

PASSION. THRILLS. ENTERTAINMENT



Concise Annual
Report 2014

We create entertainment experiences where the passion, thrills and enjoyment of the Australian way of life comes alive.

At the same time, we put back into our communities and take our social responsibilities seriously.

We want you to love the game like we do.

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About the Annual Report

Tabcorp's Annual Report consists of two documents – the Concise Annual Report (which incorporates the concise financial statements) and the full financial report. The concise financial statements included in the Concise Annual Report comprise extracts from the full financial report and are derived from the full financial report. 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.

Notice of meeting

The Annual General Meeting of Tabcorp Holdings Limited will be held at the Grand Ballroom, Shangri-La Hotel, 176 Cumberland Street, The Rocks, Sydney, New South Wales on Tuesday 28 October 2014 at 10am (AEDT).

Tabcorp is a leading Australian gambling entertainment company

- Diversified across four businesses: Wagering, Media and International, Gaming Services and Keno
- Holding secure long-term licences in Australia's most attractive markets
- Possessing a portfolio of iconic Australian brands with market-leading positions
- Operating a unique multi-product, multi-channel model
- A top 100 public company listed on the Australian Securities Exchange
- Recognised as a global industry leader in responsible gambling

Key achievements in the year

- Strengthened our portfolio of long-dated licences by finalising the extension of the Queensland Keno Licence to 2047 and the New South Wales retail wagering exclusivity to 2033
- Agreed to acquire ACTTAB, subject to regulatory approvals
- Refinanced bank facilities and repaid debt maturities
- Established a new senior executive leadership structure to support the focus on the Wagering business and the Gaming and Keno business

Tabcorp is well placed to drive profitable growth with a focus on

- Integrating digital offering with the TAB retail network
- Completing the acquisition of ACTTAB
- Expanding co-mingling and the export of Australasian racing
- Negotiating media rights
- Expanding TGS through New South Wales
- Expanding Keno products and introducing pooling of jackpots
- Increasing target dividend payout ratio to 90% of FY15 NPAT
- Achieving our targeted Return on Invested Capital of 14% following the integration of ACTTAB

Financial performance

- Statutory net profit after tax (NPAT) of \$129.9 million, up 2.6% including:
 - NPAT from continuing operations of \$149.4 million, up 1.2%
 - Loss after tax from discontinued operations of \$19.5 million¹
 - NPAT from continuing operations before \$8.5 million of FY13 significant items was up 7.4%
- Revenues from continuing operations of \$2,039.8 million, up 1.8%
- Earnings before interest, tax, depreciation and amortisation (EBITDA) before significant items from continuing operations of \$486.1, up 4.8%
- Dividends totalled 16 cents per share fully franked representing a payout ratio of 81% of NPAT

Net profit after tax
\$ million



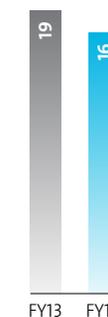
Revenue²
\$ million



EBITDA before significant items^{2,3}
\$ million

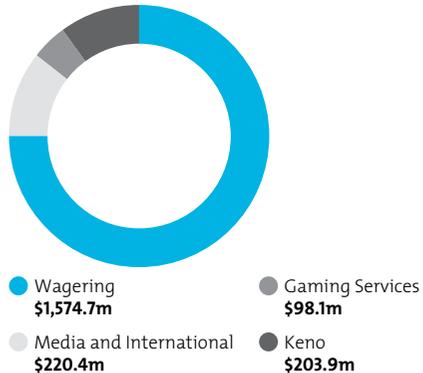


Dividends per share
Cents per share (fully franked)

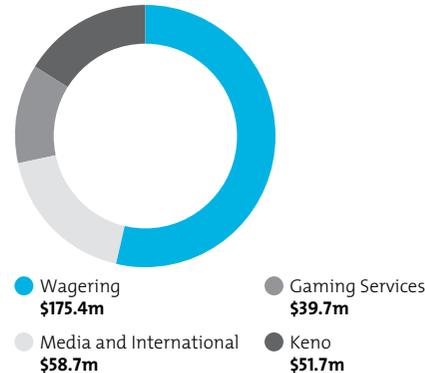


Financial benefits to stakeholders

Revenue by business^{2,5}
\$ million



EBIT by business^{3,5}
\$ million



	FY14 \$million	FY13 \$million	Change %
From continuing operations			
Revenue	2,039.8	2,003.2	1.8
Taxes, levies, commission and fees	(1,120.3)	(1,097.2)	2.1
Operating expenses	(433.4)	(414.2)	4.6
Depreciation and amortisation	(164.4)	(151.1)	8.8
Impairment ⁴	-	(18.6)	(100)
EBIT	321.7	322.1	(0.1)
NPAT from continuing operations	149.4	147.6	1.2
NPAT (including discontinued operations)	129.9	126.6	2.6

Notes

1. Represents the Victorian Health Benefit Levy expense which relates to the former Tabaret Gaming business which is reported as a discontinued operation.
2. Refers to continuing operations.
3. EBITDA is non-IFRS financial information.
4. Victorian Keno Licence impairment in FY13.
5. Business results do not aggregate to Group total due to intercompany eliminations between Wagering and Media and International businesses, and unallocated items.
6. Excludes the impact of the Victorian racing industry's share of the Health Benefit Levy of \$8.9 million.

- > Taxes on gambling paid \$439.3 million
- > Returns to the racing industry of \$735.0 million:
 - Victorian racing industry received \$342.0 million⁶
 - New South Wales racing industry received \$246.2 million
 - Race field fees of \$73.3 million
 - Broadcast rights and international contributions of \$73.5 million
- > Income taxes paid and payable of \$66.7 million
- > Voluntary contributions of \$1 million to support community not-for-profit organisations

Since formation 20 years ago, Tabcorp has contributed \$8 billion to support the Victorian and New South Wales racing industries



Chairman's message



The Group's performance highlights the benefits of our diversification across four businesses, with market-leading brands and a unique multi-product, multi-channel distribution model.

It gives me great pleasure to present the 2014 Tabcorp Annual Report.

In August 2014, we marked the 20th anniversary of Tabcorp. Throughout our 20 years of operation, Tabcorp has created exciting entertainment experiences for millions of customers. Tabcorp has also been a substantial contributor to the community and a reliable and trusted operator of gambling licences.

Today, Tabcorp operates four businesses, Wagering, Media and International, Gaming Services and Keno, and is the leader in each of these markets. During the year under review our portfolio of long-dated licences was strengthened with the extension of our Queensland Keno Licence to 2047 and NSW retail wagering exclusivity to 2033. These extensions have removed some of the risk associated with our businesses and allow us to invest with confidence for the longer term.

In July 2014, we entered into an agreement to acquire ACTTAB. This is a smaller acquisition which is a natural fit for our business and is fully funded from existing resources. The ACTTAB acquisition provides additional long-dated licences with low tax and product fee regimes that complement our existing Wagering, Keno and Trackside businesses. This acquisition, which remains subject to regulatory approvals, will further strengthen Tabcorp's position as the leader in Australian wagering.

Financial highlights

Tabcorp reported Net Profit After Tax (NPAT) of \$129.9 million for FY14, which was up 2.6% on the prior corresponding period¹. NPAT from continuing operations before

significant items was \$149.4 million, up 7.4%. Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) from continuing operations before significant items was \$486.1 million, up 4.8%.

The Group's performance highlights the benefits of our diversification across four businesses, with market-leading brands and a unique multi-product, multi-channel distribution model. The performance also demonstrates the resilience of our businesses, given the subdued trading environment over the period.

The Company announced a fully franked final dividend of 8 cents per share, taking the full FY14 year dividend to 16 cents per share. This represented 81% of NPAT from continuing operations before significant items, and was consistent with previous guidance to the market. We have also announced that our target dividend payout ratio will increase to 90% of NPAT for FY15.

Wagering is the largest of Tabcorp's businesses, accounting for 58% of Group EBITDA. It was pleasing that this business delivered a strong performance for FY14 and continues to grow in a competitive market. The strength of our brands and the combination of the leading digital offer and exclusive retail channels differentiate Tabcorp from online wagering operators. We have repositioned our Wagering business in recent years to capture opportunities in fixed odds and digital wagering. Both fixed odds and digital delivered strong growth in the year and we continue to lead the market in these segments.

Our Media and International business again delivered a positive earnings result, despite incurring one-off charges for restructuring of the business to better position it for the future. During the year we strengthened the business' capability to export Australasian racing through the acquisition of our USA-based vision distributor, Wyvern and the appointment of new management in the USA.

During FY14 our Gaming Services business, TGS, successfully entered into the NSW market. This builds on the foundation laid in Victoria where TGS is contracted to supply and support approximately 8,500 electronic gaming machines. This business provides stable cash flows which underpin innovation in and expansion of Gaming Services.

After many years of growth, our Keno business had a flat revenue performance. A new Keno leadership team is now focused on driving the business' performance. With new products set for launch in FY15, Keno is well positioned to return to growth.

Capital management

During FY14 we made good progress on strengthening the balance sheet and lowering our funding costs.

We refinanced the Tabcorp Bonds with bank debt upon their maturity in May 2014, resulting in interest savings of approximately \$10 million per annum.

Tabcorp continues to have well diversified sources of funding. The maturity of our debt is well phased, with the next major refinancing activity due in June 2016.

Tabcorp and responsible gambling

Tabcorp places the highest priority on operating its gambling licences with integrity and accountability. A measure of our performance in this area is the Dow Jones Sustainability Index, which once again assessed Tabcorp as the global gambling industry leader in 2013. This was the eighth time in the last nine years that Tabcorp has received this ranking. Tabcorp also received a 100 per cent score in the index's 'Promoting Responsible Gambling' category for the seventh successive year.

We are proud to be globally recognised for taking a leadership position in sustainability and responsible gambling over the last decade. Tabcorp is committed to the responsible delivery of our products. This recognises our obligation to the communities we serve and underpins the sustainability of our business.

Returns to the community and racing

Tabcorp paid \$439.3 million in gambling taxes in FY14. In addition, returns from Tabcorp's businesses to the Australian racing industry were \$735.0 million.

Tabcorp continues to be the most substantial provider of funding to the racing industry. The Australian model has been the envy of many racing bodies around the world and gives our respective racing industries the necessary funding to be among the world's best. Tabcorp will continue to fight to protect the economic sustainability of these industries.

Legal proceedings

Tabcorp has lodged an appeal with the Court of Appeal against a judgment of the Supreme Court of Victoria handed down on 26 June 2014. The judgment relates to Tabcorp's claim for a payment of \$686.8 million from the State of Victoria, which Tabcorp believes the State was obliged to pay in August 2012, when Tabcorp's Gaming and Wagering licences expired and new licences were granted. The appeal is listed to be heard in October.

Separately, Tabcorp has applied for special leave to appeal to the High Court of Australia in respect of the judgment of the Court of Appeal of the Supreme Court of Victoria, which was handed down on 1 July 2014. That judgement relates to the Victorian Government's determination in respect of the Health Benefit levy on Tabcorp's former gaming machine operations. The Court of Appeal judgment impacted Tabcorp's FY14 earnings by \$19.5 million after tax, which has been disclosed as discontinued operations in Tabcorp's financial statements.

Our people and partners

I would like to acknowledge the efforts of our 3,000-plus employees, led by our Managing Director and Chief Executive Officer, David Attenborough. Our Group achieved much throughout FY14, which would not have been possible without the dedication and commitment of our people. I would also like to acknowledge our many stakeholders, including our racing industry and venue partners, who share a commitment to providing our customers with the best possible entertainment experience.

Focus on investing for the future

Tabcorp stands today as a leading Australian gambling entertainment company, with a deep customer base, a well-diversified business model, market leading brands and a high performing team.

The Company has ended the year in a stronger position, both financially and strategically, and we are now well positioned to drive future performance.

Our main focus now is on improving our customer experience. We continue to execute our strategy of investing in innovation in high-growth areas such as our digital platforms and capability, the expansion of TGS and new Keno products, while targeting faultless execution in each customer interaction. This will underpin our goal to deliver sustainable, attractive returns to shareholders.

In conclusion, 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 Sydney on 28 October 2014. 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.



Paula J Dwyer
Chairman

1. Includes a loss from discontinued operations of \$19.5 million relating to the Health Benefit Levy expense.

Chief Executive Officer's message



We have been on a journey at Tabcorp over the last few years to set the Company up for a sustainable and profitable future. We are seeing the benefits of this strategy.

The 2014 financial year was a successful one for Tabcorp. A strong performance by our core Wagering business underpinned our growth in earnings. At the same time, we delivered key licence extensions and expanded TGS into NSW. These outcomes, in addition to the recent agreement to acquire ACTTAB, have strengthened the Group and further de-risked our businesses.

We have been on a journey at Tabcorp over the last few years to set the Company up for a sustainable and profitable future. We are seeing the benefits of this strategy. The Group is now well diversified across four businesses, with attractive, long-dated licences, strong brands and the broadest range of channels.

Group performance overview

Revenues increased by 1.8% to \$2,039.8 million and operating expenses were \$433.4 million, up 2.8%. Growth of 4.8% in Earnings Before Interest Taxes Depreciation and Amortisation (EBITDA) from our continuing operations before significant items delivered strong operating cash flows. Gross debt reduced by 12.8% to \$1,094.3 million and resulted in an improved gearing level of 2.3 times debt to EBITDA for the Group.

The performance also benefited from the ongoing Group-wide productivity improvement program, called Future Fit. This program is focused on improving our operating processes and optimising the allocation of resources to our growth areas.

I will now provide an overview of the performance of each of our four businesses.

Wagering

Total Wagering business revenues (including the Victorian Racing Industry's interest) grew 1.8% in FY14¹. Revenue growth improved in the second half, growing 2.4% relative to first half growth of 1.3%. Operating expenses were \$284.0 million, up 0.6%. EBITDA was \$282.2 million, up 6.5%.

Tabcorp continues to be at the forefront of Australian wagering market trends. Customers are increasingly choosing fixed odds products and digital devices as a way of placing bets. We lead the market in both areas.

Fixed odds growth was a standout with revenues up 26.5% to \$511.5 million. Totalizator revenues were \$1,262.9 million, down 6.3%, impacted by the consumer shift to fixed odds and lower premium customer volumes.

Revenues in Tabcorp's online bookmaking business, Luxbet, were \$47.9 million, up 22.5%, while Trackside revenues were \$89.3 million, up 1.1%.

The 2014 Soccer World Cup was one of the highlights during the year and I am pleased to report that Tabcorp led the Australian wagering market. The World Cup produced revenues across TAB and Luxbet in FY14 of \$14.9 million and in FY15 of \$10.3 million. Our consumer initiatives were driven by the 'Back Gold' campaign led by former Socceroos goalkeeper, Mark Schwarzer.

In terms of distribution channels, digital was a driver of growth, with turnover up 18.2% to \$2,900.0 million. Mobile devices made up 54% of Tabcorp's digital turnover, up from 35% in FY13. As part of our digital

growth strategy, we have boosted the capability of our in-house team by hiring more digital specialists. This is giving us greater flexibility and speed in the innovation process and the agility to bring new products to market faster. An example during the year was the development of the successful Back Gold World Cup website, which was designed and delivered within two months.

NSW and Victorian retail turnover was \$6,581.3 million, down 2.8%. Performance in the NSW and Victorian retail wagering channels improved in the second half relative to the first half, despite continued soft retail conditions. During the year we doubled the number of members of our TAB Rewards wagering loyalty program to 218,000. TAB Rewards members made up approximately 11% of retail turnover at the end of FY14 and expansion of this program is ongoing.

New race fields fee regimes were put in place by the Victorian, Queensland and South Australian racing industries from 1 July 2014. Had these changes applied to Tabcorp in FY14, and in the absence of any mitigating strategies, the estimated impact would be approximately \$12 million before tax. The new structures do start to apportion race fields fees more equitably across the various wagering operators. However, the gap between what TAB pays and what corporate bookmakers pay still remains too large.

