquired or held exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative period.

(p) Investment in controlled entities

All investments are initially recognised at cost, being the fair value of the consideration given, and if acquired prior to 1 July 2009 included acquisition charges associated with the investment. Subsequently investments are carried at cost less any impairment losses.

(q) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (refer to note 1(s)).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leased assets

Leases where the lessee assumes substantially all the risks and rewards of ownership of the asset are classified as finance leases.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

Depreciation

Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment other than land, which is not depreciated.

Useful life

Buildings	7 - 40 years
Leasehold improvements	4 - 7 years
Plant and equipment	3 - 9 years

(r) Intangible assets

Goodwill arising from business combinations

All business combinations are accounted for by applying the acquisition method. Goodwill represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired and liabilities assumed.

1. Significant accounting policies and corporate information (continued)

(r) Intangible assets (continued)

Impairment

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to each cash generating unit or group of cash generating units expected to benefit from the business combination's synergies and is not amortised but is tested for impairment annually or whenever there is an indicator of impairment. Impairment is determined by assessing the recoverable amount of the cash generating unit or units, to which the goodwill relates. When the recoverable amount of the cash generating unit or units is less than the carrying amount, an impairment loss is recognised. Impairment losses are recognised directly in the income statement and are not subsequently reversed.

Negative goodwill arising on an acquisition is recognised directly in the income statement.

Refer to note 14 for further details of key assumptions included in the impairment calculation.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses (refer to note 1(s)). The cost of internally developed software includes the cost of materials, direct labour and an appropriate proportion of overheads. Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Amortisation

Amortisation of intangible assets is charged to the income statement as follows:

Victorian wagering and gaming licences:

The licences are amortised on a straight line basis over the remaining life of the licences from inception in 1994 until expiry in August 2012.

Victorian wagering and betting licence:

The licence will be amortised on a straight line basis over the life of the licence from August 2012 until expiry in 2024.

Queensland Keno licence:

The licence is amortised on a straight line basis over the remaining life of the licence from the date of acquisition until expiry in 2022.

Victorian Keno licence:

The licence is amortised on a straight line basis over the remaining life of the licence from April 2012 until expiry in 2022.

NSW wagering licence:

The licence is amortised on a straight line basis over the remaining life of the licence from the date of acquisition until expiry in 2097.

NSW trackside concessions:

The trackside concessions are amortised on a straight line basis over the period of expected benefits, which is until 2097.

Software:

Software is amortised on a straight line basis over its useful life, which varies from 3 to 8 years.

Other:

Other intangible assets relate to customer contracts and relationships which are amortised over a period of 5 to 15 years, being the estimated life of the contracts and relationships.

Brand names, broadcast rights and media content:

These intangible assets are not being amortised as the directors believe that the life of these intangibles to the Group will not materially diminish over time, and the residual value at the end of that life would be such that the amortisation charge, if any, would not be material. These assets, together with goodwill, are tested for impairment annually or whenever there is an indicator of impairment.

(s) Impairment of non financial assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. When an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's recoverable value cannot be estimated as it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Impairment losses are recognised immediately in the income statement.

Refer to note 14 for further details of key assumptions included in the impairment calculation.

(t) Payables

Payables are stated at amortised cost.

(u) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recorded as a finance cost.

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced, has been announced publicly, or has no realistic probability of withdrawal. Future operating costs are not provided for in the provision for restructuring.

(v) Interest bearing liabilities

Interest bearing liabilities are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, interest bearing liabilities are recognised at fair value or amortised cost. Amortised cost is calculated using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised in addition to the amortisation process.

1. Significant accounting policies and corporate information (continued)

(w) Employee benefits

Post-employment benefits

Accumulation plan

The Group's commitment to accumulation plans is limited to making the contributions in accordance with the minimum statutory requirements. There is no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees relating to current and past employee services.

Contributions to accumulation plans are recognised as expenses in the income statement as the contributions become payable. A liability is recognised when the Group is required to make future payments as a result of employees' services provided.

Defined benefit plan

The Group operates a defined benefit plan which is recognised in the balance sheet as the difference between the present value of the estimated future benefits that will be payable to plan members and the fair value of the plan's assets. At reporting date, where the fair value of the plan assets exceeds the present value of the defined benefit obligations, the net surplus is recognised as an asset. When the fair value of the plan assets is less than the present value of the defined benefit obligation, the net deficit is recognised as a liability.

An annual adjustment is made to recognise all movements in the carrying amount of the plan as income or expense in the income statement, except for the portion of the movement that is attributable to actuarial gains and losses, which are recognised directly in equity. Actuarial gains and losses represent the difference between previous actuarial assumptions of future outcomes and the actual outcome, in addition to the effect of changes in actuarial assumptions.

Long service leave

The Group's net obligation in respect of long term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the Group's obligations.

Wages, salaries and annual leave

Liabilities for employee benefits of salaries, wages and annual leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration rates the Group expects to pay, including related on-costs when the liability is expected to be settled.

Share based payment transactions

The Group operates the Long Term Performance Plan ('LTPP'), which is available at the most senior executive levels. Under the LTPP, employees may become entitled to Performance Rights in the Company.

The fair value of Performance Rights is measured at grant date and is recognised as an employee expense (with a corresponding increase in equity) over three years irrespective of whether the Performance Rights vest to the holder. A reversal of the expense is only recognised in the event the instruments lapse due to cessation of employment within the three year period.

The fair value of the Performance Rights is determined by an external valuer and takes into account the terms and conditions upon which the Performance Rights were granted.

The dilutive effect, if any, of outstanding Performance Rights is reflected in the computation of diluted earnings per share.

In addition, the Group operates the Short Term Performance Plan ('STPP'). For certain senior management, it is mandatory to defer one third of their STPP into Restricted Shares, which are subject to a three year service condition.

The cost of the Restricted Shares is based on the market price at grant date and is recognised over a three year period for STPP.

Restricted Shares may be issued to executives as an incentive upon appointment or for retention. The fair value of Restricted Shares is recognised as an employee expense over the relevant vesting period.

Refer to note 23 for further details on the share based payment transactions.

(x) Deferred revenue

Deferred revenue includes:

- subscriptions received relating to future periods;
- the fair value of unredeemed customer loyalty award credits; and
- cash received in advance of asset sales.

(y) Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received.

When issued capital is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from total issued capital.

Any transaction costs directly attributable to the issue of ordinary shares are recognised directly in equity, net of tax, as a reduction of the share proceeds received.

The unvested portion of Restricted Shares issued to executives as an incentive, on appointment or for retention are recorded as treasury shares, which is recognised as a reduction in issued capital.

The amount which has been credited to the employee equity benefit reserve in relation to Performance Rights is transferred to issued capital to the extent the relevant Performance Rights vest or have been treated as vested.

(z) Operating segment

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assesses its performance, and for which discrete financial information is available.

Operating segments have been identified based on the information provided to the chief operating decision maker, being the Managing Director and Chief Executive Officer.

1. Significant accounting policies and corporate information (continued)

(z) Operating segment (continued)

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- nature of the products and services;
- type or class of customer for the products and services;
- methods used to distribute the products or provide the services; and
- nature of the regulatory environment.

(aa) Earnings per share

Basic earnings per share is calculated as net profit after tax, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit after tax, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non discretionary changes in revenue or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(ab) Capitalised costs

Capitalised costs relating to development projects are recognised as an asset when it is:

- probable that any future economic benefit associated with the item will flow to the entity; and
- it can be reliably measured.

If it becomes apparent that the development will not occur the amount is expensed to the income statement.

2. Revenue and expenses

(a) Revenue includes:

	2012 \$m	2011 \$m
Interest revenue	4.7	3.0

(b) Other income

Cost recovery income	12.0	35.4
Net gain on disposal of non current assets	0.4	0.3
Foreign exchange gain	0.1	-
Other income	2.5	-
	15.0	35.7

(c) Depreciation and amortisation

Depreciation		
- buildings	1.1	0.7
- leasehold improvements	9.4	3.0
- plant and equipment	55.2	47.9
	65.7	51.6

Amortisation

- Victorian wagering and gaming licences	26.6	26.6
- NSW wagering licence	3.7	3.7
- Queensland and Victorian Keno licences	3.6	2.3
- NSW Trackside concessions	1.7	0.9
- software	30.8	38.0
- other amortisation	1.4	1.2
	67.8	72.7

	133.5	124.3
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(d) Employment costs include:

Defined benefit plan (income)/expense	(0.1)	0.2
Defined contribution plan expense	11.0	10.8
Share based payments expense	1.1	3.6
	12.0	14.6

(e) Operating lease rentals

Minimum lease payments	30.8	29.8
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(f) Other expenses include:

Cost of sales	4.8	6.1
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(g) Impairment

Goodwill	-	358.0
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(h) Finance income

Interest revenue	6.0	9.4
Unwinding of discount on other receivables	0.3	0.3
	6.3	9.7

(i) Finance costs ⁽ⁱ⁾

Interest costs	87.9	136.0
Other finance costs	13.4	7.7
Net loss on fair value hedges	-	0.3
Net (gain)/loss on cash flow hedges	(0.3)	0.1
	101.0	144.1

(i) The finance costs presented for the prior year include all finance costs incurred by the Tabcorp Group under the financing arrangements in place prior to the demerger of the Echo Entertainment Group.

Notes to the financial statements

For the year ended 30 June 2012



	2012	2011
	\$000	\$000
3. Auditor's remuneration		
Amounts received or due and receivable by Ernst & Young for:		
- audit and review of the financial report of the Group ⁽ⁱ⁾	948	1,851
- other services in relation to the Group ⁽ⁱⁱ⁾	434	2,213
	1,382	4,064

(i) The prior year represents the audit of the Group prior to the demerger of the Echo Entertainment Group.

(ii) Other services comprise other audit services for Group subsidiaries, regulatory audit services and other assurance work.

The prior year includes:

- audit of Group subsidiaries and other audit services for the Echo Entertainment Group; and
- the preparation of the Investigating Accountant's Report and attendance at the scheme meeting relating to the demerger of the Echo Entertainment Group.

4. Income tax

(a) Income tax expense

The major components of income tax expense are:

	Consolidated 2012 \$m	Continuing 2011 \$m	Discontinued 2011 \$m	Consolidated 2011 \$m
Current tax expense	(150.3)	(166.1)	(53.8)	(219.9)
Adjustments in respect of current income tax of previous years	7.5	(0.3)	7.3	7.0
Deferred income tax expense relating to the origination and reversal of temporary differences	(14.2)	39.9	(9.4)	30.5
Income tax expense reported in the income statement	(157.0)	(126.5)	(55.9)	(182.4)

Aggregate current and deferred tax relating to items charged or credited to equity:

Change in value of cash flow hedges	13.7	10.0	2.3	12.3
Actuarial gain/loss on defined benefit plan	0.5	(0.4)	-	(0.4)
Income tax benefit reported in other comprehensive income	14.2	9.6	2.3	11.9

Arising on transactions with equity participants:

Share issue transaction costs	0.2	10.5	-	10.5
Income tax benefit reported in equity	14.4	20.1	2.3	22.4

Income tax expense

A reconciliation between income tax expense and the product of accounting profit before income tax multiplied by the income tax rate is as follows:

Accounting profit before income tax expense	497.0	70.1	647.1	717.2
At the Group's statutory income tax rate of 30%	(149.1)	(21.0)	(194.1)	(215.1)
- amortisation of Victorian wagering and gaming licences	(8.0)	(8.0)	-	(8.0)
- impairment of goodwill	-	(107.4)	-	(107.4)
- gain on disposal of business	-	-	137.9	137.9
- research and development claims	2.1	2.3	-	2.3
- sundry items	(1.9)	(1.9)	(2.2)	(4.1)
- over provision in prior years	(0.1)	9.5	2.5	12.0
Aggregate income tax expense	(157.0)	(126.5)	(55.9)	(182.4)

(i) Discontinued includes income tax in respect of discontinued operations and net gain on demerger of Echo Entertainment Group. Refer note 32.

