



**ANNUAL REPORT
2017**

Tabcorp

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About the Annual Report

Tabcorp publishes its Annual Report as a single document and on the day it releases its full year results, which provides information to stakeholders in a timely and efficient manner. A copy of the Annual Report is available, free of charge, on request. Current and past Annual Reports are available from the Company's website at www.tabcorp.com.au.

Elect not to receive a hard copy

Shareholders can elect not to receive a hard copy Annual Report by updating their communications preferences with the share registry – go online at linkmarketservices.com.au or call 1300 665 661.

Notice of meeting

The Annual General Meeting of Tabcorp Holdings Limited will be held at The Savoy Ballroom, Grand Hyatt Melbourne, 123 Collins Street, Melbourne on Friday, 27 October 2017 at 10.00am (AEDT).

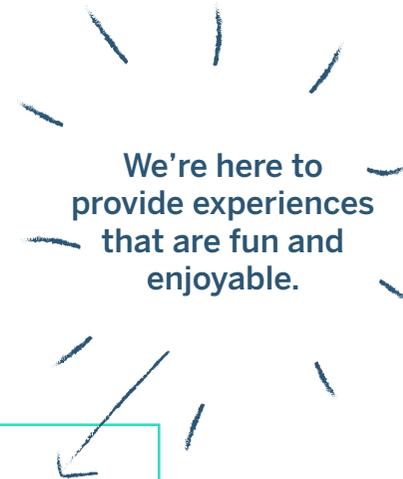
**TABCORP IS AN ASX 100
COMPANY, AND ONE OF
THE WORLD'S LARGEST
PUBLICLY LISTED
GAMBLING COMPANIES.**

We are a leading Australian gambling entertainment company with a diverse portfolio of businesses, owning iconic market-leading Australian brands, and operating a unique multi-product, multi-channel model.



OUR PURPOSE

How we achieve success is just as important as the outcome. We're driven by results, but we do it with care and integrity.



We're here to provide experiences that are fun and enjoyable.

TO ADVANCE THE WAY WE PLAY

We continually lift our game to drive our business and industry forward, with innovation, leadership and our unique Australian style.

We're about the collective. Positive, social experiences delivered together as a team with our people and our partners.

CELEBRATING OUR RACING HERITAGE

Tabcorp produced the “Our Heroes of Racing Series” to showcase some of the great talent within the racing industry. Trainers Robbie Griffiths and Ben Smith talk about their humble beginnings and their passion for horses and the industry in which they work.

Robbie is the President of the Australian Trainers Association (ATA). He said: “It’s important to give back to racing as well as provide mentorship to the next generation of trainers coming through. Racing is an entertainment industry. It’s one of my greatest thrills, giving people an opportunity to have a lot of fun and enjoyment.”

Ben is passionate about horse racing. He is dedicated to his job and loves his horses. He said: “I had to make a decision to put the horses first. I had to sacrifice some things, and hot water was one of them. That was a sacrifice I made to the horses, and I would do it all over again. They are amazing animals. You can see why it’s very easy to put them first.”

Tabcorp celebrates the hard work, passion and care that the thousands of people in the racing industry give each day to their animals, and the contributions they make to our industry. Together we help to sustain a vibrant and exciting industry that provides world class entertainment.

Robbie Griffiths – Leading Light
Cranbourne-based trainer

Ben Smith – Humble Horseman
Newcastle-based trainer



Watch the videos

at tabcorp.com.au



FY17 MAJOR INITIATIVES

- + Significant progress in advancing the combination with Tatts Group. Regulatory approvals are well progressed to create a world-class diversified gambling entertainment group.
- + Continued investment in digital transformation and new additions to TAB's stable of innovative products.
- + Continued geographic expansion of Gaming Services with the signing of Panthers Group and acquisition of Intecq, a complementary gaming systems and monitoring business.
- + Ongoing transformation of Keno, including launch of Keno jackpot pooling in Queensland, introduction of Keno Mega Millions in NSW and ACT and digital play in-venue commenced in NSW.
- + Launched our UK start-up, Sun Bets in August 2016, with focus on improving performance in FY18.
- + Continued to invest in and embed scalable risk management and regulatory compliance capability.

FY18 PRIORITIES

- + Complete the proposed combination with Tatts Group.
- + In Wagering and Media, deliver strong performance through differentiated customer experiences across retail, digital and media, a compelling value proposition and brand leadership.
- + In Gaming Services, complete the Intecq integration and manage the continued growth of TGS.
- + In Keno, focus on promoting jackpot pooling and driving digital in-venue growth in NSW.
- + Focus on improving performance in Sun Bets as it continues to refine and differentiate its customer experience across gaming and wagering.
- + Ensure the highest levels of regulatory compliance across our businesses in line with our corporate responsibility framework and strategy.
- + Maintain a disciplined approach to operating expenses and capital expenditure.



FINANCIAL PERFORMANCE

- + Final dividend of 12.5 cents per share, taking full year dividends to 25 cents per share fully franked, up 4.2% and in line with the dividend payout policy.⁽ⁱ⁾
- + Revenues of \$2,234.1 million, up 2.1%.
- + Statutory net loss after tax of \$20.8 million (2.5 cents per share), adversely impacted by significant items after tax of \$199.7 million.⁽ⁱⁱ⁾

Results before significant items:⁽ⁱⁱ⁾

- + Earnings before interest, tax, depreciation and amortisation (EBITDA) of \$504.1 million, down 2.3%.
- + Net profit after tax (NPAT) of \$178.9 million, down 3.8%.
- + Earnings per share (EPS) of 21.4 cents per share, down 4.5%.

REVIEW OF RESULTS

The financial results of the Group for the financial year ended 30 June 2017 relate to the Group's operations, which comprise its three businesses of Wagering and Media, Gaming Services, and Keno.

The Group reported a net loss after income tax for the 2017 financial year of \$20.8 million. This year's result was adversely impacted by significant items after tax of \$199.7 million⁽ⁱⁱ⁾. Significant items comprised costs relating to the AUSTRAC civil proceedings and Australian Federal Police Cambodia investigation, the proposed combination with Tatts Group (including the impact of the Tatts cash-settled equity swap), the Intecq acquisition, Sun Bets operating loss and assets impairment, and Melbourne premises relocation. This compared to a statutory NPAT of \$169.7 million for the prior financial year.

Basic EPS for the financial year was negative 2.5 cents, compared to positive 20.4 cents in the previous year.

Before significant items, NPAT was \$178.9 million, 3.8% below the previous year, and EPS was 21.4 cents per share, 4.5% below the prior year.

Statutory revenue was 2.1% above the previous financial year at \$2,234.1 million. Shareholders' funds as at the end of the financial year totalled \$1,483.4 million, which was 12.1% below the previous financial year.

The 2017 financial year was a strategically important year for Tabcorp as we reshaped the business for growth. The Group made investments in acquiring Intecq, establishing Sun Bets, and progressing the combination with Tatts Group, which we expect to complete by the end of the year.

The Group also strengthened its risk management and regulatory compliance capability, which is scalable in the context of the proposed combination with Tatts Group.

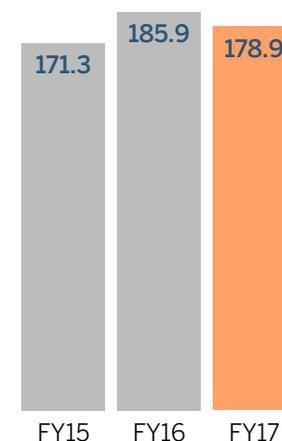
These are significant initiatives we have undertaken to better position Tabcorp to deliver sustainable growth.

At the same time, we accelerated our digital investment in our Wagering and Media and Keno businesses, while Gaming Services continued to expand geographically.

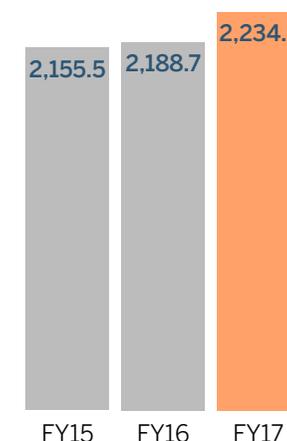
The increase in operating expenses was driven by the acquisition of Intecq and planned investments in capability, technology, marketing, risk and compliance. We expect our investment in these areas to reduce the risk associated with the Tatts Group integration.

Refer to pages 10 to 18 for information about the financial and operational performance of each business unit within the Group.

NPAT before significant items⁽ⁱⁱ⁾
\$m

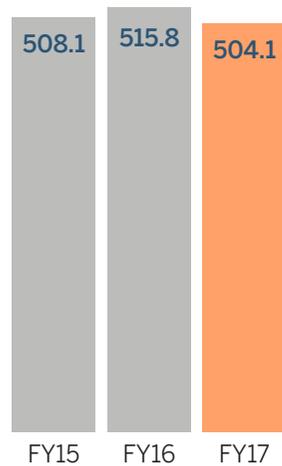


Revenue⁽ⁱⁱⁱ⁾
\$m

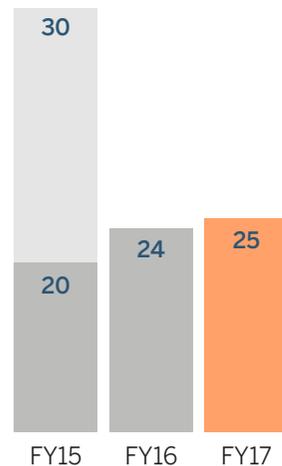


For the year ended 30 June	FY17 \$m	FY16 \$m	Change %
Revenue	2,234.1	2,188.7	2.1
Taxes, levies, commissions and fees	(1,235.5)	(1,204.2)	2.6
Operating expenses	(686.2)	(504.9)	35.9
Depreciation and amortisation	(183.3)	(178.6)	2.6
Impairment	(27.5)	-	100.0
EBIT	101.6	301.0	(66.2)
NPAT	(20.8)	169.7	(112.3)
NPAT before significant items ⁽ⁱⁱ⁾	178.9	185.9	(3.8)

EBITDA before significant items⁽ⁱⁱⁱ⁾ (iv)
\$m



Dividends per share^(v)
Cents per share (fully franked)



DIVIDENDS

A final dividend of 12.5 cents per share has been announced. The final dividend will be fully franked and payable on 18 September 2017 to shareholders registered at 14 August 2017. The ex-dividend date is 11 August 2017.

The interim and final dividends payable in respect of the full year totalled 25 cents per share fully franked. This was in line with the

FY17 dividend target which was the greater of 90% of NPAT before significant items and amortisation of the Victorian Wagering and Betting Licence or 24 cents per share.

Tabcorp's Dividend Reinvestment Plan (DRP) has been suspended in accordance with the terms of the Merger Implementation Deed between Tabcorp and Tatts Group Limited and will not operate in respect of this final dividend.

The DRP did not operate in respect of the interim dividend paid on 15 March 2017.

The table below shows the dividends paid, declared or recommended by the Company since the end of the previous financial year.

Further information regarding dividends may be found in note A3 to the Financial Report.

Description	Amount per share fully franked	Record date	Payment date	Total
2017 final dividend	12.5 cents	14 August 2017	18 September 2017	\$104.4m
2017 interim dividend	12.5 cents	8 February 2017	15 March 2017	\$104.4m
2016 final dividend	12.0 cents	11 August 2016	20 September 2016	\$99.8m

(i) The greater of 90% of NPAT before significant items and amortisation of the Victorian Wagering and Betting Licence or 24 cents per share.

(ii) Significant items after tax in FY17 totalled \$199.7m, which comprised costs relating to the AUSTRAC civil proceedings (\$61.8m), Australian Federal Police Cambodia investigation (\$1.9m), the proposed combination with Tatts Group including the impact of the Tatts cash-settled equity swap (\$53.9m), the Intecq acquisition (\$4.9m), Sun Bets operating loss (\$47.6m) and assets impairment (\$20.7m), and Melbourne premises relocation (\$8.9m).

(iii) Refers to continuing operations.

(iv) EBITDA is non-IFRS financial information.

(v) FY15 dividends included a special dividend of 30 cents per share paid in March 2015.

FINANCIAL BENEFITS TO STAKEHOLDERS

Tabcorp is a core part of the structure of Australian racing and is the largest financial contributor to the racing industry. Through our industry arrangements, licences and taxation, our business returned the following in FY17:

- + Returns to the racing industry of \$813.0 million, up 3.3%:
 - + Victorian racing industry \$324.9 million.
 - + NSW racing industry \$312.1 million.
 - + Race field fees \$99.9 million.
 - + Broadcast rights and international contributions \$76.1 million.
- + State and territory gambling taxes and GST of \$406.3 million.
- + Income taxes paid and payable of \$45.7 million.

Tabcorp also provided \$1.1 million of voluntary community support.



\$1.265 billion

of taxes and industry funding
generated by Tabcorp's
businesses in FY17.

CHAIRMAN'S MESSAGE



Paula Dwyer

Chairman

Tabcorp is an integrated Australian gambling entertainment company, with a rich racing heritage defined by strong partnerships and a commitment to integrity.

We recognise the important role that we play in the industry, and the responsibilities we have to our customers, employees, business partners, shareholders, and the broader community.

Our three businesses – Wagering and Media, Gaming Services and Keno – operate iconic Australian brands and hold long-dated licences in attractive markets.

Tabcorp's aim is to create experiences that encourage people to meet, connect and enjoy shared gambling entertainment. Our success is underpinned by our commitment to the integrity, quality and sociability of gambling, including the promotion of responsible gambling and providing the highest levels of customer care.

INVESTING IN FUTURE GROWTH

FY17 was a strategically important year for Tabcorp. Going into FY18 Tabcorp is better positioned to deliver long-term value for our shareholders and business partners.

In October 2016, we reached agreement with Tatts Group to combine our two businesses to create a world-class diversified gambling entertainment business. The Boards of both companies expect the combination to deliver material benefits, not only for Tabcorp and Tatts shareholders, but for our stakeholders including the racing industry, business partners, employees, customers and governments. We are continuing to make good progress on the relevant regulatory and industry approvals and are aiming to complete the transaction by the end of 2017.

We have continued to accelerate the digital transformation of all our businesses. Our long-term strategy of investing in digital capability to complement our retail footprint and drive growth has allowed us to remain relevant and competitive in the dynamic wagering category. During the year we also introduced a new digital presence for Keno to keep it fresh and relevant to today's consumers.

In August 2016, we launched our UK start-up business, Sun Bets in partnership with News UK. The strategic intent of Sun Bets is to gain a position in the attractive UK online wagering and gaming market, using the powerful News "Sun" brand, while developing and building a wagering and gaming platform that Tabcorp can replicate in new growth markets in the future. The initial performance of Sun Bets has reminded us of the challenges of start-ups. As a consequence we have reviewed its operating model, capability and financial plans and have undertaken a range of initiatives to maximise the prospects of success in FY18 and beyond.

In December 2016, Tabcorp completed the acquisition of Intecq. Intecq is a strategic addition to our Gaming Services business and delivers increased scale, capability and diversification of earnings. The integration of Intecq is progressing well, including the realisation of expected synergies.

We have made a significant investment in enhancing our risk management and compliance capability over the last three years. Tabcorp remains focused on being the industry leader in regulatory compliance across all of our operations.

The investments that we have made during the year ensure that Tabcorp is well positioned for future growth. However, they have also resulted in significant costs which have adversely impacted Tabcorp's FY17 results. These included costs associated with our proposed combination with Tatts Group, and a larger than expected operating loss and related impairment for our UK start-up business, Sun Bets.

In addition, Tabcorp's results reflect costs associated with the resolution of the AUSTRAC civil proceedings and enhancement of our risk management and regulatory compliance capabilities. This was an important milestone for Tabcorp and brings this matter to a close.

WAGERING REGULATION

Tabcorp continues to closely monitor regulatory developments in the gambling market. We are attuned to community attitudes towards the volume of betting advertising and the conduct of gambling companies. It is critical that governments ensure the proceeds of gambling are shared with the community through appropriate levels of taxation, contemporary regulation and enforcement.

During the year the Federal Government introduced a Bill to amend the *Interactive Gambling Act 2001*, which remains before the Senate. Among other things, the Bill will make it clear that online betting on live sport is illegal in Australia.

On 1 July 2017, the South Australian Government introduced a Point of Consumption Tax on online wagering. The Victorian and NSW Governments are also evaluating the implementation of a similar tax. This has the potential to enhance the sustainability of the racing industry, as well as capture additional revenue for government to channel back into racing, responsible gambling initiatives, and integrity. Clearly, it will be important to ensure that there is no double taxation for those operators already paying a full share of wagering tax.

GOVERNANCE

In July 2017, Bruce Akhurst and Vickki McFadden formally commenced as Non Executive Directors, following the receipt of all necessary ministerial and regulatory approvals. Bruce and Vickki bring diverse skills and deep commercial and Board experience to Tabcorp, drawing from areas such as investment banking, law and digital media.

At the Annual General Meeting on 27 October 2017 Jane Hemstritch will retire from the Board of Tabcorp after serving as a Non Executive Director since 2008 and as Chairman of the Board Audit, Risk and Compliance Committee since 2011. Jane has made a valuable contribution to the Company and I extend our appreciation for her service and good wishes for her retirement.

DIVIDEND

Tabcorp announced a full year ordinary dividend of 25 cents per share fully franked for FY17, up from 24 cents in FY16. This represents the maximum payable under the Merger Implementation Deed with Tatts.

