



Tabcorp Holdings Limited
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9 August 2013

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 2013

In accordance with the ASX Listing Rules 4.3A, the following information in respect of the year ended 30 June 2013 is transmitted for lodgement:

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

The Directors have declared a final dividend of 8 cents per share fully franked at the company tax rate of 30% to be paid on 24 September 2013. The dividend record date for the purpose of entitlement to the final dividend will be 20 August 2013. The ex-dividend date is 14 August 2013.

The Directors decided to continue the operation of the Company's Dividend Reinvestment Plan (DRP) for the final dividend. The price at which shares will be issued under the DRP for the interim 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 less a 2.5% discount. To participate in the DRP at the interim 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

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*9 August 2013 *

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Tabcorp 2013 full year results

BACKGROUND – CHANGES TO THE TABCORP BUSINESS PORTFOLIO

The 2013 full year results for Tabcorp Holdings Limited (Tabcorp) reflect significant changes to its business portfolio during the period as a result of the transition to Victoria's new gambling industry structure. These changes involved:

- The commencement of the new Victorian Wagering and Betting Licence on 16 August 2012 under a 50/50 Joint Venture arrangement with the Victorian Racing Industry (formerly 75/25).
- The decommissioning of the Victorian Tabaret gaming business, following its licence expiry on 15 August 2012.
- The launch of the Tabcorp Gaming Solutions (TGS) gaming services business on 16 August 2012.

As a result of these changes, comparisons to the prior year do not provide an accurate reflection of underlying business performance. Tabcorp's continuing operations are the Wagering, Media and International, Gaming Services and Keno businesses.

OVERVIEW

- Reported NPAT \$126.6 million, which includes:
 - o NPAT from continuing operations before significant items of \$139.1 million
 - o Profit from significant items of \$8.5 million after tax (made up of various previously disclosed profit items and an \$18.6 million Victorian Keno licence impairment charge)
 - o Loss from discontinued operations of \$21.0 million
- Full year dividend of 19 cents per share, fully franked
 - o Tabcorp announced a final dividend of 8 cents per share, fully franked and payable on 24 September 2013 to shareholders registered at 20 August 2013. The full year dividend of 19 cents per share represents 81% of reported NPAT, excluding the write-off of Victorian Tabaret goodwill. As previously advised, Tabcorp will underwrite its Dividend Reinvestment Plan participation to 50% for this final dividend and intends to continue this underwriting arrangement for the next interim dividend.
- Industry transition managed and key licences to be extended
 - o In-principle agreement reached with the New South Wales Government to extend the exclusivity period of the NSW retail wagering licence for 20 years to 2033
 - o Queensland Keno licence to be extended by 25 years to 2047
 - o Successful launch of Tabcorp Gaming Solutions

Business results - Continuing operations before significant items¹

\$m	Wagering	Change on pcp	Media & Int'l	Change on pcp	Gaming Services	Change on pcp	Keno	Change on pcp	Group	Change on pcp
Revenues	1,558.0	(4.8%)	207.6	9.1%	86.3	>100%	205.4	12.2%	2,003.2	2.0%
Variable contribution	547.2	(7.8%)	185.0	3.3%	86.3	>100%	116.3	14.0%	885.6	7.0%
Operating expenses	(282.2)	(3.4%)	(118.0)	2.3%	(28.0)	>100%	(40.8)	0.5%	(421.7)	4.3%
EBITDA	265.0	(12.0%)	67.0	5.0%	58.3	>100%	75.5	23.0%	463.9	9.5%
D&A	(97.7)	35.3%	(9.3)	6.9%	(20.8)	>100%	(23.3)	52.3%	(151.1)	56.6%
EBIT	167.3	(26.9%)	57.7	4.7%	37.5	>100%	52.2	13.2%	312.8	(4.3%)
NPAT									139.1	(13.1%)

- EBITDA from continuing operations before significant items \$463.9 million, up 9.5%
 - Revenues from continuing operations up 2.0%, a positive result given changing industry structure and challenging trading conditions
 - Expenses for continuing operations up 4.3%. Expenses down 1.1% in 2H13 as a result of strong cost control
- Earnings Before Interest and Tax (EBIT) from continuing operations before significant items \$312.8 million, down 4.3%
 - Impacted by growth in depreciation and amortisation charges of 56.6% to \$151.1 million, largely reflecting significant investments in the Victorian Wagering and Betting Licence and the new Victorian Keno and TGS businesses
- Wagering reported results impacted by changeover to new Victorian Wagering and Betting Licence which commenced 16 August 2012
- Earnings Per Share (EPS) from continuing operations before significant items 18.9 cents per share, down 15.6%

Managing Director and Chief Executive Officer, David Attenborough said: "Tabcorp has had a successful FY13, while managing significant change to our business portfolio and navigating challenging external trading conditions.

"FY13 was the first year of the new Wagering and Gaming licence structure in Victoria, which we knew would have an impact on Tabcorp's earnings and operations. We managed the transition successfully and our revenue initiatives and sharp focus on expense management delivered strong EBITDA growth.

"We have also achieved greater licence longevity through the in-principle agreement to extend NSW retail wagering exclusivity to 2033 and our Queensland Keno licence is to be extended to 2047.

"Our FY13 initiatives have substantially derisked Tabcorp and have created a clearer agenda for FY14 and beyond."

¹ Variable contribution and EBITDA is non-IFRS financial information and has not been audited or reviewed in accordance with Australian Accounting Standards. Business results do not aggregate to Group total due to inter-company eliminations between Wagering and Media & International businesses, and unallocated items.

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INDIVIDUAL BUSINESS SUMMARY– CONTINUING OPERATIONS

Wagering

Tabcorp strengthened its market leading position in its core Wagering business in FY13 through initiatives such as launching new TAB and Luxbet brands, expanding international co-mingling and increasing fixed odds coverage.

Total Wagering business revenues (including the Victorian Racing Industry's interest) grew 5.9% in FY13. The revenue performance was assisted by strong growth in fixed odds, international co-mingling and direct betting into Tabcorp's pools following the cessation of Tote Tasmania pooling. After accounting for the allocation to the Victorian Racing Industry under the new 50/50 Joint Venture arrangements, reported Wagering revenues were \$1,558.0 million, down 4.8%.

FY13 operating expenses were directed towards strengthening Tabcorp's digital and customer proposition, including investments in new brands, expanded market coverage and increased bookmaking capability. EBITDA was \$265.0 million, down 12.0% on the prior year, impacted by the new 50/50 Joint Venture arrangements and increased race fields fees.

Growth in fixed odds revenues was once again a highlight of the result, up 25.8% to \$404.2 million. Fixed odds margins also increased through a combination of risk management initiatives and product expansion. Tabcorp's Northern Territory-licensed bookmaking operation, Luxbet, grew revenues by 40.1% to \$39.1 million.

Tabcorp has a unique multi-channel distribution model, which enables customers to bet with TAB through more channels than any of its peers. It is a key competitive advantage, particularly in light of the rise in digital betting and the subdued retail trading environment that was evident during 2H13. Tabcorp's digital and retail channels are also highly complementary. Approximately 70% of TAB account deposits occur by cash in TAB retail outlets, while 23% of customers use both retail cash and digital betting. Further integration of the retail and digital channels is a key focus for the business in FY14.

Against this backdrop, turnover in the NSW retail TAB business was \$3,867.2 million, down 1.1%. Victorian retail TAB turnover declined 4.7% to \$2,903.1 million.

In contrast, digital wagering turnover grew 13.6% to \$2,452.6 million. This continued strong growth was predominantly driven by mobile transactions and fixed odds product expansion. The consumer uptake of mobile transactions is evidenced by mobile betting accounting for 43% of Tabcorp's digital turnover in 2H13 (up from 28% in 1H13). The TAB iPhone, iPad and Android apps, which have been downloaded more than 900,000 times, were upgraded during the year. Tabcorp also continued to invest in customer relationship management (CRM), analytics and digital marketing capabilities.

Tabcorp's Wagering business continued to be the most substantial contributor to Australian racing, with returns of \$664.6 million in FY13. Contributions to the Victorian Racing Industry were \$347.8 million, up 7.3% and ahead of the FY13 Victorian Minimum Performance Obligation of \$337 million². Returns to the NSW wagering industry were \$249.8 million, up 4.7%. In addition, Tabcorp paid \$67.0 million in race fields fees.

² The Minimum Performance Obligation is part of the new Victorian Wagering and Betting Licence terms

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Media and International

Tabcorp's Media and International business grew revenues by 9.1% to \$207.6 million, as it leveraged its core strengths of expanding the export of racing vision, international co-mingling and increased subscriptions. EBITDA was \$67.0 million, up 5.0%.

Media and International's broadcast rights and international business again delivered substantial contributions to the racing industry, up 22.5% to \$63.6 million.

A focus for Tabcorp in FY14 is retaining the NSW and Victorian thoroughbred media rights. The arrangements have been extended to 31 August 2013 on existing terms. Tabcorp is committed to achieving a fair commercial outcome for both parties, recognising that a 'split vision' scenario has proven not to be in the interests of the NSW and Victorian thoroughbred industries, Tabcorp or wagering customers.

Gaming Services

Tabcorp's new Gaming Services business, TGS, commenced operations in August 2012. TGS provides services to licensed gaming venues in areas including marketing, compliance, responsible gambling and machine procurement.

TGS was in operation for 45.5 weeks of FY13 during which it delivered revenues of \$86.3 million and EBITDA of \$58.3 million. A focus for TGS in FY14 is initial entry into the NSW market and progressing the next stage of its loyalty program in Victoria.

Keno

Revenues in Tabcorp's lotteries business, Keno, grew 12.2% to \$205.4 million, supported by contributions from the new Victorian business. Queensland revenues were up 2.8% and in NSW revenues were up 1.1%.

Operating expenses for the year grew modestly, up 0.5%. Expenses declined in 2H13, driven by lower advertising and promotions spending following from the cessation of Keno's NRL-Channel Nine partnership and the absence of Victorian Keno start-up costs. EBITDA was \$75.5 million, up 23.0%.

The Queensland Keno licence is to be extended to 2047, following an announcement made by the Queensland Premier in April 2013.

The rollout to Victorian venues is now complete; however revenue growth has been slower than expected. Tabcorp is actively pursuing initiatives to improve the performance of the Victorian Keno business, including refining its sales focus and product initiatives.

Significant items

Tabcorp's result had a net benefit from significant items after tax of \$8.5 million. These consisted of a \$14.3 million GST refund, a one-off profit of \$7.5 million on the close-out of a right held by TGS and a \$5.3 million income tax benefit relating to the Tab Ltd acquisition.

Tabcorp also incurred an impairment charge of \$18.6 million for its Victorian Keno licence. Slower than anticipated revenue growth in its first full year, coupled with the short-dated nature of the licence means that an adjustment to its carrying value is appropriate. Tabcorp remains confident in the growth prospects of Victorian Keno. Tabcorp also notes the demonstrated long-term performance of its NSW and Queensland Keno businesses, which have been successful over time.

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Discontinued operations

The now decommissioned Victorian Tabaret Gaming business delivered NPAT of \$26.2 million, before a \$47.2 million write-off of goodwill as previously indicated. The prior corresponding period included NPAT of \$179.9 million from a full year of Tabaret earnings.

A Health Benefit Levy (HBL) expense of \$3.7 million (after tax) relating to the 46 days during which Tabcorp operated gaming machines in FY13 is also included in discontinued operations.

On 24 June 2013 the Supreme Court of Victoria ruled in favour of Tabcorp in respect of the HBL on its gaming machine operations. This judgment followed a Victorian Government determination to apply the levy for the 2013 financial year, which would have impacted Tabcorp's FY13 earnings by an estimated \$18.3 million after tax (based on its 75% share under the former Victorian Joint Venture). Tabcorp has raised a contingent liability for this amount in its FY13 accounts. The Court ruled that the Victorian Government does have a discretion under the *Gambling Regulation Act 2003 (Vic)* to calculate the HBL on a pro rata basis. The Victorian Government has appealed the Supreme Court ruling, which Tabcorp is defending.

FY14 PRIORITIES

Commenting on the company's priorities for FY14, Mr Attenborough said: "We now have a much clearer path ahead of us and an even stronger focus on executing our growth strategies. We will continue to focus on maintaining market leadership in Wagering, enhancing the Keno lotteries business through product and self-service expansion and strengthening TGS through initial expansion into NSW and the launch of stage 2 of the loyalty program. We are also committed to maintaining leadership in the responsible delivery of gambling entertainment.

"A key focus in FY14 will be further strengthening our customer proposition in the fast growing and competitive digital wagering sector.

"Broader business conditions remain challenging, with a cautious consumer environment and soft retail trading trends. However, our FY13 result once again demonstrates Tabcorp's resilience and the benefits of our diversified portfolio and multi-channel distribution strategy."

For more information:

Financial analysts: Daniel Renshaw, GM Investor Relations, 02 9218 1113

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

Tabcorp full year results to 30 June 2013

- Reported NPAT \$126.6 million
- Financial results from continuing operations
 - Revenues \$2,003.2 million
 - Earnings Before Interest and Tax (EBIT) \$312.8 million
 - NPAT before significant items \$139.1 million
 - EPS before significant items 18.9 cents
- Dividend per share, fully franked 19 cents
- Segment EBIT
 - Wagering \$167.3 million
 - Media and International \$57.7 million
 - Gaming Services \$37.5 million
 - Keno \$52.2 million

Stakeholder benefits

- Taxes on gambling paid incl. gaming levy \$521.7 million
- Income generated for racing industry \$728.2 million
 - VIC \$347.8 million
 - NSW \$249.8 million
 - Race fields fees \$67.0 million
 - Broadcast rights and international business \$63.6 million
- Contribution to State community benefit funds \$9.6 million
- Income taxes paid and payable \$83.0 million



**TABCORP HOLDINGS LIMITED
AND CONTROLLED ENTITIES**

**DIRECTORS' REPORT AND
FINANCIAL REPORT**

**FOR THE YEAR ENDED
30 JUNE 2013**

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 2013 (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 Hemstritch	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 2013.

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
Paula Dwyer	<i>Chairman since June 2011 and Non Executive Director since August 2005</i> Bachelor of Commerce; Fellow of the Institute of Chartered Accountants in Australia; Fellow of the Australian Institute of Company Directors (AICD); Senior Fellow of the Financial Services Institute of Australasia. Paula Dwyer is Deputy Chairman of Leighton Holdings Limited and a Director of Australia and New Zealand Banking Group Limited and Lion Pty Ltd. She is also a Member of the Takeovers Panel, the ASIC External Advisory Panel and the Kirin Holdings International Advisory Board. 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. 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. 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.
David Attenborough	<i>Managing Director and Chief Executive Officer since June 2011</i> Bachelor of Science (Honours); Masters of Business Administration. 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. 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).
Elmer Funke Kupper	<i>Non Executive Director since June 2012</i> Bachelor of Business Administration; Master of Business Administration; Member of the AICD. Elmer Funke Kupper was Tabcorp's Managing Director and Chief Executive Officer from September 2007 to June 2011, and previously he was Tabcorp's Chief Executive Australian Business from February 2006. Mr Funke Kupper is also Managing Director and Chief Executive Officer of ASX Limited. His 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. Mr Funke Kupper is a member of the Tabcorp Audit, Risk and Compliance Committee and Tabcorp Nomination Committee.

Directors' report

for the financial year ended 30 June 2013



Name	Qualifications, experience and special responsibilities
Steven Gregg	<i>Non Executive Director since July 2012</i> Bachelor of Commerce. Steven Gregg is Chairman of Goodman Fielder Limited. He is also a Director of thoroughbred bloodstock company William Inglis & Son Limited and of Challenger Limited. He is also a Consultant and Senior Adviser to the Grant Samuel Group and a Director of The Lorna Hodgkinson Sunshine Home. He is also the former Chairman of Austock Group Limited. 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. Mr Gregg is a member of the Tabcorp Audit, Risk and Compliance Committee, Tabcorp Nomination Committee and Tabcorp Remuneration Committee.
Jane Hemstritch	<i>Non Executive Director since November 2008</i> 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 the AICD; Member of Chief Executive Women Inc. Jane Hemstritch is a Director of the Commonwealth Bank of Australia, Lend Lease Group and Santos Limited. She is also Chairman of Victorian Opera Company Limited and a Member of the Council of the National Library of Australia. Mrs Hemstritch was Managing Director - Asia Pacific for Accenture Limited where she was a member of Accenture's global executive leadership team and managed its business portfolio in Asia Pacific spanning twelve countries. Mrs Hemstritch is Chairman of the Tabcorp Audit, Risk and Compliance Committee and a member of the Tabcorp Nomination Committee.
Justin Milne	<i>Non Executive Director since August 2011</i> Bachelor of Arts; Member of the AICD. Justin Milne is Chairman of NetComm Wireless Limited and a Director of Members Equity Bank Pty Ltd. He is also a Director of Basketball Australia Limited and Commissioner of the National Basketball League, and a Director of the Sydney Children's Hospital Foundation Pty Ltd. 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. Mr Milne is a member of the Tabcorp Audit, Risk and Compliance Committee and Tabcorp Nomination Committee.
Zygmunt Switkowski	<i>Non Executive Director since October 2006</i> Bachelor of Science (Honours); PhD (Nuclear Physics); Fellow of the AICD. 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. He is a former director of Healthscope Limited, is the immediate past Chairman of the Australian Nuclear Science and Technology Organisation, and former Chairman of Opera Australia. 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. 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.