(b) Deferred tax assets

The balance comprises temporary differences attributable to:

Amounts recognised in the income statement

	2012 \$m	2011 \$m
Provisions		
- employee benefits	6.6	6.6
- restructuring costs	4.0	14.4
- other	0.6	0.8
Accrued expenses	6.1	6.4
Property, plant and equipment	15.0	15.8
Derivatives	4.7	5.4
Jackpots	1.3	1.1
Merger/acquisition costs	1.9	1.4
Other	1.6	3.1

Amounts recognised directly in equity

Fair value of cash flow hedges	13.9	0.1
Share issue transaction costs	7.0	6.6
Cumulative actuarial losses on defined benefit plans	0.4	-
	63.1	61.7

Deferred tax assets set off	(63.1)	(61.7)
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Net deferred tax assets	-	-
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	2012 \$m	2011 \$m
4. Income tax (continued)		
(b) Deferred tax assets (continued)		
Movements		
Carrying amount at beginning of year	61.7	56.2
Credited/(charged) to the income statement	(12.8)	26.7
Credited to equity	14.4	12.3
Transfer from deferred tax liabilities	(0.2)	-
Reductions through demerger of entities	-	(33.5)
Carrying amount at end of year	<u>63.1</u>	<u>61.7</u>
(c) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in the income statement</i>		
Intangible assets - licences	100.2	102.5
Intangible assets - other	4.4	7.6
Inventories	1.0	1.7
Unclaimed dividends	7.3	6.9
Research and Development	12.8	5.8
Other	0.5	0.3
<i>Amounts recognised directly in equity</i>		
Cumulative actuarial gains on defined benefit plans	-	0.2
	<u>126.2</u>	<u>125.0</u>
Deferred tax assets set off	(63.1)	(61.7)
Net deferred tax liabilities	<u>63.1</u>	<u>63.3</u>
Movements		
Carrying amount at beginning of year	125.0	329.6
Credited/(charged) to the income statement	1.4	(3.8)
Credited to equity	-	(9.7)
Transfer to deferred tax assets	(0.2)	-
Reductions through demerger of entities	-	(191.1)
Carrying amount at end of year	<u>126.2</u>	<u>125.0</u>

(d) Tax consolidation

Effective 1 July 2002, Tabcorp Holdings Limited ('the Head Company') and its 100% owned subsidiaries formed an income tax consolidation group. Members of the tax consolidation group entered into a tax sharing arrangement that provides for the allocation of income tax liabilities between the entities should the Head Company default on its tax payment obligations. At balance date, the possibility of default is remote.

Echo Entertainment Group Limited and its 100% controlled entities left the Tabcorp Holdings Limited tax consolidation group effective June 2011.

Tax effect accounting by members of the tax consolidation group

Members of the tax consolidation group have entered into a tax funding agreement effective from 1 July 2005. Under the terms of the tax funding agreement, the Head Company and each of the members in the tax consolidation group have agreed to make a tax equivalent payment to or from the Head Company, based on the current tax liability or current tax asset of the member. Deferred taxes are recorded by members of the tax consolidation group in accordance with the principles of AASB 112 'Income Taxes'. Calculations under the tax funding agreement are undertaken for statutory reporting purposes.

The allocation of taxes under the tax funding agreement is recognised as either an increase or decrease in the subsidiaries' intercompany accounts with the tax consolidation group Head Company. The Group has chosen to adopt the Group Allocation method as outlined in Interpretation 1052 'Tax Consolidation Accounting' as the basis to determine each members' current and deferred taxes. The Group Allocation method as adopted by the Group will not give rise to any contribution or distribution of the subsidiaries' equity accounts as there will not be any differences between the current tax amount that is allocated under the tax funding agreement and the amount that is allocated under the Group Allocation method.

Notes to the financial statements

For the year ended 30 June 2012



	2012 \$m	2011 \$m
5. Dividends		
Dividends declared and paid during the year on ordinary shares:		
(a) Interim dividend for 2012 of 13.0 cents per share (2011: 24.0 cents per share)	92.7	164.4
(b) Final dividend for 2011 of 19.0 cents per share (2010: 25.0 cents per share)	130.7	153.2
	223.4	317.6
Dividends declared after balance date		
Since the end of the financial year, the directors declared the following dividend: Final dividend for 2012 - 11.0 cents per share (2011: 19.0 cents per share)	80.3	130.7
The financial effect of this dividend has not been brought to account in the financial statements and will be recognised in subsequent financial reports (refer to note 28).		
Franking credit balance		
Franking credits available at the 30% corporate tax rate after allowing for tax payable provided for in the financial statements, payment of dividends provided and receipt of dividends receivable as at balance date - calculated under the tax paid basis	368.7	322.9
Franking credits available once the impact of dividends declared after balance date has been incorporated	334.2	266.9
Dividends on ordinary shares are fully franked at a tax rate of 30%.		
6. Earnings per share		
(a) Earnings used in calculating earnings per share		
Basic and diluted earnings per share		
Net profit/(loss) for the year from continuing operations	340.0	(56.4)
Profit from discontinued operations and net gain on demerger of Echo Entertainment Group, net of tax	-	591.2
Earnings used in calculation of basic and diluted EPS attributable to ordinary shareholders	340.0	534.8
	2012	2011
	Number	Number
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used in calculating basic earnings per share	714,444,219	662,498,497
Effect of dilution		
- Performance Rights	1,107,767	2,446,937
Weighted average number of ordinary shares adjusted for the effect of dilution	715,551,986	664,945,434
(c) Information concerning the classification of securities		
Performance Rights		
Performance Rights granted to employees are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The Performance Rights have not been included in the determination of basic earnings per share. Details relating to Performance Rights are set out in note 23.		
There have been no other significant transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.		
Performance Options		
Performance Options granted were not included in the calculation of diluted earnings per share in the prior year as they were not dilutive. Details relating to Performance Options are set out in note 23.		
	2012 \$m	2011 \$m
7. Cash and cash equivalents		
Cash on hand and in banks	59.6	35.3
Short term deposits, maturing within 30 days	91.8	111.8
	151.4	147.1

Notes to the financial statements

For the year ended 30 June 2012



	2012	2011
	\$m	\$m
8. Receivables		
Current		
Trade debtors	19.9	22.0
Allowance for doubtful debts ^(a)	(2.3)	(1.6)
	<u>17.6</u>	<u>20.4</u>
Receivable in respect of Victorian licences ⁽ⁱ⁾	474.6	474.6
Allowance for impairment ⁽ⁱ⁾	(474.6)	(474.6)
	-	-
Sundry debtors	29.7	59.7
Other ⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾	4.8	-
	<u>52.1</u>	<u>80.1</u>
Non current		
Other ⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾	58.8	57.2
Allowance for impairment	-	(0.4)
	<u>58.8</u>	<u>56.8</u>

(i) Pursuant to section 4.3.12 of the Gambling Regulation Act 2003 (Vic) on the grant of new licences, the Company is entitled to be paid an amount equal to the licence value of the former licences or the premium paid by the new licensee, whichever is the lesser. The Company's estimate of the payment to be received in 2012 is \$686.8 million and the receivable in respect of Victorian licences represents this estimate at its present value at 30 June 2008.

On 10 April 2008 the Victorian Government announced that it had decided to move to a new industry structure for gaming, wagering and Keno in Victoria beyond 2012 and stated that it had formed the view that the Company is not entitled to compensation ('the Announcement').

In accordance with AASB 139 'Financial Instruments: Recognition and Measurement' the Company assessed the estimated cash flows of the receivable for recoverability. Given the uncertainty created by the Announcement the receivable in respect of the Victorian licences was considered impaired and the full value was provided for at 30 June 2008.

The Company intends to pursue all available options in relation to recovery of the payment from the Government.

(ii) Other receivables include fixed interest loans with repayment terms of:

- five years with interest charged at 8.25%, 9.25% and 10.25%; and
- ten years repayable from August 2012 with interest charged at 8.0% and 9.25%.

(iii) The Group has a right, in relation to certain other receivables, to acquire specified assets pertaining to gaming businesses in Victoria, subject to conditions.

	2012	2011
	\$m	\$m
(a) Allowance for doubtful debts		
Trade debtors are non-interest bearing and are generally on 30 day terms.		
Movements in the allowance for doubtful debts:		
Balance at beginning of year	(1.6)	(28.0)
Net doubtful debt expense for the year ⁽ⁱ⁾	(0.8)	(8.7)
Amounts written off ⁽ⁱ⁾	0.1	0.9
Reductions through demerger of entities	-	34.2
Balance at end of year	<u>(2.3)</u>	<u>(1.6)</u>

(i) Amounts are included in other expenses and for the prior year also in profit from discontinued operations.

Ageing analysis of trade debtors	0 - 30 days	31 - 60 days	> 60 days	Total
	\$m	\$m	\$m	\$m
2012				
Current	10.3	-	-	10.3
Past due not impaired	-	4.8	2.5	7.3
Considered impaired	-	-	2.3	2.3
	<u>10.3</u>	<u>4.8</u>	<u>4.8</u>	<u>19.9</u>
2011				
Current	13.3	-	-	13.3
Past due not impaired	-	3.7	3.4	7.1
Considered impaired	-	0.1	1.5	1.6
	<u>13.3</u>	<u>3.8</u>	<u>4.9</u>	<u>22.0</u>

Other balances within receivables do not contain doubtful debts and are not past due. It is expected that these other balances will be received when due.

Notes to the financial statements

For the year ended 30 June 2012



	2012 \$m	2011 \$m
9. Inventories		
Consumable stores at cost	5.1	9.7
Provision for obsolescence	(0.3)	(0.3)
	4.8	9.4

10. Other assets

Current

Prepayments	13.2	10.1
Other	1.8	4.2
	15.0	14.3

Non current

Prepayments	11.4	13.5
Pension assets	-	0.8
Other	1.6	0.1
	13.0	14.4

11. Property, plant and equipment

Freehold land		
- at cost	5.3	5.3
Buildings		
- at cost	17.7	18.3
- accumulated depreciation and impairment	(6.9)	(6.1)
	10.8	12.2
Leasehold improvements		
- at cost ⁽ⁱ⁾	110.9	86.6
- accumulated depreciation	(58.8)	(46.3)
	52.1	40.3
Plant and equipment		
- at cost ⁽ⁱ⁾	753.0	670.4
- accumulated depreciation and impairment	(503.0)	(447.7)
	250.0	222.7
	318.2	280.5
Carrying amount at end of year		
- current ⁽ⁱⁱ⁾	4.9	-
- non current	313.3	280.5
	318.2	280.5
(i) Includes capital works in progress of:		
Leasehold improvements - at cost	6.8	11.2
Plant and equipment - at cost	28.8	53.0
Total capital works in progress	35.6	64.2

(ii) Current property, plant and equipment represents electronic gaming machines contracted to be sold to third parties on the expiry of the Victorian Gaming Licence in August 2012. The financial effect of the sales will be recognised in the next financial year.