CONCLUSION

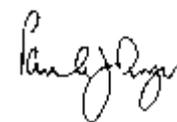
FY17 has been a busy year for Tabcorp. We have substantially progressed our long-term strategic agenda while focusing on driving the performance of our core Wagering and Media, Gaming Services and Keno businesses,

and investing in capability across the Group. Our results reflect investments made during the year to better position Tabcorp to deliver sustainable long-term value for all stakeholders.

I would like to acknowledge and thank our Directors, management team and employees for their significant additional efforts during the year.

Our priorities for FY18 are to work with Tatts to successfully complete the combination and drive improved performance across our businesses. I am confident that going into FY18, Tabcorp is better positioned to deliver long-term value for our shareholders and business partners.

Thank you for your continued support of Tabcorp.



Paula J Dwyer
Chairman

MANAGING DIRECTOR'S MESSAGE



David Attenborough

Managing Director and
Chief Executive Officer

During the year Tabcorp pursued opportunities to drive growth, and deliver sustainable returns for Tabcorp shareholders and our business partners.

We invested in our core businesses and strategies; deepened our capabilities in technology, marketing, risk and compliance; introduced a range of innovative and engaging products; and launched new initiatives to foster deeper, aligned relationships with our venue partners.

Tabcorp reported a Net Profit After Tax (NPAT) loss of \$20.8 million, which was adversely impacted by a number of significant items after tax of \$199.7 million. NPAT before significant items was \$178.9 million, down 3.8%. Statutory Group revenues were \$2,234.1 million, up 2.1%.

BUSINESSES IN REVIEW

Our core businesses – TAB, Media, Gaming Services and Keno – are in good shape. However, there were some discrete parts of the Group that underperformed during the year, namely Luxbet, Trackside and Sun Bets. We have clear plans to improve performance across all of these areas in FY18.

In Wagering and Media, the key performance metrics in our core TAB business were strong with digital turnover growth of 13.9% and fixed odds revenue growth of 15.0%

Across all of our businesses, we made good progress towards harnessing the power of our integrated digital and retail platforms. In Wagering and Media, we launched a digital commissions model for our retail partners. This enables venues to benefit from ongoing commissions from customers that they sign up to a TAB account, as well as on bets that customers place in their venue through TAB's digital channels. The initiative is significant as it aligns

our venue partners with our digital growth strategy. We also launched new and innovative products such as Quaddie Cash Out and Check and Collect, which differentiate us in a competitive market.

We continued to ensure the appeal of our Sky Media channels, securing key media rights in Western Australia and South Australia.

Performance in our UK start-up Sun Bets was disappointing. We have taken steps to reset its leadership and operations to drive improved performance in FY18, and the business is focused on customer acquisition and product development.

In Gaming Services, we progressed the geographic expansion of TGS, which substantially expanded its NSW presence with a five-year deal with Panthers Group covering four venues. TGS now has 10,650 electronic gaming machines under contract. Gaming Services also benefited from the acquisition of Intecq, a complementary business in the sector.

Keno continued its recent transformation with Queensland joining in the pooling of jackpots between NSW, Victoria and the ACT. This creates bigger, faster-building Keno jackpot pools and a more appealing customer offer. In addition, we launched the new Mega Millions game in NSW and the ACT and went live with an in-venue digital play offer in more than 200 NSW clubs.

These initiatives were all aimed at building stronger product platform and organisational capability, which will drive a more sustainable business mix in the long-term.

Operating expenses at 22.5% of revenue in FY17 were driven by the acquisition of Intecq and investment in technology, marketing, risk and compliance. We expect our investment in these areas to reduce the risk associated with the Tatts integration. A thorough review of our cost base is underway, and we remain focused on disciplined expense management in FY18.

SIGNIFICANT ITEMS

Tabcorp's FY17 statutory result was adversely impacted by a number of significant items of \$199.7 million after tax. In summary, these predominantly relate to costs associated with the AUSTRAC civil proceedings, which were settled earlier in the year, and the AFP Cambodia investigation; costs associated with our proposed combination with Tatts Group; and a larger than expected operating loss and related impairment for our UK start-up business, Sun Bets.

The combination with Tatts will create a company with a complementary, better balanced portfolio of gambling entertainment businesses and we expect it will deliver significant value to both Tabcorp and Tatts shareholders, and other stakeholders. This year we recognised significant items (after tax) of \$53.9 million related to the Tatts transaction, which reflect the cost of the specialised legal, financial and advisory capability required to bring the

combination to fruition, and the expenses incurred in relation to the structured financial instrument used to acquire a stake in Tatts as part of our transaction strategy.

Two significant items in relation to Sun Bets have adversely impacted our FY17 results, being the operating loss of \$47.6 million (after tax) and the impairment of the Sun Bets assets of \$20.7 million (after tax). While we had hoped for a better start to the business in its first 11 months of operation and with performance below expectations, we are confident that the steps that we have taken to recalibrate Sun Bets' leadership and operations will deliver an improved performance in the year ahead.

The statutory result also reflects the impact of a significant item of \$63.7 million (after tax), which relates to the AFP Cambodia investigation and the costs incurred in responding to and settling the AUSTRAC civil proceedings, which were concluded

in February 2017. Under the settlement Tabcorp paid a penalty of \$45.0 million, plus AUSTRAC's legal costs on an agreed basis. We are pleased to have concluded the proceedings and remain firmly committed to being an industry leader in regulatory compliance across all of our operations.

WIN-WIN PARTNERSHIPS

Core to Tabcorp's commercial success is the strength of our partnerships. Tabcorp is the largest financial contributor to the Australian racing industry. In FY17, Tabcorp distributed \$813.0 million to Australian racing from our operations, up 3.3% on last year.

During the year Tabcorp extended arrangements with important partners such as the Australian Hotels Association (NSW and Victoria), Clubs Queensland and Community Clubs Victoria. We also extended our support of organisations such as the Australian Trainers Association and the National Jockeys Trust.

OUR EMPLOYEES AND PARTNERS

I would like to acknowledge the significant efforts of our more than 3,000 team members. Pleasingly, our employee engagement measures continued to improve in FY17. We are committed to making Tabcorp a great place to work and were once again the only company in the gambling sector recognised as an Employer of Choice for Gender Equality by the Workplace Gender Equality Agency.

I would also like to recognise the ongoing support of our many industry and business partners with whom we collaborate to deliver our products and services.

THE FUTURE

As we look to FY18, we are focused on completing our combination with Tatts. At the same time, we have a clear set of priorities to drive performance in our core businesses and deliver sustainable returns for our shareholders and partners.

Thank you for your support of Tabcorp.



David R H Attenborough
Managing Director and
Chief Executive Officer

WAGERING AND MEDIA BUSINESS



OPERATIONS

- + Totalisator and fixed odds betting offered on racing, sporting and other events.
- + Network of TAB agencies, hotels and clubs, and on-course operations in Victoria, NSW and the ACT.
- + Wagering channels include retail, internet, mobile devices and phone.
- + Luxbet offers a racing, sport and novelty product bookmaking service by phone, internet and mobile devices.
- + New Sun Bets business provides online wagering and gaming services to UK and Ireland residents.
- + Trackside, a computer simulated racing product, operating in Victoria, NSW and the ACT, and licensed in other Australian and overseas jurisdictions.
- + International wagering and pooling through Premier Gateway International (PGI) joint venture in the Isle of Man (50% interest).
- + Three Sky Racing television channels broadcasting thoroughbred, harness and greyhound racing and other sports to audiences in TAB outlets, hotels, clubs, other licensed venues, and into homes to pay TV subscribers.
- + Sky Sports Radio network in NSW and the ACT, and advertising and sponsorship arrangements with Radio Sport National.
- + Broadcasting Australian racing throughout Australia and distributing Australian and international racing to other countries, and importing overseas racing to Australia.

LICENCES/APPROVALS

- + Victorian Wagering and Betting Licence expires in August 2024, and may be extended by the State of Victoria for a further two year period.
- + NSW Wagering Licence expires in March 2029, with retail exclusivity period expiring in June 2033.
- + ACT Totalisator Licence expires in October 2064.
- + ACT Sports Bookmaking Licence expires in October 2029, with further rolling extensions to October 2064.
- + ACT Approval to Conduct Trackside expires in October 2064.
- + Luxbet's Northern Territory licence expires in June 2020.
- + Sun Bets operates under a UK Remote Operating licence with no expiry, and an Irish Remote Bookmaker's Licence expiring in June 2019.
- + Luxbet Europe's UK Combined Remote Operating Licence has no expiry, and its Isle of Man licence expires in January 2019.

FY17 HIGHLIGHTS

- + 13.9% growth in turnover from digital channels.
- + 15.0% growth in TAB fixed odds revenue, including 20.8% growth in racing.
- + New digital commission model introduced to support commitment to retail venues.
- + Launched the new Sun Bets business in the UK.
- + TAB launched its Bundle Bet and Quaddie Cash Out products and Check & Collect function on TAB app, examples of ongoing product innovation.
- + Active TAB account customers up 9.7% to 475,000, driven by 13.3% growth in new customer acquisition and strong retention rates.
- + Extended key racing broadcast media rights.

FUTURE OBJECTIVES

- + Build on momentum in digital and fixed odds by delivering differentiated products and customer experiences across all channels.
- + Complete the strategic review of the Luxbet business.
- + Roll out new Trackside initiatives, following a review of product and marketing activity.
- + Continue investment in Sky broadcasting coverage.

REVIEW OF RESULTS

Wagering and Media revenues were \$1,873.0 million, in line with the previous financial year, while EBITDA was down 8.4%.

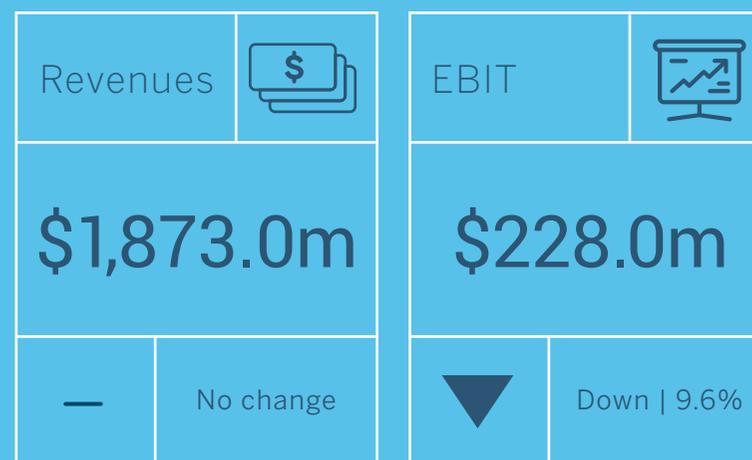
The core TAB business performed well against its key performance metrics in FY17. Total TAB turnover growth was 1.9%, underpinned by growth in digital turnover of 13.9%. Total TAB fixed odds revenue growth was 15.0%, including 20.8% growth in racing.

In an increasingly competitive landscape media revenues grew 1.9% and all key racing broadcast rights were secured for continued broadcast on Sky Racing.

The Wagering and Media performance includes the impact of Luxbet (which recorded an EBITDA loss of \$8 million and an EBIT loss of \$13 million) and a 14.6% decline in Trackside revenues.

A strategic review of Luxbet is underway, while a review of Trackside's product and marketing activity has been completed, with new initiatives planned for FY18. Wagering and Media earnings were also impacted by a 6.0% growth in operating expenses, which will be addressed as part of a thorough review of the Tabcorp Group cost base.

For the year ended 30 June	FY17 \$m	FY16 \$m	Change %
Revenue	1,873.0	1,873.0	0.0
Taxes, levies, commission and fees	(1,122.2)	(1,112.7)	0.9
Operating expenses	(400.8)	(378.2)	6.0
EBITDA	350.0	382.1	(8.4)
Depreciation and amortisation	(122.0)	(129.9)	(6.1)
EBIT	228.0	252.2	(9.6)



GAMING SERVICES BUSINESS

OPERATIONS

- + Tabcorp Gaming Solutions (TGS) and the Intecq businesses of eBet and Odyssey operate across Victoria, NSW, Queensland, South Australia, ACT, Northern Territory and Tasmania.
- + This business partners with licensed gaming venues to provide a mix of gaming expertise, specialised services, strategic advice and financing, with the aim of optimising gaming and total venue performance.
- + Under the Odyssey brand the business provides gaming machine monitoring in Queensland.
- + The TGS business has approximately 10,650 EGMs under contract.

LICENCES/APPROVALS

- + Victorian listings on the Roll of Manufacturers, Suppliers and Testers.
- + NSW Gaming Machine Dealer's Licences.
- + Queensland Monitoring Operator Licence.
- + South Australian Gaming Machine Dealer's Licence.
- + ACT Supplier Certificates.
- + Northern Territory listing on the Roll of Approved Gaming Equipment Suppliers.
- + Tasmanian listings on the Roll of Recognised Manufacturers, Suppliers and Testers of Gaming Equipment.

FY17 HIGHLIGHTS

- + Growth driven by the commencement of new NSW venues, including the Panthers Group.
- + Acquired Intecq in December 2016, providing additional scale and enhanced growth prospects. Results included seven months contribution from Intecq.

FUTURE OBJECTIVES

- + Focus on continued performance for venue partners and expansion opportunities.
- + Complete the integration of Intecq and deliver remaining synergies.

REVIEW OF RESULTS

Gaming Services revenues were up 34.2%, and EBITDA was up 17.1%. The result included seven months of Intecq trading, which is a complementary gaming systems and monitoring business. Excluding Intecq, revenues were up 7.8% and EBITDA was up 4.0%.

Growth has been driven by the commencement of a number of new venues in NSW, including Panthers Group from February 2017.

The integration of Intecq is on track, including the realisation of expected synergies.

	FY17 \$m	FY16 \$m	Change %
For the year ended 30 June			
Revenue	143.9	107.2	34.2
Taxes, levies, commission and fees	(10.3)	(1.1)	>100.0
Operating expenses	(51.5)	(36.0)	43.1
EBITDA	82.1	70.1	17.1
Depreciation and amortisation	(34.2)	(29.1)	17.5
EBIT	47.9	41.0	16.8

ACQUISITION OF INTECQ COMPLETED AND INTEGRATION PROGRESSING WELL



Revenues



\$143.9m



Up | 34.2%

EBIT



\$47.9m



Up | 16.8%

KENO BUSINESS



OPERATIONS

- + Keno is a random number game that is played every 3 minutes with the chance for customers to win instant prizes and multi-million dollar life-changing jackpots.
- + Keno is distributed to 3,616 venues across clubs, hotels and TABs in Victoria, Queensland and ACT, and in clubs and hotels in NSW.
- + Keno is available online in the ACT.
- + Keno jackpot pooling across Victoria, NSW, Queensland and ACT.
- + 101.4 million tickets sold in FY17, up 0.9%.
- + Average ticket size in FY17 of \$11.6, up 3.6%.

LICENCES/APPROVALS

- + Victorian Keno Licence expires in April 2022.
- + NSW Keno Licence expires in April 2050.
- + In NSW Tabcorp operates Keno under a management agreement with ClubKENO Holdings Pty Ltd.
- + Queensland Keno Licence expires in June 2047.
- + ACT Approval to Conduct Keno expires in October 2064.

FY17 HIGHLIGHTS

- + Total Keno network turnover was up 3.6%.
- + Commenced jackpot pooling with Queensland.
- + Launched Mega Millions product in NSW and ACT.
- + Commenced digital play in-venue in NSW.

FUTURE OBJECTIVES

- + Drive growth from recent investments in product, digital and retail customer experience.

REVIEW OF RESULTS

Keno revenues were up 2.0%, while EBITDA was up 2.4%.

Keno achieved total turnover growth of 3.6%, with strong

performance in NSW, Victoria and ACT, which was partially offset by softness in Queensland.

A range of new customer initiatives have recently been introduced, including the launch of Mega Millions in NSW and the ACT and a digital offer, including in-venue play in NSW. Keno has signed up 13,400 digital account customers.

	FY17 \$m	FY16 \$m	Change %
For the year ended 30 June			
Revenue	212.7	208.5	2.0
Taxes, levies, commission and fees	(90.8)	(90.4)	0.4
Operating expenses	(49.9)	(47.8)	4.4
EBITDA	72.0	70.3	2.4
Depreciation and amortisation	(22.5)	(19.6)	14.8
EBIT	49.5	50.7	(2.4)

Revenues	
\$212.7m	
	Up 2.0%

EBIT	
\$49.5m	
	Down 2.4%

**CONTINUED POSITIVE
MOMENTUM WITH
TURNOVER UP 3.6%**



CORPORATE RESPONSIBILITY

NEW FRAMEWORK AND STRATEGY

Tabcorp's vision is to be the world's most respected gambling-led entertainment company. To achieve this, we have a robust approach to corporate responsibility – the responsibility Tabcorp takes for the impacts of its decisions and activities on society and the

environment. During the year, a new value-creating and sustainable corporate responsibility framework and strategy was adopted. The strategy was developed to generate value for shareholders, employees, stakeholders and the community over the short, mid, and longer term.

The framework is founded on the five pillars shown below.

In developing this framework and strategy, Tabcorp sought feedback from a wide range of internal and external stakeholders. This strategy builds upon the good progress and outcomes achieved by Tabcorp over many years, and helps focus our future corporate responsibility efforts in those areas that matter for Tabcorp and our stakeholders.

