Tabcorp Holdings Limited
ACN 063 780 709

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13 August 2015

To: Australian Securities Exchange
Market Announcements Office
20 Bridge Street
Sydney NSW 2000

RESULTS FOR ANNOUNCEMENT TO THE MARKET

TABCORP PRELIMINARY FINAL REPORT
FOR THE FULL YEAR ENDED 30 JUNE 2015

In accordance with the ASX Listing Rule 4.3A, the following information in respect of the year ended 30 June 2015 is transmitted for lodgement:

1. Media Release; and

2. Directors' Report and Financial Report.

The Company has announced a final dividend of 10 cents per share fully franked at the company tax rate of 30% to be paid on 24 September 2015. The dividend record date for the purpose of entitlement to the final dividend will be 20 August 2015. The ex-dividend date is 18 August 2015.

Tabcorp's Dividend Reinvestment Plan (DRP) will operate in respect of the final dividend, with no discount or underwriting applicable. The price at which shares will be issued under the DRP for the final dividend is the daily volume weighted average market price of Tabcorp shares sold in the ordinary course of trading on the Australian Securities Exchange over a period of ten business days beginning on the second business day after the dividend record date. To participate in the DRP at the final dividend, DRP elections must be received by Tabcorp's share registry (Link Market Services Limited) by no later than 21 August 2015. 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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Tabcorp
the bigger better game

13 August 2015

Tabcorp 2015 full year results

OVERVIEW

- Statutory Net Profit After Tax (NPAT) $334.5 million, up 157.5% on the prior corresponding period (pcp). This comprises:
  - NPAT from continuing operations before significant items of $171.3 million, up 14.7%
  - NPAT from significant items of $163.2 million relating to income tax benefits [1]
- Statutory Earnings Per Share (EPS) 42.4 cents per share, up 146.5%
  - EPS from continuing operations before significant items 21.7 cents per share, up 9.6%
- Full year dividend 20 cents per share, fully franked
- Special dividend of 30 cents per share, fully franked, paid in March
- FY16 target dividend payout ratio to increase to 90% of NPAT before amortisation of the Victorian Wagering and Betting Licence
- Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) before significant items $508.1 million, up 4.5%
  - Revenues $2,155.5 million, up 5.7%
  - Variable contribution $966.7 million, up 5.1%
  - Operating expenses $458.6 million, up 5.8%. Excluding $14 million relating to ACTTAB, operating expenses were up 2.6%
- Strong performance by Wagering and Media business, reflecting market leadership in Fixed Odds and Digital Wagering
- ACTTAB acquisition completed, strengthening Wagering and Media portfolio, with integration on track
- Keno and Gaming Services well positioned for FY16, following new sign-ups in TGS and Keno brand relaunch
- Agreements in place for Victorian and NSW thoroughbred media rights

MANAGING DIRECTOR AND CEO COMMENTARY

"Tabcorp's 2015 financial performance demonstrates the progress we have made in the delivery of our multi-channel distribution strategy and our focus on customers, products and brands," said Managing Director and Chief Executive Officer, David Attenborough.

"Wagering and Media achieved strong revenue and EBITDA growth in FY15, with customers responding to our integrated retail and digital offer. This business continues to lead the market on the back of our product and channel innovations.

[1] Refer to 24 November 2014 ASX release, 'NSW Trackside payment income tax treatment resolved' and 21 May 2015 ASX release, 'Victorian licences payment – Income tax treatment resolved'.

Media Release

"The Tabcorp Gaming Solutions business has been enhanced by extending a number of contracts and signing new venues in NSW and Victoria. TGS is providing value to licensed venues and becoming a more sustainable business for Tabcorp shareholders.

"Keno is undergoing a brand and product transformation, which commenced in June. Initial results have been pleasing and we are well placed to continue to benefit from investments we are making in the network.

"Our businesses generated more than $1.2 billion in gambling taxes and racing industry funding in FY15, highlighting the value that Tabcorp's operations provide to stakeholders."

BUSINESS RESULTS [2]

$m	Wagering & Media	Change on pcp	Gaming Services	Change on pcp	Keno	Change on pcp	Group	Change on pcp
Revenues	1,856.9	6.9%	99.6	1.5%	199.0	(2.4%)	2,155.5	5.7%
Variable contribution	757.5	7.0%	98.8	0.7%	110.4	(2.6%)	966.7	5.1%
Operating expenses	(381.7)	6.8%	(31.2)	0.3%	(44.0)	6.8%	(458.6)	5.8%
EBITDA	**375.8**	7.2%	**67.6**	0.9%	**66.4**	(8.0%)	**508.1**	4.5%
D&A	(128.6)	10.3%	(26.0)	(4.8%)	(18.9)	(7.8%)	(173.5)	5.5%
EBIT	**247.2**	5.6%	**41.6**	4.8%	**47.5**	(8.1%)	**334.6**	4.0%
NPAT before significant items							**171.3**	14.7%
Significant items							**163.2**	n/a
NPAT from discontinued operations							**-**	100.0%
Statutory NPAT							**334.5**	157.5%

Wagering & Media

Wagering and Media revenues were $1,856.9 million, up 6.9%. Operating expenses, including one-off ACTTAB acquisition and integration costs were $381.7 million, up 6.8%. EBITDA was $375.8 million, up 7.2%.

On a total business basis, including the Victorian Racing Industry's 50% share of the Victorian Joint Venture, Wagering and Media revenues were up 6.2%.

The largest drivers of Tabcorp's Wagering growth in recent years, Fixed Odds and Digital Wagering, were again the strongest contributors in FY15. The strong performance was supported by a focus on the customer experience and successful execution of major events such as the Spring Racing Carnival, The Championships and Soccer World Cup.

TAB Racing revenues were $1,666.3 million, up 5.1%. This comprised $1,236.7 million in totalisator revenues, down 2.1%, and fixed odds revenues of $429.6 million, up 33.0%.

TAB Sports revenues were $219.2 million, up 16.2%. TAB's Fixed Odds Cash-Out product was successfully introduced into the market across all channels, an example of ongoing product innovation.

Trackside revenues were $99.9 million, up 11.9%. Luxbet revenues were $53.1 million, up 10.9%.

[2] Earnings before significant items presented to provide the most meaningful presentation of Tabcorp's results. Business results do not aggregate to Group total due to unallocated items.

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Media Release

Media revenues were $173.3 million, up 6.3%, with the growth driven by the expanded distribution of Australian and New Zealand racing to foreign markets and international co-mingling. Tabcorp commenced pooling into Hong Kong in the first half.

Wagering turnover in Tabcorp's NSW, Victoria and ACT retail channel grew 0.3% to $6,601.0 million. Digital channels continued to drive Wagering growth, with turnover of $3,416.8 million, up 17.8%. The use of mobile devices now accounts for 63% of all digital turnover. The integration of the digital and retail channels is progressing with Tabcorp's Future Retail pilot sites going live this half.

Gaming Services

Revenues were $99.6 million, up 1.5%. Operating expenses were flat at $31.2 million, while EBITDA was $67.6 million, up 0.9%.

TGS has made good progress by signing new venues in the NSW market as well as in Victoria where it is well established. TGS has added Club Cats Geelong, Maitland Leagues Club, Illawarra Steelers Club and Bankstown Trotting Recreational Club to its portfolio of venues and now has 9,300 gaming machines under contract.

TGS has also extended a number of contracts across the Victorian network, with 84% of the base now contracted through to 2022. The business is well placed to continue delivering additional venue sign-ups and sustainable, long-term performance. During FY16 TGS will expand its resources and capability to support its growth. The additional opex associated with these initiatives is expected to be $5 million per year from FY16.

Keno

Total Keno network turnover was up 2.7%, reflecting improved customer activity in NSW and Victoria, offset by a softer Queensland market.

Keno revenues were $199.0 million, down 2.4%, impacted by jackpot activity. Operating expenses were $44.0 million, up 6.8% reflecting investments in capability, the Keno brand and product transformation. EBITDA was $66.4 million, down 8.0%.

The new Keno experience has been well received by customers in Victoria and NSW, where it has been launched. The linking of jackpots between NSW and Victoria has commenced, with Queensland planned to follow, subject to regulatory approvals.

DIVIDEND

The Board has announced a final dividend of 10 cents per share, fully franked and payable on 24 September 2015 to shareholders registered at 20 August 2015. The full year ordinary dividend of 20 cents per share represents 93% of NPAT from continuing operations before significant items. The FY16 target dividend payout ratio will increase to 90% of NPAT before amortisation of the Victorian Wagering and Betting Licence.

CAPITAL EXPENDITURE AND INVESTMENTS

Capital expenditure was $143 million. Capital expenditure for FY16 is expected to be up to $160 million. FY16 depreciation and amortisation expense is expected to be between $180 million and $185 million.

AUSTRAC CIVIL PROCEEDINGS

The AUSTRAC claims, as advised in Tabcorp's ASX release of 24 July 2015, include matters which have been raised by and discussed with AUSTRAC over an extended period. Tabcorp has been actively managing these matters, in consultation with AUSTRAC. The program of works, underway for some time, has been expanded and accelerated.

STAKEHOLDER BENEFITS

- Gambling taxes — $459.6 million
- Returns to the racing industry — $773.2 million
  - Victoria — $348.6 million
  - NSW — $263.3 million
  - Race fields fees — $91.7 million
  - Media & International — $69.6 million

  Total returns to the racing industry were up 5.2%.
- Income taxes — $84.8 million

FY16 PRIORITIES

Mr Attenborough said: "Tabcorp is well placed to drive profitable growth through our well-diversified business model, market leading brands and deep customer base. We will continue to invest in our businesses and give our 2 million customers a compelling offer.

"In Wagering and Media, we are focused on the integration of our retail and digital channels. We will invest in product and service innovation, data analytics and compliance systems.

"We will also be focused on the successful execution of the new Keno brand and products, so that we capitalise on the potential of this social game. TGS's priority is to optimise the performance of its existing venues and expand further.

"At the same time, and in line with Tabcorp's commitment to achieving the highest levels of regulatory compliance, we are resolving the matters raised by AUSTRAC as a priority.

"Tabcorp remains well positioned to drive future performance, maintain expense discipline and achieve a Return on Invested Capital of 14% by FY17."

For more information:
Nicholas Tzaferis, GM Corporate Affairs, 03 9868 2529
Lachlan Fitt, GM Investor Relations and Strategy, 02 9218 1414

TABCORP HOLDINGS LIMITED
AND CONTROLLED ENTITIES

DIRECTORS' REPORT AND
FINANCIAL REPORT

FOR THE YEAR ENDED
30 JUNE 2015

A.B.N. 66 063 780 709

ASX CODE: TAH

Contents

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 2015 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 AO	Non Executive Director

Company Secretaries

Kerry Willcock
Michael Scott (alternate)

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; 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 2015.

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	*Chairman since June 2011 and Non Executive Director since August 2005* Bachelor of Commerce; Fellow of the Chartered Accountants Australia and New Zealand; Fellow of the Australian Institute of Company Directors (AICD); Senior Fellow of the Financial Services Institute of Australasia. Paula Dwyer is Chairman of Healthscope Limited, and a Director of Australia and New Zealand Banking Group Limited and Lion Pty Ltd. She is also a Member of the ASIC External Advisory Panel and the Kirin Holdings International Advisory Board. Ms Dwyer was formerly a Director of Leighton Holdings Limited, Suncorp Group Limited, Foster's Group 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	*Managing Director and Chief Executive Officer since June 2011* 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	*Non Executive Director since June 2012* 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 Managing Director and Chief Executive Officer of ASX Limited. He is a director of the Business Council of Australia and a Male Champion of Change. Mr Funke Kupper's 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 he 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.

Name	Qualifications, experience and special responsibilities
Steven Gregg	*Non Executive Director since July 2012* Bachelor of Commerce. Steven Gregg is 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, Trustee of the Australian Museum Trust and a Director of The Lorna Hodgkinson Sunshine Home. He is the former Chairman of Goodman Fielder Limited and 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	*Non Executive Director since November 2008* Bachelor of Science (First Class Honours); Fellow of the Chartered Accountants Australia and New Zealand; 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 a member of the Global Board of Herbert Smith Freehills Global LLP, 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	*Non Executive Director since August 2011* Bachelor of Arts; Member of the AICD. Justin Milne is Chairman of MYOB Group Limited and Chairman of NetComm Wireless Limited. He is also a Director of NBN Co Limited, Members Equity Bank Limited and SMS Management and Technology Limited. 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, former Director of Basketball Australia 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 AO	*Non Executive Director since October 2006* Bachelor of Science (Honours); PhD (Nuclear Physics); Fellow of the AICD. Zygmunt Switkowski is the Chairman of Suncorp Group Limited and Chairman of NBN Co Limited. He is also a Director of Oil Search Limited and Chancellor of the Royal Melbourne Institute of Technology. He is a former Director of Lynas Corporation Limited and Healthscope Limited, and he is the former 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. 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 2012, and the period for which each directorship has been held.

Name	Listed entity	Period directorship held
Paula Dwyer	Australia and New Zealand Banking Group Limited	April 2012 to present
	Healthscope Limited (i)	June 2014 to present
	Leighton Holdings Limited	January 2012 to May 2014
David Attenborough	Nil	
Elmer Funke Kupper	ASX Limited	October 2011 to present
Steven Gregg	Challenger Limited	October 2012 to present
	Goodman Fielder Limited	February 2010 to March 2015
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	MYOB Group Limited	March 2015 to present
	NetComm Wireless Limited	March 2012 to present
	Quickflix Limited	July 2011 to November 2012
Zygmunt Switkowski	Lynas Corporation Limited	February 2011 to August 2013
	Oil Search Limited	November 2010 to present
	Suncorp Group Limited (ii)	September 2005 to present

(i) Healthscope Limited recommenced listing on the ASX on 28 July 2014.

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

3. 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. 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 a Founding Member of the Australian Corporate Lawyers Association GC100, a Member of the Victorian Government's Responsible Gambling Advisory Committee, a Liaison Delegate of the Business Council of Australia, and a Member of the Australian Institute of Company Directors.

Michael Scott was appointed as an additional Company Secretary in 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 Governance Institute of Australia, Graduate Member of the Australian Institute of Company Directors and Fellow of Leadership Victoria's Williamson Community Leadership Program.

4. Principal activities

The principal activities of the Tabcorp Group during the financial year comprised the provision of gambling and entertainment services. The Tabcorp Group's principal activities remain unchanged from the previous financial year, except as disclosed elsewhere in this report.

5. Operating and financial review of the Tabcorp Group

The financial results of the Tabcorp Group for the financial year ended 30 June 2015 relate to the Tabcorp Group's operations, which comprise its three businesses of Wagering and Media, Gaming Services, and Keno.

A summary of the Tabcorp Group's financial performance for the year ended 30 June 2015 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	2015 $million	2014 $million	Change %
Revenue	2,155.5	2,039.8	5.7
Taxes, levies, commissions and fees	(1,188.8)	(1,120.3)	6.1
Operating expenses	(458.6)	(433.4)	5.8
Depreciation and amortisation	(173.5)	(164.4)	5.5
EBIT	334.6	321.7	4.0
NPAT (including discontinued operations)	334.5	129.9	157.5

Reported net profit after income tax (NPAT) of the Tabcorp Group for the financial year was $334.5 million, which was 157.5% above the previous financial year. NPAT was positively impacted by income tax benefits relating to the Victorian Wagering and Gaming Licences payment and the New South Wales (NSW) Trackside payment and associated interest income which totalled $163.2 million (refer to sections 7.4 and 7.5). NPAT from continuing operations for the financial year excluding these income tax benefits and related interest was $171.3 million, which was 14.7% above the previous financial year. The reported NPAT for the prior 2014 financial year was impacted by a loss of $19.5 million comprised of the Health Benefit Levy (HBL) and associated costs which related to the former Tabaret Victorian Gaming business and was reported as a discontinued operation.

Revenue was $2,155.5 million, which was 5.7% above the previous financial year.

Tabcorp's 2015 financial performance demonstrates the progress made in the delivery of our multi-channel distribution strategy and our focus on customers, products and brands. The Wagering and Media business achieved strong revenue and EBITDA growth in the financial year, with customers responding to our integrated retail and digital offer. This business continues to lead the market on the back of our product and channel innovation.

The Tabcorp Gaming Solutions (TGS) business has been enhanced by extending a number of contracts and signing new venues in NSW and Victoria. TGS is providing value to licensed venues and becoming a more sustainable business for Tabcorp shareholders.

Keno is undergoing a brand and product transformation, which commenced in June 2015. Initial results have been pleasing and we are well placed to continue to benefit from investments we are making in the network.

Tabcorp's businesses generated more than $1.2 billion in gambling taxes and racing industry funding in FY15, highlighting the value that Tabcorp's operations provide to stakeholders.

Shareholders' funds as at the end of the financial year totalled $1,690.1 million, which was 14.1% above the previous financial year.

Refer to section 6 for information about the financial and operational performance of each business unit within the Tabcorp Group.

5.1. Earnings per share

In respect of continuing operations, basic earnings per share for the period were 42.4 cents, up 114.1% on the previous financial year, and diluted earnings per share for the period were 42.2 cents, up 114.2% on the previous financial year.

Total basic earnings per share were 42.4 cents, up 146.5% on the previous financial year, and total diluted earnings per share were 42.2 cents, up 146.8% on the previous financial year.

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

5.2. Dividends

A final dividend of 10 cents per share has been announced. The final dividend will be fully franked and payable on 24 September 2015 to shareholders registered at 20 August 2015. The ex-dividend date is 18 August 2015.

The interim and final dividends payable in respect of the full year totalled 20 cents per share fully franked, which represented a dividend payout ratio of 93% of full year NPAT from continuing operations excluding the income tax benefits and related interest referred to in section 5.

In addition, a special dividend of 30 cents per share fully franked was paid on 16 March 2015.

The Board intends that the target dividend payout ratio will increase to 90% of NPAT before amortisation of the Victorian Wagering and Betting Licence for the 2016 financial year.

Tabcorp's Dividend Reinvestment Plan (DRP) will operate in respect of this final dividend, with no discount or underwriting applicable.

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

	$m
2015 final dividend Final fully franked dividend for 2015 of 10 cents per share on ordinary shares as announced on 13 August 2015 with a record date of 20 August 2015 and payable on 24 September 2015.	82.9
2015 special dividend Special fully franked dividend of 30 cents per share on ordinary shares (other than on new shares issued under the pro rata accelerated renounceable entitlement offer) as announced on 5 February 2015 with a record date of 11 March 2015 and payable on 16 March 2015.	229.7
2015 interim dividend Interim fully franked dividend for 2015 of 10 cents per share on ordinary shares (other than on new shares issued under the pro rata accelerated renounceable entitlement offer) as announced on 5 February 2015 with a record date of 11 March 2015 and payable on 16 March 2015.	76.6
2014 final dividend Final fully franked dividend for 2014 of 8 cents per share on ordinary shares as announced on 7 August 2014 with a record date of 14 August 2014 and payable on 24 September 2014.	61.0

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

6. Operating and financial review of each business

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

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

In the first half of the financial year, the Tabcorp Group's previous Media and International business was combined with the Wagering business as the nature of products and services are inherently related.

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

6.1. Wagering and Media business

The Tabcorp Group conducts wagering activities under the TAB brand in Victoria and NSW, and the ACTTAB brand in the Australian Capital Territory (ACT) through a network of agencies, hotels and clubs; provides on-course totalisators 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 totalisator 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 NSW Wagering Licence expires in March 2097 with the retail exclusivity period expiring in June 2033. The ACT Totalisator Licence expires in October 2064, the ACT Sports Bookmaking Licence is for an initial term of 15 years expiring in October 2029 with further rolling extensions to a total term of 50 years (to October 2064), and the ACT Approval to Conduct Trackside expires in October 2064.

Tabcorp's Wagering and Media 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 which expires in June 2020. The Luxbet Europe business commenced during the year pursuant to a UK Combined Remote Operating Licence which has no expiry date, and an Isle of Man licence to conduct online gambling which expires in January 2019.