Reconciliations

	Freehold land \$m	Buildings \$m	Leasehold improvements \$m	Plant and equipment \$m	Total \$m
2012					
Carrying amount at beginning of year	5.3	12.2	40.3	222.7	280.5
Additions	-	-	14.3	85.9	100.2
Reclassification/transfer	-	0.1	7.7	4.9	12.7
Disposals	-	(0.4)	(0.1)	(0.4)	(0.9)
Depreciation expense	-	(1.1)	(10.1)	(63.1)	(74.3)
Carrying amount at end of year	5.3	10.8	52.1	250.0	318.2
2011					
Carrying amount at beginning of year	109.6	965.2	243.8	444.3	1,762.9
Additions	-	288.3	21.5	124.8	434.6
Reclassification/transfer	-	0.3	(0.8)	14.7	14.2
Disposals	-	-	(5.0)	(16.6)	(21.6)
Disposals through demerger of entities (refer note 32)	(104.3)	(1,221.9)	(208.2)	(230.2)	(1,764.6)
Depreciation expense	-	(19.7)	(11.0)	(114.3)	(145.0)
Carrying amount at end of year	5.3	12.2	40.3	222.7	280.5

	2012 \$m	2011 \$m
12. Intangible assets - licences		
Victorian wagering and gaming licences		
- at cost	477.9	477.9
- accumulated amortisation	(474.6)	(448.0)
	<u>3.3</u>	<u>29.9</u>
Victorian wagering and betting licence		
- at cost	418.5	-
- accumulated amortisation	-	-
	<u>418.5</u>	<u>-</u>
NSW wagering licence		
- at cost	339.1	339.1
- accumulated amortisation	(29.5)	(25.8)
	<u>309.6</u>	<u>313.3</u>
Queensland and Victorian Keno licences		
- at cost	104.9	104.9
- accumulated amortisation	(21.5)	(17.9)
	<u>83.4</u>	<u>87.0</u>
	<u>814.8</u>	<u>430.2</u>

Reconciliations

	Victorian wagering & gaming licences \$m	Victorian wagering & betting licence \$m	NSW wagering licence \$m	Queensland & Victorian Keno licences \$m	Star City & Treasury casino licences \$m	Total \$m
2012						
Carrying amount at beginning of year	29.9	-	313.3	87.0	-	430.2
Additions - acquired	-	418.5	-	-	-	418.5
Amortisation expense	(26.6)	-	(3.7)	(3.6)	-	(33.9)
Carrying amount at end of year	<u>3.3</u>	<u>418.5</u>	<u>309.6</u>	<u>83.4</u>	<u>-</u>	<u>814.8</u>
2011						
Carrying amount at beginning of year	56.5	-	317.0	28.1	251.0	652.6
Additions - acquired	-	-	-	61.2	-	61.2
Disposals through demerger of entities (refer note 32)	-	-	-	-	(247.8)	(247.8)
Amortisation expense	(26.6)	-	(3.7)	(2.3)	(3.2)	(35.8)
Carrying amount at end of year	<u>29.9</u>	<u>-</u>	<u>313.3</u>	<u>87.0</u>	<u>-</u>	<u>430.2</u>

	2012 \$m	2011 \$m
13. Intangible assets - other		
Goodwill		
- at cost	2,093.9	2,094.6
- accumulated impairment	(704.9)	(704.9)
	<u>1,389.0</u>	<u>1,389.7</u>
NSW Trackside concessions		
- at cost	150.0	150.0
- accumulated amortisation	(2.6)	(0.9)
	<u>147.4</u>	<u>149.1</u>
Software		
- at cost ⁽ⁱ⁾	343.4	322.2
- accumulated amortisation and impairment	(220.9)	(201.0)
	<u>122.5</u>	<u>121.2</u>
Other		
- at cost	14.2	14.2
- accumulated amortisation	(6.0)	(4.6)
	<u>8.2</u>	<u>9.6</u>
Brand names - at cost	105.5	105.5
Broadcast rights - at cost	6.5	6.5
Media content - at cost	24.1	24.1
	<u>1,803.2</u>	<u>1,805.7</u>
(i) Includes capital works in progress of	<u>27.4</u>	<u>55.7</u>

13. Intangible assets - other (continued)

Reconciliations

	Goodwill	NSW Trackside concessions	Software	Other ⁽ⁱ⁾	Brand names	Broadcast rights	Media content	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2012								
Carrying amount at beginning of year	1,389.7	149.1	121.2	9.6	105.5	6.5	24.1	1,805.7
Additions:								
- acquired	-	-	28.8	-	-	-	-	28.8
- internally developed	-	-	20.6	-	-	-	-	20.6
Reclassification/transfer	-	-	(12.7)	-	-	-	-	(12.7)
Contingent consideration adjustments	(0.7)	-	-	-	-	-	-	(0.7)
Disposals	-	-	(1.1)	-	-	-	-	(1.1)
Impairment	-	-	-	-	-	-	-	-
Amortisation expense	-	(1.7)	(34.3)	(1.4)	-	-	-	(37.4)
Carrying amount at end of year	1,389.0	147.4	122.5	8.2	105.5	6.5	24.1	1,803.2
2011								
Carrying amount at beginning of year	3,191.4	-	174.4	125.6	105.5	6.5	24.1	3,627.5
Additions:								
- acquired	-	150.0	31.8	-	-	-	-	181.8
- internally developed	-	-	46.5	-	-	-	-	46.5
Reclassification/transfer	-	-	(14.2)	-	-	-	-	(14.2)
Disposals	-	-	(7.6)	-	-	-	-	(7.6)
Disposals through demerger of entities (refer to note 32)	(1,443.7)	-	(60.2)	(111.5)	-	-	-	(1,615.4)
Impairment ⁽ⁱⁱ⁾	(358.0)	-	-	-	-	-	-	(358.0)
Amortisation expense	-	(0.9)	(49.5)	(4.5)	-	-	-	(54.9)
Carrying amount at end of year	1,389.7	149.1	121.2	9.6	105.5	6.5	24.1	1,805.7

(i) The prior year includes Star City casino concessions.

(ii) The impairment of goodwill in the Wagering operating segment results from the following demerger impacts: an increase in the weighted average cost of capital due to a higher market risk premium; and the allocation of goodwill and cash flows to an additional operating segment identified as a result of changes in the information received by the chief operating decision maker.

14. Impairment testing of goodwill and intangibles with indefinite lives

Goodwill and intangible assets with indefinite useful lives (brand names, broadcast rights and media content) acquired through business combinations have been allocated to the applicable cash generating unit or group of units for impairment testing. Each cash generating unit represents a business operation of the Group.

Carrying amount of goodwill and intangible assets with indefinite useful lives allocated to each cash generating unit or group of units:

Cash generating unit(s) (Reportable Segment)	Combined		Combined Media & International (Media & International)	Sky Racing (Media & International)	Sky Sports Radio (Media & International)	Gaming	Combined Keno	Total carrying amount
	Wagering (Wagering)	NSW Wagering (Wagering)						
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2012								
Goodwill	974.2	-	215.0	-	-	47.2	152.6	1,389.0
Brand names	-	98.8	-	6.7	-	-	-	105.5
Broadcast rights	-	-	-	-	6.5	-	-	6.5
Media content	-	-	-	24.1	-	-	-	24.1
	974.2	98.8	215.0	30.8	6.5	47.2	152.6	1,525.1
2011								
Goodwill	974.2	-	215.7	-	-	47.2	152.6	1,389.7
Brand names	-	98.8	-	6.7	-	-	-	105.5
Broadcast rights	-	-	-	-	6.5	-	-	6.5
Media content	-	-	-	24.1	-	-	-	24.1
	974.2	98.8	215.7	30.8	6.5	47.2	152.6	1,525.8

The recoverable amount of each cash generating unit is determined based on fair value less costs to sell, which is calculated using the discounted cash flow approach. This approach utilises cash flow forecasts that are principally based upon management approved business plans for a four-year period and extrapolated using growth rates ranging from 2.0% to 2.5%. These cash flows are then discounted using a relevant long term pre tax discount rate, ranging between 14.8% and 15.9%. Cash flows for the Gaming segment are not discounted.

14. Impairment testing of goodwill and intangibles with indefinite lives (continued)

Key assumptions

The following describes the key assumptions on which management based its cash flow projections when determining fair value less costs to sell to undertake impairment testing of goodwill and intangibles:

i. Cash flow forecasts

The cash flow forecasts are based upon the management approved four-year business plan for each cash generating unit.

Cash flows beyond the four-year period are extrapolated using growth rates which are either in line with or do not exceed the long-term average growth rate for the industry in which the cash generating unit operates.

The terminal growth rate used is in line with the forecast long term underlying growth rate in CPI.

ii. State tax regimes

The state tax regimes in which the Group currently operates remain largely unchanged, other than announced changes.

iii. Regulatory

The regulatory environment in which the Group currently operates remains largely unchanged, other than announced changes.

iv. Discount rates

Discount rates applied are based on the pre tax weighted average cost of capital applicable to the relevant cash generating unit.

v. Victorian gaming licence

The Victorian gaming licence will expire in August 2012. As a result, it is expected the Gaming goodwill will be impaired in the 2013 financial year.

vi. Victorian wagering licences

The existing Victorian wagering licence will expire in August 2012. The new Victorian wagering and betting licence is from August 2012 to August 2024.

vii. Exclusive retail wagering licences in Victoria and NSW

It is assumed that retail exclusivity is retained. The wagering business competes with bookmakers in Victoria and New South Wales, and other interstate and international wagering operators who accept bets over the phone and the internet. There is a possibility that competition from the interstate and international operators may extend further to the Group's retail wagering network in the future.

viii. Race fields fees

Each State or Territory of Australia (except for the Northern Territory) has implemented race fields arrangements, under which the State or Territory or its racing industry charges wagering operators race fields fees for use of that industry's race fields information (or otherwise charges fees in respect of the operator's race betting operations in that State or Territory). Members of the Group currently have contracts that the Group considers will allow them to offset some of the fees or obtain damages under contract. Members of the Group may in the future disagree with various racing industry bodies regarding the application of certain aspects of the race fields regimes or contracts that govern product fees. Such disagreements may lead to litigation or other dispute resolution processes, including negotiated settlement. The estimates for race fields fees expenses assume the Group will be compensated for race fields fees of approximately \$25 million per annum (2011: \$25 million per annum) paid or payable in New South Wales for racing held in New South Wales. Race fields fees are assumed to be charged at a rate equivalent to approximately 1.7% of turnover on average. This takes account of premium rates applicable during certain racing carnival periods.

The key estimates and assumptions used to determine the fair value less costs to sell of a cash generating unit are based on management's current expectations after considering past experience and external information, and are considered to be reasonably achievable. However significant changes in any of these key estimates and assumptions may result in a cash generating unit's carrying value exceeding its recoverable value requiring an impairment charge to be recognised at a future date.

For the Wagering segment the recoverable amount is approximately equal to the carrying amount following an impairment in the prior year. Therefore an adverse change to a key assumption may result in an impairment. A reduction in projected earnings of \$1 million per annum would reduce the recoverable amount by approximately \$7 million, subject to changes in any other assumptions that may occur at that time.

15. Payables

Current

Trade creditors and accrued expenses - unsecured

2012	2011
\$m	\$m

384.3	367.7
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Non current

Trade creditors and accrued expenses - unsecured

-	75.0
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16. Interest bearing liabilities

Current

Medium term notes ⁽ⁱ⁾

-	449.8
---	-------

Non current

Bank loans - unsecured

336.5	85.9
-------	------

Medium term notes ⁽ⁱⁱ⁾

431.1	429.3
-------	-------

Subordinated notes ⁽ⁱⁱⁱ⁾

243.1	-
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Private placement ^(iv)

213.3	-
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1,224.0	515.2
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(i) Matured in October 2011.