Some of the main achievements we have undertaken since the start of the 2017 financial year are set out as follows. As we implement our plan for the new corporate responsibility strategy, we will undertake additional activities to support these five pillars and build upon the great work we have undertaken so far.

The five pillars of Tabcorp's corporate responsibility framework

				
<p>Community</p>	<p>Workplace</p>	<p>Governance</p>	<p>Responsible Entertainment</p>	<p>Environment</p>
<p>Corporate community investment, employee and community engagement, and support for improving social impacts.</p>	<p>Leading workplace practices to foster fairness, safety and wellbeing, diversity, inclusiveness, opportunity, performance and growth.</p>	<p>Stakeholder engagement, Board and executive performance, policies, transparency, measurement and reporting.</p>	<p>Responsible gambling and advertising practices, and supporting the racing industry in enhancing animal welfare.</p>	<p>A good foundation to improve performance and awareness for delivering positive environmental outcomes.</p>

COMMUNITY

OUR VOLUNTARY CONTRIBUTIONS

Tabcorp has a proud history of supporting our industry partners and the communities in which we live, work and play. We have developed win-win partnerships with not-for-profit organisations that help the people in our industry, and in support of causes which our employees are passionate about.

In FY17, Tabcorp contributed around \$1.1 million of voluntary contributions directly to charities and local community organisations through cash donations, in-kind giving, employee volunteering and management time.

CYCLONE AND STORM RELIEF

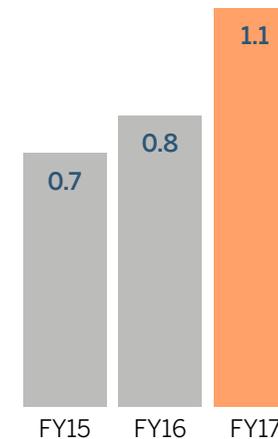
Following the devastating impact in April 2017 of ex-Tropical Cyclone Debbie in Queensland and northern New South Wales, Tabcorp contributed \$250,000 to relief efforts. We proudly donated \$200,000 to the Australian Red Cross Society and an additional \$12,500 each to four funds that operate within our industry:

- + Healthy Hoof Appeal in support of Queensland Thoroughbred Breeders

- + Queensland Hoteliers' Association fund
- + Racing Queensland fund
- + Racing NSW Hardship Fund

We were proud to help the people in these communities where many of our employees, industry partners, customers and other stakeholders live and work. It was also important to work with our partners to directly assist those people in our industry who were hit hardest, and support their recovery effort.

Total voluntary community contributions
\$m



TABCORP HAS A PROUD HISTORY OF SUPPORTING OUR INDUSTRY PARTNERS AND THE COMMUNITIES IN WHICH WE LIVE, WORK AND PLAY.

COMMUNITY

SUPPORTING TEAL PANTS

For the second year running, Tabcorp threw its support behind Team Teal to back the Women's Cancer Foundation. We were proud to collaborate with our racing partners Harness Racing Victoria, Harness Racing NSW and Harness ACT to support the Foundation, which is dedicated to funding research and development of an ovarian cancer vaccine.

During February and March 2017, female harness drivers across the country wore teal pants to raise funds and awareness for the Foundation. Each time a female driver passed the post first in Victoria, NSW and the ACT during the six-week campaign, Tabcorp donated \$200 to the Foundation. Our donations were matched by the respective harness racing body.

There were 151 winning female drivers in Victoria, NSW and the ACT, which brought our contribution to \$30,200 (of the total \$140,000 raised).

PARTNERING WITH THE NATIONAL JOCKEYS TRUST

Tabcorp is a major partner of the National Jockeys Trust (NJT), an organisation that supports injured jockeys and families of fallen riders. FY17 was the second year of our three year \$200,000 partnership with the NJT.

During FY17, Tabcorp donated \$40,000 and was the major sponsor of the TAB.com.au National Jockeys Trust T20 cricket match. This annual fundraiser has steadily grown over the years, and more than 500 people attended this year to watch some of the biggest names in Australian racing and sport. Through the support of the public and Tabcorp's sponsorship, almost \$85,000 was raised for this great cause.



HELPING EMPLOYEES CONNECT WITH COMMUNITIES

Tabcorp's community and employee engagement program, Tabcare, provides opportunities for employees to donate their time and raise funds for local community charities. Employees can use their one day of volunteer leave each year to help their charity of choice, or one of the major community partners which Tabcorp sponsors. Employees can also raise funds for their chosen charities, and Tabcorp will match the funds raised up to \$10,000 per charity.

OzHarvest is one of our Tabcare community partners, a relationship we have valued for four years. During the 2017 financial year 117 employees volunteered at OzHarvest events in Victoria, NSW and the ACT. Our team members worked with OzHarvest chefs to prepare thousands of meals using



rescued quality excess food, which are then distributed to charities to nourish those in need.

Tabcare also helps to bring our people together in team activities to support worthy causes and fundraising events. One of the

major employee-led initiatives was the World's Greatest Shave in March 2017. More than \$17,000 was raised by employees and Tabcorp's donation for the Leukaemia Foundation to help fight blood cancer such as leukaemia and lymphoma.

tabcare
TABCORP COMMUNITY ENGAGEMENT PROGRAM

Supporting
employee-led
community
investment

WORKPLACE

GENDER EQUALITY PROGRESS

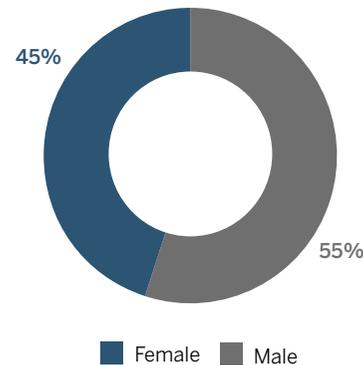
Tabcorp was recognised as an Employer of Choice for Gender Equality for the second year running by the Federal Government's Workplace Gender Equality Agency (WGEA). Just over 100 companies were awarded the citation in December 2016 and we were the only gambling entertainment company to make the list. The citation recognises our great achievements in working towards a diverse workplace where gender equality is championed.

Since we established Tabcorp's Diversity Council in 2012, an executive committee to lead gender equality across the whole organisation, we have increased the percentage of women in

senior leadership roles from 25% to 39%. This is great progress towards achieving our objective of having at least 40% female representation in senior management roles by 2018. We recognise that committing to gender equality not only benefits employees but Tabcorp too, with research showing that diverse organisations outperform those that are not.

Tabcorp's Diversity Policy and our annual report under the Workplace Gender Equality Act are available from the Corporate Governance section of Tabcorp's website at www.tabcorp.com.au.

Total employee population



39%

women in senior leadership positions as at 30 June 2017

WOMEN'S MENTORING PROGRAM EXPANDED

In FY17 we extended our successful Women's Mentoring Program, initially launched in 2014, to include a joint program in partnership with Racing Victoria. Aspiring female leaders from Racing Victoria and Tabcorp came together to complete the 12-week program, which provided opportunities for young female employees to receive

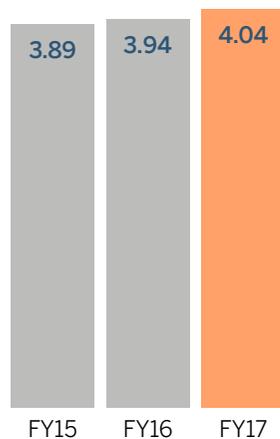
advice on becoming tomorrow's leaders. Mentors from the senior management ranks at Tabcorp and Racing Victoria provided support, encouragement and advice. Participants also undertook specialist units to help them to develop personally and professionally. The program aims to engage, grow and retain women in the racing industry, and build inclusive workplaces.



IMPROVING EMPLOYEE ENGAGEMENT

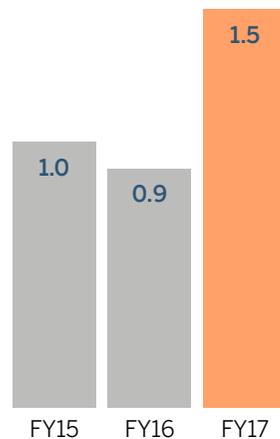
Our employee engagement levels continue to improve, which supports our progress to making Tabcorp a great place to work and being a high performing organisation. Employee engagement is independently measured on an

Employee engagement as assessed by Gallup



annual basis by Gallup. Our FY17 engagement score was 4.04 out of 5, which placed Tabcorp above the Gallup global average, and continued our upward trajectory since we began this annual survey in FY12.

Number of lost time injuries per million hours worked



HEALTH, SAFETY AND WELLBEING

Tabcorp remains focused on providing a safe working environment and promoting health and wellbeing in the workplace. Our low number of lost time injuries is below industry norms, and demonstrates our ongoing good work in managing safety and wellbeing at Tabcorp. Nevertheless, we continue to look at ways to improve the health, safety and wellbeing of our employees.

We have introduced a new online incident and hazard reporting tool which is accessible by employees anytime, even from mobile devices. This gives team members a quick and easy way to report incidents and hazards when they happen, and enables the health and safety management team to respond quickly.

We regularly publish articles on stress management, wellness, mindfulness and nutrition in our monthly employee newsletter, on our intranet, in company-wide emails and at employee expos. We also offer mental health and physical first aid training, and we have Wellness Champions at each office who are trained to provide mental health first aid.

SUPPORTING WORKING PARENTS

Tabcorp is committed to providing an inclusive and flexible workplace, including for working parents. During the year, we improved our Leave Policy to provide six weeks of paid parental leave for secondary carers, and for both the primary and secondary caregivers to receive superannuation contributions on all paid parental leave. Secondary caregivers have greater opportunity to spend time with their family at

the birth or adoption of their child. This complements our current offering of 13 weeks of paid leave for primary caregivers. These changes reflect market-leading parental leave arrangements for new parents and support our commitment to fostering a healthy work-life balance.

We also introduced Grace Papers to help working parents to achieve their professional and personal success. Grace Papers is an online platform that provides step-by-step information and support for mums and dads to successfully navigate pregnancy, career and parenting.

GOVERNANCE

OVERVIEW

Tabcorp is committed to operating with integrity and maintaining high standards of ethical behaviour. To support this commitment, Tabcorp's Board of Directors and management have adopted leading governance arrangements that are reflective of a high performing well governed organisation. The governance arrangements adopted by Tabcorp also support our vision (refer below). Tabcorp's corporate governance practices and policies are regularly reviewed and enhanced to ensure they continue to meet the needs of the Company and represent leading practice. The following is a summary of the key enhancements that have been implemented since the start of the 2017 financial year.

EXECUTIVE RISK AND COMPLIANCE COMMITTEE

This Committee provides senior executive oversight of, and focus on, the Group's risk management framework, compliance and integrity activities. This oversight enables the Senior Executive Leadership Team to:

- + Collectively and efficiently implement and manage risk and integrity frameworks, policies and tools;
- + Provide timely oversight and input into key risk, compliance, integrity and corporate responsibility issues;

- + Regularly receive and review reports relating to risk and compliance, and maintain an efficient and structured reporting cycle to the Board; and
- + Maintain a strong risk culture across the Group.

POLITICAL DONATIONS POLICY

As a major listed company operating in a highly regulated environment, Tabcorp has an obligation to its shareholders and stakeholders to participate in the process of public policy development at Commonwealth and state/territory level.

Tabcorp takes a strict principles based approach when making donations to political parties. These principles are:

- + Strict compliance with all laws in Australia and overseas;
- + An honest and transparent approach at all times;
- + No direct cash donations are to be made to any political party or affiliate;
- + All donations must have a public policy focus with the aim of creating value for customers, partners, the community and shareholders and, where possible, demonstrate to political stakeholders Tabcorp's strong links to the racing industry; and
- + A bi-partisan approach must be taken as much as is practicable.

The Board has oversight of this policy and approves Tabcorp's political donations program each year. Tabcorp discloses its political donations to the Australian Electoral Commission and other bodies, as required by law.

Tabcorp's Corporate Governance Statement 2017, Appendix 4G, and key policies and governance documents are available at tabcorp.com.au

Tabcorp's vision is to be the world's most respected gambling-led entertainment company.

RISK MANAGEMENT FRAMEWORK

Tabcorp's Risk Management Framework sets out the main risk categories that matter to the Group, and the approach we take to manage risk and compliance across the Group.

To support this framework, a Compliance Management Policy, risk appetite statements, risk register, and other key risk policies were approved by the Board Audit, Risk and Compliance Committee.

Work is underway to roll out a new Enterprise Risk Management system which together with our policies, processes and tools, enables us to manage risk.

The Chief Risk Officer team annually reviews the Risk Management Framework and Compliance Management Policy, and reports any material exceptions to the Executive Risk and Integrity Committee and to the Board Audit, Risk and Compliance Committee.



RESPONSIBLE ENTERTAINMENT

PROMOTING RESPONSIBLE GAMBLING AWARENESS

Tabcorp participated in the Responsible Gambling Awareness Weeks (RGAW) which were run by government and industry in Victoria, NSW and the Northern Territory. Also, Tabcorp supported the introduction of Gambling Harm Awareness Week (GHAW) in the Australian Capital Territory. By participating in these events, we help to educate and increase community awareness of the importance of responsible gambling. We provide a mix of employee time and expertise, financial support, and access to our channels (for example our retail outlets, online and social media) for distributing information where relevant.

RESPONSIBLE GAMBLING SYSTEM ENHANCEMENTS

During the year, Tabcorp implemented a predictive analytics risk surveillance system that monitors wagering behaviour to identify potential problem gambling activity through the use of machine learning algorithms and diagnostic filters. These tools track and monitor demographics as well as betting and spending activity and intensity. The surveillance system is supported by a case management solution for performing deeper analysis and evaluation of the potential problem gambling alerts triggered by the models. The case management solution also tracks and records customer intervention activity arising from the alerts.



ENVIRONMENT

HELPING OUR ENVIRONMENT

Through our Tabcare partnership with Conservation Volunteers in Victoria and NSW, we support our people to undertake activities that directly improve the environment and wildlife conservation.

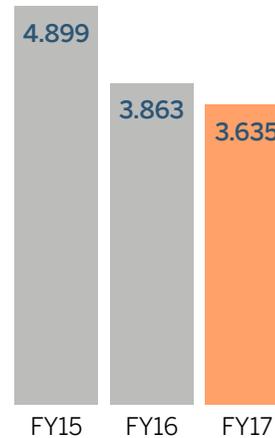
In conjunction with celebrating World Environment Day in June 2017, a team of Tabcorp environment warriors participated in a tree planting challenge. Our team planted 240 trees in record time to beat other corporate teams. A total of 1,000 trees were planted during the event which aimed to improve the habitat for wildlife and enhance biodiversity links.

We also supported the Conservation Volunteers' bi-annual Wild Futures program to assist the recovery of the Eastern Barred Bandicoot, which is listed as extinct in the wild. Teams coordinated by Conservation Volunteers performed health checks, micro-chipping, weight measurement and checked bandicoots' pouches.

REDUCING PAPER CONSUMPTION

Tabcorp has significantly reduced the amount of paper used, and of the paper consumed, significantly increased the proportion that is carbon neutral. We have implemented a number of initiatives including adopting 'follow-me' print technology which has helped reduce excessive and wasteful printing, sourcing more carbon neutral paper to help reduce our carbon footprint, as well as promoting employee awareness to reduce, reuse and recycle.

Million A4 equivalent pages



99.7%

of paper used is carbon neutral



100% is Australian made

26%

reduction in paper consumption



since FY15



BOARD OF DIRECTORS



Paula Dwyer

Chairman and Non Executive Director from June 2011^{(a)(b)}

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 Kirin Holdings International Advisory Board and a Member of the Takeovers Panel.

Ms Dwyer was formerly a Director of Leighton Holdings Limited, Suncorp Group Limited, Foster's Group Limited and David Jones Limited, and is a former member of the ASIC External Advisory Panel and the Victorian Casino and Gaming Authority and of the Victorian Gaming Commission.

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.

Ms Dwyer holds a Bachelor of Commerce. She is a Fellow of the Chartered Accountants Australia and New Zealand, Fellow of the AICD, and is a Senior Fellow of the Financial Services Institute of Australasia.



David Attenborough

Managing Director and Chief Executive Officer from June 2011

David Attenborough joined Tabcorp in April 2010 as Managing Director – Wagering. He became Managing Director and Chief Executive Officer when Tabcorp's demerger of its former casinos business was completed in June 2011. He is also a Director of the Australasian Gaming Council.

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).

Mr Attenborough holds a Bachelor of Science (Honours) and a Master of Business Administration, and is a Member of the AICD.



Bruce Akhurst

Non Executive Director from July 2017

Bruce Akhurst is the Executive Chairman of Adstream Holdings Pty Ltd and is a Director of private investment company Paul Ramsay Holdings Pty Ltd. He is also Chairman of the Peter MacCallum Cancer Foundation, and a Director of the State Library of Victoria, and a Council Member of RMIT University.

Mr Akhurst was the Chief Executive Officer of Sensis Pty Ltd from 2005 to 2012 and a Director and Chairman of FOXTEL. Mr Akhurst also spent seven years as Group Managing Director and Group General Counsel at Telstra Corporation Limited, and prior to that he was a Partner at Mallesons Stephen Jaques.