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

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.

In addition, the business 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 52 other countries (as at 30 June 2015) 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 NSW and the ACT, and has advertising and sponsorship arrangements with Radio Sport National.

Summary financial performance of the Wagering and Media business

For the year ended 30 June	2015 $million	2014 $million	Change %
Revenue	1,856.9	1,737.8	6.9
Taxes, levies, commissions and fees	(1,099.4)	(1,029.8)	6.8
Operating expenses	(381.7)	(357.3)	6.8
EBITDA*	375.8	350.7	7.2
Depreciation and amortisation	(128.6)	(116.6)	10.3
EBIT	247.2	234.1	5.6

* EBITDA (earnings before interest, tax, depreciation and amortisation) is non-IFRS financial information

Wagering and Media revenues were $1,856.9 million, up 6.9%. Operating expenses, including one-off ACTTAB acquisition and integration costs, were $381.7 million, up 6.8%. EBITDA was $375.8 million, up 7.2%.

On a total business basis, including the Victorian Racing Industry's 50% share of the Victorian Joint Venture, Wagering and Media revenues were up 6.2%.

The largest drivers of Tabcorp's Wagering growth in recent years, Fixed Odds and Digital Wagering, were again the strongest contributors in the financial year. The strong performance was supported by a focus on the customer experience and successful execution of major events such as the Spring Racing Carnival, The Championships and Soccer World Cup.

TAB Racing revenues were $1,666.3 million, up 5.1%. This comprised $1,236.7 million in totalisator revenues, down 2.1%, and fixed odds revenues of $429.6 million, up 33.0%.

TAB Sports revenues were $219.2 million, up 16.2%. TAB's Fixed Odds Cash-Out product was successfully introduced into the market across all channels, an example of ongoing product innovation.

Trackside revenues were $99.9 million, up 11.9%. Luxbet revenues were $53.1 million, up 10.9%.

Media revenues were $173.3 million, up 6.3%, with the growth driven by the expanded distribution of Australian and New Zealand racing to foreign markets and international co-mingling. Tabcorp commenced pooling into Hong Kong in the first half of the 2015 financial year.

Wagering turnover in Tabcorp's NSW, Victoria and ACT retail channel grew 0.3% to $6,601.0 million. Digital channels continued to drive Wagering growth, with turnover of $3,416.8 million, up 17.8%. The use of mobile devices now accounts for 63% of all digital turnover. The integration of the digital and retail channels is progressing with Tabcorp's Future Retail pilot sites going live this half.

6.2. Gaming Services business

The Tabcorp Group operates TGS in Victoria and NSW. The business provides services to licensed gaming venues in areas including marketing, compliance, responsible gambling, venue refurbishment and machine procurement.

Summary financial performance of the Gaming Services business

For the year ended 30 June	2015 $million	2014 $million	Change %
Revenue	99.6	98.1	1.5
Taxes, levies, commissions and fees	(0.8)	-	n/a
Operating expenses	(31.2)	(31.1)	0.3
EBITDA	67.6	67.0	0.9
Depreciation and amortisation	(26.0)	(27.3)	(4.8)
EBIT	41.6	39.7	4.8

TGS revenues were $99.6 million, up 1.5%. Operating expenses were flat at $31.2 million, while EBITDA was $67.6 million, up 0.9%.

TGS has made good progress by signing new venues in the NSW market as well as in Victoria where it is well established. TGS has added Club Cats Geelong, Maitland Leagues Club, Illawarra Steelers Club and Bankstown Trotting Recreational Club to its portfolio of venues and now has 9,300 gaming machines under contract.

TGS has also extended a number of contracts across the Victorian network, with 84% of the base now contracted through to 2022.

The business is well placed to continue delivering additional venue sign-ups and sustainable, long-term performance. During the 2016 financial year TGS will expand its resources and capability to support its growth. The additional operating expenditure associated with these initiatives is expected to be $5 million per year from the 2016 financial year.

6.3. Keno business

The Tabcorp Group operates Keno in licensed venues and TABs in Victoria, Queensland and the ACT, and in licensed venues in NSW. The Victorian Keno Licence expires in April 2022, the NSW Keno Licence expires in July 2022, the Queensland Keno Licence expires in June 2047, and the ACT Approval to Conduct Keno expires in October 2064.

Summary financial performance of the Keno business

For the year ended 30 June	2015 $million	2014 $million	Change %
Revenue	199.0	203.9	(2.4)
Taxes, levies, commissions and fees	(88.6)	(90.5)	(2.1)
Operating expenses	(44.0)	(41.2)	6.8
EBITDA	66.4	72.2	(8.0)
Depreciation and amortisation	(18.9)	(20.5)	(7.8)
EBIT	47.5	51.7	(8.1)

Total Keno network turnover was up 2.7%, reflecting improved customer activity in NSW and Victoria, offset by a softer Queensland market.

Keno revenues were $199.0 million, down 2.4%, impacted by jackpot activity. Operating expenses were $44.0 million, up 6.8% reflecting investments in capability, the Keno brand and product transformation. EBITDA was $66.4 million, down 8.0%.

The new Keno experience has been well received by customers in Victoria and NSW, where it has been launched. The linking of jackpots between NSW and Victoria has commenced, with Queensland planned to follow, subject to regulatory approvals.

7. 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 2014.

7.1. ACTTAB acquisition

On 14 October 2014, the Tabcorp Group acquired the ACTTAB business from the ACT Government. As part of the acquisition, the Tabcorp Group was issued a 50 year exclusive totalisator licence, a sports bookmaking licence for an initial term of 15 years with further rolling extensions to a total term of 50 years, and ongoing approvals to offer Keno and Trackside products for 50 years.

7.2. Media rights

The short-term agreement between Sky Channel Pty Ltd ('Sky Racing'), a Tabcorp Group subsidiary, and ThoroughVisioN Pty Ltd ("TVN") for NSW and Victorian thoroughbred racing media rights expired on 17 December 2014 which resulted in vision for NSW and Victorian thoroughbred race meetings not being available for broadcast on Sky Racing channels from 18 December 2014. Broadcasting of NSW and Victorian thoroughbred racing resumed on Sky Racing channels on 31 December 2014 following interim arrangements agreed with respective rights holders.

The NSW and Victorian shareholders of TVN decided to pursue different media strategies and in March 2015 TVN ceased broadcasting. The Tabcorp Group has agreed separate media rights arrangements for the broadcasting rights of NSW thoroughbred racing and Victorian thoroughbred racing with respective rights holders.

Tabcorp announced on 28 January 2015 that binding heads of agreement were finalised for Sky Racing to have the domestic and international media rights, as well as non-exclusive digital rights, for all NSW thoroughbred racing for ten years. The Company also announced that it had concluded arrangements for Sky Racing's thoroughbred showcase channel, Sky Racing World, to be included on FOXTEL's base tier.

On 7 August 2015, Tabcorp announced that it had reached agreement on a media rights deal for Victorian thoroughbred racing. The arrangements, which expire in 2020, include domestic, digital and international rights for Victorian thoroughbred racing.

These long term media rights arrangements deliver certainty for Tabcorp, the racing industry, retail venue partners and wagering customers.

All Australian racing vision is available on the Sky Racing broadcast and TAB digital platforms.

7.3. Special dividend and entitlement offer

The Company paid a fully franked special dividend of 30 cents per ordinary share (other than on new shares issued under the pro rata accelerated renounceable entitlement offer) on 16 March 2015 to shareholders registered at 11 March 2015. The special dividend was paid out of retained earnings. To maintain Tabcorp's current balance sheet and capital position, the special dividend was funded through a pro rata fully underwritten accelerated renounceable entitlement offer with retail entitlements rights trading which raised $236 million. Under the entitlement offer, eligible shareholders could acquire one additional ordinary share for every 12 existing ordinary shares held at the record date of 10 February 2015.

7.4. Trackside tax treatment

In November 2014, Tabcorp resolved with the Australian Taxation Office the tax treatment of the $150 million paid to the NSW Government under the Trackside Agreement entered into in December 2010 in relation to the operation of Trackside in NSW. As a result, Tabcorp recognised an income tax benefit of $31.5 million in the 2015 financial year.

7.5. Tax treatment for Victorian licences payment

In May 2015, Tabcorp resolved with the Australian Taxation Office the tax treatment of the $597.2 million paid to the State of Victoria in 1994 in relation to the Gaming and Wagering Licences granted at that time. The agreed tax treatment provides Tabcorp with an allowable deduction of $429.6 million, with the balance generating a capital loss of $167.6 million. As a result, Tabcorp recognised an income tax benefit of $128.9 million in the 2015 financial year.

7.6. Victorian licence payment Supreme Court proceedings

In August 2012, Tabcorp commenced proceedings in the Supreme Court of Victoria seeking a payment from the State of Victoria of an estimated $686.8 million. Tabcorp claims that the State of Victoria was obliged to make the payment to Tabcorp in August 2012, when Tabcorp's Gaming and Wagering Licences expired and new licences were granted. The claim is based on a statutory provision included in legislation from 1994 when the State privatised the Victorian TAB and listed Tabcorp on the Australian Securities Exchange. Tabcorp's initial public offering was underpinned by this statutory entitlement, the terms of which were clearly set out in the prospectus.

However, in its judgment handed down on 26 June 2014 the Supreme Court held that the State of Victoria was not obliged to make the payment to Tabcorp. The Court accepted the State's argument that amendments to the legislation made by the State in 2008 and 2009 impliedly repealed the statutory provision which gave rise to the payment entitlement. Tabcorp was unsuccessful in its subsequent appeal to the Court of Appeal of the Supreme Court of Victoria which handed down its judgment on 4 December 2014.

On 15 May 2015, the High Court of Australia granted Tabcorp special leave to appeal in respect for the judgment of the Court of Appeal in relation to its claim based on the statutory provision.

The appeal is likely to be heard in the High Court during 2015.

7.7. Victorian Health Benefit Levy on gaming machines

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 was not 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 appealed the judgment, and on 1 July 2014 the Court of Appeal of the Supreme Court of Victoria ruled in favour of the Victorian Government. This impacted Tabcorp's earnings for the 2014 financial year by $19.5 million after tax. Tabcorp applied for special leave to appeal to the High Court of Australia in respect of the judgment of the Court of Appeal, however on 13 February 2015 the High Court of Australia declined to grant Tabcorp special leave. There is no further impact on Tabcorp's financial accounts as a result of that decision.

7.8. 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.

8. 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 continues to focus on the following key business priorities:

- Group
  - Provide superior returns to shareholders and key stakeholders
  - Target a disciplined investment and expenditure profile
  - Maintain investment grade credit rating
  - Deliver customer service excellence
  - Secure and extend licence duration while improving regulatory arrangements and managing key risks
  - Attract, develop and retain talent
  - Create a highly engaged and diverse workforce
  - Be recognised as a global leader in responsible gambling
- Wagering and Media
  - Maintain market leadership and drive industry transformation
  - Focus on increased digital integration across the retail network
  - Develop new products, partnerships and digital platforms
  - Strengthen customer relationships and retention through loyalty and customer relationship management programs
  - Further integrate vision and data with wagering products
  - Maximise customer engagement from broadcast media rights
  - Pursue disciplined, close to core, international expansion
- Gaming services
  - Grow revenue and gaming performance in the NSW and Victorian markets
  - Extend Victorian 5 year contracted venues to 10 years
  - Expand NSW business
  - Enter the ACT market and evaluate entry into other states
  - Expand customer loyalty program
- Keno
  - Improve customer experience to drive participation
  - Rebrand, and refresh in-venue offer with digital innovation
  - Introduce new product offerings and expand jackpot pooling to include Queensland
  - Establish digital Keno offering

9. Likely developments and expected results

Each year the Board undertakes a formal strategic planning process to provide guidance to management about the Tabcorp Group's strategic direction. The Tabcorp Group plans 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 over the coming 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 10 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.

10. 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 Company's corporate governance statement available on Tabcorp's website.

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.

10.1. Regulation and changes to the regulatory environment

The activities of the Tabcorp Group are conducted in highly regulated industries. The gambling activities that members of the Tabcorp Group conduct, and will conduct, and the level of competition that they experience, and will experience, 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 or government policy may have an adverse impact on the Tabcorp Group's operational and financial performance. 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. Potential changes, which would potentially negatively affect the value of the licences granted to members of the Tabcorp Group, and potentially the Tabcorp Group's financial performance, include:

- changes in state wagering, Keno or other gambling tax rates and levies;
- changes or decisions concerning race fields and sports product fees, advertising restrictions and the distribution of gambling products, including through particular channels;
- changes impacting on aspects of retail exclusivity;
- variations to permitted deduction rates and returns to players;
- variations to arrangements for racing industry funding in Victoria, NSW and ACT;
- changes to the conditions in which venues offering products of members of the Tabcorp Group must operate;
- the introduction of additional legislation to guard against money laundering;
- the introduction of further legislation to implement further responsible gambling measures;
- changes or decisions by government or industry concerning wagering, Keno or other forms of gambling; and
- any other legislative change.

Any non-renewal of licences currently held by members of the Tabcorp Group, or the issue of additional wagering, Keno or other gambling licences to third parties, would potentially result in the Tabcorp Group not generating the revenue it currently generates from its licences, which could adversely impact the Tabcorp Group's financial performance and financial position.

Changes to the regulatory environment in some of the jurisdictions in which the Tabcorp Group operates which have been made or foreshadowed and which may have an adverse effect on the operational and financial performance of the Tabcorp Group include the expansion throughout Australia of sports product fees or increases in those fees for sports betting operators. This risk, and the similar race fields fee risk, are detailed below.

The rapid deregulation of the national wagering market has seen a dramatic growth in market share by the corporate bookmakers, mostly located in the Northern Territory, and the introduction of race fields fees legislation across Australia (which allows racing codes in a state or territory to charge wagering operators for the use of race fields information, irrespective of the domicile of the operator). This rapid deregulation has the potential to have an adverse impact on the Tabcorp Group's earnings in the short term as market changes continue. Tabcorp continually adjusts its wagering business model to take account of the changed market dynamics and to mitigate the adverse consequences of deregulation.

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 seeks new licences and to extend existing licences where possible. During the financial year, the Tabcorp Group was successful in acquiring ACTTAB which secured long term licences in the ACT.

10.2. Disciplinary action and cancellation of licences

In certain situations (including if the Tabcorp Group fails to meet the terms and conditions of its licences or other compliance requirements), the authorities that regulate the licences and authorisations that have been granted to members of the Tabcorp Group (including the Victorian Wagering and Betting Licence; the Victorian, NSW and Queensland Keno Licences; the ACT Keno authorisation, the NSW and ACT totalisator and sports bookmaking licences; and the Northern Territory sports bookmaking licence) may take disciplinary action against relevant members of the Tabcorp Group.

The disciplinary action that may be taken includes the issue of a letter of censure, the imposition of fines, the variation of the terms of, or imposition of new terms on, a licence or authorisation and the suspension, termination or cancellation of a licence or authorisation.

The suspension, cancellation or termination of any of the key licences or authorisations held by a member of the Tabcorp Group would potentially result in a loss of revenue and profit for the Tabcorp Group, which would adversely affect the Tabcorp Group's financial performance and financial position.

Certain licences held by members of the Tabcorp Group, including the Victorian Wagering and Betting Licence, impose conditions requiring the licensee to comply with applicable laws, a breach of which is grounds for disciplinary action. In this respect, refer to section 11 below.

10.3. Competition

In a broad sense, gambling activities compete with other consumer products for consumers' discretionary expenditure and, in particular, with other forms of leisure and entertainment including cinema, restaurants, sporting events, the internet and pay television.

Further, the Tabcorp Group's Wagering and Media business currently competes with bookmakers in Victoria and NSW, and other interstate and international wagering operators who accept bets over the telephone 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 NSW without those competitors being licensed in those states. Further, recent court decisions, 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 nationally.

Competition from interstate and international operators may extend to the Tabcorp Group's retail wagering network.

Equally, the Tabcorp Group's Keno and TGS businesses each face competition in their respective industries.

If the Tabcorp Group does not adequately respond to the competition which it faces, there may be a change in consumer spending patterns which may have an adverse effect on the operational and financial performance of the Tabcorp Group.

The Tabcorp Group adopts a range of strategies, 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.

10.4. Racing products

The Tabcorp Group's Wagering and Media business is reliant on the Victorian, NSW 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.

10.5. Race field and sports product fees

Each State and Territory of Australia has implemented race fields arrangements, under which each State or Territory or its racing industry charges wagering operators product 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). Consequently, the Tabcorp Group is required to pay product fees to the relevant racing controlling body. Similarly, legislation has been introduced or proposed in various jurisdictions to support the imposition by sports controlling bodies of fees payable by wagering operators betting on relevant sporting events. In 2014, some bodies introduced new fee models and rates which increased the expenses of the Wagering and Media business in the 2015 financial year. There is also the potential for further increases in, or the introduction of new, such fees which may have an adverse effect on the operational and financial performance of the Tabcorp Group.

However, the Tabcorp Group has mitigation strategies to partly ameliorate such impacts, including that 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.

10.6. Sky Channel arrangements

Sky Channel requires and holds rights to broadcast various race meetings and other sporting events held throughout Australia and internationally. Certain of the contracts pursuant to which these broadcast rights are held have expired or will expire, and new contracts are being negotiated or will require renegotiation. The Tabcorp Group was in negotiations with rights holders of thoroughbred horse racing broadcast rights of Victorian and NSW racetracks with a view to entering into new broadcast rights arrangements. Binding heads of agreement were finalised in January 2015 in respect of certain NSW thoroughbred racing broadcast rights for a period of ten years. On 7 August 2015, the Tabcorp Group reached agreement on a media rights deal for Victorian thoroughbred racing which expires in 2020. These long term media rights arrangements deliver certainty for Tabcorp, the racing industry, retail venue partners and wagering customers. If, for any reason, the Tabcorp Group is unable to renegotiate any of its key broadcast arrangements or to renegotiate them on materially the same or similar terms, then this may adversely impact the operational and financial performance of the Tabcorp Group's Wagering and Media business. The Tabcorp Group has alternative business plans 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.

10.7. Victorian licence payment Supreme Court proceedings

As referred to in section 7.6, Tabcorp is seeking a payment from the State of Victoria of $686.8 million. Tabcorp has been granted special leave to appeal to the High Court of Australia in respect of the judgment of the Court of Appeal of the Supreme Court of Victoria handed down in favour of the State of Victoria. 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.

Notwithstanding that Tabcorp's appeal will be heard by the High Court, Tabcorp resolved with the Australian Taxation Office the tax treatment of the $597.2 million paid to the State of Victoria in 1994. As a result, Tabcorp recognised an income tax benefit of $128.9 million in its financial statements for the year ended 30 June 2015. Further information is available in section 7.5.

10.8. Technology security risks

The Tabcorp Group's businesses rely on the successful operation of technology infrastructure. A technology security failure, such as a cyber attack, could impact upon the Tabcorp Group's technology systems and equipment, which may potentially adversely impact the operational and financial performance of the Group. Significant resources are allocated to managing the Group's information technology portfolio, including specialist resources dedicated to information security and responding to cyber risks. The Tabcorp Group's information security management system has been certified to ISO 27001 standard. The Tabcorp Group continues to evolve and strengthen its practices to effectively manage technology security risks.

11. Significant events after the end of the financial year

In July 2015, Tabcorp announced that civil proceedings had been brought by the CEO of Australian Transaction Reports and Analysis Centre (AUSTRAC) against Tabcorp Holdings Limited and the Tabcorp Group's NSW and Victorian wagering businesses. The statement of claim includes matters which have been raised by and discussed with AUSTRAC over an extended period. Tabcorp has been actively managing these matters in consultation with AUSTRAC, and continues to work on resolving them as a priority. Tabcorp notes that certain matters referred to by AUSTRAC in its statement of claim were, at the time of occurrence and where appropriate, reported to the relevant gambling regulators and police authorities. Notifications were not made to AUSTRAC in all cases. Tabcorp takes its regulatory compliance obligations extremely seriously. Tabcorp acknowledges the matters raised by AUSTRAC and is committed to ensuring they are resolved. A program of works, underway for some time, has been expanded and accelerated. At this stage it is not practicable to determine the extent of any potential financial impact to the Tabcorp Group.