(ii) Floating interest rate, matures in May 2014.

(iii) Floating interest rate, matures in March 2037, with an early redemption right exercisable from March 2017 and each quarter thereafter.

(iv) Fixed interest rate US dollar debt, matures in April 2019 and April 2022.

Fair value disclosures

Details of the fair value of the Group's interest bearing liabilities are set out in note 30.

16. Interest bearing liabilities (continued)

Financing arrangements

Bank loans - the facilities at the end of the current year consist of:

Type	Amount \$m	2012 Expiry date
Revolving facility	400.0	June 2015
	400.0	June 2016

Each of the above facilities is subject to financial undertakings as to gearing and interest cover.

17. Provisions

Current

	2012 \$m	2011 \$m
Employee benefits	19.9	19.6
Restructuring costs	11.3	45.4
Other	0.3	0.9
	31.5	65.9

Non current

Employee benefits	2.2	2.3
Restructuring costs	1.9	2.5
Other	1.7	1.4
	5.8	6.2

Reconciliations

Reconciliations of each class of provision, except for employee benefits, at the end of the current year are set out below:

	Restructuring costs \$m	Other \$m
Carrying amount at beginning of year	47.9	2.3
Provisions made during the year	-	0.3
Payments made during the year	(34.7)	(0.6)
Carrying amount at end of year	13.2	2.0
Carrying amount at end of year		
- current	11.3	0.3
- non current	1.9	1.7
	13.2	2.0
Carrying amount at beginning of year		
- current	45.4	0.9
- non current	2.5	1.4
	47.9	2.3

Restructuring costs

The restructuring provisions relate principally to the implementation of the demerger; including the set-up of shared-services for the Echo Entertainment Group in accordance with the Demerger Deed, surplus lease space and other business-led cost saving restructures and initiatives.

18. Other liabilities

Current

	2012 \$m	2011 \$m
Deferred revenue	11.0	5.4
Other	0.9	-
	11.9	5.4

Non current

Deferred revenue	-	0.8
Pension liability	0.6	-
	0.6	0.8

19. Capital and reserves

(a) Issued capital

Ordinary shares - issued and fully paid ⁽ⁱ⁾	2,084.4	1,973.0
Treasury shares ⁽ⁱⁱ⁾	(0.4)	-
	2,084.0	1,973.0

(i) Ordinary shares

There is only one class of share (ordinary shares) on issue. These ordinary shares entitle the holder to participate in dividends and proceeds on winding up of the Company in proportion to the number and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. The Company does not have authorised capital nor par value in respect of its issued shares.

	2012 Number of shares	2011 Number of shares
Balance at beginning of year	688,019,737	612,625,759
Share issue	-	68,428,674
Dividend reinvestment plan	42,094,232	6,965,304
Balance at end of year	730,113,969	688,019,737

19. Capital and reserves (continued)

(a) Issued capital (continued)

(ii) Treasury shares

Treasury shares comprise the unvested portion of Restricted Shares issued to executives as an incentive, on appointment or for retention. Refer to note 23 for details of employee share plans.

	2012	2011
	\$m	\$m
(b) Reserves		
Net unrealised losses reserve ⁽ⁱ⁾	(32.4)	(0.3)
Employee equity benefit reserve ⁽ⁱⁱ⁾	0.7	-
Demerger reserve ⁽ⁱⁱⁱ⁾	(669.9)	(669.9)
	(701.6)	(670.2)

Nature and purpose of reserves

- (i) Records fair value changes on the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.
- (ii) Records the movement of equity benefits provided to executives and employees as part of their remuneration (refer to note 23).
- (iii) This reserve arose on the demerger of the Echo Entertainment Group. It represents the difference between the fair value of the Echo Entertainment Group shares (being the distribution liability arising on demerger), the amount allocated as a capital reduction and any transfers to retained earnings.

(c) Capital management

The Group's objectives when managing capital are to ensure the Group continues as a going concern while providing optimal returns to shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to be paid to shareholders, return capital to shareholders or issue new shares. The Group has a target of an investment grade credit rating. Gearing is managed primarily through the ratio of gross debt to earnings before interest, tax, depreciation, amortisation and impairment (EBITDA).

The Group is not subject to any externally imposed capital requirements.

	2012	2011
	\$m	\$m
Gross debt ⁽ⁱ⁾	1,239.3	974.5
EBITDA ⁽ⁱⁱ⁾	725.2	686.8
Gearing ratio	1.7	1.4

- (i) Gross debt for 2012 comprises interest bearing liabilities, with US dollar borrowings stated at the AUD amount repayable under cross currency swaps.
- (ii) EBITDA represents EBITDA from continuing operations.

20. Notes to the cash flow statement

Reconciliation of net profit after tax to net cash flows from operating activities

Net profit after tax	340.0	534.8
Add/(less) items classified as investing/financing activities:		
- net gain on disposal of non current assets	(0.4)	(0.3)
- gain on demerger of Echo Entertainment Group (net of transaction costs)	-	(304.6)
- capitalised interest	-	(12.3)
Add/(less) non cash income and expense items:		
- depreciation and amortisation	133.5	223.0
- impairment	-	358.0
- share based payments expense	1.1	4.5
- net change on fair value/cash flow hedges	(0.3)	0.4
- unwinding of discount on other receivables	(0.3)	(0.3)
- other	4.0	0.1
Net cash provided by operating activities before changes in assets and liabilities	477.6	803.3
Changes in assets and liabilities excluding the effects of the Echo Entertainment Group demerger:		
(Increase)/decrease in:		
- trade and sundry receivables	32.2	(65.2)
- inventories	4.6	(1.9)
- prepayments	(3.2)	(11.6)
- other assets	0.9	(18.2)
(Decrease)/increase in:		
- payables	18.1	(23.9)
- provisions	(0.1)	1.4
- deferred tax liabilities	14.1	(28.7)
- provision for income tax	(15.7)	13.4
- other liabilities	(3.0)	(10.5)
Net cash flows from operating activities	525.5	658.1

Notes to the financial statements

For the year ended 30 June 2012



	2012 \$m	2011 \$m
21. Commitments		
(a) Capital expenditure commitments		
Property, plant and equipment	37.2	82.7
Software	5.0	4.1
	42.2	86.8
(b) Operating lease commitments		
Contracted but not provided for and payable:		
Not later than one year	40.3	32.5
Later than one year but not later than five years	104.2	55.1
Later than five years	17.3	6.6
	161.8	94.2
Non cancellable sub-leases exist in relation to the operating lease commitments disclosed above with the following future minimum lease payments contracted to be received:		
Not later than one year	0.9	0.8
Later than one year but not later than five years	1.2	0.1
	2.1	0.9

The Group leases property under operating leases expiring from 1 to 10 years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or are subject to market rate review. For leases relating to the Victorian wagering operations 25% (50% from August 2012) of the cost is recoverable from Vic Racing Pty Ltd.

22. Segment information

The Group's operating segments have been determined based on the internal management reporting structure and the nature of products and services provided by the Group. They reflect the business level at which financial information is provided to management for decision making regarding resource allocation and performance assessment.

The Group has four operating segments:

Wagering	Totalisator and fixed odds betting activities.
Media & International	National and international broadcasting of racing and sporting events.
Gaming	Electronic gaming machine operations and services in licensed hotels and clubs.
Keno	Keno operations in licensed clubs and hotels within Victoria, NSW and Queensland.

	Wagering \$m	Media & International \$m	Gaming \$m	Keno \$m	Total \$m
2012					
Revenue - external	1,637.4	139.1	1,078.9	183.1	3,038.5
Revenue - intersegment	-	51.1	-	-	51.1
Segment revenue	1,637.4	190.2	1,078.9	183.1	3,089.6
Segment profit before impairment, interest and tax	242.2	57.1	244.1	48.3	591.7
Depreciation and amortisation	71.3	8.6	38.5	15.1	133.5
Impairment losses recognised in the income statement	-	-	-	-	-
Capital expenditure ⁽ⁱ⁾	487.0	16.9	33.0	31.1	568.0
(i) Wagering capital expenditure includes \$418.5 million for the Victorian wagering and betting licence.					
2011					
Revenue - external	1,569.1	130.5	1,077.4	169.6	2,946.6
Revenue - intersegment	-	48.8	-	-	48.8
Segment revenue	1,569.1	179.3	1,077.4	169.6	2,995.4
Segment profit before impairment, interest and tax	220.2	52.8	241.4	48.8	563.2
Depreciation and amortisation	67.3	7.0	38.2	11.8	124.3
Impairment losses recognised in the income statement	(358.0)	-	-	-	(358.0)
Capital expenditure ⁽ⁱⁱ⁾	217.8	9.9	26.1	75.8	329.6

(ii) Wagering capital expenditure includes \$150.0 million for the NSW Trackside concessions. Keno capital expenditure includes \$61.0 million for the Victorian Keno licence.

22. Segment information (continued)

	2012 \$m	2011 \$m
Reconciliation of reportable segment revenue and profit		
(a) Revenue		
Segment revenue	3,089.6	2,995.4
Unallocated items	-	0.9
Intersegment revenue elimination	(51.1)	(48.8)
Consolidated revenue	3,038.5	2,947.5
(b) Segment profit before impairment, interest and tax	591.7	563.2
Impairment	-	(358.0)
Profit before interest and tax	591.7	205.2
Unallocated items:		
- finance income	6.3	9.7
- other income and expenses	-	(0.7)
- finance costs	(101.0)	(144.1)
Profit from continuing operations before income tax expense	497.0	70.1

23. Employee share plans

The Company has share plans in operation which were established to enable eligible employees to own shares in the Company, and to provide equity instruments to senior executives and management as a component of their remuneration.

The maximum number of shares that can be outstanding at any time under these plans is limited to 5% of the Company's issued capital.

These incentive equity plans operate under the following names:

Short Term Performance Plan (STPP)

Long Term Performance Plan (LTPP)

In addition, the Company has granted Restricted Shares to certain executives as an incentive upon appointment or for retention.

The share based payments expense in respect of the equity instruments granted is recognised in the income statement for the period and is disclosed in note 2.

A detailed explanation of the incentive equity plans are disclosed in note 1(w) and the Remuneration report.

Set out below are summaries of Performance Options and Performance Rights granted under long term performance plans and service agreements.

Performance Options and Performance Rights issued

Details of Performance Options and Performance Rights that existed during the current or previous year are:

Grant date	Original exercise expiry date	Accelerated exercise expiry date ⁽ⁱ⁾	Exercise price (\$)	
			Performance Options	Performance Rights
7 September 2005	7 September 2012	9 June 2011	16.51	Nil
3 March 2006	3 March 2013	9 June 2011	15.08	Nil
17 November 2006	17 November 2013	9 June 2011	15.22	Nil
26 November 2007	26 November 2014	n/a	n/a	Nil
29 November 2007	29 November 2014	9 June 2011	n/a	Nil
15 September 2008	15 September 2015	9 June 2011	n/a	Nil
23 October 2008	15 September 2015	n/a	n/a	Nil
17 June 2009	17 June 2016	9 June 2011	n/a	Nil
19 October 2009	17 June 2016	n/a	n/a	Nil
14 September 2010	14 September 2017	9 June 2011	n/a	Nil
25 October 2010	14 September 2017	n/a	n/a	Nil
23 September 2011	23 September 2014	n/a	n/a	Nil
26 October 2011	23 September 2014	n/a	n/a	Nil

(i) As a result of the demerger of the Echo Entertainment Group in the prior year, the dates for testing of relevant performance conditions and exercise expiry were accelerated for certain Performance Options and Performance Rights.