2. Change to the Board's composition

2.1. Appointment

Steven Gregg

Mr Gregg commenced as a Non Executive Director on 18 July 2012 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 2010, 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
	Challenger Limited	October 2012 to present
	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 November 2012
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 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 Tabcorp Group's principal activities remain unchanged from the previous financial year, except as disclosed elsewhere in this report.

6. Operating and financial review of the Tabcorp Group

The financial results of the Tabcorp Group for the financial year ended 30 June 2013 relate to the operations of the Tabcorp Group's continuing operations, which comprise its four businesses of Wagering, Media and International, Gaming Services, and Keno.

On 16 August 2012, the Tabcorp Group's Victorian operations changed as a consequence of the Victorian Government's decision to move to a new industry structure for gambling. From 16 August 2012, the Tabcorp Group's wagering operations transitioned to the new Victorian Wagering and Betting Licence and a new Victorian Wagering Joint Venture commenced in which the Tabcorp Group has a 50% interest (the Tabcorp Group had a 75% interest in the previous joint venture).

Also, Tabcorp Gaming Solutions (TGS) commenced operations on 16 August 2012, and is reported in the Tabcorp Group's Gaming Services business segment. Tabcorp established TGS in response to the cessation of its Victorian Gaming business following the expiry of its Victorian Gaming Licence on 15 August 2012. The former Victorian Gaming business is reported as a discontinued operation. Refer to section 6.3 for further information about the discontinued operation.

A summary of the Tabcorp Group's financial performance for the year ended 30 June 2013 and comparison to the prior financial year is shown in the table below.

Summary financial performance of the Tabcorp Group

For the year ended 30 June	2013 \$million	2012 \$million	Change %
Revenue	2,003.2	1,964.3	2.0
Taxes, levies, commissions and fees	(1,097.2)	(1,136.3)	(3.4)
Operating expenses	(414.2)	(404.5)	2.4
Depreciation and amortisation	(151.1)	(96.5)	56.6
Impairment	(18.6)	-	n/a
EBIT	322.1	327.0	(1.5)
Profit from continuing operations after tax	147.6	160.1	(7.8)
NPAT (including discontinued operations)	126.6	340.0	(62.8)

Reported net profit after income tax (NPAT) of the Tabcorp Group for the financial year was \$126.6 million. Comparisons to the prior year do not provide an accurate reflection of the underlying business performance due to the significant changes to the Victorian gambling industry structure as stated above.

Earnings before interest and tax and net of finance costs (EBIT) from continuing operations was \$322.1 million, which was 1.5% below the previous financial year. This result was impacted by growth in depreciation and amortisation charges of 56.6% to \$151.1 million, largely reflecting significant investments in the Victorian Wagering and Betting Licence and the new Victorian Keno and TGS businesses.

Revenue from continuing operations was \$2,003.2 million, which was 2.0% above the previous financial year. This was a positive result in the context of the changeover to the new 50/50 Joint Venture arrangements with the Victorian Racing Industry (previously 75/25), and challenging trading conditions.

The financial result for the Tabcorp Group benefitted from significant items totalling \$8.5 million after tax. These consisted of \$14.3 million relating to a GST refund, \$7.5 million relating to the close out of a right held by TGS, and an income tax benefit of \$5.3 million relating to the Group's acquisition of Tab Limited in 2004. Also an impairment charge was incurred of \$18.6 million for the Victorian Keno Licence. Slower than anticipated revenue growth in its first full year and the short-dated nature of the licence mean that an adjustment to its carrying value is appropriate. The Tabcorp Group remains confident in the growth prospects of Victorian Keno. Tabcorp also notes the demonstrated long-term performance of its New South Wales and Queensland Keno businesses, which have been successful over time.

Operating expenses for the financial year increased by \$9.7 million (2.4%), or \$17.2 million (4.3%) excluding significant items. Operating expenses were weighted towards the first half in line with investment in new businesses. In the second half, Tabcorp Group expenses declined by 1.1% on the prior period as a result of strong cost control.

Shareholders' funds as at the end of the financial year totalled \$1,413.2 million, which was 0.5% above the previous financial year.

Refer to section 7 for information about the financial and operational performance of each business unit within the Tabcorp Group.

6.1. Earnings per share

In respect of continuing operations, basic earnings per share for the period were 20.0 cents, down 10.7% on the previous financial year, and diluted earnings per share for the period were 20.0 cents, down 10.7% on the previous financial year.

Total basic earnings per share were 17.2 cents, down 63.9% on the previous financial year, and total diluted earnings per share were 17.1 cents, down 64.0% on the previous financial year. Earnings per share is disclosed in note 6 to the Financial Report.

6.2. Dividends

A final dividend of 8 cents per share has been announced. The final dividend will be fully franked and payable on 24 September 2013 to shareholders registered at 20 August 2013. The ex-dividend date is 14 August 2013. Tabcorp aims to maintain an investment grade credit rating, and will underwrite its Dividend Reinvestment Plan participation to 50% and apply a 2.5% discount for this final dividend, and intends to continue these arrangements for the next interim dividend.

Dividends payable in respect of the full year totalled 19 cents per share fully franked, which represents a dividend payout ratio of 80.7% of full year NPAT (excluding the write-off of Victorian Tabaret goodwill). Tabcorp intends to target a dividend payout ratio of 80% of full year NPAT for the financial year ending 30 June 2014.

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

	\$m
2013 final dividend	
Final fully franked dividend for 2013 of 8 cents per share on ordinary shares as announced on 9 August 2013 with a record date of 20 August 2013 and payable on 24 September 2013.	59.6
2013 interim dividend	
Interim fully franked dividend for 2013 of 11 cents per share on ordinary shares as announced on 7 February 2013 with a record date of 18 February 2013 and payable on 25 March 2013.	80.7
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 22 August 2012 and payable on 26 September 2012.	80.3

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

6.3. Discontinued operation

The Tabcorp Group's Victorian Gaming Licence expired on 15 August 2012. Tabcorp's former Victorian Gaming business conducted pursuant to this licence, being the operation of electronic gaming machines (EGMs) in licensed hotels and clubs in Victoria under the Tabaret brand, ceased on 15 August 2012 and is reported as a discontinued operation.

The now decommissioned Victorian Tabaret Gaming business delivered a loss of \$21.0 million after tax during the financial year ended 30 June 2013, which included a write-off of goodwill of \$47.2 million resulting from the expiration of the Victorian Gaming Licence, and a Health Benefit Levy expense of \$3.7 million after tax in respect of the 46 days during which the Tabcorp Group operated gaming machines during the financial year.

The intellectual property, skills and expertise gained from operating the Victorian Tabaret Gaming business were transitioned into the new TGS business which was successfully launched during the financial year.

Refer to sections 8.3 and 8.6 of the Directors' Report and note 31 of the Financial Statements for more information.

7. Operating and financial review of each business

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

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

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

7.1. Wagering business

The Tabcorp Group conducts wagering activities under the TAB brand in Victoria and New South Wales through a network of agencies, hotels and clubs, provides on-course totalizators at thoroughbred, harness and greyhound metropolitan and country race meetings, and via the internet, mobile devices, phone and pay TV. TAB customers can wager on a wide range of totalizator and fixed odds betting products offered on racing and sporting events. In Victoria, the business operates under a 50/50 Joint Venture with the Victorian Racing Industry. The Victorian Wagering and Betting Licence expires in August 2024, but the licence may be extended for a further period of up to two years at the discretion of the responsible minister. The New South Wales Wagering Licence expires in March 2007, and an in-principle agreement has been reached with the New South Wales Government to extend the exclusivity period for 20 years to June 2033. Refer to section 8.1 regarding changes to Tabcorp's Victorian Wagering business which occurred in August 2012, and section 8.2 regarding the New South Wales Wagering Licence retail exclusivity extension.

Tabcorp's Wagering business operates Luxbet, offering a racing, sport and novelty product bookmaking service to Australian customers by phone, internet and mobile devices based in the Northern Territory. Luxbet operates under a licence to conduct a racing and sports bookmaker business in the Northern Territory. This licence expires in June 2015 and Tabcorp intends to apply to renew this licence.

The business also operates Trackside, a computer simulated racing product, in Victoria and New South Wales, and also licences the product for use in other domestic and overseas jurisdictions.

In addition, the Tabcorp Group has a 50% interest in the Premier Gateway International (PGI) joint venture in the Isle of Man, which provides wagering services for PGI customers and pooling services to the Tabcorp Group and other international wagering operators in various jurisdictions outside Australia.

Summary financial performance of the Wagering business

For the year ended 30 June	2013 \$million	2012 \$million	Change %
Revenue	1,558.0	1,637.4	(4.8)
Taxes, levies, commissions and fees	(1,010.8)	(1,044.1)	(3.2)
Operating expenses	(282.2)	(292.1)	(3.4)
Depreciation and amortisation	(97.7)	(72.2)	35.3
EBIT	167.3	229.0	(26.9)

The Tabcorp Group strengthened its market leading position in its core Wagering business in the financial year through initiatives such as launching new TAB and Luxbet brands, expanding international co-mingling and increasing fixed odds coverage.

Total Wagering business revenues (including the Victorian Racing Industry's interest) grew 5.9% in the 2013 financial year. The revenue performance was assisted by strong growth in fixed odds, international co-mingling and direct betting into Tabcorp's pools following the cessation of Tote Tasmania pooling. After accounting for the allocation to the Victorian Racing Industry under the new 50/50 Joint Venture arrangements, reported Wagering revenues were \$1,558.0 million, down 4.8%.

Operating expense growth of 3.4% was directed towards strengthening Tabcorp's digital and customer proposition, including investments in new brands, expanded market coverage and increased bookmaking capability.

EBITDA was \$265.0 million, down 12.0% on the prior year, impacted by the new 50/50 Victorian Joint Venture arrangements and increased race fields fees.

Growth in fixed odds revenues was up 25.8% to \$404.2 million. Fixed odds margins also increased through a combination of risk management initiatives and product expansion. Luxbet grew revenues by 40.1% to \$39.1 million.

The Tabcorp Group's unique multi-channel distribution model, which enables customers to bet with TAB through more channels than any of its peers, is a key competitive advantage particularly in light of the rise in digital betting and the subdued retail trading environment that was evident during the second half of the 2013 financial year.

The Tabcorp Group's digital and retail channels are highly complementary. Approximately 70% of TAB account deposits occur by cash in TAB retail outlets, while 23% of customers use both retail cash and digital betting. Further integration of the retail and digital channels is a key focus for the business in the 2014 financial year. Against this backdrop, turnover in the New South Wales retail TAB business was \$3,867.2 million, down 1.1%. Victorian retail TAB turnover declined 4.7% to \$2,903.1 million.

In contrast, digital wagering turnover grew 13.6% to \$2,452.6 million. This continued strong growth was predominantly driven by mobile transactions and fixed odds product expansion. The consumer uptake of mobile transactions is evidenced by mobile betting accounting for 43% of the Tabcorp Group's digital turnover in the second half of the financial year (up from 28% in the first half). The TAB iPhone, iPad and Android apps, which have been downloaded more than 900,000 times, were upgraded during the year. The Company also continued to invest in customer relationship management, analytics and digital marketing capabilities.

7.2. Media and International business

The Tabcorp Group has specialist television and radio operations focused on the racing industry and other associated content. The business operates three Sky Racing television channels and broadcasts thoroughbred, harness and greyhound racing and other sports to audiences in TAB outlets, hotels, clubs, other licensed venues, and into homes to pay TV subscribers. The business manages the export of Australian racing to 51 other countries (as at 30 June 2013) which includes vision, form guides and wagering data, and also the import of racing content to Australian customers. The business also operates the Sky Sports Radio network which broadcasts throughout New South Wales, and has advertising and sponsorship arrangements with Radio Sport National. This business supports the wagering and betting operations of the Tabcorp Group by engaging customers through the provision of television and radio broadcasts of racing product into licensed venues, racetracks and homes.

Summary financial performance of the Media and International business

For the year ended 30 June	2013 \$million	2012 \$million	Change %
Revenue	207.6	190.2	9.1
Taxes, levies, commissions and fees	(22.6)	(11.1)	>100
Operating expenses	(118.0)	(115.3)	2.3
Depreciation and amortisation	(9.3)	(8.7)	(6.9)
EBIT	57.7	55.1	4.7

Revenues grew by 9.1% to \$207.6 million as a result of leveraging the business' core strengths of expanding the international export of racing vision, international co-mingling and increased subscriptions.

EBITDA was \$67.0 million, up 5.0%.

Media and International's broadcast rights and international business again delivered substantial contributions to the racing industry, up 22.5% to \$63.6 million.

A focus for the Tabcorp Group is retaining the New South Wales and Victorian thoroughbred media rights. The arrangements have been extended to 31 August 2013 on existing terms. Tabcorp is committed to achieving a fair commercial outcome for both parties, recognising that a 'split vision' scenario has proven not to be in the interests of the New South Wales and Victorian thoroughbred industries, Tabcorp or wagering customers.

7.3. Gaming Services business

In Victoria, the Tabcorp Group operates Tabcorp Gaming Solutions (TGS), which commenced operations on 16 August 2012. TGS provides services to licensed gaming venues in areas including marketing, compliance, responsible gambling and machine procurement. Refer section 8.3 for further information.

Summary financial performance of the Gaming Services business

For the year ended 30 June	2013 \$million	2012 \$million	Change %
Revenue	86.3	4.7	>100
Operating expenses	(28.0)	(7.6)	>100
Depreciation and amortisation	(20.8)	(0.3)	>100
EBIT	37.5	(3.2)	>100

Comparisons to the prior financial year are not meaningful, because the prior financial year comprised start-up costs associated with the establishment of TGS which commenced operations on 16 August 2012.

Directors' report

for the financial year ended 30 June 2013



TGS was operational for 45.5 weeks of the 2013 financial year during which it delivered revenues of \$86.3 million and EBITDA of \$58.3 million.

A focus for TGS in the 2014 financial year is initial entry into the New South Wales market and progressing the next stage of its loyalty program in Victoria.

7.4. Keno business

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

The Tabcorp Group commenced operations under the new Victorian Keno Licence on 15 April 2012. The results for the financial year to 30 June 2013 represent the first full year contribution under this new licence. The Victorian Keno Licence expires in April 2022, the New South Wales Keno Licence expires in July 2022, and the Queensland Keno Licence expires in June 2022. The Queensland Keno Licence is to be extended to 2047, following an announcement made by the Queensland Premier in April 2013. Further details are contained in section 8.4.

Summary financial performance of the Keno business

For the year ended 30 June	2013 \$million	2012 \$million	Change %
Revenue	205.4	183.1	12.2
Taxes, levies, commissions and fees	(89.1)	(81.1)	9.9
Operating expenses	(40.8)	(40.6)	0.5
Depreciation and amortisation	(23.3)	(15.3)	52.3
EBIT (before impairment*)	52.2	46.1	13.2

* Victorian Keno Licence impairment of \$18.6 million (refer to section 6)

Revenues grew 12.2% to \$205.4 million, supported by contributions from the new Victorian business. Queensland revenues were up 2.8% and in New South Wales revenues were up 1.1%.

Operating expenses for the year grew modestly, up 0.5%. Expenses declined in the second half of the 2013 financial year driven by lower advertising and promotions spending following from the cessation of Keno's NRL-Channel Nine partnership and the absence of Victorian Keno start-up costs.

EBITDA was \$75.5 million, up 23.0%.

The rollout to Victorian venues is now complete, however revenue growth has been slower than expected. Tabcorp is actively pursuing initiatives to improve the performance of the Victorian Keno business, including refining its sales focus and product initiatives.

8. 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 2012.

8.1. Victorian Wagering and Betting Licence

On 16 August 2012, the Tabcorp Group transitioned to the new Victorian Wagering and Betting Licence and commenced a new 50/50 Joint Venture with the Victorian Racing Industry (previously 75/25) following the expiry of the previous Victorian Wagering Licence. The new licence period is 12 years, and at the discretion of the responsible minister it may be extended for a further period of up to two years.

The new licence allows the Tabcorp Group to continue to offer on-course and off-course wagering and betting on thoroughbred, harness and greyhound racing and approved sporting and other events in Victoria. The new licence also allows for the offering of approved simulated racing games and the operation of a betting exchange in Victoria.

8.2. New South Wales Wagering Licence retail exclusivity extension

On 20 June 2013, the Tabcorp Group announced that it had reached an in-principle agreement with the New South Wales Government to extend the retail exclusivity period of its New South Wales Wagering Licence for 20 years to June 2033.