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 24 to the Financial Report.

12. Auditors

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

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

More information relating to the audit functions can be found in the Tabcorp Group's corporate governance statement.

13. 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.

14. 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.

15. Directors' interests in Tabcorp securities

At the date of this report, 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:

	Number of securities		
Name	**Ordinary Shares**	**Performance Rights**	**Tabcorp Subordinated Notes**
Paula Dwyer	54,166	-	-
David Attenborough	541,084	1,536,773	-
Elmer Funke Kupper	54,166	-	-
Steven Gregg	15,000	-	-
Jane Hemstritch	25,112	-	-
Justin Milne	9,208	-	-
Zygmunt Switkowski	91,949	-	-

16. Board and Committee meeting attendance

During the financial year ended 30 June 2015 the Company held 10 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:

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

A – Number of meetings attended

B – Maximum number of possible meetings available for attendance

(i) Paula Dwyer also attended meetings of the Victorian Joint Venture Management Committee as Chairman of this Committee.

(ii) David Attenborough attends Board Committee meetings, but he is not a member of any Board Committee. Only Non Executive Directors are members of Board Committees.

(iii) Jane Hemstritch also attended meetings of the Due Diligence Committee which oversaw the due diligence process for the Entitlement Offer. She was Chairman of this Committee.

The terms of reference and details of the functions and memberships of the Committees of the Board are set out in the Company's corporate governance statement available on Tabcorp's website.

17. 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.

18. 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 2015. 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 Board 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 Board Audit, Risk and Compliance Committee and the engagement of auditors are available in the Company's corporate governance statement available on the Tabcorp website.

Ernst & Young, acting as the Company's external auditor, received or are due to receive $375,000 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.

19. Corporate governance

The Directors of the Company support and adhere to the ASX *Corporate Governance Principles and Recommendations, 3rd Edition*, recognising the need for maintaining high standards of corporate behaviour and accountability. The Company's corporate governance statement is available under the corporate governance section of the Company's website at www.tabcorp.com.au/about_governance.aspx.

20. 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.

21. 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 2015. This auditor's independence declaration forms part of this Directors' report.

Building a better
working world

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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 2015, 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
13 August 2015

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1. Purpose

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 controlled entities for the financial year ended 30 June 2015. 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.

2. Remuneration philosophy

The key objective of Tabcorp's remuneration philosophy is to enable Tabcorp to attract, motivate and retain high calibre individuals across the organisation (including Board and senior management levels) through a market-competitive, shareholder-aligned remuneration framework. The Board Remuneration Committee regularly reviews the remuneration philosophy and underlying principles to ensure they remain contemporary and consistent with generally accepted market practice and Tabcorp's business objectives.

Tabcorp's remuneration framework is underpinned by the following key principles which help drive the Company's philosophy:

Creating long term shareholder value	Reward for the creation of sustained long term shareholder value
Driving performance	Appropriately reward for superior Group, business unit and individual performance
Market competitive	Remuneration levels that are market competitive
Driving the right behaviours	A framework that fosters the values and Tabcorp's Ways of Working

The Tabcorp remuneration framework for executives and senior management is thus heavily focused on variable components that reward the individual for superior Group, business unit and individual performance that ultimately leads to shareholder value creation. As such, executive and senior management remuneration comprises three components - a fixed remuneration package, a short term incentive ('STI') and a long term incentive ('LTI').

At least 45 per cent of each KMP's remuneration is 'at risk' and tied to the achievement of specific Group, business unit and individual performance objectives.

3. Governance

The Board Remuneration Committee assists the Board in the oversight of Tabcorp's remuneration strategy and framework. 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 2015 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.

4. Summary of the year ended 30 June 2015

Area	Summary	Reference
Reward mix	The Board Remuneration Committee reviewed the remuneration packages of the Senior Executive Leadership Team. With the exception of the Managing Director and Chief Executive Officer, there were no changes to the overall reward mix (i.e. the split between fixed and variable pay) for KMP for the year ended 30 June 2015.	Section 8.2 Figure 4
STI structure	From 1 July 2014, Divisional Multipliers were introduced into the STI plan. The purpose of this was to drive clearer executive accountability for the performance of each business unit and ultimately the Group. Divisional multipliers were also introduced to create a stronger link between reward and performance measures that are within the executive's scope of influence.	Section 8.4.1.4 Figure 5 Figure 6
STI payout	For the year ended 30 June 2015, Short Term Incentive payments were awarded to senior managers (payable in August 2015), following the assessment of Tabcorp's targets for the year and overall performance. On average, 95 per cent of the STI target will be payable to KMP (38 per cent of maximum) for the year ending 30 June 2015.	Figure 7 Figure 17A
LTI grants	During the year, an allocation of Performance Rights was made to eight members of the Senior Executive Leadership Team. In addition, an allocation of Performance Rights under the LTI was also made to the Managing Director and Chief Executive Officer following shareholder approval at the 2014 Tabcorp Annual General Meeting. Vesting of the allocated Performance Rights for all participants will depend on the Company's relative total shareholder return performance 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. All the Performance Rights will vest **only** where the **highest** performance threshold is met at the end of the three year period.	Figure 17B
LTI vesting	An LTI test date occurred on 23 September 2014 for the 2011 LTI grant. The relative TSR ranking at the test date for this grant placed Tabcorp just over the 69th percentile when compared to the peer group. As a result 88 per cent of the Performance Rights for this grant, vested (12 per cent lapsed).	Figure 14
Chief Operating Officer Wagering and Media remuneration	In February 2015, the domestic media business was integrated into the Wagering business unit. The purpose of this was to create a consolidated business aligned to driving domestic growth in an increasingly competitive market. Following an in-depth remuneration benchmarking exercise, the Board Remuneration Committee approved an increase to the fixed remuneration for the Chief Operating Officer Wagering and Media (equating to 4.2 per cent, effective 1 February 2015) which reflects the increased size and complexity of the expanded business unit.	Figure 16C Figure 16D
Managing Director and Chief Executive Officer remuneration	As communicated in the 2014 Remuneration report, to further improve alignment of the Managing Director and Chief Executive Officer's remuneration with comparable roles in the market, an increase in fixed remuneration (from $950,000 to $1,100,000) and target short term incentive (from $640,000 to $750,000) was provided to him during the year ended 30 June 2015.	Section 8.5.1
Non Executive Director Fees	Following a review of the Non Executive Director fees during the year, the base Board fee for the Chairman was increased from $400,000 to $410,000 per annum as well as the Non Executive Directors (from $135,000 to $140,000 per annum). There were no increases to Board Committee fees for the year.	Section 7.3

5. Proposed changes from 1 July 2015

Area	Summary
LTI structure	The Board Remuneration Committee reviewed the LTI plan during the year ended 30 June 2015. As a result of the review, the Committee approved extending the eligibility of participation in the plan to include those senior managers either identified as successors to the Senior Executive Leadership Team or are employed in roles that are critical to driving business success. The purpose of extending eligibility is to: • Enhance retention of key skills in the senior management team; • Create further alignment between shareholders and the senior management team (through equity based remuneration, vesting of which is dependent on driving shareholder return); and • Align senior management across long term performance goals thereby improving the focus on long term shareholder value creation. This change will be implemented for plan offers made in the financial year commencing 1 July 2015. The Board Remuneration Committee is also currently reviewing the LTI allocation methodology. Tabcorp currently utilises a Fair Market Value allocation methodology and the Committee is reviewing the appropriateness of this methodology for the Company going forward (as compared to a Face Value allocation methodology).
LTI claw back	Following a review of the LTI plan during the year, the Remuneration Committee also approved the implementation of an LTI claw back policy. The Board may claw back LTI awards if it is considered appropriate having regard to any information which has come to light after the delivery of the LTI award, 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 awards may be subject to claw back.
Managing Director and Chief Executive Officer Short Term Incentive	From 1 July 2015, fifty per cent of all Short Term Incentive payments made to the Managing Director and Chief Executive Officer will continue to be subject to deferral. Deferral will be in the form of Restricted Shares and will be subject a two year restriction period.

6. Key management personnel (KMP)

Name	Position held
Paula Dwyer	Chairman and Director (Non Executive)
Elmer Funke Kupper	Director (Non Executive)
Steven Gregg	Director (Non Executive)
Jane Hemstritch	Director (Non Executive)
Justin Milne	Director (Non Executive)
Zygmunt Switkowski	Director (Non Executive)
David Attenborough	Managing Director and Chief Executive Officer
Damien Johnston	Chief Financial Officer
Craig Nugent	Chief Operating Officer Wagering and Media
Adam Rytenskild	Chief Operating Officer Keno and Gaming
Kerry Willcock	Executive General Manager, Corporate, Legal and Regulatory

There were no changes to KMP or positions during the year.

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

7. Non Executive Director remuneration

7.1 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

.

7.2 Structure

Non Executive Directors' remuneration comprises the following components:

- Board fee;
- Board Committee fees (excluding the Chairman); and
- Superannuation Guarantee Contribution (9.5 per cent of total fees for the year ended 30 June 2015, uncapped).

The Chairman receives a fixed fee which is inclusive of services on all Board Committees.

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 – Paula Dwyer was Chairman of this Committee throughout the year;
- Observer fees, equivalent to the applicable Board and Committee fees (for attending Board and Committee meetings and induction whilst awaiting regulatory approval) – no Observer fees were paid during the year; or
- Membership of other Committees, which may be required from time to time – no additional Committee fees were paid during the year.

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.

7.3 Current annual fees

The Board Remuneration Committee reviews Non Executive Director fees annually, having regard to both the remuneration framework and structure described in Sections 7.1 and 7.2 and contemporary market practice, and submits recommendations to the Board for review and approval. A review of Non Executive Director remuneration levels was conducted in the year ended 30 June 2015. To ensure continued competitiveness of Non Executive Director remuneration levels, the following adjustments were made:

- **Chairman's fee** - increased from $400,000 to $410,000;
- **Non Executive Director Board fee** - increased from $135,000 to $140,000
- **Board Committee fees** - remain unchanged.

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 2014

Position	Board fees (i) $	Board Committee fees (i) Audit, Risk & Compliance $	Remuneration $	Nomination $
Chairman (ii)	410,000			
Non Executive Director	140,000			
Committee Chairman		40,000	30,000	7,500
Committee Member		20,000	15,000	7,500

(i) Fees exclude superannuation contributions.
(ii) The Chairman's fee is inclusive of service on all Tabcorp Board Committees.

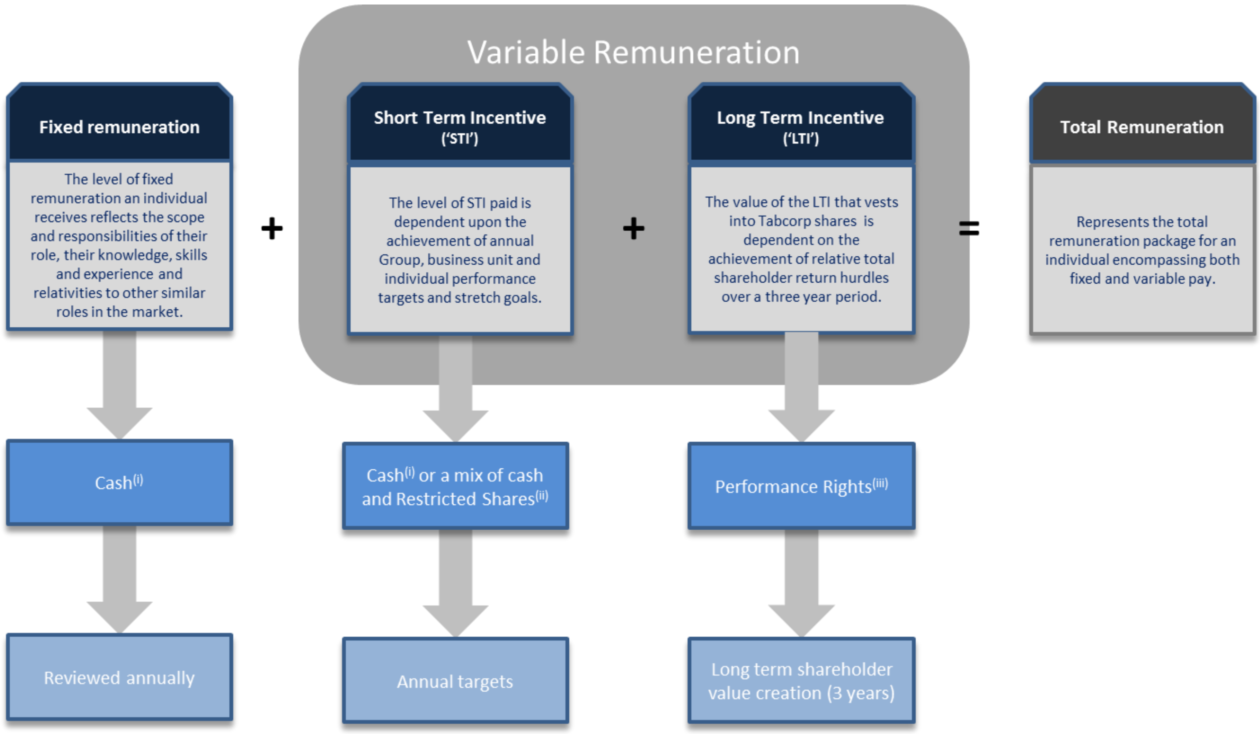
8. Senior management remuneration (including Managing Director and Chief Executive Officer)

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.

8.1 Remuneration framework

The remuneration framework for senior management comprises a mix of both fixed and variable remuneration components. Figure 2 depicts the current framework:

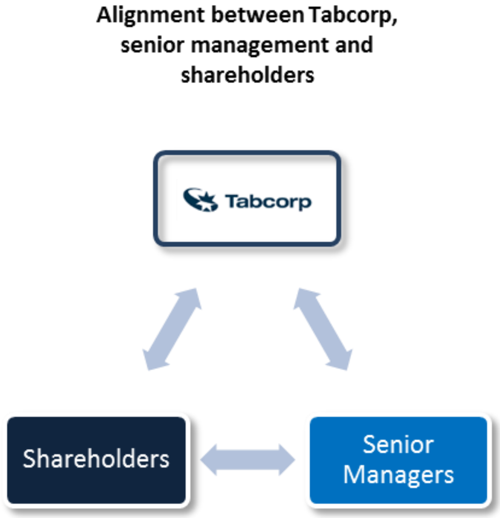
Figure 2: Senior management remuneration framework



(i) Individuals may voluntarily elect to salary sacrifice cash and STI payments for additional superannuation contributions. Individuals may also elect to package items such as motor vehicle novated leases as part of their fixed remuneration package.
(ii) Deferral of STI into Restricted Shares is mandatory for all members of the Senior Executive Leadership Team (including KMP) and certain other senior management. Restricted Shares are issued under the Tabcorp Employee Deferred Share Plan and vesting is subject to the individual remaining employed with Tabcorp for the duration of the vesting period.
(iii) Performance Rights may vest on the third anniversary after the allocation date, subject to meeting relevant performance based hurdles. The total number of Performance Rights that are allocated to a participant in any given year will only vest if the maximum performance hurdle has been achieved.

The remuneration framework within Tabcorp is structured to align shareholder, Company and senior management interests as depicted in Figure 3.

Figure 3: Aligning Tabcorp, senior management and shareholder interests



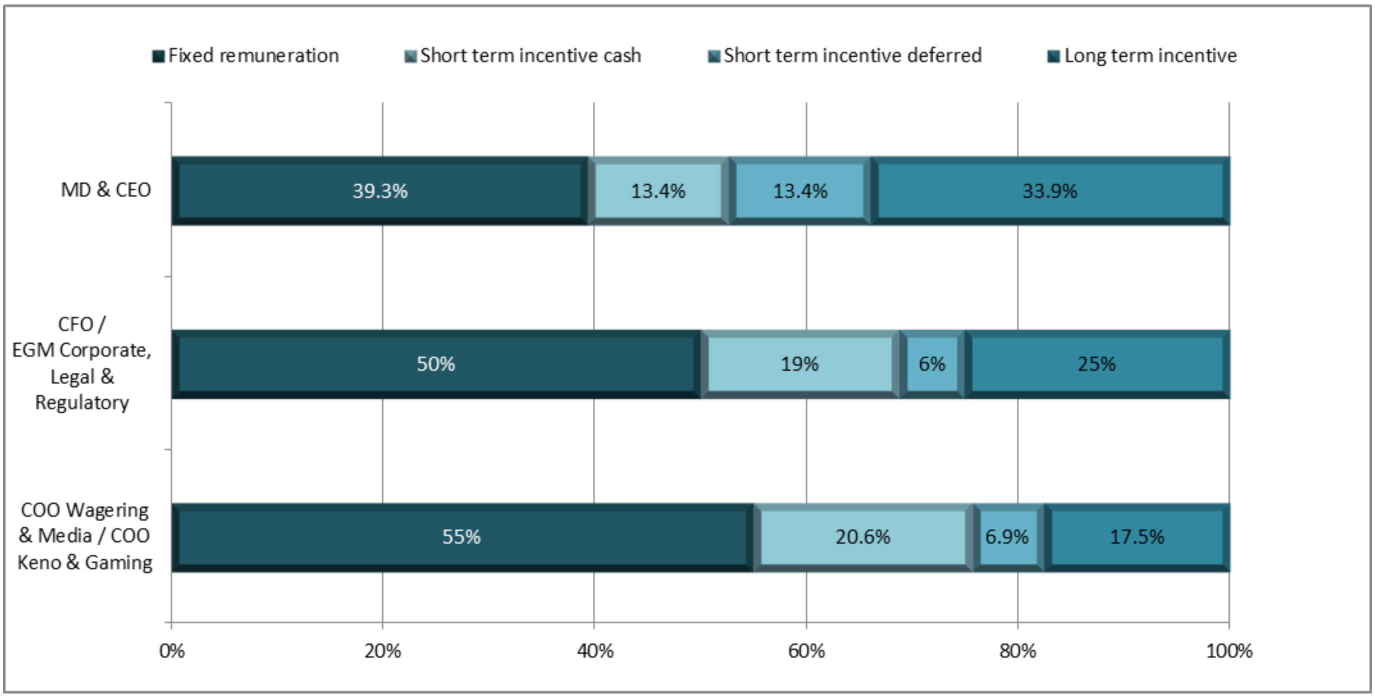
The Tabcorp remuneration framework is structured to align Company, senior management and shareholder interests through:

- The use of financial measures such as net profit after tax before non-recurring items (NPAT) as the primary reward measure for short term performance outcomes;
- Recognising and rewarding for superior Group, business unit and individual performance that aligns to Tabcorp's short and long term strategic plans and contributes to long term shareholder value creation;
- The use of equity in both the short term and long term incentive plans, the value of which can grow as senior management perform;
- Rewarding for long term shareholder value creation through the use of total shareholder return relative to other companies within the LTI;
- The ability to attract, motivate and retain high calibre individuals to deliver on the Company's objectives;
- The fostering of a culture of high performance in a team based environment including rewarding those individuals excelling in displaying the Tabcorp values and Ways of Working;
- Linking reward with performance measures that are within the scope of influence of senior management; and
- Providing upside opportunity for superior Group performance and increased shareholder value.

8.2 Target reward mix

To ensure that Tabcorp's Total Remuneration is competitive, fair and reasonable, extensive market benchmarking is regularly undertaken against a wide range of organisations. The target reward mix (i.e. the split between fixed and target variable pay) aims to position Total Remuneration at the market median where target performance has been achieved. The target reward mix for the KMP (including the Managing Director and Chief Executive Officer) is outlined in Figure 4.