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

Mr Akhurst holds a Bachelor of Economics (Honours) and a Bachelor of Laws, and is a Fellow of the AICD.



Elmer Funke Kupper

Non Executive Director from June 2012 (on leave of absence)

Prior to demerger, 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 was Managing Director and Chief Executive Officer of ASX Limited from October 2011 to March 2016. His career includes several senior executive positions with 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.

Mr Funke Kupper holds a Bachelor of Business Administration and a Master of Business Administration, and is a Member of the AICD.



Steven Gregg

Non Executive Director from July 2012

Steven Gregg is a Director of Caltex Australia Limited, Challenger Limited and thoroughbred bloodstock company William Inglis & Son Limited. He is also a Member of the Grant Samuel non-executive Advisory Board, Trustee of the Australian Museum Trust and a Director of The Lorna Hodgkinson Sunshine Home.

He is the former Chairman of Goodman Fielder Limited and former Chairman of Austock Group Limited.

Mr Gregg had an executive career in investment banking and management consulting, including as Global Head of Investment Banking and CEO at 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.

Mr Gregg holds a Bachelor of Commerce.



Jane Hemstritch

Non Executive Director
from June 2011⁽ⁱ⁾⁽ⁱⁱⁱ⁾

Jane Hemstritch is a Director of Telstra Corporation Limited and Lend Lease Group. She is also a non-executive member of the Herbert Smith Freehills Global Council, Chairman of Victorian Opera Company Limited, and a Member of Chief Executive Women and the Council of the National Library of Australia.

Mrs Hemstritch was formerly a Director of Santos Limited and the Commonwealth Bank of Australia. She was also 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.

Mrs Hemstritch holds a Bachelor of Science (First Class Honours). She is a Fellow of the Chartered Accountants Australia and New Zealand, Fellow of the Institute of Chartered Accountants in England and Wales, and Fellow of the AICD.



Vickki McFadden

Non Executive Director
from July 2017

Vickki McFadden is Chairman of Eftpos Payments Australia Limited, a Director of Newcrest Mining Limited and Myer Family Investments Pty Ltd, and President of the Takeovers Panel. She is also a Member of Chief Executive Women and a Member of the Advisory Board and Executive Committee of the UNSW Business School.

Ms McFadden was Chairman of Skilled Group Limited prior to its acquisition by Programmed Maintenance Services Limited in 2015, and was previously a Non Executive Director of Leighton Holdings Limited. Prior to this, she was Managing Director, Investment Banking at Merrill Lynch (Australia) Pty Ltd.

Ms McFadden is a member of the Tabcorp Audit, Risk and Compliance Committee and Tabcorp Nomination Committee.

Ms McFadden holds a Bachelor of Commerce and a Bachelor of Laws, and is a Member of the AICD.



Justin Milne

Non Executive Director
from August 2011

Justin Milne is Chairman of MYOB Group Limited, Chairman of NetComm Wireless Limited and Chairman of Australian Broadcasting Corporation. He is also a Director of NBN Co Limited, Members Equity Bank Limited and SMS Management and Technology Limited.

Mr Milne was formerly Chairman of pieNETWORKS Limited, a Director of Basketball Australia Limited and Chief Executive Officer of OzEmail and the Microsoft Network.

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.

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

Mr Milne holds a Bachelor of Arts, and is a Fellow of the AICD.



Zygmunt Switkowski AO

Non Executive Director
from June 2011^{(i)(iv)}

Zygmunt Switkowski is Chairman of Suncorp Group Limited and Chairman of NBN Co Limited. He is also a Director of Healthscope Limited, and Chancellor of the RMIT University.

Dr Switkowski is a former Director of Oil Search Limited, 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.

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.

Dr Switkowski holds a Bachelor of Science (Honours), and a PhD (Nuclear Physics). He is a Fellow of the AICD, Australian Academy of Technological Sciences and Engineering, and Australian Academy of Science.

- (i) The demerger of the Group’s former casinos business, which occurred in June 2011, resulted in Tabcorp being a substantially different company. Therefore the Company’s view is that Directors’ tenure was reset at that time.
- (ii) Prior to demerger was a Non Executive Director from August 2005.
- (iii) Prior to demerger was a Non Executive Director from November 2008.
- (iv) Prior to demerger was a Non Executive Director from October 2006.

EXECUTIVES



Merryl Dooley

Executive General Manager – People, Culture & Communications

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, and Executive General Manager – People, Culture & Communications in March 2016.

Merryl holds a Master of Business Administration (Executive) and a Bachelor of Arts, and has attended the Senior Executive Program at the London Business School. She is a Member of AICD.



Sean Hughes

Group General Counsel

Sean joined Tabcorp in July 2017. As Group General Counsel he leads Tabcorp's Legal and Regulatory function.

Prior to joining Tabcorp, he was Chief Risk and Legal Officer at UniSuper. He has also held executive leadership roles with the Financial Markets Authority in New Zealand (as Chief Executive Officer), Australian Securities and Investments Commission, National Australia Bank Limited and Australia and New Zealand Banking Group Limited.

Sean holds a Bachelor of Laws (Honours), a Bachelor of Arts and a Master of Law (First). He is a Graduate Member of AICD.



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.



Clinton Lollback

Chief Risk Officer

Clinton joined Tabcorp in January 2016. Prior to joining Tabcorp, he was the Head of Operational Risk at Macquarie Group, a role he established and led for 10 years.

Clinton has extensive risk management experience in the banking and finance industry, including roles with Westpac, JP Morgan, and Coopers & Lybrand.

Clinton holds a Bachelor of Business and is a Member of the Institute of Chartered Accountants.



Fiona Mead

Company Secretary

Fiona commenced at Tabcorp in July 2016.

Prior to joining Tabcorp, she was Company Secretary of Asciano Limited and previously Assistant Company Secretary of Telstra Corporation.

Fiona holds a Bachelor of Laws (Honours) and a Bachelor of Commerce. She is a Fellow of the Governance Institute of Australia and a Graduate Member of the AICD.



Claire Murphy

Chief Marketing Officer

Claire commenced with Tabcorp in January 2015 in the role of General Manager Marketing – Keno & Gaming, and was appointed as Chief Marketing Officer in March 2016.

Prior to joining Tabcorp, she held senior marketing roles with William Hill Australia, Crown Melbourne, Melbourne Storm Rugby League Club, World Wrestling Entertainment in the UK, and Goodyear.

Claire holds a Bachelor of Arts and is a Member of AICD.



Craig Nugent

Chief Operating Officer –
Wagering and Media

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 Pty Ltd, he has held senior executive roles in Fixed Odds Racing and Wagering, Oncourse Operations and International Sales. 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.



Adam Rytenskild

Chief Operating Officer –
Keno and Gaming

Adam joined Tabcorp in 2000 as State Manager – Retail Wagering 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 the establishment of Digital and growing the Retail business.

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

Adam holds a Master of Business Administration and has attended the Senior Executive Programme at London Business School. He is a Member of AICD.



Ben Simons

Chief Strategy Officer

Ben commenced with Tabcorp in July 2017 in the position of Chief Strategy Officer. He has oversight of corporate strategy, new business development and investments, and the Office of the CEO, which includes corporate communications and government, investor and stakeholder relations.

He was previously with Telstra where he was most recently Director of Telstra Air, Australia's largest wifi hotspot network. Prior to Telstra, he was Group General Manager – Strategy at Pacific Brands and a Principal of management consulting firm Bain and Company.

Ben holds a Masters in Business Administration, a Bachelor of Economics, a Bachelor of Laws, and a Graduate Diploma in Applied Finance from the Securities Institute of Australia.



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.

She has extensive experience managing and leading technology businesses, including a five year career with Quest Software prior to joining Tabcorp.

Kim holds a Master in Management and Technology, a Bachelor of Science (Computing), and has attended the Advanced Management Programme at Harvard Business School. She is a Graduate Member of the AICD.

DIRECTORS' REPORT

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The Directors of Tabcorp Holdings Limited (the Company) submit their report for the consolidated entity comprising the Company and its subsidiaries (the Group) and the Group's interests in joint arrangements in respect of the financial year ended 30 June 2017.

1. PRINCIPAL ACTIVITIES

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

2. OPERATING AND FINANCIAL REVIEW OF THE GROUP

The financial results of the Group for the financial year ended 30 June 2017 comprise its three businesses of Wagering and Media, Gaming Services, and Keno. The activities and financial performance of the Group and each of its operating businesses for the financial year are set out on pages 1 to 19.

3. 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 Group, have occurred since the commencement of the financial year on 1 July 2016.

3.1 Acquisition of Intecq

The Tabcorp Group acquired Intecq Limited (Intecq) in December 2016, providing additional scale and enhanced growth prospects for the Tabcorp Gaming Solutions (TGS) business.

3.2 Launch of Sun Bets

The new Sun Bets business was launched in August 2016. Sun Bets is a new online wagering and gaming business which competes in the UK and Irish online gambling markets. This business operates pursuant to an agreement with News UK, where Tabcorp is the wagering operator and holder of the relevant gambling licences, and News UK provides marketing and promotional services to customers. The agreement has an initial term of 10 years (subject to the terms of the agreement), and is structured as a variable revenue share arrangement, with a minimum commitment payable by Tabcorp to News UK in each year of the agreement. Tabcorp has a termination right in December 2019, subject to certain conditions being satisfied at that time. Refer to section 7.8 for further detail.

3.3 Other significant changes in the state of affairs

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

DIRECTORS' REPORT

4. SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

On 19 October 2016 the proposed combination of Tabcorp and Tatts Group Limited (Tatts Group) was announced. The Australian Competition Tribunal (Tribunal) granted authorisation of the transaction on 20 June 2017, subject to Tabcorp divesting its Odyssey Gaming Services (Odyssey) business. In July 2017, the Australian Competition and Consumer Commission (ACCC) and CrownBet Pty Ltd (CrownBet) both lodged applications to the Federal Court of Australia for a judicial review of the authorisation. The judicial review will focus on the legal process followed by the Tribunal rather than the substance of its factual findings. The matter is scheduled to be heard on 28 and 29 August 2017.

On 18 April 2017, the Group announced that it had executed agreements to divest its Odyssey business (by way of the sale of 100% of the shares of Odyssey Gaming Limited), as part of the process for securing competition approvals for the proposed combination with Tatts Group. Odyssey provides electronic gaming machine monitoring services and repair and maintenance services in Queensland, and is part of the Group's Gaming Services operating segment. The sale is subject to the successful completion of the Group's combination with Tatts Group.

No other matters or circumstances have arisen since the end of the financial year, which are not otherwise dealt with in this report or in the Financial Report, that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years. Refer also to note A6 to the Financial Report.

5. BUSINESS STRATEGIES

The 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 Group continues to focus on a number of key priorities, which are set out on page 5 and discussed on pages 10 to 13. The priorities and strategies of the Group's operating businesses are set out on pages 14 to 19.

6. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Each year the Board undertakes a formal strategic planning process to provide guidance to management about the Group's strategic direction. The Group plans to continue with its business strategies, as set out in this report and referenced above. 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 7.

The Directors have excluded from this report any further information on the likely developments in the operations of the 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 Group.

7. KEY RISKS AND UNCERTAINTIES

The 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 Group. Overviews of the Group's risk management processes and internal control framework are disclosed in the Company's Corporate Governance Statement available on Tabcorp's website.

Set out below are summaries of the key risks which may materially impact the execution and achievement of the business strategies and prospects for the 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 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.

7.1 Regulation and changes to the regulatory environment

The activities of the Group are conducted in highly regulated industries. The gambling activities that members of the Group conduct, and will conduct, and the level of competition they face, and will face, will depend to a significant extent on:

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

Changes in legislation, regulation or government policy may have an adverse impact on the Group's operational and financial performance. Court decisions concerning the constitutionality or interpretation of such legislation, regulations or government policy may have an adverse effect on the operational and financial performance of the Group. Potential changes, which would potentially negatively affect the value of the licences granted to members of the Group, and potentially the Group's financial performance, include:

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

DIRECTORS' REPORT

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

As a leader in the Australian gambling industry, the 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 Group and its stakeholders.

The 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 Group maintains long term gambling licences, and seeks new licences and to extend existing licences where possible.

7.2 Deregulation

The rapid deregulation of the national wagering market has seen a dramatic growth in market share by the corporate bookmakers, mostly located in the Northern Territory. This rapid deregulation has the potential to have an adverse impact on the Group's earnings in the short term as market changes continue. Tabcorp continually adjusts its wagering business model to take account of the changed market dynamics and to mitigate the adverse consequences of deregulation.

7.3 Competition

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

More specifically, the Group's wagering business currently competes with bookmakers in Victoria, NSW, and the ACT, and other interstate and international wagering operators who accept bets over the telephone or internet (such as corporate bookmakers based in the Northern Territory and betting exchanges). The internet and new forms of distribution have allowed new competitors to enter the Group's traditional markets of Victoria, NSW, and the ACT without those competitors being licensed in those states. Further, court decisions, a relaxation of relevant advertising laws (or the way in which they have been administered) and the increasing application of competition policy have allowed other wagering operators to gain greater freedom to compete nationally. Competition from the interstate and international operators may extend to the Group's retail wagering network.

The Group's Keno and gaming businesses each face competition in their respective industries.

If the Group does not adequately respond to the competition for consumers' discretionary expenditure, including competing gambling offerings, there may be an adverse effect on the operational and financial performance of the Group.

The Group adopts a range of strategies, including leveraging its exclusive retail network, enhancing its customer service and relationship management, introducing new products, and driving digital excellence across its multi-channel network. During the year Tabcorp continued to advance its strategy to increase digital integration, support retail venue partners and improve the customer experience by introducing a new venue digital commission model and enhancements to the TAB app, including the new Check & Collect function.

The Group also explores new business opportunities, and during the year launched Sun Bets, a new online wagering and gaming business in the UK and Ireland.

7.4 Clubs NSW/CrownBet arrangements

Clubs NSW and CrownBet have recently announced a “partnership” arrangement in respect of “digital wagering services” in NSW clubs. If this arrangement continues, and individual registered clubs participate, this could potentially have a negative impact on Tabcorp’s retail exclusivity in NSW and the way in which Tabcorp operates its business in NSW. There is a risk that, over time, similar arrangements could be introduced in other states and territories in which Tabcorp operates its business.

The Group maintains strong relationships with many of its industry stakeholders, and actively pursues partnerships with industry participants to develop business opportunities.

7.5 Racing and sports products

The Group’s wagering business is reliant on racing industries and sporting bodies across Australia, and internationally, providing a program of events for the purposes of wagering. A significant decline in the quality or number of horses, greyhounds, or sporting contests or the number of sporting and racing events, or the occurrence of an event which adversely impacts on the racing industry or sporting events, or which otherwise disrupts the scheduled racing or sporting program (such as an outbreak of equine influenza, other animal sickness pandemics, or adverse weather conditions), would have a significant adverse effect on wagering revenue and may have an adverse effect on the operational and financial performance of the Group.

The 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 Group has business continuity plans to help manage and respond to significant events which may impact upon the supply of racing product.

7.6 Race field and sports product fees

Each state and territory of Australia has implemented race fields arrangements, under which each state or territory (or its racing industry) charges wagering operators product fees for use of that industry’s race fields information. Consequently, the Group is required to pay product fees to the relevant racing controlling body. Similar arrangements exist in relation to sports, and the Group is also required to pay product fees to sports controlling bodies. There is the potential that fees will increase, or new fees will be introduced, and such fees may have an adverse effect on the operational and financial performance of the Group.

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

7.7 Tabcorp Gaming Solutions (TGS) is unable to retain its contracted machine base post 2022

In Victoria, Tabcorp currently has some gaming machines under contract until 2018 and a majority of gaming machines under contract until 2022. As the 2018 and 2022 dates are approached, the market may become concerned about the ability for TGS to retain the Victorian earnings base and may adjust its valuation accordingly. In NSW, clubs have the right to exit TGS contracts at any time, without cause, upon 60 days’ notice and payment of TGS expenses including a pre-estimate of losses likely to be suffered by TGS.

DIRECTORS' REPORT

7.8 Sun Bets

In August 2016 Tabcorp commenced operation of the Sun Bets business, which offers online wagering, sports bookmaking and casino products to residents of the United Kingdom and Ireland. The UK and Irish gambling sector is very competitive and, to date, the Sun Bets business has performed below Tabcorp's expectations. Tabcorp is currently taking steps to restructure the business to right size it to better reflect post-launch requirements. These steps include changes to leadership, team size, systems requirements and material commercial arrangements. A number of other actions have been, and will continue to be, taken to position Sun Bets for improved performance. If the Sun Bets business performance does not materially improve, this would have an adverse impact on Tabcorp's earnings.

There are minimum fees payable by Tabcorp to News UK. If the Sun Bets business does not achieve revenue equivalent to the minimum fees in FY19 and:

- + the parties are unable to agree that the revenue will meet the specified minimum fees in FY20 and FY21 based on current and forecast growth rates; or
- + the business has not met agreed brand awareness targets,

then the parties must seek to renegotiate the minimum fees and marketing expenditure levels for the remainder of the term. If the parties after discussions and negotiations (in good faith) are unable to reach agreement on these matters, Tabcorp may terminate the agreement with effect from 31 December 2019. If it terminates in this scenario, then in addition to incurring costs typically associated with winding down a business, Tabcorp is also required to pay £1.5 million to News UK. The effect of the termination will be that the parties' respective minimum fee payment and marketing expenditure obligations cease to apply from that date and an agreed exit plan will be enacted.