The exclusivity extension entitles Tabcorp's subsidiary, Tab Limited (TAB), to continue operating as the sole provider of totalizator and fixed odds betting in a retail environment until June 2033. While TAB's New South Wales Wagering Licence does not expire until 2097, its retail exclusivity would otherwise have expired on 22 June 2013.

TAB has agreed to pay \$75 million to the New South Wales Government to extend the exclusivity period, which comprises an initial payment of \$50 million and the balance over a 10 year period from 2024, subject to the terms and conditions of an agreement between the parties. The exclusivity extension is subject to legislative amendments.

8.3. Victorian Gaming Licence / TGS

Tabcorp's Victorian Gaming Licence expired on 15 August 2012, which followed the Victorian Government's decision to move to a new industry structure for gambling in Victoria. Under this licence, Tabcorp operated electronic gaming machines (EGMs) in licensed hotels and clubs in Victoria under the Tabaret brand. These operations discontinued when the licence expired.

Tabcorp responded to this new industry structure and introduced a new business called Tabcorp Gaming Solutions (TGS) to supply EGMs and provide specialised consulting and support services for the operators of EGMs. TGS commenced operations in Victoria on 16 August 2012.

8.4. Queensland Keno Licence extension

On 17 April 2013, Tabcorp announced that the Queensland Government has decided to extend Tabcorp's Queensland Keno Licence for a further 25 years to 2047. Tabcorp will be required to make a \$20 million payment to the State of Queensland in the 2014 financial year to extend the licence, which previously expired in 2022. The extension adds further longevity to Tabcorp's licence structure and allows Tabcorp to continue to invest in the Keno lottery game in Queensland.

8.5. Victorian licence payment Supreme Court proceedings

On 24 August 2012, Tabcorp announced that it had filed a Writ and a Statement of Claim in the Supreme Court of Victoria seeking a payment from the State of Victoria of an estimated \$686.8 million. The State's obligation to make the payment to Tabcorp dates back to when it privatised the Victorian TAB and listed Tabcorp on the ASX in 1994. The Victorian Gambling and Betting Act 1994 (Vic) provided for the payment by the State of Victoria to Tabcorp on the grant of new licences, irrespective of whether Tabcorp was the new licensee. The matter is proceeding through the court process, with a hearing currently scheduled to commence on 1 October 2013.

8.6. Victorian Health Benefit Levy on gaming machines

On 6 May 2013, Tabcorp announced that it had been informed by the Victorian Government of its decision to apply a levy on its gaming machine operations for the full 2013 financial year. The levy has not been applied pro rata and it does not reflect that Tabcorp ceased to operate gaming machines on 15 August 2012 when its Victorian Gaming Licence expired. Tabcorp commenced legal proceedings in the Supreme Court of Victoria to challenge the Victorian Government's determination in respect of the levy. On 24 June 2013, the Supreme Court of Victoria ruled in favour of Tabcorp, deciding that the Victorian Government has a discretion under the Gambling Regulation Act 2003 (Vic) to calculate the levy on a pro rata basis rather than on the full financial year. The Victorian Government is appealing the judgment, but a date for this hearing has not yet been set down. For the 2013 financial year, Tabcorp recognised an after tax expense of \$3.7 million calculated on a pro rata basis referable to the 46 days that the Tabcorp Group operated gaming machines in the financial year.

8.7. Change to the Board of Directors

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

8.8. 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.

9. Business strategies

The Tabcorp Group is one of Australia's leading gambling entertainment companies and seeks to deliver sustainable superior returns to its shareholders through the delivery of financial, operational and leadership excellence.

To achieve these outcomes, the Tabcorp Group intends to focus on the following key business priorities:

- Group
 - o Provide superior returns to shareholders and key stakeholders
 - o Target a disciplined investment and expenditure profile
 - o Maintain investment grade credit rating
 - o Deliver customer service excellence
 - o Secure and extend licence duration while improving regulatory arrangements and managing key risks
 - o Maximise employee engagement
 - o Be recognised as a leader in responsible gambling
- Wagering
 - o Lead wagering industry transformation by leveraging our unique multi-product, multi-channel model
 - o Continue to drive digital leadership and innovation
 - o Strengthen customer relationships through our loyalty and customer relationship management programs
 - o Further integrate vision and data with wagering products
- Media and International
 - o Pursue international growth via co-mingling and wholesale opportunities
 - o Retain media rights on acceptable terms
- Gaming services
 - o Grow core revenues in the Victorian market
 - o Expand TGS geographically
 - o Grow customer loyalty program
- Keno
 - o Grow Keno in current and new markets
 - o Expand distribution and self service
 - o Introduce new product offerings

10. Likely developments and expected results

The Tabcorp Group expects to continue with its business strategies, as set out in this report. The execution of these strategies is expected to result in improved financial performance.

A formal strategic planning process is undertaken each year, and the Board approved the Tabcorp Group's strategic plan applicable to the next three financial years. In accordance with the strategic plan, the Tabcorp Group is seeking to grow revenues and profits over the next three financial years.

The achievement of the expected results in future financial years is dependent on a range of factors, and may be adversely affected by any number of events, and are subject to, among other things, the key risks and uncertainties described in section 11 below.

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.

11. Key risks and uncertainties

The Tabcorp Group has a structured and proactive approach to understanding and managing risk. The key focus of the risk management approach is to ensure alignment of strategy, processes, people, technology and knowledge, and evaluate and manage 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.

Set out below are summaries of the key risks which may materially impact the execution and achievement of the business strategies and prospects for the Tabcorp Group in future financial years. These key risks should not be taken to be a complete or exhaustive list of the risks and uncertainties associated with the Tabcorp Group. Many of the risks are outside the control of the Directors. There can be no guarantee that Tabcorp will achieve its stated objectives, that it will meet trading performance or financial results guidance that it may provide to the market, or that any forward looking statements contained in this report will be realised or otherwise eventuate.

11.1. Increased competition from wagering and betting operators

The Tabcorp Group's wagering business currently competes with bookmakers in Victoria and New South Wales, and other interstate and international wagering operators who accept bets over the phone or internet (such as corporate bookmakers based in the Northern Territory and betting exchanges). The internet and other new forms of distribution have allowed new competitors to enter the Tabcorp Group's traditional markets of Victoria and New South Wales without those competitors being licensed in those states. In addition, the use of digital wagering solutions by competitors, the significant relaxation of advertising laws (or the way in which they have been administered) and the increasing application of competition policy have allowed other wagering operators to gain greater freedom to compete against the Tabcorp Group's wagering business which operates under sole exclusive retail wagering licences in Victoria and New South Wales. The Tabcorp Group adopts a range of strategies to maintain its position as Australia's leading wagering operator, including leveraging its exclusive retail network, expanding its TAB customer loyalty program, enhancing its customer service and relationship management, and driving digital excellence across its multi-channel network.

11.2. Broadcast media rights

The Tabcorp Group has arrangements with thoroughbred racing broadcaster ThoroughVision (TVN) for matters including reciprocal broadcast rights relating to Sky Channel and TVN racing coverage within Australia. TVN, which now manages the thoroughbred horse racing broadcast rights of Victorian and New South Wales racetracks, and the Tabcorp Group have been in negotiations with a view to entering into new broadcast rights arrangements. If, for any reason, the Tabcorp Group is unable to renegotiate the TVN broadcast arrangements or is unable to renegotiate such broadcast arrangements on satisfactory terms, then this may adversely impact the operational and financial performance of the Tabcorp Group. The Tabcorp Group has a business continuity plan to mitigate potential adverse impacts should they arise. In addition, the Tabcorp Group continues to expand the export of Australian racing vision to more countries around the world and import racing content to Australian customers.

11.3. Regulatory environment

The activities of the Tabcorp Group are conducted in highly regulated industries where the gambling activities and the level of competition within the industry depend to a significant extent on:

- the licences granted to the Tabcorp Group and to third parties; and
- government policy and the manner in which the relevant governments exercise their broad powers in relation to the manner in which the relevant businesses are conducted.

Changes in legislation, regulation, government policy, or court decisions concerning the constitutionality or interpretation of such legislation, regulations or government policy may have an adverse effect on the operational and financial performance of the Tabcorp Group. Some of the potential changes, which could potentially negatively affect the value of the licences granted to members of the Tabcorp Group, and potentially the Tabcorp Group's financial performance, include government taxes, fees to sporting bodies, advertising restrictions, pooling arrangements, product approvals, licence conditions and deregulation of the online gambling environment. Also, the issue of additional gambling or wagering licences to third parties could adversely impact the Tabcorp Group's financial performance and financial position.

As a leader in the Australian gambling industry, the Tabcorp Group takes a proactive approach to engaging with relevant regulators and governments, and lodges submissions in respect of changes to the industry which may impact the Tabcorp Group and its stakeholders.

The Tabcorp Group operates a diverse portfolio of businesses spread across a number of jurisdictions, business segments and customer categories which reduces the reliance on any one specific business or jurisdiction. The Tabcorp Group maintains long term gambling licences and has reached an in-principle agreement with the New South Wales Government to extend the retail exclusivity period of its New South Wales Wagering Licence (refer to section 8.2), and its Queensland Keno Licence is to be extended following an announcement by the Queensland Premier (refer to section 8.4). In addition, during the financial year, the Tabcorp Group transitioned to the new Victorian Wagering and Betting Licence which commenced in August 2012.

11.4. 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 Tabcorp Group currently have contracts that the Tabcorp Group considers will allow them to offset some of the fees or obtain damages under contract. Members of the Tabcorp 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 Tabcorp Group will be compensated for race fields fees of approximately \$25 million per annum paid or payable in New South Wales for racing held in New South Wales.

Changes to race fields fees may increase the expenses incurred by the Tabcorp Group or alter the competitive landscape in which the Tabcorp Group operates and therefore impact the Tabcorp Group's financial performance and financial position.

11.5. Racing product

The Tabcorp Group's wagering business is reliant on the Victorian, New South Wales and other interstate racing industries providing a program of events for the purposes of wagering. A significant decline in the quality or number of horses or greyhounds, or number of events, or the occurrence of an event which adversely impacts on the Australian racing industry or any State or Territory racing industry, or which otherwise disrupts the scheduled racing program (such as an outbreak of equine influenza or other equine pandemic), would have a significant adverse effect on wagering revenue and may have an adverse effect on the operational and financial performance of the Tabcorp Group. The Tabcorp Group engages and works closely with racing bodies and industry stakeholders to optimise racing schedules and broadcasts to provide the best racing product available to customers and ameliorate the potential for adverse impacts which may result from a decline in racing product. In addition, the Tabcorp Group has business continuity plans to help manage and respond to significant events which may impact upon the supply of racing product.

11.6. Minimum financial performance arrangements under the Victorian Joint Venture

Pursuant to arrangements entered into by the Tabcorp Group in connection with the Victorian Wagering and Betting Licence, certain minimum financial performance arrangements apply in favour of the Victorian Racing Industry in respect of the financial years ending 30 June 2013, 30 June 2014 and 30 June 2015. The minimum financial performance was achieved for the financial year ended 30 June 2013. However, circumstances may arise where Tabcorp may be required to make a payment to the Victorian Racing Industry under these arrangements in respect of the financial years ending 30 June 2014 and 30 June 2015.

11.7. Victorian licence payment Supreme Court proceedings

Tabcorp commenced proceedings in the Supreme Court of Victoria seeking a payment from the State of Victoria of \$686.8 million as outlined in section 8.5. The financial impact to the Tabcorp Group resulting from the write down of the receivable in respect of the Victorian Gaming and Wagering Licences has been dealt with in previous financial years. Due to the nature of adversarial litigation, the outcome cannot be predicted with any certainty. Tabcorp may ultimately not succeed in recovering the payment from the State of Victoria. If Tabcorp is unsuccessful in its claim, there should be no further adverse financial effect on the Company other than arising from the payment of legal costs in relation to pursuing the claim.

11.8. Victorian Health Benefit Levy on gaming machines

As set out in section 8.6, the Victorian Government applied a Health Benefit Levy on the Tabcorp Group's former Tabaret Gaming business for the financial year ended 30 June 2013. The levy has not been applied pro rata and it does not reflect that the Group ceased to operate gaming machines on 15 August 2012. Tabcorp was successful in challenging the Victorian Government's determination in respect of the levy, with the Supreme Court of Victoria ruling that the Victorian Government has a discretion to calculate the levy on a pro rata basis. The Victorian Government has subsequently appealed the decision. If Tabcorp is ultimately unsuccessful in its claim to apply the levy on a pro rata basis, the estimated after tax expense would be \$18.3 million. Tabcorp has raised a contingent liability for this amount in the Financial Report for the financial year ended 30 June 2013.

12. Significant events after the end of the financial year

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 27 to the Financial Report.

13. 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.

14. 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.

15. 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 environmental performance obligations.

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

16. 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			
	Ordinary Shares	Performance Rights	Tabcorp Bonds	Tabcorp Subordinated Notes
Paula Dwyer	34,292	-	-	-
David Attenborough	58,609	875,347	-	-
Elmer Funke Kupper	20,000	41,017	1,500	-
Steven Gregg	10,000	-	-	-
Jane Hemstritch	23,181	-	2,000	-
Justin Milne	8,500	-	-	-
Zygmunt Switkowski	84,876	-	-	-

17. Board and Committee meeting attendance

During the financial year ended 30 June 2013 the Company held ten meetings of the Board of Directors.

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	10	10	6	6	2	2	4	4
David Attenborough ⁽ⁱ⁾	10	10	6	6	2	2	4	4
Elmer Funke Kupper	10	10	6	6	2	2	-	-
Steven Gregg ⁽ⁱⁱ⁾	10	10	6	6	2	2	4	4
Jane Hemstritch	10	10	6	6	2	2	-	-
Justin Milne	9	10	5	6	2	2	-	-
Zygmunt Switkowski	10	10	6	6	2	2	4	4

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 18 July 2012 following the receipt of all necessary regulatory approvals. The meetings disclosed above occurred after 18 July 2012.

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.

18. 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.

19. 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 2013. 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.

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 \$258,000 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.

20. 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 maintaining high standards 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.

21. 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, dollar amounts in the financial report and the Directors' report have been rounded to the nearest hundred thousand unless specifically stated to be otherwise.

22. 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 2013. 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 2013, 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.



Ernst & Young



Tony Johnson
Partner
9 August 2013

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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 2013. 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 Senior Executive Leadership Team. 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 remuneration package, 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 (TAR) 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.

During the year ended 30 June 2013, the Board Remuneration Committee reviewed the fixed remuneration packages of the Senior Executive Leadership Team. The details of senior manager fixed remuneration are included in Section 6.3.

For the year ended 30 June 2013, short term incentives were awarded to senior managers and will be paid in August 2013. With regard to long term incentives, during the year, an allocation of Performance Rights was made to nine 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 2012 Tabcorp Annual General Meeting.

Whether the allocated Performance Rights generate value for the senior managers will depend on the Company's Relative 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 reviewed Non Executive Director fee levels during the year ended 30 June 2013. The details of Non Executive Director remuneration are included in Section 5.

1. Significant changes since 30 June 2012 and proposed changes from 1 July 2013

1.1 *Managing Director and Chief Executive Officer – target reward mix*

Following a review of the Managing Director and Chief Executive Officer's remuneration, from the 2014 financial year onwards a greater proportion of the target reward mix will be at risk and will be delivered under the long term incentive plan. This change will strengthen the alignment of the Managing Director and Chief Executive Officer's remuneration with the interests of shareholders in delivering long-term value to the company. It will result in the Managing Director and Chief Executive Officer's total aggregate reward being comparable to similar roles in the market. Further detail is provided in Section 6.5.

1.2 *Short term incentive (STI) - deferral*

Previously, the delivery of a portion of STI in Restricted Shares has only applied to participants with a target STI of 30% or greater of Total Annual Reward and who do not participate in the long term incentive. Following a review of STI, this deferral component will now be extended to include the Senior Executive Leadership Team. Further information is provided in Section 6.4.1. The deferral of STI is key to the implementation of the claw back provision described in Section 1.3.

1.3 *Claw back*

In conjunction with the extension of the deferred element of STI to apply to the Senior Executive Leadership Team, Tabcorp considers it good practice to implement claw back provisions whereby a proportion or all of the Restricted Shares allocated under STI may be forfeited. Further details of this policy are provided in Section 6.4.1.

1.4 *Non Executive Director fees*

Following a review of the Non Executive Director fee levels during the year, the Chairman's fee was increased and now incorporates service on all Tabcorp Board Committees that is the Chairman no longer receives separate fees for Tabcorp Board Committee work. The base fee for Non Executive Directors was also increased, however, committee fees

remained unchanged. Non Executive Director fees were reset at the time of the Demerger in 2011. Further detail is provided in Section 5.3.

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.

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 2013 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.

Details regarding the composition of the Board Remuneration Committee, including biographies of each member are set out in the Directors' report.