Figure 4: KMP target reward mix for the year ended 30 June 2015



8.3 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 a range of factors. These factors are also considered annually as part of the annual remuneration review process. These include:

- The scope and responsibilities of their role;
- Their knowledge, skills and experience;
- Their performance (as assessed through the Group's performance management process);
- Market data for similar roles in comparable companies;
- Rarity and market demand for their skill set; and
- Relativity of remuneration to other similar roles internally.

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 2015, the fixed remuneration packages of executive KMP, excluding the Managing Director and Chief Executive Officer (refer to Section 8.5.1.1), increased by 3.1 per cent on average.

8.4 Variable (at risk) remuneration

8.4.1 Short term incentive (STI)

8.4.1.1 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.

8.4.1.2 Eligibility

The Senior Executive Leadership Team (including KMP), senior managers and mid-level managers are eligible to participate in the STI plan.

8.4.1.3 The STI pool (Group Funding Multiplier)

During each financial year, the Board Remuneration Committee reviews Tabcorp's performance against Net Profit After Tax (NPAT) targets. At the end of the financial year, the Board determines, in its own discretion, the Group Funding Multiplier with reference to NPAT. The Group Funding Multiplier sets the overall STI pool which is then distributed to participants in the STI plan, depending on individual performance:

- If the Group's NPAT target (aligned to the Tabcorp strategic corporate plan) is achieved for the year, 100 per cent of the STI pool will generally be funded (i.e. a Group Funding Multiplier of 1). To achieve the strategic corporate plan NPAT target, a level of stretch performance is required;
- If the Group's NPAT performance for the year is below target, a smaller STI pool may be funded (at the Board's discretion) or the Board may elect to have no STI pool (i.e. a Group Funding Multiplier range of 0 to <1), in which case no STI payments would be made; and
- If the Group's NPAT performance for the year is above target, a larger STI pool may be funded, capped at 125 per cent of the target pool (i.e. a Group Funding Multiplier of >1 but <=1.25).

The Board considers NPAT to be an appropriate performance measure to determine the STI pool as:

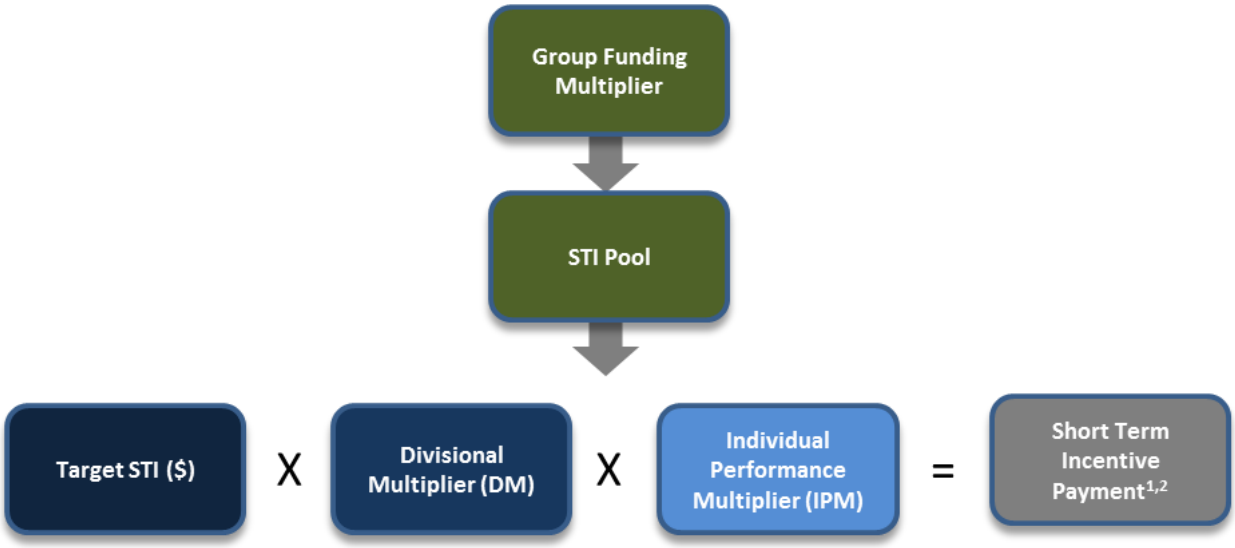
- It aligns to the Group's remuneration philosophy of creating shareholder value;
- It is directly linked to driving business results; and
- It is within senior management's scope of influence.

For the purposes of the STI pool calculation, NPAT is adjusted for non-recurring items.

8.4.1.4 The STI calculation

An individual's short term incentive is calculated by taking three key factors into account. These are depicted in Figure 5 below:

Figure 5: STI calculation



[1] For the Senior Executive Leadership Team (including the KMP, but excluding the Managing Director and Chief Executive Officer), the Short Term Incentive payment comprises cash (75 per cent) and Restricted Shares (25 per cent) which are restricted for a two year period. For the Managing Director and Chief Executive Officer, the Short Term Incentive payment comprises cash (50 per cent) and Restricted Shares (50 per cent) which are restricted for a two year period.

[2] The sum of the Short Term Incentive payments cannot exceed the STI pool which is capped at 125 per cent of the target pool and is dependent on NPAT performance.

The Divisional and Individual Performance Multipliers are modelled to ensure that STI spend does not exceed the allocated STI pool.

Figure 6 describes each component of the calculation.

Figure 6: Components of the STI calculation

Component	*Definition*	*How is it calculated?*
Group Funding Multiplier	The Group Funding Multiplier is calculated with reference to Tabcorp's NPAT performance. The Group Funding Multiplier sets the size of the STI pool that is distributed to STI participants. The Divisional Multipliers and Individual Performance Multipliers are set with reference to the Group Funding Multiplier to ensure that overall STI spend is aligned to the STI pool.	See Section 8.4.1.3
Target STI ($)	Each participant in the STI plan is eligible to receive an on-target STI payment upon the achievement of target Group, business unit and individual performance.	The Target STI is calculated as a percentage of an individual's Total Remuneration (see Figure 4) and is determined with reference to market benchmarks and nature of the role.
Divisional Multiplier (DM)	The Divisional Multiplier aims to reward STI participants for delivering superior business unit performance and to recognise each business unit's contribution to the overall Group results. The Divisional Multiplier applicable to an individual is dependent on the role they perform. There are three Divisional Multipliers as follows: • Wagering and Media • Keno and Gaming • Corporate	The Divisional Multiplier is based on the contribution to NPAT of each business unit. The Divisional Multiplier may thus be higher or lower than the Group Funding Multiplier, depending on the respective business unit's performance. The Divisional Multiplier for Group or Corporate functions will generally be the same as the Group Funding Multiplier. The Divisional Multipliers are modelled to ensure that STI payout does not exceed the overall STI pool.
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 (see Figure 7). In addition to the Balanced Scorecard measures, key strategic priorities are also set and assessed annually. Specific Group financial and non-financial strategic key performance objectives, which are aligned to creating superior shareholder returns, are determined and approved by the Board for the Managing Director and Chief Executive Officer at the start of each financial year and then cascaded across the organisation.	At the end of the financial year, each participant undergoes a performance review in line with Tabcorp's performance management process. Objectives are assessed and an overall performance rating is assigned (taking into consideration performance against objectives as well as behaviours (Ways of Working)). The performance rating translates into an Individual Performance Multiplier which scales up or down depending on the overall performance rating and can range from zero (for below expectations performance) up to two (for exceptional performance). The Individual Performance Multipliers are also set with reference to the overall STI pool to ensure that STI payout does not exceed the determined pool. As such, the range for Individual Performance Multipliers may change from year to year but will never exceed a value of two for exceptional performance.

Further details of specific key performance targets for the Senior Executive Leadership Team during the financial year are provided in Section 8.4.1.8 and Figure 7.

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

8.4.1.5 Delivery

The STI is delivered in cash, or a mix of cash and Restricted Shares. It is mandatory for all KMP and participants at a senior management level to defer 25 per cent of their total STI into Restricted Shares (50 per cent for the Managing Director and Chief Executive Officer). 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 Total Remuneration is 30 per cent or greater at target. Restricted Shares are subject to a two year service condition during which time the Restricted Shares may not be traded, however participants have full entitlement to dividends and voting rights. These shares will be forfeited if the individual leaves the Group (subject to Board discretion).

The objectives of the deferral element of STI include:

- Building share ownership in Tabcorp which further aligns the interests of senior managers with shareholders;
- Reducing long term risk; and
- Assisting with the retention of key senior managers which provides increased continuity for the business.

8.4.1.6 Claw back

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 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.

8.4.1.7 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 the vesting period.

8.4.1.8 STI performance

For the year ended 30 June 2015, short term incentive measures and targets were derived from the Board approved strategic corporate plan which comprised financial and non-financial objectives. These objectives were subsequently included in the balanced scorecards for the Senior Executive Leadership Team. A list of these measures is included in Figure 7 including a summary of key achievements during the year.

Figure 7: STI measures and summary of FY15 achievements

Objective	Measures	Achievements for the year
Financial	Revenue Profit (e.g. NPAT) Balance sheet Return (e.g. ROIC)	• Net Profit After Tax (NPAT) from continuing operations before significant items, $171.3 million up, 14.7% • Group revenues of $2,155.5 million, up 5.7% • Strong balance sheet, with Gross debt(i)/EBITDA ratio of 2.1x • Dividends totalled 20 cents per share, fully franked representing a payout ratio of 93% of NPAT (from continuing operations before significant items) • Special dividend of 30 cents per share • ROIC target exceeded due to the strong operational earnings performance and the business is well positioned to achieve 14% ROIC following the integration of ACTTAB
Customers and Growth	Customer activity and loyalty Delivery of new products and digital initiatives	• Appointed new Chief Marketing Officer and up-weighted data and insights capability • Continued investment in digital channels, including seamless launch of new TAB website • Progressed digital integration into TAB's exclusive retail channels. • Keno brand transformation commenced to rejuvenate the customer experience. • Growth in loyalty program members: TAB Rewards (total members now more than 300,000)
People and Leadership	Employee engagement Gender diversity Health & Safety	• Overall employee engagement score of 3.89 out of 5. This is up 0.08 on the previous year • Focus on workplace diversity, with 33% female representation in senior leader roles • Improved lost time injury frequency rate of 1.0 per million hours worked
Organisation	Regulatory & licence compliance Stakeholder engagement Operational effectiveness	• Once again ranked the global gambling industry leader in the annual Dow Jones Sustainability Index • Financial benefits to stakeholders: taxes on gambling $459.6 million, returns to the racing industry $773.2 million • Core systems performance consistently at or above target levels, especially strong through the Spring Carnival and Championship period
Strategic	Business expansion opportunities	• ACTTAB acquisition completed and integration on track
	Media Rights	• Long-term agreement reached for NSW thoroughbred media rights • Victorian Thoroughbred Media Rights negotiation concluded

(i) Gross debt includes USPP debt at the A$ principal repayable under cross currency swaps.

Key issues that were work in progress as at 30 June 2015 included Queensland keno jackpot pooling, the Victorian licence compensation claim, the integration of ACTTAB and resolution of matters referred to in the AUSTRAC statement of claim, as advised in Tabcorp's ASX release of 24 July 2015.

For the year ended 30 June 2015, The Board awarded short term incentives to senior management that reflected the assessed performance of the Group. The Board determined that the maximum Group Funding Multiplier (i.e. 125 per cent) should be applied for the year. See Figure 17A for more detail.

8.4.2 Long term incentive (LTI)

8.4.2.1 Overview

The Tabcorp LTI is designed to reward senior management for contributing to the creation of long term shareholder value and to retain key critical talent within the organisation. Figure 8 provides a summary of the LTI plan.

Figure 8: Summary of the Tabcorp LTI plan

<table>
<tr><td>Who is eligible to participate in the LTI Plan?</td><td>For the year ended 30 June 2015, the Senior Executive Leadership Team was eligible to participate in the LTI plan. From 1 July 2015, in addition to the Senior Executive Leadership Team, a select group of senior managers will be eligible to participate. The Tabcorp Board elected to broaden participation to further align senior management and shareholder interests through equity-based remuneration and to strengthen the link between reward and shareholder value creation.</td></tr>
<tr><td>How is LTI delivered?</td><td>Senior management that participate in the LTI plan are allocated a maximum number of Performance Rights at the beginning of the performance period. Performance Rights provide senior management with the right to receive Tabcorp shares subject to meeting market based performance conditions, at no cost to the participant. Performance Rights do not attract dividends and do not provide voting rights.

The Board considers Performance Rights to be an effective instrument for delivering long term reward to senior management.</td></tr>
<tr><td>How long is the performance period?</td><td>The vesting of Performance Rights issued under the LTI is dependent on meeting the minimum performance hurdle at the third anniversary of the date of the allocation (i.e. a three year performance period).</td></tr>
<tr><td>Are Performance Rights forfeitable?</td><td>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

Performance Rights will also lapse if performance conditions are not met.</td></tr>
<tr><td>What is the performance measure?</td><td>The performance measure for Performance Rights issued under the LTI is relative total shareholder return (relative TSR). Relative 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. Tabcorp engages an external consultant to calculate TSR relative to a 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 a peer group, over the long term.</td></tr>
<tr><td>Which companies are included in the peer group?</td><td>The peer group used for assessing Tabcorp's relative TSR performance is the S&P/ASX 100 index excluding property trusts, infrastructure groups and mining companies (represented by the S&P Global Industry Classification Standards (GICS) of Metals & Mining, Oil and Gas, Transportation, Infrastructure, Utilities and Real Estate Investment Trusts).

This peer group was selected as it contains organisations of comparable size to that of Tabcorp as well as organisations that exhibit similar operational structures in comparable industries. Finally, the peer group was also chosen as the constituent companies represent competitors for similar executive talent.

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.</td></tr>
<tr><td>What are the relative TSR performance hurdles?</td><td>The number of Performance Rights that will vest at the end of the performance period is dependent on Tabcorp's relative TSR ranking as at the applicable test date as follows:
<table>
<tr><th>Tabcorp's relative TSR ranking</th><th>Percentage of Performance Rights that will vest</th></tr>
<tr><td>Below 50th percentile</td><td>0%</td></tr>
<tr><td>At 50th percentile</td><td>50%</td></tr>
<tr><td>Above 50th percentile and below 75th percentile</td><td>Pro-rata between 50% (at 50th percentile) and 100% (at 75th percentile)</td></tr>
<tr><td>At or above the 75th percentile</td><td>100%</td></tr>
</table>
This testing schedule and vesting criteria are common practice adopted by companies in the S&P/ASX100 index, which is consistent with Tabcorp's remuneration philosophy (refer to Section 2) and senior management</td></tr>
</table>

	remuneration framework (refer to Section 7.1). 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. Performance Rights that have not vested after testing will lapse (there is no retesting).
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 in Section 9.1 (Figures 16C & 16D) 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 17D. The actual value of vested Performance Rights received by KMP for the year is disclosed in Figure 16E.

8.4.2.2 Allocation

The Performance Rights granted under the LTI are generally allocated annually. The number of Performance Rights allocated is calculated as outlined in Figure 9.

Figure 9: Allocation calculation

Component	*Definition*	*How is it calculated?*
Target LTI ($)	The Target LTI ($) amount is based on a percentage of the individuals Total Remuneration and is benchmarked to ensure that it is competitive and appropriate within the market.	The Target LTI ($) is based on a percentage of the individual's Total Remuneration (refer to Figure 4
Fair value of Performance Right	The fair market value of a Performance Right reflects the realistic value a participant is likely to receive taking into consideration the Tabcorp share price, volatility of the share price, the historical dividend yield, the performance period and the difficulty in achieving the performance conditions.	The fair market value of a Performance Right is independently calculated by an external consultant. The methodology used is called the Monte Carlo simulation-based model and takes into consideration factors such as the Tabcorp share price, the volatility of the share price, the historical dividend yield, the performance period, the risk-free rate of return and the difficulty in achieving the performance conditions. The Monte-Carlo model is a standard valuation methodology used within the market and adheres to the Australian Accounting Standards (AASB2 'Share Based Payments').
Number of Performance Rights allocated	The number of Performance Rights allocated to participants reflects the maximum number that could vest at the end of the performance period for the achievement of the highest relative TSR performance hurdle.	The number of Performance Rights allocated is calculated by taking the Target LTI ($) value and dividing it by the fair market value of a Performance Right.

8.4.2.3 Vesting

The number of Performance Rights that are allocated to a participant under the LTI represents the maximum number. This means that, in order for all of the Performance Rights to vest, the highest performance hurdle must be achieved (i.e. achieving a 75th percentile relative TSR ranking).

If the minimum performance hurdle is achieved (i.e. achieving a 50th percentile relative TSR ranking) half the Performance Rights will vest and the other half of the Performance Rights will lapse.

8.4.2.4 LTI performance

In the 2015 financial year, there was one test date on 23 September 2014 for the 2011 allocation under the LTI. The relative TSR percentile ranking of this allocation at the test date was a little over the 69th percentile, and accordingly 88 per cent of the Performance Rights vested and 12 per cent of the Performance Rights lapsed. Figures 17C discloses the number of executive KMP Performance Rights vesting during the year.

8.4.3 Appointment/retention incentives

8.4.3.1 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 8.4.2).

No appointment or retention incentives were provided to executive KMP during the year ended 30 June 2015.

8.4.3.2 Accounting treatment

The fair value of Restricted Shares is expensed as remuneration over the relevant vesting 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 8.4.2.1.

8.4.4 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..

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.

8.5 Managing Director and Chief Executive Officer current remuneration arrangements

8.5.1 Current remuneration

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. As communicated in the 2014 Remuneration report, changes implemented in the current financial year in relation to Mr Attenborough's remuneration have resulted in an increase in both fixed remuneration and the short term performance award, with the long term incentive award remaining unchanged. This overall increase in remuneration recognises Mr Attenborough's success in leading the transformation of Tabcorp to drive sustained performance, and improves alignment with comparable roles in the market. Previously, Mr. Attenborough received cash reimbursements of up to $3,500 per week for living away from home expenses (e.g. accommodation) and four return business class airfare tickets between Australia and South Africa per annum. These two benefits ceased in the prior financial year (on 9 April 2014).

8.5.1.1 Fixed remuneration

Mr Attenborough's fixed remuneration (inclusive of statutory superannuation contributions) increased to $1,100,000 per annum from 1 September 2014 (previously $950,000).

8.5.1.2 Short term incentive

For the year ended 30 June 2015, 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 annual short term performance award was equivalent to $750,000 at target and is delivered in cash and Restricted Shares as outlined in Section 8.4.1.5, with the opportunity for Mr Attenborough to voluntarily sacrifice part of the cash component into additional superannuation contributions.

For the year ended 30 June 2015, Mr. Attenborough was awarded an STI payment of $850,000 which equated to 113 per cent of his target incentive (45 per cent of his maximum incentive). The Board deemed this to be appropriate given Tabcorp's performance levels over the year (see Figure 7).

50 per cent of this STI payment is subject to deferral into Restricted Shares (restricted for 2 years).

8.5.1.3 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 2015, Mr. Attenborough's long term incentive award was equivalent to $950,000 at target, unchanged from the prior year. The structure and operation of this long term incentive is the same as that which applies to the LTI offers to other senior managers in Section 8.4.2, other than as set out in this section. Since being appointed as Managing Director and Chief Executive Officer, Mr. Attenborough has received four grants of Performance Rights under the Tabcorp Long Term Performance Plan, which were approved by shareholders at the Company's previous Annual General Meetings. The details of the current allocations (i.e. allocations still on foot) follow:

Effective date	Number	Test date	Expiry date
20 September 2012	427,586	20 September 2015	20 September 2015
18 September 2013	590,062	18 September 2016	18 September 2016
16 September 2014	519,125	16 September 2017	16 September 2017

Upon termination of employment, all unvested Performance Rights will lapse immediately. However, in situations where termination is as a result of an event beyond the control of the incumbent (e.g. death, permanent disablement or other Board determined appropriate reason) a pro rata number of Performance Rights may vest into shares. The exact number of Performance Rights that will vest will be determined by the duration of the performance period that has already elapsed and relative TSR performance outcomes as at the appropriate test date.

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 2012, 2013 and 2014 Annual General Meetings.

