



Concise Annual Report  
2013



# TABCORP IS A LEADING AUSTRALIAN GAMBLING ENTERTAINMENT COMPANY

- Operating four businesses: Wagering, Media and International, Gaming Services and Keno
- Holding secure long term licences in Australia's most attractive markets in Victoria, New South Wales and Queensland
- With a portfolio of iconic Australian brands with market leading positions
- Offering a unique multi-product gambling entertainment experience through an extensive multi-channel footprint covering retail, mobile, internet, television, call centre and self service delivery
- Generating strong cash flows and earnings
- A top 100 public company listed on the Australian Securities Exchange
- Employing over 3,000 people
- Recognised as a global industry leader in responsible gambling

## About this Annual Report

Tabcorp's Annual Report consists of two documents – the Concise Annual Report (which incorporates the concise financial statements) and the financial report. The concise financial statements included in the Concise Annual Report cannot be expected to provide as full an understanding of Tabcorp's performance, financial position and investing activities as provided by the full financial report. A copy of Tabcorp's financial report is available, free of charge, on request and can be accessed via the Company's website at [www.tabcorp.com.au](http://www.tabcorp.com.au).

## Notice of meeting

The Annual General Meeting of Tabcorp Holdings Limited will be held at the Mayfair Ballroom, Grand Hyatt Melbourne, 123 Collins Street, Melbourne, Victoria on Thursday 31 October 2013 at 10am (AEDT).

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# HIGHLIGHTS

## DURING THE YEAR, TABCORP SEAMLESSLY TRANSITIONED TO VICTORIA'S NEW GAMBLING INDUSTRY STRUCTURE

- Commenced new Victorian Wagering and Betting Licence under a 50/50 Joint Venture arrangement with the Victorian Racing Industry (formerly 75/25)
- Launched the new Tabcorp Gaming Solutions (TGS) gaming services business
- Decommissioned the Victorian Tabaret gaming business following licence expiry

## TABCORP ALSO EXECUTED A NUMBER OF IMPORTANT STRATEGIC OBJECTIVES

- In-principle agreement to extend New South Wales TAB Wagering Licence retail exclusivity for 20 years to 2033
- Queensland Keno licence to be extended by 25 years to 2047

## TABCORP IS WELL POSITIONED FOR THE FUTURE AND IN FY14 IS FOCUSED ON

- Maintaining market leadership in wagering
- Driving for digital leadership across multi-channel distribution
- Continuing investment in customer relationship management, digital marketing and analytics
- Expanding international co-mingling opportunities
- Negotiating for TVN media rights
- Expanding Keno through product and technology improvements
- Expanding TGS into New South Wales and establishing the next stage of the TGS loyalty program in Victoria



# FINANCIAL PERFORMANCE

- Reported net profit after tax (NPAT) of \$126.6 million included:
  - NPAT from continuing operations of \$139.1 million before significant items
  - Profit from significant items of \$8.5 million after tax<sup>1</sup>
  - Loss from discontinued operations of \$21.0 million<sup>2</sup>
- Results from continuing operations:
  - Revenues of \$2,003.2 million
  - Earnings before interest and tax of \$312.8 million before significant items
  - Earnings per share before significant items of 18.9 cents
- Dividends totalling 19 cents per share fully franked representing a payout ratio of 80.7% of NPAT, excluding the write-off of Victorian Tabaret goodwill
- Strong revenue growth and earnings performance across all four businesses (see pages 9 to 15 for the performance of each business)
- Disciplined expense management

**Net profit after tax**  
\$ million



Comparisons to the prior year do not provide an accurate reflection of the underlying business performance due to the significant changes to the Victorian gambling industry structure.

**Revenue<sup>3</sup>**  
\$ million



Up 2.0% which was a positive result in the context of the changeover to the new 50/50 Joint Venture arrangements with the Victorian Racing Industry (previously 75/25), and challenging trading conditions.

**EBITDA before significant items<sup>3</sup>**  
\$ million



Up 9.5% which provides a good indication of the underlying performance of Tabcorp's businesses.  
EBITDA is non-IFRS financial information and has not been audited or reviewed in accordance with Australian Accounting Standards.

**Dividends per share**  
Cents per share (fully franked)



Total dividends for 12/13 represents a dividend payout ratio of 80.7% of full year NPAT (excluding the write-off of Victorian Tabaret goodwill).

**Revenue by business<sup>3,4</sup>**  
\$ million



● Wagering \$1,558.0m  
● Gaming Services \$86.3m  
● Media and International \$207.6m  
● Keno \$205.4m

**EBIT by business<sup>3,4</sup>**  
\$ million



● Wagering \$167.3m  
● Gaming Services \$37.5m  
● Media and International \$57.7m  
● Keno \$52.5m

## FINANCIAL BENEFITS TO STAKEHOLDERS

From continuing operations	FY12/13 \$million	FY11/12 \$million	Change %
Revenue	2,003.2	1,964.3	2.0
Taxes, levies, commissions and fees	(1,097.2)	(1,136.3)	(3.4)
Operating expenses	(414.2)	(404.5)	2.4
Depreciation and amortisation	(151.1)	(96.5)	56.6
Impairment	(18.6)	-	n/a
EBIT	322.1	327.0	(1.5)
Profit from continuing operations after tax	147.6	160.1	(7.8)
NPAT (including discontinued operations)	126.6	340.0	(62.8)

- Taxes on gambling paid including the Victorian gaming levy of \$521.7 million
- Income generated for the racing industry of \$728.2 million:
  - Victorian racing industry received \$347.8 million
  - New South Wales racing industry received \$249.8 million
  - Race field fees of \$67.0 million
  - Broadcast rights and international contributions of \$63.6 million
- Income taxes paid and payable of \$83.0 million
- Voluntary contributions of \$1.3 million to support community not for profit organisations

### Notes

1. Significant items totalling \$8.5 million after tax consisted of \$14.3 million relating to a GST refund, \$7.5 million benefit relating to the close out of a right held by TGS, an income tax benefit of \$5.3 million relating to the Group's acquisition of Tab Limited in 2004, and an impairment charge was incurred of \$18.6 million for the Victorian Keno Licence.
2. The decommissioned Victorian Tabaret gaming business delivered a loss of \$21.0 million after tax, which included a write-off of goodwill of \$47.2 million resulting from the expiration of the Victorian Gaming Licence, and a Victorian Health Benefit Levy expense of \$3.7 million after tax in respect of the 46 days during which Tabcorp operated gaming machines during the financial year.
3. Refers to continuing operations in FY12/13 and FY11/12.
4. Business results do not aggregate to Group total due to intercompany eliminations between Wagering, Media and International businesses, and unallocated items.



## CHAIRMAN'S MESSAGE



We have undertaken a number of initiatives that have collectively strengthened Tabcorp's strategic position and substantially reduced the risks in our business.

**“The company priorities are now on driving further business efficiency and growing our Wagering, Media and International, Keno and Gaming Services businesses.”**

I am pleased to present the 2013 Annual Report for Tabcorp Holdings Limited.

During the 2013 financial year Tabcorp has successfully managed significant transformation within the business. At the same time, we have undertaken a number of initiatives that have collectively strengthened Tabcorp's strategic position and substantially reduced the risks in our business. Tabcorp is strongly positioned for the future.

In August 2012, Victoria moved to a new gambling industry structure. For Tabcorp, this change involved:

- Exiting from the Tabaret Gaming business following the expiry of its licence;
- Moving to a 50/50 Joint Venture (previously 75/25) with the Victorian Racing Industry under a new Victorian Wagering and Betting Licence; and

- Launching the new gaming services business, Tabcorp Gaming Solutions (TGS).

This was the biggest change to Victoria's gambling industry structure in almost 20 years and we recognised it would have a substantial impact on Tabcorp's operations and earnings. The company was focused on successfully managing the transition and I am pleased to confirm it was well planned and executed. At the same time, the positive revenue performance was maintained across our four continuing businesses of Wagering<sup>1</sup>, Media and International, Keno and Gaming Services, with those businesses continuing to lead in their markets.

During the year we advanced the company's strategic position by extending licences. In April 2013, the Queensland Government announced that Tabcorp's Queensland Keno licence is to be extended by 25 years to 2047, for which Tabcorp has paid \$20 million. In June 2013,

the company reached an in-principle agreement with the NSW Government to extend the exclusivity period of Tabcorp's NSW retail wagering licence for 20 years to 2033. Tabcorp has agreed to pay \$75 million to the NSW Government to extend the exclusivity period, which is made up of an initial payment of \$50 million and the balance over ten years from 2024. The extension is subject to the terms and conditions of an agreement between the parties and legislative amendments. Both extensions were positive outcomes and add longevity to Tabcorp's licence structure.

As a result of completing the industry transition and securing the licence extensions, Tabcorp now has a much clearer outlook. The company priorities are now on driving further business efficiency and growing our Wagering, Media and International, Keno and Gaming Services businesses.

## Financial highlights and dividend

Tabcorp reported Net Profit After Tax (NPAT) of \$126.6 million in the 2013 financial year, representing a 62.8% decline on the prior year. The decline was primarily the result of losing the benefit of a full year of Tabaret Gaming earnings and the changeover to the Victorian Wagering and Betting Licence on the new terms set out by the Victorian Government. NPAT from our continuing operations before significant items was \$139.1 million, down 13.1%<sup>2</sup>. This takes into account the impact of the move to the new 50/50 Joint Venture arrangements with the Victorian Racing Industry.

Pleasingly, the company's revenue initiatives and expense discipline delivered strong revenue and Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) growth from our continuing operations. Total revenues grew 2.0% to \$2,003.2 million, while EBITDA was up 9.5% to \$463.9 million<sup>3</sup>. This was achieved despite a subdued macroeconomic environment and soft consumer sentiment, particularly in the final quarter of the 2013 financial year. The revenue and EBITDA performances demonstrate the resilience of our businesses and their capacity to grow.

Tabcorp announced a final dividend of 8 cents per share for the second half, fully franked and payable on 24 September 2013 to shareholders registered at 20 August 2013. The full year dividend of 19 cents per share constitutes a dividend payout ratio of 81% of reported NPAT, excluding the final write-off of the legacy Victorian Tabaret goodwill. This was in line with guidance previously provided to the market. The company continues to target an FY14 dividend payout of 80% of NPAT.

## Investments in future growth

The 2013 financial year was also a year in which we made investments in each

of our businesses to maintain leadership in their respective markets.

Tabcorp refreshed the iconic TAB brand during the 2013 financial year. TAB is the most recognised and trusted brand in Australian wagering and the company embraced the opportunity to present a fresh and innovative face.

Tabcorp invested \$123.5 million in capital expenditure projects including investments in gaming machines for our TGS venues, Tabcorp's digital strategy and Keno self-service terminals and new products.

## Tabcorp and responsible gambling

In September 2012, Tabcorp was again acknowledged as the overall global gambling industry leader in the annual assessment for the Dow Jones Sustainability Index. Tabcorp has been rated the overall gambling industry leader in seven out of the past eight years by Dow Jones.

The responsible service and promotion of gambling is a fundamental element of Tabcorp's operating philosophy and has been since the company's creation in 1994. This remained particularly important in the 2013 financial year during which we have witnessed a valid and significant level of public discussion about the extent of sports betting promotion. Tabcorp has strongly supported the tightening of controls on sports betting advertising and promotion during live sports broadcasts, which is being achieved through new industry codes of practice registered by the Australian Communications and Media Authority.

## Victorian Supreme Court proceedings

Shareholders will be aware that Tabcorp filed a Statement of Claim in the Supreme Court of Victoria in 2012 seeking a

payment from the State of Victoria of \$686.8 million. This matter is now listed to be heard in February 2014.

The State of Victoria's obligation to make the payment to Tabcorp came into existence when it privatised the Victorian TAB and listed Tabcorp on the ASX in 1994. The *Gaming and Betting Act 1994* provided for a payment by the State of Victoria to Tabcorp on the grant of new licences, irrespective of whether Tabcorp was the new licensee.

I would like to update you on separate legal proceedings relating to the Health Benefit Levy (HBL). In June 2013 the Supreme Court of Victoria ruled in favour of Tabcorp in respect of the application of the HBL on our gaming operations. This judgment followed a Victorian Government determination to apply the levy for the 2013 financial year rather than the 46 days in that year in which Tabcorp operated gaming machines. The Court ruled that the Victorian Government has a discretion under the *Gambling Regulation Act 2003* (Vic) to calculate the HBL on a pro rata basis. The Victorian Government has appealed the Supreme Court ruling, which Tabcorp is defending.

Tabcorp will continue to act in the best interests of our shareholders in pursuing the resolution of both matters.

## Management and employees

I would like to take this opportunity to thank my Board colleagues, Tabcorp's management team and our more than 3,000 employees for their efforts and commitment during the 2013 financial year. Tabcorp delivered on a significant change agenda during the year and our people did so without diminishing their focus on our customers and the growth of our businesses.

## The future

Tabcorp is strongly positioned for the future and your Board is confident in the company's prospects.

Tabcorp is diversified across wagering, gaming and lotteries – three core segments of the Australian gambling market. We have long term licences and strong and trusted brands including TAB, TAB.com.au, Luxbet, Sky Racing and Keno. These are underpinned by an extensive customer base which we serve across multiple channels. Tabcorp has strong strategic partnerships with Governments, the racing industry and the major sporting codes across Australia. It is this suite of assets combined with our people and our financial strength that sets us apart from our peers.

I would like to thank the hundreds of thousands of customers who continue to choose our brands and products and our many racing industry, venue and business partners, whose ongoing support is integral to this successful business model. Lastly, I would like to thank you for your ongoing support of Tabcorp.

I invite shareholders to join us for our Annual General Meeting, which will be held in Melbourne on 31 October 2013. For those who cannot attend in person but would like to follow the proceedings, the meeting will be webcast live through [www.tabcorp.com.au](http://www.tabcorp.com.au).



Paula Dwyer  
Chairman

1. Revenues applicable for the total wagering business (including Victorian Racing Industry interest).

2. Prior year NPAT of \$160.1 million excludes \$179.9 million profit from discontinued operations.

3. Prior year comparative from continuing operations not adjusted for terms (50/50 JV) of new Victorian Wagering and Betting Licence.

## CHIEF EXECUTIVE OFFICER'S MESSAGE



The best measure of the company's financial performance is the growth in Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA), which was up 9.5%<sup>2</sup> to \$463.9 million.

**“The successful management of a year of transition has allowed Tabcorp to have an even stronger focus on executing its growth strategies and positions the company for a sustainable and profitable future.”**

I am pleased to report that the 2013 financial year was a successful one for Tabcorp. It was a year in which the company managed significant change, secured key licence extensions and delivered strong financial results despite tough and competitive trading conditions.

During the year we continued our focus on investment in new products and strengthening digital delivery within our multi-channel distribution strategy. Our unique distribution model, coupled with our strong brands and broad range of products, has ensured we maintained our leadership position in Australian gambling entertainment.

### Group performance overview

The company's reported Net Profit After Tax (NPAT) from continuing operations before significant items was \$139.1 million, down 13.1%<sup>1</sup> for the year to 30 June 2013. This

result reflects the transition to the new Victorian Wagering and Betting Licence and the launch of Tabcorp Gaming Solutions (TGS).

The best measure of the company's financial performance is the growth in Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA), which was up 9.5%<sup>2</sup> to \$463.9 million. This growth was achieved due to the strong contribution of the Keno and TGS businesses and underpinned by disciplined expense management across the group.

I will now take you through the performance of each of our four continuing businesses.

### Wagering

Wagering is the largest of Tabcorp's four businesses. The business had a good year with total wagering revenues (including

the Victorian Racing Industry's interest) up 5.9%. This reflected the benefit from the strong growth in fixed odds betting and the expansion of international co-mingling. The business also benefited from direct betting into our NSW and SuperTAB totalizator pools, following the cessation of Tote Tasmania pooling into SuperTAB. This resulted in the combined NSW and Victorian totalizator revenues growing for the first time in a number of years.

However, after accounting for the allocation to the Victorian Racing Industry under the new 50/50 Joint Venture arrangements, reported Wagering revenues were \$1,558.0 million, down 4.8%. EBITDA was \$265.0 million, down 12.0%, impacted by the new Joint Venture arrangements, as well as increased race fields fees.

Fixed odds revenues grew 25.8% on the back of further expansion of the number of races covered by our fixed odds books. Revenues from Luxbet also grew strongly, up 40.1% to \$39.1 million.

Our retail distribution channel continues to be strategically important for Tabcorp as part of a multi-channel distribution model that distinguishes us from our competition. We view the retail and digital channels as complementary, with many of our customers transacting across both.

Against that backdrop, retail turnover declined in the year in both NSW and Victoria, reflecting soft trading conditions particularly in Victoria where licensed venues have been impacted by restrictions on automatic teller machines. NSW retail turnover was \$3,867.2 million, down 1.1% and Victorian retail turnover was \$2,903.1 million, down 4.7%.

Digital turnover grew 13.6% to \$2,452.6 million, largely driven by betting via mobile devices. Mobile devices accounted for 43% of digital sales in the second half, up from 28% in the first half, as consumers continued to increase their use of mobiles as a way of transacting with us.

Total returns to the racing industry through Tabcorp's Wagering business were \$664.6 million. Returns to the Victorian Racing Industry were \$347.8 million and well ahead of the Minimum Performance Obligation of \$337.0 million that was required as part of the new Victorian Wagering and Betting Licence terms. Returns to the NSW racing industry were \$249.8 million, up 4.7%. Tabcorp also paid \$67.0 million in race fields fees to the racing industry. Tabcorp continues to be the most substantial contributor to racing funding in Australia by a large margin.

## Media and International

The Media and International business grew revenues by 9.1% to \$207.6 million on the back of increased subscriptions and further expansion of its international operations.

Operating expenses were well controlled, up 2.3% to \$118.0 million. EBITDA was \$67.0 million, up 5.0%.

A key area of focus for Sky Racing has been the extension of vision to more customers. This was achieved in FY13 through the enhancement of its digital technology and distribution capability in Australia and through securing a new deal to distribute Australian racing vision in the Middle East and Africa. Sky now exports Australian racing to 51 countries.

Racing industry contributions from Tabcorp's Media and International business were \$63.6 million, up 22.5%.

## Gaming Services

The Gaming Services business, TGS, went live on 16 August 2012 as part of the changeover to Victoria's new gambling industry structure. TGS provides services to gaming venues in areas including marketing, compliance, responsible gambling and machine procurement.

TGS delivered revenues of \$86.3 million and EBITDA of \$58.3 million, through the contracted earnings of approximately 8,500 gaming machines. These contracts will deliver a reliable income stream in future years.

## Keno

Revenues in Tabcorp's Keno lotteries business grew 12.2% to \$205.4 million. The growth in revenues was supported by the contribution from our new Victorian

business. Keno delivered a strong EBITDA performance, with EBITDA up 23.0% to \$75.5 million. This was driven by our NSW and Queensland businesses and underpinned by operating expense growth of just 0.5% for the year.