23. Employee share plans (continued)

Performance Options and Performance Rights issued (continued)

Movements in Performance Options and Performance Rights:

Grant date	WASP at exercise date ⁽ⁱ⁾ \$	Balance at start of year Number	Granted during the year Number	Forfeited during the year Number	Expired during the year Number ⁽ⁱⁱ⁾	Exercised during the year Number	Balance at end of year Number	Exercisable at end of year Number
2012								
Performance Rights								
23 October 2008	n/a	103,920	-	-	-	-	103,920	-
19 October 2009	n/a	87,199	-	-	-	-	87,199	-
25 October 2010	n/a	41,017	-	-	-	-	41,017	-
23 September 2011	n/a	-	1,214,148	-	-	-	1,214,148	-
26 October 2011	n/a	-	447,761	-	-	-	447,761	-
		232,136	1,661,909	-	-	-	1,894,045	-
2011								
Performance Options								
7 September 2005	n/a	646,329	-	-	(646,329)	-	-	-
3 March 2006	n/a	120,343	-	-	(120,343)	-	-	-
17 November 2006	n/a	581,073	-	(3,224)	(577,849)	-	-	-
		1,347,745	-	(3,224)	(1,344,521)	-	-	-
Performance Rights								
7 September 2005	n/a	98,210	-	-	(98,210)	-	-	-
3 March 2006	n/a	16,592	-	-	(16,592)	-	-	-
17 November 2006	n/a	485	-	(430)	(55)	-	-	-
26 November 2007	n/a	100,000	-	(100,000)	-	-	-	-
29 November 2007	7.50	178,483	-	-	(86,498)	(91,985)	-	-
15 September 2008	7.47	286,635	-	(7,566)	(24,427)	(254,642)	-	-
23 October 2008	7.47	281,425	-	(25,187)	-	(152,318)	103,920	-
17 June 2009	7.47	483,412	-	(35,826)	(194,175)	(253,411)	-	-
19 October 2009	7.47	326,086	-	(111,078)	-	(127,809)	87,199	-
14 September 2010	7.47	-	842,634	(45,399)	(605,758)	(191,477)	-	-
25 October 2010	7.47	-	413,223	(312,088)	-	(60,118)	41,017	-
		1,771,328	1,255,857	(637,574)	(1,025,715)	(1,131,760)	232,136	-

(i) Denotes the weighted average share price at the date of exercise.

(ii) As a result of the demerger of the Echo Entertainment Group in the prior year, the date of testing of relevant performance conditions was accelerated. The acceleration only applied to the pro rata portion of unvested Performance Options and Performance Rights. Any Performance Rights that did not qualify for testing were cancelled, and any that did not vest upon testing lapsed. These are shown as expired during the prior year.

The weighted average remaining contractual life for the Performance Rights outstanding at balance date is 2.4 years (2011: 4.9 years).

Fair value of equity instruments

The Performance Options and Performance Rights have been independently valued at the date of grant using a Monte-Carlo simulation-based model and Binomial Tree methodology.

The weighted average fair value of Performance Rights granted during the year was \$2.25 (2011: \$4.26).

The assumptions underlying the Performance Options and Performance Rights valuations are:

Grant date	Expiry date	Share price at date of grant \$	Expected volatility in share price ⁽ⁱ⁾ %	Expected dividend yield ⁽ⁱⁱ⁾ %	Risk free interest rate ⁽ⁱⁱⁱ⁾ %	Value per Performance Option \$	Value per Performance Right \$
7 Sep 2005	7 Sep 2012	16.35	16.00	4.95	5.10	1.86	10.01
3 Mar 2006	3 Mar 2013	15.00	16.00	5.00	5.31	1.73	9.21
17 Nov 2006	17 Nov 2013	16.69	15.00	5.00	5.83 / 5.89 ^(iv)	2.42	10.18
17 Nov 2006	17 Nov 2013	16.69	15.00	5.00	5.83	2.29	n/a
26 Nov 2007	26 Nov 2014	15.04	20.00	5.50	6.24	n/a	7.40
29 Nov 2007	29 Nov 2014	15.01	18.00	5.00	6.34	n/a	9.35
15 Sep 2008	15 Sep 2015	8.17	24.00	5.50	5.59	n/a	5.33
23 Oct 2008	15 Sep 2015	6.95	24.00	5.50	4.37	n/a	4.42
17 Jun 2009	17 Jun 2016	6.86	26.00	5.50	4.31	n/a	4.60
19 Oct 2009	17 Jun 2016	7.20	26.00	5.50	5.19	n/a	3.92
14 Sep 2010	14 Sep 2017	6.68	24.00	6.50	4.65	n/a	3.63
25 Oct 2010	14 Sep 2017	7.47	24.00	6.50	4.97	n/a	4.50
23 Sep 2011	23 Sep 2014	2.61	24.00	7.00	3.46	n/a	1.34
26 Oct 2011	23 Sep 2014	2.87	24.00	7.00	3.73	n/a	1.49

(i) Reflects the assumption that the historical volatility is indicative of future trends.

(ii) Reflects the assumption that the current payout ratio will continue with no anticipated increases.

(iii) Represents the zero coupon interest rate derived from government bond market interest rates on the valuation date and vary according to each maturity date.

(iv) Risk free interest rate used for Performance Options and Performance Rights respectively.

24. Pensions and other post employment benefit plans

Superannuation funds

The Tabcorp Superannuation Plan comprises:

- an accumulation section - providing benefits based on contributions accumulated with interest; and
- a defined benefit section (closed to new entrants) - providing benefits based on salary and length of service.

The Group contributes to the Tabcorp Superannuation Plan as follows:

- the accumulation section at rates specified in the governing rules; and
- the defined benefit section at rates recommended by the actuary.

In addition, the Group contributes superannuation on behalf of some employees to:

- Industry Funds as required by Enterprise Agreements; and
- other nominated superannuation funds following changes to superannuation legislation from 1 July 2005.

The following tables summarise the components of net benefit income/expense recognised in the Group's income statement and the funded status and amounts recognised in the Group's balance sheet for the defined benefit section of the Tabcorp Superannuation Plan.

	2012 \$m	2011 \$m
Movements in the net asset/(liability) recognised in the balance sheet		
Balance at beginning of year	0.8	(0.6)
Net benefit income/(expense) recognised in the income statement	0.1	(0.2)
Actuarial gain/(loss) recognised in retained earnings	(1.8)	1.3
Employer contributions	0.3	0.3
Balance at end of year	<u>(0.6)</u>	<u>0.8</u>
Net benefit (income)/expense recognised in the income statement		
Current service cost	0.2	0.4
Interest cost on benefit obligation	0.5	0.7
Expected return on plan assets	(0.8)	(0.9)
Net benefit (income)/expense	<u>(0.1)</u>	<u>0.2</u>
Actual return on plan assets	<u>0.4</u>	<u>1.2</u>

	2012 \$m	2011 \$m	2010 \$m	2009 \$m	2008 \$m
Reconciliation of the net asset/(liability) recognised on the balance sheet					
Present value of defined benefit obligation	(12.7)	(11.9)	(13.7)	(13.2)	(14.7)
Fair value of plan assets	<u>12.1</u>	<u>12.7</u>	<u>13.1</u>	<u>11.9</u>	<u>12.8</u>
Net benefit asset/(liability) - non current	<u>(0.6)</u>	<u>0.8</u>	<u>(0.6)</u>	<u>(1.3)</u>	<u>(1.9)</u>

The Group has a legal liability to make up a deficit in the plan and also a legal right to benefit from any surplus in the plan.

	2012 \$m	2011 \$m
Reconciliation of the present value of the defined benefit obligation		
Balance at beginning of year	(11.9)	(13.7)
Interest cost	(0.5)	(0.7)
Current service cost	(0.2)	(0.4)
Benefits and taxes paid	1.2	2.1
Plan participants' contributions	-	(0.1)
Actuarial gains/(losses) on obligation	(1.3)	0.2
Curtailments/Settlements	-	0.7
Balance at end of year	<u>(12.7)</u>	<u>(11.9)</u>
Reconciliation of the fair value of plan assets		
Balance at beginning of year	12.7	13.1
Expected return	0.8	0.9
Contributions by employer	0.3	0.3
Benefits and taxes paid	(1.2)	(2.1)
Plan participants' contributions	-	0.1
Actuarial gains/(losses)	(0.5)	0.4
Balance at end of year	<u>12.1</u>	<u>12.7</u>
Amounts recognised in other comprehensive income		
Actuarial gain/(loss)	(1.8)	1.3
Cumulative actuarial gains/(losses)	<u>(1.2)</u>	<u>0.6</u>

The history of experience adjustments is as follows:

	2012 \$m	2011 \$m	2010 \$m	2009 \$m	2008 \$m
Experience adjustments - plan liabilities	0.7	0.9	0.2	0.6	1.7
Experience adjustments - plan assets	<u>(0.5)</u>	<u>0.4</u>	<u>0.9</u>	<u>(3.6)</u>	<u>(2.7)</u>

The Group expects to contribute \$0.2 million to its defined benefit plan in the 2013 financial year.

24. Pensions and other post employment benefit plans (continued)

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2012	2011
	%	%
Australian equities	28.0	29.0
International equities	27.0	25.0
Alternative assets	18.0	19.0
Australian fixed interest	11.0	9.8
International fixed interest	7.0	8.2
Direct/Listed property	6.0	6.0
Cash	3.0	3.0

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

Actuarial assumptions

The principal actuarial assumptions used in determining pension obligations for the Group's plans are shown below (expressed as weighted averages):

	2012	2011
	% pa	% pa
Discount rate		
- active members	3.1	5.1
- pensioners ⁽ⁱ⁾	3.1	5.1
Expected salary increase rate	3.0	4.5
Expected pension increase rate	2.5	2.5
Expected rate of return on assets		
- supporting lump sum liabilities	7.0	7.0
- supporting pensioner liabilities ⁽ⁱ⁾	8.0	8.0

(i) Assets backing pension liabilities are not subject to tax.

25. Director and executive disclosures

(a) Compensation of KMP

	2012	2011
	\$	\$
Short term	7,198,660	14,386,042
Other long term	64,706	74,943
Post employment	159,588	236,843
Share based payments	467,240	5,649,513
Termination benefits	-	3,000,000
	7,890,194	23,347,341

The above reflects the compensation for the period while the individuals were a KMP or a future KMP. Future KMP will commence as KMP following the receipt of all necessary regulatory approvals. The compensation for the period while the individuals were a KMP is \$7,672,095 (2011: \$22,966,297).