Media and International

Revenues grew 6.2% to \$220.4 million. Operating expenses were \$123.9 million, up 5.0%, with expense growth partly

attributable to the acquisition of Sky's USA vision agent, now rebranded Sky Racing World US, and one-off restructure charges. EBITDA was \$68.5 million, up 2.2%.

The business continued to benefit from the expanded export of Australasian racing vision and the co-mingling of international betting pools. As part of this, Singapore became the first major Asian jurisdiction to pool its betting offshore when it started co-mingling into our NSW TAB pool.

The success of this business as a driver of returns to the racing industry was demonstrated once again with media broadcast rights and contributions from Tabcorp's International business of \$73.5 million, up 15.6%. Media broadcast rights for NSW and Victorian thoroughbred racing continue to be the subject of ongoing negotiations.

Gaming Services

The results of the Gaming Services business reflect a full twelve months compared to the prior year during which TGS was operational for 10.5 months, having commenced operations on 16 August 2012.

Revenues were \$98.1 million, up 13.7%. Operating expenses were \$31.1 million, up 11.1%, resulting in EBITDA of \$67.0 million, up 14.9%.

In Victoria, we have laid a solid foundation with a contracted base of approximately 8,500 electronic gaming machines (EGMs). TGS has now commenced the roll-out of an in-EGM loyalty scheme, with positive feedback from the initial venues.

TGS also commenced its entry into the NSW market towards the end of the year, with the sign-up and refurbishment of its first two venues delivering 120 contracted EGMs.

Keno

Revenues in Keno were \$203.9 million, down 0.7%, with Queensland and NSW revenues flat and Victorian revenues up 3.6%. Operating expenses were \$41.2 million, up 1.0%. EBITDA was \$72.2 million, down 4.4%.

Growing Keno is a priority and FY14 saw the successful roll out of Keno Racing to more than 450 Queensland venues. Initiatives planned for delivery in FY15 include the commencement of jackpot pooling between NSW and Victoria, with Queensland to follow later in 2015. We know that playing for big prizes drives player interest and having bigger prizes, more often will make Keno more appealing.

Our people

We have more than 3,000 employees at Tabcorp, performing a diverse range of roles. Each employee has played their part in our success in FY14 and I would like to acknowledge their contribution.

We continue to drive to make Tabcorp a great place to work and enhance employee engagement. During the year, our Group-wide gender diversity program delivered early results. It was particularly pleasing to have met the 33% target set for the senior management levels and we are already seeing the benefits in team performance of a more inclusive culture across all levels of the business.

Further, as part of our commitment to the community and our employees, we continued our Tabcare program. Tabcare supports our employees to give back to their communities through one day of paid volunteer's leave each year, as well as a program to match the fundraising efforts of employees.

Our priorities

We have set clear priorities for each of our four businesses to enable us to continue to achieve results for our shareholders and create the best possible experience for our customers.

In Wagering, we will continue to integrate our retail and digital offerings, expand our products and complete the ACTTAB transaction. Media and International will continue to increase co-mingling and the export of Australasian racing. TGS will accelerate its expansion into NSW and, finally, our Keno business has a clear growth agenda based on product expansion and jackpot pooling.

We are well positioned to drive future performance, maintain expense discipline and, following the integration of ACTTAB, achieve our targeted Return on Invested Capital of 14%.



David R H Attenborough
Managing Director and
Chief Executive Officer

1. After accounting for the allocation to the Victorian Racing Industry under the 50/50 Joint Venture arrangements (75/25 previously) which commenced in August 2012, reported Wagering revenues were \$1,574.7 million, up 1.1%.

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)
- 2,800 TAB retail outlets (approx)
- 218,000 active TAB Rewards customer loyalty members (doubled from prior year)
- Mobile devices represent 54% of digital turnover (up 9%)

What happened during the year

- Finalised the extension of the New South Wales Wagering Licence retail exclusivity for a further 20 years to 2033
- Soccer World Cup revenue was \$14.9 million in FY14 (and \$10.3 million in FY15)
- Increased in-house digital capability
- Enhanced digital offering to customers: released HTML tablet website for TAB, dedicated World Cup Soccer website, and live AFL vision from July 2014
- Increased focus on targeted customer relationship management and engagement campaigns
- Fixed odds revenue growth assisted by expanded product, risk management and Soccer World Cup

Key focus for the year ahead

- Complete ACTTAB acquisition and integrate into existing businesses
- Leverage our unique multi-product, multi-channel model to enhance customer experiences
- Launch new tab.com.au website
- 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 40 of the Directors' report for further information.



Summary financial performance of the Wagering business

	FY14	FY13	Change
For the year ended 30 June	\$million	\$million	%
Revenue	1,574.7	1,558.0	1.1
Taxes, levies, commission and fees	(1,008.5)	(1,010.8)	(0.2)
Operating expenses	(284.0)	(282.2)	0.6
EBITDA	282.2	265.0	6.5
Depreciation and amortisation	(106.8)	(97.7)	9.3
EBIT	175.4	167.3	4.8

**Revenues of
\$1,574.7 million,
up 1.1%**

(including the Victorian
Racing Industry's interest, and
FY13 impacted by changeover
to new Victorian Wagering
and Betting Licence which
commenced 16 August 2012)

**EBIT of
\$175.4 million,
up 4.8%**

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, desktop and mobile devices, 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 2.6 million Australian homes (approx)
- Broadcasting to 5,400 Australian outlets
- Covering over 90,000 races per annum
- Broadcasting Australian racing to more than 50 countries

What happened during the year

- Grew revenue primarily through increased international vision and co-mingling
- Expanded co-mingling to include Singapore betting into Tabcorp pools
- Acquired Sky's US vision distributor agent, now rebranded as Sky Racing World US
- A founding member of the Asia Africa Tote Association

Key focus for the year ahead

- Retain media rights on acceptable terms
- Pursue international growth via co-mingling and wholesale opportunities
- Improve viewer experience – 20/7 racing coverage
- Expand US distribution, including into Las Vegas and through distributor TVG

Refer to page 41 of the Directors' report for further information.



Summary financial performance of the Media and International business

For the year ended 30 June	FY14 \$million	FY13 \$million	Change %
Revenue	220.4	207.6	6.2
Taxes, levies, commission and fees	(28.0)	(22.6)	23.9
Operating expenses	(123.9)	(118.0)	5.0
EBITDA	68.5	67.0	2.2
Depreciation and amortisation	(9.8)	(9.3)	5.4
EBIT	58.7	57.7	1.7

Revenues of
\$220.4 million,
up 6.2%

EBIT of **\$58.7 million,**
up 1.7%



Gaming Services business

Operations

- Tabcorp Gaming Solutions (TGS) commenced operations on 16 August 2012 under the new Victorian gaming industry structure
- Supplying electronic gaming machines (EGMs) and specialised services to licensed gaming venues
- Contracts cover 8,500 EGMs in Victoria (approx) and 120 EGMs in New South Wales
- Over 170,000 loyalty members

What happened during the year

- Expanded into New South Wales following receipt of a New South Wales Gaming Machine Dealer's Licence
- Commenced in-EGM loyalty scheme in Victoria

Key focus for the year ahead

- Expand New South Wales business
- Grow revenues in the New South Wales and Victorian markets
- Expand customer in-EGM loyalty scheme

Refer to page 41 of the Directors' report for further information.



Summary financial performance of the Gaming Services business

For the year ended 30 June	FY14 \$million	FY13 \$million	Change %
Revenue	98.1	86.3	13.7
Operating expenses	(31.1)	(28.0)	11.1
EBITDA	67.0	58.3	14.9
Depreciation and amortisation	(27.3)	(20.8)	31.3
EBIT	39.7	37.5	5.9



**First full year
contribution
of TGS**

**Revenues of
\$98.1 million,
up 13.7%**

**EBIT of
\$39.7 million,
up 5.9%**

Keno business

Operations

- Keno in licensed venues and TABs in Victoria and Queensland, and in licensed venues in New South Wales
- 3,600 Keno outlets in Victoria, New South Wales and Queensland (approx)
- 6,200 Keno terminals (approx)

What happened during the year

- Finalised the extension of the Keno Queensland Licence for a further 25 years to 2047
- Rolled out new Keno Racing game into 450 Queensland venues
- Revenue impacted by soft retail trading conditions, with Queensland and New South Wales revenues flat and Victorian revenues up 3.6%

Key focus for the year ahead

- Introduce pooling of jackpots in Victoria and New South Wales in the first half of FY15, with Queensland to follow
- Develop and launch new products
- Grow Keno in current and new markets
- Enhance customer experience and engagement



Refer to page 42 of the Directors' report for further information.

Summary financial performance of the Keno business

For the year ended 30 June	FY14 \$million	FY13 \$million	Change %
Revenue	203.9	205.4	(0.7)
Taxes, levies, commissions and fees	(90.5)	(89.1)	1.6
Operating expenses	(41.2)	(40.8)	1.0
EBITDA (before impairment*)	72.2	75.5	(4.4)
Depreciation and amortisation	(20.5)	(23.3)	(12.0)
EBIT (before impairment*)	51.7	52.2	(1.0)

* Victorian Keno Licence impairment of \$18.6 million in FY13.

Revenues of \$203.9 million, down 0.7%

EBIT of \$51.7 million, down 1.0%



Responsible gambling

MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM



The Tabcorp Group is committed to providing enjoyable gambling experiences for our customers, where we deliver our products and services in a responsible manner and promote sustainable gambling practices. At the same time as creating engaging gambling and entertainment experiences, we take steps to minimise the potential harm that gambling may cause for some individuals. We take this obligation seriously, therefore responsible gambling forms an integral part of our operating philosophy, and is embodied in our company values of *Think customer; Do the right thing; and Be accountable*. This ongoing commitment has resulted in Tabcorp being recognised as a global industry leader in sustainability and for promoting responsible gambling, as assessed by the Dow Jones Sustainability Index and FTSE4Good Index.

Framework

The Tabcorp Group's approach to responsible gambling is based on an integrated multi-layered framework that includes codes of practice, policies, programs and strategies specifically targeted to promote responsible gambling across the Tabcorp Group's businesses and within the community. Tabcorp has developed responsible gambling codes of practice for each of its key businesses of TAB, Luxbet and Keno. These codes are specific to the particular needs and circumstances applicable to individual customers within those businesses, and are regularly reviewed to ensure they remain relevant.

Ongoing engagement with our stakeholders is a key element of this framework. Tabcorp engages with customers and the community to inform them about Tabcorp's products and

services. It is through this engagement that Tabcorp aims to assist people to make informed choices, minimise problem gambling behaviours and support those who may have developed difficulties in managing their gambling behaviours.

Tabcorp employees and senior managers have responsibility for delivering the relevant strategies and programs in support of this responsible gambling framework. The Board is regularly informed of these initiatives and internal audit reports and other information is provided to enable the Board to monitor their effectiveness. Furthermore, audits and compliance assessments are routinely carried out by gambling regulators to assess our compliance with applicable obligations.

Employee awareness

Tabcorp employees are passionate about our business, our brands and industry, and many enjoy the entertainment of gambling on racing and sports. We are conscious that when our employees gamble, they should gamble responsibly, so an important element of our strategy is the promotion of responsible gambling among employees.

Employees are provided with, and have access to, a range of information about Tabcorp's gambling products and the behaviours expected of them when they gamble. Information about Tabcorp's Employee Gambling Policy, the fun and risks of gambling, how to identify responsible versus problem gambling behaviours, and ways to seek further assistance is conveyed through Tabcorp's employee induction program, annual refresher training for employees with customer facing roles, Tabcorp's intranet,

staff announcements and newsletters, and to our agents within our retail network via newsletters and bulletins.

Tabcorp also assesses problem gambling risk within the workplace by surveying employees within key businesses to identify to what extent they are at risk of problem gambling. The survey results for FY14 indicated that of those of our employees who gamble they were considered not at risk of developing problem gambling behaviours. This supports Tabcorp's commitment in providing a safe working environment by promoting responsible gambling and having support available to assist employees and their families if required.

If our employees or their families have difficulties managing their gambling, or any other personal issues, Tabcorp's Employee Assistance Program is available for them to receive confidential advice. This service is provided by an independent external organisation offering specialist advice that is free to employees and their families.

Community involvement

Tabcorp participates in government and community initiatives to help promote responsible gambling and raise awareness among the communities in which we operate. In FY14, Tabcorp again supported the Victorian Responsible Gambling Awareness Week (RGAW). The aim of RGAW is to increase the community's awareness of responsible gambling strategies and to highlight to gamblers that when they gamble they should do so responsibly and stay in control. Tabcorp support is delivered through the provision of employee expertise, funding, and distribution of promotional and awareness materials within venues, on Facebook and on TAB.com.au. This event

enables government, community organisations and the gambling industry working in partnership to provide information and resources to customers and the community to help people make informed decisions about their gambling choices.

Tabcorp employees are members of the Victorian Responsible Gambling Ministerial Advisory Council and the Queensland Responsible Gambling Advisory Committee. These committees bring together community groups, government and industry organisations to provide advice to relevant government ministers on initiatives, policies and codes of practice to promote responsible gambling.

Furthermore, Tabcorp employees attend various community and industry forums to promote responsible gambling awareness with customers, venue staff, industry partners, governments, regulators and local community organisations.

Further information is available in section 17 of the corporate governance statement on page 32, and also in the Responsible Gambling section of Tabcorp's website at www.tabcorp.com.au.

In the annual assessment for the Dow Jones Sustainability Index, Tabcorp has received a 100% rating for promoting responsible gambling for seven successive years, and has been ranked as the overall global gambling industry leader in eight of the last nine years.

People who have a problem managing their gambling are encouraged to contact the national Gambling Help number on 1800 858 858.

People – creating a great place to work

Every day, our approximately 3,000 employees provide the energy, inspiration and passion which enables Tabcorp to provide the most exciting and engaging entertainment experiences for our customers. In order for our employees to excel and do their best, Tabcorp offers an encouraging workplace environment and culture. Tabcorp provides growth and development opportunities which support employees to achieve their potential, while enabling them to work effectively and productively. Through aligning our people strategies with the business priorities and goals of the organisation, together we can create meaningful outcomes for all our stakeholders. Below are some of the ways in which Tabcorp is supporting employees and creating a better place to work, and some of the key achievements of the past financial year.

Engagement

In creating a great place to work, Tabcorp provides a culture and working environment that is engaging for our employees. Each year, Tabcorp surveys its employees and seeks feedback to understand how to improve the workplace and strengthen engagement with employees. This is important, because experience and research show that a workforce which is highly engaged correlates to better organisational outcomes, such as improved customer service, health and safety, productivity and profitability.

This year's Engage Survey, conducted by international consulting firm Gallup, resulted in a third consecutive year of sustained improvement at Tabcorp, with employee engagement reported at 3.81 (out of a total of 5). The results over the past three annual surveys since commencement in FY11 indicate that Tabcorp's growth in engagement is in the top quartile of Gallup's database.

Tabcorp is focused on continuing to make improvements in the workplace that have a positive impact for our employees. These include ensuring that employees have the materials which they need to work effectively, recognising and rewarding people for their contributions and showcasing excellence through the Tabcorp Legends program, providing training and development opportunities for employees to learn and grow, and communicating regularly at all levels throughout the organisation.

Diversity

Since introducing its Diversity Policy in FY12, Tabcorp has been implementing strategies focused on delivering greater gender balance and embracing diversity across its workforce. Tabcorp recognises that a diverse workforce enables a broad range of skills, experience, ideas, strengths and talents to be applied to generate better outcomes. This leads to a great workplace culture that will help attract and retain the best people for our business.

During FY14, Tabcorp committed to an accelerated approach and plan to increasing gender diversity at all levels of the organisation. Some of the new initiatives introduced include: a Diversity Council (comprised of the Senior Executive Leadership Team); diversity education for leaders; a Women's Mentoring Program; and targeted acquisition of diverse leadership talent.