Tabcorp took an \$18.6 million impairment charge against the carrying value of its Victorian Keno licence. The charge reflects a slower than expected start in a tough trading environment and the requirement to assume the business' earnings will cease when its licence expires in 2022. We continue to focus on improving the business' performance through a concerted focus on customer and trade awareness initiatives.

## Tabcorp's people

I would like to acknowledge the hard work of our more than 3,000 employees, whose collective efforts helped achieve a successful 2013. Our people have shown great commitment during a time of significant change and I thank them for their support.

It is our intention to provide the best customer service in the market. The quality of our people and their collective efforts are crucial to the delivery of this target. We will continue to work hard on ensuring our workforce is highly engaged and will continue to invest in our people's capability to allow them to perform.

## Tabcorp priorities

The successful management of a year of transition has allowed Tabcorp to have an even stronger focus on executing its growth strategies and positions the company for a sustainable and profitable future.

In Wagering, our priority in FY14 is maintaining market leadership. We intend to do this by utilising our multi-channel

distribution model and driving for digital leadership. This will be supported by an increased customer focus through further investments in customer relationship management and analytics. Advancing international co-mingling opportunities is another key area of focus.

An ongoing priority for the Media and International business is the successful negotiation of the NSW and Victorian thoroughbred media rights. Tabcorp is committed to achieving a fair and commercial outcome.

The focus for the Keno lotteries business is on expanding product and technology, while for TGS the priority is to expand into NSW and build on its loyalty program in Victoria.

We will also continue to maintain good expense discipline across the group.

Tabcorp is strongly positioned for the future and we look forward to a 2014 in which we further leverage the benefits of our diversified portfolio and multi-channel distribution strategy, while continuing to strengthen our customer proposition.



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**David Attenborough**  
Managing Director and  
Chief Executive Officer

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1. Prior year NPAT of \$160.1 million excludes \$179.9 million profit from discontinued operations.

2. Prior year comparative from continuing operations not adjusted for terms (50/50 JV) of new Victorian Wagering and Betting Licence.





# WAGERING BUSINESS



## Operations

- Network of TAB agencies, hotels and clubs and on-course totalizators in Victoria and New South Wales
- Channels include retail, internet, mobile devices, phone and pay TV
- Totalizator and fixed odds betting offered on racing and sporting events
- Luxbet offers a racing, sport and novelty product bookmaking service by phone, online and mobile devices
- Trackside, a computer simulated racing product, operating in Victoria and New South Wales, and licensed in other Australian and overseas jurisdictions
- Wagering and pooling through Premier Gateway International (PGI) Joint Venture in the Isle of Man (50% interest)
- 2,900 TAB retail outlets (approx)
- Over 108,000 customer loyalty members (up 18% from prior year)
- TAB iPhone, iPad and Android apps downloaded over 900,000 times

## What happened during the year

- Transitioned to the new Victorian Wagering and Betting Licence which commenced 16 August 2012 and the new 50/50 Joint Venture arrangements with the Victorian Racing Industry (previously Tabcorp's share was 75%)
- Reached in-principle agreement to extend the New South Wales Wagering Licence retail exclusivity for a further 20 years to 2033
- Launched new brands – tab.com.au, Luxbet and Tab Rewards loyalty program
- Invested in customer relationship management and digital marketing capabilities
- Totalizator revenues benefitted from the cessation of Tote Tasmania pooling and increased international business
- Fixed odds revenues assisted by expanded product and risk management

## Key focus for the year ahead

- Lead wagering industry transformation by leveraging our unique multi-product, multi-channel model
- Continue to drive digital leadership and innovation
- Strengthen customer relationships through our loyalty and customer relationship management programs
- Further integrate vision and data with wagering products

Refer to page 39 of the Directors' Report for further information

**TOTAL WAGERING REVENUES OF \$1,946.0 MILLION, UP 5.9%** (including the Victorian Racing Industry's interest)

**REVENUES OF \$1,558.0 MILLION, DOWN 4.8%  
EBIT OF \$167.3 MILLION, DOWN 26.9%**

(reflects change to 50/50 Victorian Joint Venture – previously Tabcorp's share was 75%)





## MEDIA AND INTERNATIONAL BUSINESS



### Operations

- Three Sky Racing television channels broadcasting 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
- Sky Sports Radio network in New South Wales, and advertising and sponsorship arrangements with Radio Sport National
- Sky Racing available in 2.4 million Australian homes (approx)
- Broadcasting to 5,400 Australian outlets
- Covering over 90,000 races per annum
- Broadcasting Australian racing to 51 countries

### What happened during the year

- Grew revenue from expansion of international vision and co-mingling, and increased subscriptions
- Exported Racing World Australia to 20 additional countries in the Middle East and Africa
- Invested in digital technology and distribution

### Key focus for the year ahead

- Pursue international growth via co-mingling and wholesale opportunities
- Retain media rights on acceptable terms

Refer to page 40 of the Directors' Report for further information

**REVENUES OF \$207.6 MILLION, UP 9.1%**  
**EBIT OF \$57.7 MILLION, UP 4.7%**





## GAMING SERVICES BUSINESS



### Operations

- Tabcorp Gaming Solutions (TGS) – a new business supplying electronic gaming machines (EGMs) and specialised services to licensed hotels and clubs in Victoria
- Contracts cover 8,500 EGMs in Victoria (approx)
- Servicing 170 Victorian outlets (approx)
- In Victoria 75% of contracts for 10 years and 25% for a minimum of six years
- Over 122,000 loyalty members

### What happened during the year

- Commenced operations on 16 August 2012, under the new Victorian gaming industry structure

### Key focus for the year ahead

- Grow core revenues in the Victorian market
- Expand TGS geographically
- Grow customer loyalty program

Refer to page 40 of the Directors' Report for further information

**SUCCESSFUL START-UP OF NEW TGS BUSINESS**  
**REVENUES OF \$86.3 MILLION**  
**EBIT OF \$37.5 MILLION**





## KENO BUSINESS



### Operations

- Keno in licensed venues and TABs in Victoria and Queensland, and in licensed venues in New South Wales
- 3,654 Keno outlets in Victoria, New South Wales and Queensland
- 6,070 Keno terminals

### What happened during the year

- Queensland Government agreed to extend the Keno licence for a further 25 years to 2047
- Completed rollout to Victorian venues – first full year of operation since new Victorian Keno Licence commenced in April 2012
- Increased number of tickets sold by 4.3% to 99.9 million
- Increased average ticket size by 1.9% to \$10.60

### Key focus for the year ahead

- Grow Keno in current and new markets
- Expand distribution and self service
- Introduce new product offerings

Refer to page 40 of the Directors' Report for further information

**REVENUES OF \$205.4 MILLION,  
UP 12.2%**

**EBIT OF \$52.2 MILLION, UP 13.2%**  
(before impairment of \$18.6 million relating to the Victorian Keno Licence)

# RESPONSIBLE GAMBLING



For the past six years, Tabcorp has received a 100% rating for promoting responsible gambling in the annual assessment for the Dow Jones Sustainability Index.

The Tabcorp Group is committed to delivering its products and services responsibly, and promoting a sustainable gambling industry. The promotion of responsible gambling is an important element of our Company values and operating philosophy, which reflects the significance that Tabcorp places on proactively managing and delivering responsible gambling practices. The Tabcorp Group actively engages with employees, customers, governments, regulators, industry partners, community groups, research organisations and other stakeholders in creating enjoyable gambling and entertainment experiences, whilst taking steps to minimise the potential harm that gambling can cause for some individuals.

## Framework

The Tabcorp Group's approach to responsible gambling is based on a multi-layered framework that includes programs, codes of practice, policy development and strategies specifically targeted to promote responsible gambling across the Tabcorp Group's businesses and within the community. Tabcorp has developed codes of practice which are specific to each of its key businesses, and are therefore responsive to the particular needs and circumstances applicable to individual customers within those businesses.

Another key element of the framework is the ongoing engagement with customers and the community, and making available a range of information to inform them about Tabcorp's products and services. Through these engagement programs, Tabcorp aims to assist people to make informed choices, minimise problem gambling behaviour and support those who may have developed problem gambling behaviours.

Dedicated employees and senior managers have direct responsibility for delivering the relevant strategies and activities under this responsible gambling framework. The Board Audit, Risk and Compliance Committee oversees the effectiveness of the framework, and monitors the effectiveness of practices that are in place within each relevant business. To assist, Tabcorp undertakes internal audits and investigative reviews of its responsible gambling obligations. These are in addition to audits which are routinely conducted by gambling regulators of our compliance with applicable obligations.

## Employee awareness

Promoting responsible gambling awareness and setting the right behaviours among employees are important components of Tabcorp's responsible gambling strategy. Tabcorp's Employee Gambling Policy establishes the conduct that is expected of all employees and contractors with regard to their gambling behaviour.

Employees are provided with training to inform them about Tabcorp's gambling products, the fun and risks of gambling, identifying responsible versus problem gambling behaviours, and how to seek further assistance. Information is conveyed through the new employee induction program, annual refresher training for employees and via newsletters and bulletins to agents within our retail network. Tabcorp also has a Responsible Gambling Employee Resource Centre which provides employees with access to videos and other resources to help inform them about responsible gambling practices.

During 2013, a full review of Tabcorp's employee training and communications programs was undertaken, and all responsible gambling training materials were refreshed and updated.

Employees and their families also have access to an employee assistance program, to discuss any actual or potential issues they may be experiencing. The service is free to employees and their families, and is facilitated by an external independent specialist, with specialist advice and assistance provided in a confidential manner.

During the year, Tabcorp again surveyed employees within key businesses to identify to what extent they are at risk of problem gambling. Results of the survey indicated that of our employees who gamble, no employees were considered at risk of problem gambling. This aligns with Tabcorp's commitment to providing

a safe working environment, by promoting responsible gambling awareness, and having available the appropriate support and assistance to help employees and their families if required.

## Community awareness

Tabcorp once again supported the Victorian Responsible Gambling Awareness Week which was held in May to raise awareness of responsible gambling within Victorian communities. In 2013, Tabcorp participated by providing employee expertise, funding and in-venue promotions. The initiative is a partnership between government, industry and community organisations, and aims to highlight to gamblers that when they gamble they should do so responsibly and stay in control.

Also, Tabcorp's Responsible Gambling and Compliance Manager attends and presents at numerous community forums and venues to promote responsible gambling awareness with customers, venue staff, industry partners, governments and local community organisations.

Further information is available in section 17 of the corporate governance statement on page 31, and also in the Responsible Gambling section of Tabcorp's website at [www.tabcorp.com.au](http://www.tabcorp.com.au).

# SUPPORTING OUR PEOPLE

Tabcorp has approximately 3,000 employees, each of whom are critical in delivering the most exciting and engaging gambling and entertainment experience for our customers. Tabcorp strives to create a vibrant workplace with opportunities that engage and motivate our people to grow and perform. Tabcorp assists employees to pursue their goals and fulfil their potential, in support of the organisation's priorities. Our people are integral to achieving Tabcorp's growth strategy and to secure our future success. The programs and benefits offered to employees are detailed on Tabcorp's website at [www.tabcorp.com.au](http://www.tabcorp.com.au). Some of the key achievements since the start of the 2013 financial year are outlined below.

## Engagement

Maximising employee engagement is a key priority for Tabcorp. Research shows that a highly engaged workforce correlates to better customer service, reduced health and safety incidents, as well as higher productivity and profitability.

The Engage 2012 Survey (conducted by international consulting firm Gallup) reported Tabcorp's employee engagement at 3.65 (out of a total of 5). This result was an improvement on the prior year, up from 3.47, and reflects substantial work to address employee feedback in the areas of; acknowledgement, communication and development. Across Tabcorp, teams have identified priorities specific to their people and have developed plans to drive and build engagement.

## Diversity

Since the start of the 2013 financial year, a number of new initiatives were implemented to further develop the foundations that underpin and support the Tabcorp Group's Diversity Policy and diversity objectives. Important initiatives included:

- An increase to paid parental leave entitlements from 6 weeks to 13 weeks for eligible employees;
- Revision of the Flexible Work Policy to support and promote greater flexibility for all employees in the performance of their roles; and
- Ensuring an appropriate gender balance is represented among shortlisted candidate pools during the recruitment process.

These initiatives are part of an overall strategy to assist the achievement of the Tabcorp Board's objective to have at least 33% female representation in senior management roles by 2015, which comprises the Senior Executive Leadership Team (Chief Executive Officer and direct reports) and the Senior Management Team (direct reports to the Senior Executive Leadership Team, and their direct reports).

In accordance with the Workplace Gender Equality Act 2012 (Cth), Tabcorp submitted its annual report regarding workplace gender equality for the reporting period ended 31 March 2013 to the Workplace Gender Equality Agency. Tabcorp's shareholders, employees and relevant unions can access the report under the Sustainability section of Tabcorp's website at [www.tabcorp.com.au](http://www.tabcorp.com.au).

## Talent management

Our ability to attract and retain the best people is critical in our journey to achieve our objectives and support our growth strategy. In the last year we have developed a clear line of sight into our talent pools and development priorities. Tabcorp Talent is a fully integrated talent management approach that assists to identify the leadership potential of employees and manage targeted development and succession planning.

Tabcorp Talent delivers a contemporary, targeted talent management approach which focuses on identifying the leadership potential of employees, comprising:

- Tabcorp leadership capabilities
- Talent identification
- Internal and external succession plans
- Leadership capability development
- Tabcorp talent system

## Lost time injury frequency rate

Number of lost time injuries per million hours worked (excluding former casinos business)

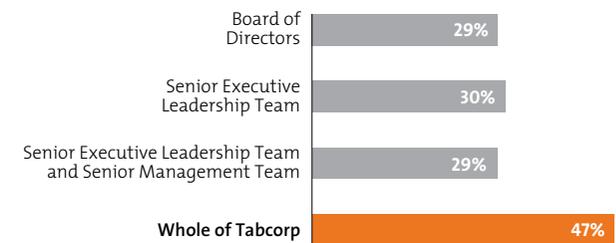


## Health and Safety

Tabcorp has in place systems to identify, report and manage health and safety risks throughout the workplace. Health and safety risk profiles exist for each area of the business and are regularly reviewed, in conjunction with other health and safety performance measures, by Workplace Health and Safety Committees, the Senior Executive Leadership Team and the Board Audit, Risk and Compliance Committee. There was a small increase in Tabcorp's lost time injury frequency rate from the previous year, although this level remains consistent with industry benchmarks. Tabcorp remains committed to providing a healthy and safe working environment for all its employees, contractors and visitors. Tabcorp's Health and Safety Policy is available from the Sustainability section of Tabcorp's website.

## Proportion of female employees

As at 30 June 2013



# ENVIRONMENT

The Tabcorp Group's operations have minimal environmental impact, and it has a low environmental risk profile. The Tabcorp Group's environmental impacts fall below the minimum thresholds applicable to certain Federal Government environmental reporting initiatives, and therefore Tabcorp is not required to report under these programs. Nevertheless, the Tabcorp Group remains committed to complying with applicable environmental regulations, and operating as efficiently as possible to reduce its impact on the environment.

The Tabcorp Group has processes and systems for monitoring, reporting, evaluating and managing Tabcorp's environmental commitments, and seeks to engage with employees, suppliers, landlords and other stakeholders to identify and implement environmentally sustainable initiatives. One such initiative that is currently underway is the refurbishment of Tabcorp's Melbourne office, which incorporates a number of positive environmental considerations, including energy efficient lighting, water efficient appliances, motion sensor lights and taps, and use of materials that have low environmental impact.

## Performance

The key measureable environmental performance indicators for the 2013 financial year in respect of Tabcorp's office buildings and fleet vehicles, with comparisons to the prior year, are shown in the charts below.

Tabcorp reduced its consumption of electricity, natural gas, water, and paper during the 2013 financial year. The decrease in consumption coincided with a planned decrease in the workforce which stemmed from the demerger of the Tabcorp's former casinos business. The reduction also benefitted from sustainability awareness campaigns which were undertaken across the workplace during the 2013 financial year which helped raise employee awareness of environmental issues. These campaigns encouraged employees to turn off computers, monitors and TVs, reduce paper consumption, minimise printing, together with other environmentally sustainable messages.

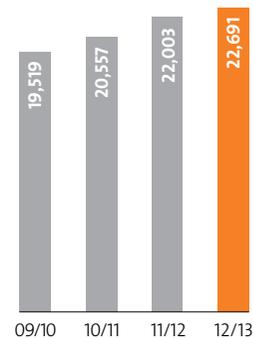
The consumption of fuels by Tabcorp's fleet of vehicles increased 8.1% from the prior year, which was the key contributor to a 3.1% rise in Tabcorp's total greenhouse gas emissions. Fuel consumption grew mainly due to the higher number of Sky Racing outside broadcast vans and field services vehicles used in the new Tabcorp Gaming Services business.

Refer also to page 45 in the Directors' Report for additional information regarding the Tabcorp Group's compliance with environmental regulation. Further information is also available under the Sustainability section of Tabcorp's website at [www.tabcorp.com.au](http://www.tabcorp.com.au).

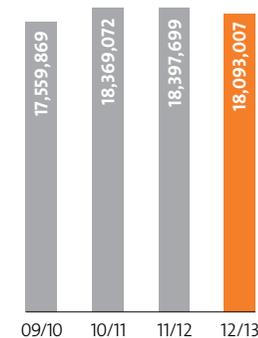
- **Electricity** 18,093,007 kilowatt hours (kWh), down 1.7%
- **Fleet vehicles** 584,449 litres of liquid fuels, up 8.1%
- **Natural gas** 3,257,564 megajoules (MJ), down 5.9%
- **Water** 23,510 kilolitres (kl), down 6.6%
- **Paper** 6.0 million A4 equivalent pages, down 13.6%, with 86.2% being carbon neutral, up from 58.1%

- **Greenhouse gas emissions** 22,691 tonnes of carbon dioxide equivalent (tCO<sub>2</sub>-e), up 3.1%, which comprised:
  - 7.5% Scope 1 emissions resulting from fleet vehicle fuels and natural gas used for heating offices; and
  - 92.5% Scope 2 emissions from electricity used to power Tabcorp offices and buildings.

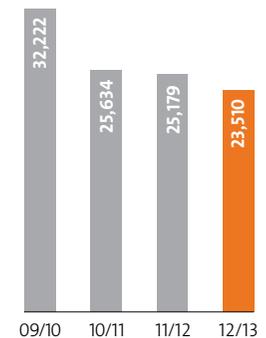
**Greenhouse gas emissions\***  
tCO<sub>2</sub>-e



**Electricity use\***  
kWh



**Water use\***  
kl



\* Excluding former Casinos business which was demerged at the end of 10/11.