8.5.1.4 Changes for the 2016 financial year

Mr. Attenborough's fixed remuneration will remain unchanged for the 2016 financial year.

Mr. Attenborough's target Short Term Incentive opportunity will increase to $1,100,000 (from $750,000) for the 2016 financial year. Fifty per cent of any applicable Short Term Incentive payments made to Mr. Attenborough will be subject to deferral in Restricted Shares for a two year period.

Mr. Attenborough's Long Term incentive target opportunity will increase to $1,100,000 (from $950,000), and will be subject to the same terms and conditions as the Long Term Incentive detailed in Figure 8.

As a result of the above changes, Mr. Attenborough will have a greater proportion of his remuneration package as performance-based variable pay.

8.6 *Executive contracts – KMP (including the Managing Director and Chief Executive Officer)*

The table below contains details of the contracts of the current executive KMP. 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
David Attenborough	Managing Director and Chief Executive Officer	Open ended	12	12
Damien Johnston	Chief Financial Officer	Open ended	6	9
Craig Nugent	Chief Operating Officer Wagering and Media	Open ended	6	9
Adam Rytenskild	Chief Operating Officer Keno and Gaming	Open ended	6	9
Kerry Willcock	Executive General Manager, Corporate, Legal and Regulatory	Open ended	6	12

8.7 Performance of Tabcorp and shareholder wealth

Tabcorp's annual financial performance and indicators of shareholder wealth over the five year period ended 30 June 2015 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 clear bars. The financial performance of Tabcorp post the Demerger of Echo Entertainment Group is indicated by the shaded bars.

Figure 10: Net profit after tax

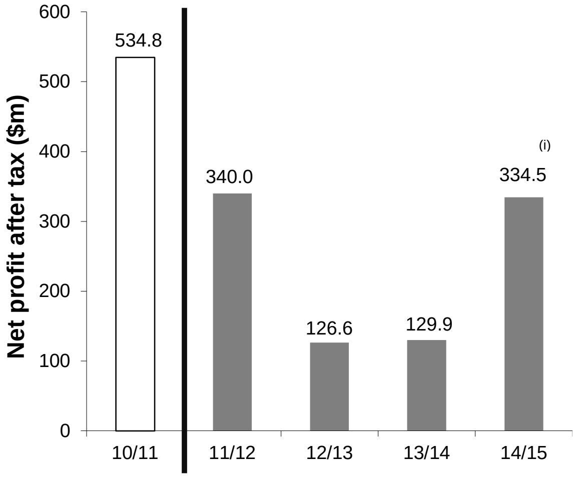
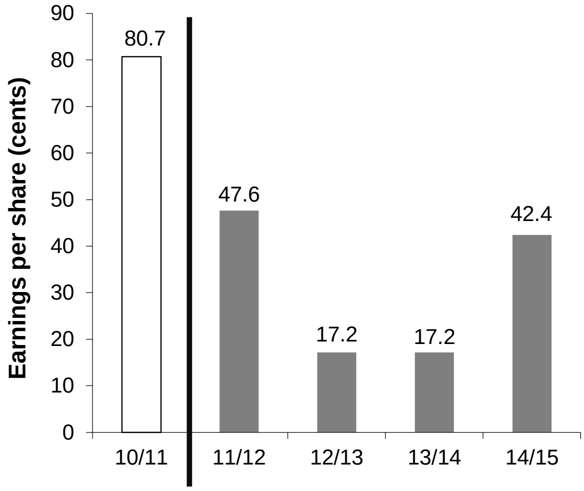


Figure 11: EPS (basic)



(i) Includes $163.2 million as a result of receiving income tax benefits relating to the Victorian wagering and gaming licences payment and the NSW Trackside payment and associated interest income.

Figure 12: Full year dividend in respect of each financial year (includes interim, final and special dividends)

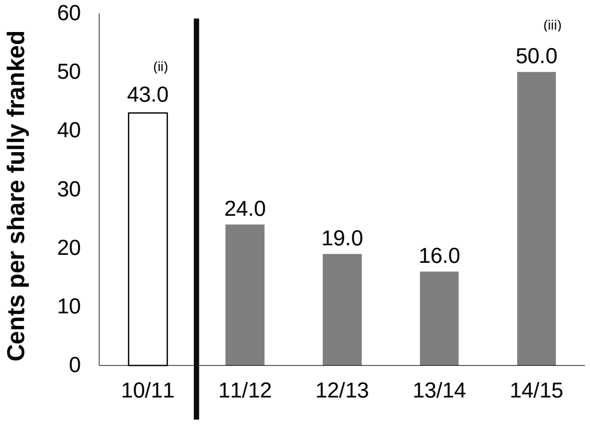
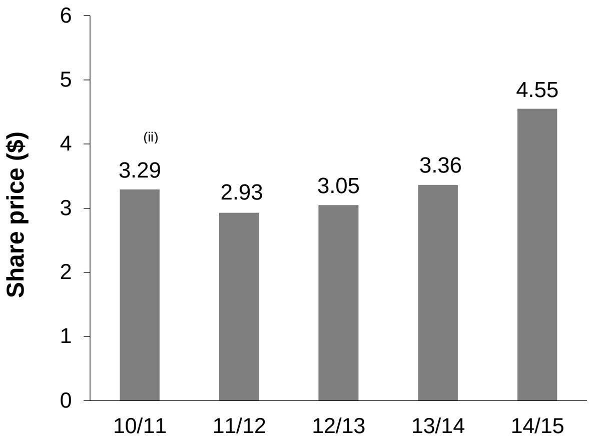


Figure 13: Company share price at the end of each financial year



(ii) Whilst the closing share price 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.

(iii) Dividends include a special dividend of 30 cents per share declared in February 2015.

Figure 14 shows Tabcorp's relative TSR ranking at test dates.

Figure 14: Relative TSR ranking

Grant year	Grant date	Allocation to	Test date	TSR result at test date	% of Performance Rights	
					Vested	Lapsed
2011	23 Sep 2011	Senior management	23 Sep 2014	69.2 percentile	88%	12%
	26 Oct 2011	MD & CEO				

Figure 15 shows Tabcorp's currently existing LTI allocations, together with future test dates.

Figure 15: Current LTI allocations

Grant year	Grant date	Allocation to	Test and expiry date
2012	4 Oct 2012	Senior management	20 Sep 2015
	31 Oct 2012	MD & CEO	
2013	2 Oct 2013	Senior management	18 Sep 2016
	31 Oct 2013	MD & CEO	
2014	28 Oct 2014	MD & CEO, senior management	16 Sep 2017

9. Remuneration tables

9.1 Remuneration of KMP

Figure 16A: KMP remuneration for the year ended 30 June 2015 – Non Executive Directors

KMP	Short term Salary & fees $	Post employment Super-annuation $	Total $
Paula Dwyer (i)	408,333	38,792	447,125
Elmer Funke Kupper	166,667	15,833	182,500
Steven Gregg	181,667	17,258	198,925
Jane Hemstritch	186,667	17,733	204,400
Justin Milne	166,667	15,833	182,500
Zygmunt Switkowski	196,667	18,683	215,350
Total	**1,306,668**	**124,132**	**1,430,800**

(i) In addition Ms Dwyer received a fee of $30,000 (excluding superannuation at 9.5%) for undertaking the role of Chairman of the Victorian Joint Venture Management Committee throughout the year.

Figure 16B: KMP remuneration for the year ended 30 June 2014 – Non Executive Directors

KMP	Short term Salary & fees $	Post employment Super-annuation $	Total $
Paula Dwyer (i)	400,000	37,000	437,000
Elmer Funke Kupper	160,833	14,877	175,710
Steven Gregg	175,000	16,187	191,187
Jane Hemstritch	180,833	16,727	197,560
Justin Milne	160,833	14,877	175,710
Zygmunt Switkowski	190,000	17,575	207,575
Total	**1,267,499**	**117,243**	**1,384,742**

(ii) In addition Ms Dwyer received a fee of $29,167 (excluding superannuation at 9.25%) for undertaking the role of Chairman of the Victorian Joint Venture Management Committee throughout the year.

Figure 16C: KMP remuneration for the year ended 30 June 2015 – Executives

	Short term			Long term	Post employment	Total excluding charge for share based allocations	Charge for share based allocations (iv)			
KMP	Salary & fees (i) $	Cash bonus (ii) $	Non-monetary benefits (iii) $	Accrued leave benefits $	Super-annuation $	$	Restricted Shares $	Performance Rights $	Total $	Performance related (v) %
Executive Director										
David Attenborough	1,056,300	425,000	1,145	44,337	18,783	1,545,565	214,837	968,936	2,729,338	59%
Executives										
Damien Johnston	630,158	275,000	-	13,554	18,783	937,495	67,869	335,281	1,340,645	51%
Craig Nugent	637,488	271,338	1,380	16,984	18,783	945,973	63,141	191,514	1,200,628	44%
Adam Rytenskild	506,717	157,650	-	(16,602)	18,783	666,548	47,601	163,374	877,523	42%
Kerry Willcock	552,008	134,379	-	34,562	18,783	739,732	48,093	293,958	1,081,783	44%
Total	**3,382,671**	**1,263,367**	**2,525**	**92,835**	**93,915**	**4,835,313**	**441,541**	**1,953,063**	**7,229,917**	

(i) Comprises salary and salary sacrificed benefits (including superannuation and motor vehicle novated leases where applicable).
(ii) Cash bonus reflects 75% (50% for the MD & CEO) of the STI achieved in the year. The remaining 25% (50% for the MD & CEO) of the STI is deferred into Restricted Shares, and is reflected in remuneration during the vesting period.
(iii) Comprises the cost to the Company for providing car parking, where applicable.
(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 cash bonus, Restricted Shares and Performance Rights as a percentage of total remuneration, excluding termination payments.

Figure 16D: KMP remuneration for the year ended 30 June 2014 – Executives

	Short term			Long term	Post employment	Total excluding charge for share based allocations	Charge for share based allocations (iv)		
KMP	Salary & fees (i) $	Cash bonus (ii) $	Non-monetary benefits (iii) $	Accrued leave benefits $	Super-annuation $	$	Performance Rights $	Total $	Performance related (v) %
Executive Director									
David Attenborough	928,974	506,250	306,967	(5,837)	17,775	1,754,129	758,858	2,512,987	50%
Executives									
Damien Johnston	614,057	249,638	-	(3,009)	17,775	878,461	282,932	1,161,393	46%
Craig Nugent (vi)	157,766	64,565	459	36,058	4,580	263,428	41,949	305,377	35%
Adam Rytenskild (vi)	130,708	53,804	-	12,959	4,580	202,051	34,799	236,850	37%
Kerry Willcock	513,429	219,713	-	18,605	17,775	769,522	247,533	1,017,055	46%
Total	**2,344,934**	**1,093,970**	**307,426**	**58,776**	**62,485**	**3,867,591**	**1,366,071**	**5,233,662**	

(i) Comprises salary and salary sacrificed benefits (including superannuation and motor vehicle novated leases).
(ii) Cash bonus reflects 75% of the STI achieved in the year. The remaining 25% of the STI is deferred into Restricted Shares, and is reflected in remuneration during the vesting period.
(iii) Comprises the cost to the Company for providing relocation expenses, living away from home benefits, accommodation, car parking, and airfares, where applicable.
(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 cash bonus and Performance Rights as a percentage of total remuneration, excluding termination payments.
(vi) Commenced as a KMP on 28 March 2014. Remuneration reflects period as a KMP. Salary & fees and long service leave reflect increase in annual leave and long service leave accruals due to new salary levels.

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 short term incentives (the Restricted Shares portion) and long term incentives to KMP. The Restricted Shares portion of the short term incentive are expensed by the Company over the vesting period. 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 16C and 16D 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 8.4.2 and 8.5.1.3.

An overview of the actual value of remuneration received by KMP during the year is outlined in Figure 16E. The information in the table differs to that outlined in Figure 16C, as Figure 16C is prepared in accordance with the Corporations Act and measured in accordance with accounting standards. This information is provided as it is considered to be of interest to users of the remuneration report.

Figure 16E: Actual value of remuneration received by KMP during the year ended 30 June 2015

KMP	Salary & fees (i) $	Cash bonus (ii) $	Super-annuation $	Value of STI vested (iii) $	Value of LTI vested (iv) $	Total $
Executive Director David Attenborough	1,056,300	506,250	18,783	-	1,446,086	3,027,419
Executives						
Damien Johnston	630,158	249,638	18,783	-	723,041	1,621,620
Craig Nugent	637,488	221,288	18,783	-	383,427	1,260,986
Adam Rytenskild	506,717	200,025	18,783	-	268,398	993,923
Kerry Willcock	552,008	219,713	18,783	-	632,660	1,423,164
Total	**3,382,671**	**1,396,914**	**93,915**	**-**	**3,453,612**	**8,327,112**

(i) Comprises salary and salary sacrificed benefits as calculated in Figure 16C.
(ii) Cash bonus reflects the 75% of the FY14 STI paid during the year, including the period the individual was not a KMP.
(iii) Value of Restricted Shares vesting during the year as part of the short term incentive, calculated based on the market value of Tabcorp shares at the date of vesting.
(iv) Value of shares issued during the year on the vesting of Performance Rights as part of the long term incentive, calculated based on the market value of Tabcorp shares at the date of vesting.

9.2 Other remuneration tables

Figure 17A: Short term incentive (STI) achieved

For the year ended 30 June 2015

KMP	Actual STI achieved: Cash portion $ (i)	Actual STI achieved: Restricted Shares portion $ (ii)	Actual STI achieved: Total $	Actual STI achieved as a % of target STI	STI not achieved as a % of target STI	Actual STI achieved as a % of maximum STI (iii)
David Attenborough	425,000	425,000	850,000	113%	0%	45%
Damien Johnston	275,000	91,666	366,666	113%	0%	45%
Craig Nugent	271,338	90,446	361,784	107%	0%	43%
Adam Rytenskild	157,650	52,550	210,200	80%	20%	32%
Kerry Willcock	134,379	44,793	179,172	63%	37%	25%

(i) 75% (50% for the MD & CEO) of the actual STI achieved is paid as cash, and is included in remuneration of the current financial year.
(ii) 25% (50% for the MD & CEO) of the actual STI achieved is deferred in the form of Restricted Shares which are subject to a two year service restriction from the grant date. The Restricted Shares will be granted after the end of the financial year, and the value will be reflected in remuneration during the vesting period.
(iii) Maximum STI for KMPs may vary, as it is subject to Board discretion.

Figure 17B: Performance Rights granted during the year

For the year ended 30 June 2015

KMP	Grant date	Number	Fair value at grant date $	Exercise price $	Expiry date
David Attenborough	28 October 2014	519,125	2.42	Nil	16 September 2017
Damien Johnston	28 October 2014	178,101	2.42	Nil	16 September 2017
Craig Nugent	28 October 2014	112,641	2.42	Nil	16 September 2017
Adam Rytenskild	28 October 2014	91,368	2.42	Nil	16 September 2017
Kerry Willcock	28 October 2014	156,653	2.42	NIl	16 September 2017

Figure 17C: Performance Rights vested and shares issued during the year

KMP	During the year ended 30 June 2015: Performance Rights vested (number)	Shares issued (number)	Amount paid per share ($)
David Attenborough	394,029	394,029	Nil
Damien Johnston	197,014	197,014	Nil
Craig Nugent	104,476	104,476	Nil
Adam Rytenskild	73,133	73,133	Nil
Kerry Willcock	172,387	172,387	Nil
Total	**941,039**	**941,039**	

Figure 17D: Value of Performance Rights granted as part of remuneration - granted, vested and lapsed during the year

KMP	During the year ended 30 June 2015: Granted (i) $	Vested (ii) $	Lapsed (iii) $	As a % of remuneration (iv) %
David Attenborough	1,256,283	1,446,086	197,196	36%
Damien Johnston	431,004	723,041	98,598	25%
Craig Nugent	272,591	383,427	52,286	16%
Adam Rytenskild	221,111	268,398	36,601	19%
Kerry Willcock	379,100	632,660	86,274	27%
Total	**2,560,089**	**3,453,612**	**470,955**	

(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 20 of the Tabcorp Financial Report.
(ii) Represents the value of Performance Rights vested during the year. The value is calculated based on the market value of Tabcorp shares at the date of vesting.
(iii) Represents the value of Performance Rights that lapsed 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.
(iv) 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.

Figure 17E: KMP interests in Performance Rights of Tabcorp Holdings Limited (number)

For the year ended 30 June 2015

KMP	Balance at start of year	Granted as remuneration	Vested	Net change other (i)	Balance at end of year (ii)
David Attenborough	1,465,409	519,125	(394,029)	(53,732)	1,536,773
Damien Johnston	634,880	178,101	(197,014)	(26,866)	589,101
Craig Nugent	342,198	112,641	(104,476)	(14,247)	336,116
Adam Rytenskild	280,666	91,368	(73,133)	(9,973)	288,928
Kerry Willcock	555,496	156,653	(172,387)	(23,508)	516,254
Total	**3,278,649**	**1,057,888**	**(941,039)**	**(128,326)**	**3,267,172**

(i) Includes forfeitures.

(ii) The number of Performance Rights vested and exercisable at year end was nil.

Figure 17F: KMP interests in shares of Tabcorp Holdings Limited (number)

For the year ended 30 June 2015

KMP	Balance at start of year	Granted as remuneration (i)	On vesting of Performance Rights	Net change other (ii)	Balance at end of year
Non Executive Directors					
Paula Dwyer	50,000	-	-	4,166	54,166
Elmer Funke Kupper	40,000	-	-	14,166	54,166
Steven Gregg	10,000	-	-	5,000	15,000
Jane Hemstritch	23,181	-	-	1,931	25,112
Justine Milne	8,500	-	-	708	9,208
Zygmunt Switkowski	84,876	-	-	7,073	91,949
Executive Director					
David Attenborough	58,609	46,825	394,029	41,621	541,084
Executives					
Damien Johnston	66,383	23,193	197,014	(42,501)	244,089
Craig Nugent	-	20,559	104,476	-	125,035
Adam Rytenskild	21,643	18,583	73,133	(92,993)	20,366
Kerry Willcock	126,211	20,412	172,387	30,112	349,122
Total	**489,403**	**129,572**	**941,039**	**(30,717)**	**1,529,297**

(i) Includes Restricted shares issued during the year as part of the short term incentive.

(ii) Includes participation in capital raisings, the Tabcorp Dividend Reinvestment Plan and other voluntary on-market transactions.