The focus on diversity has enabled Tabcorp to meet its target to have at least 33% female representation in senior management roles by 2015. The Board and senior management will consider its objectives and set a revised target to apply from FY15.

The chart below illustrates the proportion of women at various levels within the Tabcorp Group at the end of the financial year. As shown, the proportion of women at each level below the Board has increased over the past twelve months. Further details relating to Tabcorp's approach to diversity are available in section 19 of the corporate governance statement on page 32.

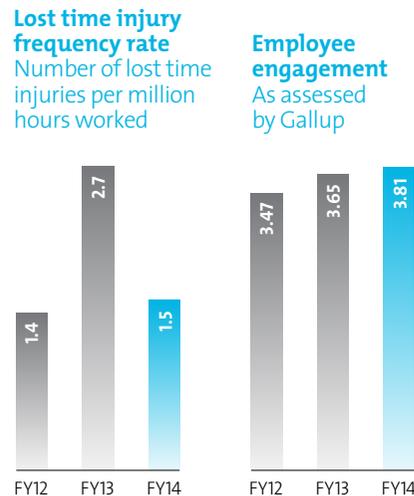
Tabcorp's 2013–14 annual public report regarding workplace gender equality has been submitted to the Workplace Gender Equality Agency and is published under the Sustainability section of Tabcorp's website at www.tabcorp.com.au. Tabcorp's Diversity Policy is also available from the Sustainability section of Tabcorp's website.

Health and safety

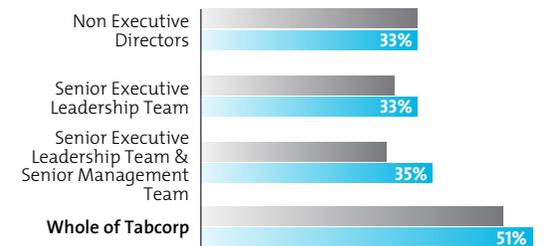
Tabcorp is committed to providing a healthy and safe working environment for all its employees, contractors and visitors. Systems, processes and dedicated resources are in place to help identify, report and manage health and safety risks within the workplace and enable Tabcorp to promote

a positive health and safety culture. Risk assessments are undertaken regularly for each Tabcorp business, and reported to Workplace Health and Safety Committees at our sites, the Senior Executive Leadership Team and the Board Audit, Risk and Compliance Committee. Tabcorp's Health and Safety Policy is available from the Sustainability section of Tabcorp's website.

A key element of our health and safety strategy centres on engagement with our employees and the promotion of safe and healthy working practices. Tabcorp encourages employees to recognise health and safety risks, report them and investigate to identify corrective actions to prevent incidents occurring. Through employee awareness campaigns and training we have reinforced the importance of having a culture of reporting hazards and potential risks. This pro-active behaviour has positively contributed to a reduction in the number of incidents, as demonstrated by the improved lost time injury frequency rate of 1.5 per million hours worked for FY14.



Proportion of female employees
As at 30 June 2014 with comparison to prior year in grey



Environment

The Tabcorp Group is committed to operating as efficiently as possible, and reducing the environmental impact of its operations. The Tabcorp Group has a low environmental footprint and considers its operations to have a low environmental risk profile. Despite it being a low energy user, and low carbon emitter, the Tabcorp Group goes beyond complying with applicable environmental regulations, and seeks to further reduce its impact on the environment.

During the year, a new Sustainability Committee was established which brought together employees from across Tabcorp who are passionate about the environment. The Committee meets regularly to discuss environmental issues within the workplace, share ideas, promote sustainability and champion positive change and awareness among employees.

Reduce, Reuse, Recycle

A major initiative during the year was the launch of the *Tabcorp Office Green Guide*. The guide contains useful tips and ideas that employees can use at work to help the environment. The practical guide recognises that collectively each employee can make choices which are more environmentally friendly, and that cumulatively all the small actions, such as turning off computers and lights, can have a meaningful difference.

At the core of the guide are the three Rs:

- **Reduce** consumption of energy and resources;
- **Reuse** resources wherever possible, before considering the purchase of new products; and
- **Recycle** all material (e.g. paper, plastic, metal, glass, etc).

A range of communications and awareness campaigns continue to be rolled out across the organisation to promote sustainability initiatives and keep reinforcing the message to 'Reduce, Reuse, Recycle'.

A good example of reusing and recycling was a project undertaken by the Tabcorp Technology Team. The Team rescued over 600 pieces of aged information technology equipment that would have otherwise been thrown away. The Team 'repurposed' the equipment which mostly was used in oncourse wagering operations. Not only was this a good result for the environment, but there were also good outcomes for the oncourse wagering business.

Through the Tabcare program, Tabcorp also encourages its employees to work with Conservation Volunteers to help restore native vegetation and help the environment.

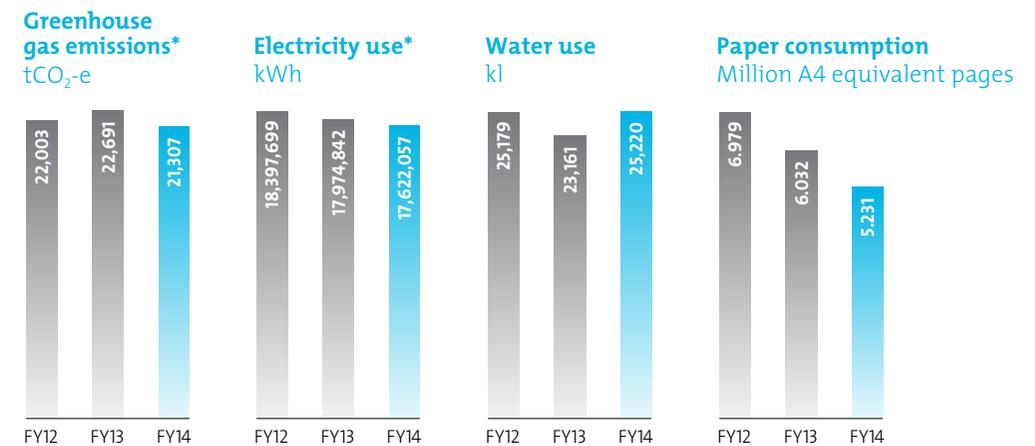
Performance

The Tabcorp Group has systems and practices in place for monitoring, reporting and managing the environmental impact associated with its operations. The main measureable environmental performance indicators applicable to the Tabcorp Group are in relation to its office buildings and fleet vehicles. The performance during FY14 and comparisons to the prior years are shown in the charts below.

Further information is available under the Sustainability section of Tabcorp's website at www.tabcorp.com.au.

- **Electricity*** 17,622,057 kilowatt hours (kWh), down 2.0%
- **Fleet vehicles** 614,904 litres of liquid fuels, up 5.2%

- **Natural gas** 3,365,446 megajoules (MJ), up 3.3%
- **Water** 25,220 kilolitres (kl), up 8.9%
- **Paper** 5.2 million A4 equivalent pages, down 13.3%. 78.9% carbon neutral
- **Greenhouse gas emissions*** 21,307 tonnes of carbon dioxide equivalent (tCO₂-e), down 6.1%, which comprised:
 - 8.5% Scope 1 emissions resulting from fleet vehicle fuels and natural gas used for heating offices; and
 - 91.5% Scope 2 emissions from electricity used to power Tabcorp offices and buildings.



* FY14 includes estimate for part of the financial year, subject to confirmation from electricity supplier.

Community

Tabcorp has strong community ties and is proud of its enduring support for the communities in which it operates. Tabcorp encourages its employees and businesses to connect with the communities in which they live and give back to them in many meaningful and fulfilling ways. Many charities, not-for-profit groups and local community organisations benefit from the involvement of Tabcorp and its employees, whether through employee volunteering or the provision of direct funding, in kind benefits, partnerships or sponsorships.

During the 2014 financial year, a total of \$1 million of voluntary funding was contributed by Tabcorp to charitable organisations. This was provided through the Tabcare program, as well as in kind support from Tabcorp's businesses, such as the provision of Sky Racing and Sky Radio advertising and air time to promote local community organisations.

Tabcare program

The Tabcorp Group's community engagement program, Tabcare, encourages volunteering and fundraising by Tabcorp employees.

- **The volunteering program** enables eligible employees to take one day of paid volunteer leave each year with their nominated non-profit organisation or one of the community organisations with which Tabcorp partners. Tabcorp has established partnerships with: OzHarvest and Conservation Volunteers in New South Wales; FareShare and Conservation Volunteers in Victoria; and The Pyjama Foundation in Queensland.
- **The matched fundraising program** encourages employees to raise money in teams for registered charities. Tabcorp matches the funds raised up to \$10,000 per charitable organisation, enabling donations to be shared among a wide range of charities.

FY14 was the second year of the Tabcare program. During the year, our aim was to build upon the momentum created in the first year and expand our reach to more charities and involve more employees. As a result of our continued awareness and promotion among employee groups, we were able to increase employee participation to 12.7% for employee volunteering, up from 7.6% for the prior year. We were also able to increase

donations and fundraising, with Tabcorp donations to eligible charities totalling \$120,000. In addition, \$76,000 was raised by employees through their participation in Tabcare's matched fundraising program.

Some of the charities which received the funding during the year were The Garvan Institute, Oxfam, Variety Club, Australian Cancer Council, Leukemia Foundation, RSPCA, and Kidney Health Australia.

Other contributions

In addition to the voluntary contributions above, Tabcorp's businesses contribute substantial funding each year which helps governments to deliver vital community services and infrastructure, such as healthcare facilities. In respect of FY14, Tabcorp's businesses generated:

- \$439.3 million in taxes on gambling; and
- \$66.7 million in income taxes paid and payable.

Refer to the Sustainability section of Tabcorp's website at www.tabcorp.com.au for further information.



Over its 20 year history, Tabcorp has paid \$16 billion in gambling taxes

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 Chairman of Healthscope Limited, and a Director of Australia and New Zealand Banking Group Limited and Lion Pty Ltd. She is also a Member of the ASIC External Advisory Panel and the Kirin Holdings International Advisory Board.

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

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

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



David Attenborough

Managing Director and Chief Executive Officer since June 2011

Bachelor of Science (Honours); Masters of Business Administration.

David Attenborough joined Tabcorp in April 2010 as Managing Director – Wagering. He became Managing Director and Chief Executive Officer when Tabcorp's demerger of Echo Entertainment Group Limited was completed in June 2011.

Mr Attenborough was previously the Chief Executive Officer (South Africa) of Phumelela Gaming and Leisure Limited, the leading wagering operator in South Africa. His previous experience also includes the development of casino, bookmaking and gaming opportunities for British bookmaking company Ladbrokes (formerly part of the Hilton Group Plc).



Elmer Funke Kupper

Non Executive Director since June 2012

Bachelor of Business Administration; Master of Business Administration; Member of the AICD.

Elmer Funke Kupper was Tabcorp's Managing Director and Chief Executive Officer from September 2007 to June 2011, and previously he was Tabcorp's Chief Executive Australian Business from February 2006.

Mr Funke Kupper is Managing Director and Chief Executive Officer of ASX Limited. He is a member of the Financial Sector Advisory Council and the Australian B20 Leadership Group and a Male Champion of Change.

Mr Funke Kupper's career includes several Senior Executive positions with the Australia and New Zealand Banking Group Limited, including Group Head of Risk Management, Group Managing Director Asia Pacific and Managing Director Personal Banking and Wealth Management. Previously he was a senior management consultant with McKinsey & Company and AT Kearney.

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



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, Trustee of the Australian Museum Trust 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 twelve countries.

Mrs Hemstritch is Chairman of the Tabcorp Audit, Risk and Compliance Committee and a member of the Tabcorp Nomination Committee.



Justin Milne

Non Executive Director since August 2011

Bachelor of Arts; Member of the AICD.

Justin Milne is Chairman of NetComm Wireless Limited and a Director of NBN Co Limited and Members Equity Bank 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, former Director of Basketball Australia Limited and former Chief Executive Officer of OzEmail and the Microsoft Network.

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



Zygmunt Switkowski AO

Non Executive Director since October 2006

Bachelor of Science (Honours); PhD (Nuclear Physics); Fellow of the AICD.

Zygmunt Switkowski is the Chairman of Suncorp Group Limited and Chairman of NBN Co Limited. He is also a Director of Oil Search Limited and Chancellor of the Royal Melbourne Institute of Technology. He is a former Director of Lynas Corporation Limited and Healthscope Limited, and he is the former Chairman of the Australian Nuclear Science and Technology Organisation and former Chairman of Opera Australia.

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

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

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 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.

Kerry is also a Member of the Victorian Government's Responsible Gambling Advisory Committee.



Merryl Dooley
Executive General Manager –
Human Resources

Merryl 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.

Merryl 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.



Craig Nugent
Chief Operating Officer –
Wagering

Craig joined Tab Limited in 1999 as Manager Oncourse Wagering and International Sales. Throughout his time with Tabcorp, and Tabcorp subsidiaries Tab Limited and Luxbet, he has held Senior Executive roles in sportsbetting, oncourse wagering, international sales and fixed odds. He commenced his current role in March 2014.

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
Chief Operating Officer –
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 Rytenski
Chief Operating Officer –
Keno and Gaming

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 the role of Executive General Manager – Distribution, responsible for leading Tabcorp's customer distribution channels including TAB (retail, digital, phone, oncourse), Keno (retail) and TGS. He commenced his current role in March 2014.

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

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, Microlistics, Tech-Precision and Amcor.

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

Corporate governance statement

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 2014 financial year, a key change to the Group's corporate governance practices was that the Board considered Elmer Funke Kupper to be independent from 8 June 2014 (refer section 5).

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;
- *ASX Corporate Governance Principles and Recommendations* as referred to in section 2 below;
- 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

2. ASX Corporate Governance Principles and Recommendations

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 as described in this corporate governance statement 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 compliance is indicated by the symbol ✓.

With regard to the ASX's *'Corporate Governance Principles and Recommendations, 3rd edition'* released in March 2014, Tabcorp is not required to report against these recommendations until next year. However, Tabcorp already has in place practices which substantially meet the requirements of these recommendations, and this corporate governance statement includes additional information to address these recommendations.

W The ASX CGC *'Corporate Governance Principles and Recommendations with 2010 Amendments, 2nd Edition'* is available from the ASX website at www.asx.com.au/regulation/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 certain 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 members, 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.

As part of the process in recruiting and evaluating suitable candidates for appointment as a Director, an external independent executive recruitment firm is retained. Furthermore, enquiries, reference checks, checks of bankruptcy and criminal records, and validation of educational records are carried out to satisfy the Board that the person is of sound character and has the relevant attributes desired by the Board to be a Director of Tabcorp. Prospective new Directors are also required to submit extensive personal information as part of probity investigations and clearances required by applicable gambling regulators and certain ministers prior to appointment as a Director. Such information includes in relation to any convictions, bankruptcies, business activities, employment, education, qualifications, sources of income, taxes paid and financial position.

Details of the Directors, their qualifications and experience are included in the Directors' report 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.

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

✓ 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

✓ 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 arm's length and on normal commercial terms.

Details of offices held by Directors with other organisations are set out on pages 20, 21 and 38.

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.

The Board has assessed the independence of Tabcorp's Directors as follows:

Name	Independence assessment
Paula Dwyer	Independent
David Attenborough	Not independent. He is Tabcorp's Managing Director and Chief Executive Officer
Elmer Funke Kupper	Independent
Steven Gregg	Independent
Jane Hemstritch	Independent
Justin Milne	Independent
Zygmunt Switkowski	Independent

The Board has determined that all of the Non Executive Directors of Tabcorp throughout the financial year and at the date of this report are independent Directors, with the exception of Elmer Funke Kupper who became independent on 8 June 2014 following a period of three years after he ceased being Tabcorp's Managing Director and Chief Executive Officer on 8 June 2011 in connection with the demerger of Echo Entertainment from Tabcorp.