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;
- Measuring and rewarding individual, business unit and Group performance; and
- Fostering the values of Tabcorp.

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)	
Steven Gregg	Director (Non Executive)	From 18 July 2012
Jane Hemstritch	Director (Non Executive)	
Justin Milne	Director (Non Executive)	
Zygmunt Switkowski	Director (Non Executive)	
Executives		
Current Executive Director		
David Attenborough	Managing Director and Chief Executive Officer	
Current Executives		
Damien Johnston	Chief Financial Officer	
Kerry Willcock	Executive General Manager, Corporate, Legal and Regulatory	
Former Executive		
Mohan Jesudason	Managing Director, Gaming & Group Marketing	Until 31 December 2012

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 6.4.2.9. 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 year ended 30 June 2011.

5.2 Structure

Non Executive Directors' remuneration comprises the following components:

- Board fee;
- Board Committee fees; and
- Superannuation (9% of total fees for the year ended 30 June 2013, 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 Board 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, which may be required from time to time.

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

A review of the Non Executive Director fee levels was undertaken during the year having regard to both the remuneration framework and structure described in Sections 5.1 and 5.2 and contemporary market practice. Following the review, the Chairman's fee was increased from \$350,000 plus committee membership fees to \$400,000 inclusive of all committee membership fees. The Non Executive Director Board Fee was increased from \$120,000 to \$125,000, however, the Board Committee Fees remained unchanged. The increase in total fees payable to the Chairman and Non Executive Directors was 3.11% on average, which is broadly in line with fixed remuneration increases for executive KMP.

The annual fees are detailed in Figure 1 for Non Executive Directors and Board Committee memberships.

Figure 1: Non Executive Director and Board Committee fixed annual fees effective from 1 September 2012

Position	Board fees \$ ⁽ⁱ⁾	Board Committee fees ⁽ⁱ⁾		
		Audit, Risk & Compliance \$	Remuneration \$	Nomination \$
Chairman ⁽ⁱⁱ⁾	400,000			
Non Executive Director	125,000			
Committee Chairman		40,000	25,000	7,500
Committee Member		20,000	10,000	7,500

(i) Fees exclude superannuation contributions.

(ii) The Chairman's fee is inclusive of service on all Tabcorp Board Committees.

6. Senior management remuneration (including Managing Director and Chief Executive Officer)

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

6.1 Remuneration framework

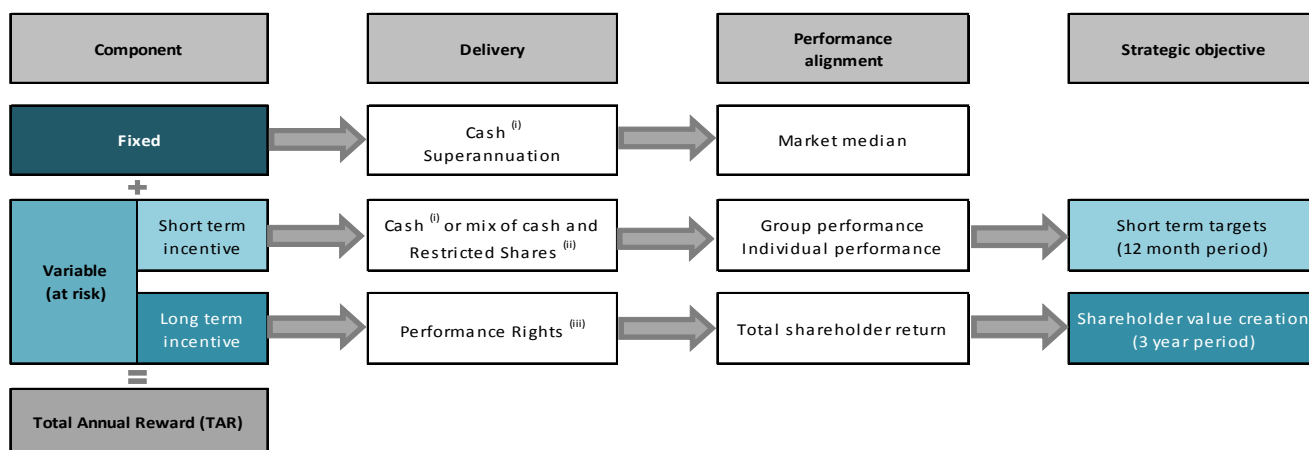
The remuneration framework for senior management comprises a mix of both fixed and variable remuneration components. The level of fixed remuneration an individual receives reflects the scope and responsibilities of their role, their knowledge, skills and experience as well as benchmark market data. Variable 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:
 - o 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.
 - o 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.
 - o Aligning Group, business unit and individual performance targets to the performance objectives in Tabcorp's annual and long term strategic plans.
 - o Attracting, motivating and retaining individuals of the highest calibre.
 - o Fostering a culture of high performance in a team based environment including rewarding those individuals excelling under the Tabcorp Ways of Working.
- Senior managements' interests through:
 - o Differentiating reward outcomes based upon individual performance and capability.
 - o Linking the form of reward delivery with the ability to influence results.
 - o 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 will be subject to a two year service condition.
- (iii) May vest on the third anniversary after the grant, subject to meeting relevant performance based hurdles.

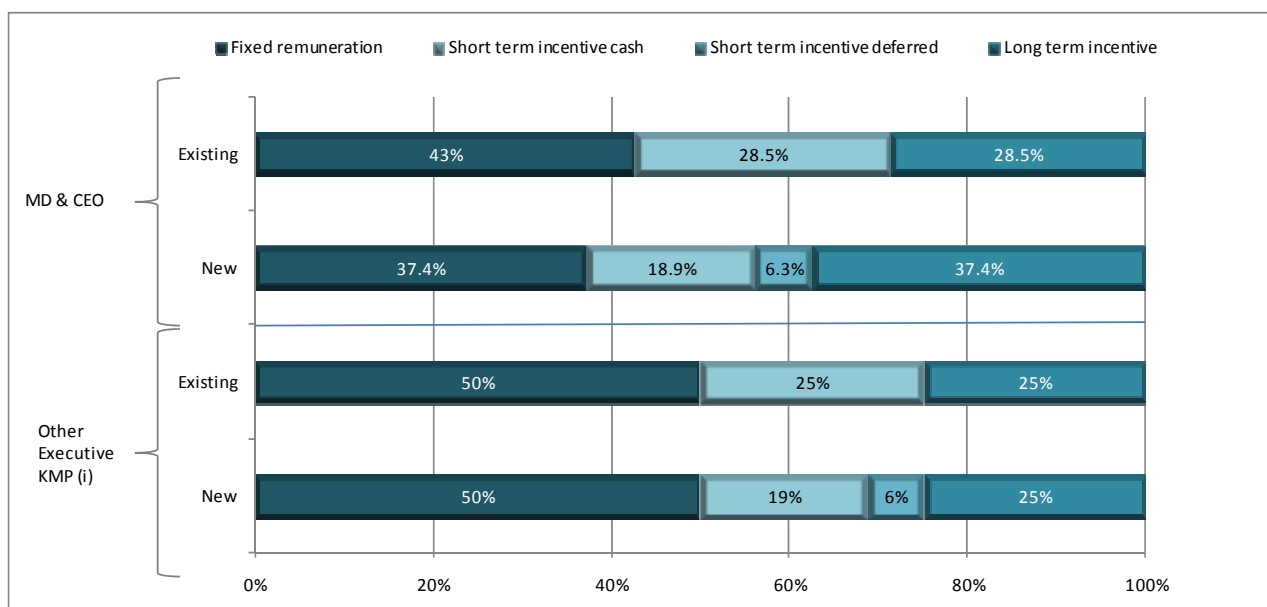
6.2 Target reward mix

The target reward mix aims to position Total Annual Reward 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 Total Annual Reward are competitive, fair and reasonable. Senior management with greater responsibility in key business units have a greater proportion of at risk remuneration.

The introduction of short term incentive deferral for executive KMP for the year commencing 1 July 2013 will not change the target reward mix, however the short term incentive component of reward will now be delivered as a combination of cash and Restricted Shares as outlined in Section 6.4.1.3.

From the 2014 financial year onwards, a greater proportion of the target reward for the Managing Director and Chief Executive Officer will be at risk as a result of an increase in the target long term incentive as outlined in Section 6.5.1.5. Further details of the long term incentive are provided in Section 6.4.2. Both the existing and the new reward mix for the executive KMP (including the Managing Director and Chief Executive Officer) are outlined in Figure 3. This target reward mix excludes appointment incentives and additional compensation (refer to Section 6.6.2).

Figure 3: KMP target reward mix



(i) Mohan Jesudason ceased as an executive KMP on 31 December 2012. The above chart does not include Mr Jesudason's target reward mix.

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, or business group revenue, where appropriate.

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 Board 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 year ended 30 June 2013, the fixed remuneration packages of executive KMP, excluding the Managing Director and Chief Executive Officer (refer to Section 6.5.1.1), increased by 3.25% on average.

6.4 Variable (at risk) remuneration

6.4.1 Short term incentive (STI)

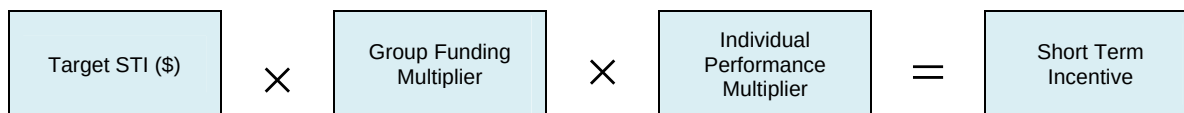
6.4.1.1 Overview

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 (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 & growth, people & leadership, organisation, and financial. 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. Following a review of STI, from the 2014 financial year onwards it is mandatory for all participants at a senior management level to defer 25% of their total STI into Restricted Shares. Senior management, for the purposes of STI deferral, is defined as all members of the Senior Executive Leadership Team and any senior manager where the STI component of their TAR is 30% or greater at target. Restricted Shares are subject to a two year service condition during which time the shares may not be traded, however participants have full entitlement to dividends and voting rights.

The objectives of the deferral element of STI are to ensure that senior managers build share ownership in Tabcorp which further aligns their interests with shareholders, to reduce long term risk, and to assist with the retention of key senior managers providing increased continuity for the business.

6.4.1.4 Claw back

From the 2014 financial year onwards, Restricted Shares are subject to claw back if the Board considers this to be appropriate having regard to any information which has come to light after the delivery of the Restricted Shares to participants, including but not limited to fraud, misconduct or any material misstatement or omission in Tabcorp's prior financial statements. The Board has the capacity to introduce further terms and conditions which may specify additional circumstances in which a participant's Restricted Shares may be subject to claw back.

6.4.1.5 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 executive KMP. Restricted Shares are expensed on a straight line basis over a two year period, commencing from the time the Restricted Shares are granted to the participant, which occurs after the end of the financial year.

6.4.1.6 STI performance

For the year ended 30 June 2013, short term incentive targets were derived from the Board approved business plan which included financial and non-financial goals. These are detailed in Section 6.4.1.2. The Board awarded short term incentives to senior management that reflected the performance of the Group against the targets set. The performance of the Group for the year ended 30 June 2013 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 maximum number of Performance Rights allocated is calculated as outlined in Figure 5.

Figure 5: Allocation calculation

Target LTI (\$)	÷	Fair Value of Performance Right	=	Maximum number of Performance Rights allocated
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▪ **Target LTI**

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

▪ **Fair Value of Performance Right**

The fair market value of a Performance Right is independently determined by an external consultant using a Monte-Carlo simulation-based model.

6.4.2.3 Vesting conditions

The vesting of Performance Rights issued under the LTI is dependent on meeting the 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).

6.4.2.4 Total Shareholder Return

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.

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

Basis	Exclusions
S&P/ASX 100 index	- Property trusts; - Infrastructure groups; and - Mining companies Represented by the S&P Global Industry Classification Standards of Metals & Mining, Oil and Gas, 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.

6.4.2.5 Lapsing conditions

Performance Rights that have not vested after testing will lapse.

6.4.2.6 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.

6.4.2.7 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.

6.4.2.8 LTI performance

In the 2013 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.

6.4.2.9 LTI under the 2011 Demerger

Following the Demerger in 2011, 232,136 Performance Rights previously granted to the former Managing Director and Chief Executive Officer were left on foot (as referred to in Section 5.1) and 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.

Both the 2008 grant of 103,920 Performance Rights and the 2009 grant of 87,199 Performance Rights have now lapsed following final testing in the 2013 financial year. The 41,017 Performance Rights that remain on foot from the 2010 grant will be subject to a final test during the 2014 financial year.

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 executive KMP during the year ended 30 June 2013.

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 are waived, the fair value of the Restricted Shares is fully expensed.

As Performance Rights are issued under the LTI, they are expensed in the same manner as described in Section 6.4.2.7.

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 Managing Director and Chief Executive Officer contract

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

For the year ended 30 June 2013, Mr Attenborough's fixed remuneration (inclusive of statutory superannuation contributions) was \$930,000 per annum. This was an increase of 3.33% from the previous financial year.

6.5.1.2 Short term incentive

For the year ended 30 June 2013, Mr Attenborough was 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 was equivalent to \$620,000 at target and is delivered in cash, with the opportunity for Mr Attenborough to voluntarily sacrifice part of the award into additional superannuation contributions.

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, which would be subject to a performance hurdle, with the grant of such Performance Rights being subject to obtaining any necessary shareholder approvals at the relevant time. For the year ended 30 June 2013, Mr Attenborough's long term incentive award was equivalent to \$620,000 at target. 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 two grants of Performance Rights under the Tabcorp Long Term Performance Plan, which have been approved by shareholders at the Company's 2011 and 2012 Annual General Meetings. The details follow:

Effective date	Number	Test date	Expiry date
23 September 2011	447,761	23 September 2014	23 September 2014
20 September 2012	427,586	20 September 2015	20 September 2015

Upon termination of employment (other than at the discretion of the Board in special circumstances such as, but not limited to, death or permanent disablement), all unvested Performance Rights will lapse immediately. In all circumstances of termination of employment (other than for serious misconduct, in which case all Performance Rights will lapse immediately), a pro-rata number of Performance Rights based on the time served from Effective date to Test date will be tested. In addition, partial lapse of unvested Performance Rights 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 and 2012 Annual General Meetings.

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.

6.5.1.5 Changes for the 2014 financial year

Mr Attenborough will receive fixed remuneration (inclusive of statutory superannuation contributions) of \$950,000 per annum, an increase of 2.15% from the 2013 financial year. The short term performance award is equivalent to \$640,000 at target and will be delivered in cash and Restricted Shares as outlined in Section 6.4.1.3. The target long term incentive award will be equivalent to 100% of fixed remuneration, or \$950,000. As outlined in Section 1.1, this increase will strengthen the alignment of Mr Attenborough's remuneration with the interests of shareholders in delivering long-term value to the company and will ensure that the total aggregate reward is competitive with the market.

The maximum number of Performance Rights to be granted to the Managing Director and Chief Executive Officer under the long term incentive plan will be subject to shareholder approval at the 2013 Annual General Meeting.

6.6 Executive contracts - KMP

6.6.1 Current contracts

The table below contains details of the contracts of the current executive KMP, 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
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 2013. Arrangements that were previously put in place are as follows:

Chief Financial Officer

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

Executive General Manager, Corporate, Legal and Regulatory

Ms Willcock's contract includes additional compensation that required 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, was paid during the financial year ended 30 June 2013 and disclosed in the remuneration table for the financial year ended 30 June 2012.

6.6.3 Previous contracts

The table below contains details of the contract of the former executive KMP. This contract did 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

Mr Jesudason's contract included additional compensation that required him to be an employee of Tabcorp on 30 September 2012 and satisfy certain business outcomes. The maximum compensation payable was \$1,000,000. It was put in place in 2010 and an amount of \$832,400 was paid during the financial year ended 30 June 2013. The figure disclosed in the remuneration table for the financial year ended 30 June 2012 was \$850,000 and this has now been restated upon determination of the actual amount paid.