7.9 Point of Consumption Tax is implemented with negative impact on Tabcorp

The South Australian Government introduced a point of consumption tax of 15% on the 'Net Wagering Revenue' of betting companies offering services to South Australia (Point of Consumption Tax), with effect from 1 July 2017. All bets placed in South Australia with Australian-based betting companies are liable for the tax.

Tabcorp has also engaged with a number of other Australian state governments regarding the introduction of similar point of consumption taxes.

It is possible that the introduction of such taxes could negatively impact the Tabcorp business.

7.10 Softer wagering trends, particularly in digital

Softer wagering trends may negatively impact earnings and shape market expectations of future growth.

7.11 Sky Channel broadcast arrangements and satellite risks

Sky Channel holds rights to broadcast various race meetings held throughout Australia and internationally. Certain of the contracts pursuant to which these broadcast rights are held have expired or will expire and new contracts are being negotiated or will require renegotiation.

If, for any reason, the Group is unable to renegotiate any of its key broadcast arrangements or to renegotiate them on materially the same or similar terms, then this may impact the operational and financial performance of the Group's wagering business.

There is a risk that the satellites through which Sky Channel broadcasts cannot receive or transmit signals at any particular time, thereby potentially impacting wagering and sports betting revenue. Sky Channel does not have third party insurance covering this risk as its cost is considered prohibitive, however, it has in-principle agreement, and the necessary technical facilities in place, that back-up satellite access would be made available with an alternative provider.

There is nevertheless still a risk of a loss of broadcast coverage if Sky Channel is required to switch from one satellite to another in the event of malfunction.

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

7.12 Computer systems and technology security risks

The Group's businesses rely on the successful operation of technology infrastructure. A prolonged failure of the computer systems and/or related infrastructure or technology security failure, such as a cyber-attack, could impact upon the Group's technology systems and equipment, or result in the loss or exposure of information assets, which may potentially adversely impact the reputation, operations or financial performance of the Group.

Significant resources are allocated to managing the Group's information technology portfolio, including specialist resources dedicated to information security and responding to cyber risks. The Group's information security management system has been certified to ISO 27001 standard. The Group continues to evolve and strengthen its practices to effectively manage technology security risks.

7.13 Compliance risks

Any failure by members of the Group to meet compliance standards, values and systems at operational levels may increase exposure to a compliance failure, potentially leading to the suspension or loss of applicable gambling licences, other civil or criminal penalties and brand damage and loss of future licence or business opportunities. The Group has a structured approach to managing compliance across its businesses, which is overseen by the Chief Risk Officer and the Board Audit, Risk and Compliance Committee.

7.14 Customer compliance with regulatory requirements

Any failure by existing customers of the Group to satisfy, or to continue to satisfy, necessary regulatory requirements, including in relation to identity verification and other background checks relating to being a registered customer of the Group, could impact on the operations and earnings of the Group.

7.15 Disciplinary action and cancellation of licences or inability to renew

In certain situations (including, potentially, if the Group fails to meet the terms and conditions of its licences or other compliance requirements), the licences and authorisations that have been granted to members of the Group (including the Victorian Wagering and Betting Licence, the Victorian, ACT, NSW and Queensland Keno Licences, the NSW and ACT totalizator and sports bookmaking licences and the Northern Territory sports bookmaking licence) may be suspended, terminated or cancelled. As at the date of this report, no member of the Group has been advised or is aware of the existence of any circumstance which is likely to give rise to the termination, suspension or cancellation of any of those licences.

The suspension, cancellation or termination of any of the key licences or authorisations held by a member of the Group, or the failure by a member of the Group to have any existing licence or authorisation renewed (or renewed on terms that are less favourable to the Group), would potentially result in a loss of revenue and profit for the Group, which would adversely affect the Group's financial performance and financial position.

7.16 New South Wales fixed odds wagering on racing

Tabcorp's ability to continue to offer fixed odds wagering on racing in New South Wales is subject to approval by Racingcorp Pty Limited. Withdrawal of this approval is a risk. If Racingcorp Pty Limited did withdraw its approval, this would result in a reduction in the amount of revenue and profit that the Tabcorp Group generates from fixed odds wagering on racing in New South Wales.

7.17 Combination with Tatts Group

There are risks that the proposed combination between Tabcorp and Tatts Group is delayed or does not proceed. Tabcorp continues to work hard to progress the necessary approvals and satisfy or waive the conditions precedent to affect the transaction.

There are also risks associated with the integration of Tabcorp and Tatts Group should the proposed combination proceed. These risks include that any integration or strategy implementation may take longer than expected or that the extraction of potential synergies and business improvements does not occur or may incur additional costs, which would impact the Group's financial performance. Tabcorp intends to mitigate these risks through careful planning and the involvement of internal staff and external experts and consultants as required.

DIRECTORS' REPORT

8. 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 30 and 31.

9. 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 2014, and the period for which each directorship has been held.

Name	Listed entity	Period directorship held
Paula Dwyer	Australia and New Zealand Banking Group Limited	April 2012 to present
	Healthscope Limited ⁽ⁱ⁾	June 2014 to present
David Attenborough	Nil	
Bruce Akhurst	Nil	
Elmer Funke Kupper	ASX Limited	October 2011 to March 2016
Steven Gregg	Caltex Australia Limited	October 2015 to present
	Challenger Limited	October 2012 to present
	Goodman Fielder Limited	February 2010 to March 2015
Jane Hemstritch	Commonwealth Bank of Australia	October 2006 to March 2016
	Lend Lease Group	September 2011 to present
	Santos Limited	February 2010 to May 2016
	Telstra Corporation Limited	August 2016 to present
Vicki McFadden	Newcrest Mining Limited	October 2016 to present
	Skilled Group Limited	September 2005 to October 2015
Justin Milne	MYOB Group Limited	March 2015 to present
	NetComm Wireless Limited	March 2012 to present
	SMS Management and Technology Limited	August 2014 to present
Zygmunt Switkowski	Healthscope Limited ⁽ⁱ⁾	April 2016 to present
	Oil Search Limited	November 2010 to December 2016
	Suncorp Group Limited ⁽ⁱⁱ⁾	September 2005 to present

(i) Relisted on ASX in July 2014.

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

10. 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	
	Ordinary shares	Performance Rights
Paula Dwyer	100,000	-
David Attenborough	889,627	1,504,708
Bruce Akhurst	39,108	-
Elmer Funke Kupper	64,166	-
Steven Gregg	15,000	-
Jane Hemstritch	31,962	-
Vicki McFadden	30,000	-
Justin Milne	31,208	-
Zygmunt Switkowski	91,949	-

11. DIRECTORS' INTERESTS IN CONTRACTS

Some Directors of the Company, or related entities of the Directors, conduct transactions with entities within the 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.

The Board assesses the independence of Directors and, among other things, takes into account 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 Group which is material. No such circumstances arose during the financial year. For more information refer to the Corporate Governance Statement available on Tabcorp's website.

DIRECTORS' REPORT

12. BOARD AND COMMITTEE MEETING ATTENDANCE

During the financial year ended 30 June 2017 the Company held 19 meetings of the Board of Directors, of which ten were standard scheduled Board meetings and nine Board meetings were held to discuss special business. Special Board meetings were often called at short notice to address significant emerging issues, such as the proposed combination with Tatts.

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

Name	Standard Board Meetings		Special Board Meetings		Audit, Risk and Compliance Committee		Nomination Committee		Remuneration Committee	
	A	B	A	B	A	B	A	B	A	B
Paula Dwyer ⁽ⁱ⁾	10	10	9	9	6	6	2	2	4	4
David Attenborough ⁽ⁱⁱ⁾	10	10	9	9	6	6	2	2	4	4
Bruce Akhurst ⁽ⁱⁱⁱ⁾	9	9	7	9	5	5	1	1	-	-
Elmer Funke Kupper ^(iv)	-	-	-	-	-	-	-	-	-	-
Steven Gregg	10	10	7	9	6	6	2	2	4	4
Jane Hemstritch ^(v)	8	10	5	9	6	6	2	2	-	-
Vickki McFadden ⁽ⁱⁱⁱ⁾	9	9	7	9	5	5	1	1	-	-
Justin Milne	10	10	7	9	6	6	2	2	-	-
Zygmunt Switkowski	9	10	8	9	5	6	2	2	4	4

A – Number of meetings attended.

B – Maximum number of possible meetings available for attendance.

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

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

(iii) Bruce Akhurst and Vickki McFadden commenced as Non Executive Directors on 18 July 2017 following the receipt of all necessary regulatory and ministerial approvals. For the meetings disclosed above, Mr Akhurst and Ms McFadden attended as observers whilst awaiting regulatory approval, for which they were not required to attend and could not vote on any matter.

(iv) Elmer Funke Kupper commenced a leave of absence from the Board on 21 March 2016, and has not attended any Board or Committee meetings during the financial year.

(v) Jane Hemstritch took a leave of absence from the Board during May 2017 for personal reasons.

In addition to the meeting attendances above, a number of Directors participated in Board Committees established for special purposes.

The terms of reference and details of the functions and memberships of the Committees of the Board are set out in the Company's Corporate Governance Statement available on Tabcorp's website.

13. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Directors and Officers of the Group are indemnified against liabilities pursuant to agreements with the 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.

14. COMPANY SECRETARY

Fiona Mead was appointed to the Tabcorp Senior Executive Leadership Team on 18 July 2016 and formally commenced as Company Secretary on 29 March 2017 following receipt of the necessary regulatory and ministerial approvals. Prior to joining Tabcorp, she was Company Secretary of Asciano Limited and previously Assistant Company Secretary of Telstra Corporation. She holds a Bachelor of Laws (Honours) and Bachelor of Commerce. Fiona is a Fellow of the Governance Institute of Australia and a Graduate Member of the Australian Institute of Company Directors.

15. CORPORATE GOVERNANCE

The Directors of the Company support and adhere to the ASX Corporate Governance Principles and Recommendations, 3rd Edition, recognising the need for maintaining high standards of corporate behaviour and accountability. Refer to pages 26 and 27 for further information. The Company's Corporate Governance Statement is available under the Corporate Governance section of the Company's website at www.tabcorp.com.au.

16. ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's environmental obligations are regulated under both state and federal laws. The Group has a record of complying with, and in most cases exceeding, its environmental performance obligations. No environmental breaches have been notified to the Group by any government agency.

17. OTHER MATTERS

The civil proceedings brought by the Australian Transaction Reports and Analysis Centre (AUSTRAC) against certain members of the Tabcorp Group were resolved, as announced on 16 February 2017. The proceedings against Tabcorp Holdings Limited and the Group's NSW and Victorian wagering businesses alleging certain breaches of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 were resolved by agreement between the parties. Under the terms of the agreement, Tabcorp paid a civil penalty of \$45.0 million (plus AUSTRAC's legal costs on an agreed basis).

Tabcorp was notified in March 2016 that the Australian Federal Police (AFP) are investigating claims raised in media articles in relation to a payment concerning a Cambodian business opportunity. The Company explored a business opportunity in relation to the Cambodian sports betting market in 2009/2010. At that time, some Asian countries were considering deregulating sports betting. The Company chose not to pursue the opportunity. The Company is cooperating fully with the AFP.

18. AUDITORS

The Group's external auditor is Ernst & Young. The 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 Company's Corporate Governance Statement.

19. NON-STATUTORY AUDIT AND OTHER SERVICES

Ernst & Young, the external auditor to the Company and the Group, provided non-statutory audit services to the Company during the financial year ended 30 June 2017. 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

DIRECTORS' REPORT

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

Ernst & Young, acting as the Company's external auditor, received or are due to receive \$844,000 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 E5 to the Financial Report.

20. AUDITOR'S INDEPENDENCE DECLARATION

Shown opposite 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 2017. This auditor's independence declaration forms part of this Directors' Report.

21. ROUNDING OF AMOUNTS

Dollar amounts in the Financial Report and the Directors' Report have been rounded to the nearest hundred thousand unless specifically stated to be otherwise, in accordance with the Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

22. REMUNERATION REPORT

The Remuneration Report for the financial year ended 30 June 2017 forms part of this Directors' Report, and can be found on pages 47 to 80.

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



Paula J Dwyer
Chairman

Melbourne
4 August 2017



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

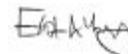
Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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

As lead auditor for the audit of Tabcorp Holdings Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Tabcorp Holdings Limited and the entities it controlled during the financial year.



Ernst & Young



David Shewring
Partner
4 August 2017

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REMUNERATION REPORT

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REMUNERATION REPORT (AUDITED)

for the financial year ended 30 June 2017

LETTER FROM THE BOARD CHAIRMAN AND REMUNERATION COMMITTEE CHAIRMAN

Dear Shareholder,

On behalf of the Tabcorp Board of Directors, we present our 2017 remuneration report for which we will seek your approval at the annual general meeting to be held on 27 October 2017.

In considering remuneration decisions, the year ended 30 June 2017 presented mixed results for Tabcorp. Significant strategic steps were taken by management – foremost the proposed merger with the Tatts Group to create a world-class diversified gambling entertainment group. In addition, entry into the UK gaming market with Sun Bets in partnership with News UK should provide an important growth path for Tabcorp.

The settlement of the AUSTRAC litigation brought to an end a difficult and distracting dispute with the regulator. And the associated investment in new systems to ensure the highest levels of anti-money laundering and fraud monitoring, and the increased resourcing of our risk and compliance function, will produce an enduring core capability for a company dependent upon both social and regulatory licences to operate.

These plus other initiatives came at a cost – in some cases predictable and affordable, in other cases unwelcome. In aggregate, these (typically one-off) costs have significantly depressed the reported profit results for Tabcorp, well below our expectations when the budget for the year ended 30 June 2017 was set.

While the financial position of the company has not been greatly affected and remains strong, the foreshadowed dividend is being delivered, and our outlook is confident, for the purposes of determining annual incentive payments, the starting point for any such calculation was difficult.

The MD & CEO and his senior team recommended that no short term incentive payments be made for the year ended 30 June 2017 and this recommendation was accepted by the Board in the case of the MD & CEO, Chief Financial Officer and the Chief Operating Officer Wagering and Media. There was general recognition that, while much was achieved in the year which will underpin future results for the corporation, an objective assessment of, especially, financial outcomes inevitably led to this conclusion.

Reduced awards were determined for other members of the Senior Executive Leadership Team and employees who participated in the STPP program – albeit funded from a much-reduced bonus pool.

In summary:

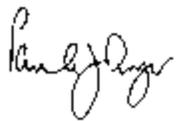
- No STI will be awarded to the MD & CEO;
- No STI will be awarded to the Chief Financial Officer and the Chief Operating Officer Wagering & Media;
- Although the Keno and Gaming Services business units achieved their financial and non-financial targets for the year, the Chief Operating Officer Keno & Gaming's STI award was reduced to 50% of his target opportunity, given the overall performance of the Group and the size of the bonus pool; and
- The total STI pool for all eligible STPP participants across the business has been reduced to 30% of the target pool.

As can be seen in this Remuneration Report, Tabcorp's remuneration structure has rewarded executives in years where the organisation has exceeded financial and non-financial targets (and produced favourable returns to shareholders) but has also provided lower pay outcomes in more challenging years such as the year ended 30 June 2017, under review.

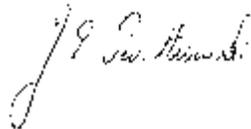
Remuneration in 2018

The Remuneration Committee considers both shareholder and proxy advisor feedback in its annual review of Tabcorp's remuneration framework and levels. In 2016, shareholders and proxy advisors raised several questions regarding the organisation's LTI and STI plans as well as suggesting a fuller disclosure of the balanced scorecard metrics. The Remuneration Committee approved several enhancements to this 2017 remuneration report with the aim of improving transparency and providing more information regarding the link between pay and performance.

In anticipation of the proposed combination with the Tatts Group, the Board elected not to alter any components of the current remuneration framework which has worked effectively for some years. When the proposed combination proceeds, a broader review of the variable incentive plans will be undertaken to ensure effective integration and alignment between the two organisations in their remuneration principles and rewards.



Paula J Dwyer
Board Chairman



Zygmunt E Switkowski
Remuneration Committee Chairman

REMUNERATION REPORT (AUDITED)

for the financial year ended 30 June 2017

1. PURPOSE

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

The Remuneration Report relates to the key management personnel ('KMP') of the Group, comprising the Company and its subsidiaries for the financial year ended 30 June 2017. KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, and comprises all the Directors of Tabcorp and certain members of the Senior Executive Leadership Team. The same group of individuals is regarded as KMP for both the Company and the Group.