Corporate governance statement (continued)

In reaching its determination on independence, 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;
- Whether a Director is, or is associated directly with, a substantial shareholder of Tabcorp;
- Whether a Director has been employed in the last three years in any other capacity by Tabcorp or any of its subsidiaries;
- Whether a Director personally carries on any role for the Tabcorp Group other than as a Director of Tabcorp;
- Whether there are any related party dealings referable to a Director which are material and require disclosure under accounting standards; and
- Whether any 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;

Paula Dwyer is considered by the Board as independent despite \$31,928 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 arm's 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 arm's 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 \$336,510 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 arm's 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. 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. Since returning to the Tabcorp Board, Mr Funke Kupper has attended all Tabcorp Board meetings and relevant committee meetings, and the Board is satisfied that he continues to make a valuable contribution to Tabcorp.

Each Director has served as a Director of Tabcorp for the following periods:

Name	Length of service
Paula Dwyer	Chairman for three years since June 2011, and a Director for nine years since August 2005
David Attenborough	Three years, since June 2011
Elmer Funke Kupper	Two years, since June 2012. Previously as Managing Director and Chief Executive Officer for four years from September 2007 to June 2011
Steven Gregg	Two years, since July 2012
Jane Hemstritch	Six years, since November 2008
Justin Milne	Three years, since August 2011
Zygmunt Switkowski	Eight years, since October 2006

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 certain Board discussions that relate to specific issues, such as executive remuneration and performance, and whistleblower matters.

✓ 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 38.

✓ 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 Company Secretary is also responsible for Board governance matters, monitoring Board policies and procedures, and minutes of meetings. In relation to these matters, the Company Secretary is accountable to the Board, through the Chairman and Committee Chairmen. 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 48.

✓ 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

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

Corporate governance statement (continued)

9. Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee provides 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.

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

Chairman:	Jane Hemstritch
Other Members:	Paula Dwyer
	Elmer Funke Kupper
	Steven Gregg
	Justin Milne
	Zygmunt Switkowski

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

- ✓ 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 50 to 65.

Composition of the Remuneration Committee

Chairman: Zygmunt Switkowski
Other Members: Paula Dwyer
Steven Gregg

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

✓ 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 regarding succession planning for the Board (refer to section 25 for further information);
- Make recommendations 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

Chairman: Paula Dwyer
Other Members: Elmer Funke Kupper
Steven Gregg
Jane Hemstritch
Justin Milne
Zygmunt Switkowski

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

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

Corporate governance statement (continued)

12. Internal control framework

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 business units 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 control structure is reviewed and approved by the Board Audit, Risk and Compliance Committee. This includes the role performed by the Group's internal audit, risk management and compliance functions.

The Tabcorp Group's internal audit function is resourced by Tabcorp employees and 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. Tabcorp's General Manager Audit, Risk and Compliance reports to the Chief Financial Officer, and is accountable to the Chairman of the Audit, Risk and Compliance Committee regarding the Group's risk, compliance and internal audit functions.

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.

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 business units. 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

✓ 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 management 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

W The standard AS/NZS ISO 31000:2009 – Risk Management is available from SAI Global's website at 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 their opinion of the Tabcorp Group's system of risk oversight and management and internal control.

The certificate of assurance stated that in their opinion, the financial records have been properly maintained, and 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 financial position and performance 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 no 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

✓ 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 establishes the behaviours that are 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.

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 certain 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

✓ 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

W Further information on TIPS is available from its website at www.tips.deloitte.com.au

✓ ASX CGC's Recommendation 3.1, 3.3

Corporate governance statement (continued)

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. As individual Australian State and Territory governments moved to mandating their own specific responsible gambling codes, in 2008 the Tabcorp Group replaced its Group-wide Code with individual codes. This has enabled the Tabcorp Group to maintain its compliance with the specific requirements in each State or Territory, while being responsive to the individual circumstances of each of its TAB, Luxbet and Keno businesses. 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

✓ ASX CGC's Recommendations 3.1, 3.3

18. Anti-money laundering/counter-terrorism financing

The Tabcorp Group has anti-money laundering and counter-terrorism financing (AML/CTF) programs which apply to its Wagering and Gaming Services 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.

During the 2014 financial year, Tabcorp commenced a project to comprehensively review the risk assessments, AML/CTF programs, and related systems and procedures. The initial focus of the project is on the Group's TAB business, and will be expanded to encompass Luxbet and then the TGS businesses. 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 2014, the Tabcorp Group committed to a focused and accelerated approach and plan to increasing gender diversity at all levels of Tabcorp. The program is supported by a Diversity Council (comprised of the Senior Executive Leadership Team) and has four overarching strategic themes:

- Build an inclusive workplace;
- Source and acquire diverse leadership talent;
- Engage, grow and retain our existing women; and
- Educate our leaders.

Progress has been demonstrated across all management levels, as shown in the results achieved below. Whilst maintaining this effort, the focus will shift to attracting women to Tabcorp in entry-level, permanent roles.

As at 30 June 2014, the proportion of women employees, and the change since 30 June 2013 (if any), across the Tabcorp Group was:

- 33% of the Non Executive Directors;
- 33% of the Senior Executive Leadership Team (up 3%);
- 35% of the combined Senior Executive Leadership Team and Senior Management Team (up 6%); and
- 51% of the entire Tabcorp Group (up 4%).

As the diversity objective set by the Board has now been met, the Board and senior management will set a revised target to apply from the 2015 financial year.

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

✓ ASX CGC's Recommendations 3.2, 3.3, 3.4 and 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; and
- 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 twelve 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 47.

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

✓ ASX CGC's Recommendations 3.2, 3.3

Corporate governance statement (continued)

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 enquiry about the Group from a journalist, analyst or other external party, they must refer the enquiry 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

✓ 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

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

23. Performance assessment

The Board conducted an internal Board assessment and review during the financial year ended 30 June 2014. The assessment and review evaluated 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 took into account responses from Directors, and feedback 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 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 pages 55 and 56 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

✓ 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

✓ ASX CGC's Recommendation 2.4, 2.6

25. Induction

The appointment of any new Director is subject to regulatory and certain 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.

Corporate governance statement (continued)

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 Senior Executive Leadership Team 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 reviews its effectiveness in accordance with industry best practice and including incorporation of feedback from newly appointed Directors. The Company Secretary is responsible for organising and facilitating the induction program for new Directors.

Tabcorp has a formal induction program for all employees, including executives. This program 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 balanced 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

✓ 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 industry, and aims to optimise the social, environmental, workplace and economic impact of its operations for the benefit of all stakeholders.

A key priority for Tabcorp is promoting the responsible service of its products. Refer to section 17 for information about how Tabcorp promotes responsible gambling.

In addition to promoting responsible gambling, Tabcorp's other key sustainability areas include governance, ethics and integrity, supporting the community, workplace practices/employees, customer engagement and procurement.

Tabcorp's commitment to responsible gambling, its employees and community well-being is discussed on pages 16 to 19 of this report, and also under the Sustainability section of the Tabcorp website.

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 18 and in the Directors' report on page 47 of this report.

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

- Dow Jones Sustainability Index.
- FTSE4Good index.

In the last annual Dow Jones Sustainability Index assessment released in September 2013, Tabcorp was recognised as the leader in the global gambling sector and received a score of 100% for promoting responsible gambling, anti-crime policy/measures and brand management. These results are a reflection of Tabcorp's long term commitment to sustainability, which has seen Tabcorp recognised as the overall global leader in the gambling industry in eight out of the last nine annual assessments and Tabcorp receiving 100% for promoting responsible gambling in the past seven successive assessments.

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

✓ ASX CGC's Recommendation 3.1

29. Engaging with 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 twelve 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 enquiries. Contact details are available on page 77 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 74 to 76.

W Tabcorp's website is available at 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

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-eneews.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

W Tabcorp's Shareholder Enquiries and Complaints Policy is available from the Corporate Governance section of Tabcorp's website at www.tabcorp.com.au/about-us_corporate-governance.aspx

✓ 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 2014.

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. 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 2011, and the period for which each directorship has been held.

Name	Listed entity	Period directorship held
Paula Dwyer	Astro Japan Property Group ⁽ⁱ⁾	February 2005 to December 2011
	Australia and New Zealand Banking Group Limited	April 2012 to present
	Foster's Group Limited	May 2011 to December 2011
	Healthscope Limited ⁽ⁱⁱ⁾	June 2014 to present
	Leighton Holdings Limited	January 2012 to May 2014
	Suncorp Group Limited ⁽ⁱⁱⁱ⁾	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	Lynas Corporation Limited	February 2011 to August 2013
	Oil Search Limited	November 2010 to present
	Suncorp Group Limited ⁽ⁱⁱⁱ⁾	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) Healthscope Limited recommenced listing on the ASX on 28 July 2014.

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

3. Company Secretaries

Kerry Willcock joined the Tabcorp Group in February 2005 as Executive General Manager, Corporate and Legal. She holds a Bachelor of Arts and a Bachelor of Laws, 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 a Member of the Australian Corporate Lawyers Association General Counsel Group and a Member of the Australian Institute of Company Directors. Kerry is also a Member of the Victorian Government's Responsible Gambling Advisory Committee.

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 Governance Institute of Australia, Graduate Member of the Australian Institute of Company Directors and Fellow of Leadership Victoria's Williamson Community Leadership Program.

4. Principal activities

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

5. Operating and financial review of the Tabcorp Group

The financial results of the Tabcorp Group for the financial year ended 30 June 2014 relate to the Tabcorp Group's operations, which comprise its four businesses of Wagering, Media and International, Gaming Services, and Keno.

In the prior financial year ended 30 June 2013, the Tabcorp Group experienced a number of significant changes as a result of the Victorian Government's decision to move to a new industry structure for gambling from 16 August 2012. These changes were as follows:

- 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).
- The new Tabcorp Gaming Solutions (TGS) business commenced operations.
- The Tabcorp Group's former Victorian Tabaret Gaming business ceased operations.

A summary of the Tabcorp Group's financial performance for the year ended 30 June 2014 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	2014 \$m	2013 \$m	Change %
Revenue	2,039.8	2,003.2	1.8
Taxes, levies, commissions and fees	(1,120.3)	(1,097.2)	2.1
Operating expenses	(433.4)	(414.2)	4.6
Depreciation and amortisation	(164.4)	(151.1)	8.8
Impairment*	-	(18.6)	(100)
EBIT	321.7	322.1	(0.1)
NPAT from continuing operations	149.4	147.6	1.2
NPAT (including discontinued operations)	129.9	126.6	2.6

* Victorian Keno Licence impairment in 2013

Reported net profit after income tax (NPAT) of the Tabcorp Group for the financial year was \$129.9 million, which was 2.6% above the previous financial year. NPAT from continuing operations for the financial year was \$149.4 million, which was 1.2% above the previous financial year.

The reported NPAT for the 2014 financial year was impacted by a loss of \$19.5 million comprised of the Health Benefit Levy (HBL) and associated costs. The HBL related to the former Tabaret Victorian Gaming business and is reported as a discontinued operation (refer to section 7.4).

Revenue was \$2,039.8 million, which was 1.8% above the previous financial year.

The Tabcorp Group's performance in the 2014 financial year demonstrates the benefits of being diversified across four businesses, with market-leading brands and a unique multi-product, multi-channel distribution model.

The strong performance of our Wagering business was driven by excellent growth in fixed odds and digital wagering. Media and International again delivered a positive earnings result, despite incurring one-off restructuring charges.

The TGS business has built on the solid foundation in Victoria by successfully entering New South Wales. TGS is now well placed for further expansion. Revenues in our Keno business were flat and with new products set for launch it is well positioned to grow in the 2015 financial year.

Shareholders' funds as at the end of the financial year totalled \$1,481.4 million, which was 4.8% above the previous financial year.

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

5.1. Earnings per share

In respect of continuing operations, basic earnings per share for the period were 19.8 cents, down 1.0% on the previous financial year, and diluted earnings per share for the period were 19.7 cents, down 1.5% on the previous financial year.

Total basic earnings per share were 17.2 cents, and total diluted earnings per share were 17.1 cents, both representing no change on the previous financial year.

Earnings per share are disclosed in note 6 to the financial report.

5.2. Dividends

A final dividend of 8 cents per share has been announced. The final dividend will be fully franked and payable on 24 September 2014 to shareholders registered at 14 August 2014. The ex-dividend date is 12 August 2014.

Dividends payable in respect of the full year totalled 16 cents per share fully franked, which represents a dividend payout ratio of 81% of full year NPAT from continuing operations.

The Board intends that the target dividend payout ratio will increase to 90% of NPAT for the 2015 financial year.

Tabcorp's Dividend Reinvestment Plan (DRP) continues to operate in respect of this final dividend, however no discount or underwriting is applicable.

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

	\$m
2014 final dividend	
Final fully franked dividend for 2014 of 8 cents per share on ordinary shares as announced on 7 August 2014 with a record date of 14 August 2014 and payable on 24 September 2014.	61.0
2014 interim dividend	
Interim fully franked dividend for 2014 of 8 cents per share on ordinary shares as announced on 6 February 2014 with a record date of 17 February 2014 and payable on 24 March 2014.	60.3
2013 final dividend	
Final fully franked dividend for 2013 of 8 cents per share on ordinary shares as announced on 9 August 2013 with a record date of 20 August 2013 and payable on 24 September 2013.	59.6

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

Directors' report (continued)

6. 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.

6.1. 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 which commenced in August 2012 (previously Tabcorp had a 75% interest in the former Victorian Joint Venture). 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 2017 with the retail exclusivity period expiring in June 2033. Refer to section 7.1 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 operates Trackside, a computer simulated racing product, in Victoria and New South Wales, and also licenses 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

	2014	2013	Change
For the year ended 30 June	\$m	\$m	%
Revenue	1,574.7	1,558.0	1.1
Taxes, levies, commissions and fees	(1,008.5)	(1,010.8)	(0.2)
Operating expenses	(284.0)	(282.2)	0.6
EBITDA*	282.2	265.0	6.5
Depreciation and amortisation	(106.8)	(97.7)	9.3
EBIT	175.4	167.3	4.8

* EBITDA is non-IFRS financial information

Total Wagering business revenues (including the Victorian Racing Industry's interest) grew 1.8% in the 2014 financial year. After accounting for the allocation to the Victorian Racing Industry under the 50/50 Joint Venture arrangements (75/25 previously) which commenced in August 2012, reported Wagering revenues were \$1,574.7 million, up 1.1%. Wagering revenue growth of 2.4% in the second half improved relative to first half growth of 1.3%.

Operating expenses were \$284.0 million, up 0.6%. EBITDA was \$282.2 million, up 6.5%.

Fixed odds growth was again the highlight with revenues up 26.5% to \$511.5 million. This was made up of:

- Fixed odds racing revenues of \$322.9 million, up 37.0%, primarily driven by an expansion in the number of markets offered and ongoing shifts in customer preferences towards fixed odds products.
- Fixed odds sports revenues of \$188.6 million, up 12.7%.

Totalizator revenues were \$1,262.9 million, down 6.3%, impacted by the shift to fixed odds and lower premium customer volumes. Luxbet revenues were \$47.9 million, up 22.5%. Trackside revenues were \$89.3 million, up 1.1%.

Tabcorp led the market in the Soccer World Cup, which produced revenues across TAB and Luxbet in the 2014 financial year of \$14.9 million and in the 2015 financial year of \$10.3 million. TAB's successful marketing initiatives were driven by the 'Back Gold' campaign led by former Socceroos goalkeeper, Mark Schwarzer.

Tabcorp's combination of a leading digital offer and exclusive retail channels gives customers a superior service and differentiates it from online-only wagering operators.

The digital channel was a driver of Tabcorp's Wagering growth, with turnover up 18.2% to \$2,900.0 million. Mobile devices made up 54% of Tabcorp's digital turnover, up from 35% in the 2013 financial year. New South Wales retail turnover was \$3,819.1 million, down 1.2%, and Victorian retail turnover was \$2,762.2 million, down 4.9%. Performance in the New South Wales and Victorian retail wagering channels improved in the second half of the 2014 financial year relative to the first half, despite continued soft retail conditions.