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

Paula J. Dwyer
Chairman

Melbourne
13 August 2015

Income statement

For the year ended 30 June 2015

	Note	**2015 $m**	2014 $m
Revenue		**2,155.5**	2,039.8
Other income	2	**(3.7)**	0.7
Government taxes and levies		**(365.2)**	(349.5)
Commissions and fees		**(823.6)**	(770.8)
Employment costs		**(176.0)**	(165.1)
Communications and technology costs		**(78.5)**	(75.9)
Depreciation and amortisation	2	**(173.5)**	(164.4)
Property costs		**(41.7)**	(41.3)
Advertising and promotions		**(41.9)**	(38.1)
Other expenses		**(116.8)**	(113.7)
Profit before income tax expense and net finance costs		**334.6**	321.7
Finance income		**5.3**	3.4
Finance costs	2	**(81.1)**	(100.6)
Profit from continuing operations before income tax expense		**258.8**	224.5
Income tax benefit/(expense)	4	**75.7**	(75.1)
Profit from continuing operations after income tax		**334.5**	149.4
Discontinued operations			
Loss from discontinued operations, net of tax	28	**-**	(19.5)
Net profit after tax		**334.5**	129.9
Other comprehensive income			
Change in fair value of cash flow hedges taken to equity that may be reclassified to profit or loss		**1.9**	(4.9)
Exchange differences on translation of foreign operations		**0.7**	(0.2)
Income tax on items that may be reclassified to profit or loss	4	**(0.6)**	1.5
Items that will not be reclassified to profit or loss		**2.1**	(0.4)
Income tax on items that will not be reclassified to profit or loss	4	**(0.6)**	0.1
Other comprehensive income/(loss) for the year, net of income tax		**3.5**	(3.9)
Total comprehensive income for the year		**338.0**	126.0
Earnings per share:			
From continuing operations			
Basic earnings per share (cents)	6	**42.4**	19.8
Diluted earnings per share (cents)	6	**42.2**	19.7
Total attributable to shareholders of Tabcorp			
Basic earnings per share (cents)	6	**42.4**	17.2
Diluted earnings per share (cents)	6	**42.2**	17.1

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

Balance sheet

As at 30 June 2015

	Note	2015 $m	2014 $m
Current assets			
Cash and cash equivalents	17	**160.0**	126.8
Receivables	7	**35.1**	39.9
Consumables		**4.9**	4.7
Derivative financial instruments		**1.9**	-
Current tax assets		**76.2**	0.7
Other	8	**18.1**	8.9
Total current assets		**296.2**	181.0
Non current assets			
Receivables	7	**14.2**	16.8
Property, plant and equipment	9	**325.1**	312.6
Intangible assets - licences	10	**700.9**	726.6
Intangible assets - other	11	**1,924.7**	1,833.9
Derivative financial instruments		**79.2**	21.6
Other	8	**43.7**	12.6
Total non current assets		**3,087.8**	2,924.1
TOTAL ASSETS		**3,384.0**	3,105.1
Current liabilities			
Payables	13	**334.1**	340.9
Current tax liabilities		**14.2**	-
Provisions	15	**27.3**	25.9
Derivative financial instruments		**24.0**	22.6
Other		**6.7**	7.2
Total current liabilities		**406.3**	396.6
Non current liabilities			
Interest bearing liabilities	14	**1,147.7**	1,094.3
Deferred tax liabilities	4	**58.1**	66.9
Provisions	15	**25.1**	10.9
Derivative financial instruments		**53.0**	50.5
Other		**3.7**	4.5
Total non current liabilities		**1,287.6**	1,227.1
TOTAL LIABILITIES		**1,693.9**	1,623.7
NET ASSETS		**1,690.1**	1,481.4
Equity			
Issued capital	16	**2,426.2**	2,188.7
Accumulated losses		**(32.0)**	(0.7)
Reserves	16	**(704.1)**	(706.6)
TOTAL EQUITY		**1,690.1**	1,481.4

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

Cash flow statement

For the year ended 30 June 2015

	Note	**2015 $m**	2014 $m
Cash flows from operating activities			
Net cash receipts in the course of operations		**2,193.3**	2,091.0
Payments to suppliers, service providers and employees		**(1,407.3)**	(1,274.7)
Payment of government levies, betting taxes and GST		**(311.3)**	(253.6)
Finance income received		**5.3**	3.8
Finance costs paid		**(83.1)**	(103.9)
Income tax refund/(paid)		**2.8**	(75.2)
Net cash flows from operating activities	17	**399.7**	387.4
Cash flows from investing activities			
Payment for business acquisition, net of cash acquired	27	**(103.3)**	-
Payment for property, plant and equipment and intangibles		**(131.6)**	(198.4)
Proceeds from sale of property, plant and equipment and intangibles		**-**	2.1
Loan repayments received from customers		**3.2**	40.9
Loans advanced to customers		**-**	(0.1)
Net cash flows used in investing activities		**(231.7)**	(155.5)
Cash flows from financing activities			
Net cash flows from revolving bank facilities		**-**	(154.5)
Proceeds from long term borrowings		**-**	434.5
Repayment of long term borrowings		**-**	(434.5)
Dividends paid		**(357.6)**	(67.0)
Proceeds from issue of shares		**235.8**	7.0
Payment of transaction costs for share issue		**(7.1)**	-
Payments for on-market share purchase		**(5.9)**	(0.4)
Proceeds from sale of treasury shares		**-**	0.1
Net cash flows used in financing activities		**(134.8)**	(214.8)
Net increase in cash held		**33.2**	17.1
Cash at beginning of year		**126.8**	109.7
Cash at end of year	17	**160.0**	126.8

The accompanying notes form an integral part of this cash flow statement.
The cash flow statement for the prior year includes the cash flows of the discontinued gaming operations, refer note 28.

Statement of changes in equity
For the year ended 30 June 2015

	Issued capital Ordinary shares $m	Issued capital Treasury shares $m	Accumulated losses $m	Net unrealised losses reserve $m	Employee equity benefit reserve $m	Demerger reserve $m	Foreign currency translation reserve $m	Total equity $m
2015								
Balance at beginning of year	**2,189.2**	**(0.5)**	**(0.7)**	**(40.5)**	**4.0**	**(669.9)**	**(0.2)**	**1,481.4**
Profit for the year	**-**	**-**	**334.5**	**-**	**-**	**-**	**-**	**334.5**
Other comprehensive income	**-**	**-**	**1.5**	**1.3**	**-**	**-**	**0.7**	**3.5**
Total comprehensive income	**-**	**-**	**336.0**	**1.3**	**-**	**-**	**0.7**	**338.0**
Dividends paid	**-**	**-**	**(367.3)**	**-**	**-**	**-**	**-**	**(367.3)**
Dividend reinvestment plan	**9.7**	**-**	**-**	**-**	**-**	**-**	**-**	**9.7**
Ordinary shares issued (i)	**235.8**	**-**	**-**	**-**	**-**	**-**	**-**	**235.8**
Transaction costs for share issue	**(5.0)**	**-**	**-**	**-**	**-**	**-**	**-**	**(5.0)**
Transfers	**2.1**	**-**	**-**	**-**	**(2.1)**	**-**	**-**	**-**
Restricted shares issued	**-**	**(1.1)**	**-**	**-**	**-**	**-**	**-**	**(1.1)**
Share based payments expense	**-**	**0.8**	**-**	**-**	**2.6**	**-**	**-**	**3.4**
Net outlay to purchase shares (ii)	**(4.8)**	**-**	**-**	**-**	**-**	**-**	**-**	**(4.8)**
Balance at end of year	**2,427.0**	**(0.8)**	**(32.0)**	**(39.2)**	**4.5**	**(669.9)**	**0.5**	**1,690.1**
2014								
Balance at beginning of year	2,129.3	(0.6)	(10.4)	(37.1)	1.9	(669.9)	-	1,413.2
Profit for the year	-	-	129.9	-	-	-	-	129.9
Other comprehensive loss	-	-	(0.3)	(3.4)	-	-	(0.2)	(3.9)
Total comprehensive income	-	-	129.6	(3.4)	-	-	(0.2)	126.0
Dividends paid	-	-	(119.9)	-	-	-	-	(119.9)
Dividend reinvestment plan	59.9	-	-	-	-	-	-	59.9
Restricted shares issued	-	(0.4)	-	-	-	-	-	(0.4)
Share based payments expense	-	0.4	-	-	2.1	-	-	2.5
Disposal of shares	-	0.1	-	-	-	-	-	0.1
Balance at end of year	2,189.2	(0.5)	(0.7)	(40.5)	4.0	(669.9)	(0.2)	1,481.4

(i) Ordinary shares issued under an accelerated renounceable entitlement offer.

(ii) Net outlay for the purchase of Company shares for vested Performance Rights in lieu of issuing new share capital.

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

1. Significant accounting policies and corporate information

Tabcorp Holdings Limited ('the Company') is a company limited by shares which are traded on the Australian Securities Exchange. The Company is incorporated and domiciled in Australia, and is a for-profit entity. The financial report of the Company for the year ended 30 June 2015 comprises the Company and its subsidiaries (collectively referred to as 'the Group') and the Group's interest in joint arrangements.

The financial report was authorised for issue by the Directors on 13 August 2015.

(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 2014:

AASB 2012-3	Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
AASB 2013-4	Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting (AASB 139)
AASB 2013-9	Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments Part A Conceptual Framework Part B Materiality
AASB 2014-1	Amendments to Australian Accounting Standards Part A Annual Improvements 2010-2012 and 2011-2013 Cycles Part B Defined Benefit Plans : Employee Contributions (Amendments to AASB 119) Part C Materiality
Interpretation 21	Levies

The adoption of these standards did not have a material 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
The following new and amended accounting standards and interpretations have been recently issued by the Australian Accounting Standards Board ('AASB') but not yet effective, are considered relevant to the Group. They are available for early adoption but have not been applied by the Group in this financial report:

AASB 9 Financial Instruments is applicable to the Group from 1 July 2018. It includes revised guidance on classification and measurement of financial instruments and new hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.

AASB 15 Revenue from Contracts with Customers is applicable to the Group from 1 July 2017. It establishes a framework for determining whether, how much and when the revenue is recognised. The core principle is that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price.

The Group does not expect these new standards to have a significant impact however increased disclosures may be required.

The financial report complies with Australian Accounting Standards as issued by the AASB. The financial report also complies with International Financial Reporting Standards 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 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 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.

(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
- (q) Intangible assets

note 12 - Impairment testing of goodwill and intangibles with indefinite lives
note 23 - Contingent liabilities and contingent assets
note 26 - Financial instruments - fair values

(d) Basis of consolidation

Controlled entities
Controlled entities are entities controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group controls an entity if and only if the Group has
- power over the entity;
- exposure, or rights, to variable returns from its involvement with the entity; and
- the ability to use its power over the entity to affect its returns.

The financial statements of controlled entities are included in the consolidated financial report from the date control commences until the date that control ceases.

Joint arrangements
A joint arrangement is an arrangement over which the Group has joint control with other parties and is bound by a contractual arrangement.
A joint arrangement is classified as either a joint operation or a joint venture depending upon the rights and obligations of the parties to the arrangement.

1. Significant accounting policies and corporate information (continued)

(d) Basis of consolidation (continued)

Joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. The Group recognises in relation to its interest in a joint operation its assets, including its share of assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue including its share of revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly.

Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since acquisition date.

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.

(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 revenue

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

Fixed odds betting 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.

The Group operates loyalty programmes enabling customers to accumulate award credits for wagering 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.

Keno revenue

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

1. Significant accounting policies and corporate information (continued)

(h) Revenue (continued)

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 includes the supply of gaming machines and specialised services to licenced gaming venues, and is recognised once the service has been rendered.

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 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(c) for details regarding tax consolidation.

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 certain Keno 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.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

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).

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. Subsequent increases in receivables due to the passage of time are not recognised where a receivable is fully impaired.

An allowance for doubtful debts or impairment 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) Consumables

Consumable stores 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 the estimated costs necessary to make the sale.

(n) 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.

1. Significant accounting policies and corporate information (continued)

(o) 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.

(p) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation.

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. Lease incentives received are recognised as a liability and released to the income statement on a straight line basis over the lease term. Where the lease incentive is in the form of a fitout contribution by the landlord, an asset is recognised and amortised 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	3 - 13 years
Plant and equipment	3 - 10 years

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

(q) 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. Any contingent consideration is recognised at fair value at the acquisition date.

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 12 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(r)). 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 extension in July 2013 until expiry in 2047.

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.

ACT totalisator licence:

The licence is amortised on a straight line basis over the life of the licence from October 2014 until expiry in 2064.

ACT sports bookmaking licence:

The licence is amortised on a straight line basis over the life of the licence from October 2014 until expiry in 2064. The licence has been granted for an initial term of 15 years with further rolling extensions to a total term of 50 years.

NSW Trackside concessions:

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

NSW retail exclusivity:

The retail exclusivity is amortised on a straight line basis from September 2013 until June 2033.

Software:

Software is amortised on a straight line basis over its useful life, which varies from 3 to 10 years.

Other:

Other intangible assets relate to customer contracts and relationships which are amortised over a period of 12 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.

1. Significant accounting policies and corporate information (continued)

(r) 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 of disposal 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 12 for further details of key assumptions included in the impairment calculation.

(s) Payables

Payables are stated at amortised cost.

(t) 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.

(u) Interest bearing liabilities

Interest bearing liabilities are recognised initially at fair value together with 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.

(v) Employee benefits

Post-employment benefits accumulation plan

The Group's commitment to accumulation plans is limited to making the contributions at least 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.

Other long term employee benefits

The Group's net obligation in respect of long term employee 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 discounted to determine its present value. Remeasurements are recognised in the income statement in the period in which they arise.

Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided and the obligation can be estimated reliably.

Share based payments

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 senior management, it is mandatory to defer 25% (50% for the MD & CEO) of their STPP into Restricted Shares, which are subject to a two year service condition.

The cost of the Restricted Shares is based on the market price at grant date and is recognised over the vesting period.

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 20 for further details on the share based payments.

(w) Deferred revenue

Deferred revenue includes:

- subscriptions received relating to future periods; and
- the fair value of unredeemed customer loyalty award credits.

(x) 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.

1. Significant accounting policies and corporate information (continued)

(y) 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.

(z) 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.

(aa) 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

	Note	2015 $m	2014 $m
(a) Revenue includes:			
Interest revenue		**1.4**	3.0
(b) Other income			
Net loss on disposal of non current assets		**(6.0)**	-
Other income		**2.3**	0.7
		(3.7)	0.7
(c) Employment costs include:			
Defined contribution plan expense		**12.6**	11.1
Share based payments expense		**3.7**	2.5
		16.3	13.6
(d) Depreciation and amortisation			
Depreciation - property, plant and equipment	9	**82.3**	83.1
Amortisation - intangible assets - licences	10	**44.1**	43.7
Amortisation - intangible assets - other	11	**47.1**	37.6
		173.5	164.4
(e) Operating lease rentals			
Minimum lease payments		**39.9**	39.6
(f) Finance costs			
Interest costs		**76.1**	91.1
Other finance costs		**5.0**	9.3
Net loss on cash flow hedges		**-**	0.2
		81.1	100.6

3. Auditor's remuneration

	2015 $000	2014 $000
Amounts received or due and receivable by Ernst and Young for:		
- audit and review of the financial report of the Group	**961**	990
- other assurance services in relation to the Group [(i)]	**375**	272
	1,336	1,262

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

4. Income tax

(a) Income tax benefit/(expense) reported in the income statement

	Note	2015 $m	2014 $m
The major components of income tax benefit/(expense) are:			
Current tax expense		**(85.0)**	(67.0)
Adjustments in respect of current income tax of previous years		**146.6**	1.9
Deferred income tax expense relating to the origination and reversal of temporary differences		**14.1**	(1.6)
Income tax benefit/(expense) reported in the income statement		**75.7**	(66.7)
Income tax benefit/(expense) reported in the income statement		**75.7**	(75.1)
Income tax benefit attributable to discontinued operations	28	**-**	8.4
		75.7	(66.7)
Aggregate current and deferred tax relating to items charged or credited to equity:			
Change in fair value of cash flow hedges		**(0.6)**	1.5
Other		**(0.6)**	0.1
Income tax benefit/(expense) reported in other comprehensive income		**(1.2)**	1.6
Income tax benefit/(expense)			
A reconciliation between income tax expense and the product of accounting profit before income tax multiplied by the income tax rate is as follows:			
Accounting profit before income tax expense from continuing operations		**258.8**	224.5
Loss before income tax benefit from discontinued operations	28	**-**	(27.9)
Accounting profit before income tax		**258.8**	196.6
At the Group's statutory income tax rate of 30%		**(77.6)**	(59.0)
- NSW Trackside concessions tax benefit (i)		**31.5**	-
- Victorian licences tax benefit (ii)		**128.9**	-
- amortisation of Victorian licences		**(11.7)**	(11.7)
- other		**4.6**	4.0
Aggregate income tax benefit/(expense)		**75.7**	(66.7)

(i) In November 2014, Tabcorp resolved with the Australian Taxation Office the tax treatment of the NSW Trackside concessions payment of $150 million, which was recognised as an asset in 2010. Under the settlement Tabcorp is entitled to a tax deduction of $105 million over a 10 year period. The Group considers the settlement changes the tax base of the asset, resulting in a new temporary difference arising. An income tax benefit of $31.5 million representing the entire deduction has been recognised during the year ended 30 June 2015, together with a deferred tax asset which will unwind as the tax deductions are claimed or prior assessments are amended.

(ii) In May 2015, Tabcorp resolved with the Australian Taxation Office the income tax treatment of the $597.2 million it paid to the State of Victoria in 1994 in relation to the Victorian licences granted at that time. The agreed tax treatment provides Tabcorp with an allowable deduction of $429.6 million, with the balance generating a capital loss of $167.6 million. As a result, Tabcorp has recognised an income tax benefit of $128.9 million in the year ended 30 June 2015.

(b) Deferred tax assets/(liabilities)

	2015 $m	2014 $m
Deferred tax items comprise temporary differences attributable to:		
Amounts recognised in the income statement		
Provisions		
- employee benefits	**7.8**	7.1
- other	**3.9**	4.0
Accrued expenses	**10.1**	6.8
Property, plant and equipment	**14.7**	13.7
Derivatives	**2.9**	3.5
NSW Trackside concessions	**17.3**	-
Other	**3.3**	7.1
Intangible assets - licences	**(101.0)**	(96.8)
Intangible assets - other	**(8.9)**	(8.7)
Unclaimed dividends	**(5.5)**	(5.8)
Research and development	**(20.6)**	(16.7)
	(76.0)	(85.8)
Amounts recognised directly in equity		
Fair value of cash flow hedges	**16.8**	17.4
Share issue transaction costs	**1.8**	1.7
Other	**(0.7)**	(0.2)
	17.9	18.9
Deferred tax liabilities	**(58.1)**	(66.9)
Movements		
Carrying amount at beginning of year	**(66.9)**	(64.3)
Credited/(charged) to the income statement	**14.1**	(1.6)
Credited/(charged) to equity in current or prior years	**1.0**	(1.0)
Acquisitions through business combinations (refer note 27)	**(6.3)**	-
Carrying amount at end of year	**(58.1)**	(66.9)

4. Income tax (continued)

(c) 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.

5. Dividends

	2015 $m	2014 $m
Dividends declared and paid during the year on ordinary shares:		
(a) 2015 Interim dividend of 10.0 cents per share (2014: 8.0 cents per share)	**76.6**	60.3
(b) 2015 Special dividend of 30.0 cents per share (2014: nil)	**229.7**	-
(c) 2014 Final dividend of 8.0 cents per share (2013: 8.0 cents per share)	**61.0**	59.6
	367.3	119.9
Dividends declared after balance date		
Since the end of the financial year, the Directors declared the following dividend:		
Final dividend for 2015 of 10.0 cents per share (2014: 8.0 cents per share)	**82.9**	61.0

The financial effect of this dividend has not been brought to account in the financial statements and will be recognised in subsequent financial reports.

	2015 $m	2014 $m
Franking credit balance		
Franking credits available at the 30% corporate tax rate after allowing for tax payable, tax receivable and the payment of dividends provided as at balance date - calculated under the tax paid basis	**162.7**	382.8

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

	2015 $m	2014 $m
Basic and diluted earnings per share		
Profit from continuing operations after income tax	**334.5**	149.4
Loss from discontinued operations, net of tax	**-**	(19.5)
Earnings used in calculation of basic and diluted EPS attributable to shareholders of Tabcorp	**334.5**	129.9

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

	2015 Number	2014 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	**789,660,884**	755,602,974
Effect of dilution		
- Performance Rights	**3,861,291**	3,509,747
Weighted average number of ordinary shares adjusted for the effect of dilution	**793,522,175**	759,112,721

(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 20.

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.

7. Receivables

	2015 $m	2014 $m
Current		
Trade debtors	**21.4**	22.6
Allowance for doubtful debts	**(2.5)**	(2.5)
	18.9	20.1
Receivable in respect of Victorian licences (i)	**474.6**	474.6
Allowance for impairment (i)	**(474.6)**	(474.6)
	-	-
Sundry debtors	**14.5**	18.1
Other (ii)	**1.7**	1.7
	35.1	39.9
Non current		
Other (ii)	**14.2**	16.8

(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 commenced legal action in the Supreme Court of Victoria seeking a payment from the State of Victoria, refer to note 23 'Contingent liabilities and contingent assets - Victorian licence litigation' for further detail.