(b) Shareholdings of KMP

Shares held in Tabcorp Holdings Limited (number)

	Balance at		On exercise of		Balance at	
	start of year	KMP	Performance	Net change	KMP	end of year
		start date	Rights	other	cessation date	
2012						
Non Executive Directors						
Current						
Paula Dwyer	34,292	n/a	-	-	n/a	34,292
Elmer Funke Kupper	n/a	-	-	-	n/a	-
Jane Hemstritch	23,181	n/a	-	-	n/a	23,181
Justin Milne	n/a	-	-	-	n/a	-
Zygmunt Switkowski	84,876	n/a	-	-	n/a	84,876
Executives						
Current Executive Director						
David Attenborough	58,609	n/a	-	-	n/a	58,609
Current Executives						
Mohan Jesudason	-	n/a	-	-	n/a	-
Damien Johnston	66,383	n/a	-	-	n/a	66,383
Kerry Willcock	99,628	n/a	-	12,341	n/a	111,969
Total	366,969	-	-	12,341	-	379,310

25. Director and executive disclosures (continued)

(b) Shareholdings of KMP (continued)

	Balance at start of year	KMP start date	On exercise of Performance Rights	Net change other	KMP cessation date	Balance at end of year
2011						
Non Executive Directors						
Current						
Paula Dwyer	30,863	n/a	-	3,429	n/a	34,292
Jane Hemstritch	20,863	n/a	-	2,318	n/a	23,181
Zygmunt Switkowski	76,389	n/a	-	8,487	n/a	84,876
Former						
John Story	52,375	n/a	-	5,819	58,194	n/a
John O'Neill	-	n/a	-	-	-	n/a
Brett Paton	20,863	n/a	-	2,318	23,181	n/a
Executives						
Current Executive Director						
David Attenborough	47,483	n/a	5,851	5,275	n/a	58,609
Current Executives						
Mohan Jesudason	159,488	n/a	140,628	(300,116)	n/a	-
Kerry Willcock	1,578	n/a	97,875	175	n/a	99,628
Future Executive						
Damien Johnston	n/a	14,446	51,937	-	n/a	66,383
Former Executive Director						
Elmer Funke Kupper	97,863	n/a	-	-	97,863	n/a
Former Executives						
Matt Bekier	17,502	n/a	-	381	17,883	n/a
Larry Mullin	90,931	n/a	-	-	90,931	n/a
Louise Marshall	-	n/a	-	-	-	n/a
Total	616,198	14,446	296,291	(271,914)	288,052	366,969

(c) Performance Option and Performance Right holdings of KMP

Performance Options and Performance Rights held in Tabcorp Holdings Limited (number)

	Balance at start of year	KMP start date	Granted as remuneration	Exercised	Net change other ⁽ⁱ⁾	KMP cessation date	Balance at end of year ⁽ⁱⁱ⁾
2012							
Performance Rights							
Non Executive Directors							
Current							
Elmer Funke Kupper	n/a	232,136	-	-	-	n/a	232,136
Executives							
Current Executive Director							
David Attenborough	-	n/a	447,761	-	-	n/a	447,761
Current Executives							
Mohan Jesudason	-	n/a	269,485	-	-	n/a	269,485
Damien Johnston	-	n/a	223,880	-	-	n/a	223,880
Kerry Willcock	-	n/a	195,895	-	-	n/a	195,895
Total	-	232,136	1,137,021	-	-	-	1,369,157

25. Director and executive disclosures (continued)

(c) Performance Option and Performance Right holdings of KMP (continued)

Performance Options and Performance Rights held in Tabcorp Holdings Limited (number) (continued)

	Balance at		Granted as remuneration	Exercised	Net change other ⁽ⁱ⁾	Balance at	
	start of year	KMP start date				KMP cessation date	end of year ⁽ⁱⁱ⁾
2011							
Performance Options							
Executives							
Current Executives							
Mohan Jesudason	122,390	n/a	-	-	(122,390)	n/a	-
Kerry Willcock	92,394	n/a	-	-	(92,394)	n/a	-
Former Executive Director							
Elmer Funke Kupper	236,126	n/a	-	-	(236,126)	-	n/a
Former Executive							
Matt Bekier	96,154	n/a	-	-	(96,154)	-	n/a
Total	547,064	-	-	-	(547,064)	-	-
Performance Rights							
Executives							
Current Executive Director							
David Attenborough	-	n/a	24,362	(5,851)	(18,511)	n/a	-
Current Executives							
Mohan Jesudason	180,229	n/a	95,654	(140,628)	(135,255)	n/a	-
Kerry Willcock	126,550	n/a	68,871	(97,875)	(97,546)	n/a	-
Future Executive							
Damien Johnston	n/a	51,937	-	(51,937)	-	n/a	-
Former Executive Director							
Elmer Funke Kupper	722,511	n/a	413,223	-	(563,353)	572,381	n/a
Former Executives							
Matt Bekier	205,134	n/a	114,784	-	(153,665)	166,253	n/a
Larry Mullin	54,348	n/a	137,741	-	(128,317)	63,772	n/a
Louise Marshall	51,055	n/a	55,096	-	(56,557)	49,594	n/a
Total	1,339,827	51,937	909,731	(296,291)	(1,153,204)	852,000	-

(i) Includes forfeitures.

(ii) The number of options and rights vested and exercisable at year end was nil (2011: nil).

(d) Bond holdings of KMP

Bonds held in Tabcorp Holdings Limited:

	Balance at		Net change	Balance at		Interest costs ⁽ⁱⁱ⁾
	start of year	KMP start date		KMP cessation date	end of year ⁽ⁱ⁾	
	\$	\$	\$	\$	\$	\$
2012						
Non Executive Directors						
Current						
Paula Dwyer	-	n/a	-	n/a	-	-
Elmer Funke Kupper	n/a	150,000	-	n/a	150,000	6,404
Jane Hemstritch	200,000	n/a	-	n/a	200,000	17,679
Justin Milne	n/a	-	-	n/a	-	-
Zygmunt Switkowski	-	n/a	-	n/a	-	-
Executives						
Current Executive Director						
David Attenborough	-	n/a	-	n/a	-	-
Current Executives						
Mohan Jesudason	-	n/a	-	n/a	-	-
Damien Johnston	-	n/a	-	n/a	-	-
Kerry Willcock	-	n/a	-	n/a	-	-
2011						
Non Executive Directors						
Current						
Jane Hemstritch	200,000	n/a	-	n/a	200,000	18,255
Former						
Brett Paton	300,000	n/a	-	300,000	n/a	27,383
Executives						
Former Executive Director						
Elmer Funke Kupper	150,000	n/a	-	150,000	n/a	13,691

(i) Balance disclosed as non current interest bearing liability: Medium term notes (refer to note 16).

(ii) Interest costs for the period while the individuals were a KMP or future KMP. Amount included as interest expense for Tabcorp Holdings Limited for the year.

26. Related party disclosure

(a) Parent entity

The ultimate parent entity within the Group is Tabcorp Holdings Limited.

(b) Investments in controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in note 1(d). The financial years of all controlled entities are the same as that of the Company.

Name of controlled entity	Country of incorporation	Equity type	Equity interest at 30 June	
			2012 %	2011 %
Parent entity				
Tabcorp Holdings Limited	(a)	Australia		
Controlled entities				
Tabcorp Assets Pty Ltd	(a)	Australia	ordinary shares	100.0
Tabcorp Manager Pty Ltd		Australia	ordinary shares	100.0
Tabcorp Participant Pty Ltd	(a)	Australia	ordinary shares	100.0
Tahwind (Queensland) Pty Ltd		Australia	ordinary shares	100.0
Luxbet Pty Ltd	(a)	Australia	ordinary shares	100.0
Tabcorp Investments No.5 Pty Ltd		Australia	ordinary shares	100.0
Tabcorp Wagering Holdings Pty Ltd		Australia	ordinary shares	100.0
Tahwind Superannuation Pty Ltd	(b)	Australia	ordinary shares	100.0
Tahwind Staff Superannuation Pty Ltd	(b)	Australia	ordinary shares	100.0
Tabcorp Investments No.2 Pty Ltd	(a)	Australia	ordinary shares	100.0
Tabcorp Employee Share Administration Pty Ltd		Australia	ordinary shares	33.3
Tabcorp Wagering (Vic) Pty Ltd		Australia	ordinary shares	100.0
Tabcorp Wagering Participant (Vic) Pty Ltd	(c)	Australia	ordinary shares	100.0
Tabcorp Wagering Manager (Vic) Pty Ltd	(c)	Australia	ordinary shares	100.0
Tabcorp Wagering Assets (Vic) Pty Ltd	(c)	Australia	ordinary shares	100.0
Tabcorp Gaming Holdings Pty Ltd		Australia	ordinary shares	100.0
Tabcorp Investments No.6 Pty Ltd		Australia	ordinary shares	100.0
Keno (Qld) Pty Ltd		Australia	ordinary shares	100.0
Tabcorp Gaming Solutions Pty Ltd		Australia	ordinary shares	100.0
Tabcorp Gaming Solutions (NSW) Pty Ltd (formerly Tabcorp Investments No.7 Pty Ltd)		Australia	ordinary shares	100.0
Tabcorp Gaming Solutions (Qld) Pty Ltd (formerly Tabcorp Monitoring (Vic) Pty Ltd)		Australia	ordinary shares	100.0
Tabcorp International Pty Ltd		Australia	ordinary shares	100.0
Tabcorp International No.4 Pty Ltd		Australia	ordinary shares	100.0
Tabcorp Europe Holdings Ltd		Isle of Man	ordinary shares	100.0
Premier Gateway International Ltd		Isle of Man	ordinary shares	50.0
Premier Gateway Services Ltd		Isle of Man	ordinary shares	50.0
Tabcorp International Services and Technology Pty Ltd		Australia	ordinary shares	100.0
Tabcorp Investments Pty Ltd		Australia	ordinary shares	100.0
Showboat Australia Pty Ltd		Australia	ordinary shares	100.0
Showboat Management Pty Ltd		Australia	ordinary shares	100.0
TAHAL Pty Ltd		Australia	ordinary shares	100.0
ATL Pty Ltd		Australia	ordinary and preference shares	100.0
Keno (NSW) Pty Ltd		Australia	ordinary shares	100.0
Club Gaming Systems (Holdings) Pty Ltd		Australia	ordinary shares	100.0
The CGS Trust		Australia	units	100.0
Tabcorp Investments No.4 Pty Ltd	(a)	Australia	ordinary shares	100.0
Tab Limited	(a)	Australia	ordinary shares	100.0
Sky Channel Pty Ltd	(a)	Australia	ordinary shares	100.0
2KY Broadcasters Pty Ltd		Australia	ordinary shares	100.0
Tahwind Superannuation Company Pty Ltd	(b)	Australia	ordinary shares	100.0
Sky Channel Marketing Pty Ltd		Australia	ordinary shares	100.0
Sky Australia International Racing Pty Ltd		Australia	ordinary shares	100.0

(a) These companies have entered into a deed of cross guarantee with Tabcorp Holdings Limited which came into effect on 25 November 2009.

(b) These companies are not considered to be controlled entities in accordance with section 50AA(4) of the Corporations Act (2001).

(c) These companies were incorporated on 23 November 2011.

26. Related party disclosure (continued)

(b) Investments in controlled entities (continued)

Deeds of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly owned subsidiaries within a deed of cross guarantee are relieved from the Corporations Act 2001 ('the Act') requirements for preparation, audit and lodgement of financial reports and directors' report, subject to meeting the compliance requirements for relief.

It is a condition of the class order that a deed of cross guarantee be entered into by the head company and each of the subsidiaries within the relevant class order group. For each class order group, the effect of the deed is that each company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Act. If a winding up occurs under other provisions of the Act, the company within the relevant class order group will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event the head company of the relevant class order group is wound up.

The consolidated income statement and balance sheet of all entities included in the Tabcorp Holdings Limited class order closed group (see (a) above) are set out below.