6.2. 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 52 other countries (as at 31 December 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	2014 \$m	2013 \$m	Change %
Revenue	220.4	207.6	6.2
Taxes, levies, commissions and fees	(28.0)	(22.6)	23.9
Operating expenses	(123.9)	(118.0)	5.0
EBITDA	68.5	67.0	2.2
Depreciation and amortisation	(9.8)	(9.3)	5.4
EBIT	58.7	57.7	1.7

Tabcorp's Media and International business continued to benefit from the expanded export of vision and co-mingling. Revenues grew 6.2% to \$220.4 million. Operating expenses were \$123.9 million, up 5.0%, with expense growth partly attributable to the acquisition of Sky's US vision agent, now rebranded Sky Racing World US, and one-off restructure charges. EBITDA was \$68.5 million, up 2.2%.

Broadcast rights and racing industry contributions from Tabcorp's International business were \$73.5 million, up 15.6%.

Tabcorp continues to work towards concluding media rights negotiations for New South Wales and Victorian thoroughbred racing content and achieving a fair commercial outcome for all parties.

6.3. Gaming Services business

The Tabcorp Group operates Tabcorp Gaming Solutions (TGS), which provides services to licensed gaming venues in areas including marketing, compliance, responsible gambling, venue refurbishment and machine procurement. The business commenced in August 2012 in Victoria, and has expanded into New South Wales following the receipt of a New South Wales Gaming Machine Dealer's Licence in September 2013.

Summary financial performance of the Gaming Services business

For the year ended 30 June	2014 \$m	2013 \$m	Change %
Revenue	98.1	86.3	13.7
Operating expenses	(31.1)	(28.0)	11.1
EBITDA	67.0	58.3	14.9
Depreciation and amortisation	(27.3)	(20.8)	31.3
EBIT	39.7	37.5	5.9

The results of the Gaming Services business reflect a full year contribution compared to the prior financial year during which TGS was operational for 10.5 months.

TGS revenues were \$98.1 million, up 13.7%. Operating expenses were \$31.1 million, up 11.1%, resulting in EBITDA of \$67.0 million, up 14.9%.

TGS made a successful entry into the New South Wales market during the financial year, signing up two New South Wales venues, Kogarah RSL and Auburn Tennis Club. TGS has now established capability to grow the business in New South Wales in the 2015 financial year.

A second half highlight in Victoria, where TGS covers approximately 8,500 electronic gaming machines (EGMs), was the commencement of the in-EGM loyalty scheme.

Directors' report (continued)

6.4. 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 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 2047. Refer to section 7.2 regarding the extension of the Queensland Keno Licence.

Summary financial performance of the Keno business

For the year ended 30 June	2014 \$m	2013 \$m	Change %
Revenue	203.9	205.4	(0.7)
Taxes, levies, commissions and fees	(90.5)	(89.1)	1.6
Operating expenses	(41.2)	(40.8)	1.0
EBITDA (before impairment*)	72.2	75.5	(4.4)
Depreciation and amortisation	(20.5)	(23.3)	(12.0)
EBIT (before impairment*)	51.7	52.2	(1.0)

* Victorian Keno Licence impairment of \$18.6 million in 2013

Keno revenues were \$203.9 million, down 0.7%, with Queensland and New South Wales revenues flat and Victorian revenues up 3.6%. Operating expenses were \$41.2 million, up 1.0%. EBITDA was \$72.2 million, down 4.4%.

An operational highlight was the roll out of Keno Racing to more than 450 Queensland venues.

Growing the Keno business is a priority for Tabcorp in the 2015 financial year. New initiatives planned for delivery include the commencement of jackpot pooling between New South Wales and Victoria in the first half of the 2015 financial year, with Queensland to follow.

7. Significant changes in the state of affairs

The following events, which may be considered to be significant changes in the state of affairs of the Tabcorp Group, have occurred since the commencement of the financial year on 1 July 2013.

7.1. New South Wales Wagering Licence retail exclusivity extension

In September 2013 the Tabcorp Group announced it had finalised its 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, and that the necessary legislative amendments had occurred.

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 exclusivity would otherwise have expired on 22 June 2013.

During the 2014 financial year TAB made an initial payment of \$50 million to the New South Wales Government to extend the exclusivity period and a further \$25 million is payable over a 10 year period from 2024 subject to the terms and conditions of an agreement between the parties.

7.2. Queensland Keno Licence extension

In September 2013 Tabcorp made a \$20 million payment to the State of Queensland to extend Tabcorp's Queensland Keno Licence for a further 25 years to 2047. The extension adds further longevity to Tabcorp's licence structure and allows Tabcorp to continue to invest in the Keno lottery game in Queensland.

7.3. Victorian licence payment Supreme Court proceedings

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

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

7.4. Victorian Health Benefit Levy on gaming machines

The Victorian Government applied a Health Benefit Levy on the Tabcorp Group's former Tabaret Gaming business for the financial year ended 30 June 2013. The levy was not applied pro rata and it does not reflect that Tabcorp ceased to operate gaming machines on 15 August 2012 when its Victorian Gaming Licence expired. Tabcorp commenced legal proceedings in the Supreme Court of Victoria to challenge the Victorian Government's determination in respect of the levy. On 24 June 2013 the Supreme Court of Victoria ruled in favour of Tabcorp, deciding that the Victorian Government has a discretion under the Gambling Regulation Act 2003 (Vic) to calculate the levy on a pro rata basis rather than on the full financial year. The Victorian Government appealed the judgment, and on 1 July 2014 the Court of Appeal of the Supreme Court of Victoria ruled in favour of the Victorian Government. This impacted Tabcorp's earnings for the 2014 financial year by \$19.5 million after tax, which is disclosed under discontinued operations in Tabcorp's financial report. Tabcorp has applied for special leave to appeal to the High Court of Australia in respect of the judgment of the Court of Appeal. If special leave is granted, Tabcorp will seek to have the Supreme Court of Victoria's earlier decision reinstated.

7.5. Debt refinancing

Pursuant to a Prospectus dated 1 April 2009 Tabcorp redeemed the Tabcorp Bonds upon maturity on 1 May 2014. Tabcorp paid a redemption payment of \$100 per Tabcorp Bond, which totalled \$284 million. The Tabcorp Bonds were listed on the ASX and provided investors with an average 8.18% per annum return over the five years of issue, including the bonus 0.25% interest for eligible holders.

Tabcorp also repaid its Medium Term Notes totalling \$150 million upon their maturity in May 2014.

In preparation for these debt maturities, Tabcorp's bank facilities were extended and increased during the 2014 financial year. These bank facilities were used to fund the repayment of the Tabcorp Bonds and Medium Term Notes, which results in interest savings of approximately \$10 million per annum. Tabcorp maintains a diversified debt structure and profile, with the next maturity scheduled for June 2016.

7.6. Other significant changes in the state of affairs

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

8. Business strategies

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

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

- Group
 - Provide superior returns to shareholders and key stakeholders
 - Target a disciplined investment and expenditure profile
 - Maintain investment grade credit rating
 - Deliver customer service excellence
 - Secure and extend licence duration while improving regulatory arrangements and managing key risks
 - 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
 - Expand New South Wales business
 - Grow revenues in the New South Wales and Victorian markets
 - Expand customer loyalty program
- Keno
 - Grow Keno in current and new markets
 - Introduce new product offerings
 - Expand distribution and self service

Directors' report (continued)

9. Likely developments and expected results

Each year the Board undertakes a formal strategic planning process to provide guidance to management about the Tabcorp Group's strategic direction. The Tabcorp Group plans to continue with its business strategies, as set out in this report. The execution of these strategies is expected to result in improved financial performance over the coming financial years.

The achievement of the expected results in future financial years is dependent on a range of factors, and may be adversely affected by any number of events, and are subject to, among other things, the key risks and uncertainties described in section 10 below.

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

10. Key risks and uncertainties

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

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

10.1. 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.

10.2. 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 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 alternative business plans to mitigate potential adverse impacts should they arise. In addition, the Tabcorp Group continues to expand the export of Australian racing vision to more countries around the world and import racing content to Australian customers.

10.3. Regulatory environment

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

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

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

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

The Tabcorp Group operates a diverse portfolio of businesses spread across a number of jurisdictions, business segments and customer categories which reduces the reliance on any one specific business or jurisdiction. The Tabcorp Group maintains long term gambling licences, and in September 2013 finalised the extension of the retail exclusivity period of its New South Wales Wagering Licence for 20 years to June 2033 (refer to section 7.1) and concluded the extension of its Queensland Keno Licence for a further 25 years to 2047 (refer to section 7.2).

10.4. 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). Increases in race fields fees charged by racing industry bodies may adversely impact the financial performance of the Tabcorp Group. However, the Tabcorp Group has mitigation strategies to partly ameliorate such impacts, including that members of the Tabcorp Group currently have contracts that the Tabcorp Group considers will allow them to offset some of the fees or obtain damages under contract. Members of the Tabcorp Group may in the future disagree with various racing industry bodies regarding the application of certain aspects of the race fields regimes or contracts that govern product fees. Such disagreements may lead to litigation or other dispute resolution processes, including negotiated settlement.

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.

10.5. 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.

Directors' report (continued)

10.6. 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 2013 and 2014 financial years. The minimum performance obligation for the 2015 financial year is \$321 million, which is lower than the financial performance achieved in each of the two preceding financial years. 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 year ending 30 June 2015.

10.7. Victorian licence payment Supreme Court proceedings

As referred to in section 7.3, Tabcorp is seeking a payment from the State of Victoria of \$686.8 million and has lodged an appeal against the decision of the Supreme Court of Victoria which held that the State of Victoria was not obliged to make the payment to Tabcorp. The financial impact to the Tabcorp Group resulting from the write down of the receivable in respect of the Victorian Gaming and Wagering Licences has been dealt with in previous financial years. Due to the nature of adversarial litigation, the outcome cannot be predicted with any certainty. Tabcorp may ultimately not succeed in recovering the payment from the State of Victoria. If Tabcorp is unsuccessful in its claim, there should be no further adverse financial effect on the Company other than arising from the payment of legal costs in relation to pursuing the claim.

Notwithstanding the appeal lodged, Tabcorp is in the process of seeking confirmation from the Australian Taxation Office as to the tax characterisation of certain aspects of the arrangements the subject of the legal proceedings, including the amount of any deduction to which Tabcorp may be entitled if Tabcorp is unsuccessful in its appeal.

10.8. Victorian Health Benefit Levy on gaming machines

As set out in section 7.4, 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 appealed that decision and the Court of Appeal of the Supreme Court of Victoria ruled in favour of the Victorian Government. This impacted Tabcorp's earnings for the 2014 financial year by \$19.5 million after tax. Tabcorp has applied for special leave to appeal to the High Court of Australia. If Tabcorp is unsuccessful in its appeal to have the Supreme Court of Victoria's earlier decision reinstated, there should be no further adverse financial effect on the Company other than arising from the payment of legal costs.

11. Significant events after the end of the financial year

On 30 July 2014, the Tabcorp Group announced that it had agreed with the Australian Capital Territory Government to acquire ACTTAB for \$105.5 million, subject to regulatory approvals, including ACCC clearance. ACTTAB is a Territory-owned provider of totalizator and fixed odds wagering, Keno and Trackside products. The business offers its services and products through a distribution network comprised of retail outlets located throughout the ACT as well as telephone and internet platforms. As part of the acquisition, the ACT Government will issue to a member of the Tabcorp Group a 50 year exclusive totalizator licence, a sports bookmaking licence for an initial term of 15 years with further rolling extensions to a total term of 50 years, and ongoing approvals to offer Keno and Trackside products for 50 years. This acquisition further strengthens the Tabcorp Group's diversified business portfolio and provides new and attractive long term licences. The financial effects of this transaction have not been brought to account in the financial statements for the year ended 30 June 2014.

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 25 to the financial report.

12. Auditors

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

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

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

13. Directors' interests in contracts

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

14. Environmental regulation and performance

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

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

15. Directors' interests in Tabcorp securities

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

Name	Number of securities		Tabcorp Subordinated Notes
	Ordinary Shares	Performance Rights	
Paula Dwyer	50,000	-	-
David Attenborough	58,609	1,465,409	-
Elmer Funke Kupper	40,000	-	-
Steven Gregg	10,000	-	-
Jane Hemstritch	23,181	-	-
Justin Milne	8,500	-	-
Zygmunt Switkowski	84,876	-	-

Directors' report (continued)

16. Board and Committee meeting attendance

During the financial year ended 30 June 2014 the Company held twelve 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	12	12	6	6	1	1	4	4
David Attenborough ⁽ⁱ⁾	12	12	6	6	1	1	4	4
Elmer Funke Kupper	12	12	6	6	1	1	-	-
Steven Gregg	12	12	6	6	1	1	4	4
Jane Hemstritch	12	12	6	6	1	1	-	-
Justin Milne	12	12	6	6	1	1	-	-
Zygmunt Switkowski	12	12	6	6	1	1	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.

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 and on Tabcorp's website. The terms of reference for each Board Committee are available from the corporate governance section of the Company's website.

17. Indemnification and insurance of Directors and Officers

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

18. Non-statutory audit and other services

Ernst & Young, the external auditor to the Company and the Tabcorp Group, provided non-statutory audit services to the Company during the financial year ended 30 June 2014. The Directors are satisfied that the provision of non-statutory audit services during this period was compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-statutory audit service provided means that auditor independence was not compromised.

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

Ernst & Young, acting as the Company's external auditor, received or are due to receive \$272,000 in relation to the provision of non-statutory audit services to the Company.

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

19. Corporate governance

The Directors of the Company support and adhere to the ASX Corporate Governance 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 under the corporate governance section of the Company's website at www.tabcorp.com.au/about_governance.aspx.

20. Rounding of amounts

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

21. Auditor's independence declaration

Attached is a copy of the auditor's independence declaration provided under section 307C of the Corporations Act 2001 in relation to the audit for the financial year ended 30 June 2014. This auditor's independence declaration forms part of this Directors' report.

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



Paula J Dwyer
Chairman

Melbourne
7 August 2014

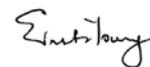


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Auditor's Independence Declaration to the Directors of Tabcorp Holdings Limited

In relation to our audit of the financial report of Tabcorp Holdings Limited for the financial year ended 30 June 2014, to the best of our 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
7 August 2014



Jason Perry
Partner
7 August 2014

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 2014. 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 45% of their Total Annual Reward (TAR) is 'at risk' in the form of short term and long term incentives tied to the achievement of specific Group, business unit and individual performance objectives and targets.

During the year ended 30 June 2014, the Board Remuneration Committee reviewed the remuneration packages of the Senior Executive Leadership Team. The details of senior manager remuneration are included in section 6.

For the year ended 30 June 2014, short term incentives were awarded to senior managers and will be paid in August 2014.

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 2013 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 2014. The details of Non Executive Director remuneration are included in section 5.

1. Significant changes since 30 June 2013 and proposed changes from 1 July 2014

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

As communicated in the 2013 Remuneration report, a review of the Managing Director and Chief Executive Officer's remuneration in 2013 resulted in a greater proportion of the target reward mix to be placed 'at risk', and delivered under the long term incentive plan for the year ended 30 June 2014. This change was implemented to 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.

To further improve alignment of the Managing Director and Chief Executive Officer's remuneration with comparable roles in the market, an increase in fixed remuneration and target short term incentive is to be implemented in the year commencing 1 July 2014. Further detail is provided in section 6.5.

1.2 Short term incentive (STI) – deferral and claw back

For offers made for the year ended 30 June 2014 onwards, and as disclosed in the 2013 Remuneration report, any senior manager with a target STI of 30% or greater of Total Annual Reward will have a portion of STI delivered in Restricted Shares which will be subject to claw back provisions. In addition, this deferral component has now been extended to include the Senior Executive Leadership Team. These changes have been implemented for STI awards made based upon performance in the 2014 financial year. Further information is provided in section 6.4.1.