# COMMUNITY INVOLVEMENT

The Tabcorp Group's people and businesses play active roles in supporting the communities in which they live and operate. Across Victoria, New South Wales and Queensland, a variety of charities, not for profit groups and local community organisations benefit from the many donations, partnerships, sponsorships, employee volunteering and in kind benefits offered through the Tabcorp Group. Our community activities are reviewed regularly to ensure investments in time, energy and services best meet the changing needs of our community partners, and align with the Tabcorp Group's strategies and priorities.

## Tabcare

The Tabcorp Group's community engagement program Tabcare, was very successful in its first year of operation. Since its launch in July 2012, Tabcare received a high level of support and commitment from employees, who have been eager to give back to the communities in which they live and work. For the 2013 financial year, Tabcorp achieved a participation rate of 7.6% for employee volunteering, which was above the expected benchmark of 5%, and Tabcorp donated a total of over \$117,000 to eligible charities. In addition, a further \$42,000 was raised by employees through involvement with Tabcare's matched fundraising program.

Tabcare continues to evolve to provide rewarding opportunities for employees to contribute their energies and passions for the benefit of local community organisations. In the 2014 financial year, Tabcare will seek to build upon its connections with not for profit organisations while promoting greater involvement among employees.

Tabcare comprises two distinct elements: a volunteering program; and a matched fundraising program. Eligible employees are offered one day's volunteer leave annually which they can use at their nominated non-profit organisation or they can join other employees for team activities at one of the community organisations with which Tabcorp partners. Tabcorp has established partnerships with: FareShare and Conservation Volunteers in Victoria; Westpac Life Saver Rescue Helicopters and Conservation Volunteers in New South Wales; and The Pyjama Foundation in Queensland. Through Tabcare's fundraising program, Tabcorp encourages teams of employees to raise money for registered charities, where Tabcorp will match any funds raised up to \$10,000 per charitable organisation, which enables donations to be shared around. Tabcorp has dedicated up to \$200,000 in donations for matched fundraising activities in this financial year.

## Community partnerships

During the 2013 financial year, a total of \$1.3 million of voluntary funding was contributed by Tabcorp to charitable organisations. This included Tabcorp's investment in employee volunteering leave and matched fundraising donated by Tabcorp through the Tabcare program. Other activities included the provision of Sky Racing and Sky Radio advertising, sponsoring and partnering with local community organisations. Also, in partnership with Greyhound Racing Victoria, Tabcorp contributed \$50,000 to the TAB Great Chase series, which delivered funds to community groups, with Your Respite Options receiving \$5,000 in the final event of the series. In addition to the contributions provided to registered charities, another \$63,000 of in kind support and donations was provided by Tabcorp to other community organisations.

## Other contributions

The voluntary contributions are in addition to the significant public funding contributions generated by Tabcorp's businesses which are used by governments to deliver many community projects, facilities and services, such as roads, hospital and health facilities and other community infrastructures developments. For the 2013 financial year, Tabcorp's businesses generated:

- \$521.7 million in taxes on gambling, including the Victorian gaming levy; and
- \$83.0 million in income taxes paid and payable.

Refer to the Sustainability section of Tabcorp's website at [www.tabcorp.com.au](http://www.tabcorp.com.au) for further information about how the Tabcorp Group supports the communities in which it operates.



# BOARD OF DIRECTORS



## Paula Dwyer

### Chairman since June 2011 and Non Executive Director since August 2005

*Bachelor of Commerce; Fellow of the Institute of Chartered Accountants in Australia; Fellow of the Australian Institute of Company Directors (AICD); Senior Fellow of the Financial Services Institute of Australasia.*

Paula Dwyer is Deputy Chairman of Leighton Holdings Limited and a Director of Australia and New Zealand Banking Group Limited and Lion Pty Ltd. She is also a member of the Takeovers Panel, the ASIC External Advisory Panel and the Kirin Holdings International Advisory Board.

Ms Dwyer was formerly a Director of Suncorp Group Limited, Foster's Group Limited, Healthscope Limited, David Jones Limited, Astro Japan Property Group Limited and is a former member of the Victorian Casino and Gaming Authority and of the Victorian Gaming Commission from 1993 to 1995.

Ms Dwyer had an executive career in finance holding senior positions in investment management, investment banking and chartered accounting with Ord Minnett (now JP Morgan) and PricewaterhouseCoopers.

Ms Dwyer is Chairman of the Victorian Joint Venture Management Committee and Chairman of the Tabcorp Nomination Committee. She is a member of the Tabcorp Audit, Risk and Compliance Committee and Tabcorp Remuneration Committee.



## David Attenborough

### 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 also Managing Director and Chief Executive Officer of ASX Limited. His career includes several senior executive positions with the Australia and New Zealand Banking Group Limited, including Group Head of Risk Management, Group Managing Director Asia Pacific and Managing Director Personal Banking and Wealth Management. Previously Mr Funke Kupper was a senior management consultant with McKinsey & Company and AT Kearney.

Mr Funke Kupper is a member of the Tabcorp Audit, Risk and Compliance Committee and Tabcorp Nomination Committee.



### Steven Gregg

**Non Executive Director since July 2012**

*Bachelor of Commerce.*

Steven Gregg is Chairman of Goodman Fielder Limited. He is also a Director of thoroughbred bloodstock company William Inglis & Son Limited and of Challenger Limited. He is also a Consultant and Senior Adviser to the Grant Samuel Group and a Director of The Lorna Hodgkinson Sunshine Home. He is also the former Chairman of Austock Group Limited.

Mr Gregg had an executive career in investment banking and management consulting, having held senior executive roles with ABN Amro Bank, and Partner and Senior Adviser to McKinsey & Company.

Mr Gregg is a member of the Tabcorp Audit, Risk and Compliance Committee, Tabcorp Nomination Committee and Tabcorp Remuneration Committee.



### Jane Hemstritch

**Non Executive Director since November 2008**

*Bachelor of Science (First Class Honours); Fellow of the Institute of Chartered Accountants in Australia; Fellow of the Institute of Chartered Accountants in England and Wales; Fellow of the AICD; Member of Chief Executive Women Inc.*

Jane Hemstritch is a Director of the Commonwealth Bank of Australia, Lend Lease Group and Santos Limited. She is also Chairman of Victorian Opera Company Limited and a Member of the Council of the National Library of Australia.

Mrs Hemstritch was Managing Director – Asia Pacific for Accenture Limited where she was a member of Accenture's global executive leadership team and managed its business portfolio in Asia Pacific spanning 12 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 NetComm Wireless Limited and a Director of Members Equity Bank Pty Ltd. He is also a Director of Basketball Australia Limited and Commissioner of the National Basketball League, and a Director of the Sydney Children's Hospital Foundation Pty Ltd.

Mr Milne had an executive career in telecommunications, marketing and media. From 2002 to 2010 he was Group Managing Director of Telstra's broadband and media businesses, and headed up Telstra's BigPond New Media businesses in China. He is also the former Chairman of pieNETWORKS Limited and former Chief Executive Officer of OzEmail and the Microsoft Network.

Mr Milne is a member of the Tabcorp Audit, Risk and Compliance Committee and Tabcorp Nomination Committee.



### Zygmunt Switkowski

**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 is a Director of Oil Search Limited and Lynas Corporation Limited. He is also Chancellor of the Royal Melbourne Institute of Technology. He is a former Director of Healthscope Limited, is the immediate past Chairman of the Australian Nuclear Science and Technology Organisation and former Chairman of Opera Australia.

Dr Switkowski was the Chief Executive Officer and Managing Director of Telstra Corporation Limited from 1999 to 2005, and is a former Chief Executive Officer of Optus Communications. He worked for Kodak (Australasia) for 18 years, serving as the Chairman and Managing Director from 1992 to 1996.

Dr Switkowski is Chairman of the Tabcorp Remuneration Committee. He is also a member of the Tabcorp Audit, Risk and Compliance Committee and Tabcorp Nomination Committee.

# SENIOR EXECUTIVE LEADERSHIP TEAM



**David Attenborough**  
Managing Director and  
Chief Executive Officer

David joined Tabcorp in April 2010 as Managing Director – Wagering. He became Managing Director and Chief Executive Officer following Tabcorp's demerger in June 2011.

He has an extensive background in totalizator and fixed odds betting, racing and broadcasting. He was previously the Chief Executive Officer (South Africa) of Phumelela Gaming and Leisure Limited, the leading wagering operator in South Africa. His previous experience includes the development of casino, bookmaking and gaming opportunities for British bookmaking company Ladbrokes (formerly part of the Hilton Group Plc).

David holds a Bachelor of Science (Honours) and a Masters of Business Administration.



**Damien Johnston**  
Chief Financial Officer

Damien joined Tabcorp in September 2003. He was Tabcorp's Deputy Chief Financial Officer, being responsible for Tabcorp's Corporate Finance function including Treasury and Investor Relations, and became Chief Financial Officer upon implementation of the Tabcorp demerger in June 2011.

He previously had a 21 year career with BHP Billiton with key finance roles in both Australia and Asia. These included both operational finance and corporate roles.

Damien holds a Bachelor of Commerce and is a member of CPA Australia.



**Kerry Willcock**  
Executive General Manager –  
Corporate, Legal and Regulatory

Kerry joined Tabcorp in February 2005. She has extensive commercial, legal, litigation and government relations experience having worked with Allens Arthur Robinson, Clayton Utz and with the Australian Postal Corporation, where she held the position of General Counsel.

Kerry holds a Bachelor of Arts and a Bachelor of Laws and is a qualified mediator.

She is a member of the Australian Corporate Lawyers Association (ACLA) General Counsel Group and a member of the Australian Institute of Company Directors.



**Meryll Dooley**  
Executive General Manager –  
Human Resources

Meryll commenced with Tabcorp in October 1990 and has held numerous positions across a range of discipline areas including human resources, training and development, communications and sales. She became Executive General Manager – Human Resources in June 2011 following the implementation of the Tabcorp demerger.

Meryll holds a Masters of Business Administration (Executive) and a Bachelor of Arts.



**Doug Freeman**  
Executive General Manager –  
Commercial Development

Since joining Tabcorp in June 2005, Doug has held several senior finance and strategy roles within Tabcorp's wagering and media businesses. Most recently, Doug was Executive General Manager Strategy and Business Development before commencing his current role in July 2013.

He previously held senior finance and general management roles in medium to large multinational organisations in the service and manufacturing industries, including George Weston Foods Limited, Optus Group, and Alexander & Alexander Group.

Doug holds a Bachelor of Commerce and is a member of Institute of Chartered Accountants.



**David Ginnane**  
Executive General Manager – Marketing

David joined Tabcorp as Business Development Manager in the Gaming Marketing team in April 2004. Since this time, he has held several general management roles across the Gaming and Wagering businesses. Most recently, David was General Manager Products & Customer Experience before commencing his current role in August 2012.

Before joining Tabcorp, he held senior business and corporate management roles with General Motors Acceptance Corporation, including responsibilities for domestic and international regions.

David holds a Masters of Business Administration and a Bachelor of Business.



**Craig Nugent**  
Managing Director – Fixed Odds

Craig joined Tab Limited in 1999 as Manager On-course Wagering and International Sales. Throughout his time with Tabcorp, and Tabcorp subsidiaries Tab Limited and Luxbet, he has held senior executive roles in sportsbetting, on-course wagering and international sales.

Prior to joining Tabcorp, he held management roles in the New South Wales racing industry bodies – Australian Jockey Club and Sydney Turf Club.



**Brendan Parnell**  
Executive General Manager – Media and International

Brendan commenced with Sky Channel in 1995 and in 2003 became General Manager Broadcasting. In 2007 he was appointed as Chief Operating Officer of Tabcorp's Media and International division overseeing the television, radio and international wagering operations.

He began his broadcasting career as a news and sports reporter/producer in regional television including Seven Network Queensland where he was Network Sports Editor.

Brendan holds a Graduate Certificate of Management and a Bachelor of Arts (Journalism). He is a Graduate Member of the Australian Institute of Company Directors.



**Adam Rytenskiid**  
Executive General Manager – Distribution

Adam joined Tabcorp in April 2000 as State Manager – Retail and since then he has held numerous senior management roles. Following Tabcorp's demerger in June 2011, Adam was appointed to his current role, responsible for leading Tabcorp's customer distribution channels including TAB (retail, digital, phone, on-course), Keno (retail) and TGS.

He has extensive experience managing and leading multi-channel businesses, including a nine year career with Mobil Oil prior to joining Tabcorp.

Adam holds a Masters of Business Administration and has attended the Senior Executive Programme at London Business School.



**Kim Wenn**  
Chief Information Officer – Technology

Kim commenced at Tabcorp in April 2005 and has held several positions in Tabcorp's wagering technology field before being appointed to her current role in June 2011 following Tabcorp's demerger.

Previously, she has work in research, development, logistics and project management within the information technology industry at Quest Software, Micrologistics, Tech-Precision and Amcor.

Kim holds a Masters in Management and Technology, and a Bachelor of Science (Computing).

# CORPORATE GOVERNANCE

## 1. Tabcorp's approach to corporate governance

Tabcorp's Board of Directors and management strongly support the principles of good corporate governance, and are committed to building on the Group's strong reputation for integrity. This is particularly important given the highly regulated industry in which the Tabcorp Group operates, and is essential for increasing our opportunities to win and retain gambling licences, and for the long term sustainability of our businesses.

This corporate governance statement outlines the Tabcorp Group's main corporate governance practices and policies in place during the financial year and at the date of this report. The Group's corporate governance practices are reviewed regularly and will continue to be developed and refined to meet the needs of the Group and taking account of best practice. Since the start of the 2013 financial year, the Group's corporate governance practices were enhanced through the revision of anti-money laundering/ counter terrorism financing policies and practices (refer section 18), and the commencement of an internal Board assessment and review (refer section 23).

In developing the appropriate corporate governance practices, the Group takes into account all applicable legislation and recognised standards, which include, but are not limited to:

- *Corporations Act 2001 (Cth) (Corporations Act)*;
- Australian Securities Exchange (ASX) Listing Rules;
- Legislation governing the licences issued to the Tabcorp Group to conduct gambling and related activities; and
- *Australian Standard AS 8000 – Good Governance Principles*.

**W** This corporate governance statement and other related information is available from the corporate governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx)

## 2. ASX Corporate Governance Principles

The Tabcorp Group adopts the *'Corporate Governance Principles and Recommendations with 2010 Amendments, 2nd edition'* published by the ASX Corporate Governance Council (ASX CGC). The Group complies with these principles and recommendations and has processes in place to maintain ongoing compliance. Statements in this corporate governance section have been referenced to the applicable ASX CGC Recommendation and are indicated by the symbol ✓.

**W** The ASX CGC *'Corporate Governance Principles and Recommendations with 2010 Amendments, 2nd edition'* is available from the ASX website at [www.asxgroup.com.au/corporate-governance-council.htm](http://www.asxgroup.com.au/corporate-governance-council.htm)

## 3. Composition of the Board

At the date of this report, the Tabcorp Board consisted of six Non Executive Directors, including the Chairman, and the Managing Director and Chief Executive Officer. Tabcorp's Constitution requires that the number of Directors (not including alternate Directors) shall not exceed 12, nor be less than three. A Director, other than any Managing Director, may not hold office for a continuous period in excess of three years or past the third Annual General Meeting following the Director's last election or re-election to the Board, whichever is the longer, without submitting for re-election. The Board has the power to appoint any person as a Director, either to fill a casual vacancy or as an addition to the Board, subject to receiving all necessary regulatory and Government Ministerial approvals, but that person must stand for election at the following Annual General Meeting.

The appointment and removal of the Managing Director and Chief Executive Officer is a matter for the Board as a whole, in association with the recommendations of the Nomination Committee.

As set out in section 11, the Nomination Committee assists the Board with the recruitment of new Directors, election or re-election of Directors, membership of each Board Committee and Board succession. In carrying out these responsibilities, the Board considers the knowledge, skills, experience, competencies, diversity, qualifications, behaviours, specific areas of expertise and personal characteristics that are desirable for Directors of Tabcorp. The Board seeks to achieve an appropriate balance of these attributes among the Board, and to ensure all attributes are well represented. The Board believes it has the appropriate mix of these attributes amongst its Directors to enable the Board to operate effectively.

Details of the Directors, their qualifications and experience are included on pages 20 and 21.

**W** Tabcorp's Constitution is available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx)

**W** The terms of reference for each of the Board Committees are available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx)

- ✓ ASX CGC's Recommendations 1.1, 2.1, 2.2, 2.3, 2.4, 2.6, 4.2, 4.4

#### 4. Responsibilities and functions of the Board and management

The Board has agreed the responsibilities and functions of the Board as a whole, and those of Directors, the Chairman and the Managing Director and Chief Executive Officer.

The Board's role includes:

- Reviewing and approving the strategies, budgets and business plans prepared by management;
- Assuring itself of the effectiveness of arrangements for the governance of the Tabcorp Group including:
  - The quality of the executive team;
  - The appropriateness of organisational arrangements and structure; and
  - The adequacy of internal controls, policies, procedures and processes;
- Overseeing performance against targets and objectives; and
- Overseeing reporting to shareholders and other stakeholders on the strategic direction, governance and performance of the Tabcorp Group.

To assist the Board with carrying out its responsibilities and functions, certain powers have been delegated to management, including the authority to undertake transactions and incur expenditure on behalf of the Tabcorp Group up to specified thresholds. These are referred to in Tabcorp's Delegated Authorities and Approval Limits (DAAL) Group Policy, which has been agreed by the Board and management. The policy includes the financial and non-financial matters that the Board has delegated to management, the capital and operational expenditure approval limits applicable to each level of management, and specific key responsibilities within each division of the Tabcorp Group.

Management provides relevant information to the Board in a concise and timely manner to enable the Board to make informed decisions and effectively discharge their duties. The Board regularly monitors the flow of information it receives from management, and Directors may request additional information where necessary.

**W** A summary of the responsibilities and functions of the Board, Directors, the Chairman and Managing Director and Chief Executive Officer matters are available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx)

✓ ASX CGC's Recommendation 1.1, 2.3

#### 5. Director independence

Directors are required to be meticulous in their disclosure of any material contract or relationship, including relevant interests of family companies and spouses and involvement with other companies or professional firms. Directors are required to adhere strictly to the constraints on their participation and voting in relation to matters in which they may have an interest, in accordance with the Corporations Act and policies of the Tabcorp Group.

A register of Directors' material interests is maintained and is regularly sent to every Director. Where Directors are involved with other companies or professional firms, which from time to time have dealings with the Tabcorp Group, all such dealings are at arms length and on normal commercial terms.

Details of offices held by Directors with other organisations are set out on pages 20, 21 and 36.

The Board periodically assesses the independence of each Director. For this purpose, an independent Director is a Non Executive Director whom the Board considers to be independent of management and free of any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgment.