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 2013 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⁾

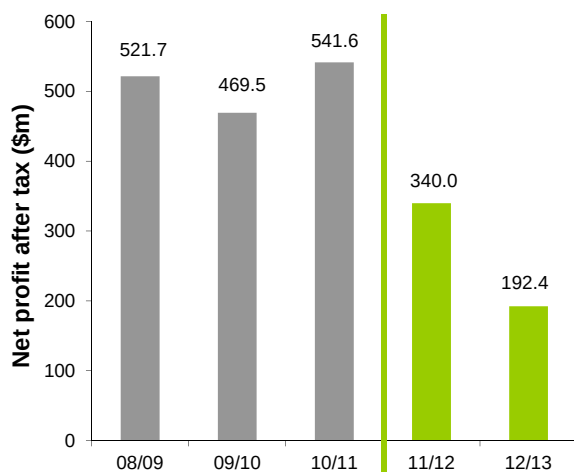
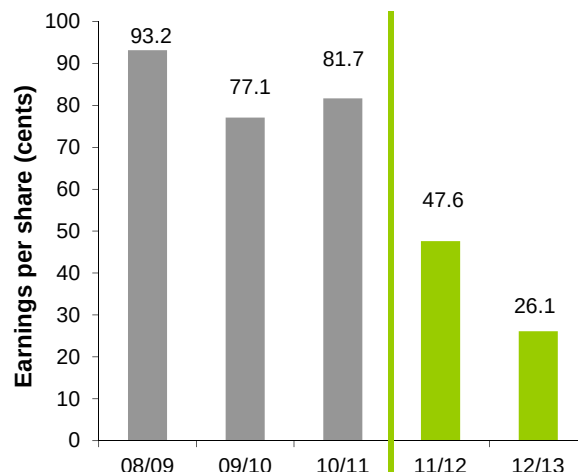


Figure 7: EPS (basic)⁽ⁱ⁾



(i) The results for the 12/13 year are before impairment charges of \$47.2m relating to the discontinued Victorian Gaming operations and \$18.6m relating to Victorian Keno. 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.

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

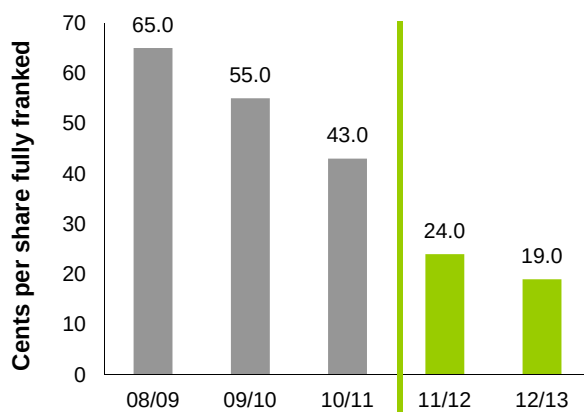
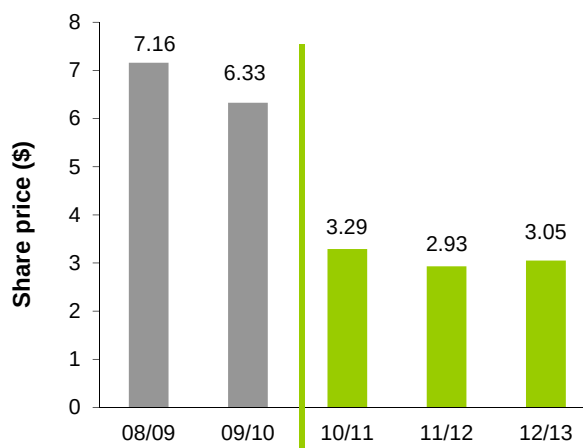


Figure 9: Company share price at the end of each financial year⁽ⁱⁱ⁾



(ii) Whilst the closing share price for 10/11 is after the Demerger of Echo Entertainment Group, it is 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 currently existing LTI allocations made both pre and post the Demerger, together with future test dates.

Figure 10: Current LTI allocations

Grant year	Grant date	Allocation to	Expiry date	Future test date
Allocations post-Demerger				
2011	23 Sep 2011	Senior management	23 Sep 2014	23 Sep 2014
	26 Oct 2011	MD & CEO	23 Sep 2014	23 Sep 2014
2012	4 Oct 2012	Senior management	20 Sep 2015	20 Sep 2015
	31 Oct 2012	MD & CEO	20 Sep 2015	20 Sep 2015
Allocations pre-Demerger				
2010	25 Oct 2010	Former MD & CEO	14 Sep 2017	14 Sep 2014

During the year ended 30 June 2013, the 2008 and 2009 allocations of Performance Rights issued to the former MD & CEO pre-Demerger lapsed. The relative TSR percentile rankings of each allocation at the final test dates were at the 31st and 19th percentiles respectively.

7. Remuneration tables

7.1 Remuneration of KMP

Figure 11A: KMP remuneration for the year ended 30 June 2013 – Non Executive Directors

KMP	Short term	Post employment	Total \$
	Salary & fees ⁽ⁱ⁾ \$	Super-annuation ⁽ⁱ⁾ \$	
Current			
Paula Dwyer	422,917	38,063	460,980
Elmer Funke Kupper	151,667	13,650	165,317
Steven Gregg ⁽ⁱ⁾	161,667	14,550	176,217
Jane Hemstritch	171,667	15,450	187,117
Justin Milne	151,667	13,650	165,317
Zygmunt Switkowski	176,667	15,900	192,567
Total	1,236,252	111,263	1,347,515

(i) Includes amounts earned whilst an Observer.

(ii) 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 \$168,414.

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

KMP	Short term	Post employment	Total \$
	Salary & fees ⁽ⁱ⁾ \$	Super-annuation ⁽ⁱⁱ⁾ \$	
Current			
Paula Dwyer	412,500	37,125	449,625
Elmer Funke Kupper ⁽ⁱⁱ⁾	73,750	6,638	80,388
Jane Hemstritch	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	9,150	110,816
Total	1,075,416	96,788	1,172,204

(i) Includes amounts 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.

Remuneration report (audited) for the financial year ended 30 June 2013



Figure 11C: KMP remuneration for the year ended 30 June 2013 – 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⁾	Incentive	Non-monetary benefits ⁽ⁱⁱ⁾	Long service leave	Super-annuation		Performance Rights			
	\$	\$	\$	\$	\$	\$	\$	\$	%	\$
Current Executive Director										
David Attenborough	906,286	620,000	375,262	11,819	16,470	1,929,837	383,033	2,312,870	43%	-
Current Executives										
Damien Johnston	596,999	311,000	-	20,744	16,470	945,213	173,342	1,118,555	43%	-
Kerry Willcock	516,669	271,000	-	16,831	16,470	820,970	151,364	972,334	43%	-
Former Executive										
Mohan Jesudason ^(iv)	311,959	-	-	3,843	8,235	324,037	52,901	376,938	14%	521,138
Total	2,331,913	1,202,000	375,262	53,237	57,645	4,020,057	760,640	4,780,697		521,138

- (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) Represents the fair value of share based payments expensed by the Company. Value only accrues to the KMP when conditions have been met.
(iv) Represents the sum of incentive and Performance Rights as a percentage of total remuneration, excluding termination payments.
(v) Ceased employment and as a KMP on 31 December 2012. Termination payment includes \$487,500 payment in lieu of notice (as outlined in Section 6.6.3) and \$33,638 payment in lieu of the 2013 financial year long term incentive. In addition to the amounts disclosed above, payment on cessation of annual leave amounted to \$63,187 and long service leave amounted to \$152,961.

Figure 11D: 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⁾	Incentive	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	-	832,400	16,742	15,775	1,714,155	100,308	1,814,463	17%	-
Damien Johnston ^(vii)	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	1,539,400	64,706	63,100	6,233,450	467,240	6,700,690		-

- (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 Sections 6.6.2 and 6.6.3, and was paid during the year ended 30 June 2013. Where required, amounts restated to reflect actual payments made during the year ended 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 incentive 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.

7.2 Other remuneration tables

Figure 12A: Short term incentive (STI) achieved

For the year ended 30 June 2013

KMP	Actual STI payment \$	Actual STI payment as a % of target STI	STI not achieved as a % of target STI	Actual STI payment as a % of maximum STI ⁽ⁱ⁾
Current				
David Attenborough	620,000	100%	0%	36%
Damien Johnston	311,000	100%	0%	36%
Kerry Willcock	271,000	100%	0%	36%
Former				
Mohan Jesudason	-	0%	100%	0%

(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 2013

Grant date	Fair value at grant date \$	Exercise price \$	Exercise and expiry date
4 October 2012 ⁽ⁱ⁾	1.37	-	20 September 2015
31 October 2012 ⁽ⁱ⁾	1.31	-	20 September 2015

(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 2013

KMP	Performance Rights granted 4 October 2012 Number	Performance Rights granted 31 October 2012 Number
Current		
David Attenborough	-	427,586
Damien Johnston	214,137	-
Kerry Willcock	186,465	-
Former		
Mohan Jesudason	-	-
Total	400,602	427,586

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

For the year ended 30 June 2013

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 2013			
	Granted ⁽ⁱ⁾ \$	Exercised \$	Lapsed ⁽ⁱⁱ⁾ \$	As a % of remuneration ⁽ⁱⁱⁱ⁾ %
Current				
David Attenborough	560,138	-	-	17%
Damien Johnston	293,368	-	-	15%
Kerry Willcock	255,457	-	-	16%
Elmer Funke Kupper ^(iv)	-	-	583,893	n/a
Former				
Mohan Jesudason	-	-	473,208	14%
Total	1,108,963	-	1,057,101	

(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 value of Performance Rights as a result of not satisfying the performance conditions during the year. The value is determined assuming the performance conditions had been achieved, and is calculated based on the market value of Tabcorp shares at the date of lapsing.

(iii) 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.

(iv) Performance rights that lapsed were granted in relation to the former position held of Managing Director and Chief Executive Officer (refer to Section 5.1).

Directors' report

for the financial year ended 30 June 2013



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

A handwritten signature in black ink, appearing to read "Paula Dwyer".

Paula Dwyer
Chairman

Melbourne
9 August 2013

Income statement
For the year ended 30 June 2013



	Note	2013 \$m	2012 \$m
Revenue		2,003.2	1,964.3
Other income	2	8.5	11.8
Government taxes and levies		(334.1)	(432.9)
Commissions and fees		(763.1)	(703.4)
Employment costs		(154.2)	(141.6)
Communications and technology costs		(85.2)	(97.8)
Depreciation and amortisation	2	(151.1)	(96.5)
Impairment	2	(18.6)	-
Property costs		(40.3)	(38.3)
Advertising and promotions		(36.8)	(33.4)
Other expenses		(106.2)	(105.2)
Profit before income tax expense and net finance costs		322.1	327.0
Finance income	2	3.1	6.3
Finance costs	2	(106.8)	(101.0)
Profit from continuing operations before income tax expense		218.4	232.3
Income tax expense	4	(70.8)	(72.2)
Profit from continuing operations after income tax		147.6	160.1
Discontinued operations			
Profit/(loss) from discontinued operations, net of tax	31	(21.0)	179.9
Net profit after tax		126.6	340.0
Other comprehensive income			
Change in fair value of cash flow hedges taken to equity that may be reclassified to profit or loss		(6.7)	(45.8)
Income tax on items that may be reclassified to profit or loss	4	2.0	13.7
Items that will not be reclassified to profit or loss		0.9	(1.8)
Income tax on items that will not be reclassified to profit or loss	4	(0.3)	0.5
Other comprehensive loss for the period, net of income tax		(4.1)	(33.4)
Total comprehensive income for the period		122.5	306.6
Earnings per share:			
From continuing operations			
Basic earnings per share (cents)	6	20.0	22.4
Diluted earnings per share (cents)	6	20.0	22.4
Total attributable to shareholders of Tabcorp			
Basic earnings per share (cents)	6	17.2	47.6
Diluted earnings per share (cents)	6	17.1	47.5

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

Balance sheet

As at 30 June 2013



	Note	2013 \$m	2012 \$m
Current assets			
Cash and cash equivalents	7	109.7	151.4
Receivables	8	94.9	52.1
Inventories	9	4.4	4.8
Property, plant and equipment	11	-	4.9
Other	10	12.3	15.0
Total current assets		221.3	228.2
Non current assets			
Receivables	8	52.4	58.8
Property, plant and equipment	11	308.5	313.3
Intangible assets - licences	12	750.3	815.0
Intangible assets - other	13	1,772.4	1,803.2
Derivative financial instruments		26.0	17.7
Other	10	13.7	13.0
Total non current assets		2,923.3	3,021.0
TOTAL ASSETS		3,144.6	3,249.2
Current liabilities			
Payables	15	293.6	384.5
Interest bearing liabilities	16	432.9	-
Current tax liabilities		13.7	42.7
Provisions	17	22.5	31.5
Derivative financial instruments		23.1	19.8
Other	18	3.8	11.9
Total current liabilities		789.6	490.4
Non current liabilities			
Interest bearing liabilities	16	821.5	1,224.0
Deferred tax liabilities	4	64.3	63.1
Provisions	17	10.9	5.8
Derivative financial instruments		43.8	59.5
Other	18	1.3	0.6
Total non current liabilities		941.8	1,353.0
TOTAL LIABILITIES		1,731.4	1,843.4
NET ASSETS		1,413.2	1,405.8
Equity			
Issued capital	19	2,128.7	2,084.0
Retained earnings/(accumulated losses)		(10.4)	23.4
Reserves	19	(705.1)	(701.6)
TOTAL EQUITY		1,413.2	1,405.8

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

Cash flow statement

For the year ended 30 June 2013



	Note	2013 \$m	2012 \$m
Cash flows from operating activities			
Net cash receipts in the course of operations		2,189.8	3,127.0
Payments to suppliers, service providers and employees		(1,393.5)	(1,565.1)
Payment of government levies, betting taxes and GST		(346.9)	(773.2)
Refund of GST relating to prior years		25.4	-
Finance income received		3.1	6.2
Finance costs paid		(104.6)	(111.1)
Income tax paid		(108.4)	(158.3)
Net cash flows from operating activities	20	264.9	525.5
Cash flows from investing activities			
Payment for property, plant and equipment and intangibles		(204.2)	(631.0)
Proceeds from sale of property, plant and equipment and intangibles		15.7	1.2
Loan repayments received from customers		15.6	0.8
Loans advanced to customers		(6.4)	(5.0)
Net cash flows used in investing activities		(179.3)	(634.0)
Cash flows from financing activities			
Net cash flows from revolving bank facilities		-	250.0
Proceeds from long term borrowings		-	460.5
Repayment of long term borrowings		-	(450.0)
Dividends paid		(116.1)	(111.4)
Payment of transaction costs for demerger		(10.7)	(34.7)
Payment of transaction costs for capital reduction		-	(0.8)
Payments for on-market share purchase		(0.5)	(0.8)
Net cash flows from/(used in) financing activities		(127.3)	112.8
Net increase/(decrease) in cash held		(41.7)	4.3
Cash at beginning of year		151.4	147.1
Cash at end of year	7	109.7	151.4

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

The cash flow statement includes the cash flows of the discontinued gaming operations, refer note 31.

Statement of changes in equity

For the year ended 30 June 2013



	Issued capital		Retained earnings/	Net unrealised losses	Employee equity benefit reserve	Demerger reserve	Total equity
	Ordinary shares	Treasury shares	(accumulated losses)	reserve			
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2013							
Balance at beginning of year	2,084.4	(0.4)	23.4	(32.4)	0.7	(669.9)	1,405.8
Profit for the period	-	-	126.6	-	-	-	126.6
Other comprehensive income/(loss)	-	-	0.6	(4.7)	-	-	(4.1)
Total comprehensive income for the period	-	-	127.2	(4.7)	-	-	122.5
Dividends paid	-	-	(161.0)	-	-	-	(161.0)
Dividend reinvestment plan	44.9	-	-	-	-	-	44.9
Restricted shares issued	-	(0.5)	-	-	-	-	(0.5)
Share based payments expense	-	0.3	-	-	1.2	-	1.5
Balance at end of year	2,129.3	(0.6)	(10.4)	(37.1)	1.9	(669.9)	1,413.2
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

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 2013 comprises the Company and its subsidiaries (collectively referred to as 'the Group') and the Group's interest in joint ventures.

On 15 August 2012, the structure of the Victorian gaming and wagering licences changed. These changes impacted the Group as follows:

- (i) from 16 August 2012 a new Victorian wagering joint venture commenced in which the Group has a 50% interest. The Group had a 75% interest in the previous joint venture;
- (ii) the Gaming operations under the Victorian gaming licence ceased on expiry and are reported as discontinued operations (refer note 31). In previous financial statements these operations were reported in the Gaming segment; and
- (iii) Tabcorp Gaming Solutions ('TGS') commenced operations on 16 August 2012, and is reported in the Gaming Services segment (refer note 22).

The financial report was authorised for issue by the directors on 9 August 2013.

(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 2012:

AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income

The adoption of this standard 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 ('IFRS') will not 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 2015
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 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	1 July 2015
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 2011-10	Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)	1 July 2013
AASB 2012-2	Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities	1 July 2013
AASB 2012-3	Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities	1 July 2014
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle	1 July 2013
AASB 2012-6	Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures	1 July 2013
AASB 2012-9	Amendments to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039	1 July 2013
AASB 2012-10	Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments	1 July 2013
AASB 2012-11	Amendments to Australian Accounting Standards - Reduced Disclosure Requirements and Other Amendments	1 July 2013
AASB 2013-3	Amendments to AASB 136 - Recoverable Amount Disclosures for Non Financial Assets	1 July 2014
Interpretation 21	Leases	1 July 2014

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board. The financial report also complies with 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, dollar amounts in the financial report and the Directors' report have been rounded to the nearest hundred thousand, unless specifically stated to be otherwise.