1.3 STI Divisional Multiplier

An organisational realignment was implemented during the year ended 30 June 2014 to drive clearer accountability for the overall performance of each of Tabcorp's business units. From 1 July 2014, Divisional Multipliers will be introduced to the STI to enhance the link between individual STI awards and business outcomes. Further detail is provided in section 6.4.1.2.

1.4 Non Executive Director fees

Following a review of the Non Executive Director fee levels during the year, the base fee for Non Executive Directors (excluding the Chairman) and the fees for members of the Remuneration Committee were increased. 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 2014 and to the date of this report, no remuneration consultant provided a remuneration recommendation in respect of any KMP.

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

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

3. Remuneration philosophy

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

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

Remuneration report (audited) (continued)

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

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

4. Key management personnel (KMP)

Name	Position held	Period in position if less than full year
Non Executive Directors		
Current		
Paula Dwyer	Chairman and Director (Non Executive)	
Elmer Funke Kupper	Director (Non Executive)	
Steven Gregg	Director (Non Executive)	
Jane Hemstritch	Director (Non Executive)	
Justin Milne	Director (Non Executive)	
Zygmunt Switkowski	Director (Non Executive)	
Executives		
Current Executive Director		
David Attenborough	Managing Director and Chief Executive Officer	
Current Executives		
Damien Johnston	Chief Financial Officer	
Craig Nugent ⁽ⁱ⁾	Chief Operating Officer, Wagering	From 28 March 2014
Adam Rytenskild ⁽ⁱ⁾	Chief Operating Officer, Keno and Gaming	From 28 March 2014
Kerry Willcock	Executive General Manager, Corporate, Legal and Regulatory	

(i) A business realignment was implemented during the year and consequently Mr Nugent and Mr Rytenskild are disclosed as KMP from the date of business realignment.

Details of Director qualifications, experience and other responsibilities are set out on pages 20, 21 and 38 of the Directors' report.

5. Non Executive Director remuneration

5.1 Remuneration framework

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

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

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

Non Executive Directors do not receive any performance or incentive payments and are not eligible to participate in any of Tabcorp's incentive plans. This policy aligns with the principle that Non Executive Directors act independently and impartially. Elmer Funke Kupper 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 did not deliver any value to Mr Funke Kupper because the applicable performance hurdles were not met at the relevant test dates, and all Performance Rights have now lapsed.

5.2 Structure

Non Executive Directors' remuneration comprises the following components:

- Board fee;
- Board Committee fees (excluding the Chairman); and
- Superannuation Guarantee Contribution (9.25% of total fees for the year ended 30 June 2014, uncapped).

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

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

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

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

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

5.3 Current annual fees

The Board Remuneration Committee reviews Non Executive Director fees annually, having regard to both the remuneration framework and structure described in sections 5.1 and 5.2 and contemporary market practice, and submits recommendations to the Board for review and approval. Following the review in the year ended 30 June 2014, the Non Executive Director Board fee was increased from \$125,000 to \$135,000, the Remuneration Committee Chairman fee was increased from \$25,000 to \$30,000, and the Remuneration Committee Member fee was increased from \$10,000 to \$15,000. All other fees remained unchanged.

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

Figure 1: Non Executive Director and Board Committee fixed annual fees effective from 1 September 2013

Position	Board Committee fees ⁽ⁱ⁾			
	Board fees ⁽ⁱ⁾ \$	Audit, Risk & Compliance \$	Remuneration \$	Nomination \$
Chairman ⁽ⁱⁱ⁾	400,000			
Non Executive Director	135,000			
Committee Chairman		40,000	30,000	7,500
Committee Member		20,000	15,000	7,500

(i) Fees exclude superannuation contributions.

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

Remuneration report (audited) (continued)

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

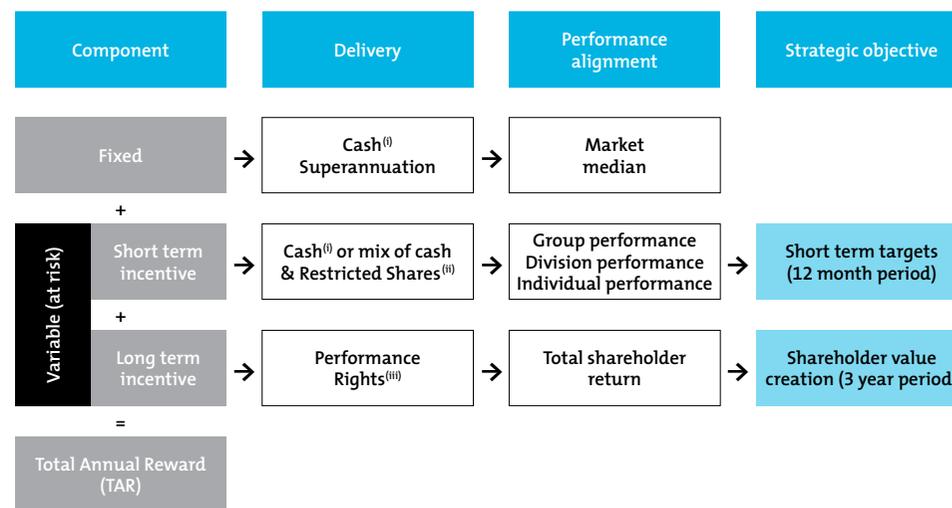
The remuneration framework for senior management comprises a mix of both fixed and variable remuneration components. The level of fixed remuneration an individual receives reflects the scope and responsibilities of their role, their knowledge, skills and experience as well as benchmark market data. Variable 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:

- Shareholder and Company 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; and
 - Fostering a culture of high performance in a team based environment including rewarding those individuals excelling under the Tabcorp ways of working.
- Senior management's interests through:
 - Differentiating reward outcomes based upon individual performance and capability;
 - Linking the form of reward delivery with the ability to influence results; and
 - 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



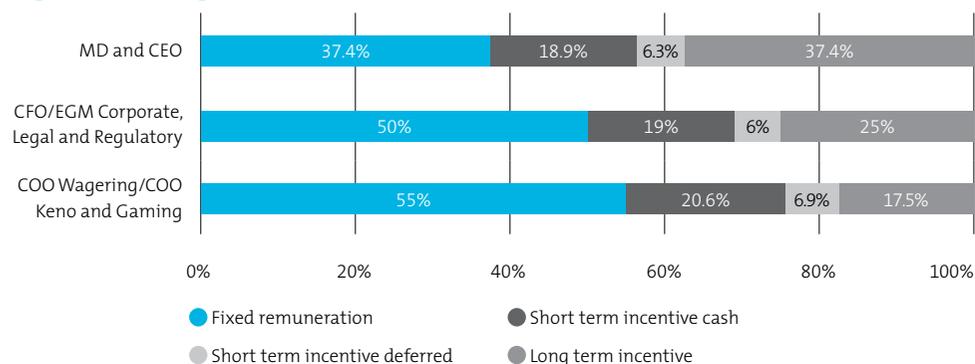
- (i) May voluntarily elect to salary sacrifice for additional superannuation contributions and motor vehicle novated leases (for fixed component only).
- (ii) Applicable to all members of the Senior Executive Leadership Team and certain other senior management, issued under the Tabcorp Employee Deferred 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.

As outlined in last year's Remuneration report, Tabcorp introduced a number of changes to the target reward mix which commenced at 1 July 2013. The short term incentive component of reward for executive KMP (including the Managing Director & Chief Executive Officer) is now delivered as a combination of cash and Restricted Shares which will be deferred for two years, as outlined 6.4.1.3. In addition to this, the Managing Director and Chief Executive Officer has a greater proportion of target reward at risk as a result of an increase in the target long term incentive. The target reward mix for the executive KMP (including the Managing Director & Chief Executive Officer) is outlined in Figure 3.

Figure 3: KMP 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 2014, the fixed remuneration packages of executive KMP, excluding the Managing Director and Chief Executive Officer (refer to section 6.5.1.1), increased by 2.6% 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 twelve 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

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

- **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.

- **Divisional Multiplier (DM)**

During the year ended 30 June 2014, an organisational realignment was implemented to drive clearer role accountability for the overall performance of each of Tabcorp's business units. To enhance the link between individual STI awards and business outcomes, a DM will be introduced for the determination of STI awards from the 2015 financial year onwards. If the Group financial target is met, a DM will be established to differentiate the contributions of the each of the operating businesses towards the Group's overall performance and better align individual STI awards with performance. The DMs may be higher or lower than the GFM but the overall incentive pool for divisions and individuals may not exceed the overall available incentive pool. Senior management employed within Group or corporate functions generally receive the GFM.

Remuneration report (audited) (continued)

• 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 – financial, customers & growth, people & leadership, and organisation. 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.

Further details of specific key performance targets for the Senior Executive leadership team during the financial year are provided in section 6.4.1.6.

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. For STI awards made for the year ended 30 June 2014 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 Restricted 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

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 2014, short term incentive targets were derived from the Board approved business plan which comprised financial and non-financial objectives. These objectives were subsequently included in the balanced scorecards for the Senior Executive leadership team. Examples of these objectives are summarised below:

Objective	Scorecard target area
Financial	Revenue
	Profit
	Balance sheet
	Return metrics (e.g. return on invested capital (ROIC))
Customers & growth	Customer activity and loyalty
	Delivery of new products and digital initiatives
	Business expansion opportunities
People & leadership	Employee engagement
	Gender diversity
	Health & safety (e.g. lost time injury frequency rate (LTIFR))
Organisation	Regulatory & licensing compliance
	Stakeholder management
	Operational effectiveness

The Board awarded short term incentives to senior management that reflected the assessed performance of the Group as above target for the year ended 30 June 2014.

6.4.2 Long term incentive (LTI)

6.4.2.1 Overview

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

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

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

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

6.4.2.2 Allocation

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

Figure 5: Allocation calculation

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

• Target LTI

This amount is based on a percentage of the individual's Total Annual Reward (refer to Figure 3 on page 55).

• Fair Value of Performance Right

The fair market value of a Performance Right is independently determined by an external consultant using a modified Monte-Carlo simulation-based model. The Monte-Carlo model has been modified to incorporate an estimate of the probability of achieving the TSR hurdle and the number of associated Rights vesting.

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"> • Property trusts; • Infrastructure groups; and • Mining companies. <p>Represented by the S&P Global Industry Classification Standards of Metals & Mining, Oil and Gas, Transportation Infrastructure, Utilities and Real Estate Investment Trusts.</p>

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.

Remuneration report (audited) (continued)

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

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

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

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

6.4.2.5 Lapsing conditions

Performance Rights that have not vested after testing will lapse.

6.4.2.6 Cessation of employment

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

6.4.2.7 Accounting treatment

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

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

6.4.2.8 LTI performance

Other than Performance Rights granted to the former Managing Director and Chief Executive Officer (see section 6.4.2.9 below), there have been no other LTI test dates during the year.

6.4.2.9 LTI granted to the former Managing Director and Chief Executive Officer

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 continued 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.

The final test date occurred in the 2014 financial year and at the relevant test dates the applicable performance hurdles were not met. All of the grants that remained on foot have now lapsed.

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).

No new appointment or retention incentives were provided to executive KMP during the year ended 30 June 2014.

6.4.3.2 Accounting treatment

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

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

6.4.4 Policy prohibiting hedging

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

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

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

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

6.5 Managing Director and Chief Executive Officer contract

6.5.1 Current contract

David Attenborough is Managing Director and Chief Executive Officer. In accordance with his employment contract, Mr Attenborough receives fixed remuneration and the opportunity to receive variable remuneration through short term and long term incentive arrangements. Mr Attenborough's contract is for a continuing term capable of being terminated on six months' notice by Mr Attenborough and twelve months' notice by Tabcorp. The contract does not require any termination payments, other than payment in lieu of notice (if applicable). As communicated in the 2013 Remuneration report, changes implemented in the current financial year have resulted in the target long term incentive award being equivalent to 100% of fixed remuneration, or \$950,000. This increase strengthens 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.

6.5.1.1 Fixed remuneration

For the year ended 30 June 2014, Mr Attenborough's fixed remuneration (inclusive of statutory superannuation contributions) was \$950,000 per annum. This was an increase of 2.15% from the previous financial year.

6.5.1.2 Short term incentive

For the year ended 30 June 2014, 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 \$640,000 at target and is delivered in cash and Restricted Shares as outlined in section 6.4.1.3, with the opportunity for Mr Attenborough to voluntarily sacrifice part of the cash component into additional superannuation contributions.

6.5.1.3 Long term incentive

The Company intends that the long term incentive component of Mr Attenborough's remuneration package will involve annual grants of Performance Rights, which would be subject to a performance hurdle, with the grant of such Performance Rights being subject to obtaining any necessary shareholder approvals at the relevant time. For the year ended 30 June 2014, Mr Attenborough's long term incentive award was equivalent to \$950,000 at target. This long term incentive is similar to that which applies to the LTI applicable to other senior managers 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 three grants of Performance Rights under the Tabcorp Long Term Performance Plan, which were approved by shareholders at the Company's 2011, 2012 and 2013 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
18 September 2013	590,062	18 September 2016	18 September 2016

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, 2012 and 2013 Annual General Meetings.

Remuneration report (audited) (continued)

6.5.1.4 Other benefits

Mr Attenborough's contract included benefits, which ceased on 9 April 2014, comprising of:

Living away from home expenses – Mr Attenborough received reimbursement of up to \$3,500 per week for living away from home expenses (such as accommodation).

Home leave – Mr Attenborough received four return business class tickets for travel between Australia and South Africa each year.

FBT – Tabcorp bore the cost of any fringe benefits tax payable in respect of housing and location assistance.

6.5.1.5 Changes for the 2015 financial year

Mr Attenborough will receive fixed remuneration (inclusive of statutory superannuation contributions) of \$1,100,000 per annum from 1 September 2014, an increase of 15.8%. The short term performance award is equivalent to \$750,000 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 is to remain unchanged at \$950,000. This overall increase in remuneration recognises Mr Attenborough's success in leading the transformation of Tabcorp to drive sustained performance, and better aligns with comparable roles in the market.

6.6 Executive contracts – KMP

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
Craig Nugent	Chief Operating Officer, Wagering	Open ended	6	9
Adam Rytenskild	Chief Operating Officer, Keno and Gaming	Open ended	6	9
Kerry Willcock	Executive General Manager, Corporate, Legal and Regulatory	Open ended	6	12

6.7 Performance of Tabcorp and shareholder wealth

Tabcorp's annual financial performance and indicators of shareholder wealth over the five year period ended 30 June 2014 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 blue bars.