All of the Non Executive Directors of Tabcorp throughout the financial year and at the date of this report, with the exception of Elmer Funke Kupper, have been determined by the Board to be independent Directors. In reaching that determination, the Board has taken into account (in addition to the matters set out above):

- The specific disclosures made by each Director as referred to above;
- That no Director is, or is associated directly with, a substantial shareholder of Tabcorp;
- That no Director has ever been employed in the last three years in any other capacity by Tabcorp or any of its subsidiaries;
- That no Director personally carries on any role for the Tabcorp Group other than as a Director of Tabcorp;
- There are no related party dealings referable to a Director which are material and require disclosure under accounting standards; and
- That no Director is, or is associated with, a supplier, professional adviser, consultant to or customer of the Tabcorp Group which is material for the purposes of the ASX CGC corporate governance recommendations, given that any payments by Tabcorp to any such associate were less than 1% of annual earnings for both Tabcorp and the respective associate, and that any remuneration received by a Director from any such associate was not impacted in any way by the Tabcorp payments except as follows;

## CORPORATE GOVERNANCE (continued)

Paula Dwyer is considered by the Board as independent despite \$47,179 paid by Tabcorp to Back Page Lead Pty Ltd (BackPageLead) of which Ms Dwyer's spouse is a Director and has an ownership interest. The amount exceeded 1% of annual earnings for BackPageLead during the year, however any related income received by her spouse from BackPageLead as a consequence of the payments was not material to either Ms Dwyer or her spouse. Further, all arrangements between Tabcorp and BackPageLead were at arms length and on normal commercial terms, and Ms Dwyer did not participate in any decisions in respect of these arrangements. The Board is satisfied that these circumstances did not affect the independence of Paula Dwyer.

Also, Paula Dwyer and Jane Hemstritch, who are Non Executive Directors of the Australia and New Zealand Banking Group Limited (ANZ) and Commonwealth Bank of Australia (CBA) respectively, are considered by the Board as independent despite Tabcorp having paid to ANZ and CBA amounts during the year which exceeded the 1% threshold of Tabcorp's annual earnings. These payments were in relation to cross currency interest rate swaps for US debt facilities and fees associated with syndicated bank debt facilities. All arrangements were at arms length and on normal commercial terms and Ms Dwyer and Mrs Hemstritch did not participate in any decisions in respect of the provision of these services, and any remuneration received by Ms Dwyer from ANZ and Mrs Hemstritch from CBA was not impacted in any way by the amounts paid by Tabcorp. The Board is satisfied that these circumstances did not affect the independence of Paula Dwyer and Jane Hemstritch.

Steven Gregg is considered by the Board as independent despite \$166,000 paid by Tabcorp to William Inglis & Son Limited (William Inglis) of which Mr Gregg is a Director. The amount exceeded 1% of annual earnings for William Inglis during the year, however all arrangements between Tabcorp and William Inglis were at arms length and on normal commercial terms and Mr Gregg did not participate in any decisions in respect of these arrangements. The Board is satisfied that these circumstances did not affect the independence of Steven Gregg.

Elmer Funke Kupper returned to the Board of Tabcorp as an observer in January 2012 and commenced as a Non Executive Director in June 2012 following the receipt of all necessary regulatory approvals, having ceased as Tabcorp's Managing Director and Chief Executive Officer on 8 June 2011 in connection with the demerger. The Board gave due consideration to the merits of having Mr Funke Kupper on the Board and considers that Mr Funke Kupper's experience, knowledge of the market and relationships with industry partners adds considerable value to Board deliberations. During the 2013 financial year, Mr Funke Kupper attended all Tabcorp Board meetings and relevant Committee meetings, and the Board is satisfied that he continues to make a valuable contribution to Tabcorp.

Tabcorp does not consider that term of service on the Board should be considered as a factor affecting a Director's independence and the ability to act in the best interests of the Tabcorp Group.

The Board also has procedures in place to ensure it operates independently of management. For example, at every Board meeting, the Non Executive Directors meet together in the absence of executive Directors and other executives of the Tabcorp Group. Where appropriate, executives are also excluded from Board discussions that relate to specific management issues, such as executive remuneration.

✓ ASX CGC's Recommendations 2.1, 2.2, 2.3, 2.6

### 6. Other directorships

Directors are required continually to evaluate the number of Boards on which they serve to ensure that they can give the time and attention required to fulfil their duties and responsibilities. Directors are required to seek approval from the Chairman prior to accepting an invitation to become a Director of any corporation, and in the case of the Chairman seek approval from the Chairman of the Audit, Risk and Compliance Committee.

The Board has adopted a policy that Non Executive Directors are permitted to hold a maximum number of four directorships of ASX listed companies, other than Tabcorp, with a chairmanship equivalent to two directorships, subject to the discretion of the Chairman (or in the case of the Chairman, the Chairman of the Audit, Risk and Compliance Committee).

Details of the directorships for each Director are available on pages 20, 21 and 36.

✓ ASX CGC's Recommendations 2.1, 2.2, 2.4, 2.5

### 7. Board and Committee meetings

The Board and its Committees meet regularly to discuss matters relevant to the Tabcorp Group. Additional meetings may be scheduled to address specific matters.

Any Director with a material personal interest in a matter being considered by the Board must not be present when the matter is being considered and may not vote on the matter, unless all other Directors present resolve otherwise.

The Company Secretary is responsible for coordinating and distributing materials for Board meetings, shareholder meetings and Board Committee meetings. The appointment and removal of the Company Secretary is a matter for discussion by the Board as a whole, and all Directors have access to the Company Secretary.

Directors are required to attend all Board meetings, shareholder meetings and Board Committee meetings for which they are members, subject to any unusual or unforeseen circumstances which may prevent them from attending.

The number of Board and Committee meetings and the attendance of each Director are set out on page 46.

✓ ASX CGC's Recommendations 2.5, 2.6, 4.4, 8.1, 8.3

## 8. Committees of the Board

To assist the Board in achieving the highest standards of corporate governance, the Directors involve themselves with the critical areas of the Group's activities through Board Committees.

The Board Committees as at the date of this report were:

- Audit, Risk and Compliance (see section 9);
- Remuneration (see section 10); and
- Nomination (see section 11).

Board Committee membership is restricted to Non Executive Directors only.

All Non Executive Directors are members of the Audit, Risk and Compliance Committee and the Nomination Committee, in addition to membership of other Board Committees as appointed. The Board considers that all Non Executive Directors should be members of the Audit, Risk and Compliance Committee due to the substantial amount of risk and compliance matters which stem from operating in the highly regulated gambling industry. Given the relatively small size of the Tabcorp Board, and the small number of meetings of the Nomination Committee, the Board considers it is efficient to have all Non Executive Directors as members of the Nomination Committee. In respect of the Remuneration Committee, the Board recognises that it is efficient to have a smaller number of Non Executive Directors who command specialist expertise and experience to focus on and deliberate remuneration matters before recommendations are provided to the Board for decision. Tabcorp's Board Committee arrangements reflect similar board committee structures in other large Australian companies.

Each Board Committee has terms of reference which set out the roles, responsibilities, composition and processes of each Committee. These terms of reference are reviewed regularly.

W The terms of reference for Tabcorp Board Committees are available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx)

✓ ASX CGC's Recommendations 1.1, 2.4, 4.1, 4.3, 8.1

## 9. Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee provides the Board with additional assurance and oversight relating to financial accounting practices, financial and operational risk management, compliance management, internal control systems, external reporting and the internal and external audit functions.

The key responsibilities of the Audit, Risk and Compliance Committee are as follows:

### Audit:

- Oversee compliance with statutory responsibilities relating to financial disclosure, and approval of full year and half year financial statements as well as the financial statements in the Annual Report;
- Review the activities of the internal audit function and the external auditor (Ernst & Young) and review their performance on an annual basis;
- Review the adequacy of the Group's internal controls;
- Monitor related party transactions and potential conflicts of interest; and
- Review the process for management assurance to the Board (refer to section 14 of this corporate governance statement for more information).

### Risk and Compliance:

- Reviewing and approving the Group's risk and compliance policies and frameworks;
- Assessing the appropriateness of risk and compliance management systems, related control processes, and reporting systems;
- Monitoring the effectiveness of systems and processes in place to ensure compliance requirements are being satisfied and performing adequately;
- Evaluating the effectiveness of the Group's systems and controls to monitor and manage risks that are significant to the fulfilment of the Group's business objectives; and
- Ensuring that sufficient resources are dedicated to managing risk and compliance.

# CORPORATE GOVERNANCE (continued)

The Chairman of the Audit, Risk and Compliance Committee is required to meet regularly with the external auditor in the absence of management. The Chairman of the Audit, Risk and Compliance Committee is also required to meet with Tabcorp's General Manager Audit, Risk and Compliance on a regular basis.

The annual internal audit plan and the scope of work to be performed are set in consultation with the Audit, Risk and Compliance Committee. The Committee approves the annual internal audit plan and reviews progress and reports made pursuant to that plan.

The Audit, Risk and Compliance Committee is committed to maintaining auditor independence and limiting the engagement of the external auditor for only audit related services, unless exceptional circumstances necessitate the involvement of the external auditor. The Chairman of the Audit, Risk and Compliance Committee must approve all non-audit related work to be undertaken by the external auditor (if any). Tabcorp will maintain the rotation of the lead external audit partner every five years or less, as required by the Corporations Act. The external auditor attends Tabcorp's Annual General Meeting and is available to answer shareholder questions regarding aspects of the external audit and their report.

Refer also to section 12 for internal control framework and section 13 for management of risk.

## Composition of the Audit, Risk and Compliance Committee

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Chairman:	Jane Hemstritch
Other Members:	Paula Dwyer Elmer Funke Kupper Steven Gregg (from 18 July 2012) Justin Milne Zygmunt Switkowski

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**W** The terms of reference for the Audit, Risk and Compliance Committee are available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx)

✓ ASX CGC's Recommendations 1.1, 2.5, 4.1, 4.2, 4.3, 4.4, 6.2, 7.1, 7.3

## 10. Remuneration Committee

The Remuneration Committee has responsibility for, among other things:

- Reviewing and making recommendations to the Board on remuneration packages and policies applicable to the Chairman, Directors, the Managing Director and Chief Executive Officer, and senior executives reporting to the Managing Director and Chief Executive Officer;
- Reviewing and making recommendations to the Board on the Tabcorp Group's general remuneration practices and policies, including terms and conditions of any employee share ownership and option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements;
- Reviewing and approving participation of executives in incentive plans, including option and share plans;
- Reviewing and making recommendations to the Board regarding the Group's remuneration arrangements with respect to gender;
- Reviewing with reference to market benchmarks, the remuneration arrangements for the Managing Director and Chief Executive Officer and making recommendations to the Board; and
- Overseeing the preparation of the annual Remuneration Report.

Details relating to the remuneration of the Chairman, Directors, the Managing Director and Chief Executive Officer, the Company Secretary and other senior executives of the Tabcorp Group are set out in the Remuneration Report on pages 48 to 61.

## Composition of the Remuneration Committee

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Chairman:	Zygmunt Switkowski
Other Members:	Paula Dwyer Steven Gregg (from 18 July 2012)

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**W** The terms of reference for the Remuneration Committee are available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx)

✓ ASX CGC's Recommendations 1.1, 2.5, 8.1, 8.2, 8.3

## 11. Nomination Committee

The main responsibilities of the Nomination Committee are to:

- Manage a process to identify suitable candidates for appointment to the Board and Board Committees;
- Make recommendations to the Board regarding succession planning for the Board (refer to section 24 for further information);
- Make recommendations to the Board on candidates it considers appropriate for appointment to the Board and Board Committees, including whether the Board should support the election or re-election of any Director required to retire at a general meeting;
- Annually review the skills, experience, expertise, diversity and attributes required of Directors to discharge the Board's duties and the extent to which they are represented in the composition of the Board and each Board Committee;
- Facilitate an independent three yearly assessment of the effectiveness and performance of the Board, Board Committees and Directors (refer to section 23 for further information); and
- Ensure that an effective Board induction process is in place (refer to section 25 for more information).

### Composition of the Nomination Committee

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Chairman:	Paula Dwyer
Other Members:	Elmer Funke Kupper
	Steven Gregg (from 18 July 2012)
	Jane Hemstritch
	Justin Milne
	Zygmunt Switkowski

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**W** The terms of reference for the Nomination Committee are available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx)

✓ ASX CGC's Recommendations 1.1, 2.4, 2.5, 2.6

## 12. Internal control framework

The Board reviews and approves the internal control structure of the Tabcorp Group. This includes the role performed by the Group's internal audit, risk management and compliance functions.

Also, the Group's strategic plan (see section 27) and a detailed budget are prepared annually and subject to the approval of the Board.

Forecasts for the Tabcorp Group and each of the operating businesses are regularly updated and reported to the Board throughout the year to enable Directors to monitor performance against the annual budget.

The Tabcorp Group has detailed procedural guidelines for the approval of capital expenditure including annual budgeting, review and approval of individual proposals and specific levels of authority between the Board, the Managing Director and Chief Executive Officer and other levels of management.

Processes for the investment of surplus cash, management of debt and currency, and interest rate risk management have been approved by the Board and are the subject of ongoing reporting to the Board. Tabcorp enters into interest rate swaps and cross currency swaps to hedge interest rate and foreign exchange risk on debt. The Tabcorp Group Treasury department is responsible for managing the Tabcorp Group's finance facilities and interest rate, credit, liquidity and currency risks in line with policies set by the Board.

The Tabcorp Group's internal audit function is resourced by Tabcorp employees supplemented by relevant industry experts, and is independent of the external auditor. Internal audit reports are regularly submitted to the Chief Financial Officer, to the Audit, Risk and Compliance Committee and, where appropriate, to the Board. The Audit, Risk and Compliance Committee approves the internal audit plan annually.

The Tabcorp Compliance Policy and Framework was developed to align with:

- Australian Standard AS 3806 – Compliance Programs;
- Australian Standard AS 8000 – Good Governance Principles;
- Applicable legislation;
- The Corporate Governance Principles and Recommendations published by the ASX CGC;
- The Tabcorp Group's organisational structure and strategy; and
- The Tabcorp Group's Risk Management Policy and Framework.

# CORPORATE GOVERNANCE (continued)

The Tabcorp Group utilises an enterprise wide compliance system, which provides a consistent and uniform approach to collating and reporting relevant information from across all businesses. The system monitors whether practices and processes designed to ensure compliance have been operating effectively, increases the visibility of potential issues, and assists the processes for resolving issues.

W The standards AS 3806 – Compliance Programs and AS 8000 – Good Governance Principles are available from SAI Global’s website at [www.saiglobal.com](http://www.saiglobal.com)

✓ ASX CGC’s Recommendations 1.1, 3.1, 3.3, 7.1, 7.2, 7.3

## 13. Recognition and management of risk

The Tabcorp Group has in place a Risk Management Framework, policies and procedures, which set out the roles, responsibilities and guidelines for managing financial and operational risks associated with the Group’s businesses.

During the financial year Tabcorp’s Audit, Risk and Compliance department updated and monitored the risk profiles for each of the Group’s operating businesses and major projects. These profiles identify the:

- Nature and likelihood of occurrence for specific material risks;
- Key controls that are in place to mitigate and manage the risk;
- Sources and levels of assurance provided on the effective operation of key controls; and
- Responsibilities for managing these risks.

The risk profiles for each key operating business are reported to the Board Audit, Risk and Compliance Committee and are considered as part of the annual internal audit planning process.

The design, operation and assessment of the effectiveness of controls relating to material risks is assessed primarily through declarations by senior executives who are responsible for the operation of those controls, together with assurance activities undertaken by Tabcorp’s Internal Audit team and assurance activities undertaken by other assurance providers, where applicable.

The Tabcorp Group’s Risk Management Framework is based on concepts and principles identified in the Australian/New Zealand Standard on Risk Management (AS/NZS ISO 31000:2009).

The risk framework, policies and procedures will continue to be enhanced as the Tabcorp Group’s existing operations develop and its range of activities expands.

The implementation of these policies and procedures is monitored and reviewed at least annually by the Board Audit, Risk and Compliance Committee.

W The terms of reference for the Audit, Risk and Compliance Committee are available from the Corporate Governance section of Tabcorp’s website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx)

W The standard AS/NZS ISO 31000:2009 – Risk Management is available from SAI Global’s website at [www.saiglobal.com](http://www.saiglobal.com)

✓ ASX CGC’s Recommendations 7.1, 7.2, 7.3

## 14. Management assurance

At the Board meetings to approve the Tabcorp Group’s annual and half yearly results, the Board received and considered statements in writing from the Managing Director and Chief Executive Officer and the Chief Financial Officer in relation to the Tabcorp Group’s system of risk oversight and management and internal control.

The certificate of assurance stated that the financial statements had been prepared in conformity with generally accepted accounting principles and that they gave a true and fair view of the state of affairs of Tabcorp and of the Tabcorp Group.

The certificate of assurance also stated that the risk management and internal compliance and control systems were operating effectively, in all material respects, based on the AS/NZS ISO 31000:2009 – Risk Management standard adopted by the Tabcorp Group. The certificate of assurance also included statements that all information had been made available to the external auditor, and that there were not any irregularities or significant issues identified that would have a material impact on the Tabcorp Group.

W The standard AS/NZS ISO 31000:2009 – Risk Management is available from SAI Global’s website at [www.saiglobal.com](http://www.saiglobal.com)

✓ ASX CGC’s Recommendations 1.1, 4.4, 7.2, 7.3, 7.4

## 15. Code of Conduct

The Tabcorp Group has a Group-wide Code of Conduct. Compliance with the Code of Conduct and associated policies, guidelines and procedures is a requirement for all employees, Directors and contractors of the Tabcorp Group. The Code is founded on the Tabcorp Group’s values, and establishes the behaviour that is expected from all Tabcorp Group employees, Directors and contractors, including the maintenance of ethical standards, honesty, teamwork, efficiency, fairness, courtesy and integrity.

The Code includes, among other things, references to specific Tabcorp Group policies regarding corruption, bribery, discrimination, bullying and harassment, equal opportunity, diversity, insider trading, whistleblowing, conflicts of interest, social media and restrictions on the use of the Group's gambling products.

The Code of Conduct is provided in new starter packs to new employees of the Tabcorp Group. References to the Code of Conduct and relevant policies are included in the Tabcorp Group's induction program, with refresher training and compliance awareness conducted regularly across the Tabcorp Group.

In addition to adhering to the high ethical standards set by the Code of Conduct, Tabcorp's Directors and key personnel are also required to undergo extensive probity investigation and clearance by applicable gambling regulators and Government Ministers in Australia and overseas.

W Tabcorp's Code of Conduct is available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx)

✓ ASX CGC's Recommendation 3.1, 3.3

## 16. Tabcorp Integrity Protection Service (TIPS)

TIPS is an independent, anonymous crime and misconduct reporting service delivered by Deloitte, an international consulting and forensic investigations specialist. It is one of Tabcorp's processes to prevent, detect, and respond to crime and misconduct.

TIPS is available 24 hours a day, seven days a week to Tabcorp's people and stakeholders in Australia and overseas.