Tabcorp Holdings Limited Closed Group	2012	2011
	\$m	\$m
Income statement		
Revenue	2,930.3	3,039.1
Other income	15.0	567.8
Government taxes and levies	(859.4)	(857.4)
Commissions and fees	(971.3)	(942.8)
Employment costs	(146.8)	(159.0)
Depreciation and amortisation	(130.6)	(127.9)
Property costs	(40.4)	(38.8)
Advertising and promotions	(26.5)	(26.2)
Other expenses	(272.8)	(185.8)
Impairment	(148.2)	(358.0)
Profit before income tax expense and net finance costs	349.3	911.0
Finance income	6.3	31.1
Finance costs	(101.0)	(144.1)
Profit before income tax expense	254.6	798.0
Income tax expense	(138.6)	(63.2)
Net profit after tax	116.0	734.8
Change in fair value of cash flow hedges taken to equity	(45.8)	7.1
Recycling of discontinued cash flow hedges to income statement	-	(40.5)
Actuarial gain/(loss) on defined benefit plan	(1.8)	1.3
Income tax benefit on items of other comprehensive income	14.2	9.6
Other comprehensive income/(loss) for the period, net of income tax	(33.4)	(22.5)
Total comprehensive income for the period	82.6	712.3
Net profit after tax	116.0	734.8
Accumulated losses at beginning of year	(3.4)	(358.5)
Transfer of synergistic goodwill to Echo Entertainment Group	-	(63.1)
Net actuarial gain/(loss) on defined benefit plan	(1.3)	0.9
Dividends paid	(223.4)	(317.5)
Accumulated losses at end of year	(112.1)	(3.4)

26. Related party disclosure (continued)**(b) Investments in controlled entities (continued)**

Tabcorp Holdings Limited Closed Group	2012 \$m	2011 \$m
Balance sheet		
Cash and cash equivalents	148.7	145.1
Receivables	49.1	76.7
Inventories	4.5	7.5
Property, plant and equipment	4.9	-
Other	13.5	13.7
Total current assets	220.7	243.0
Investment in controlled entities	4.3	152.5
Property, plant and equipment	261.6	248.6
Intangibles - licences	313.1	343.4
Intangibles - other	1,631.5	1,637.1
Receivables	617.4	253.2
Derivative financial instruments	17.7	-
Other	9.7	14.3
Total non current assets	2,855.3	2,649.1
TOTAL ASSETS	3,076.0	2,892.1
Payables	354.1	340.0
Interest bearing liabilities	-	449.8
Current tax liabilities	42.7	59.6
Provisions	30.7	65.2
Derivative financial instruments	19.8	3.7
Other	11.7	5.4
Total current liabilities	459.0	923.7
Interest bearing liabilities	1,224.0	515.2
Deferred tax liabilities	57.1	56.8
Provisions	5.5	6.1
Derivative financial instruments	59.5	15.1
Other	0.6	75.8
Total non current liabilities	1,346.7	669.0
TOTAL LIABILITIES	1,805.7	1,592.7
NET ASSETS	1,270.3	1,299.4
Issued capital	2,084.0	1,973.0
Accumulated losses	(112.1)	(3.4)
Reserves	(701.6)	(670.2)
TOTAL EQUITY	1,270.3	1,299.4

(c) Transactions with joint venture operation

The Group conducts an unincorporated joint venture operation with Vic Racing Pty Ltd. The principal activity of the joint venture is the organisation, conduct, promotion and development of wagering and gaming within the State of Victoria. The Group receives 75% of the revenue and expenses of the joint venture.

Consolidated

The Group charges the joint venture operation for the provision of employee, management and asset services. On consolidation, 75% of the charges eliminate (being the Group's interest in the joint venture operation). Charges for the remaining 25% of \$45.9 million were received by the Group in 2012 (2011: \$45.9 million).

Tabcorp Holdings Limited

In the prior period the Company charged the joint venture operation for the provision of employee, management and asset services of \$10.2 million.

27. Contingent liabilities and contingent assets

Details of contingent liabilities and contingent assets where the probability of future payments is not considered remote are set out below as well as details of contingent liabilities and contingent assets, which although considered remote, the directors consider should be disclosed as they are not disclosed elsewhere in the notes to the financial statements.

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Contingent liabilities

(a) Charge

A controlled entity, Tabcorp Participant Pty Ltd, which is a participant in the joint venture described in note 26, has entered into a deed of cross charge with its joint venture partner to cover the non payment of a called sum in the event of the joint venture incurring a loss. The charge is over undistributed and future earnings of the joint venture to the level of the unpaid call.

(b) Legal challenges

There are outstanding legal actions between controlled entities and third parties as at 30 June 2012. The Group has notified its insurance carrier of all litigation, and believes that any damages (other than exemplary damages) that may be awarded against the Group, in addition to its costs incurred in connection with the action, will be covered by its insurance policies where such policies are in place. However, given the nature of insurance, no assurance can be given that any such claims are not likely to have a material adverse effect on the Group.

In the case of possible actions which, due to the demise of an underwriter do not have insurance cover, the Group considers that, on the balance of probability, no material losses will arise. This position will be monitored and in the event that a loss becomes probable, an appropriate provision will be made.

28. Subsequent events

(a) Dividends

Since 30 June 2012, the directors have declared a final dividend of 11.0 cents per ordinary share. The total amount of the final dividend is \$80.3 million. This has not been provided for in the 30 June 2012 financial statements (refer to note 5).

(b) GST refund

Since 30 June 2012, the Group received confirmation that the Australian Taxation Office has allowed a claim for refunds of GST paid by the Group's Victorian and NSW wagering businesses. The refunds will have a net profit after tax impact of \$14.3 million to the Group, which will be recognised in the next financial year. The refunds relate to GST paid between May 2006 and March 2010 on wagering turnover derived from overseas based customers.

29. Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise cash, short term deposits, bank bills, Australian denominated bank loans, bonds and notes, and foreign currency denominated notes.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. Derivative transactions are also entered into by the Group, principally interest rate swaps and cross currency swaps, the purpose being to manage the interest rate risk and foreign exchange risk arising from the Group's sources of finance. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk.

Details of significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in note 1.

Interest rate risk

The Group has a policy of controlling exposure to interest rate fluctuations by the use of fixed and variable rate debt and by the use of interest rate swaps or caps. It has entered into interest rate swap agreements to hedge underlying debt obligations and allow floating rate borrowings to be swapped to fixed rate borrowings. Under these arrangements, the Group will pay fixed interest rates and receive the bank bill swap rate calculated on the notional principal amount of the contracts.

At 30 June 2012 after taking into account the effect of interest rate swaps, approximately 87% (2011: 56%) of the Group's borrowings are at a fixed rate of interest.

Foreign currency risk

As a result of issuing private notes denominated in US Dollars ('USD'), the Group's balance sheet can be affected by movements in the USD/AUD exchange rate. In order to hedge this exposure, the Group has entered into cross currency swaps to fix the exchange rate on the notes until maturity. The Group agrees to exchange a fixed USD amount in exchange for an agreed AUD amount with swap counterparties, and re-exchange this again at maturity. These swaps are designated to hedge the principal and interest obligations under the private notes.

Commodity price risk

The Group is not exposed to commodity price risk.

Credit risk

Credit risk on financial assets which have been recognised on the balance sheet, is the carrying amount less any allowance for non recovery. The Group minimises credit risk via adherence to a strict cash management policy. Collateral is not held as security.

29. Financial risk management objectives and policies (continued)

Credit risk (continued)

Credit risk in trade receivables is managed through the use of a risk assessment process for customers requesting credit using the Credit Reference Association of Australia, bank opinions and trade references.

Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents (including short term deposits), the maximum exposure of the Group to credit risk from default of a counterparty is equal to the carrying amount of these instruments.

In relation to financial liabilities, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The Group's maximum credit risk exposure in respect of derivative contracts is detailed in the liquidity risk table below.

Credit risk includes liabilities under financial guarantees. For financial guarantee contract liabilities the fair value at initial recognition is determined using a probability weighted discounted cash flow approach. The fair value of financial guarantee contract liabilities has been assessed as nil (2011: nil), as the possibility of an outflow occurring is considered remote. Details of the financial guarantee contracts at balance date are outlined below:

Deed of cross guarantee

As explained in note 26, the Company has entered into a deed of cross guarantee pursuant to ASIC Class Order 98/1418 (as amended).

Guarantees and indemnities

Entities in the Group are called upon to give in the ordinary course of business, guarantees and indemnities in respect of the performance of their contractual and financial obligations. The maximum amount of these guarantees and indemnities is \$5.7 million (2011: \$10.5 million).

All investment and financial instrument activity is with approved counterparties with investment grade credit ratings. To manage credit risk, compliance with counterparty exposure limits is reviewed on a continuous basis. The aggregate value of transactions are spread amongst the approved counterparties.

Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet its obligations to repay its financial liabilities as and when they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, bonds and notes.

To help reduce liquidity risk, the Group targets a minimum level of cash and cash equivalents to be maintained, and has revolving facilities in place with sufficient undrawn funds available.

The Group's policy is that not more than 33% of debt facilities should mature in any financial year within the next four years. At 30 June 2012, no debt facilities will mature in less than one year (2011: 27%).

Due to the measures in place for managing liquidity and access to capital markets, this risk is not considered significant.

Refer to notes 16 and 30 for maturity of financial liabilities.

The contractual cash flows including principal and estimated interest payments of financial liabilities in existence at year end are as follows:

(a) Non-derivative financial instruments

	2012			2011		
	< 1 year \$m	1 - 5 years \$m	> 5 years \$m	< 1 year \$m	1 - 5 years \$m	> 5 years \$m
Financial liabilities						
Trade creditors and accrued expenses	384.3	-	-	367.3	75.0	-
Bank loans - unsecured	18.7	375.8	-	5.9	91.5	-
Medium term notes	34.8	463.5	-	497.0	504.1	-
Subordinated notes	18.8	75.3	621.5	-	-	-
Private placement	10.6	42.6	250.1	-	-	-
Net outflow	467.2	957.2	871.6	870.2	670.6	-

29. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

(b) Derivative financial instruments

	2012			2011		
	< 1 year	1 - 5 years	> 5 years	< 1 year	1 - 5 years	> 5 years
	\$m	\$m	\$m	\$m	\$m	\$m
Financial assets						
Interest rate swaps - receive AUD floating	40.9	119.8	54.2	8.2	32.7	32.7
Cross currency swaps - receive USD fixed	10.6	42.6	250.1	-	-	-
	51.5	162.4	304.3	8.2	32.7	32.7
Financial liabilities						
Interest rate swaps - pay AUD fixed	48.8	156.9	78.5	12.0	48.1	48.1
Cross currency swaps - pay AUD floating	16.5	65.9	270.9	-	-	-
	65.3	222.8	349.4	12.0	48.1	48.1
Net outflow	(13.8)	(60.4)	(45.1)	(3.8)	(15.4)	(15.4)

For floating rate instruments, the amount disclosed is determined by reference to the interest rate at the last repricing date. For foreign currency receipts and payments, the amount disclosed is determined by reference to the USD/AUD rate at balance date.

Financial instruments - sensitivity analysis

Interest rates - AUD and USD

The following sensitivity analysis is based on interest rate risk exposures in existence at year end.

At 30 June, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

Judgements of reasonably possible movements:

	Post tax profit higher/(lower)		Other comprehensive income higher/(lower)	
	2012	2011	2012	2011
	\$m	\$m	\$m	\$m
AUD				
+ 1% (100 basis points) (2011: +1%)	(4.5)	(2.2)	35.5	8.0
- 1% (100 basis points) (2011: -1%)	4.5	2.2	(38.1)	(8.7)
USD				
+ 0.2% (20 basis points)	-	n/a	(3.0)	n/a
- 0.2% (20 basis points)	-	n/a	2.9	n/a

The movements in profit are due to higher/lower interest costs from variable rate debt and investments. The movement in other comprehensive income is due to an increase/decrease in the fair value of financial instruments designated as cash flow hedges.