Figure 6: Net profit after tax

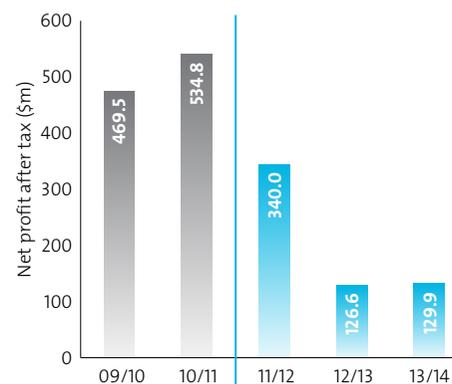


Figure 7: EPS (basic)

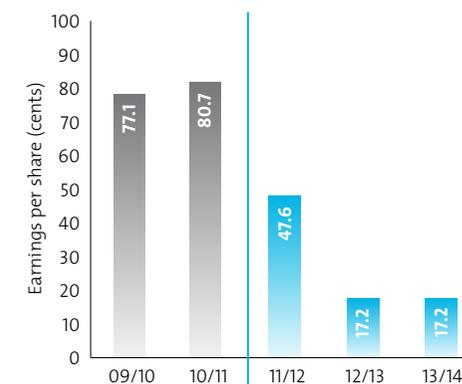


Figure 8: Full year dividend in respect of each financial year (includes interim, final and special dividends)⁽ⁱ⁾

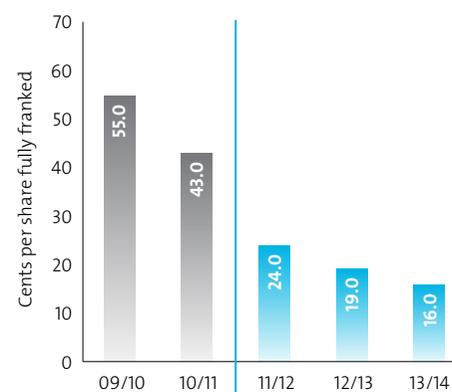
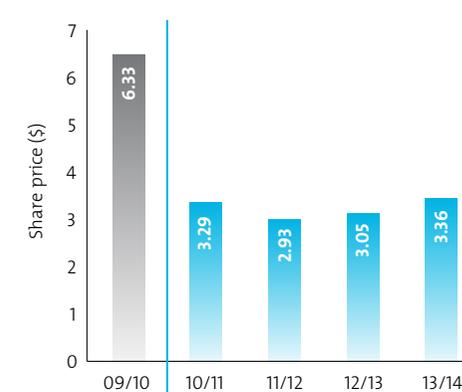


Figure 9: Company share price at the end of each financial year⁽ⁱ⁾



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

Figure 10 shows Tabcorp's currently existing LTI allocations, together with future test dates.

Figure 10: Current LTI allocations

Grant year	Grant date	Allocation to	Expiry date	Future test date
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
2013	2 Oct 2013	Senior management	18 Sep 2016	18 Sep 2016
	31 Oct 2013	MD & CEO	18 Sep 2016	18 Sep 2016

During the year ended 30 June 2014, the 2010 allocations of Performance Rights issued to the former MD & CEO pre-Demerger lapsed. The relative TSR percentile ranking of this allocation at the final test date was at the 20th percentile.

7. Remuneration tables

7.1 Remuneration of KMP

Figure 11A: KMP remuneration for the year ended 30 June 2014 – Non Executive Directors

KMP	Short term	Post employment	Total
	Salary & fees	Superannuation	
	\$	\$	\$
Current			
Paula Dwyer	429,167	39,698	468,865
Elmer Funke Kupper	160,833	14,877	175,710
Steven Gregg	175,000	16,187	191,187
Jane Hemstritch	180,833	16,727	197,560
Justin Milne	160,833	14,877	175,710
Zygmunt Switkowski	190,000	17,575	207,575
Total	1,296,666	119,941	1,416,607

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

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

(i) Includes amounts earned whilst an Observer.

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

Remuneration report (audited) (continued)

Figure 11C: KMP remuneration for the year ended 30 June 2014 – Executives

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

(i) Comprises salary and salary sacrificed benefits (including superannuation and motor vehicle novated leases).

(ii) Cash bonus reflects the 75% of the STI achieved in the year. The remaining 25% of the STI is deferred into Restricted Shares to be granted subsequent to 30 June 2014, and will be reflected in remuneration of future financial years, as outlined in section 6.4.1.5.

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

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

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

(vi) Commenced as a KMP on 28 March 2014. Remuneration reflects period as a KMP. Salary & fees and long service leave reflect increase in annual leave and long service leave accruals due to new salary levels.

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

	Short term			Long term	Post employment	Total excluding charge for share based allocations	Charge for share based allocations ^(iv)		Termination benefits	
	Salary & fees ⁽ⁱ⁾	Cash bonus ⁽ⁱⁱ⁾	Non-monetary benefits ⁽ⁱⁱⁱ⁾	Annual and long service leave	Superannuation	charge for share based allocations	Performance Rights	Performance related ^(v)		
KMP	\$	\$	\$	\$	\$	\$	\$	Total \$	%	\$
Current Executive Director										
David Attenborough	908,530	620,000	375,262	9,575	16,470	1,929,837	383,033	2,312,870	43%	–
Current Executives										
Damien Johnston	601,030	311,000	–	16,713	16,470	945,213	173,342	1,118,555	43%	–
Kerry Willcock	520,287	271,000	–	13,213	16,470	820,970	151,364	972,334	43%	–
Former Executive										
Mohan Jesudason ^(vi)	316,765	–	–	(963)	8,235	324,037	52,901	376,938	14%	521,138
Total	2,346,612	1,202,000	375,262	38,538	57,645	4,020,057	760,640	4,780,697		521,138

(i) Comprises salary and salary sacrificed benefits (including superannuation and motor vehicle novated leases).

(ii) Cash bonus reflects 100% of the total STI awarded. For the year ended 30 June 2013 there was no STI deferral into Restricted Shares for KMP.

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

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

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

(vi) Ceased employment and as a KMP on 31 December 2012. Termination payment includes \$487,500 payment in lieu of notice 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.

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

Remuneration report (audited) (continued)

7.2 Other remuneration tables

Figure 12A: Short term incentive (STI) achieved

For the year ended 30 June 2014

KMP	Actual STI achieved			Actual STI achieved as a % of target STI	STI not achieved as a % of target STI	Actual STI achieved as a % of maximum STI ⁽ⁱⁱⁱ⁾
	75% cash portion \$ ⁽ⁱ⁾	25% Restricted Shares portion \$ ⁽ⁱⁱ⁾	Total \$			
Current						
David Attenborough	506,250	168,750	675,000	105%	0%	42%
Damien Johnston	249,638	83,212	332,850	105%	0%	42%
Craig Nugent ^(iv)	64,565	21,521	86,086	105%	0%	42%
Adam Rytenskild ^(iv)	53,804	17,934	71,738	105%	0%	42%
Kerry Willcock	219,713	73,237	292,950	105%	0%	42%

(i) 75% of the actual STI achieved is paid as cash, and is included in remuneration of the current financial year.

(ii) 25% of the actual STI achieved is deferred in the form of Restricted Shares which are subject to a two year service restriction from the grant date. The Restricted Shares will be granted after the end of the financial year, and the value will be reflected in remuneration of future financial years.

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

(iv) Commenced as a KMP on 28 March 2014. STI represents period as a KMP.

Figure 12B: Performance Rights granted during the year

For the year ended 30 June 2014

KMP	Grant date	Number	Fair value at grant date \$	Exercise price \$	Exercise and expiry date
Current					
David Attenborough	31 October 2013 ⁽ⁱ⁾	590,062	2.07	–	18 September 2016
Damien Johnston	2 October 2013 ⁽ⁱ⁾	196,863	1.73	–	18 September 2016
Craig Nugent ⁽ⁱⁱ⁾	–	–	–	–	–
Adam Rytenskild ⁽ⁱⁱ⁾	–	–	–	–	–
Kerry Willcock	2 October 2013 ⁽ⁱ⁾	173,136	1.73	–	18 September 2016

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

(ii) Commenced as a KMP on 28 March 2014. No Performance Rights were granted after commencement date.

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

For the year ended 30 June 2014

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

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

KMP	During the year ended 30 June 2014			
	Granted ⁽ⁱ⁾ \$	Exercised \$	Lapsed ⁽ⁱⁱ⁾ \$	As a % of remuneration ⁽ⁱⁱⁱ⁾ %
Current				
David Attenborough	1,221,428	–	–	30%
Damien Johnston	340,573	–	–	24%
Craig Nugent ^(iv)	–	–	–	14%
Adam Rytenskild ^(iv)	–	–	–	15%
Kerry Willcock	299,525	–	–	24%
Elmer Funke Kupper ^(v)	–	–	131,254	n/a
Total	1,861,526	–	131,254	

(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 21 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) Commenced as a KMP on 28 March 2014. No Performance Rights were granted, exercised or lapsed after commencement date. Remuneration percentage represents period as a KMP.

(v) 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).

Figure 12E: KMP interests in Performance Rights of Tabcorp Holdings Limited (number)

For the year ended 30 June 2014

KMP	Balance at start of year	Balance at KMP start date	Granted as remuneration	Exercised	Net change other ⁽ⁱ⁾	Balance at end of year ⁽ⁱⁱ⁾
Non Executive Directors						
Elmer Funke Kupper ⁽ⁱⁱⁱ⁾	41,017	n/a	-	-	(41,017)	-
Current Executive Director						
David Attenborough	875,347	n/a	590,062	-	-	1,465,409
Current Executives						
Damien Johnston	438,017	n/a	196,863	-	-	634,880
Craig Nugent	n/a	342,198	-	-	-	342,198
Adam Rytenskild	n/a	280,666	-	-	-	280,666
Kerry Willcock	382,360	n/a	173,136	-	-	555,496
Total	1,736,741	622,864	960,061	-	(41,017)	3,278,649

(i) Includes forfeitures.

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

(iii) 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).

Figure 12F: KMP interests in shares of Tabcorp Holdings Limited (number)

For the year ended 30 June 2014

KMP	Balance at start of year	Balance at KMP start date	On exercise of Performance Rights	Net change other	Balance at end of year
Non Executive Directors					
Paula Dwyer	34,292	n/a	-	15,708	50,000
Elmer Funke Kupper	20,000	n/a	-	20,000	40,000
Steven Gregg	10,000	n/a	-	-	10,000
Jane Hemstritch	23,181	n/a	-	-	23,181
Justin Milne	8,500	n/a	-	-	8,500
Zygmunt Switkowski	84,876	n/a	-	-	84,876
Current Executive Director					
David Attenborough	58,609	n/a	-	-	58,609
Current Executives					
Damien Johnston	66,383	n/a	-	-	66,383
Craig Nugent	n/a	-	-	-	-
Adam Rytenskild	n/a	20,931	-	712	21,643
Kerry Willcock	120,320	-	-	5,891	126,211
Total	426,161	20,931	-	42,311	489,403

Figure 12G: KMP interests in bonds of Tabcorp Holdings Limited

For the year ended 30 June 2014

KMP	Balance at start of year	Balance at KMP start date	Net change ⁽ⁱ⁾	Balance at end of year	Interest costs ⁽ⁱⁱ⁾
	\$	\$	\$	\$	\$
Non Executive Directors					
Paula Dwyer	-	n/a	-	-	-
Elmer Funke Kupper	150,000	n/a	(150,000)	-	8,611
Steven Gregg	-	n/a	-	-	-
Jane Hemstritch	200,000	n/a	(200,000)	-	11,481
Justin Milne	-	n/a	-	-	-
Zygmunt Switkowski	-	n/a	-	-	-
Current Executive Director					
David Attenborough	-	n/a	-	-	-
Current Executives					
Damien Johnston	-	n/a	-	-	-
Craig Nugent	n/a	-	-	-	-
Adam Rytenskild	n/a	-	-	-	-
Kerry Willcock	-	n/a	-	-	-

(i) Bonds were redeemed in May 2014.

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

Income statement

For the year ended 30 June 2014

	2014 \$m	2013 \$m
Revenue	2,039.8	2,003.2
Other income	0.7	8.5
Government taxes and levies	(349.5)	(334.1)
Commissions and fees	(770.8)	(763.1)
Employment costs	(165.1)	(154.2)
Communications and technology costs	(75.9)	(85.2)
Depreciation and amortisation	(164.4)	(151.1)
Impairment	-	(18.6)
Property costs	(41.3)	(40.3)
Advertising and promotions	(38.1)	(36.8)
Other expenses	(113.7)	(106.2)
Profit before income tax expense and net finance costs	321.7	322.1
Finance income	3.4	3.1
Finance costs	(100.6)	(106.8)
Profit from continuing operations before income tax expense	224.5	218.4
Income tax expense	(75.1)	(70.8)
Profit from continuing operations after income tax	149.4	147.6
Discontinued operations		
Loss from discontinued operations, net of tax	(19.5)	(21.0)
Net profit after tax	129.9	126.6
Other comprehensive income		
Change in fair value of cash flow hedges taken to equity that may be reclassified to profit or loss	(4.9)	(6.7)
Exchange differences on translation of foreign operations	(0.2)	-
Income tax on items that may be reclassified to profit or loss	1.5	2.0
Items that will not be reclassified to profit or loss	(0.4)	0.9
Income tax on items that will not be reclassified to profit or loss	0.1	(0.3)
Other comprehensive income/(loss) for the period, net of income tax	(3.9)	(4.1)
Total comprehensive income for the period	126.0	122.5
Earnings per share:		
From continuing operations		
Basic earnings per share (cents)	19.8	20.0
Diluted earnings per share (cents)	19.7	20.0
Total attributable to shareholders of Tabcorp		
Basic earnings per share (cents)	17.2	17.2
Diluted earnings per share (cents)	17.1	17.1

Balance sheet

As at 30 June 2014

	2014 \$m	2013 \$m
Current assets		
Cash and cash equivalents	126.8	109.7
Receivables	39.9	94.9
Consumables	4.7	4.4
Current tax assets	0.7	-
Other	8.9	12.3
Total current assets	181.0	221.3
Non current assets		
Receivables	16.8	52.4
Property, plant and equipment	312.6	308.5
Intangible assets – licences	726.6	750.3
Intangible assets – other	1,833.9	1,772.4
Derivative financial instruments	21.6	26.0
Other	12.6	13.7
Total non current assets	2,924.1	2,923.3
TOTAL ASSETS	3,105.1	3,144.6
Current liabilities		
Payables	340.9	293.6
Interest bearing liabilities	-	432.9
Current tax liabilities	-	13.7
Provisions	25.9	22.5
Derivative financial instruments	22.6	23.1
Other	7.2	3.8
Total current liabilities	396.6	789.6
Non current liabilities		
Interest bearing liabilities	1,094.3	821.5
Deferred tax liabilities	66.9	64.3
Provisions	10.9	10.9
Derivative financial instruments	50.5	43.8
Other	4.5	1.3
Total non current liabilities	1,227.1	941.8
TOTAL LIABILITIES	1,623.7	1,731.4
NET ASSETS	1,481.4	1,413.2
Equity		
Issued capital	2,188.7	2,128.7
Accumulated losses	(0.7)	(10.4)
Reserves	(706.6)	(705.1)
TOTAL EQUITY	1,481.4	1,413.2

Cash flow statement

For the year ended 30 June 2014

	2014 \$m	2013 \$m
Cash flows from operating activities		
Net cash receipts in the course of operations	2,091.0	2,189.8
Payments to suppliers, service providers and employees	(1,274.7)	(1,393.5)
Payment of government levies, betting taxes and GST	(253.6)	(346.9)
Refund of GST relating to prior years	-	25.4
Finance income received	3.8	3.1
Finance costs paid	(103.9)	(104.6)
Income tax paid	(75.2)	(108.4)
Net cash flows from operating activities	387.4	264.9
Cash flows from investing activities		
Payment for property, plant and equipment and intangibles	(198.4)	(204.2)
Proceeds from sale of property, plant and equipment and intangibles	2.1	15.7
Loan repayments received from customers	40.9	15.6
Loans advanced to customers	(0.1)	(6.4)
Net cash flows used in investing activities	(155.5)	(179.3)
Cash flows from financing activities		
Net cash flows from revolving bank facilities	(154.5)	-
Proceeds from long term borrowings	434.5	-
Repayment of long term borrowings	(434.5)	-
Dividends paid	(67.0)	(116.1)
Proceeds from issue of shares	7.0	-
Payment of transaction costs for demerger	-	(10.7)
Payments for on-market share purchase	(0.4)	(0.5)
Proceeds from sale of treasury shares	0.1	-
Net cash flows used in financing activities	(214.8)	(127.3)
Net increase/(decrease) in cash held	17.1	(41.7)
Cash at beginning of year	109.7	151.4
Cash at end of year	126.8	109.7

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

Statement of changes in equity

For the year ended 30 June 2014

	Issued capital		Retained earnings/ (accumulated losses) \$m	Net unrealised losses reserve \$m	Employee equity benefit reserve \$m	Demerger reserve \$m	Foreign currency translation reserve \$m	Total equity \$m
	Ordinary shares \$m	Treasury shares \$m						
2014								
Balance at beginning of year	2,129.3	(0.6)	(10.4)	(37.1)	1.9	(669.9)	-	1,413.2
Profit for the period	-	-	129.9	-	-	-	-	129.9
Other comprehensive income/(loss)	-	-	(0.3)	(3.4)	-	-	(0.2)	(3.9)
Total comprehensive income	-	-	129.6	(3.4)	-	-	(0.2)	126.0
Dividends paid	-	-	(119.9)	-	-	-	-	(119.9)
Dividend reinvestment plan	59.9	-	-	-	-	-	-	59.9
Restricted shares issued	-	(0.4)	-	-	-	-	-	(0.4)
Share based payments expense	-	0.4	-	-	2.1	-	-	2.5
Disposal of shares	-	0.1	-	-	-	-	-	0.1
Balance at end of year	2,189.2	(0.5)	(0.7)	(40.5)	4.0	(669.9)	(0.2)	1,481.4
2013								
Balance at beginning of year	2,084.4	(0.4)	23.4	(32.4)	0.7	(669.9)	-	1,405.8
Profit for the period	-	-	126.6	-	-	-	-	126.6
Other comprehensive income/(loss)	-	-	0.6	(4.7)	-	-	-	(4.1)
Total comprehensive income	-	-	127.2	(4.7)	-	-	-	122.5
Dividends paid	-	-	(161.0)	-	-	-	-	(161.0)
Dividend reinvestment plan	44.9	-	-	-	-	-	-	44.9
Restricted shares issued	-	(0.5)	-	-	-	-	-	(0.5)
Share based payments expense	-	0.3	-	-	1.2	-	-	1.5
Balance at end of year	2,129.3	(0.6)	(10.4)	(37.1)	1.9	(669.9)	-	1,413.2

Notes to the concise financial statements

For the year ended 30 June 2014

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 2014 financial statements which form part of the full financial report.