The program is managed by the Tabcorp Group's Compliance team and has accountability at the highest levels with the Chairman of the Board Audit, Risk and Compliance Committee able to access reports relating to all employees and review the action taken. TIPS was introduced to achieve Australian and international best practice, reflecting Tabcorp's commitment to integrity and befitting the responsibilities of a publicly listed company.

W Tabcorp's commitment to integrity and information regarding TIPS are available from the integrity section of Tabcorp's website at [www.tabcorp.com.au/sustainability\\_integrity.aspx](http://www.tabcorp.com.au/sustainability_integrity.aspx)

W Further information on TIPS is available from its website at [www.tips.deloitte.com.au](http://www.tips.deloitte.com.au)

✓ ASX CGC's Recommendation 3.1, 3.3

## 17. Responsible gambling

The Tabcorp Group takes a leadership position in the responsible delivery of its gambling products and support for customers.

The Tabcorp Group was one of the first Australian gambling companies to launch a voluntary Responsible Gambling Code of Practice in 2001. Tabcorp's Responsible Gambling Code of Practice set common standards for the responsible delivery of gambling products for all of the Group's gambling operations and venue facilities. Compliance with the Code was independently reviewed by KPMG each year.

Australian state governments regulate the gambling industry, and are increasingly moving towards mandated responsible gambling codes that have varying requirements. In light of this development, the Tabcorp Group decided in 2008 to gradually replace its Group-wide Code with a specific code for each of its businesses. The evolution from a Group-wide Code to individual codes has enabled the Tabcorp Group to maintain its compliance with the specific requirements of State governments. The codes are specific to each business and are therefore more responsive to individual gambler's circumstances. The Tabcorp Group will continue to refine its responsible gambling practices and its codes to strengthen its commitment to customer care.

The Tabcorp Group has an Employee Gambling Policy which is a key component of Tabcorp's commitment to delivering gambling products responsibly. Directors, employees and contractors may not gamble whilst on duty, whether on Tabcorp's gambling products or those of another operator. Limited exemptions apply, which require written authorisation. Gambling off duty is subject to specific restrictions which apply to Directors, executives and direct reports to executives, and other groups according to the nature of their work.

Further details about the Tabcorp Group's commitment to responsible gambling are available on page 16 of this report and on Tabcorp's website.

W Tabcorp's Responsible Gambling Codes are available from the Responsible Gambling section of Tabcorp's website at [www.tabcorp.com.au/responsible-gambling.aspx](http://www.tabcorp.com.au/responsible-gambling.aspx)

✓ ASX CGC's Recommendations 3.1, 3.3

# CORPORATE GOVERNANCE (continued)

## 18. Anti-money laundering/counter terrorism financing

The Tabcorp Group has anti-money laundering and counter-terrorism financing (AML/CTF) programs focused on its key businesses. These programs are supported by ongoing training and communications to enable employees to understand and keep up to date with the obligations under Tabcorp's AML/CTF programs and relevant legislation. Tabcorp's Regulatory Team manages these programs, with oversight provided by the Board Audit, Risk and Compliance Committee.

In 2013, the Tabcorp Group's AML/CTF programs and accompanying training/awareness materials were reviewed and updated to ensure they remain reflective of the Tabcorp Group's businesses, current industry developments and new technologies. Tabcorp also introduced additional tailored training for employees who are responsible for customer identification, transaction monitoring and lodgement of reports to regulators. Tabcorp also enhanced its transaction monitoring capability through the employment of an AML specialist and introduced additional reporting to assist with the detection and identification of transactions that may be suspicious.

In addition, the Tabcorp Group has integrity agreements in place with all major sports bodies and racing industries across Australia. The agreements allow for the sharing of information between the Tabcorp Group and sports/racing industry bodies to promote high levels of integrity among sports and racing. The Tabcorp Group also has integrity agreements with local and federal law enforcement bodies, national intelligence organisations, state and federal crime commissions, corrective services and other government and regulatory bodies.

## 19. Diversity

Tabcorp has a Diversity Policy in relation to diversity of the Board and senior management within the Tabcorp Group. The Board Nomination Committee is responsible for overseeing the policy, monitoring Tabcorp's diversity strategy and reviewing progress against measurable objectives established to achieve Tabcorp's diversity goals.

The Board has set an objective to have by 2015 at least 33% female representation in senior management roles, which comprises the Senior Executive Leadership Team (Chief Executive Officer and direct reports) and the Senior Management Team (direct reports to the Senior Executive Leadership Team, and their direct reports).

During 2013, the Tabcorp Group focussed on further developing the organisational foundations to support the achievement of the Group's gender diversity objective. Initiatives that have been introduced include an increase to paid parental leave entitlements from six weeks to 13 weeks for eligible employees, revising the Group's Flexible Work Policy to support and promote greater flexibility for all staff in the performance of their roles, and ensuring an appropriate gender balance is represented among shortlisted candidate pools during the recruitment process.

As at 30 June 2013, the proportion of women employees across the Tabcorp Group was:

- 29% of the Board of Directors;
- 30% of the Senior Executive Leadership Team;
- 29% of the combined Senior Executive Leadership Team and Senior Management Team; and
- 47% of the entire Tabcorp Group.

**W** Tabcorp's Diversity Policy is available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx)

✓ ASX CGC's Recommendations 3.2, 3.3, 3.4, 3.5

## 20. Securities trading policy

Tabcorp has a policy regarding trading in Tabcorp securities which applies to all Directors, employees and contractors. This policy also extends to any person or entity, which may in the circumstances be reasonably associated with the Tabcorp Group or any Director, employee or contractor (for example a spouse, dependent children, family trust, family company or Joint Venture partner).

Directors, executives reporting directly to the Managing Director and Chief Executive Officer ('Executives'), all direct reports to those Executives ('Executive Direct Reports'), and their associates are not permitted to trade in Tabcorp's securities during Blackout Periods and subject to the processes set out in the policy.

The applicable Blackout Periods:

- Commence on 1 January and end on the day Tabcorp announces its half year results (ASX Appendix 4D) inclusively;
- Commence on 1 July and end on the day Tabcorp announces its preliminary final year results (ASX Appendix 4E) inclusively.

The Tabcorp Board, Chairman, Chief Executive Officer or Company Secretary may also decide other Blackout Periods at any time.

Approval for trading in a Blackout Period or within 12 months of acquisition will only be granted in exceptional circumstances and where the trade is the only reasonable course of action available. The nature of exceptional circumstances and the approval process to be followed are set out in the policy.

Directors are required to obtain written approval from the Chairman prior to a Director or an associate of a Director trading in Tabcorp securities. In the case of a proposed trade by the Chairman or their associate, approval is required from the Chairman of the Audit, Risk and Compliance Committee.

If any Executive or Executive Direct Report or any associate of an Executive or Executive Director Report wishes to trade in Tabcorp's securities at any time, the Executive or Executive Direct Report must obtain the prior written approval of either the Company Secretary or the Managing Director and Chief Executive Officer.

The policy also contains restrictions on margin lending. Directors, Executives and Executive Direct Reports must receive prior consent from the Chairman (in the case of the Chairman, prior consent from the Chairman of the Audit, Risk and Compliance Committee) before entering into margin loans or similar financing arrangements.

The details of Tabcorp securities held by Directors are available in the Directors' Report on page 45.

W Tabcorp's Securities Trading Policy is available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx)

✓ ASX CGC's Recommendations 3.2, 3.3

## 21. Continuous disclosure

The Tabcorp Group has a Disclosure and Investor Communications Policy and procedures are in place to ensure that information is reported to the ASX in accordance with the continuous disclosure requirements of its Listing Rules. The Board reviews Tabcorp's compliance with its continuous disclosure obligations at each of its meetings.

The Tabcorp Group's Executive General Manager – Corporate, Legal and Regulatory, in her capacity as Company Secretary, is responsible for coordinating disclosure of information to the ASX, the Australian Securities and Investments Commission and shareholders. The Company Secretary is referred to as the Disclosure Officer in this policy.

The Disclosure Officer must be kept informed by management of disclosure related issues, and each Executive Committee member must notify the Disclosure Officer immediately of any information that may require disclosure.

In addition to the Disclosure Officer, there are a limited number of authorised Tabcorp spokespersons. Only authorised Tabcorp spokespersons may speak on the Group's behalf to people such as analysts, brokers, journalists and shareholders, and comments must be limited to their expertise. If an employee of the Tabcorp Group is not an authorised Tabcorp spokesperson, and receives an inquiry about the Group from a journalist, analyst or other external party, they must refer the inquiry to an authorised Tabcorp spokesperson.

Authorised Tabcorp spokespersons liaise closely with the Disclosure Officer to ensure all proposed public comments are within the bounds of information that is already in the public domain, and/or is not material.

W Tabcorp's Disclosure and Investor Communications Policy is available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx)

✓ ASX CGC's Recommendations 5.1, 5.2

## 22. Independent professional advice

An individual Director may, after discussion with the Chairman, and advising the Managing Director and Chief Executive Officer, obtain independent professional advice at the expense of the Tabcorp Group. Such advice is to be made available to all other Directors.

Board Committees and Committee members may also obtain independent professional advice, subject to the terms of reference for the applicable committee.

W The terms of reference for each Board Committee are available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx)

✓ ASX CGC's Recommendations 1.1, 2.1, 2.6, 8.1

## 23. Performance assessment

The Board is currently undertaking an internal Board assessment and review. The assessment and review will evaluate the Board structure and its role, Board meetings and processes, the Board's relationship with management, the effectiveness of each Board Committee, and the performance of the Chairman, the Chairman of each Committee and each individual Director. The assessment takes into account responses from Directors, with feedback also sought from management, with a view to enhancing the effectiveness of the Board and individual Director contributions, and improving Board processes, practices and governance arrangements.

The Nomination Committee is responsible for facilitating an independent review of the performance and effectiveness of the Board, its Committees and Directors every three years. Due to the significant changes stemming from the demerger of Tabcorp's former casinos business in 2011, the Board considered it would be inappropriate to undertake an externally facilitated independent assessment until sufficient time had elapsed since the demerger was completed. Such timing would allow any new Directors adequate time to become acquainted with Tabcorp and its Board processes, and enable the Board to receive the optimal benefit from undertaking such an assessment.

Formal performance and development evaluations are conducted every six months for each employee, including executives and the Managing Director and Chief Executive Officer. Individual performance is assessed using a balanced scorecard setting out specific

# CORPORATE GOVERNANCE (continued)

targets that are aligned to and are supportive of the Tabcorp Group's annual objectives and whether they have exhibited Tabcorp's Ways of Working. Refer to page 52 of the Remuneration Report for further information. Performance assessments for senior executives were undertaken in relation to the end of the financial year and half year in accordance with the process disclosed above.

**W** The terms of reference for the Nomination Committee are available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx)

✓ ASX CGC's recommendation 1.2, 2.4, 2.5, 2.6

## 24. Succession planning

The Tabcorp Group has a succession plan for members of its Board and senior management. This plan identifies the best candidates for leadership and management roles so that the Board and Executive Committee comprise high calibre people with the necessary and desirable experience and competencies that best meet the organisation's needs.

The Nomination Committee is responsible for making recommendations to the Board to facilitate the orderly succession of Board membership and to manage a process to identify suitable candidates for appointment to the Board and for the optimal composition of Board Committees.

Refer to section 3 for information regarding the attributes the Board considers when appointing new Directors and the process involved.

Directors regularly discuss succession matters at meetings of the Board and the Nomination Committee.

**W** The terms of reference for the Nomination Committee are available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx)

✓ ASX CGC's Recommendation 2.4, 2.6

## 25. Induction

The appointment of any new Director is subject to regulatory and Government Ministerial approvals. While these approvals are being sought, the person, with the approval of the regulators, may attend Board and Committee meetings as an observer. This assists their transition into their role, but they may not vote on any matter.

Each observer undertakes an induction program and is provided with access to Tabcorp's online Directors' Knowledge Centre, the Tabcorp Group's strategic plan and other materials to assist them to participate fully and actively in all Board decision making at the earliest opportunity. In addition, upon being invited to join the Tabcorp Board, every observer receives a letter of appointment setting out the key information and terms and conditions applicable to their appointment as a Director of Tabcorp.

The induction program aims to provide the observer with the relevant knowledge regarding the processes of the Tabcorp Board, Board culture, the role and responsibilities of a Tabcorp Director, the Tabcorp Group's strategic direction, the nature of the Group's businesses, industry matters, the Group's financial position, key senior management, operational and risk management practices and the major issues facing the Tabcorp Group. The induction program includes meetings with each Executive Committee member and their leadership team, site tours, and specific matters of interest to each observer.

The Board Nomination Committee is responsible for ensuring that an effective induction process is in place, and regularly reviews its effectiveness in accordance with industry best practice and including incorporation of feedback from newly appointed Directors.

Tabcorp has a formal induction program for all employees, including executives. This program is conducted by skilled trainers and provides information about the structure and operations of the Tabcorp Group, Tabcorp's Code of Conduct, key employee policies (such as the use of Tabcorp's gambling products, harassment and bullying), occupational health and safety, and equal opportunity. In addition, employees receive orientation regarding their specific responsibilities, duties and rights, meet with executives and team members and undergo familiarisation in their workplace.

Employees have agreed position descriptions and balance scorecards that set out their duties, responsibilities, objectives and key performance indicators. Letters of appointment or employment contracts set out other key terms of employment, including term of office, rights, responsibilities, and entitlements on termination of employment.

**W** The terms of reference for the Nomination Committee are available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx)

✓ ASX CGC's Recommendation 1.1, 3.1, 3.3

## 26. Directors' continuing education

All Directors have access to continuing education to update and enhance their skills and knowledge to enable them to continue to carry out their duties as Directors in an efficient and knowledgeable manner.

The continuing education program includes information concerning key developments in the Tabcorp Group and the industry and environments within which it operates, including site visits to the Group's properties, updates to relevant policies, discussion of relevant legal developments, corporate governance updates and other matters of interest for Directors.

✓ ASX CGC's Recommendation 1.1, 2.5

## 27. Group strategic planning

Tabcorp has a formal strategic planning process whereby a strategic plan is approved by the Board each year. The intent of the annual review is to consider a range of strategies and provide management with guidance on those strategies that in the Board's opinion will enhance shareholder value. During the 2013 financial year, the Group's strategic plan was assessed and validated by an independent external advisor.

✓ ASX CGC's Recommendation 1.1

## 28. Sustainability

Tabcorp is committed to the long term sustainability of its operations and aims to optimise the social, environmental, workplace and economic impact of its operations for the benefit of all stakeholders.

Tabcorp's commitment to responsible gambling, its employees and community well-being is discussed on pages 16 to 18 of this report.

Although the operations of the Tabcorp Group are considered to have minor impact on the environment, Tabcorp is committed to protecting the environment and minimising the impact wherever appropriate. Tabcorp's environmental performance is set out on page 19 and in the Directors' Report on page 45.

Tabcorp's commitment to long term sustainability is recognised by its inclusion in several global investment indices:

- Dow Jones Sustainability Index; and
- FTSE4Good index.

W Details about Tabcorp's sustainability practices are available from the Sustainability section of Tabcorp's website at [www.tabcorp.com.au/sustainability.aspx](http://www.tabcorp.com.au/sustainability.aspx)

✓ ASX CGC's Recommendation 3.1

## 29. Engaging shareholders

The Tabcorp Group's Disclosure and Investor Communications Policy sets out Tabcorp's procedures and guidelines relating to continuous disclosure and the communication of information to investors. Information is communicated to shareholders through Tabcorp's website, Annual Report, dividend mailings, email broadcasts, the ASX, and other means where appropriate.

The Tabcorp Group's website provides stakeholders with a range of information about the Group, including its operations, history, strategies, values, brands, community involvement, share price performance and shareholder reports. There is also a facility for any interested person to receive email notifications of all major Tabcorp news releases published on the website. Major announcements, such as the annual and half-year results and the Annual General Meeting, are webcast live on Tabcorp's website. Webcasts are archived and accessible on the website for at least 12 months.

Tabcorp provides a service for its shareholders to receive all shareholder related communications electronically, including dividend statements, notices of meeting, and the Annual Report. This email service provides a quick and convenient means for receiving this information while reducing costs and being environmentally friendly. Shareholders can also use the website to lodge their proxy appointment prior to the Annual General Meeting.

Dedicated shareholder relations personnel are available to assist in responding promptly to all shareholder inquiries. Contact details are available on page 73 of this report. Tabcorp has a Shareholder Enquiries and Complaints Policy that sets out the way in which Tabcorp addresses concerns and feedback from shareholders.

Tabcorp encourages its shareholders to participate fully at its Annual General Meeting. Important issues are presented to shareholders as single resolutions and full discussion of each item is encouraged. Explanatory memoranda, where considered appropriate, are included with the notice of Annual General Meeting in respect of items to be voted on at the meeting.

Other shareholder related information is available at the back of this report, on pages 70 to 72.

W Tabcorp's website is available at [www.tabcorp.com.au](http://www.tabcorp.com.au)

W Shareholders can elect to receive all communications electronically by following the instructions on Tabcorp's website at [www.tabcorp.com.au/investor\\_holder\\_eshare.aspx](http://www.tabcorp.com.au/investor_holder_eshare.aspx)

W Sign up to receive email notification of major Tabcorp news releases through the News section of Tabcorp's website at [www.tabcorp.com.au/news\\_tabcorp-enews.aspx](http://www.tabcorp.com.au/news_tabcorp-enews.aspx)

W Tabcorp's Disclosure and Investor Communications Policy is available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx)

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✓ ASX CGC's Recommendation 6.1, 6.2

# DIRECTORS' REPORT

The Directors of the Company submit their report for the consolidated entity comprising the Company and its controlled entities (collectively referred to as the 'Tabcorp Group') in respect of the financial year ended 30 June 2013.

## 1. Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report (except as otherwise stated) are set out on pages 20 and 21.

## 2. Change to the Board's composition

### 2.1. Appointment

#### Steven Gregg

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

## 3. Directorships of other listed companies

The following table shows, for each person who served as a Director during the financial year and up to the date of this report (unless otherwise stated), all directorships of companies that were listed on the ASX or other financial markets operating in Australia, other than Tabcorp, since 1 July 2010, and the period for which each directorship has been held.

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

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

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

#### 4. Company Secretaries

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

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

#### 5. Principal activities

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

#### 6. Operating and financial review of the Tabcorp Group

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

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

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

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

#### Summary financial performance of the Tabcorp Group

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

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

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

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

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

# DIRECTORS' REPORT (continued)

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

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

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

## 6.1. Earnings per share

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

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

## 6.2. Dividends

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

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

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

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

Further information regarding dividends may be found in note 5 to the financial report.