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 reflect fixed term loans and generate fixed or variable interest for the Group. The carrying value may be affected by changes in the credit risk of the counterparties.

Ageing analysis of trade debtors	**0 - 30 days $m**	**31 - 60 days $m**	**> 60 days $m**	**Total $m**
2015				
Current	**15.9**	**-**	**-**	**15.9**
Past due not impaired	**-**	**1.1**	**1.9**	**3.0**
Considered impaired	**-**	**0.4**	**2.1**	**2.5**
	15.9	**1.5**	**4.0**	**21.4**
2014				
Current	17.6	-	-	17.6
Past due not impaired	-	0.9	1.6	2.5
Considered impaired	-	0.4	2.1	2.5
	17.6	1.3	3.7	22.6

Other balances within receivables are not past due and are expected to be received when due.

8. Other assets

	2015 $m	2014 $m
Current		
Prepayments	**16.8**	8.8
Other	**1.3**	0.1
	18.1	8.9
Non current		
Prepayments	**33.6**	8.6
Other	**10.1**	4.0
	43.7	12.6

9. Property, plant and equipment

	2015 $m	2014 $m
Land at cost		
- Freehold	**5.3**	5.3
- Leasehold (i)	**2.4**	-
	7.7	5.3
Buildings		
- at cost (ii)	**27.3**	20.2
- accumulated depreciation	**(11.4)**	(10.2)
	15.9	10.0
Leasehold improvements		
- at cost (ii)	**107.4**	99.3
- accumulated depreciation	**(59.9)**	(52.5)
	47.5	46.8
Plant and equipment		
- at cost (ii)	**720.5**	659.4
- accumulated depreciation	**(466.5)**	(408.9)
	254.0	250.5
	325.1	312.6

(i) Leasehold land is held under crown leases granted under the Land Titles Act 1925.

(ii) Includes capital works in progress of:

	2015 $m	2014 $m
Buildings - at cost	**1.1**	-
Leasehold improvements - at cost	**6.5**	5.6
Plant and equipment - at cost	**19.9**	10.2
Total capital works in progress	**27.5**	15.8

Reconciliations

	Land $m	Buildings $m	Leasehold improvements $m	Plant and equipment $m	Total $m
2015					
Carrying amount at beginning of year	**5.3**	**10.0**	**46.8**	**250.5**	**312.6**
Additions	**-**	**6.4**	**11.5**	**72.4**	**90.3**
Acquisitions through business combinations (refer note 27)	**2.4**	**1.2**	**2.4**	**2.3**	**8.3**
Disposals	**-**	**(0.2)**	**(1.8)**	**(1.8)**	**(3.8)**
Depreciation expense	**-**	**(1.5)**	**(11.4)**	**(69.4)**	**(82.3)**
Carrying amount at end of year	**7.7**	**15.9**	**47.5**	**254.0**	**325.1**
2014					
Carrying amount at beginning of year	5.3	10.1	50.7	242.4	308.5
Additions	-	1.1	8.8	77.4	87.3
Disposals	-	(0.1)	-	-	(0.1)
Depreciation expense	-	(1.1)	(12.7)	(69.3)	(83.1)
Carrying amount at end of year	5.3	10.0	46.8	250.5	312.6

10. Intangible assets - licences

	2015 $m	2014 $m
Victorian wagering and betting licence		
- at cost	**418.7**	418.7
- accumulated amortisation	**(100.3)**	(65.4)
	318.4	353.3
NSW wagering licence		
- at cost	**339.1**	339.1
- accumulated amortisation	**(40.6)**	(36.9)
	298.5	302.2
Queensland and Victorian Keno licences		
- at cost	**102.3**	102.3
- accumulated amortisation and impairment	**(36.4)**	(31.2)
	65.9	71.1
ACT totalisator licence		
- at cost	**12.6**	-
- accumulated amortisation	**(0.2)**	-
	12.4	-
ACT sports bookmaking licence		
- at cost	**5.8**	-
- accumulated amortisation	**(0.1)**	-
	5.7	-
	700.9	726.6

10. Intangible assets - licences (continued)

Reconciliations

	Victorian wagering and betting licence $m	NSW wagering licence $m	Queensland and Victorian Keno licences $m	ACT totalisator licence $m	ACT sports bookmaking licence $m	Total $m
2015						
Carrying amount at beginning of year	**353.3**	**302.2**	**71.1**	**-**	**-**	**726.6**
Additions	**-**	**-**	**-**	**-**	**-**	**-**
Acquisitions through business combinations (refer note 27)	**-**	**-**	**-**	**12.6**	**5.8**	**18.4**
Amortisation expense	**(34.9)**	**(3.7)**	**(5.2)**	**(0.2)**	**(0.1)**	**(44.1)**
Carrying amount at end of year	**318.4**	**298.5**	**65.9**	**12.4**	**5.7**	**700.9**
2014						
Carrying amount at beginning of year	388.1	305.9	56.3	-	-	750.3
Additions	-	-	20.0	-	-	20.0
Amortisation expense	(34.8)	(3.7)	(5.2)	-	-	(43.7)
Carrying amount at end of year	353.3	302.2	71.1	-	-	726.6

11. Intangible assets - other

	2015 $m	2014 $m
Goodwill		
- at cost	**2,136.6**	2,053.3
- accumulated impairment	**(704.9)**	(704.9)
	1,431.7	1,348.4
NSW Trackside concessions		
- at cost	**150.0**	150.0
- accumulated amortisation	**(7.8)**	(6.1)
	142.2	143.9
NSW retail exclusivity		
- at cost	**51.3**	51.3
- accumulated amortisation	**(5.1)**	(2.5)
	46.2	48.8
Software		
- at cost (i)	**426.8**	399.0
- accumulated amortisation and impairment	**(267.7)**	(248.1)
	159.1	150.9
Other		
- at cost	**11.5**	12.2
- accumulated amortisation	**(6.6)**	(6.4)
	4.9	5.8
Brand names - at cost	**110.0**	105.5
Media content and broadcast rights - at cost	**30.6**	30.6
	1,924.7	1,833.9
(i) Includes capital works in progress of	**36.0**	27.0

Reconciliations

	Goodwill $m	NSW Trackside concessions $m	NSW retail exclusivity $m	Software $m	Other $m	Brand names $m	Media content and broadcast rights $m	Total $m
2015								
Carrying amount at beginning of year	**1,348.4**	**143.9**	**48.8**	**150.9**	**5.8**	**105.5**	**30.6**	**1,833.9**
Additions:								
- acquired	**-**	**-**	**-**	**31.6**	**-**	**-**	**-**	**31.6**
- internally developed	**-**	**-**	**-**	**21.1**	**-**	**-**	**-**	**21.1**
Acquisitions through business combinations (refer note 27)	**82.0**	**-**	**-**	**0.3**	**-**	**4.5**	**-**	**86.8**
Amortisation	**-**	**(1.7)**	**(2.6)**	**(41.9)**	**(0.9)**	**-**	**-**	**(47.1)**
Disposals	**-**	**-**	**-**	**(2.9)**	**-**	**-**	**-**	**(2.9)**
Other	**1.3**	**-**	**-**	**-**	**-**	**-**	**-**	**1.3**
Carrying amount at end of year	**1,431.7**	**142.2**	**46.2**	**159.1**	**4.9**	**110.0**	**30.6**	**1,924.7**
2014								
Carrying amount at beginning of year	1,346.0	145.6	-	137.6	7.1	105.5	30.6	1,772.4
Additions:								
- acquired	2.4	-	51.3	28.9	-	-	-	82.6
- internally developed	-	-	-	16.5	-	-	-	16.5
Amortisation	-	(1.7)	(2.5)	(32.1)	(1.3)	-	-	(37.6)
Carrying amount at end of year	1,348.4	143.9	48.8	150.9	5.8	105.5	30.6	1,833.9

12. Impairment testing of goodwill and intangibles

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 other intangible assets with indefinite useful lives allocated to each cash generating unit or segment:

	2015	2014
Goodwill	**$m**	$m
- Wagering and Media [(i)]	**1,277.7**	1,194.4
- Keno	**154.0**	154.0
	1,431.7	1,348.4
Other intangible assets with indefinite useful lives		
- NSW Wagering	**98.8**	98.8
- ACTTAB	**4.5**	-
- Sky Racing	**30.8**	30.8
- Sky Sports Radio	**6.5**	6.5
	140.6	136.1

(i) During the year the previous Media and International segment was combined with the Wagering segment as the nature of products and services are inherently related, and goodwill is now allocated to the ‘Wagering and Media’ segment.

The recoverable amount of each cash generating unit is determined based on fair value less costs of disposal, 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%. This is considered to be level 3 in the fair value hierarchy, based on non market observable inputs.

Key assumptions

The following describes the key assumptions on which management based its cash flow projections when determining fair value less costs of disposal 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 Consumer Price Index.

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, NSW and the ACT.

It is assumed that retail exclusivity is retained. The wagering business competes with bookmakers in Victoria, NSW and the ACT, 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 and Territory of Australia 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 in place 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 key estimates and assumptions used to determine the fair value less costs of disposal 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.

13. Payables

	2015	2014
	$m	$m
Current		
Trade creditors and accrued expenses - unsecured	**334.1**	340.9

14. Interest bearing liabilities

	2015 $m	2014 $m
Non current		
Bank loans - unsecured	**615.8**	616.2
Subordinated notes [i]	**247.5**	246.0
US private placement [ii]	**284.4**	232.1
	1,147.7	1,094.3

(i) Floating interest rate, matures in March 2037, with an early redemption right exercisable from March 2017 and each quarter thereafter (or earlier in certain circumstances).

(ii) Fixed interest rate US dollar debt, matures in April 2019 and April 2022. Aggregate US dollar principal of $220.0m (June 2014: $220.0m). Cross currency swaps are in place for all US dollar debt. Under these swaps the aggregate Australian dollar amount payable is $210.5m (June 2014: $210.5m). The mark to market valuation of these swaps are included in 'Derivative financial instruments'.

Fair value disclosures
Details of the fair value of the Group's interest bearing liabilities are set out in note 26.

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

Type	Expiry date	$m
Revolving facility	June 2018	400.0
	December 2018	150.0
	June 2020	400.0
		950.0

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

15. Provisions

	2015 $m	2014 $m
Current		
Employee benefits	**23.2**	20.7
Premises	**1.6**	1.5
Other	**2.5**	3.7
	27.3	25.9
Non current		
Employee benefits	**3.6**	2.9
Premises	**21.5**	8.0
	25.1	10.9

Reconciliations

Movement in premises and other provisions during the year are set out below :

	Premises $m	Other $m
Carrying amount at beginning of year	**9.5**	**3.7**
Provisions made during the year	**13.9**	**2.8**
Acquisitions through business combinations	**1.1**	**-**
Provisions used during the year	**(1.4)**	**(2.6)**
Provisions reversed during the year	**-**	**(1.4)**
Carrying amount at end of year	**23.1**	**2.5**

Premises provisions comprise :

- lease rental and lease incentives amortised on a straight-line basis over the term of the lease;
- make good provisions for leasehold properties requiring remedial work at the end of the lease arrangement; and
- surplus lease space provisions.

16. Capital and reserves

	2015 $m	2014 $m
(a) Issued capital		
Ordinary shares - issued and fully paid [i]	**2,427.0**	2,189.2
Treasury shares [ii]	**(0.8)**	(0.5)
	2,426.2	2,188.7

(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	2015 Number of shares	2014 Number of shares
Balance at beginning of year	**762,954,019**	744,885,690
Share issue	**63,747,457**	-
Dividend reinvestment plan	**2,698,345**	18,068,329
Balance at end of year	**829,399,821**	762,954,019

(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 20 for details of employee share plans.

16. Capital and reserves (continued)

(b) Reserves

	2015 $m	2014 $m
Net unrealised losses reserve (i)	**(39.2)**	(40.5)
Employee equity benefit reserve (ii)	**4.5**	4.0
Demerger reserve (iii)	**(669.9)**	(669.9)
Foreign currency translation reserve	**0.5**	(0.2)
	(704.1)	(706.6)

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 20).

(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.

	2015 $m	2014 $m
Gross debt	**1,155.4**	1,103.3
EBITDA from continuing operations	**508.1**	486.1
Gearing ratio	**2.3**	2.3

17. Notes to the cash flow statement

(a) Cash and cash equivalents

For the purpose of the cashflow statement, cash and cash equivalents comprise:

	2015	2014
Cash on hand and in banks	**33.4**	46.6
Short term deposits, maturing within 30 days	**126.6**	80.2
	160.0	126.8

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

	2015	2014
Net profit after tax	**334.5**	129.9
Add items classified as investing/financing activities:		
- net loss on disposal of non current assets	**6.0**	-
Add non cash income and expense items:		
- depreciation and amortisation	**173.5**	164.4
- share based payments expense	**3.7**	2.5
- other	**2.7**	3.9
Net cash provided by operating activities before changes in assets and liabilities	**520.4**	300.7
Changes in assets and liabilities:		
(Increase)/decrease in:		
- trade and sundry receivables	**5.5**	47.7
- consumables	**(0.1)**	(0.3)
- current tax asset	**(75.5)**	(0.7)
- other assets	**(36.8)**	2.9
(Decrease)/increase in:		
- payables	**(10.2)**	41.4
- provisions	**(0.1)**	3.4
- deferred tax liabilities	**(14.1)**	4.3
- current tax liabilities	**14.2**	(13.7)
- other liabilities	**(3.6)**	1.7
Net cash flows from operating activities	**399.7**	387.4

18. Commitments

(a) Capital expenditure commitments

	2015	2014
Property, plant and equipment	**10.3**	20.5
Software	**1.4**	1.1
	11.7	21.6

(b) Operating lease commitments

Contracted but not provided for and payable:

	2015	2014
Not later than one year	**39.0**	43.7
Later than one year but not later than five years	**85.9**	104.2
Later than five years	**67.0**	70.0
	191.9	217.9

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:

	2015	2014
Not later than one year	**-**	0.4
Later than one year but not later than five years	**-**	-
	-	0.4

18. Commitments (continued)

The Group leases property under operating leases expiring from 1 to 13 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% of the cost is recoverable from VicRacing Pty Ltd.

19. 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. Intersegment pricing is determined on commercial terms and conditions.

The Group has three operating segments:

Wagering and Media	Comprises: - Totalisator and fixed odds betting activities. - National and international broadcasting of racing and sporting events.
Gaming Services	Supply of electronic gaming machines and specialised services to licensed gaming venues.
Keno	Keno operations in licensed venues and TABs in Victoria, Queensland and the ACT, and in licensed venues in NSW.

During the period the previous Media and International segment was combined with the Wagering segment, as the nature of products and services are inherently related. This follows revisions in the internal management structure. The prior period has been restated accordingly.

	Wagering and Media $m	Gaming Services $m	Keno $m	Total $m
2015				
Revenue	**1,856.9**	**99.6**	**199.0**	**2,155.5**
Segment profit before interest and tax	**247.2**	**41.6**	**47.5**	**336.3**
Depreciation and amortisation	**128.6**	**26.0**	**18.9**	**173.5**
Capital expenditure	**79.2**	**46.9**	**16.6**	**142.7**
2014				
Revenue	1,737.8	98.1	203.9	2,039.8
Segment profit before interest and tax	234.1	39.7	51.7	325.5
Depreciation and amortisation	116.6	27.3	20.5	164.4
Capital expenditure	73.3	43.5	15.9	132.7

Reconciliation of segment profit	**2015 $m**	2014 $m
Segment profit before interest and tax	**336.3**	325.5
Unallocated items:		
- finance income	**5.3**	3.4
- finance costs	**(81.1)**	(100.6)
- other	**(1.7)**	(3.8)
Profit from continuing operations before income tax expense	**258.8**	224.5

20. Employee share plans

The Company has share plans in operation which were established 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(v) and the Remuneration report.

20. Employee share plans (continued)

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	Expiry date	Balance at start of year Number	Granted during the year Number	Forfeited during the year Number	Vested during the year Number	Balance at end of year Number	Exercisable at end of year Number
2015							
23 September 2011	23 September 2014	**1,058,998**	-	**(127,084)**	**(931,914)**	**-**	-
26 October 2011	23 September 2014	**447,761**	**-**	**(53,732)**	**(394,029)**	**-**	-
4 October 2012	20 September 2015	**1,060,269**	**-**	**-**	**-**	**1,060,269**	-
31 October 2012	20 September 2015	**427,586**	**-**	**-**	**-**	**427,586**	-
2 October 2013	18 September 2016	**978,872**	**-**	**-**	**-**	**978,872**	-
31 October 2013	18 September 2016	**590,062**	**-**	**-**	**-**	**590,062**	-
28 October 2014	16 September 2017	**-**	**1,384,728**	**-**	**-**	**1,384,728**	-
		4,563,548	**1,384,728**	**(180,816)**	**(1,325,943)**	**4,441,517**	**-**
2014							
25 October 2010	14 September 2017	41,017	-	(41,017)	-	-	-
23 September 2011	23 September 2014	1,058,998	-	-	-	1,058,998	-
26 October 2011	23 September 2014	447,761	-	-	-	447,761	-
4 October 2012	20 September 2015	1,092,344	-	(32,075)	-	1,060,269	-
31 October 2012	20 September 2015	427,586	-	-	-	427,586	-
2 October 2013	18 September 2016	-	1,030,398	(51,526)	-	978,872	-
31 October 2013	18 September 2016	-	590,062	-	-	590,062	-
		3,067,706	1,620,460	(124,618)	-	4,563,548	-

Fair value of equity instruments

The Performance Rights have been independently valued at the date of grant using a modified form of Monte-Carlo simulation-based model.

The weighted average fair value of Performance Rights granted during the year was $2.42 (2014: $1.87).

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 $
25 October 2010	14 September 2017	7.47	24.00	6.50	4.97 (iv)	4.50
23 September 2011	23 September 2014	2.61	24.00	7.00	3.46	1.34
26 October 2011	23 September 2014	2.87	24.00	7.00	3.73	1.49
4 October 2012	20 September 2015	2.86	22.00	6.00	2.40	1.37
31 October 2012	20 September 2015	2.84	22.00	6.00	2.57	1.31
2 October 2013	18 September 2016	3.27	22.00	5.50	2.92	1.73
31 October 2013	18 September 2016	3.60	22.00	5.50	3.00	2.07
28 October 2014	16 September 2017	4.03	22.00	5.00	2.52	2.42

(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.

21. 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).