2. REMUNERATION PHILOSOPHY

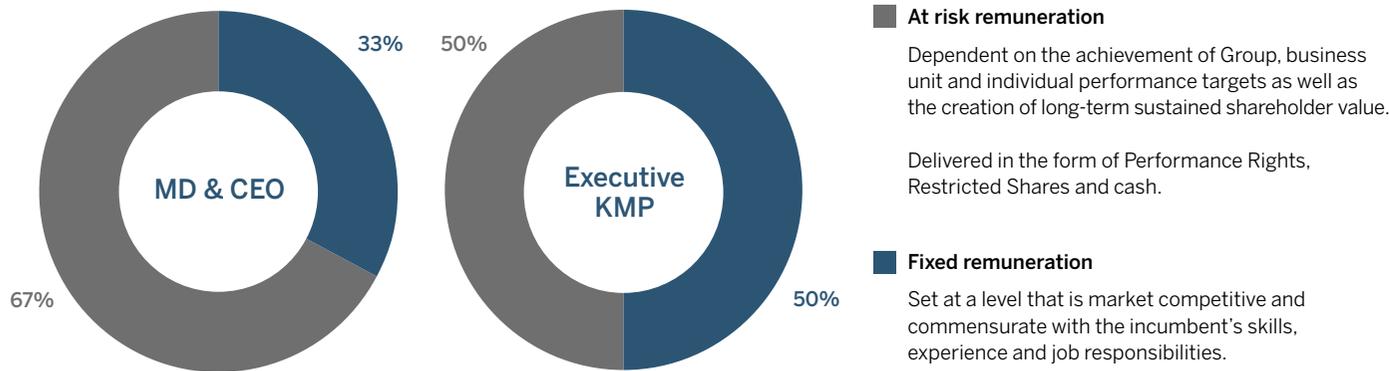
Tabcorp's remuneration philosophy is to attract, motivate and retain high calibre individuals across the organisation through a market-competitive, performance-linked and shareholder-aligned remuneration framework. The Remuneration Committee regularly reviews the remuneration philosophy and underlying principles to ensure they remain competitive and consistent with business objectives and generally accepted market practice.

Tabcorp's remuneration framework is underpinned by the following key principles:

Key principle	Description	How does this translate into Tabcorp's remuneration framework?		
		Fixed remuneration	Short term incentive awards	Long term incentive vesting
Create long term shareholder value	Reward for creating long-term shareholder value.	Adjustments take individual performance levels which are aligned to business objectives, into consideration.	Dependent on the achievement of financial performance targets (such as profitability, return on invested capital and cost management) and customer, operational, risk and compliance and people metrics which will ultimately drive sustained shareholder returns.	Directly linked to shareholder value accretive performance measures.
Drive performance	Appropriately recognise and reward superior performance.	Annual increases are linked to individual performance levels with higher increases provided to top performers.	Dependent on the achievement of Group, business unit and individual performance levels. Participants have the opportunity to earn a higher award for the achievement of well-defined outperformance targets (awards are capped at a maximum value).	Linked to organisation performance targets. Participants have the opportunity to receive maximum vesting levels where the organisation has achieved well-defined outperformance targets.
Ensuring market competitiveness	Ensure remuneration structures and levels are market competitive.	Remuneration structure and levels are reviewed and benchmarked annually against peer organisations to ensure they remain competitive, ensuring Tabcorp attracts, retains and motivates the right executive talent to achieve the business' strategic objectives.		
Driving the right behaviours	Operate a remuneration framework that fosters Tabcorp's Ways of Working.	Fixed remuneration adjustments and incentive awards are dependent on both the achievement of performance objectives and the display of behaviours in line with the Group's Ways of Working. This ensures that, not only are key business objectives achieved, but they are achieved in the most sustainable way.		

The Tabcorp remuneration framework for executives and senior management is therefore heavily focused on variable performance-linked remuneration as illustrated in the following diagram:

Diagram 1: Proportion of remuneration at risk



3. GOVERNANCE

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

- + Establishing and maintaining competitive, reasonable and equitable remuneration policies and practices;
- + Reviewing the Group's remuneration framework (including incentive plans) and recommending to the Board the appropriate remuneration arrangements for KMP (including the MD & CEO); and
- + Agreeing remuneration levels and incentive outcomes for Executive KMP and the Group and making recommendations to the Board regarding the MD & CEO.

In exercising its responsibilities, the Remuneration Committee regularly assesses the appropriateness of the nature and amount of remuneration of Directors and executives 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 with this, the Remuneration Committee may receive independent advice on matters such as remuneration strategies, mix and structure, as appropriate. During the year ended 30 June 2017 and to the date of this report, no remuneration consultant provided a remuneration recommendation in respect of any KMP.

Tabcorp is committed to ensuring that all employees are remunerated fairly and equitably. As such, gender pay equity reviews are conducted annually and presented to the MD & CEO and the Remuneration Committee. No significant gaps were identified during the year ended 30 June 2017.

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 Who We Are – Corporate Governance section.

REMUNERATION REPORT (AUDITED)

for the financial year ended 30 June 2017

4. REMUNERATION SUMMARY FOR THE YEAR ENDED 30 JUNE 2017 AND PROPOSED CHANGES FROM 1 JULY 2017

		For the year ended 30 June 2017			From 1 July 2017	
		Description	MD & CEO	Executive KMP (excluding MD & CEO)	MD & CEO	Executive KMP (excluding MD & CEO)
Fixed remuneration		Fixed remuneration increases were provided in line with budgets, economic indicators, market benchmarks, role responsibility and complexity and incumbent performance.	Actual increase: 13.6% (see section 7.5 for more detail). Actual (after increase): \$1,250,000	Average increase: 1.9%. Average (after increase): \$667,946	To remain at \$1,250,000 (i.e. no increase to fixed remuneration from 1 July 2017).	Average increase of 2% to be applied from 1 September 2017.
Short term incentive (STI)	Opportunity	Short term incentive opportunities have remained unchanged from the prior year.	Target: 100% of fixed remuneration. Maximum: Two times target opportunity.	Target: 50% of fixed remuneration. Maximum: Two times target opportunity.	No change.	No change.
	Awards	For the year ended 30 June 2017, the Remuneration Committee determined that the MD & CEO, the Chief Financial Officer and the Chief Operating Officer Wagering and Media should not receive any awards under the STI. The Chief Operating Officer Keno and Gaming is entitled to receive half his target opportunity based on Keno and Gaming Services performance.	Actual award for the year (% of target): 0% Actual award for the year (% of maximum): 0%	Average award for the year (% of target): 16.7% Average award for the year (% of maximum): 8.3%	N/A	N/A
Long term incentive (LTI)	Opportunity	Long term incentive opportunities have remained unchanged from the prior year.	Target: 100% of fixed remuneration. Outperformance: Two times target opportunity.	Target: 50% of fixed remuneration. Outperformance: Two times target opportunity.	No change.	No change.
	Vesting	An LTI test date occurred on 18 September 2016 for the 2013 LTI grant. The relative TSR ranking at the test date for this grant placed Tabcorp at the 81st percentile when compared to the peer group which resulted in 100% of the Performance Rights for this grant vesting.	A total of 590,062 Performance Rights vested into Tabcorp shares.	A total of 433,132 Performance Rights vested into Tabcorp shares.	An LTI test date will occur on 16 September 2017 for the 2014 LTI grant. Vesting of this grant is subject to relative TSR performance against the respective peer group over the three-year performance period.	
	Allocations	Allocations of Performance Rights were made to the MD & CEO (following shareholder approval at the 2016 Tabcorp AGM), Executive KMP and selected Senior Managers based on a face value methodology (i.e. utilising a 5-day Volume Weighted Average Tabcorp Trading Share Price).	A maximum of 501,002 Performance Rights were allocated.	A total maximum of 401,570 Performance Rights were allocated.	It is the intention to provide an allocation, subject to shareholder approval at the 2017 AGM (vesting will be subject to specified performance conditions).	It is the intention to provide an allocation (vesting will be subject to specified performance conditions).
Executives' Shareholdings Policy		An Executives' Shareholdings Policy was implemented on 1 July 2016, applicable to all members of the Senior Executive Leadership Team (including the MD & CEO).	Required to hold the equivalent of two times annual fixed remuneration in Tabcorp shares. Minimum shareholding must be achieved within 5 years from 1 July 2016.	Required to hold the equivalent of one times annual fixed remuneration in Tabcorp shares (must be achieved within 5 years from 1 July 2016 or from when the incumbent joined the Group).	No change.	No change.

5. KEY MANAGEMENT PERSONNEL

Table 1: List of KMP for the year ended 30 June 2017

Name	Position held	Period in position if less than full year
Non Executive Directors		
Paula Dwyer	Chairman and Director (Non Executive)	
Elmer Funke Kupper ⁽ⁱ⁾	Director (Non Executive)	
Steven Gregg	Director (Non Executive)	
Jane Hemstritch	Director (Non Executive)	
Justin Milne	Director (Non Executive)	
Zygmunt Switkowski	Director (Non Executive)	
Future Non Executive Directors, pending regulatory approval		
Bruce Akhurst ⁽ⁱⁱ⁾	Will be appointed Director (Non Executive)	N/A
Vickki McFadden ⁽ⁱⁱ⁾	Will be appointed Director (Non Executive)	N/A
Executive Director		
David Attenborough	Managing Director and Chief Executive Officer (MD & CEO)	
Current Executive KMP		
Damien Johnston	Chief Financial Officer	
Craig Nugent	Chief Operating Officer Wagering and Media	
Adam Rytenskild	Chief Operating Officer Keno and Gaming	

(i) Effective 21 March 2016, Mr Elmer Funke Kupper was granted a leave of absence from the Board of Directors until the completion of the investigation by the Australian Federal Police into Tabcorp's activities in relation to a business opportunity in Cambodia in 2010. Mr Funke Kupper **does not** receive any Tabcorp Board fees whilst on this leave of absence.

(ii) Commenced as a Director and a KMP on 18 July 2017 following the receipt of all necessary regulatory approvals.

Details of Director qualifications, experience and other responsibilities are set out on pages 30 and 31.

During the year ended 30 June 2017, the Group's Senior Executive Leadership Team was comprised of 9 members (excluding the MD & CEO). This diverse team was made up of 5 male and 4 female executives, with their responsibility spanning across operational and corporate roles. A list of the Executive Key Management Personnel (KMP), which form a subset of this team, are included in the table above.

REMUNERATION REPORT (AUDITED)

for the financial year ended 30 June 2017

6. NON EXECUTIVE DIRECTOR REMUNERATION

6.1 Remuneration framework

The Remuneration Committee has responsibility for annually reviewing and recommending to the Board appropriate remuneration arrangements for Non Executive Directors, taking into consideration factors including, the Group's remuneration philosophy (see Section 2), 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, where appropriate.

The current aggregate annual limit (including superannuation contributions) is set at \$2.5 million, as approved by shareholders at the Annual General Meeting held on 25 October 2016.

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 aligns with the principle that Non Executive Directors act independently and impartially.

6.2 Structure

Non Executive Directors receive a base Board fee and a fee for each Board Committee that they are members of. The Board Chairman receives a fixed single fee which is inclusive of services on all Board Committees. In addition, Superannuation Guarantee Contributions are payable on all fees.

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 – Ms 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). On 3 August 2016, Tabcorp announced the appointment of two Directors to the Board, namely Mr Bruce Akhurst and Ms Vickki McFadden. Both Directors were appointed subject to obtaining the required regulatory approvals (which were received on 18 July 2017). Whilst awaiting these approvals, both Mr Akhurst and Ms McFadden received observer fees during the year. These are detailed in Table 2 and Table 3; or
- + Membership of other Committees, which may be required from time to time. During the year ended 30 June 2017, legal, compliance and due diligence sub-committees of the Board were established. Additional fees were paid to Directors who were part of these sub-committees (see Table 2 for more details).

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 MD & CEO, or to executives for directorships of any subsidiaries.

6.3 Current annual fees

During the year ended 30 June 2017, a review of Non Executive Director remuneration within ASX 50 – 100 organisations was conducted. As a result of the review and taking into consideration the current and future requirements associated with the Tabcorp Non Executive Director role, the Board concluded that an adjustment to select Non Executive Director fees was appropriate to ensure fair, equitable and competitive fee levels (effective 1 September 2016). Non Executive Director fees are detailed in the table below (and are exclusive of superannuation contributions):

Table 2: Non Executive Director and Board Committee fixed annual fees

	Date	Chairman \$	Member \$
Board	September 2017	430,000 ⁽ⁱ⁾	150,000
	September 2016	425,000	145,000
Audit, Risk & Compliance Committee	September 2017	40,000	20,000
	September 2016	40,000	20,000
Remuneration Committee	September 2017	35,000	17,500
	September 2016	30,000	15,000
Nomination Committee	September 2017	7,500	7,500
	September 2016	7,500	7,500
Sub-committees	September 2017	35,000	17,500
	September 2016	-	-

(i) The fee paid to the Board Chairman is inclusive of services on all Board Committees.

The actual remuneration earned by Non Executive Directors for the year ended 30 June 2017, is detailed in Table 3.

Table 3: Non Executive Director remuneration

Non Executive Director	Year	Short term	Post employment	Total
		Salary and fees \$	Superannuation \$	
Paula Dwyer ⁽ⁱ⁾	2017	429,167	40,771	469,938
	2016	422,500	40,137	462,637
Elmer Funke Kupper ⁽ⁱⁱ⁾	2017	-	-	-
	2016	128,542	12,211	140,753
Steven Gregg	2017	249,792	23,730	273,522
	2016	186,667	17,733	204,400
Jane Hemstritch	2017	214,166	20,346	234,512
	2016	191,667	18,208	209,875
Justin Milne	2017	193,750	18,406	212,156
	2016	171,667	16,308	187,975
Zygmunt Switkowski	2017	210,833	20,029	230,862
	2016	201,667	19,158	220,825
Bruce Akhurst ⁽ⁱⁱⁱ⁾	2017	158,125	15,022	173,147
Vicki McFadden ⁽ⁱⁱⁱ⁾	2017	152,292	14,468	166,760
Total	2017	1,608,125	152,772	1,760,897
	2016	1,302,710	123,755	1,426,465

(i) In addition Ms Dwyer received a fee of \$34,167 (excluding superannuation at 9.5%) for undertaking the role of Chairman of the Victorian Joint Venture Management Committee throughout the year.

(ii) Mr Funke Kupper does not receive Tabcorp Board fees whilst on leave of absence.

(iii) Appointed as an Observer on 1 September 2016, and commenced as a Director and KMP on 18 July 2017 following the receipt of all necessary regulatory approvals. Total remuneration for the period whilst a KMP was nil.

REMUNERATION REPORT (AUDITED)

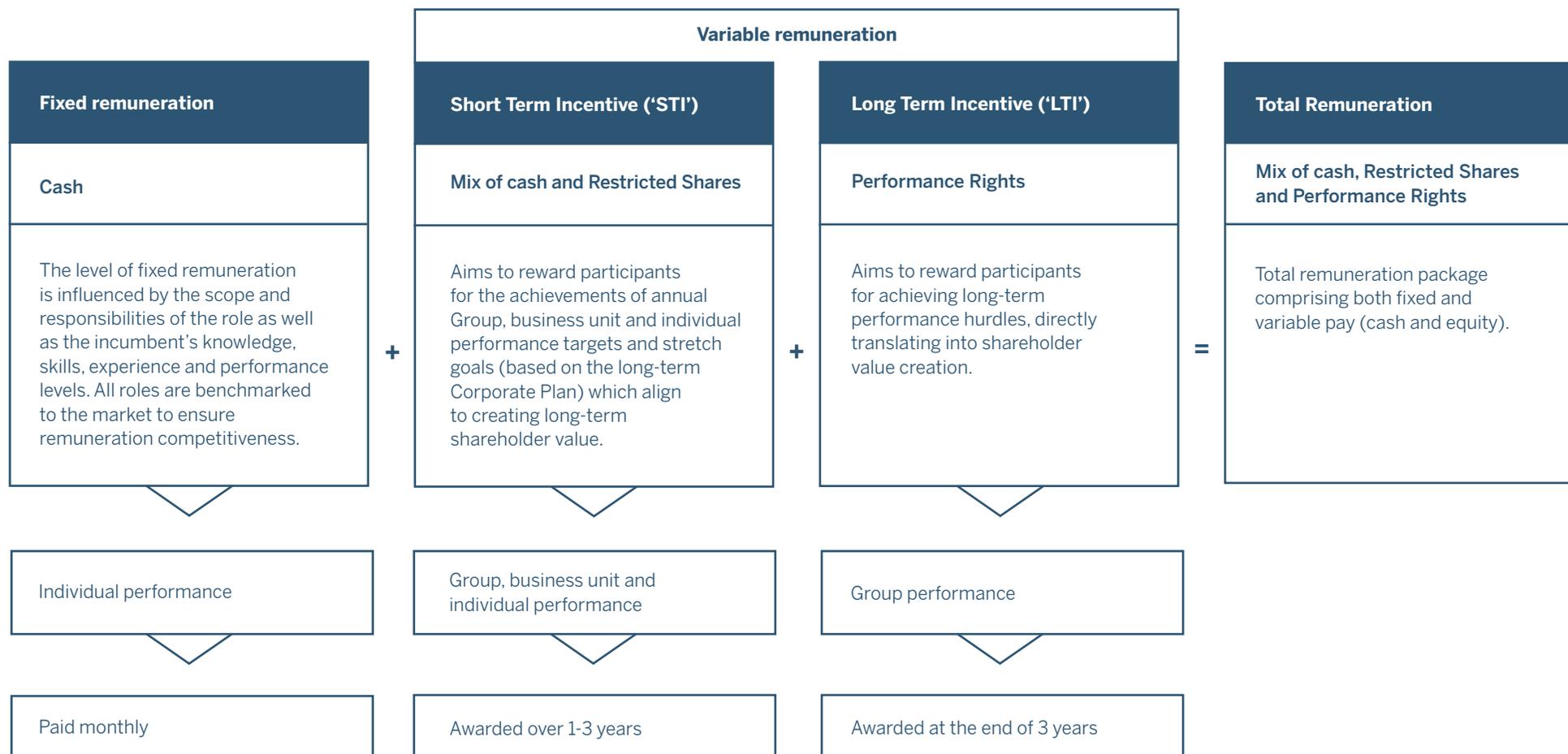
for the financial year ended 30 June 2017