## 6.3. Discontinued operation

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

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

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

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

## 7. Operating and financial review of each business

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

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

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

### 7.1. Wagering business

The Tabcorp Group conducts wagering activities under the TAB brand in Victoria and New South Wales through a network of agencies, hotels and clubs, provides on-course totalizators at thoroughbred, harness and greyhound metropolitan and country race meetings, and via the internet, mobile devices, phone and pay TV. TAB customers can wager on a wide range of totalizator and fixed odds betting products offered on racing and sporting events. In Victoria, the business operates under a 50/50 Joint Venture with the Victorian Racing Industry. The Victorian Wagering and Betting Licence expires in August 2024, but the licence may be extended for a further period of up to two years at the discretion of the responsible minister. The New South Wales Wagering Licence expires in March 2097, and an in-principle agreement has been reached with the New South Wales Government to extend the exclusivity period for 20 years to June 2033. Refer to section 8.1 regarding changes to Tabcorp's Victorian Wagering business which occurred in August 2012, and section 8.2 regarding the New South Wales Wagering Licence retail exclusivity extension.

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

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

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

### Summary financial performance of the Wagering business

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

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

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

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

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

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

The Tabcorp Group's unique multi-channel distribution model, which enables customers to bet with TAB through more channels than any of its peers, is a key competitive advantage particularly in light of the rise in digital betting and the subdued retail trading environment that was evident during the second half of the 2013 financial year. The Tabcorp Group's digital and retail channels are highly complementary. Approximately 70% of TAB account deposits occur by cash in TAB retail outlets, while 23% of customers use both retail cash and digital betting. Further integration of the retail and digital channels is a key focus for the business in the 2014 financial year. Against this backdrop, turnover in the New South Wales retail TAB business was \$3,867.2 million, down 1.1%. Victorian retail TAB turnover declined 4.7% to \$2,903.1 million.

# DIRECTORS' REPORT (continued)

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

## 7.2. Media and International business

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

### Summary financial performance of the Media and International business

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

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

EBITDA was \$67.0 million, up 5.0%.

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

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

## 7.3. Gaming Services business

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

### Summary financial performance of the Gaming Services business

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

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

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

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

## 7.4. Keno business

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

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

## Summary financial performance of the Keno business

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

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

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

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

EBITDA was \$75.5 million, up 23.0%.

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

## 8. Significant changes in the state of affairs

The following events, which may be considered to be significant changes in the state of affairs of the Tabcorp Group, have occurred since the commencement of the financial year on 1 July 2012.

### 8.1. Victorian Wagering and Betting Licence

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

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

### 8.2. New South Wales wagering Licence retail exclusivity extension

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

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

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

### 8.3. Victorian Gaming Licence/TGS

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

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

### 8.4. Queensland Keno Licence extension

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

### 8.5. Victorian licence payment Supreme Court proceedings

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

# DIRECTORS' REPORT (continued)

## 8.6. Victorian Health Benefit Levy on gaming machines

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

## 8.7. Change to the Board of Directors

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

## 8.8. Other significant changes in the state of affairs

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

## 9. Business strategies

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

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

- Group
  - 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
  - Maximise employee engagement
  - Be recognised as a leader in responsible gambling
- Wagering
  - Lead wagering industry transformation by leveraging our unique multi-product, multi-channel model
  - Continue to drive digital leadership and innovation
  - Strengthen customer relationships through our loyalty and customer relationship management programs
  - Further integrate vision and data with wagering products
- Media and International
  - Pursue international growth via co-mingling and wholesale opportunities
  - Retain media rights on acceptable terms
- Gaming Services
  - Grow core revenues in the Victorian market
  - Expand TGS geographically
  - Grow customer loyalty program
- Keno
  - Grow Keno in current and new markets
  - Expand distribution and self service
  - Introduce new product offerings

## 10. Likely developments and expected results

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

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

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

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

## 11. Key risks and uncertainties

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

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

### 11.1. Increased competition from wagering and betting operators

The Tabcorp Group's wagering business currently competes with bookmakers in Victoria and New South Wales, and other interstate and international wagering operators who accept bets over the phone or internet (such as corporate bookmakers based in the Northern Territory and betting exchanges).

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

### 11.2. Broadcast media rights

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

### 11.3. Regulatory environment

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

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

Changes in legislation, regulation, government policy, or court decisions concerning the constitutionality or interpretation of such legislation, regulations or government policy may have an adverse effect on the operational and financial performance of the Tabcorp Group. Some of the potential changes, which could potentially negatively affect the value of the licences granted to members of the Tabcorp Group, and potentially the Tabcorp Group's financial performance, include government taxes, fees to sporting bodies,

# DIRECTORS' REPORT (continued)

advertising restrictions, pooling arrangements, product approvals, licence conditions and deregulation of the online gambling environment. Also, the issue of additional gambling or wagering licences to third parties could adversely impact the Tabcorp Group's financial performance and financial position.

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

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

## 11.4. Race fields fees

Each State or Territory of Australia (except for the Northern Territory) has implemented race fields arrangements, under which the State or Territory or its racing industry charges wagering operators race fields fees for use of that industry's race fields information (or otherwise charges fees in respect of the operator's race betting operations in that State or Territory). Members of the Tabcorp Group currently have contracts that the Tabcorp Group considers will allow them to offset some of the fees or obtain damages under contract. Members of the Tabcorp Group may in the future disagree with various racing industry bodies regarding the application of certain aspects of the race fields regimes or contracts that govern product fees. Such disagreements may lead to litigation or other dispute resolution processes, including negotiated settlement. The estimates for race fields fees expenses assume the Tabcorp Group will be compensated for race fields fees of approximately \$25 million per annum paid or payable in New South Wales for racing held in New South Wales.

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

## 11.5. Racing product

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

## 11.6. Minimum financial performance arrangements under the Victorian Joint Venture

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

## 11.7. Victorian licence payment Supreme Court proceedings

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

### 11.8. Victorian Health Benefit Levy on gaming machines

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

### 12. Significant events after the end of the financial year

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

Refer also to note 27 to the financial report.

### 13. Auditors

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

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

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

### 14. Directors' interests in contracts

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

### 15. Environmental regulation and performance

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

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

### 16. Directors' interests in Tabcorp securities

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

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

# DIRECTORS' REPORT (continued)

## 17. Board and Committee meeting attendance

During the financial year ended 30 June 2013 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:

Name	Board of Directors		Audit, Risk and Compliance Committee		Nomination Committee		Remuneration Committee	
	A	B	A	B	A	B	A	B
Paula Dwyer	10	10	6	6	2	2	4	4
David Attenborough <sup>(i)</sup>	10	10	6	6	2	2	4	4
Elmer Funke Kupper	10	10	6	6	2	2	-	-
Steven Gregg <sup>(ii)</sup>	10	10	6	6	2	2	4	4
Jane Hemstritch	10	10	6	6	2	2	-	-
Justin Milne	9	10	5	6	2	2	-	-
Zygmunt Switkowski	10	10	6	6	2	2	4	4

A Number of meetings attended.

B Maximum number of possible meetings available for attendance.

(i) The Managing Director and Chief Executive Officer attends Board Committee meetings, but is not a member of any Board Committee. Only Non Executive Directors are members of Board Committees.

(ii) Commenced as a Non Executive Director on 18 July 2012 following the receipt of all necessary regulatory approvals. The meetings disclosed above occurred after 18 July 2012.

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

## 18. Indemnification and insurance of Directors and Officers

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

## 19. Non-statutory audit and other services

Ernst & Young, the external auditor to the Company and the Tabcorp Group, provided non-statutory audit services to the Company during the financial year ended 30 June 2013. The Directors are satisfied that the provision of non-statutory audit services during this period was compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-statutory audit service provided means that auditor independence was not compromised.

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

Ernst & Young, acting as the Company's external auditor, received or are due to receive \$258,000 in relation to the provision of non-statutory audit services to the Company.

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

## 20. Corporate governance

The Directors of the Company support and adhere to the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations, 2nd edition*, recognising the need for maintaining high standards of corporate behaviour and accountability. The Company's corporate governance statement is contained in the Concise Annual Report, and associated information is available under the corporate governance section of the Company's website at [www.tabcorp.com.au/about\\_governance.aspx](http://www.tabcorp.com.au/about_governance.aspx).

## 21. Rounding of amounts

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

## 22. Auditor's independence declaration

Attached is a copy of the auditor's independence declaration provided under section 307C of the Corporations Act 2001 in relation to the audit for the financial year ended 30 June 2013. This auditor's independence declaration forms part of this Directors' report.

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



**Paula Dwyer**  
Chairman

Melbourne  
9 August 2013



Ernst & Young  
8 Exhibition Street  
Melbourne VIC 3000 Australia  
GPO Box 67 Melbourne VIC 3001

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ey.com

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

In relation to our audit of the financial report of Tabcorp Holdings Limited for the financial year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Tony Johnson  
Partner  
9 August 2013

# REMUNERATION REPORT (AUDITED)

## Introduction

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

The Remuneration report relates to the key management personnel (KMP) of the consolidated entity comprising the Company and its consolidated entities for the financial year ended 30 June 2013. KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, and comprises all the Directors of Tabcorp and certain members of the Senior Executive Leadership Team. The same group of individuals is regarded as KMP for both the Company and the Group.

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

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

For the year ended 30 June 2013, short term incentives were awarded to senior managers and will be paid in August 2013. With regard to long term incentives, during the year, an allocation of Performance Rights was made to nine senior managers. In addition, an allocation of Performance Rights under the long term incentive plan was also made to the Managing Director and Chief Executive Officer following shareholder approval at the 2012 Tabcorp Annual General Meeting.

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

The Board reviewed Non Executive Director fee levels during the year ended 30 June 2013. The details of Non Executive Director remuneration are included in section 5.

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

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

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

### 1.2 Short term incentive (STI) – deferral

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

### 1.3 Claw back

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

### 1.4 Non Executive Director fees

Following a review of the Non Executive Director fee levels during the year, the Chairman's fee was increased and now incorporates service on all Tabcorp Board Committees, that is the Chairman no longer receives separate fees for Tabcorp Board Committee work. The base fee for Non Executive Directors was also increased, however, Committee fees remained unchanged. Non Executive Director fees were reset at the time of the demerger in 2011. Further detail is provided in section 5.3.

## 2. Governance

The main responsibilities of the Board Remuneration Committee are:

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

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

To assist in exercising its responsibilities, the Board Remuneration Committee receives independent advice on matters such as remuneration strategies, mix and structure, as appropriate. During the year ended 30 June 2013 and to the date of this report, no remuneration consultant provided a remuneration recommendation in respect of any KMP.

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

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

## 3. Remuneration philosophy

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

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

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

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

## 4. Key management personnel (KMP)

Name	Position held	Period in position if less than full year
<b>Non Executive Directors</b>		
<b>Current</b>		
Paula Dwyer	Chairman and Director (Non Executive)	
Elmer Funke Kupper	Director (Non Executive)	
Steven Gregg	Director (Non Executive)	From 18 July 2012
Jane Hemstritch	Director (Non Executive)	
Justin Milne	Director (Non Executive)	
Zygmunt Switkowski	Director (Non Executive)	
<b>Executives</b>		
<b>Current Executive Director</b>		
David Attenborough	Managing Director and Chief Executive Officer	
<b>Current Executives</b>		
Damien Johnston	Chief Financial Officer	
Kerry Willcock	Executive General Manager, Corporate, Legal and Regulatory	
<b>Former Executive</b>		
Mohan Jesudason	Managing Director, Gaming and Group Marketing	Until 31 December 2012

Details of Director qualifications, experience and other responsibilities are set out on pages 20 to 21 and page 36 of the Directors' report.

# REMUNERATION REPORT (AUDITED) (continued)

## 5. Non Executive Director remuneration

### 5.1 Remuneration framework

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

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

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

Non Executive Directors do not receive any performance or incentive payments and are not eligible to participate in any of Tabcorp's incentive plans. This policy aligns with the principle that Non Executive Directors act independently and impartially. Elmer Funke Kupper has retained some Performance Rights in relation to his former position of Managing Director and Chief Executive Officer, as outlined in section 6.4.2.9. These Performance Rights are not expected to deliver any value to Mr Funke Kupper, and the fair value was fully expensed on cessation of employment in the year ended 30 June 2011.

### 5.2 Structure

Non Executive Directors' remuneration comprises the following components:

- Board fee;
- Board Committee fees; and
- Superannuation (9% of total fees for the year ended 30 June 2013, uncapped).

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

- Chairmanship of the Victorian Joint Venture Management Committee, receiving a fee equivalent to Chairman of the Board Remuneration Committee;
- Observer fees, equivalent to the applicable Board and Committee fees (for attending Board and Committee meetings and induction whilst awaiting regulatory approval); or
- Membership of other Committees, which may be required from time to time.

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

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

### 5.3 Current annual fees

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

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

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

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

(i) Fees exclude superannuation contributions.

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

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

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

### 6.1 Remuneration framework

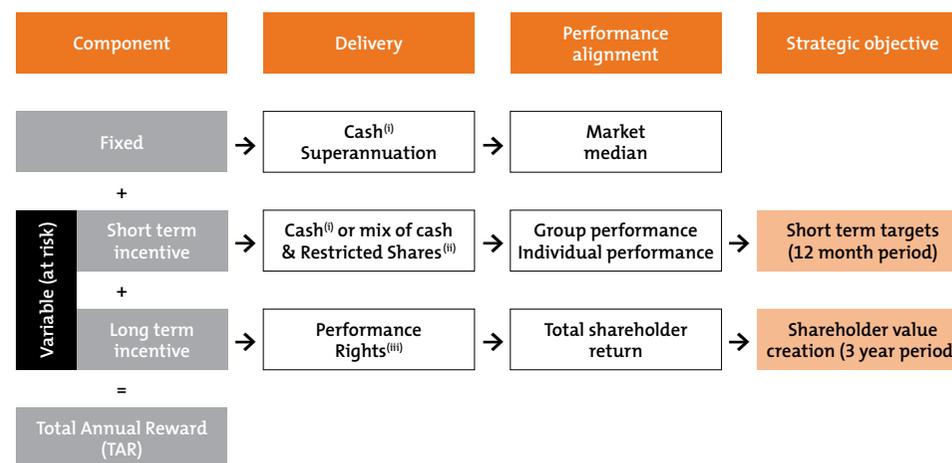
The remuneration framework for senior management comprises a mix of both fixed and variable remuneration components. The level of fixed remuneration an individual receives reflects the scope and responsibilities of their role, their knowledge, skills and experience as well as benchmark market data. Variable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

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

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

The reward structure is outlined in Figure 2.

Figure 2: Senior management reward structure



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

### 6.2 Target reward mix

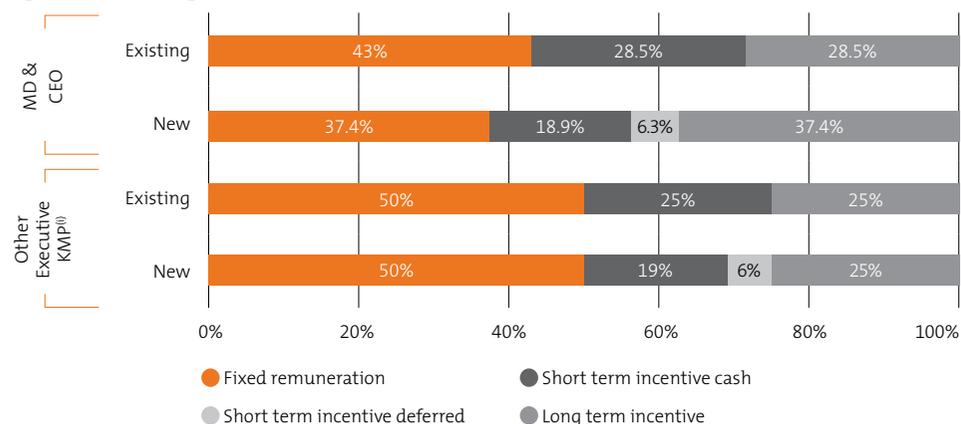
The target reward mix aims to position Total Annual Reward at the market median when all performances have been achieved at target. It is set after benchmarking against a wide range of organisations to ensure that the incentive and Total Annual Reward are competitive, fair and reasonable. Senior management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

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

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

# REMUNERATION REPORT (AUDITED) (continued)

Figure 3: KMP target reward mix



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

## 6.3 Fixed remuneration

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

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

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

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

## 6.4 Variable (at risk) remuneration

### 6.4.1 Short term incentive (STI)

#### 6.4.1.1 Overview

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

#### 6.4.1.2 Determining factors

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

Figure 4: STI calculation

$$\text{Target STI (\$)} \times \text{Group Funding Multiplier} \times \text{Individual Performance Multiplier} = \text{Short Term Incentive}$$

#### • Target STI

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

#### • Group Funding Multiplier (GFM)

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

#### • Individual Performance Multiplier (IPM)

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

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

#### 6.4.1.3 Delivery

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

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

#### 6.4.1.4 Claw back

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

#### 6.4.1.5 Accounting treatment

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

#### 6.4.1.6 STI performance

For the year ended 30 June 2013, short term incentive targets were derived from the Board approved business plan which included financial and non-financial goals. These are detailed in section 6.4.1.2. The Board awarded short term incentives to senior management that reflected the performance of the Group against the targets set. The performance of the Group for the year ended 30 June 2013 was assessed by the Board as consistent with the business plan expectations and at target.

### 6.4.2 Long term incentive (LTI)

#### 6.4.2.1 Overview

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

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

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

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

#### 6.4.2.2 Allocation

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

Figure 5: Allocation calculation

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

#### • Target LTI

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

#### • Fair Value of Performance Right

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

# REMUNERATION REPORT (AUDITED) (continued)

## 6.4.2.3 Vesting conditions

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

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

## 6.4.2.4 Total Shareholder Return

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

The Board considers relative TSR to be an appropriate performance measure as it reflects the Group's remuneration philosophy of creating shareholder value relative to our peer group.

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

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

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

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

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

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

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

## 6.4.2.5 Lapsing conditions

Performance Rights that have not vested after testing will lapse.

## 6.4.2.6 Cessation of employment

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

## 6.4.2.7 Accounting treatment

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

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

#### 6.4.2.8 LTI performance

In the 2013 financial year, there were three scheduled test dates for past allocations under the LTI (to the former Managing Director and Chief Executive Officer as outlined in section 5.1). The performance hurdle for vesting was not achieved for any allocations.

#### 6.4.2.9 LTI under the 2011 demerger

Following the demerger in 2011, 232,136 Performance Rights previously granted to the former Managing Director and Chief Executive Officer were left on foot (as referred to in section 5.1) and will continue to be tested at the respective test dates. The performance hurdles applying in respect of those Performance Rights that remained on foot were not adjusted to reflect the fact that following the demerger, the TSR on Tabcorp shares exclude (at least in part) the value of Echo shares and distributions on such shares during the testing period.

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

### 6.4.3 Appointment/retention incentives

#### 6.4.3.1 Criteria for issue

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

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

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

No new appointment or retention incentives were provided to executive KMP during the year ended 30 June 2013.