	2014 \$m	2013 \$m
2. Dividends		
Dividends declared and paid during the year on ordinary shares:		
(a) Interim dividend for 2014 of 8.0 cents per share paid on 24 March 2014 (2013: 11.0 cents per share paid on 25 March 2013)	60.3	80.7
(b) Final dividend for 2013 of 8.0 cents per share paid on 24 September 2013 (2012: 11.0 cents per share paid on 26 September 2012)	59.6	80.3
	119.9	161.0

Dividends declared after balance date

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

Final dividend for 2014 of 8.0 cents per share to be paid on 24 September 2014 (2013: 8.0 cents per share)

	61.0	59.6
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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).

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 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:

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

	Wagering \$m	Media and International \$m	Gaming Services \$m	Keno \$m	Total \$m
2014					
Revenue – external	1,574.7	163.1	98.1	203.9	2,039.8
Revenue – intersegment	–	57.3	–	–	57.3
Segment revenue	1,574.7	220.4	98.1	203.9	2,097.1
Segment profit before interest and tax	175.4	58.7	39.7	51.7	325.5
Depreciation and amortisation	106.8	9.8	27.3	20.5	164.4
Capital expenditure	114.4	10.2	43.5	35.9	204.0
2013					
Revenue – external	1,558.0	153.5	86.3	205.4	2,003.2
Revenue – intersegment	–	54.1	–	–	54.1
Segment revenue	1,558.0	207.6	86.3	205.4	2,057.3
Segment profit before impairment, interest and tax	167.3	57.7	37.5	52.2	314.7
Depreciation and amortisation	97.7	9.3	20.8	23.3	151.1
Impairment losses recognised in the income statement	–	–	–	18.6	18.6
Capital expenditure	58.8	8.7	37.5	18.5	123.5

Directors' declaration

3. Segment information (continued)

	2014 \$m	2013 \$m
Reconciliation of segment revenue and profit		
(a) Revenue		
Segment revenue	2,097.1	2,057.3
Intersegment revenue elimination	(57.3)	(54.1)
Consolidated revenue	2,039.8	2,003.2
(b) Profit		
Segment profit before impairment, interest and tax	325.5	314.7
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	3.4	3.1
– finance costs	(100.6)	(106.8)
– other	(3.8)	(1.9)
Profit from continuing operations before income tax expense	224.5	218.4

4. Subsequent events

(a) Dividends

Since 30 June 2014, the Directors have declared a final dividend of 8.0 cents per ordinary share. The total amount of the final dividend is \$61.0 million. This has not been provided for in the 30 June 2014 financial statements (refer to note 2).

(b) Acquisition of ACTTAB

On 30 July 2014 the Group agreed to acquire ACTTAB for \$105.5 million, subject to regulatory approvals, including ACCC clearance. The ACT Government will issue a 50 year exclusive totalizator licence, a sports bookmaking licence for an initial term of 15 years with further rolling extensions to a total term of 50 years, and ongoing approvals to offer Keno and Trackside products for 50 years. The financial effects of the above transaction have not been brought to account in the financial statements for the year ended 30 June 2014.

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 2014:

- (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 J Dwyer
Chairman



David R H Attenborough
Managing Director and Chief Executive Officer

Melbourne
7 August 2014

Independent auditor's 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 2014, 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 2014. 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 2014. We expressed an unmodified audit opinion on the financial report in our report dated 7 August 2014. 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 judgment, 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*.

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Auditor's Opinion

In our opinion, the concise financial report and the directors' declaration of Tabcorp Holdings Limited for the year ended 30 June 2014 complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

Report on the Remuneration Report

The following paragraphs are copied from our Report on the Remuneration Report for the year ended 30 June 2014.

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. 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 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Tony Johnson
Partner
Melbourne
7 August 2014

Jason Perry
Partner
Melbourne
7 August 2014

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Five year review

	2014	2013	2012	2011	2010
	\$m	\$m	\$m	\$m	\$m
Total revenue	2,039.8	2,133.4	3,038.5	4,469.6	4,219.8
EBITDA ¹	459.4	472.3	725.2	774.7	998.0
Profit before interest and tax ²	295.0	313.1	591.7	856.3	794.4
Profit after income tax attributable to members of parent entity ³	129.9	126.6	340.0	534.8	469.5
Dividend ⁴	121.3	140.3	173.0	295.1	335.5

Cash and deposits	126.8	109.7	151.4	147.1	261.9
Other current assets	54.2	111.6	76.8	103.8	119.2
Intangible assets – licences	726.6	750.3	814.8	430.2	652.6
Intangible assets – other	1,833.9	1,772.4	1,803.2	1,805.7	3,627.5
Other non current assets	363.6	400.6	402.8	351.7	1,796.5
Total assets	3,105.1	3,144.6	3,249.0	2,838.5	6,457.7
Current interest bearing liabilities	-	432.9	-	449.8	175.0
Other current liabilities	396.6	356.7	490.2	502.2	671.0
Non current interest bearing liabilities	1,094.3	821.5	1,224.0	515.2	1,816.8
Other non current liabilities	132.8	120.3	129.0	160.4	340.2
Total liabilities	1,623.7	1,731.4	1,843.2	1,627.6	3,003.0
Shareholders' funds	1,481.4	1,413.2	1,405.8	1,210.9	3,454.7
Capital expenditure – payments	198.4	204.2	631.0	595.6	408.1

	cents	cents	cents	cents	cents
Earnings per share	17.2	17.2	47.6	80.7	77.1
Dividends per share ⁴	16.0	19.0	24.0	43.0	55.0
Operating cash flow per share ⁵	25.0	8.2	(14.8)	9.4	48.2
Return on shareholders' funds	8.9%	9.0%	25.9%	18.5%	13.9%
Net assets per share	\$1.96	\$1.92	\$1.97	\$1.83	\$5.68

Revenue ⁶	\$m	\$m	\$m	\$m	\$m
Wagering	1,574.7	1,558.0	1,637.4	1,569.1	1,553.5
Media and International	220.4	207.6	190.2	179.3	164.0
Gaming Services	98.1	86.3	4.7	-	-
Keno	203.9	205.4	183.1	169.6	157.2
Gaming ⁷	-	130.2	1,074.2	1,077.4	1,037.2
Casinos ⁸	-	-	-	1,439.4	1,371.9
Unallocated/elimination	(57.3)	(54.1)	(51.1)	(53.0)	(51.8)
Normalisation adjustment	-	-	-	87.8	(12.2)
Total	2,039.8	2,133.4	3,038.5	4,469.6	4,219.8

1. 2013 includes impairment of \$65.8 million, 2011 includes impairment of \$358.0 million and excludes net gain on demerger of Echo Entertainment Group before income tax benefit of \$304.6 million.

2. 2011 includes net gain on demerger of Echo Entertainment Group before income tax benefit of \$304.6 million.

3. 2011 includes net gain on demerger of Echo Entertainment Group of \$351.2 million.

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

5. 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.

6. Revenue includes both external and internal revenue.

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

8. The Casino revenues are normalised.

Shareholder information

As at 15 August 2014

Ordinary shares

Tabcorp has on issue 762,954,019 fully paid ordinary shares which are listed on the Australian Securities Exchange (ASX) under the code TAH. 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 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. If Tabcorp does not elect to redeem the Tabcorp Subordinated Notes on 22 March 2017 (the First Call Date), then the fixed margin increases by 0.25% per annum.

Tabcorp Bonds

The Tabcorp Bonds matured on 1 May 2014 and as a result a redemption payment of \$100 per Bond was made to all eligible Bondholders. Tabcorp Bonds were five year debt securities listed on the 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 were entitled to receive quarterly interest payments and \$100 cash per Tabcorp Bond upon redemption. The interest rate was equal to the three month bank bill rate plus a fixed margin of 4.25% 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 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. 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.

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 ⁽ⁱ⁾	% of issued capital ⁽ⁱⁱ⁾
Northcape Capital Pty Ltd	22 July 2014	54,626,100	7.16%

(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 36,054 shareholders holding less than a marketable parcel of ordinary shares (\$500 or more, equivalent to 143 ordinary shares) based on a market price of \$3.52 at the close of trading on 15 August 2014.

Twenty largest registered holders of ordinary shares

Investor name	Number of Ordinary Shares	% of issued capital
J P Morgan Nominees Australia Limited	165,163,715	21.65
HSBC (Custody) Nominees (Australia) Limited	129,295,131	16.95
National Nominees Limited	90,014,348	11.80
Citicorp Nominees Pty Limited	44,016,553	5.77
BNP Paribas Noms Pty Ltd <DRP>	26,455,165	3.47
AMP Life Limited	7,892,214	1.03
HSBC Custody Nominees (Australia) Limited <NT-Commwlth Corp>	7,621,715	1.00
National Nominees Limited <DB>	6,387,132	0.84
CS Fourth Nominees Pty Ltd	6,065,342	0.79
HSBC Custody Nominees (Australia) Limited – A/C 3	5,934,307	0.78
Questor Financial Services Limited <TPS RF>	4,664,473	0.61
BNP Paribas Nominees Pty Ltd <Agency Lending DRP>	4,298,151	0.56
Citicorp Nominees Pty Limited <Colonial First State Inv>	4,115,710	0.54
RBC Investor Services Australia Nominees Pty Limited <MBA>	3,674,140	0.48
Warbont Nominees Pty Ltd <Settlement Entrepot>	3,468,886	0.45
UBS Wealth Management Australia Nominees Pty Ltd	3,265,796	0.43
QIC Limited	2,775,910	0.36
Argo Investments Limited	2,631,388	0.34
UBS Nominees Pty Ltd	2,629,752	0.34
Pan Australian Nominees Pty Limited	2,012,101	0.26
Total of top 20 registered holders	522,381,929	68.45

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	229,785	9.19
National Nominees Limited	156,593	6.26
National Nominees Limited <DB>	111,817	4.47
UBS Nominees Pty Ltd	92,024	3.68
Citicorp Nominees Pty Limited	81,613	3.26
Citicorp Nominees Pty Limited <Colonial First State Inv>	70,187	2.81
HSBC Custody Nominees (Australia) Limited	67,532	2.70
BNP Paribas Noms Pty Ltd <DRP>	42,355	1.69
Arrowcrest Group Pty Ltd	22,500	0.90
First Option Credit Union Ltd	20,000	0.80
Mr Masaji Kitagawa	20,000	0.80
Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett>	14,518	0.58
RBC Investor Service Australia Nominees Pty Limited <GSENI>	14,203	0.57
Map Capital Pty Ltd <Richmond Tcs Cap Arf>	13,500	0.54
Navigator Australia Ltd <MLC Investment Sett>	13,344	0.53
Netwealth Investments Limited <Wrap Services>	12,702	0.51
J P Morgan Nominees Australia Limited	11,365	0.45
BT Portfolio Services Limited <Maxwell Family>	11,250	0.45
Ramm Investments Pty Ltd <R&M Mesiti Hldgs P/L S/F>	10,500	0.42
Strandell Pty Ltd <Strandell Super Ben Fund>	10,100	0.40
Total of top 20 registered holders	1,025,888	41.01

Distribution of securities held

Number of securities held	Ordinary Shares ⁽ⁱ⁾		Tabcorp Subordinated Notes		Performance Rights ⁽ⁱⁱ⁾	
	Number of holders	Number of securities	Number of holders	Number of securities	Number of holders	Number of securities
1 – 1,000	79,462	24,817,251	3,407	907,720	-	-
1,001 – 5,000	35,458	78,124,565	215	455,491	-	-
5,001 – 10,000	6,034	43,199,262	14	110,901	-	-
10,001 – 100,000	3,483	71,746,092	17	527,693	1	45,174
100,001 and over	92	545,066,849	3	498,195	10	4,518,374
Total	124,529	762,954,019	3,656	2,500,000	11	4,563,548

(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 50 to 65 for more information about the Company's incentive arrangements.

Shareholder information (continued)

As at 15 August 2014

Major announcements

Tabcorp's major Company announcements since the previous Annual Report are listed below. These announcements are available on the Company's website at www.tabcorp.com.au following their release to the Australian Securities Exchange.

2014

7 Aug	Full year results – statutory net profit after tax of \$129.9 million, up 2.6%
30 Jul	Tabcorp to acquire ACTTAB
28 Jul	Health Benefit Levy on gaming machines – Tabcorp applies for special leave to appeal
10 Jul	Tabcorp's claim for approx. \$686 million – Tabcorp lodges appeal against judgment of Supreme Court of Victoria
1 Jul	Levy on gaming machines – Court of Appeal found in favour of the Victorian Government
26 Jun	Tabcorp's claim for approx. \$686 million – Supreme Court of Victoria ruled in favour of the Victorian Government
2 Jun	Sky Racing broadcasting expanded to include Latin American races and extended US coverage
28 May	Racing Queensland proposed race information fees for 2014-15
16 May	Racing Victoria Limited race fields fees to apply from 1 July 2014
30 Apr	Trading update for the third quarter of the 2014 financial year
6 Feb	Half year results – statutory net profit after tax of \$74.6 million, up 2.3%

2013

17 Dec	Tabcorp amends bank debt facility
31 Oct	Chairman's and Managing Director's AGM addresses
17 Oct	Investor day presentation
15 Oct	Trading update for the first quarter of the 2014 financial year
25 Sep	Tabcorp's Queensland Keno Licence extension to 2047 finalised
13 Sep	Tabcorp again tops global gambling sustainability ranking in Dow Jones Sustainability Index results
10 Sep	Retail exclusivity extension finalised for Tabcorp's NSW Wagering Licence

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, or through 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 undeposited 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 24 March 2014. To elect to participate in the Company's DRP, use the online share registry facility or contact the share registry.

Annual Report

Tabcorp's interactive Annual Reports are available online from the Company's website, 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.

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 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

2014

Annual General Meeting (Shangri-La Hotel, Sydney)	28 October
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2015*

Half-year results announcement	5 February
Ex-dividend for interim dividend	10 February
Record date for interim dividend	12 February
Interim dividend payment	18 March
End of financial year	30 June
Full-year results announcement	13 August
Ex-dividend for final dividend	18 August
Record date for final dividend	20 August
Final dividend payment	24 September
Annual General Meeting	29 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.



www.tabcorp.com.au