7. EXECUTIVE KMP REMUNERATION (INCLUDING THE MD & CEO)

7.1 Remuneration framework

The remuneration framework for Executive KMP comprises a mix of both fixed and variable remuneration as depicted below:

Diagram 2: Executive KMP remuneration framework



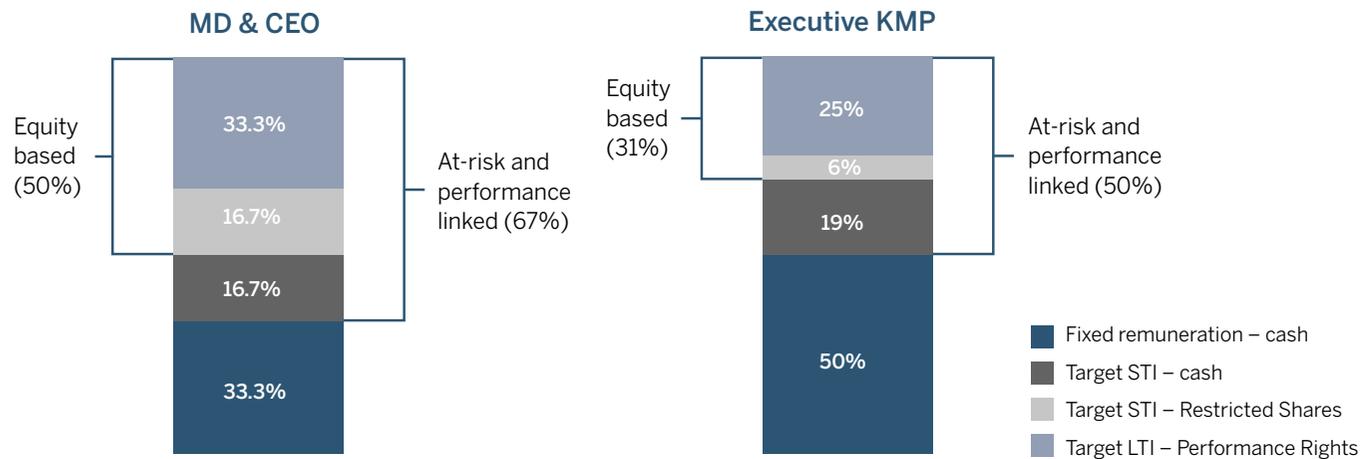
Tabcorp's remuneration framework has been deliberately structured to ensure a strong and direct link between performance and remuneration and to align senior management, the Group and shareholders through:

- + The use of financial measures such as net profit after tax (NPAT) before non-recurring items as the primary gateway for STI awards;
- + The use of both financial and non-financial Group, business unit and individual performance measures that align to Tabcorp's long term Corporate Plan, to determine STI payments;
- + Rewarding for long term shareholder value creation through the use of a relative total shareholder return measure within the LTI; and
- + Providing upside opportunity for superior performance and long term shareholder value creation.

7.2 Target reward mix

To ensure that Tabcorp's Total Remuneration (i.e. the sum of fixed and variable remuneration) is competitive, fair and reasonable, extensive market benchmarking is regularly undertaken against a wide range of relevant organisations. The target reward mix (i.e. the split between fixed and on-target variable remuneration) aims to position Total Remuneration at the market median where target performance has been achieved. The target reward mix for Executive KMP (including the MD & CEO) is outlined in Diagram 3.

Diagram 3: Executive KMP target reward mix for the year ended 30 June 2017



REMUNERATION REPORT (AUDITED)

for the financial year ended 30 June 2017

7.3 Fixed remuneration

Executive KMP receive a fixed remuneration package comprising cash salary, statutory superannuation contributions and other benefits they may elect to receive on a salary sacrifice basis (such as additional superannuation contributions and motor vehicle novated leases).

An Executive KMP's remuneration level is set taking into account the knowledge, experience and skills required to perform effectively as well as the magnitude of the responsibilities and complexities associated with their role.

Annually, a comprehensive benchmarking exercise is undertaken whereby Executive KMP (including the MD & CEO) remuneration structures and levels are compared to equivalent incumbents in roles in other organisations to ensure that the Group is competitive in attracting, rewarding and retaining key talent.

During the year ended 30 June 2017, Tabcorp was positioned between the 70th and 80th largest organisations listed on the ASX (as determined by market capitalisation). As such, Tabcorp benchmarks remuneration levels to organisations ranked 50 to 100 on the ASX (by market capitalisation) as well as direct competitors in the same industry. Where appropriate, data may be segmented by revenue and profit (company-wide and per business unit). Organisations ranked 1 to 100 and 1 to 50 on the ASX (by market capitalisation) may be used as a reference, especially if the Group is sourcing specific executive talent from these companies.

Tabcorp's strategy is to target fixed remuneration at the market median for Executive KMP who are performing appropriately in their roles. A lower or higher fixed remuneration level may be provided depending on the complexity of the role and the incumbent's skill set and experience, performance levels and the Group's retention requirements (especially where the role is very specialised or there is high demand for similar roles in the market). Fixed remuneration is always considered in the context of the total remuneration package to ensure that the entire remuneration package is competitive.

The Remuneration Committee approves the fixed remuneration for the Senior Executive Leadership Team (including Executive KMP) and makes recommendations to the Board in relation to the MD & CEO.

During the year ended 30 June 2017, the fixed remuneration packages of Executive KMP (excluding the MD & CEO) increased by an average of 1.9 percent.

7.4 Variable (at risk) remuneration

a) Short term incentive (STI)

Overview

The STI is designed to reward employees for the achievement of Group, business unit and individual performance goals over the relevant 12 month period, which are aligned to the Group's longer-term Corporate Plan which, in turn, is aimed at creating long term shareholder value.

Eligibility

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

Operation

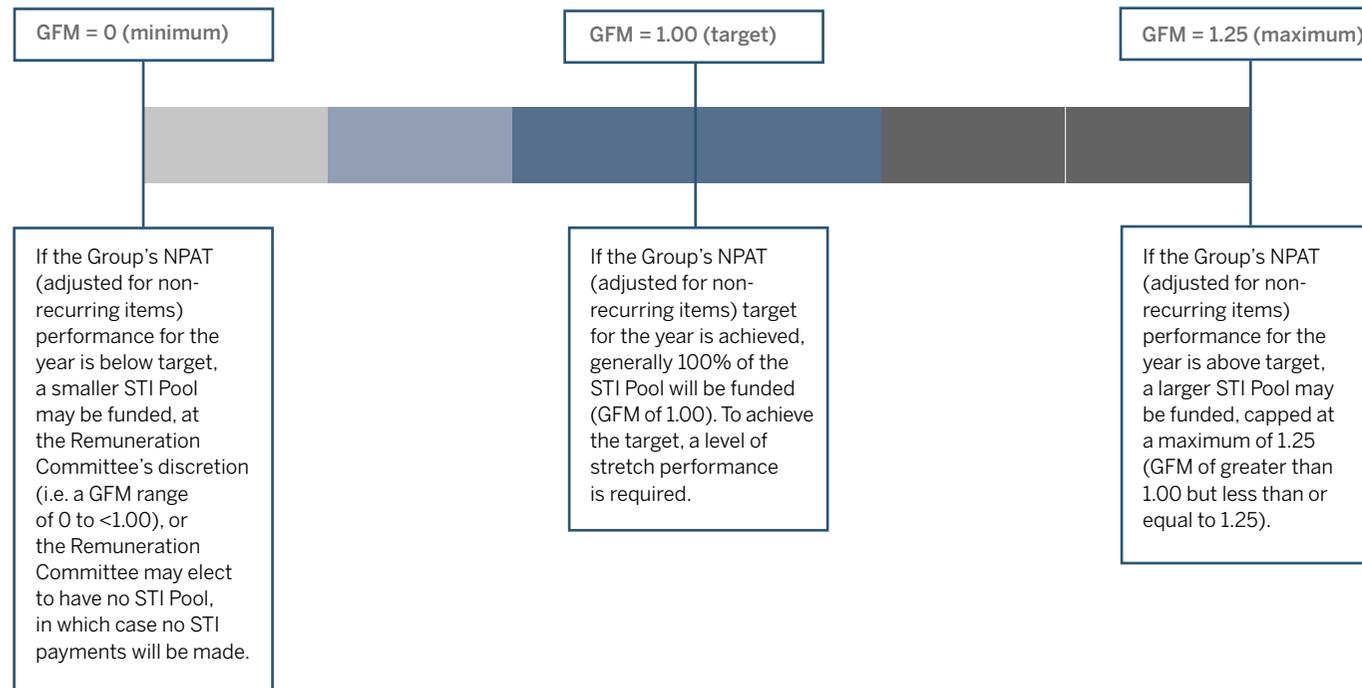
It is important to note that reduced or no STI awards may be applicable if the Group does not meet its financial targets. The STI pool is governed by the Group Funding Multiplier which sets the pool and is principally dependent on the Group's NPAT before non-recurring items performance.

There are three steps that are conducted when determining STI awards.

Step 1 – Setting the STI pool (Group Funding Multiplier)

Each year, the Remuneration Committee reviews the Group's performance against NPAT (adjusted for non-recurring items) and sets the Group Funding Multiplier (GFM) which defines the size of the STI pool. The Remuneration Committee considers a range of other financial (e.g. profit and balance sheet measures) and non-financial performance indicators (e.g. regulatory compliance) as well, and may exercise discretion to adjust the GFM to take these indicators into consideration. The GFM has the following range:

Diagram 4: The Group Funding Multiplier (GFM)



The Board considers NPAT to be an appropriate performance measure to determine the STI Pool as it aligns to the Group's remuneration philosophy of creating shareholder value, it is directly linked to driving financial results and is within senior management's scope of influence.

For the year ended 30 June 2017, the Remuneration Committee approved a GFM of 30% (refer Table 5).

REMUNERATION REPORT (AUDITED)

for the financial year ended 30 June 2017

7.4 Variable (at risk) remuneration (continued)

a) Short term incentive (STI) (continued)

Step 1 – Setting the STI pool (Group Funding Multiplier) (continued)

The following two diagrams illustrate the link between the Group's statutory NPAT and EPS (basic) performance and the GFM over the last five years, including for the year ended 30 June 2017.

Diagram 5: Relationship between historical NPAT performance and the GFM

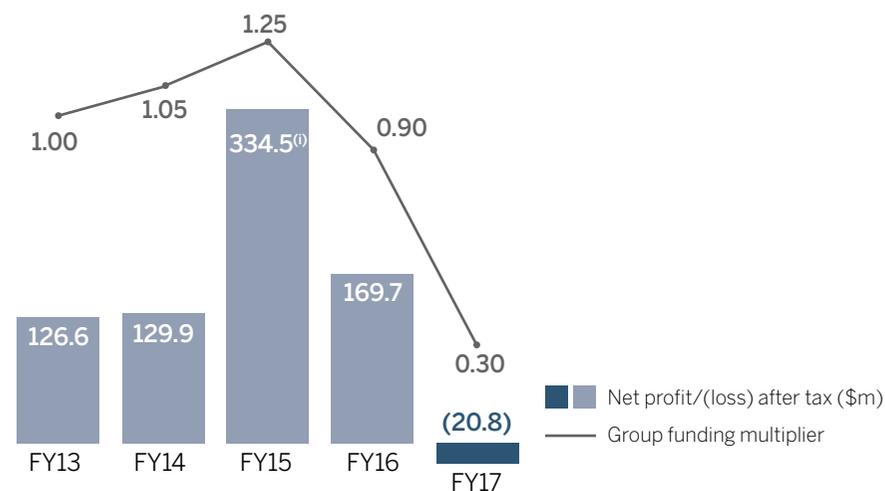
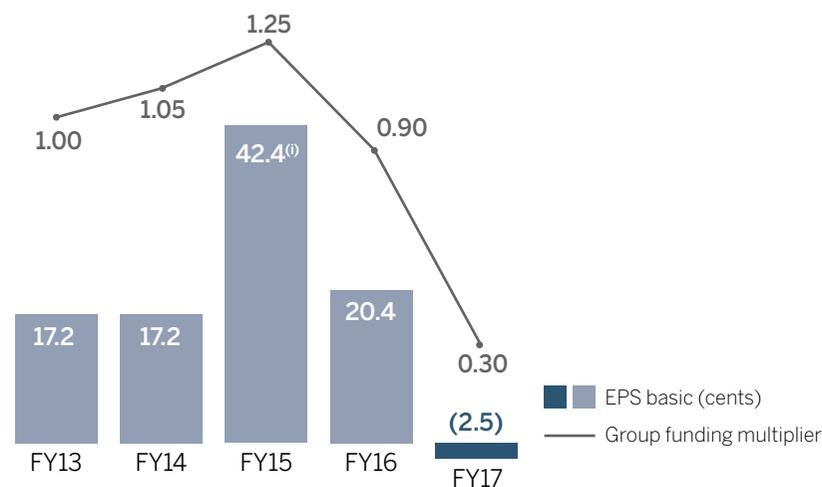


Diagram 6: Relationship between EPS (basic) performance and the GFM



(i) Includes \$163.2 million as a result of receiving income tax benefits relating to the Victorian wagering and gaming licences payment and the NSW Trackside payment and associated interest income. This was excluded from STPP awards in the relevant year.

Step 2 – Setting the Divisional Multipliers

Once the GFM has been set, Divisional Multipliers are calculated within the overall STI pool. These Divisional Multipliers aim to reward participants for delivering superior business unit performance and to recognise each business unit's contribution to the overall Group results. There are three Divisional Multipliers, being Wagering & Media, Keno & Gaming and Corporate.

The Divisional Multipliers are dependent on the respective business units' performance against NPAT before non-recurring items. Delivery of strategic initiatives and non-financial metrics (e.g. risk and compliance) is also considered when setting Divisional Multipliers.

Step 3 – Setting Individual Performance Multipliers

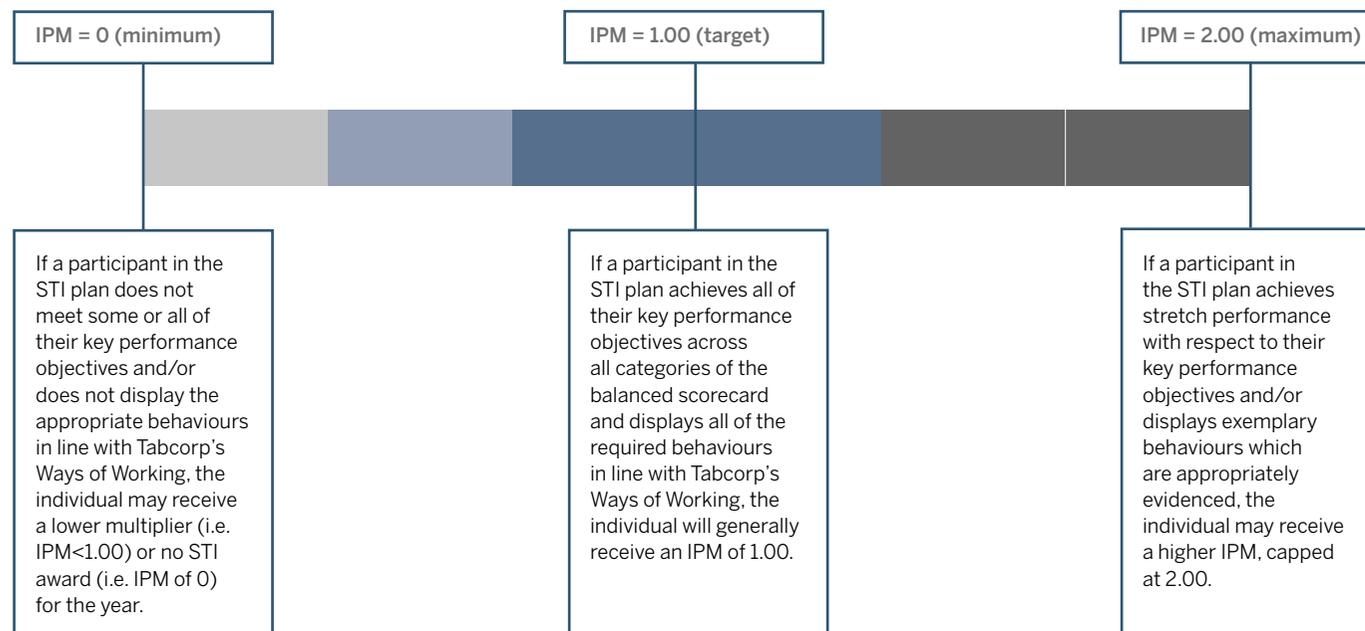
At the end of the financial year, each participant undergoes a performance review in line with Tabcorp's performance management process. Objectives are assessed and an overall performance rating is assigned (taking into consideration performance against key objectives as well as behaviours (Tabcorp's Ways of Working)).