1. Significant accounting policies and corporate information (continued)

(c) 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 26 - Contingent liabilities and contingent assets
- note 29 - Additional financial instruments disclosure

(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, Keno and gaming revenue

Revenue is recognised as the residual value after deducting the return to customers from the wagering, Keno 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.

Media operations revenue

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

Gaming services revenue

Revenue is recognised once the service has been rendered.

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.

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.

(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 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 - 10 years
Plant and equipment	3 - 9 years

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed annually and adjusted prospectively, if appropriate.

(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 betting licence:

The licence is 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 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.

Victorian wagering and gaming licences:

The licences expired on 15 August 2012.

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 3 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.

Notes to the financial statements

For the year ended 30 June 2013



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:

Interest revenue

2013	2012
\$m	\$m

4.7	4.7
-----	-----

(b) Other income

Cost recovery income

-	12.0
---	------

Consideration for extinguishing a right to acquire specified assets pertaining to gaming businesses in Victoria

7.5	-
-----	---

Net gain/(loss) on disposal of non current assets

0.7	(0.5)
-----	-------

Other income

0.3	0.3
-----	-----

8.5	11.8
-----	------

(c) Government taxes and levies includes:

Refund of GST relating to prior years

25.4	-
------	---

(d) Commission and fees includes:

Refund of GST relating to prior years - NSW racing industry share

(5.0)	-
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(e) Employment costs include:

Defined contribution plan expense

11.1	10.3
------	------

Share based payments expense

1.5	1.1
-----	-----

12.6	11.4
------	------

(f) Depreciation and amortisation

Depreciation

- buildings
- leasehold improvements
- plant and equipment

1.0	1.1
-----	-----

12.2	9.1
------	-----

60.2	39.4
------	------

73.4	49.6
------	------

Amortisation

- Victorian wagering and betting licence
- Victorian wagering licence
- NSW wagering licence
- Queensland and Victorian Keno licences
- NSW Trackside concessions
- software
- other amortisation

30.6	-
------	---

1.0	8.5
-----	-----

3.7	3.7
-----	-----

8.5	3.6
-----	-----

1.8	1.7
-----	-----

30.3	28.0
------	------

1.8	1.4
-----	-----

77.7	46.9
------	------

151.1	96.5
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(g) Impairment

Intangible assets - licences

18.6	-
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(h) Operating lease rentals

Minimum lease payments

38.8	30.0
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(i) Other expenses include:

Cost of sales

4.8	4.8
-----	-----

(j) Finance income

Interest revenue

3.1	6.0
-----	-----

Unwinding of discount on other receivables

-	0.3
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3.1	6.3
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Notes to the financial statements

For the year ended 30 June 2013



	2013 \$m	2012 \$m				
2. Revenue and expenses (continued)						
(k) Finance costs						
Interest costs	97.8	87.9				
Other finance costs	9.0	13.4				
Net gain on cash flow hedges	-	(0.3)				
	106.8	101.0				
	2013	2012				
	\$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	1,004	948				
- other assurance services in relation to the Group ⁽ⁱ⁾	258	434				
	1,262	1,382				
(i) Other services comprise other audit services for Group subsidiaries, regulatory audit services and other assurance work.						
	Continuing 2013 \$m	Discontinued 2013 \$m	Consolidated 2013 \$m	Continuing 2012 \$m	Discontinued 2012 \$m	Consolidated 2012 \$m
4. Income tax						
(a) Income tax expense						
The major components of income tax expense are:						
Current tax expense	(72.2)	(12.2)	(84.4)	(65.5)	(84.8)	(150.3)
Adjustments in respect of current income tax of previous years	4.3	-	4.3	7.5	-	7.5
Deferred income tax expense relating to the origination and reversal of temporary differences	(2.9)	-	(2.9)	(14.2)	-	(14.2)
Income tax expense reported in the income statement	(70.8)	(12.2)	(83.0)	(72.2)	(84.8)	(157.0)
Aggregate current and deferred tax relating to items charged or credited to equity:						
Change in value of cash flow hedges	2.0	-	2.0	13.7	-	13.7
Other	(0.3)	-	(0.3)	0.5	-	0.5
Income tax benefit reported in other comprehensive income	1.7	-	1.7	14.2	-	14.2
Arising on transactions with equity participants:						
Share issue transaction costs	-	-	-	0.2	-	0.2
Income tax benefit reported in equity	1.7	-	1.7	14.4	-	14.4
Income tax expense						
A reconciliation between income tax expense and the product of accounting profit/(loss) before income tax multiplied by the income tax rate is as follows:						
Accounting profit/(loss) before income tax expense	218.4	(8.8)	209.6	232.3	264.7	497.0
At the Group's statutory income tax rate of 30%	(65.5)	2.6	(62.9)	(69.7)	(79.4)	(149.1)
- amortisation of Victorian licences	(11.3)	(0.7)	(12.0)	(2.6)	(5.4)	(8.0)
- impairment of goodwill	-	(14.1)	(14.1)	-	-	-
- impairment of intangible assets - licences	(5.6)	-	(5.6)	-	-	-
- Tab Limited acquisition tax benefit	5.3	-	5.3	-	-	-
- capital gain offset by losses	2.3	-	2.3	-	-	-
- other	4.0	-	4.0	0.1	-	0.1
Aggregate income tax expense	(70.8)	(12.2)	(83.0)	(72.2)	(84.8)	(157.0)
Discontinued includes income tax in respect of discontinued operations. Refer note 31.						
	2013 \$m	2012 \$m				
(b) Deferred tax assets						
The balance comprises temporary differences attributable to:						
Amounts recognised in the income statement						
Provisions						
- employee benefits	7.2	6.6				
- restructuring costs	-	4.0				
- other	2.9	0.6				
Accrued expenses	7.5	6.1				
Property, plant and equipment	13.8	15.0				
Derivatives	4.1	4.7				
Other	7.5	4.8				
Amounts recognised directly in equity						
Fair value of cash flow hedges	15.9	13.9				
Share issue transaction costs	4.3	7.0				
Other	-	0.4				
	63.2	63.1				
Deferred tax assets set off	(63.2)	(63.1)				
Net deferred tax assets	-	-				

Notes to the financial statements

For the year ended 30 June 2013



	2013 \$m	2012 \$m
4. Income tax (continued)		
(b) Deferred tax assets (continued)		
Movements		
Carrying amount at beginning of year	63.1	61.7
Charged to the income statement	(1.9)	(12.8)
Credited to equity	1.7	14.4
Transfer to/(from) deferred tax liabilities	0.3	(0.2)
Carrying amount at end of year	63.2	63.1
(c) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in the income statement</i>		
Intangible assets - licences	98.1	100.2
Intangible assets - other	6.7	4.4
Inventories	0.3	1.0
Unclaimed dividends	6.4	7.3
Research and Development	14.7	12.8
Other	1.3	0.5
	127.5	126.2
Deferred tax assets set off	(63.2)	(63.1)
Net deferred tax liabilities	64.3	63.1
Movements		
Carrying amount at beginning of year	126.2	125.0
Charged to the income statement	1.0	1.4
Transfer from/(to) deferred tax assets	0.3	(0.2)
Carrying amount at end of year	127.5	126.2

(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.

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 2013



5. Dividends

Dividends declared and paid during the year on ordinary shares:

- (a) Interim dividend for 2013 of 11.0 cents per share (2012: 13.0 cents per share)
 (b) Final dividend for 2012 of 11.0 cents per share (2011: 19.0 cents per share)

2013 \$m	2012 \$m
80.7	92.7
80.3	130.7
161.0	223.4

Dividends declared after balance date

Since the end of the financial year, the directors declared the following dividend:

Final dividend for 2013 - 8.0 cents per share (2012: 11.0 cents per share)

59.6	80.3
------	------

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 27).

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

374.9	368.7
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Franking credits available once the impact of dividends declared after balance date has been incorporated

349.3	334.2
-------	-------

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

Profit from continuing operations after income tax

Profit/(loss) from discontinued operations, net of tax

Earnings used in calculation of basic and diluted EPS attributable to ordinary shareholders

147.6	160.1
(21.0)	179.9
126.6	340.0

2013 Number	2012 Number
----------------	----------------

(b) Weighted average number of shares used as the denominator

Weighted average number of ordinary shares used in calculating basic earnings per share

Effect of dilution

- Performance Rights

Weighted average number of ordinary shares adjusted for the effect of dilution

736,988,760	714,444,219
2,284,241	1,107,767
739,273,001	715,551,986

(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.

2013 \$m	2012 \$m
-------------	-------------

7. Cash and cash equivalents

Cash on hand and in banks

Short term deposits, maturing within 30 days

52.6	59.6
57.1	91.8
109.7	151.4

Notes to the financial statements

For the year ended 30 June 2013



8. Receivables

Current

Trade debtors

Allowance for doubtful debts ^(a)

Receivable in respect of Victorian licences ⁽ⁱ⁾

Allowance for impairment ⁽ⁱ⁾

Sundry debtors

Other ⁽ⁱⁱ⁾

Non current

Other ⁽ⁱⁱ⁾

	2013	2012
	\$m	\$m
Trade debtors	26.1	19.9
Allowance for doubtful debts ^(a)	(2.8)	(2.3)
	23.3	17.6
Receivable in respect of Victorian licences ⁽ⁱ⁾	474.6	474.6
Allowance for impairment ⁽ⁱ⁾	(474.6)	(474.6)
	-	-
Sundry debtors	64.4	29.7
Other ⁽ⁱⁱ⁾	7.2	4.8
	94.9	52.1
Non current		
Other ⁽ⁱⁱ⁾	52.4	58.8
	52.4	58.8

- (i) Pursuant to section 4.3.12 of the Gambling Regulation Act 2003 (Vic) on the grant of new licences, the Company was entitled to be paid in 2012 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 was \$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'). The Company has commenced legal action in the Supreme Court of Victoria seeking a payment from the State of Victoria, refer to note 26.

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.

- (ii) Other receivables include :

- variable interest loan with repayment term of four years; and
- fixed interest loans with repayment terms of:
 - five years with interest charged at 9.25%;
 - seven years with interest charged at 8.25% and 10.25%; and
 - ten years repayable from August 2012 with interest charged at 8.0% and 9.25%.

(a) Allowance for doubtful debts

Trade debtors are non-interest bearing and are generally on 30 day terms or less.

Movements in the allowance for doubtful debts:

Balance at beginning of year

Net doubtful debt expense for the year ⁽ⁱ⁾

Amounts written off ⁽ⁱ⁾

Balance at end of year

	2013	2012
	\$m	\$m
Balance at beginning of year	(2.3)	(1.6)
Net doubtful debt expense for the year ⁽ⁱ⁾	(0.9)	(0.8)
Amounts written off ⁽ⁱ⁾	0.4	0.1
Balance at end of year	(2.8)	(2.3)

- (i) Amounts are included in other expenses.

Ageing analysis of trade debtors

2013

Current

Past due not impaired

Considered impaired

2012

Current

Past due not impaired

Considered impaired

	0 - 30 days	31 - 60 days	> 60 days	Total
	\$m	\$m	\$m	\$m
2013				
Current	20.2	-	-	20.2
Past due not impaired	-	0.9	2.2	3.1
Considered impaired	-	0.2	2.6	2.8
	20.2	1.1	4.8	26.1
2012				
Current	10.3	-	-	10.3
Past due not impaired	-	4.8	2.5	7.3
Considered impaired	-	-	2.3	2.3
	10.3	4.8	4.8	19.9

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 2013



9. Inventories

Consumable stores at cost
Provision for obsolescence

2013 \$m	2012 \$m
4.4	5.1
-	(0.3)
4.4	4.8

10. Other assets

Current

Prepayments
Other

10.9	13.2
1.4	1.8
12.3	15.0

Non current

Prepayments
Pension assets
Other

10.3	11.4
1.1	-
2.3	1.6
13.7	13.0

11. Property, plant and equipment

Freehold land

- at cost

5.3 5.3

Buildings

- at cost
- accumulated depreciation

18.9 18.6
(8.8) (7.8)
10.1 10.8

Leasehold improvements

- at cost ⁽ⁱ⁾
- accumulated depreciation

113.3 110.9
(51.2) (58.8)
62.1 52.1

Plant and equipment

- at cost ⁽ⁱ⁾
- accumulated depreciation

613.0 753.0
(382.0) (503.0)
231.0 250.0
308.5 318.2

Carrying amount at end of year

- current ⁽ⁱⁱ⁾
- non current

- 4.9
308.5 313.3
308.5 318.2

(i) Includes capital works in progress of:

Leasehold improvements - at cost
Plant and equipment - at cost
Total capital works in progress

4.2 6.8
6.9 28.8
11.1 35.6

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

Reconciliations

2013

Carrying amount at beginning of year
Additions
Disposals
Depreciation expense
Carrying amount at end of year

Freehold land \$m	Buildings \$m	Leasehold improvements \$m	Plant and equipment \$m	Total \$m
5.3	10.8	52.1	250.0	318.2
-	0.3	22.9	55.7	78.9
-	-	(0.6)	(8.9)	(9.5)
-	(1.0)	(12.3)	(65.8)	(79.1)
5.3	10.1	62.1	231.0	308.5

2012

Carrying amount at beginning of year
Additions
Reclassification/transfer
Disposals
Depreciation expense
Carrying amount at end of year

5.3	12.2	40.3	222.7	280.5
-	-	14.3	85.9	100.2
-	0.1	7.7	4.9	12.7
-	(0.4)	(0.1)	(0.4)	(0.9)
-	(1.1)	(10.1)	(63.1)	(74.3)
5.3	10.8	52.1	250.0	318.2

Notes to the financial statements

For the year ended 30 June 2013



12. Intangible assets - licences

	2013 \$m	2012 \$m
Victorian wagering and betting licence		
- at cost	418.7	418.7
- accumulated amortisation	(30.6)	-
	388.1	418.7
NSW wagering licence		
- at cost	339.1	339.1
- accumulated amortisation	(33.2)	(29.5)
	305.9	309.6
Queensland and Victorian Keno licences		
- at cost	104.9	104.9
- accumulated amortisation and impairment	(48.6)	(21.5)
	56.3	83.4
Victorian wagering and gaming licences		
- at cost	-	477.9
- accumulated amortisation	-	(474.6)
	-	3.3
	750.3	815.0

Reconciliations

	Victorian wagering & betting licence \$m	NSW wagering licence \$m	Queensland & Victorian Keno licences \$m	Victorian wagering & gaming licences \$m	Total \$m
2013					
Carrying amount at beginning of year	418.7	309.6	83.4	3.3	815.0
Impairment ⁽ⁱ⁾	-	-	(18.6)	-	(18.6)
Amortisation expense	(30.6)	(3.7)	(8.5)	(3.3)	(46.1)
Carrying amount at end of year	388.1	305.9	56.3	-	750.3
2012					
Carrying amount at beginning of year	-	313.3	87.0	29.9	430.2
Additions - acquired	418.7	-	-	-	418.7
Amortisation expense	-	(3.7)	(3.6)	(26.6)	(33.9)
Carrying amount at end of year	418.7	309.6	83.4	3.3	815.0

(i) The impairment relates to the Victorian Keno licence and results from slower than previously expected revenue growth on commencement of this business. The recoverable amount of the Victorian Keno licence was determined using fair value less costs to sell of the relevant cash generating unit. The key estimates and assumptions used are as outlined in note 14.

13. Intangible assets - other

	2013 \$m	2012 \$m
Goodwill		
- at cost	2,050.9	2,093.9
- accumulated impairment	(704.9)	(704.9)
	1,346.0	1,389.0
NSW Trackside concessions		
- at cost	150.0	150.0
- accumulated amortisation	(4.4)	(2.6)
	145.6	147.4
Software		
- at cost ⁽ⁱ⁾	350.6	343.4
- accumulated amortisation and impairment	(213.0)	(220.9)
	137.6	122.5
Other		
- at cost	14.9	14.2
- accumulated amortisation	(7.8)	(6.0)
	7.1	8.2
Brand names - at cost	105.5	105.5
Broadcast rights - at cost	6.5	6.5
Media content - at cost	24.1	24.1
	1,772.4	1,803.2
(i) Includes capital works in progress of	23.9	27.4

13. Intangible assets - other (continued)

Reconciliations

	Goodwill \$m	NSW Trackside concessions \$m	Software \$m	Other \$m	Brand names \$m	Broadcast rights \$m	Media content \$m	Total \$m
2013								
Carrying amount at beginning of year	1,389.0	147.4	122.5	8.2	105.5	6.5	24.1	1,803.2
Additions:								
- acquired	4.2	-	26.2	0.7	-	-	-	31.1
- internally developed	-	-	22.4	-	-	-	-	22.4
Disposals	-	-	(0.4)	-	-	-	-	(0.4)
Write-off ⁽ⁱ⁾	(47.2)	-	-	-	-	-	-	(47.2)
Amortisation	-	(1.8)	(33.1)	(1.8)	-	-	-	(36.7)
Carrying amount at end of year	1,346.0	145.6	137.6	7.1	105.5	6.5	24.1	1,772.4
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)
Amortisation	-	(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

(i) The write-off of goodwill is a result of the expiration of the Victorian Gaming Licence during the period.