The numbers derived in the sensitivity analysis are indicative only.

Significant assumptions used in the interest rate sensitivity analysis include:

- Reasonably possible movements in interest rates were determined based on the Group's current credit rating and mix of debt, relationships with financial institutions and the level of debt that is expected to be renewed, as well as a review of the last two years' historical movements and economic forecaster's expectations;
- Price sensitivity of derivatives is based on a reasonably possible movement of spot rates at balance dates; and
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months.

There are no changes to the methods and assumptions used from the previous financial year.

Foreign Exchange

The following sensitivity analysis is based on foreign currency risk exposures in existence at the balance sheet date.

At 30 June, had the AUD moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

Judgements of reasonably possible movements:

	Post tax profit higher/(lower)		Other comprehensive income higher/(lower)	
	2012	2011	2012	2011
	\$m	\$m	\$m	\$m
AUD/USD + 10 cents	-	n/a	(4.0)	n/a
AUD/USD - 10 cents	-	n/a	4.8	n/a

The movement in other comprehensive income is due to an increase/decrease in the fair value of financial instruments designated as cash flow hedges.

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

The numbers derived in the sensitivity analysis are indicative only.

29. Financial risk management objectives and policies (continued)

Financial instruments - sensitivity analysis (continued)

Foreign Exchange (continued)

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- Reasonably possible movements in foreign exchange rates were determined based on a review of the last two years' historical movements and economic forecaster's expectations;
- The reasonably possible movement of 10 cents was calculated by taking the USD spot rate as at balance date, moving this spot rate by 10 cents and then re-converting the USD into AUD with the 'new spot-rate'. This methodology reflects the translation methodology undertaken by the Group;
- Price sensitivity of derivatives is based on a reasonably possible movement of spot rates at balance dates; and
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months.

30. Additional financial instruments disclosure

(a) Fair values

Swaps

Fair value is calculated using discounted future cash flow techniques, where estimated cash flows and estimated discount rates are based on market data at balance date.

US Private Placement

Fair value is calculated using discounted future cash flow techniques, where estimated cash flows and estimated discount rates are based on market data at balance date, in combination with restatement to current foreign exchange rates.

Medium Term Notes

Fair value is determined using independent market quotations.

Subordinated Notes

Fair value is determined using independent market quotations.

The carrying amount of financial assets or liabilities recognised in the financial statements are deemed to be the fair value unless otherwise stated in the table below:

	Carrying amount		Fair value	
	2012	2011	2012	2011
	\$m	\$m	\$m	\$m
Financial liabilities				
Medium term notes	434.5	884.5	452.5	917.3
Subordinated notes	250.0	-	244.0	-
	684.5	884.5	696.5	917.3

(b) Interest rate risk

The Group had the following classes of financial assets and financial liabilities exposed to floating interest rate risk:

	2012	2011
	\$m	\$m
Financial assets		
Cash assets	12.2	6.9
Short term deposits	91.8	111.8
Total financial assets	104.0	118.7
Financial liabilities		
Bank loans - unsecured ⁽ⁱ⁾	336.5	85.9
Medium term notes ⁽ⁱ⁾	431.1	879.1
Subordinated notes	243.1	-
Interest rate swaps ⁽ⁱⁱ⁾	1,075.5	165.0
Cross currency swaps	210.5	-
Total financial liabilities	2,296.7	1,130.0

(i) Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. The floating rates represent the most recently determined rate applicable to the instrument at balance date.

(ii) Notional principal amounts.

(c) Financial instruments - interest rate swaps

Interest rate swaps meet the requirements to qualify for cash flow hedge accounting and are stated at fair value.

These swaps are being used to hedge the exposure to variability in cash flows attributable to movements in the reference interest rate of the designated debt or instrument and are assessed as highly effective in offsetting changes in the cash flows attributable to such movements. Hedge effectiveness is measured by comparing the change in the fair value of the hedged item and the hedging instrument respectively each quarter. Any difference represents ineffectiveness and is recorded in the income statement.

The notional principal amounts and periods of expiry of these interest rate swap contracts are as follows:

Notes to the financial statements

For the year ended 30 June 2012



30. Additional financial instruments disclosure (continued)

(c) Financial instruments - interest rate swaps (continued)

	Notional principal	
	2012	2011
	\$m	\$m
One to five years	600.0	-
More than five years	475.5	165.0
Notional principal	1,075.5	165.0
Fixed interest rate range p.a.	3.1% - 7.3%	7.3%
Variable interest rate range p.a.	3.5% - 4.2%	4.9%

Net settlement receipts and payments are recognised as an adjustment to interest expense on an accruals basis over the term of the swaps, such that the overall interest expense on borrowings reflects the average cost of funds achieved by entering into the swap agreements.

(d) Financial instruments - cross currency swaps

Cross currency swap contracts are classified as cash flow hedges and are stated at fair value.

These cross currency swaps are being used to hedge the exposure to the variability in the fair value of the USD debt under the US Private Placement and are assessed as highly effective in offsetting changes in movements in the forward USD exchange rate. Hedge effectiveness is measured by comparing the change in the fair value of the hedged item and the hedging instrument respectively each quarter. Any difference represents ineffectiveness and is recorded in the income statement.

The principal amounts and periods of expiry of the cross currency swap contracts are as follows:

	2012	
	Pay principal AUD \$m	Receive principal USD \$m
More than five years	210.5	220.0
Fixed interest rate range p.a.		4.6% - 5.2%
Variable interest rate range p.a.		7.7% - 7.9%

The terms and conditions in relation to the interest rate and maturity of the cross currency swaps are similar to the terms and conditions of the underlying hedged Private Placement - USD borrowings as set out in note 16.

(e) Financial instruments - Fair value hierarchy

There are various methods available in estimating the fair value of a financial instrument. The methods comprise:

- Level 1 - the fair value is calculated using quoted prices in active markets.
- Level 2 - the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 - the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the derivative financial instruments, as well as the methods used to estimate the fair value for the Group, are as follows:

	Valuation technique			Total \$m
	Quoted market price (Level 1) \$m	Observable inputs (Level 2) \$m	Non market observable inputs (Level 3) \$m	
2012				
Financial assets - Non current				
Interest rate swaps	-	0.6	-	0.6
Cross currency swaps	-	17.1	-	17.1
	-	17.7	-	17.7
Financial liabilities - Current				
Interest rate swaps	-	13.7	-	13.7
Cross currency swaps	-	6.1	-	6.1
Open betting positions	-	12.5	-	12.5
	-	32.3	-	32.3
Financial liabilities - Non current				
Interest rate swaps	-	59.5	-	59.5
	-	91.8	-	91.8
2011				
Financial liabilities - Current				
Interest rate swaps	-	3.7	-	3.7
Open betting positions	-	9.8	-	9.8
	-	13.5	-	13.5
Financial liabilities - Non current				
Interest rate swaps	-	15.1	-	15.1
	-	28.6	-	28.6

There have been no significant transfers between Level 1 and Level 2 during the financial year ended 30 June 2012.

31. Parent entity disclosures

Result of the parent entity

	Tabcorp Holdings	
	2012	2011
	\$m	\$m
Profit for the period	698.1	770.5
Other comprehensive income/(loss)	(1.3)	0.9
Total comprehensive income for the period	<u>696.8</u>	<u>771.4</u>

Financial position of the parent entity

Current assets	<u>28.9</u>	40.4
Total assets	<u>2,731.9</u>	1,962.2
Current liabilities	<u>66.2</u>	129.5
Total liabilities	<u>593.5</u>	408.9

Total equity of the parent entity comprising of:

Issued capital	2,084.0	1,973.0
Employee equity benefit reserve	0.7	-
Demerger reserve	(669.9)	(669.9)
Retained earnings	<u>723.6</u>	<u>250.2</u>
Total equity	<u>2,138.4</u>	<u>1,553.3</u>

Contingent liabilities

There are no contingent liabilities for the parent entity at 30 June 2012 (2011: nil).

Capital expenditure

The parent entity does not have any capital expenditure commitments for the acquisition of property, plant and equipment contracted but not provided for at 30 June 2012 or 30 June 2011.

Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has entered into a deed of cross guarantee with the effect that the Company guarantees debts in respect of its subsidiaries. Further details of the deed of cross guarantee and the subsidiaries subject to the deed, are set out in note 26.

32. Discontinued operations and business demerged

(a) Financial performance of operations demerged

The Echo Entertainment Group was demerged in June 2011 and is reported as a discontinued operation in the prior year. The Echo Entertainment Group operates The Star in Sydney, Jupiters Hotel and Casino on the Gold Coast, Treasury Casino and Hotel in Brisbane and Jupiters Townsville.

The results of the discontinued operations for the prior year are presented below:

	Note	2011 \$m
Revenue		1,527.2
Expenses ⁽ⁱ⁾		<u>(1,184.7)</u>
Profit before income tax expense		342.5
Income tax expense on operating activities of discontinued operations		<u>(102.5)</u>
Profit from discontinued operations, net of tax		<u>240.0</u>
Gain on demerger of Echo Entertainment Group (net of transaction costs), before income tax benefit ⁽ⁱⁱ⁾		304.6
Income tax benefit on gain on demerger of Echo Entertainment Group		<u>46.6</u>
Gain on demerger of Echo Entertainment Group, net of tax		<u>351.2</u>
Profit from discontinued operations and gain on demerger of Echo Entertainment Group, net of tax		<u>591.2</u>
Earnings per share from discontinued operations:		
Basic earnings per share	6	36.2
Diluted earnings per share	6	36.1

(i) Expenses include net finance costs of \$4.7 million.

(ii) Transaction costs of \$187.8 million include non cash items of \$100.4 million including asset write offs and recycling of discontinued cash flow hedges transferred from reserves.

32. Discontinued operations and business demerged (continued)

(b) Assets and liabilities - Discontinued operation

The major classes of assets and liabilities demerged were:

	June 2011
	\$m
Assets	
Cash and cash equivalents	124.5
Property, plant and equipment	1,764.6
Intangible assets - licences	247.8
Intangible assets - other	1,615.4
Other	139.2
TOTAL ASSETS	3,891.5
Liabilities	
Interest bearing liabilities	1,070.8
Payables	155.0
Provisions	64.2
Other	204.2
TOTAL LIABILITIES	1,494.2
NET ASSETS	2,397.3
	2011
	\$m

(c) Cash flow information - Discontinued operation

The cash flows from the discontinued operation contained in the Group cash flow statement for the prior year are:

Net cash inflow from operating activities	359.9
Net cash outflow from investing activities	(410.8)
Net cash inflow from financing activities	64.6
Net cash inflow	13.7

(d) Disposal of controlled entities

Consideration:	
Settlement of demerger distribution (net of costs)	2,701.9
Less net assets disposed of	(2,397.3)
Income tax benefit	46.6
Gain on disposal after tax	351.2

In the opinion of the directors of Tabcorp Holdings Limited ('the Company'):

- (a) the financial statements and notes of the Group are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the Corporations Act 2001.

In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 26 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

Signed in accordance with a resolution of directors.



Paula Dwyer
Chairman



David Attenborough
Managing Director and Chief Executive Officer

Melbourne
9 August 2012

Independent auditor's report to the members of Tabcorp Holdings Limited

Report on the financial report

We have audited the accompanying financial report of Tabcorp Holdings Limited, which comprises the consolidated balance sheet as at 30 June 2012, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company Tabcorp Holdings Limited and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

- a. the financial report of Tabcorp Holdings Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Tabcorp Holdings Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Tony Johnson
Partner
Melbourne
9 August 2012