Name of controlled entity	Note	Country of incorporation	Equity interest at 30 June 2015 %	2014 %
Parent entity				
Tabcorp Holdings Limited	(a)	Australia		
Controlled entities				
Tabcorp Assets Pty Ltd	(a)	Australia	**100.0**	100.0
Tabcorp Manager Pty Ltd		Australia	**100.0**	100.0
Luxbet Pty Ltd	(a)	Australia	**100.0**	100.0
Tabcorp Investments No.5 Pty Ltd		Australia	**100.0**	100.0
Tabcorp Employee Share Administration Pty Ltd		Australia	**33.3**	33.3
Tabcorp Participant Pty Ltd	(a)	Australia	**100.0**	100.0
Tabcorp Investments No.2 Pty Ltd	(c)	Australia	**100.0**	100.0
Tabcorp Investments Pty Ltd		Australia	**100.0**	100.0
Showboat Australia Pty Ltd		Australia	**100.0**	100.0
Tabcorp Wagering Holdings Pty Ltd		Australia	**100.0**	100.0
Tabcorp ACT Pty Ltd (formerly Tabcorp Investments No. 8 Pty Ltd)	(a)(b)	Australia	**100.0**	100.0
Tabcorp Investments No. 9 Pty Ltd	(d)	Australia	**100.0**	n/a
COPL Pty Ltd	(e)	Australia	**100.0**	n/a
OneTab Holdings Pty Ltd	(h)	Australia	**100.0**	n/a
OneTab Australia Pty Ltd	(h)	Australia	**100.0**	n/a
Tabcorp Wagering (Vic) Pty Ltd	(a)	Australia	**100.0**	100.0
Tabcorp Wagering Participant (Vic) Pty Ltd	(a)	Australia	**100.0**	100.0
Tabcorp Wagering Manager (Vic) Pty Ltd		Australia	**100.0**	100.0
Tabcorp Wagering Assets (Vic) Pty Ltd	(a)	Australia	**100.0**	100.0
Tabcorp Investments No.4 Pty Ltd	(a)	Australia	**100.0**	100.0
Tab Limited	(a)	Australia	**100.0**	100.0
Sky Channel Pty Ltd	(a)	Australia	**100.0**	100.0
2KY Broadcasters Pty Ltd	(a)	Australia	**100.0**	100.0
Tabcorp Services Pty Ltd	(a)	Australia	**100.0**	100.0
Tabcorp Training Pty Ltd	(a)	Australia	**100.0**	100.0
Sky Channel Marketing Pty Ltd		Australia	**100.0**	100.0
Sky Australia International Racing Pty Ltd		Australia	**100.0**	100.0
Tabcorp Gaming Holdings Pty Ltd		Australia	**100.0**	100.0
Tabcorp Investments No.6 Pty Ltd		Australia	**100.0**	100.0
Keno (Qld) Pty Ltd		Australia	**100.0**	100.0
Tabcorp Gaming Solutions Pty Ltd		Australia	**100.0**	100.0
Tabcorp Gaming Solutions (NSW) Pty Ltd		Australia	**100.0**	100.0
Tabcorp Gaming Solutions (Qld) Pty Ltd		Australia	**100.0**	100.0
Tabcorp Gaming Solutions (ACT) Pty Ltd	(f)	Australia	**100.0**	n/a
TAHAL Pty Ltd		Australia	**100.0**	100.0
Keno (NSW) Pty Ltd		Australia	**100.0**	100.0
Club Gaming Systems (Holdings) Pty Ltd		Australia	**100.0**	100.0
The CGS Trust		Australia	**100.0**	100.0
Tabcorp International Pty Ltd	(a)	Australia	**100.0**	100.0
Tabcorp International No.4 Pty Ltd	(a)	Australia	**100.0**	100.0
Tabcorp Europe Holdings Limited		Isle of Man	**100.0**	100.0
Premier Gateway International Limited		Isle of Man	**50.0**	50.0
Premier Gateway Services Limited		Isle of Man	**50.0**	50.0
Tabcorp Europe Limited	(g)	Isle of Man	**100.0**	n/a
Luxbet Europe Limited		Isle of Man	**100.0**	100.0
Luxbet Europe Service Limited		Isle of Man	**100.0**	100.0
Tabcorp International No.5 Pty Ltd		Australia	**100.0**	100.0
Tabcorp Canada Limited		Canada	**100.0**	100.0
Tabcorp International No.6 Pty Ltd		Australia	**100.0**	100.0
Sky Racing World Holdco LLC		United States of America	**100.0**	100.0
Sky Racing World LLC		United States of America	**100.0**	100.0

(a) These companies have entered into a deed of cross guarantee with Tabcorp Holdings Limited.
(b) This company was added by an assumption deed contemplated by the Tabcorp Holdings Limited deed of cross guarantee on 10 October 2014.
(c) This company was removed from the Tabcorp Holdings Limited deed of cross guarantee pursuant to a revocation deed signed on 12 September 2014.
(d) This company was incorporated on 19 November 2014.
(e) This company was incorporated on 4 March 2015.
(f) This company was incorporated on 24 April 2015.
(g) This company was incorporated on 11 September 2014.
(h) These companies were acquired on 7 May 2015.

21. 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	**2015 $m**	2014 $m
Income statement		
Revenue	**1,906.2**	1,856.0
Other income	**(4.4)**	-
Government taxes and levies	**(328.1)**	(311.1)
Commissions and fees	**(735.7)**	(699.2)
Employment costs	**(150.0)**	(145.4)
Communication and technology costs	**(71.0)**	(69.1)
Depreciation and amortisation	**(130.5)**	(118.9)
Property costs	**(39.9)**	(39.7)
Advertising and promotions	**(29.1)**	(24.9)
Other expenses	**(106.5)**	(111.4)
Profit before income tax expense and net finance costs	**311.0**	336.3
Finance income	**5.3**	3.4
Finance costs	**(81.1)**	(100.6)
Profit from continuing operations before income tax expense	**235.2**	239.1
Income tax benefit/(expense)	**102.8**	(46.5)
Profit from continuing operations after income tax	**338.0**	192.6
Discontinued operations		
Loss from discontinued operations, net of tax	**-**	(19.5)
Net profit after tax	**338.0**	173.1
Other comprehensive income		
Change in fair value of cash flow hedges taken to equity that may be reclassified to profit or loss	**1.9**	(4.9)
Income tax on items that may be reclassified to profit or loss	**(0.6)**	1.5
Items that will not be reclassified to profit or loss	**2.1**	(0.4)
Income tax on items that will not be reclassified to profit or loss	**(0.6)**	0.1
Other comprehensive income/(loss) for the year, net of income tax	**2.8**	(3.7)
Total comprehensive income for the year	**340.8**	169.4
Net profit after tax	**338.0**	173.1
Accumulated losses at beginning of year	**(140.2)**	(193.1)
Other comprehensive income/(loss)	**1.5**	(0.3)
Dividends paid	**(367.3)**	(119.9)
Accumulated losses at end of year	**(168.0)**	(140.2)

21. Related party disclosure (continued)

(b) Investments in controlled entities (continued)

Tabcorp Holdings Limited Closed Group

	2015 $m	2014 $m
Balance sheet		
Cash and cash equivalents	**148.0**	111.4
Receivables	**19.0**	26.0
Consumables	**2.7**	3.1
Derivative financial instruments	**1.9**	-
Current tax asset	**76.2**	0.7
Other	**15.9**	7.5
Total current assets	**263.7**	148.7
Receivables	**184.1**	167.7
Investment in controlled entities	**86.8**	86.8
Property, plant and equipment	**194.9**	185.4
Intangibles - licences	**635.0**	655.5
Intangibles - other	**1,714.7**	1,638.7
Derivative financial instruments	**79.2**	21.6
Other	**35.2**	7.8
Total non current assets	**2,929.9**	2,763.5
TOTAL ASSETS	**3,193.6**	2,912.2
Payables	**303.2**	306.7
Current tax liabilities	**13.9**	-
Provisions	**26.2**	24.8
Derivative financial instruments	**24.0**	22.6
Other	**5.7**	5.4
Total current liabilities	**373.0**	359.5
Interest bearing liabilities	**1,147.7**	1,094.3
Deferred tax liabilities	**41.6**	55.6
Provisions	**24.5**	10.2
Derivative financial instruments	**53.0**	50.5
Total non current liabilities	**1,266.8**	1,210.6
TOTAL LIABILITIES	**1,639.8**	1,570.1
NET ASSETS	**1,553.8**	1,342.1
Issued capital	**2,426.2**	2,188.7
Accumulated losses	**(168.0)**	(140.2)
Reserves	**(704.4)**	(706.4)
TOTAL EQUITY	**1,553.8**	1,342.1

(c) Transactions with joint arrangements

The Group conducts an unincorporated joint venture with VicRacing Pty Ltd in Victoria. 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 joint venture. The joint venture is accounted for as a joint operation.

The Group charges the joint venture for the provision of employee, management and asset services. On consolidation, 50% of the charges eliminate (being the Group's interest in the joint venture). Charges for the remaining 50% of $72.5 million were received by the Group in 2015 (2014: $65.2 million).

(d) Significant restrictions

The Group operates under various state based licences which have regulatory requirements in place that restrict the Group's use of certain cash balances. The carrying amount of these cash balances included within the consolidated financial statements is $24.7 million (2014: $26.4 million).

(e) Director and executive disclosures

(i) Compensation of Key Management Personnel ('KMP')

	2015 $	2014 $
Short term	**5,955,231**	5,013,829
Other long term	**92,835**	58,776
Post employment	**218,047**	179,728
Share based payments	**2,394,604**	1,366,071
	8,660,717	6,618,404

(ii) KMP interests in Performance Rights of Tabcorp Holdings Limited.

Grant date	Expiry date	2015 Number	2014 Number
23 September 2011	23 September 2014	**-**	621,604
26 October 2011	23 September 2014	**-**	447,761
4 October 2012	20 September 2015	**616,877**	616,877
31 October 2012	20 September 2015	**427,586**	427,586
2 October 2013	18 September 2016	**574,759**	574,759
31 October 2013	18 September 2016	**590,062**	590,062
28 October 2014	16 September 2017	**1,057,888**	-
		3,267,172	3,278,649

Refer to Note 20 for further details on the plan.

	2015	2014
(iii) KMP interests in shares of Tabcorp Holdings Limited	**1,529,297**	489,403

22. Parent entity disclosures

	Tabcorp Holdings 2015 $m	Tabcorp Holdings 2014 $m
Result of the parent entity		
Profit for the year	**266.0**	70.3
Other comprehensive income/(loss)	**1.5**	(0.3)
Total comprehensive income for the year	**267.5**	70.0
Financial position of the parent entity		
Current assets	**160.7**	39.7
Total assets	**2,555.3**	2,401.2
Current liabilities	**29.6**	16.0
Total liabilities	**283.1**	267.2
Total equity of the parent entity comprising of:		
Issued capital	**2,426.2**	2,188.7
Employee equity benefit reserve	**4.5**	4.0
Demerger reserve	**(669.9)**	(669.9)
Retained earnings	**511.4**	611.2
Total equity	**2,272.2**	2,134.0

Contingent liabilities

Refer to note 23 contingent liabilities (c).

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 2015 or 30 June 2014.

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 21.

23. 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

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 2015. 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) Civil proceedings

On 21 July 2015 the Australian Transaction Reports and Analysis Centre (AUSTRAC) commenced civil proceedings against Tabcorp Holdings Limited, Tab Limited and Tabcorp Wagering (Vic) Pty Ltd alleging certain breaches of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006. The Statement of Claim in these proceedings included matters which have been raised by and discussed with AUSTRAC over an extended period. The Company has been actively managing these matters in consultation with AUSTRAC, and continues to work on resolving them as a priority. At this stage it is not practicable to determine the extent of any potential financial impact to the Group.

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.

On 26 June 2014, the Supreme Court of Victoria handed down judgment in the proceeding in favour of the State of Victoria. Tabcorp was unsuccessful in its initial appeal to the Court of Appeal of the Supreme Court of Victoria which handed down its judgment on 4 December 2014. On 15 May 2015, Tabcorp was granted special leave to appeal to the High Court of Australia in respect of the judgment of the Court of Appeal, however a date has not yet been set down for the hearing. Tabcorp in its appeal is seeking an order for a payment of approximately $686.8 million plus statutory interest from the State of Victoria. Any proceeds will be subject to income tax.

24. Subsequent events

Other than the events disclosed elsewhere in this report, no other matters or circumstances have arisen since the end of the financial year, that may significantly affect the Group's operations, the results of those operations or the state of affairs of the Group.

25. Financial instruments - risk management

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

25. Financial instruments - risk management (continued)

(a) Interest rate risk

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

At 30 June 2015 after taking into account the effect of interest rate swaps, approximately 62.5% (2014: 76%) of the Group's borrowings are at a fixed rate of interest.

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

	2015 $m	2014 $m
Financial assets		
Cash assets	**16.5**	28.0
Short term deposits	**126.6**	80.2
Total financial assets	**143.1**	108.2
Financial liabilities		
Bank loans - unsecured (i)	**615.8**	616.2
Subordinated notes	**247.5**	246.0
Interest rate swaps (ii)	**675.5**	825.5
Cross currency swaps (ii)	**210.5**	210.5
Total financial liabilities	**1,749.3**	1,898.2

(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.

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)	
	2015 $m	2014 $m	2015 $m	2014 $m
AUD				
+ 1.00% (100 basis points) (2014: + 1.00%)	**(1.7)**	(0.8)	**17.7**	22.1
- 1.00% (100 basis points) (2014: - 1.00%)	**1.7**	0.8	**(18.6)**	(23.3)
USD				
+ 0.20% (20 basis points) (2014: + 0.20%)	**-**	-	**(2.3)**	(2.2)
- 0.20% (20 basis points) (2014: - 0.20%)	**-**	-	**2.3**	2.2

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.

(b) 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.

Sensitivity analysis 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)	
	2015 $m	2014 $m	2015 $m	2014 $m
AUD/USD + 10 cents (2014: + 10 cents)	**-**	-	**(3.2)**	(2.0)
AUD/USD - 10 cents (2014: - 10 cents)	**-**	-	**4.1**	2.8

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.

25. Financial instruments - risk management (continued)

(b) Foreign currency risk (continued)

The numbers derived in the sensitivity analysis are indicative only.

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.

(c) 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 is managed through the use of a risk assessment process for customers requesting credit using credit checks, 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 (2014: 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 21, 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 $18.3 million (2014: $8.1 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.

(d) 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 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 2015, no debt facilities will mature in less than one year (2014: nil).

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

Refer to note 14 and further below 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:

(i) Non-derivative financial instruments

	2015			2014		
	< 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	**334.1**	**-**	**-**	340.9	-	-
Bank loans - unsecured	**21.7**	**672.9**	**-**	27.3	666.1	-
Subordinated notes	**15.4**	**61.5**	**507.7**	16.8	67.1	547.5
US private placement	**14.1**	**134.0**	**143.4**	11.6	129.0	147.7
Net outflow	**385.3**	**868.4**	**651.1**	396.6	862.2	695.2

(ii) Derivative financial instruments

	2015			2014		
	< 1 year	**1 - 5 years**	**> 5 years**	< 1 year	1 - 5 years	> 5 years
Financial assets						
Interest rate swaps - receive AUD floating	**14.8**	**37.8**	**5.2**	22.1	56.9	13.5
Cross currency swaps - receive USD fixed	**14.1**	**134.0**	**143.4**	11.6	129.0	147.7
	28.9	**171.8**	**148.6**	33.7	185.9	161.2
Financial liabilities						
Interest rate swaps - pay AUD fixed	**36.3**	**99.7**	**11.3**	41.0	118.4	28.0
Cross currency swaps - pay AUD floating	**12.6**	**128.2**	**141.2**	13.5	136.6	150.4
	48.9	**227.9**	**152.5**	54.5	255.0	178.4
Net outflow	**(20.0)**	**(56.1)**	**(3.9)**	(20.8)	(69.1)	(17.2)

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.

26. Financial instruments - fair values

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	
	2015	2014	**2015**	2014
	$m	$m	**$m**	$m
Financial liabilities				
US private placement	**285.4**	233.2	**312.1**	254.5
Subordinated notes	**250.0**	250.0	**253.3**	264.6
	535.4	483.2	**565.4**	519.1

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 (level 2 in fair value hierarchy).

Subordinated notes
Fair value is determined using independent market quotations (level 1 in fair value hierarchy).

(a) Interest rate swaps

Interest rate swap contracts are classified as cash flow hedges 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:

	Notional principal	
	2015	2014
	$m	$m
Less than one year	**-**	150.0
One to five years	**548.5**	383.5
More than five years	**127.0**	292.0
Notional principal	**675.5**	825.5
Fixed interest rate range p.a.	**4.2% - 7.3%**	3.2% - 7.3%
Variable interest rate range p.a.	**2.1% - 2.3%**	2.6% - 2.7%

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.

(b) 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:

	2015		2014	
	Pay principal AUD $m	**Receive principal USD $m**	Pay principal AUD $m	Receive principal USD $m
One to five years	**83.5**	**87.0**	83.5	87.0
More than five years	**127.0**	**133.0**	127.0	133.0
Notional principal	**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.	**5.8% - 6.1%**		6.2% - 6.5%	

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 US private placement borrowings as set out in note 14.

(c) 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.

26. Financial instruments - fair values (continued)

(c) Fair value hierarchy (continued)

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			
	Quoted market price (Level 1)	Observable inputs (Level 2)	Non market observable inputs (Level 3)	Total
2015	**$m**	**$m**	**$m**	**$m**
Financial assets - Current				
Cross currency swaps	**-**	**1.9**	**-**	**1.9**
	-	**1.9**	**-**	**1.9**
Financial assets - Non current				
Cross currency swaps	**-**	**79.2**	**-**	**79.2**
	-	**81.1**	**-**	**81.1**
Financial liabilities - Current				
Interest rate swaps	**-**	**21.8**	**-**	**21.8**
Cross currency swaps	**-**	**2.2**	**-**	**2.2**
Open betting positions	**-**	**6.9**	**-**	**6.9**
	-	**30.9**	**-**	**30.9**
Financial liabilities - Non current				
Interest rate swaps	**-**	**52.9**	**-**	**52.9**
	-	**83.8**	**-**	**83.8**
2014				
Financial assets - Non current				
Cross currency swaps	-	21.6	-	21.6
	-	21.6	-	21.6
Financial liabilities - Current				
Interest rate swaps	-	18.9	-	18.9
Cross currency swaps	-	3.7	-	3.7
Open betting positions	-	12.0	-	12.0
	-	34.6	-	34.6
Financial liabilities - Non current				
Interest rate swaps	-	50.5	-	50.5
	-	85.1	-	85.1

There have been no significant transfers between Level 1 and Level 2 during the financial year ended 30 June 2015.

27. Business combinations

Acquisition of ACTTAB

On 14 October 2014, the Group acquired the ACTTAB business. The acquisition provides the Group with long life licences that complement the existing Wagering and Keno businesses. ACTTAB provides totalisator and fixed odds wagering, Keno and Trackside products within the ACT through a network of retail outlets, in addition to telephone and online platforms. The financial statements include the results of ACTTAB for the 8.5 month period from the acquisition date.

(a) Identifiable assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of ACTTAB as at the date of the acquisition have been determined as follows:

	Note	$m
Cash and cash equivalents		**0.3**
Other assets		**0.9**
Property, plant and equipment	9	**8.3**
Intangible assets - licences	10	**18.4**
Intangible assets - other	11	**4.8**
Deferred tax liabilities		**(6.3)**
Payables		**(2.4)**
Provisions		**(2.4)**
Net identifiable assets acquired		**21.6**
Goodwill arising on acquisition (i)	11	**82.0**
Purchase consideration transferred (cash)		**103.6**

(i) Goodwill recognised is primarily attributable to the expected synergies and other benefits from combining the assets and activities of ACTTAB with those of the Group. The goodwill is not deductible for tax purposes.

The cash outflow on acquisition is as follows:

- Net cash acquired	**0.3**
- Cash paid	**(103.6)**
Net cash outflow	**(103.3)**

(b) Acquisition costs

Transaction costs of $2.8 million have been expensed and are included in other expenses in the income statement.

(c) Revenue and profit contribution

The Group's profit before income tax expense includes revenue of $20.9 million and a loss of $3.0 million, including $5.8 million of one-off acquisition and integration costs relating to the ACTTAB business since the date of acquisition. If the acquisition had taken place at the beginning of the year, the Group's revenue and profit before income tax expense would have been $2,163.3 million and $259.5 million respectively.

28. 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 gaming, wagering and Keno 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 discontinued operations in the prior period.

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

	Note	2014 $m
Expenses [(i)]		(27.9)
Loss before income tax benefit		(27.9)
Income tax benefit on discontinued operations		8.4
Loss from discontinued operations, net of tax		(19.5)
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		3.0
Net cash used in investing activities		(0.5)
Net cash inflow		2.5
Earnings per share from discontinued operations:		
Basic earnings per share (cents)	6	(2.6)
Diluted earnings per share (cents)	6	(2.6)

(i) Expenses reflect the Health Benefit Levy and associated costs relating to the Tabaret Gaming Business .

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 2015 and of its performance for the year ended on that date; and

   (ii) complying with Accounting Standards and *Corporations Regulations 2001*;

(b) the financial statements and notes 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 21 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 J. Dwyer
Chairman

David R. H. Attenborough
Managing Director and Chief Executive Officer

Melbourne
13 August 2015

Building a better working world

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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 statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, 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 2015 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. 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 2015, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Tony Johnson
Partner
Melbourne
13 August 2015