#### 6.4.3.2 Accounting treatment

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

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

### 6.4.4 Policy prohibiting hedging

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

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

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

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

## 6.5 Managing Director and Chief Executive Officer contract

### 6.5.1 Current contract

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

#### 6.5.1.1 Fixed remuneration

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

#### 6.5.1.2 Short term incentive

For the year ended 30 June 2013, Mr Attenborough was eligible to receive a short term performance award based on his individual performance and the Group's performance over the annual performance review period. Mr Attenborough's short term performance award was equivalent to \$620,000 at target and is delivered in cash, with the opportunity for Mr Attenborough to voluntarily sacrifice part of the award into additional superannuation contributions.

# REMUNERATION REPORT (AUDITED) (continued)

## 6.5.1.3 Long term incentive

The Company intends that the long term incentive component of Mr Attenborough's remuneration package will involve annual grants of Performance Rights, which would be subject to a performance hurdle, with the grant of such Performance Rights being subject to obtaining any necessary shareholder approvals at the relevant time. For the year ended 30 June 2013, Mr Attenborough's long term incentive award was equivalent to \$620,000 at target. This long term incentive is similar to that which applies to the LTI in section 6.4.2, other than as set out in this section. Since being appointed as Managing Director and Chief Executive Officer, Mr Attenborough has received two grants of Performance Rights under the Tabcorp Long Term Performance Plan, which have been approved by shareholders at the Company's 2011 and 2012 Annual General Meetings. The details follow:

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

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

Further information relating to these Performance Rights is available in the notice of meeting for the Company's 2011 and 2012 Annual General Meetings.

## 6.5.1.4 Other benefits

Mr Attenborough's contract includes benefits comprising of:

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

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

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

## 6.5.1.5 Changes for the 2014 financial year

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

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

## 6.6 Executive contracts – KMP

### 6.6.1 Current contracts

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

Name	Position	Contract duration	Minimum notice period (months)	
			Executive	Tabcorp
Damien Johnston	Chief Financial Officer	Open ended	6	9
Kerry Willcock	Executive General Manager, Corporate, Legal and Regulatory	Open ended	6	12

### 6.6.2 Additional compensation

No new additional compensation arrangements were entered into during the year ended 30 June 2013. Arrangements that were previously put in place are as follows:

#### Chief Financial Officer

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

### Executive General Manager, Corporate, Legal and Regulatory

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

### 6.6.3 Previous contracts

The table below contains details of the contract of the former executive KMP. This contract did not provide for any termination payments, other than payment in lieu of notice.

Name	Position	Contract duration	Minimum notice period (months)	
			Executive	Tabcorp
Mohan Jesudason	Managing Director, Gaming and Group Marketing	Open ended	6	9

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

### 6.7 Performance of Tabcorp and shareholder wealth

Tabcorp's annual financial performance (which is presented on a pre impairment basis to align with the performance measure for the STI, as outlined in section 6.4.1.2) and indicators of shareholder wealth over the five year period ended 30 June 2013 are highlighted in the graphs below. For periods up to and including the year ended 30 June 2011, the financial performance included Echo Entertainment Group, as indicated by the grey bars. The financial performance of Tabcorp post the demerger of Echo Entertainment Group is indicated by the orange bars.

Figure 6: Net profit after tax<sup>(i)</sup>

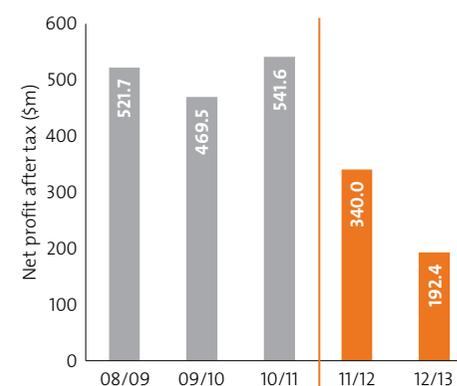
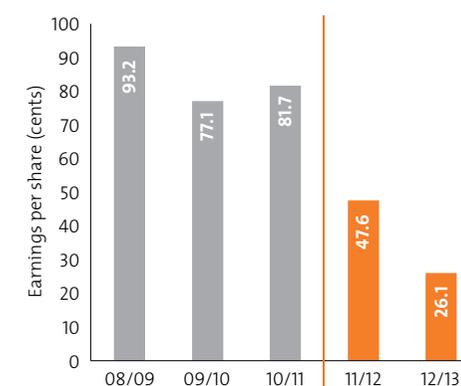


Figure 7: EPS (basic)<sup>(i)</sup>



(i) The results for the 12/13 year are before impairment charges of \$47.2m relating to the discontinued Victorian Gaming operations and \$18.6m relating to Victorian Keno. The results for the 10/11 year are before both impairment of \$358.0m and gain on demerger of Echo Entertainment Group, net of tax of \$351.2m.

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

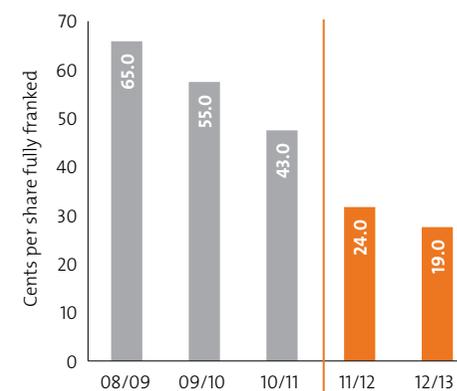
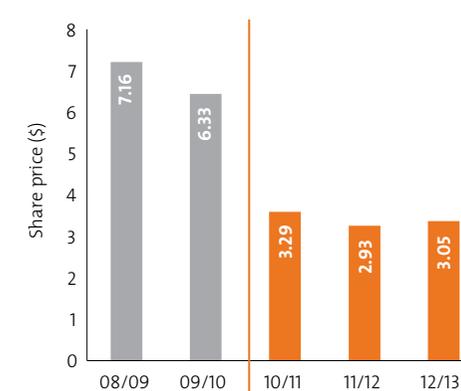


Figure 9: Company share price at the end of each financial year<sup>(ii)</sup>



(ii) Whilst the closing share price for 10/11 is after the demerger of Echo Entertainment Group, it is before the declaration of the final dividend which was based on Group earnings pre-demerger inclusive of Echo Entertainment Group.

# REMUNERATION REPORT (AUDITED) (continued)

Figure 10 shows Tabcorp's currently existing LTI allocations made both pre and post the demerger, together with future test dates.

Figure 10: Current LTI allocations

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

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

## 7. Remuneration tables

### 7.1 Remuneration of KMP

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

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

(i) Includes amounts earned whilst an Observer.

(ii) Appointed as an Observer on 14 October 2011, and commenced as a Director and KMP on 18 July 2012 following the receipt of all necessary regulatory approvals. Total remuneration for the period whilst a KMP was \$168,414.

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

KMP	Short term	Post employment	Total
	Salary & fees <sup>(i)</sup>	Superannuation <sup>(i)</sup>	
	\$	\$	\$
<b>Current</b>			
Paula Dwyer	412,500	37,125	449,625
Elmer Funke Kupper <sup>(ii)</sup>	73,750	6,638	80,388
Jane Hemstritch	167,500	15,075	182,575
Justin Milne <sup>(iii)</sup>	147,500	13,275	160,775
Zygmunt Switkowski	172,500	15,525	188,025
<b>Future</b>			
Steven Gregg <sup>(iv)</sup>	101,666	9,150	110,816
<b>Total</b>	<b>1,075,416</b>	<b>96,788</b>	<b>1,172,204</b>

(i) Includes amounts earned whilst an Observer.

(ii) Appointed as an Observer on 1 January 2012, and commenced as a Director and KMP on 25 June 2012, following the receipt of all necessary regulatory approvals. Total remuneration for the period whilst a KMP was \$3,100.

(iii) Appointed as an Observer on 18 October 2010, and commenced as a Director and KMP on 1 August 2011, following the receipt of all necessary regulatory approvals. Total remuneration for the period whilst a KMP was \$147,377.

(iv) Appointed as an Observer on 14 October 2011, and commenced as a Director and KMP on 18 July 2012, following the receipt of all necessary regulatory approvals. Total remuneration for the period whilst a KMP was nil.

Figure 11C: KMP remuneration for the year ended 30 June 2013 – Executives

KMP	Short term		Non-monetary benefits <sup>(ii)</sup>	Long term Long service leave	Post employment Superannuation	Total excluding charge for share based allocations	Charge for share based allocations <sup>(iii)</sup>		Performance Rights	Total	Performance related <sup>(iv)</sup> %	Termination benefits
	Salary & fees <sup>(i)</sup>	Incentive										
	\$	\$	\$	\$	\$	\$	\$	\$	\$		\$	
<b>Current Executive Director</b>												
David Attenborough	906,286	620,000	375,262	11,819	16,470	1,929,837	383,033	2,312,870		43%	-	
<b>Current Executives</b>												
Damien Johnston	596,999	311,000	-	20,744	16,470	945,213	173,342	1,118,555		43%	-	
Kerry Willcock	516,669	271,000	-	16,831	16,470	820,970	151,364	972,334		43%	-	
<b>Former Executive</b>												
Mohan Jesudason <sup>(v)</sup>	311,959	-	-	3,843	8,235	324,037	52,901	376,938		14%	521,138	
<b>Total</b>	<b>2,331,913</b>	<b>1,202,000</b>	<b>375,262</b>	<b>53,237</b>	<b>57,645</b>	<b>4,020,057</b>	<b>760,640</b>	<b>4,780,697</b>			<b>521,138</b>	

(i) Comprises salary, salary sacrificed benefits (including superannuation and motor vehicle novated leases) and annual leave expense.

(ii) Comprises the cost to the Company for providing relocation expenses, living away from home benefits, accommodation, car parking, and airfares, where applicable.

(iii) Represents the fair value of share based payments expensed by the Company. Value only accrues to the KMP when conditions have been met.

(iv) Represents the sum of incentive and Performance Rights as a percentage of total remuneration, excluding termination payments.

(v) Ceased employment and as a KMP on 31 December 2012. Termination payment includes \$487,500 payment in lieu of notice (as outlined in section 6.6.3) and \$33,638 payment in lieu of the 2013 financial year long term incentive. In addition to the amounts disclosed above, payment on cessation of annual leave amounted to \$63,187 and long service leave amounted to \$152,961.

# REMUNERATION REPORT (AUDITED) (continued)

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

KMP	Short term		Non-monetary benefits <sup>(ii)</sup>	Other <sup>(iii)</sup>	Long term	Post employment	Total excluding charge for share based allocations	Charge for share based allocations <sup>(iv)</sup>	Total	Performance related <sup>(v)</sup>	Termination benefits
	Salary & fees <sup>(i)</sup>	Incentive			Long service leave			Performance Rights		%	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	\$
<b>Current Executive Director</b>											
David Attenborough <sup>(vi)</sup>	891,191	690,000	409,566	-	4,424	15,775	2,010,956	210,683	2,221,639	41%	-
<b>Current Executives</b>											
Mohan Jesudason	629,238	220,000	-	832,400	16,742	15,775	1,714,155	100,308	1,814,463	17%	-
Damien Johnston <sup>(vii)</sup>	577,327	390,000	-	182,000	15,458	15,775	1,180,560	83,333	1,263,893	37%	-
Kerry Willcock	492,922	266,000	-	525,000	28,082	15,775	1,327,779	72,916	1,400,695	24%	-
<b>Total</b>	<b>2,590,678</b>	<b>1,566,000</b>	<b>409,566</b>	<b>1,539,400</b>	<b>64,706</b>	<b>63,100</b>	<b>6,233,450</b>	<b>467,240</b>	<b>6,700,690</b>		<b>-</b>

(i) Comprises salary, salary sacrificed benefits (including superannuation and motor vehicle novated leases) and annual leave expense.

(ii) Comprises the cost to the Company for providing relocation expenses, living away from home benefits, accommodation, car parking, and airfares, where applicable.

(iii) Comprises additional compensation as outlined in sections 6.6.2 and 6.6.3, and was paid during the year ended 30 June 2013. Where required, amounts restated to reflect actual payments made during the year ended 30 June 2013.

(iv) Represents the fair value of share based payments expensed by the Company. Value only accrues to the KMP when conditions have been met.

(v) Represents the sum of incentive and Performance Rights as a percentage of total remuneration, excluding termination payments.

(vi) Non-monetary benefits include increased FBT charges relating to living away from home expenses. These benefits are outlined in section 6.5.1.4.

(vii) Commenced as KMP on 12 July 2011, following the receipt of all necessary regulatory approvals. Total remuneration for the period whilst a KMP was \$1,246,996.

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

## 7.2 Other remuneration tables

**Figure 12A: Short term incentive (STI) achieved**  
For the year ended 30 June 2013

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

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

**Figure 12B: Terms and conditions of Performance Rights granted during the year**  
For the year ended 30 June 2013

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

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

**Figure 12C: Performance Rights granted during the year**  
For the year ended 30 June 2013

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

**Figure 12D: Performance Rights vested and exercised during the year**  
For the year ended 30 June 2013

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

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

KMP	During the year ended 30 June 2013			
	Granted <sup>(i)</sup> \$	Exercised \$	Lapsed <sup>(ii)</sup> \$	As a % of remuneration <sup>(iii)</sup> %
<b>Current</b>				
David Attenborough	560,138	-	-	17%
Damien Johnston	293,368	-	-	15%
Kerry Willcock	255,457	-	-	16%
Elmer Funke Kupper <sup>(iv)</sup>	-	-	583,893	n/a
<b>Former</b>				
Mohan Jesudason	-	-	473,208	14%
<b>Total</b>	<b>1,108,963</b>	<b>-</b>	<b>1,057,101</b>	

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

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

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

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

# INCOME STATEMENT

For the year ended 30 June 2013

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

# BALANCE SHEET

As at 30 June 2013

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

# CASH FLOW STATEMENT

For the year ended 30 June 2013

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

The cash flow statement includes the cash flows of the discontinued gaming operations.

# STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

	Issued capital		Retained earnings/ (accumulated losses) \$m	Net unrealised losses reserve \$m	Employee equity benefit reserve \$m	Demerger reserve \$m	Total equity \$m
	Ordinary shares \$m	Treasury shares \$m					
<b>2013</b>							
<b>Balance at beginning of year</b>	2,084.4	(0.4)	23.4	(32.4)	0.7	(669.9)	1,405.8
Profit for the period	-	-	126.6	-	-	-	126.6
Other comprehensive income/(loss)	-	-	0.6	(4.7)	-	-	(4.1)
<b>Total comprehensive income for the period</b>	-	-	127.2	(4.7)	-	-	122.5
Dividends paid	-	-	(161.0)	-	-	-	(161.0)
Dividend reinvestment plan	44.9	-	-	-	-	-	44.9
Restricted shares issued	-	(0.5)	-	-	-	-	(0.5)
Share based payments expense	-	0.3	-	-	1.2	-	1.5
<b>Balance at end of year</b>	2,129.3	(0.6)	(10.4)	(37.1)	1.9	(669.9)	1,413.2
<b>2012</b>							
<b>Balance at beginning of year</b>	1,973.0	-	(91.9)	(0.3)	-	(669.9)	1,210.9
Profit for the period	-	-	340.0	-	-	-	340.0
Other comprehensive income/(loss)	-	-	(1.3)	(32.1)	-	-	(33.4)
<b>Total comprehensive income for the period</b>	-	-	338.7	(32.1)	-	-	306.6
Dividends paid	-	-	(223.4)	-	-	-	(223.4)
Dividend reinvestment plan	112.0	-	-	-	-	-	112.0
Transaction costs for capital reduction	(0.6)	-	-	-	-	-	(0.6)
Restricted shares issued	-	(0.8)	-	-	-	-	(0.8)
Share based payments expense	-	0.4	-	-	0.7	-	1.1
<b>Balance at end of year</b>	2,084.4	(0.4)	23.4	(32.4)	0.7	(669.9)	1,405.8

# NOTES TO THE CONCISE FINANCIAL STATEMENTS

For the year ended 30 June 2013

## 1. Accounting policies

This concise financial report has been prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 1039 Concise Financial Reports. The financial statements and specific disclosures required by AASB 1039 are an extract of, and have been derived from the Group's full financial report for the financial year. Other information included in the concise financial report is consistent with the Group's full financial report.

All amounts are presented in Australian Dollars.

A full description of the accounting policies adopted by the Group is provided in the 2013 financial statements which form part of the full financial report.

	2013 \$m	2012 \$m
<b>2. Dividends</b>		
<b>Dividends declared and paid during the year on ordinary shares:</b>		
(a) Interim dividend for 2013 of 11.0 cents per share paid on 25 March 2013 (2012: 13.0 cents per share paid on 26 March 2012)	80.7	92.7
(b) Final dividend for 2012 of 11.0 cents per share paid on 26 September 2012 (2011: 19.0 cents per share paid on 23 September 2011)	80.3	130.7
	<b>161.0</b>	<b>223.4</b>

### Dividends declared after balance date

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

Final dividend for 2013 – 8.0 cents per share (2012: 11.0 cents per share)	59.6	80.3
--	------	------

The financial effect of this dividend has not been brought to account in the financial statements and will be recognised in subsequent financial reports (refer to note 4).

Dividends on ordinary shares are fully franked at a tax rate of 30%.

## 3. 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 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 four operating segments:

<b>Wagering</b>	Totalizator and fixed odds betting activities.
<b>Media and International</b>	National and international broadcasting of racing and sporting events.
<b>Gaming Services</b>	Supply of electronic gaming machines and specialised services to licensed hotels and clubs.
<b>Keno</b>	Keno operations in licensed clubs and hotels within Victoria, New South Wales and Queensland.

	Wagering \$m	Media and International \$m	Gaming Services \$m	Keno \$m	Total \$m
<b>2013</b>					
Revenue – external	1,558.0	153.5	86.3	205.4	2,003.2
Revenue – intersegment	–	54.1	–	–	54.1
Segment revenue	1,558.0	207.6	86.3	205.4	2,057.3
<b>Segment profit before impairment, interest and tax</b>	167.3	57.7	37.5	52.2	314.7
Depreciation and amortisation	97.7	9.3	20.8	23.3	151.1
Impairment losses recognised in the income statement	–	–	–	18.6	18.6
Capital expenditure	58.8	8.7	37.5	18.5	123.5
<b>2012</b>					
Revenue – external	1,637.4	139.1	4.7	183.1	1,964.3
Revenue – intersegment	–	51.1	–	–	51.1
Segment revenue	1,637.4	190.2	4.7	183.1	2,015.4
<b>Segment profit/(loss) before impairment, interest and tax</b>	229.0	55.1	(3.2)	46.1	327.0
Depreciation and amortisation	72.2	8.7	0.3	15.3	96.5
Impairment losses recognised in the income statement	–	–	–	–	–
Capital expenditure <sup>(i)</sup>	487.0	16.9	32.9	31.1	567.9

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

## DIRECTORS' DECLARATION

### 3. Segment information (continued)

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

### 4. Subsequent events

#### (a) Dividends

Since 30 June 2013, the Directors have declared a final dividend of 8.0 cents per ordinary share. The total amount of the final dividend is \$59.6 million. This has not been provided for in the 30 June 2013 financial statements (refer to note 2).