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)	Combined Wagering	NSW Wagering	Combined Media & International	Sky Racing (Media & International)	Sky Sports Radio (Media & International)	Combined Keno	Gaming	Total carrying amount
(Reportable Segment)	(Wagering) \$m	(Wagering) \$m	International) \$m	International) \$m	International) \$m	(Keno) \$m	(Discontinued) \$m	\$m
2013								
Goodwill	976.2	-	215.8	-	-	154.0	-	1,346.0
Brand names	-	98.8	-	6.7	-	-	-	105.5
Broadcast rights	-	-	-	-	6.5	-	-	6.5
Media content	-	-	-	24.1	-	-	-	24.1
	976.2	98.8	215.8	30.8	6.5	154.0	-	1,482.1
2012								
Goodwill	974.2	-	215.0	-	-	152.6	47.2	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	152.6	47.2	1,525.1

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 post tax discount rate, ranging between 9.2% and 9.7%.

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 post tax weighted average cost of capital applicable to the relevant cash generating unit.

v. 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.

vi. 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 (2012: \$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% (2012: 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.

15. Payables**Current**

Trade creditors and accrued expenses - unsecured

2013	2012
\$m	\$m

293.6	384.5
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16. Interest bearing liabilities**Current**

Medium term notes ⁽ⁱ⁾

432.9	-
-------	---

Non current

Bank loans - unsecured

337.5	336.5
-------	-------

Medium term notes ⁽ⁱ⁾

-	431.1
---	-------

Subordinated notes ⁽ⁱⁱ⁾

244.5	243.1
-------	-------

Private placement ⁽ⁱⁱⁱ⁾

239.5	213.3
-------	-------

821.5	1,224.0
-------	---------

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

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

(iii) 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 29.

Financing arrangements

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

Type	\$m	Expiry date
Revolving facility	400.0	June 2015
	400.0	June 2016
	<u>800.0</u>	

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

Notes to the financial statements

For the year ended 30 June 2013



17. Provisions

Current

Employee benefits
Restructuring costs
Other

Non current

Employee benefits
Lease make good
Other

Reconciliations

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

	2013 \$m	2012 \$m
Carrying amount at beginning of year	-	10.7
Provisions made during the year	4.0	-
Provisions used during the year	-	(10.7)
Carrying amount at end of year	4.0	-
Carrying amount at end of year	-	-
- current	-	-
- non current	4.0	-
Carrying amount at beginning of year	-	10.7
- current	-	10.7
- non current	-	-

Restructuring costs

These provisions were raised as a result of the demerger of the Echo Entertainment Group in 2011. Provisions included the set-up of shared-services for the Echo Entertainment Group in accordance with the Demerger Deed and other business-led cost saving restructures and initiatives.

Lease make good

A provision for make good is recognised for leasehold properties requiring remedial work at the end of the lease arrangement.

18. Other liabilities

Current

Deferred revenue
Other

Non current

Pension liability
Other

19. Capital and reserves

(a) Issued capital

Ordinary shares - issued and fully paid ⁽ⁱ⁾
Treasury shares ⁽ⁱⁱ⁾

(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.

Movements in ordinary share capital

Balance at beginning of year
Dividend reinvestment plan
Balance at end of year

(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.

	2013 \$m	2012 \$m
Deferred revenue	3.7	11.0
Other	0.1	0.9
	3.8	11.9
Pension liability	-	0.6
Other	1.3	-
	1.3	0.6
Ordinary shares - issued and fully paid ⁽ⁱ⁾	2,129.3	2,084.4
Treasury shares ⁽ⁱⁱ⁾	(0.6)	(0.4)
	2,128.7	2,084.0
Number of shares	730,113,969	688,019,737
Dividend reinvestment plan	14,771,721	42,094,232
Balance at end of year	744,885,690	730,113,969

19. Capital and reserves (continued)

	2013	2012
	\$m	\$m
(b) Reserves		
Net unrealised losses reserve ⁽ⁱ⁾	(37.1)	(32.4)
Employee equity benefit reserve ⁽ⁱⁱ⁾	1.9	0.7
Demerger reserve ⁽ⁱⁱⁱ⁾	(669.9)	(669.9)
	(705.1)	(701.6)

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 in 2011. 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.

	2013	2012
	\$m	\$m
Gross debt	1,265.2	1,239.3
EBITDA ⁽ⁱ⁾	491.8	725.2
Gearing ratio	2.6	1.7

- (i) EBITDA for 2013 represents continuing operations, whereas EBITDA for 2012 includes both continuing and discontinued 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	126.6	340.0
Add/(less) items classified as investing/financing activities:		
- net gain on disposal of non current assets	(9.8)	(0.4)
Add/(less) non cash income and expense items:		
- depreciation and amortisation	159.2	133.5
- impairment	18.6	-
- goodwill write-off	47.2	-
- share based payments expense	1.5	1.1
- net change on fair value/cash flow hedges	-	(0.3)
- unwinding of discount on other receivables	-	(0.3)
- other	3.8	4.0
Net cash provided by operating activities before changes in assets and liabilities	347.1	477.6
Changes in assets and liabilities:		
(Increase)/decrease in:		
- trade and sundry receivables	(43.7)	32.2
- inventories	0.4	4.6
- prepayments	1.8	(3.2)
- other assets	(1.0)	0.9
(Decrease)/increase in:		
- payables	(6.8)	18.1
- provisions	2.0	(0.1)
- deferred tax liabilities	2.9	14.1
- provision for income tax	(28.3)	(15.7)
- other liabilities	(9.5)	(3.0)
Net cash flows from operating activities	264.9	525.5

Notes to the financial statements

For the year ended 30 June 2013



	2013 \$m	2012 \$m
21. Commitments		
(a) Capital expenditure commitments		
Property, plant and equipment	36.2	37.2
Software	0.8	5.0
	37.0	42.2
(b) Operating lease commitments		
Contracted but not provided for and payable:		
Not later than one year	45.1	40.3
Later than one year but not later than five years	114.7	104.2
Later than five years	48.6	17.3
	208.4	161.8
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	0.9
Later than one year but not later than five years	0.3	1.2
	1.2	2.1

The Group leases property under operating leases expiring from 1 to 14 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 50% (25% prior to August 2012) of the cost is recoverable from VicRacing 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 measure of segment profit used excludes significant items not considered integral to the ongoing performance of the segment, which are outlined in the reconciliation below. Refer to note 1 for changes to the Group during the period. Intersegment pricing is determined on commercial terms and conditions.

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 Services	Supply of electronic gaming machines and specialised services to licensed hotels and clubs.
Keno	Keno operations in licensed clubs and hotels within Victoria, NSW and Queensland.

	Wagering \$m	Media & International \$m	Gaming Services \$m	Keno \$m	Total \$m
2013					
Revenue - external	1,558.0	153.5	86.3	205.4	2,003.2
Revenue - intersegment	-	54.1	-	-	54.1
Segment revenue	1,558.0	207.6	86.3	205.4	2,057.3
Segment profit before impairment, interest and tax	167.3	57.7	37.5	52.2	314.7
Depreciation and amortisation	97.7	9.3	20.8	23.3	151.1
Impairment losses recognised in the income statement	-	-	-	18.6	18.6
Capital expenditure	58.8	8.7	37.5	18.5	123.5

2012					
Revenue - external	1,637.4	139.1	4.7	183.1	1,964.3
Revenue - intersegment	-	51.1	-	-	51.1
Segment revenue	1,637.4	190.2	4.7	183.1	2,015.4
Segment profit/(loss) before impairment, interest and tax	229.0	55.1	(3.2)	46.1	327.0
Depreciation and amortisation	72.2	8.7	0.3	15.3	96.5
Impairment losses recognised in the income statement	-	-	-	-	-
Capital expenditure ⁽ⁱ⁾	487.0	16.9	32.9	31.1	567.9

(i) Wagering capital expenditure includes \$418.7 million for the Victorian wagering and betting licence.

	2013 \$m	2012 \$m
Reconciliation of segment revenue and profit		
(a) Revenue		
Segment revenue	2,057.3	2,015.4
Intersegment revenue elimination	(54.1)	(51.1)
Consolidated revenue	2,003.2	1,964.3
(b) Profit		
Segment profit before impairment, interest and tax	314.7	327.0
Significant items not considered integral to the ongoing performance of the segment:		
- impairment	(18.6)	-
- refund of GST relating to prior years	20.4	-
- consideration for extinguishing a right to acquire specified assets	7.5	-
	9.3	-
Unallocated items:		
- finance income	3.1	6.3
- finance costs	(106.8)	(101.0)
- other	(1.9)	-
Profit from continuing operations before income tax expense	218.4	232.3

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.

Performance Rights

Details of and movements in Performance Rights granted under the LTPP and service agreements that existed during the current or previous year are:

Grant date	Exercise expiry date	Balance at start of year Number	Granted during the year Number	Forfeited during the year Number	Exercised during the year Number	Balance at end of year Number	Exercisable at end of year Number
2013							
23 October 2008	15 September 2015	103,920	-	(103,920)	-	-	-
19 October 2009	17 June 2016	87,199	-	(87,199)	-	-	-
25 October 2010	14 September 2017	41,017	-	-	-	41,017	-
23 September 2011	23 September 2014	1,214,148	-	(155,150)	-	1,058,998	-
26 October 2011	23 September 2014	447,761	-	-	-	447,761	-
4 October 2012	20 September 2015	-	1,092,344	-	-	1,092,344	-
31 October 2012	20 September 2015	-	427,586	-	-	427,586	-
		1,894,045	1,519,930	(346,269)	-	3,067,706	-
2012							
23 October 2008	15 September 2015	103,920	-	-	-	103,920	-
19 October 2009	17 June 2016	87,199	-	-	-	87,199	-
25 October 2010	14 September 2017	41,017	-	-	-	41,017	-
23 September 2011	23 September 2014	-	1,214,148	-	-	1,214,148	-
26 October 2011	23 September 2014	-	447,761	-	-	447,761	-
		232,136	1,661,909	-	-	1,894,045	-

Fair value of equity instruments

The 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 \$1.35 (2012: \$1.38).

The assumptions underlying the 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 Right \$
23 Oct 2008	15 Sep 2015	6.95	24.00	5.50	4.37	4.42
19 Oct 2009	17 Jun 2016	7.20	26.00	5.50	5.19	3.92
25 Oct 2010	14 Sep 2017	7.47	24.00	6.50	4.97	4.50
23 Sep 2011	23 Sep 2014	2.61	24.00	7.00	3.46	1.34
26 Oct 2011	23 Sep 2014	2.87	24.00	7.00	3.73	1.49
4 Oct 2012	20 Sep 2015	2.86	22.00	6.00	2.40	1.37
31 Oct 2012	20 Sep 2015	2.84	22.00	6.00	2.57	1.31

(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.

Notes to the financial statements

For the year ended 30 June 2013



24. Director and executive disclosures

(a) Compensation of KMP

	2013 \$	2012 \$
Short term	5,145,427	7,181,060
Other long term	53,237	64,706
Post employment	168,908	159,888
Share based payments	760,640	467,240
Termination benefits	521,138	-
	6,649,350	7,872,894

The above reflects the compensation for the period while the individuals were a KMP or were a future KMP. The compensation for the period while the individuals were a KMP is \$6,641,547 (2012: \$7,654,495).

(b) Shareholdings of KMP

Shares held in Tabcorp Holdings Limited (number)

	Balance at start of year	KMP start date	On exercise of Performance Rights	Net change other	Balance at KMP cessation date	end of year
2013						
Non Executive Directors						
Current						
Paula Dwyer	34,292	n/a	-	-	n/a	34,292
Elmer Funke Kupper	-	n/a	-	20,000	n/a	20,000
Steven Gregg	n/a	-	-	10,000	n/a	10,000
Jane Hemstritch	23,181	n/a	-	-	n/a	23,181
Justin Milne	-	n/a	-	8,500	n/a	8,500
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						
Damien Johnston	66,383	n/a	-	-	n/a	66,383
Kerry Willcock	111,969	n/a	-	8,351	n/a	120,320
Former Executive						
Mohan Jesudason	-	n/a	-	-	-	n/a
Total	379,310	-	-	46,851	-	426,161

24. 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	Balance at KMP cessation date	end of year
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

(c) Performance Right holdings of KMP

Performance Rights held in Tabcorp Holdings Limited (number)

	Balance at start of year	KMP start date	Granted as remuneration	Exercised	Net change other ⁽ⁱ⁾	Balance at KMP cessation date	end of year ⁽ⁱⁱ⁾
2013							
Non Executive Directors							
Current							
Elmer Funke Kupper	232,136	n/a	-	-	(191,119)	n/a	41,017
Executives							
Current Executive Director							
David Attenborough	447,761	n/a	427,586	-	-	n/a	875,347
Current Executives							
Damien Johnston	223,880	n/a	214,137	-	-	n/a	438,017
Kerry Willcock	195,895	n/a	186,465	-	-	n/a	382,360
Former Executive							
Mohan Jesudason	269,485	n/a	-	-	(155,150)	114,335	n/a
Total	1,369,157	-	828,188	-	(346,269)	114,335	1,736,741

Notes to the financial statements

For the year ended 30 June 2013



24. Director and executive disclosures (continued)

(c) Performance Right holdings of KMP (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⁾
2012							
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

(i) Includes forfeitures.

(ii) The number of rights vested and exercisable at year end was nil (2012: 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⁾	
	\$	\$	\$	\$	\$	\$
2013						
Non Executive Directors						
Current						
Paula Dwyer	-	n/a	-	n/a	-	-
Elmer Funke Kupper	150,000	n/a	-	n/a	150,000	11,310
Steven Gregg	n/a	-	-	n/a	-	-
Jane Hemstritch	200,000	n/a	-	n/a	200,000	15,080
Justin Milne	-	n/a	-	n/a	-	-
Zygmunt Switkowski	-	n/a	-	n/a	-	-
Executives						
Current Executive Director						
David Attenborough	-	n/a	-	n/a	-	-
Current Executives						
Damien Johnston	-	n/a	-	n/a	-	-
Kerry Willcock	-	n/a	-	n/a	-	-
Former Executive						
Mohan Jesudason	-	n/a	-	-	n/a	-
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	-	-

(i) Balance disclosed as current interest bearing liabilities: Medium term notes (refer to note 16) (2012: non current interest bearing liabilities: Medium term notes).

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

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25. 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.