In the opinion of the Directors of Tabcorp Holdings Limited the accompanying concise financial report of the consolidated entity, comprising Tabcorp Holdings Limited and its controlled entities for the year ended 30 June 2013:

(a) has been derived from or is consistent with the full financial report for the financial year; and

(b) complies with Accounting Standard AASB 1039 Concise Financial Reports.

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.

Signed in accordance with a resolution of Directors.



**Paula Dwyer**  
Chairman



**David Attenborough**  
Managing Director and Chief Executive Officer

Melbourne  
9 August 2013

# INDEPENDENT AUDIT REPORT



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

### Report on the Concise Financial Report

We have audited the accompanying concise financial report of Tabcorp Holdings Limited which comprises the balance sheet as at 30 June 2013, the income statement, statement of changes in equity and cash flow statement for the year then ended and related notes, derived from the audited financial report of Tabcorp Holdings Limited for the year ended 30 June 2013. The concise financial report also includes the directors' declaration. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards.

#### Directors' Responsibility for the Concise Financial Report

The Directors are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Corporations Act 2001*, and for such internal controls as the directors determine are necessary to enable the preparation of the concise financial report.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures which were conducted in accordance with ASA 810 *Engagements to Report on Summary Financial Statements*. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of Tabcorp Holdings Limited for the year ended 30 June 2013. We expressed an unmodified audit opinion on the financial report in our report dated 9 August 2013. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the concise 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. Our procedures included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of audit evidence supporting the amounts and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with AASB 1039 *Concise Financial Reports*.

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*.

#### Auditor's Opinion

In our opinion, the concise financial report and the directors' declaration of Tabcorp Holdings Limited for the year ended 30 June 2013 complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

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## Report on the Remuneration Report

The following paragraphs are copied from our Report on the Remuneration Report for the year ended 30 June 2013.

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

#### Opinion

In our opinion, the Remuneration Report of Tabcorp Holdings Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Tony Johnson  
Partner  
Melbourne  
9 August 2013

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# FIVE YEAR REVIEW

	2013	2012	2011	2010	2009
	\$m	\$m	\$m	\$m	\$m
Total revenue	2,133.4	3,038.5	4,469.6	4,219.8	4,211.3
EBITDA <sup>1</sup>	472.3	725.2	774.7	998.0	1,072.6
Profit before interest and tax	313.1	591.7	856.3	794.4	895.4
Profit after income tax attributable to members of parent entity <sup>2</sup>	126.6	340.0	534.8	469.5	521.7
Dividend <sup>3</sup>	140.3	173.0	295.1	335.5	367.6

Cash and deposits	109.7	151.4	147.1	261.9	291.4
Other current assets	111.6	76.8	103.8	119.2	111.8
Intangible assets – licences	750.3	814.8	430.2	652.6	688.1
Intangible assets – other	1,772.4	1,803.2	1,805.7	3,627.5	3,641.8
Other non current assets	400.6	402.8	351.7	1,796.5	1,606.3
Total assets	3,144.6	3,249.0	2,838.5	6,457.7	6,339.4
Current interest bearing liabilities	432.9	–	449.8	175.0	–
Other current liabilities	356.7	490.2	502.2	671.0	697.0
Non current interest bearing liabilities	821.5	1,224.0	515.2	1,816.8	2,040.9
Other non current liabilities	120.3	129.0	160.4	340.2	324.7
Total liabilities	1,731.4	1,843.2	1,627.6	3,003.0	3,062.6
Shareholders' funds	1,413.2	1,405.8	1,210.9	3,454.7	3,276.8
Capital expenditure – payments	204.2	631.0	595.6	408.1	256.5

	cents	cents	cents	cents	cents
Earnings per share	17.2	47.6	80.7	77.1	93.2
Dividends per share <sup>3</sup>	19.0	24.0	43.0	55.0	65.0
Operating cash flow per share <sup>4</sup>	8.2	(14.8)	9.4	48.2	74.3
Return on shareholders' funds	9.0%	25.9%	18.5%	13.9%	17.8%
Net assets per share	\$1.92	\$1.97	\$1.83	\$5.68	\$5.86

Revenue <sup>5</sup>	\$m	\$m	\$m	\$m	\$m
Wagering	1,558.0	1,637.4	1,569.1	1,553.5	1,593.4
Media and International <sup>6</sup>	207.6	190.2	179.3	164.0	–
Gaming Services	86.3	4.7	–	–	–
Keno	205.4	183.1	169.6	157.2	156.1
Gaming <sup>7</sup>	130.2	1,074.2	1,077.4	1,037.2	1,069.4
Casinos <sup>8</sup>	–	–	1,439.4	1,371.9	1,357.7
Unallocated/elimination	(54.1)	(51.1)	(53.0)	(51.8)	(5.9)
Normalisation adjustment	–	–	87.8	(12.2)	40.6
<b>Total</b>	<b>2,133.4</b>	<b>3,038.5</b>	<b>4,469.6</b>	<b>4,219.8</b>	<b>4,211.3</b>

1. 2013 includes impairment of \$65.8 million, 2011 includes impairment of \$358.0 million and 2008 includes impairment of \$707.6 million.

2. 2011 includes net gain on demerger of Echo Entertainment Group of \$351.2 million.

3. Dividends attributable to the year, but which may be payable after the end of the period.

4. Net operating cash flow per the statement of cashflows does not include payments for property plant and equipment and intangibles, whereas these items are included in the calculation for the operating cash flow per share ratio. 2012 includes payment for the Victorian Wagering and Betting Licence of \$418.7 million.

5. Revenue includes both external and internal revenue.

6. Included in Wagering prior to 2010.

7. Gaming includes the Victorian Tabaret business which ceased operations on 15 August 2012.

8. The Casino revenues are normalised.

# SHAREHOLDER INFORMATION

As at 16 August 2013

## Ordinary shares

Tabcorp has on issue 744,885,690 fully paid ordinary shares. The issued capital has increased from last year due to ordinary shares issued pursuant to Tabcorp's Dividend Reinvestment Plan. There currently isn't a share buy-back in operation in respect of the Company's ordinary shares.

## Tabcorp Bonds

Tabcorp has on issue 2,844,712 Tabcorp Bonds which are five year debt securities listed on the Australian Securities Exchange (ASX) under the code TAHHA. They were initially issued on 1 May 2009 to successful applicants pursuant to the Tabcorp Bonds Prospectus dated 1 April 2009. Holders of Tabcorp Bonds are entitled to receive quarterly interest payments and \$100 cash per Tabcorp Bond upon redemption. The interest rate is equal to the three month bank bill rate plus a fixed margin of 4.25% per annum.

## Tabcorp Subordinated Notes

Tabcorp has on issue 2,500,000 Tabcorp Subordinated Notes which are unsecured, subordinated, cumulative debt securities listed on the ASX under the code TAHHB. They were initially issued on 22 March 2012 to successful applicants pursuant to the Tabcorp Subordinated Notes Prospectus dated 22 February 2012. Holders of Tabcorp Subordinated Notes are entitled to receive quarterly interest payments (subject to deferral) and \$100 cash per Tabcorp Subordinated Note upon redemption. The interest rate is equal to the three month bank bill rate plus a fixed margin of 4.00% per annum.

## Shareholding restrictions

The Company's Constitution, together with an agreement entered into with the State of Queensland, contain restrictions prohibiting an individual from having a voting power of more than 10% in the Company. The Company may refuse to register any transfer of shares which would contravene these shareholding restrictions or require divestiture of the shares that cause an individual to exceed the shareholding restrictions.

## Voting rights

All ordinary shares issued by Tabcorp Holdings Limited carry one vote per share. Tabcorp Bonds, Subordinated Notes and Performance Rights do not carry any rights to vote at general meetings of the Company's shareholders. Failure to comply with certain provisions of the Victorian Gambling Regulation Act 2003 or Tabcorp's Constitution, including the shareholder restrictions discussed above, may result in suspension of voting rights.

## Shareholder benefits scheme

Tabcorp introduced a benefits scheme for shareholders in April 2004. The scheme is aligned with Tabcorp's key wagering business and associated racing industries, and provides free entry into nominated thoroughbred, harness and greyhound racing events. This year Tabcorp has made it easier for shareholders to participate in the scheme. Shareholders only have to register once, then they will receive a new benefits card in July each year. Details of the scheme and its terms and conditions are available on Tabcorp's website [www.tabcorp.com.au](http://www.tabcorp.com.au).

## Substantial shareholders

The following is a summary of the current substantial shareholders pursuant to notices lodged with the ASX in accordance with section 671B of the Corporations Act 2001:

Name	Date of interest	Number of ordinary shares <sup>(i)</sup>	% of issued capital <sup>(ii)</sup>
National Australia Bank Limited	28 May 2013	50,124,896	6.729
JCP Investment Partners Pty Ltd	28 August 2012	47,261,928	6.47
Northcape Capital Pty Ltd	12 November 2012	44,577,533	6.07

(i) As disclosed in the last notice lodged with the ASX by the substantial shareholder.

(ii) The percentage set out in the notice lodged with the ASX is based on the total issued share capital of Tabcorp at the date of interest.

## Marketable parcel

There were 38,268 shareholders holding less than a marketable parcel of ordinary shares (\$500 or more, equivalent to 155 ordinary shares) based on a market price of \$3.24 at the close of trading on 16 August 2013.

## Twenty largest registered holders of ordinary shares\*

Investor group name	Number of Ordinary Shares	% of issued capital
J P Morgan Nominees Australia Limited	153,506,377	20.61
HSBC Custody Nominees (Australia) Limited	128,621,271	17.27
National Nominees Limited	90,750,542	12.18
Citicorp Nominees Pty Limited	49,576,630	6.66
BNP Paribas Noms Pty Ltd	26,905,647	3.61
RBC Dexia Investor Services Australia Nominees Pty Limited	6,999,649	0.94
Bainpro Nominees Pty Limited	6,088,374	0.82
UBS Wealth Management Australia Nominees Pty Ltd	4,488,178	0.60
Questor Financial Services Limited	4,022,720	0.54
AMP Life Limited	3,635,450	0.49
UBS Nominees Pty Ltd	3,613,139	0.49
Merrill Lynch (Australia) Nominees Pty Ltd	3,006,170	0.40
QIC Limited	2,737,149	0.37
Argo Investments Limited	2,631,388	0.35
Ecapital Nominees Pty Limited	2,300,008	0.31
Warbont Nominees Pty Ltd	1,926,596	0.26
Bond Street Custodians Limited	964,098	0.13
CS Fourth Nominees Pty Ltd	925,026	0.12
Nulis Nominees (Australia)	870,758	0.12
Navigator Australia Limited	830,291	0.11
<b>Total of top 20 registered holders</b>	<b>494,399,461</b>	<b>66.38</b>

\* On a grouped basis.

## Twenty largest registered holders of Tabcorp Bonds\*

Investor group name	Number of Tabcorp Bonds	% of total Bonds
UBS Wealth Management Australia Nominees Pty Ltd	164,804	5.79
HSBC Custody Nominees (Australia) Limited	137,920	4.85
National Nominees Limited	128,440	4.52
Citicorp Nominees Pty Limited	127,582	4.48
UBS Nominees Pty Ltd	115,526	4.06
J P Morgan Nominees Australia Limited	54,276	1.91
Questor Financial Services Limited	49,200	1.73
Invia Custodian Pty Limited	44,853	1.58
Dimbulu Pty Ltd	20,000	0.70
First Option Credit Union Ltd	18,852	0.66
BNP Paribas Noms Pty Ltd	17,119	0.60
ANZ Trustees Limited	13,500	0.47
Link Enterprises (International) Pty Ltd	10,000	0.35
Aust Executor Trustees Ltd	9,510	0.33
Nulis Nominees (Australia)	8,989	0.32
Navigator Australia Limited	8,656	0.30
Jilliby Pty Ltd	7,500	0.26
Delmos Pty Ltd	7,000	0.25
Commonwealth Bank of Australia	5,923	0.21
Bridgelow Pty Ltd & Wallmont Pty Ltd	5,600	0.20
<b>Total of top 20 registered holders</b>	<b>955,250</b>	<b>33.57</b>

\* On a grouped basis.

## Distribution of securities held

Number of securities held	Ordinary Shares <sup>(i)</sup>		Tabcorp Bonds		Tabcorp Subordinated Notes		Performance Rights <sup>(ii)</sup>	
	Number of holders	Number of securities	Number of holders	Number of securities	Number of holders	Number of securities	Number of holders	Number of securities
1 – 1,000	84,131	27,126,436	6,109	1,410,698	3,265	852,113	-	-
1,001 – 5,000	37,871	83,404,849	221	500,395	185	404,157	-	-
5,001 – 10,000	6,214	44,818,218	15	110,654	20	148,203	-	-
10,001 – 100,000	3,705	77,436,060	7	278,275	16	524,411	3	178,043
100,001 and over	114	512,100,127	4	544,690	3	571,116	10	2,889,663
<b>Total</b>	<b>132,035</b>	<b>744,885,690</b>	<b>6,356</b>	<b>2,844,712</b>	<b>3,489</b>	<b>2,500,000</b>	<b>13</b>	<b>3,067,706</b>

(i) Ordinary Shares includes Restricted Shares and Deferred Shares offered to employees under the Company's incentive arrangements.

(ii) Rights were issued pursuant to the Company's long term incentive arrangements.

Refer to the Remuneration Report on pages 48 to 61 for more information about the Company's incentive arrangements.

## SHAREHOLDER INFORMATION (continued)

As at 16 August 2013

### Twenty largest registered holders of Tabcorp Subordinated Notes\*

Investor group name	Number of Subordinated Notes	% of total Notes
UBS Wealth Management Australia Nominees Pty Ltd	260,436	10.42
National Nominees Limited	195,038	7.80
Citicorp Nominees Pty Limited	133,908	5.36
J P Morgan Nominees Australia Limited	122,842	4.91
HSBC Custody Nominees (Australia) Limited	116,339	4.65
UBS Nominees Pty Ltd	83,686	3.35
BNP Paribas Noms Pty Ltd	42,811	1.71
Mr Steven John Fahey	25,000	1.00
H & TSC Pty Limited	22,995	0.92
Arrowcrest Group Pty Ltd	22,500	0.90
Mr Masaji Kitagawa	20,000	0.80
Netwealth Investments Limited	15,937	0.64
Sandhurst Trustees Limited	14,214	0.57
RBC Investor Services Australia Nominees Pty Ltd	12,663	0.51
Nulis Nominees (Australia)	12,106	0.48
Navigator Australia Limited	10,822	0.43
Ramm Investments Pty Ltd	10,500	0.42
Mr Edward Furnival Griffin & Mrs Deborah Ann Griffin	10,000	0.40
Wythenshawe Pty Ltd	10,000	0.40
Delmos Pty Ltd	9,500	0.38
<b>Total of top 20 registered holders</b>	<b>1,151,297</b>	<b>46.05</b>

\* On a grouped basis.

## ONLINE SHAREHOLDER SERVICES

### Use the internet to easily manage your shareholding

Shareholders can use the online share registry facility on the Company's website, [www.tabcorp.com.au](http://www.tabcorp.com.au), or through [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) to conduct standard shareholding enquiries and transactions, including:

- Download dividend statements
- Update registered address
- Check current and previous shareholding balances
- Appoint a proxy to vote at the Annual General Meeting
- Lodge or update banking details
- Participate in the Dividend Reinvestment Plan
- Notify Tax File Number/Australian Business Number

### Dividend payments

All dividends paid by Tabcorp to shareholders with a registered address in Australia are paid by direct credit into a nominated bank account with an Australian financial institution. Payments are electronically credited on payment date, allowing shareholders to utilise their funds immediately without any mailing or handling delays. There are also no misplaced or un-deposited cheques, and reduces the likelihood of mail fraud. Shareholders can provide and update their bank account details by using the online share registry facility or by contacting the share registry.

### Dividend reinvestment plan (DRP)

Tabcorp operates a DRP which enables participants to reinvest their dividends into acquiring additional Tabcorp shares without incurring any brokerage or handling costs. A 2.5% discount was applied to the price at which shares were issued under the DRP in respect of the interim dividend with payment date of 25 March 2013 and the final dividend with payment date of 24 September 2013. To elect to participate in the company's DRP, contact the share registry.

### Annual Report

Tabcorp's interactive Annual Reports are available online from the Company's website, [www.tabcorp.com.au](http://www.tabcorp.com.au). Annual Reports are sent to those shareholders who have requested to receive a copy. Shareholders who no longer wish to receive a hard copy of the Annual Report or wish to receive the Annual Report electronically should contact the share registry or make their election by using the online share registry facility at [www.tabcorp.com.au](http://www.tabcorp.com.au).

# COMPANY DIRECTORY

## Registered office

Tabcorp Holdings Limited  
5 Bowen Crescent  
Melbourne VIC 3004  
Australia  
Telephone 03 9868 2100  
Facsimile 03 9868 2300  
Email investor@tabcorp.com.au

## Website

www.tabcorp.com.au

## Stock exchange listings

The Company's securities are quoted on the Australian Securities Exchange (ASX) under the codes 'TAH' for ordinary shares, 'TAHHA' for Tabcorp Bonds and 'TAHHB' for Tabcorp Subordinated Notes.

## New South Wales office

495 Harris Street  
Ultimo NSW 2007  
Telephone 02 9218 1000

## Sky Racing/Sky Sports Radio

79 Frenchs Forest Road  
Frenchs Forest NSW 2086  
Telephone 02 9451 0888

## Queensland office

Level 16  
15 Adelaide Street  
Brisbane QLD 4000  
Telephone 07 3243 4100

## Share Registry

Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia  
Telephone 1300 665 661  
Telephone 02 8280 7418  
Facsimile 02 9287 0303  
Facsimile 02 9287 0309 (*proxy forms only*)  
Email tabcorp@linkmarketservices.com.au  
Website www.linkmarketservices.com.au

# KEY DATES

## 2013

Annual General Meeting (Grand Hyatt, Melbourne)	31 October
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## 2014\*

Half-year results announcement	6 February
Ex-dividend for interim dividend	11 February
Record date for interim dividend	17 February
Interim dividend payment	24 March
End of financial year	30 June
Full-year results announcement	7 August
Ex-dividend for final dividend	14 August
Record date for final dividend	20 August
Final dividend payment	24 September
Annual General Meeting	28 October

\* These are proposed dates.  
See the Company's website for updates (if any).

## Currency

References to currency are in Australian Dollars unless otherwise stated.

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## Investment warning

Past performance of shares is not necessarily a guide to future performance. The value of investments and any income from them is not guaranteed and can fall as well as rise. Tabcorp recommends investors seek independent professional advice before making investment decisions.

## Privacy

Tabcorp respects the privacy of its stakeholders. Tabcorp's Privacy Policy is available on the Company's website at [www.tabcorp.com.au](http://www.tabcorp.com.au).



[www.tabcorp.com.au](http://www.tabcorp.com.au)