Accounting policy described in note 1(d). The financial years of all controlled entities are the same as that of the Company.				Equity	Equity interest
Name of controlled entity		Country of incorporation	type	at 30 June	
	Note			2013 %	2012 %
Parent entity					
Tabcorp Holdings Limited	(a)	Australia			
Controlled entities					
Tabcorp Assets Pty Ltd	(a)	Australia	ordinary shares	100.0	100.0
Tabcorp Manager Pty Ltd		Australia	ordinary shares	100.0	100.0
Tabcorp Participant Pty Ltd	(a)	Australia	ordinary shares	100.0	100.0
Tahwind (Queensland) Pty Ltd	(e)	Australia	ordinary shares	n/a	100.0
Luxbet Pty Ltd	(a)	Australia	ordinary shares	100.0	100.0
Tabcorp Investments No.5 Pty Ltd		Australia	ordinary shares	100.0	100.0
Tabcorp Wagering Holdings Pty Ltd		Australia	ordinary shares	100.0	100.0
Tahwind Superannuation Pty Ltd	(e)	Australia	ordinary shares	n/a	100.0
Tahwind Staff Superannuation Pty Ltd	(e)	Australia	ordinary shares	n/a	100.0
Tabcorp Investments No.2 Pty Ltd	(a)	Australia	ordinary shares	100.0	100.0
Tabcorp Employee Share Administration Pty Ltd		Australia	ordinary shares	33.3	33.3
Tabcorp Wagering (Vic) Pty Ltd		Australia	ordinary shares	100.0	100.0
Tabcorp Wagering Participant (Vic) Pty Ltd		Australia	ordinary shares	100.0	100.0
Tabcorp Wagering Manager (Vic) Pty Ltd		Australia	ordinary shares	100.0	100.0
Tabcorp Wagering Assets (Vic) Pty Ltd		Australia	ordinary shares	100.0	100.0
Tabcorp Gaming Holdings Pty Ltd		Australia	ordinary shares	100.0	100.0
Tabcorp Investments No.6 Pty Ltd		Australia	ordinary shares	100.0	100.0
Keno (Qld) Pty Ltd		Australia	ordinary shares	100.0	100.0
Tabcorp Gaming Solutions Pty Ltd		Australia	ordinary shares	100.0	100.0
Tabcorp Gaming Solutions (NSW) Pty Ltd		Australia	ordinary shares	100.0	100.0
Tabcorp Gaming Solutions (Qld) Pty Ltd		Australia	ordinary shares	100.0	100.0
Tabcorp International Pty Ltd		Australia	ordinary shares	100.0	100.0
Tabcorp International No.4 Pty Ltd		Australia	ordinary shares	100.0	100.0
Tabcorp Europe Holdings Ltd		Isle of Man	ordinary shares	100.0	100.0
Premier Gateway International Ltd		Isle of Man	ordinary shares	50.0	50.0
Premier Gateway Services Ltd		Isle of Man	ordinary shares	50.0	50.0
Luxbet Europe Limited	(c)	Isle of Man	ordinary shares	100.0	n/a
Luxbet Europe Service Limited	(c)	Isle of Man	ordinary shares	100.0	n/a
Tabcorp International No. 5 Pty Ltd (formerly Tabcorp International Services and Technology Pty Ltd)		Australia	ordinary shares	100.0	100.0
Tabcorp Canada Limited	(b)	Canada	ordinary shares	100.0	n/a
Tabcorp International No. 6 Pty Ltd	(d)	Australia	ordinary shares	100.0	n/a
N.A. Racing 1971 LLC	(f)	United States of America	ordinary shares	100.0	n/a
N.A. Racing 1908 LLC	(f)	United States of America	ordinary shares	100.0	n/a
Tabcorp Investments Pty Ltd		Australia	ordinary shares	100.0	100.0
Showboat Australia Pty Ltd		Australia	ordinary shares	100.0	100.0
Showboat Management Pty Ltd	(e)	Australia	ordinary shares	n/a	100.0
TAHAL Pty Ltd		Australia	ordinary shares	100.0	100.0
ATL Pty Ltd	(e)	Australia	ordinary and preference shares	n/a	100.0
Keno (NSW) Pty Ltd		Australia	ordinary shares	100.0	100.0
Club Gaming Systems (Holdings) Pty Ltd		Australia	ordinary shares	100.0	100.0
The CGS Trust		Australia	units	100.0	100.0
Tabcorp Investments No.4 Pty Ltd	(a)	Australia	ordinary shares	100.0	100.0
Tab Limited	(a)	Australia	ordinary shares	100.0	100.0
Sky Channel Pty Ltd	(a)	Australia	ordinary shares	100.0	100.0
2KY Broadcasters Pty Ltd		Australia	ordinary shares	100.0	100.0
Tabcorp Services Pty Ltd (formerly Tahwind Superannuation Company Pty Ltd)		Australia	ordinary shares	100.0	100.0
Sky Channel Marketing Pty Ltd		Australia	ordinary shares	100.0	100.0
Sky Australia International Racing Pty Ltd		Australia	ordinary shares	100.0	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) This company was incorporated on 29 October 2012.

(c) These companies were incorporated on 11 April 2013.

(d) This company was incorporated on 1 May 2013.

(e) These companies were deregistered on 9 June 2013.

(f) These companies were incorporated on 20 May 2013.

25. 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

	2013 \$m	2012 \$m
Income statement		
Revenue	1,409.4	1,856.1
Other income	6.3	11.8
Government taxes and levies	(237.3)	(399.5)
Commissions and fees	(518.0)	(670.3)
Employment costs	(147.3)	(136.9)
Communication and technology costs	(79.4)	(96.7)
Depreciation and amortisation	(72.9)	(93.6)
Impairment	-	(148.2)
Property costs	(35.6)	(39.0)
Advertising and promotions	(26.0)	(24.5)
Other expenses	(120.3)	(174.6)
Profit before income tax expense and net finance costs	178.9	84.6
Finance income	2.3	6.3
Finance costs	(106.8)	(101.0)
Profit/(loss) from continuing operations before income tax expense	74.4	(10.1)
Income tax expense	(16.8)	(53.8)
Profit/(loss) from continuing operations after income tax	57.6	(63.9)
Discontinued operations		
Profit/(loss) from discontinued operations, net of tax	(21.0)	179.9
Net profit after tax	36.6	116.0
Other comprehensive income		
Change in fair value of cash flow hedges taken to equity that may be reclassified to profit or loss	(6.7)	(45.8)
Income tax on items that may be reclassified to profit and loss	2.0	13.7
Items that will not be reclassified to profit or loss	0.9	(1.8)
Income tax on items that will not be reclassified to profit and loss	(0.3)	0.5
Other comprehensive loss for the period, net of income tax	(4.1)	(33.4)
Total comprehensive income for the period	32.5	82.6
Net profit after tax	36.6	116.0
Accumulated losses at beginning of year	(112.1)	(3.4)
Other comprehensive income/(loss)	0.6	(1.3)
Dividends paid	(161.1)	(223.4)
Accumulated losses at end of year	(236.0)	(112.1)

25. Related party disclosure (continued)**(b) Investments in controlled entities (continued)****Tabcorp Holdings Limited Closed Group**

	2013 \$m	2012 \$m
Balance sheet		
Cash and cash equivalents	61.6	148.7
Receivables	65.8	49.1
Inventories	0.9	4.5
Property, plant and equipment	-	4.9
Other	9.9	13.5
Total current assets	138.2	220.7
Investment in controlled entities	4.3	4.3
Property, plant and equipment	154.2	261.6
Intangibles - licences	306.0	313.1
Intangibles - other	1,581.5	1,631.5
Receivables	604.0	617.4
Derivative financial instruments	26.0	17.7
Other	10.9	9.7
Total non current assets	2,686.9	2,855.3
TOTAL ASSETS	2,825.1	3,076.0
Payables	211.1	354.1
Interest bearing liabilities	432.9	-
Current tax liabilities	13.7	42.7
Provisions	20.2	30.7
Derivative financial instruments	23.1	19.8
Other	3.6	11.7
Total current liabilities	704.6	459.0
Interest bearing liabilities	821.5	1,224.0
Deferred tax liabilities	57.9	57.1
Provisions	9.7	5.5
Derivative financial instruments	43.8	59.5
Other	-	0.6
Total non current liabilities	932.9	1,346.7
TOTAL LIABILITIES	1,637.5	1,805.7
NET ASSETS	1,187.6	1,270.3
Issued capital	2,128.7	2,084.0
Accumulated losses	(236.0)	(112.1)
Reserves	(705.1)	(701.6)
TOTAL EQUITY	1,187.6	1,270.3

(c) Transactions with joint venture operation

The Group conducts an unincorporated joint venture operation with VicRacing Pty Ltd. Following changes to the structure of the Victorian wagering and gaming licences, a new Victorian wagering joint venture commenced from 16 August 2012. The principal activity of the joint venture is the organisation, conduct, promotion and development of wagering and betting within the State of Victoria. The Group receives 50% of the revenue and expenses of the new joint venture (75% under the previous joint venture).

Consolidated

The Group charges the joint venture operation for the provision of employee, management and asset services. On consolidation, 50% (75% under the previous joint venture) of the charges eliminate (being the Group's interest in the joint venture operation). Charges for the remaining 50% (25% under the previous joint venture) of \$64.3 million were received by the Group in 2013 (2012: \$45.9 million).

26. 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.

Contingent liabilities

(a) Charge

The Group commenced a joint venture with VicRacing Pty Ltd under the new Victorian wagering and betting licence on 16 August 2012, as described in note 25. A controlled entity, Tabcorp Wagering Participant (Vic) Pty Ltd, which is a participant in the joint venture, 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 2013. It is expected that any liabilities arising from such legal action would not have a material adverse effect on the Group's financial position, other than as outlined below.

(c) Health Benefit Levy

In May 2013 the Victorian Government ('the Government') applied a Health Benefit Levy on the Tabaret Gaming Business for the year ended 30 June 2013. The levy was not applied pro rata and it does not reflect that the Group ceased to operate gaming machines on 15 August 2012. On 24 June 2013 the Group was successful in challenging the Government's determination in respect of the levy in the Supreme Court of Victoria. The Government has subsequently appealed the decision. If the Group is ultimately unsuccessful in its claim, the estimated post tax expense would be \$18.3 million.

(d) Queensland Keno licence extension

In April 2013 the Queensland Government announced that it intends to extend the Group's Queensland Keno licence for a further 25 years. The Group will make a \$20.0 million payment to the State to extend the licence to 2047. An intangible asset and a liability will be recognised upon the formal agreement taking effect.

(e) NSW retail wagering licence exclusivity extension

In June 2013, the Group entered into an in-principle agreement with the New South Wales Government to extend the exclusivity period of its NSW retail wagering licence for 20 years to June 2033. Tabcorp has agreed to pay \$75.0 million to the NSW Government to extend the exclusivity period, which comprises an initial payment of \$50.0 million and the balance over a 10 year period from 2024, subject to the terms and conditions of an agreement between the parties. An intangible asset and a liability will be recognised upon the formal agreement taking effect.

Victorian licence litigation

On 24 August 2012, the Company commenced legal action in the Supreme Court of Victoria seeking a payment from the State of Victoria. The State's obligation to make the payment to the Company came into existence when it privatised the Victorian TAB and listed the Company on the Australian Securities Exchange (ASX) in 1994. The Gaming and Betting Act 1994 provided for a payment by the State of Victoria to the Company on the grant of new licences, irrespective of whether the Company was the new licensee. If the Company is ultimately successful in its claims, the estimate of the payment to be received under the Act is \$686.8 million.

27. Subsequent events

Dividends

Since 30 June 2013, the directors have declared a final dividend of 8.0 cents per ordinary share. The total amount of the final dividend is \$59.6 million. This has not been provided for in the 30 June 2013 financial statements (refer to note 5).

28. 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 reference rate (BBSW) calculated on the notional principal amount of the contracts.

At 30 June 2013 after taking into account the effect of interest rate swaps, approximately 87% (2012: 87%) 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.

28. Financial risk management objectives and policies (continued)

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.

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 (2012: 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 25, 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 (2012: \$5.7 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 2013, 26% of (2012: nil) debt facilities will mature in less than one year.

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 29 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

	2013			2012		
	< 1 year	1 - 5 years	> 5 years	< 1 year	1 - 5 years	> 5 years
	\$m	\$m	\$m	\$m	\$m	\$m
Financial liabilities						
Trade creditors and accrued expenses	293.6	-	-	384.5	-	-
Bank loans - unsecured	16.6	355.3	-	18.7	375.8	-
Medium term notes	460.0	-	-	34.8	463.5	-
Subordinated notes	17.0	68.0	572.2	18.8	75.3	621.5
Private placement	14.0	56.0	247.8	10.6	42.6	250.1
Net outflow	801.2	479.3	820.0	467.4	957.2	871.6

28. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

(b) Derivative financial instruments

	2013			2012		
	< 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	29.4	73.0	25.5	40.9	119.8	54.2
Cross currency swaps - receive USD fixed	11.9	47.7	243.0	10.6	42.6	250.1
	41.3	120.7	268.5	51.5	162.4	304.3
Financial liabilities						
Interest rate swaps - pay AUD fixed	47.5	136.5	50.9	48.8	156.9	78.5
Cross currency swaps - pay AUD floating	14.0	56.0	247.8	16.5	65.9	270.9
	61.5	192.5	298.7	65.3	222.8	349.4
Net outflow	(20.2)	(71.8)	(30.2)	(13.8)	(60.4)	(45.1)

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)	
	2013 \$m	2012 \$m	2013 \$m	2012 \$m
AUD				
+ 1% (100 basis points) (2012: + 1%)	(1.0)	(4.5)	27.1	35.5
- 1% (100 basis points) (2012: - 1%)	1.0	4.5	(28.5)	(38.1)
USD				
+ 0.2% (20 basis points) (2012: + 0.2%)	-	-	(2.4)	(3.0)
- 0.2% (20 basis points) (2012: - 0.2%)	-	-	2.5	2.9

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)	
	2013 \$m	2012 \$m	2013 \$m	2012 \$m
AUD/USD + 10 cents (2012: + 10 cents)	-	-	(2.3)	(4.0)
AUD/USD - 10 cents (2012: - 10 cents)	-	-	1.9	4.8

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.

28. 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.

29. 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	
	2013	2012	2013	2012
	\$m	\$m	\$m	\$m
Financial liabilities				
US Private Placement	240.8	214.8	250.1	231.9
Medium term notes	434.5	434.5	440.8	452.5
Subordinated notes	250.0	250.0	248.8	244.0
	925.3	899.3	939.7	928.4

(b) Interest rate risk

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

	2013	2012
	\$m	\$m
Financial assets		
Cash assets	21.2	12.2
Short term deposits	57.1	91.8
Total financial assets	78.3	104.0
Financial liabilities		
Bank loans - unsecured ⁽ⁱ⁾	337.5	336.5
Medium term notes ⁽ⁱ⁾	432.9	431.1
Subordinated notes	244.5	243.1
Interest rate swaps ⁽ⁱⁱ⁾	1,075.5	1,075.5
Cross currency swaps ⁽ⁱⁱ⁾	210.5	210.5
Total financial liabilities	2,300.9	2,296.7

(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:

29. Additional financial instruments disclosure (continued)

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

	Notional principal	
	2013	2012
	\$m	\$m
Less than one year	250.0	-
One to five years	350.0	600.0
More than five years	475.5	475.5
Notional principal	1,075.5	1,075.5
Fixed interest rate range p.a.	3.1% - 7.3%	3.1% - 7.3%
Variable interest rate range p.a.	2.8% - 2.9%	3.5% - 4.2%

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:

	2013		2012	
	Pay principal AUD \$m	Receive principal USD \$m	Pay principal AUD \$m	Receive principal USD \$m
More than five years	210.5	220.0	210.5	220.0
Fixed interest rate range p.a.		4.6% - 5.2%		4.6% - 5.2%
Variable interest rate range p.a.	6.5% - 6.8%		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	
2013				
Financial assets - Non current				
Cross currency swaps	-	26.0	-	26.0
	-	26.0	-	26.0
Financial liabilities - Current				
Interest rate swaps	-	19.6	-	19.6
Cross currency swaps	-	3.5	-	3.5
Open betting positions	-	7.2	-	7.2
	-	30.3	-	30.3
Financial liabilities - Non current				
Interest rate swaps	-	43.8	-	43.8
	-	74.1	-	74.1
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

There have been no significant transfers between Level 1 and Level 2 during the financial year ended 30 June 2013.

30. Parent entity disclosures

Result of the parent entity

Profit for the period
Other comprehensive income/(loss)
Total comprehensive income for the period

Tabcorp Holdings
2013
\$m

2012
\$m

97.9
0.6
98.5

698.1
(1.3)
696.8

Financial position of the parent entity

Current assets
Total assets
Current liabilities
Total liabilities

44.3
2,683.7
311.5
561.9

28.9
2,731.9
66.2
593.5

Total equity of the parent entity comprising of:

Issued capital
Employee equity benefit reserve
Demerger reserve
Retained earnings
Total equity

2,128.7
1.9
(669.9)
661.1
2,121.8

2,084.0
0.7
(669.9)
723.6
2,138.4

Contingent liabilities

There are no contingent liabilities for the parent entity at 30 June 2013 (2012: 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 2013 or 30 June 2012.

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 25.

31. Discontinued operations

The Group's Victorian gaming licence expired on 15 August 2012, following the Victorian Government's decision to move to a new industry structure for gambling in Victoria. The gaming business conducted under this licence, being the operation of electronic gaming machines in licensed hotels and clubs in Victoria, ceased and is reported as a discontinued operation.

The results of the discontinued operations are presented below:

	Note	2013 \$m	2012 \$m
Revenue		130.2	1,074.2
Expenses ^{(i) (ii)}		(139.0)	(809.5)
Profit/(loss) before income tax expense		(8.8)	264.7
Income tax expense on discontinued operations		(12.2)	(84.8)
Profit/(loss) from discontinued operations, net of tax		(21.0)	179.9

Cash flow information - discontinued operations

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

Net cash inflow from operating activities	13.5	221.2
Net cash inflow from investing activities	14.9	1.0
Net cash inflow	28.4	222.2

Earnings per share from discontinued operations:

Basic earnings per share (cents)	6	(2.8)	25.2
Diluted earnings per share (cents)	6	(2.8)	25.1

- (i) Expenses include a write-off of goodwill of \$47.2 million (2012: nil) resulting from the expiration of the Victorian Gaming Licence during the period.
(ii) Expenses include a Health Benefit Levy in respect of the Tabaret Gaming Business. For the year ended 30 June 2013 the amount has been calculated on a pro rate basis referable to the 46 days that the Group operated gaming machines in the financial year. A contingent liability is disclosed in relation to the Health Benefit Levy (refer note 26).

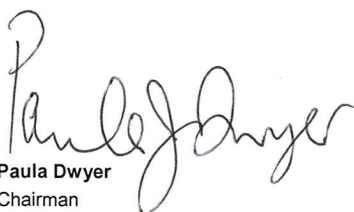
In the opinion of the directors of Tabcorp Holdings Limited ('the Company'):

- (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 2013 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 25 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 2013

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 2013, the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 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 judgment, 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 2013 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 pages 18 to 33 of the directors' report for the year ended 30 June 2013. 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 2013, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Tony Johnson
Partner
Melbourne
9 August 2013