Tabcorp utilises a balanced scorecard of metrics to assess individual performance which span across Financial, Strategic, Customers & Growth, Organisation and People & Leadership categories. Each objective is linked back to the Group's Corporate Plan, intended to create superior long-term shareholder returns.

The Board sets the performance objectives for the MD & CEO who, in turn, works with the Remuneration Committee and the Senior Executive Leadership Team to set executives' objectives. These are then cascaded down the organisation.

The performance rating translates into an Individual Performance Multiplier which operates as follows:

Diagram 7: The Individual Performance Multiplier (IPM)



REMUNERATION REPORT (AUDITED)

for the financial year ended 30 June 2017

7.4 Variable (at risk) remuneration (continued)

a) Short term incentive (STI) (continued)

The STI calculation

Once all of the multipliers have been finalised, the STI awards are calculated using the following formula:

Diagram 8: STI calculation



(i) The STI Award is comprised of cash (50% for the MD & CEO and 75% for all other Executive KMP) and Restricted Shares (50% for the MD & CEO and 25% for all other Executive KMP) which are restricted for a two year period.

(ii) The sum of the STI payments cannot exceed the STI pool which is capped at a maximum of 125% of the target pool.

The Target STI (\$) is calculated as a percentage of an individual's Total Remuneration (see Diagram 3) and is determined with reference to the scope and accountabilities of the role and to market benchmarks.

STI summary

	Group Funding Multiplier	Divisional Multiplier	Individual Performance Multiplier
Dependent on:	Group NPAT (adjusted for non-recurring items)	Business unit NPAT (adjusted for non-recurring items)	A balanced scorecard of measures and behaviours
Other factors considered:	Financial and non-financial strategic performance		
Rewards for:	Group financial performance	Business unit contribution to Group performance	Individual contribution to Group performance
Minimum value for underperformance:	0 (no STI Awards)		
Maximum achievable for stretch performance:	1.25	Set within the STI Pool (i.e. so as not to exceed the agreed pool)	2.00

The maximum STI award applicable for Executive KMP is two times the target STI opportunity.

How is the STI delivered?

For Executive KMP the STI is delivered as a mix of cash and Restricted Shares (see Diagram 3). 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. All Restricted Shares will be forfeited immediately upon cessation of employment during the restriction period. However, the Remuneration Committee has discretion in special circumstances to determine that the Restricted Shares remain on foot (in full or on a pro rata basis) and the terms applicable. Special circumstances include events such as retirement, redundancy, death and permanent disability.

It is mandatory that 50% of the MD & CEO's STI Award be delivered in Restricted Shares. It is also mandatory that 25% of an Executive KMP's (excluding the MD & CEO) STI award be delivered in Restricted Shares.

Delivering Restricted Shares under the STI promotes the building of share ownership in Tabcorp (further aligning the interests of senior managers with shareholders), reduces long term risk and assists with the retention of key senior managers (providing increased continuity for the business).

Claw back

Restricted Shares are subject to claw back if the Board considers this to be appropriate having regard to any information which has come to light after the delivery of the Restricted Shares to participants, including but not limited to misconduct or any material misstatement or omission in Tabcorp's prior financial statements.

The Board has the capacity to introduce further terms and conditions which may specify additional circumstances in which a participant's Restricted Shares may be subject to claw back.

Accounting Treatment

The financial impact of the STI (excluding any Restricted Shares) is expensed in the relevant financial year and is reflected in the remuneration disclosures for Executive KMP. Restricted Shares are expensed on a straight line basis over the current and future two years.

How does the STI plan help reduce risk?

Table 4: Reducing risk and creating shareholder alignment

Reducing risk and creating shareholder alignment	The STI includes forfeiture and claw back provisions.	The Board has discretion to adjust the STI to take holistic Group performance into account.	Financial gateways (GFM and Divisional Multipliers) ensure financial threshold performance is required to generate STI awards.	The balanced scorecard includes risk, compliance and safety targets for all Executive KMP (including the MD & CEO).	The balanced scorecard ensures a balanced assessment of performance (financial and clearly defined and measurable non-financial).
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REMUNERATION REPORT (AUDITED)

for the financial year ended 30 June 2017

7.4 Variable (at risk) remuneration (continued)

a) Short term incentive (STI) (continued)

STI performance

For the year ended 30 June 2017, STI measures and targets were derived from the Board approved strategic Corporate Plan which comprised financial and non-financial objectives. These objectives were subsequently included in Executive KMP scorecards. A list of these measures is included in Table 5 including a summary of performance outcomes during the year.

The following table details achievements against the STI scorecard for the year ended 30 June 2017.

Table 5: STI measures and summary of achievements for the year ended 30 June 2017

Scorecard category	Key performance objective	Measures	Link to strategy	Impact on STI awards	Performance outcomes
Financial	Income	- Revenue	A balanced set of financial metrics ensures that the business grows in a profitable and sustainable way. Revenue and profit growth results in the delivery of dividends for shareholders and generates funds for future business growth. Cost measures ensure we are spending appropriately so that we can spend on initiatives which matter to our customers. Return measures ensure we allocate capital and resources to grow our business effectively.	Negative	<ul style="list-style-type: none"> - Overall, the Group's financial results for the year ended 30 June 2017 were below target; - The Group revenue result of \$2,229.6m was below target but up 1.9% on the prior year; - Group earnings before interest and tax (EBIT) before significant items result was \$325.4m, down 3.5% on the prior year (below target). This was largely impacted by significant investment in resources within the Marketing, Legal & Regulatory, Risk and Digital business units; - The Group's expense (cost) to revenue ratio was 22.5%, slightly worse than budget; and - Full year ordinary dividends totalled 25 cents per share fully franked, up 4.2%.
	Profitability	- EBIT - NPAT			
	Return	- Cost to revenue ratio - ROIC			
	Balance sheet	- Dividend - Interest cover - Funds from Operations - Gross Debt/ EBITDA			
Strategic	Strategic priorities	<ul style="list-style-type: none"> - Strategic growth initiatives (including M&A) - New business development - Sustainability - Strengthening of partnerships 	Key strategic priorities and desired objectives set by the Board to create long term business sustainability, drive growth and ultimately create shareholder value.	Positive	<ul style="list-style-type: none"> - Overall, the Group has delivered on its strategic targets; - Significant progress was made regarding the proposed combination with the Tatts Group which is set to create a world-class gambling entertainment group; - The acquisition of Intecq has been successful with integration progressing well. Intecq provides the Gaming Services business with complimentary services; - Key domestic media rights extended, including with Racing & Wagering Western Australia and Perth Racing; - The new UK start up business (Sun Bets), which launched in August 2016, has had its plans refined following the establishment phase. This now positions Sun Bets for improved future performance; and - Extended partnerships with Clubs Victoria and Clubs Queensland and the Australian Hotels Association Victoria and the Australian Hotels Association New South Wales.

Table 5: STI measures and summary of achievements for the year ended 30 June 2017 (continued)

Scorecard category	Key performance objective	Measures	Link to strategy	Impact on STI awards	Performance outcomes
Customers & Growth	Deliver superior customer experiences	<ul style="list-style-type: none"> – Growth in digital – Increase active account customer base – Net Promoter Score – Customer loyalty 	Understanding and growing our customer base and providing innovative and exceptional experiences will provide us with a sustainable competitive advantage and financial and shareholder returns.	Neutral	<ul style="list-style-type: none"> – Successful rollout of digital commissions model to retail venue partners in October 2016; – New wagering products launched including Check & Collect and Bundle Bet; – Digital wagering turnover growth for the year ended 30 June 2017 was 13.9%, driving total TAB turnover growth of 1.9%; – Active TAB account customers grew by 9.8%, driven by a 13.3% growth in new customer acquisition and retention; – Commencement of five-year Gaming Services contract signed with the Panthers Group, covering 4 venues and 1,056 Electronic Gaming Machines; – Approximately 10,650 Electronic Gaming Machines are now under contract in New South Wales and Victoria; – Further progress on key strategic initiatives within the Keno business unit. Mega Millions launched in New South Wales and the ACT. Digital play in-venue launched in New South Wales. Queensland added to jackpot pooling; and – Improved Net Promoter Scores across wagering and Keno.
Organisation	Risk, governance and compliance framework	<ul style="list-style-type: none"> – Embed framework – Ensure adherence to framework (training, process and reporting) – No material risk or compliance breaches 	The way our people behave is critical to our success. Strong risk and governance behaviours underpinned by integrity ensures that we always do the right thing (our social licence to operate). This will result in superior financial results in a sustainable and appropriate manner.	Neutral	<ul style="list-style-type: none"> – Enhanced the framework for regulatory interactions and oversight. This investment is scalable and transferrable; – Significant investment in enhancing the Group's Anti-Money Laundering/Counter Terrorism Financing compliance program; – Federal Court approval of the AUSTRAC settlement, resolving the civil proceedings between AUSTRAC and Tabcorp; and – Strong system performance over key events, including the Spring Racing Carnival.
	Operational effectiveness	<ul style="list-style-type: none"> – Major event operational performance 			
People & Leadership	Health and Safety	<ul style="list-style-type: none"> – Lost Time Injury Frequency Rate 	A healthy, safe, diverse and engaged workforce led by the right leaders results in optimal productivity, thought innovation and great customer experiences. This will ultimately lead to superior financial and shareholder returns.	Positive	<ul style="list-style-type: none"> – Employee engagement score of 4.04 (Gallup), up from the previous year and exceeding target. High levels of employee engagement ahead of the proposed combination with the Tatts Group; – Female senior leadership representation at 39%; and – LTIFR of 1.5 at the end of the financial year which is considered industry leading.
	Employee engagement	<ul style="list-style-type: none"> – Independently surveyed engagement score 			
	Diversity	<ul style="list-style-type: none"> – Senior Leadership diversity targets 			

The Remuneration Committee evaluated the performance outcomes detailed above and determined that no STI Award should be made to the MD & CEO, the Chief Financial Officer and the Chief Operating Officer Wagering & Media. Given the Keno and Gaming Services on-target performance, the Remuneration Committee determined that an STI Award was applicable for the Chief Operating Officer Keno & Gaming, however reducing it to 50% of the target STI opportunity.

REMUNERATION REPORT (AUDITED)

for the financial year ended 30 June 2017

7.4 Variable (at risk) remuneration (continued)

a) Short term incentive (STI) (continued)

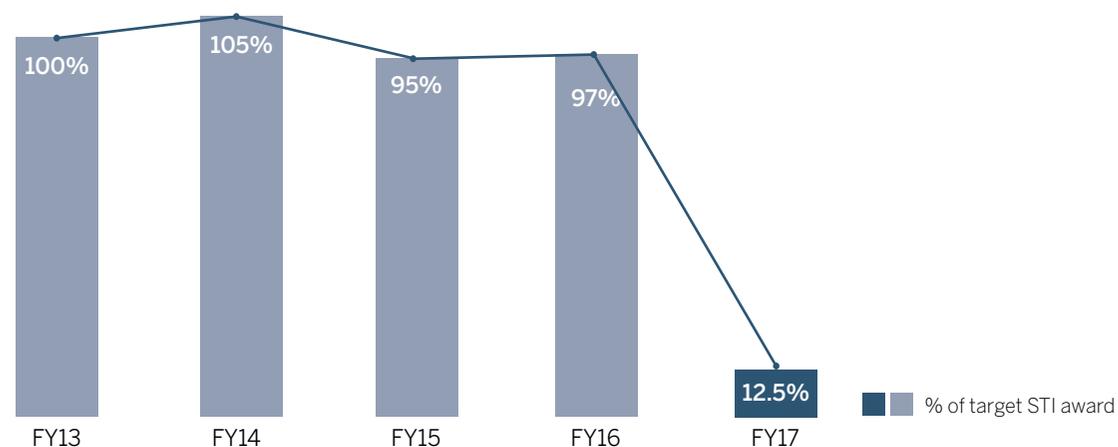
Table 6: STI Awards achieved

KMP	Year	Actual STI achieved			Actual STI achieved as a % of target STI	STI forfeited as a % of target STI	Actual STI achieved as a % of maximum STI
		Cash portion ⁽ⁱ⁾ \$	Restricted portion ⁽ⁱⁱ⁾ \$	Total \$			
Current executives							
David Attenborough	2017	-	-	-	0%	100%	0%
	2016	495,000	495,000	990,000	90%	10%	36%
Damien Johnston	2017	-	-	-	0%	100%	0%
	2016	226,600	75,533	302,133	90%	10%	36%
Craig Nugent	2017	-	-	-	0%	100%	0%
	2016	187,718	62,572	250,290	72%	28%	29%
Adam Rytenskild	2017	115,650	38,550	154,200	50%	50%	25%
	2016	302,402	100,801	403,203	134%	0%	54%

(i) 75% (50% for the MD & CEO) of the actual STI achieved is paid as cash, and is included in remuneration of the current financial year. Cash STI affects current year financial results.

(ii) 25% (50% for the MD & CEO) of the actual STI achieved is deferred in the form of Restricted Shares which are subject to a two year service restriction from the grant date. The Restricted Shares will be granted after the end of the financial year, and the value will be reflected in remuneration during the vesting period. Restricted Shares are expensed over the current and future two financial years.

Diagram 9: Historical average Executive KMP (including the MD & CEO) STI awards (last 5 financial years)



b) Long term incentive (LTI)

Overview

The Tabcorp LTI is designed to reward senior management for contributing to the creation of long term shareholder value and to retain key critical talent within the organisation. The LTI is reviewed annually by the Remuneration Committee to ensure it is aligned to business objectives, continues to reward for the creation of shareholder value and is competitive in attracting and retaining high-performing executives.

Table 7: Summary of the Tabcorp LTI plan for the year ended 30 June 2017

What is the purpose of the LTI Plan?	To drive long term business performance and shareholder value creation, to align senior management and shareholder interests (through the use of equity) and to retain high performing and skilled senior managers.
Who is eligible to participate in the LTI	The Senior Executive Leadership Team (including Executive KMP) and certain key senior managers.
How much can Executive KMP earn under the LTI?	The MD & CEO has an on-target LTI opportunity of 100% of fixed remuneration. Executive KMP have an on-target LTI opportunity of 50% of fixed remuneration. Both the MD & CEO and Executive KMP have the opportunity to earn up to two times the on-target opportunity for outperformance (termed the Outperformance Opportunity). The Outperformance Opportunity will only be realised if Tabcorp achieves top quartile shareholder returns.
How is LTI delivered?	Participants in the LTI plan are allocated a maximum number of Performance Rights (based on the Outperformance Opportunity) at the beginning of the performance period. Performance Rights provide the right to receive Tabcorp shares subject to meeting performance conditions, at no cost to the participant. They do not attract dividends nor provide voting rights. Performance Rights lapse if performance conditions are not met.
On what basis are Performance Rights allocated?	Tabcorp allocates Performance Rights on the basis of a face value allocation methodology. To calculate the number of Performance Rights to allocate, the Outperformance Opportunity (see above) is divided by the 5-day Volume Weighted Average Tabcorp Trading Share Price up to but not including the grant date.
How long is the performance period?	Vesting is dependent on meeting the minimum performance hurdle at the third anniversary of the date of the grant (i.e. a three year performance period).
Are Performance Rights forfeitable?	All unvested Performance Rights will lapse immediately upon cessation of employment. However, the 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.
Can Performance Rights be clawed back?	Performance Rights 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 grant of the Performance Rights to participants, including but not limited to misconduct or any material misstatement or omission in Tabcorp's prior financial statements. The Board has the capacity to introduce further terms and conditions which may specify additional circumstances in which a participant's Performance Rights may be subject to claw back.
What is the performance measure?	For the year ended 30 June 2017, the performance measure was relative total shareholder return (relative TSR). Relative TSR measures the return received by shareholders (capital returns, dividends and share price movement) over a specific period relative to a peer group of companies. Tabcorp engages an external consultant to calculate relative TSR. The Board considered relative TSR to be an appropriate performance measure as it reflects the Group's remuneration philosophy of creating shareholder value relative to a peer group, over the long term.

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for the financial year ended 30 June 2017

7.4 Variable (at risk) remuneration (continued)

b) Long term incentive (LTI) (continued)

Which companies were included in the relative TSR peer group?	The peer group used for assessing Tabcorp's relative TSR performance was the S&P/ASX 100 index excluding property trusts, infrastructure groups and mining companies (represented by the S&P Global Industry Classification Standards (GICS) of Metals & Mining, Oil and Gas, Transportation, Infrastructure, Utilities and Real Estate Investment Trusts). The peer group is set at the date the LTI is granted. However, the Board has discretion to adjust the peer group where constituent organisations have had a fundamental change to their capital structure (e.g. mergers) or if they have delisted.		
What were the relative TSR performance hurdles?	Tabcorp's relative TSR ranking	Percentage of Performance Rights that will vest	Value of LTI reward
	Below 50th percentile	0%	Zero
	At 50th percentile	50%	Target
	Above 50th percentile and below 75th percentile	Pro-rata between 50% (at 50th percentile) and 100% (at 75th percentile)	Between Target and Outperformance
	At or above the 75th percentile	100%	Outperformance (two times Target)
	This testing schedule and vesting criteria are common practice adopted by companies in the S&P/ASX100 index, which is consistent with Tabcorp's remuneration philosophy (refer to Section 2) and Executive KMP remuneration framework (refer to Section 7.1).		
	If Performance Rights vest, the Company will issue or transfer ordinary shares to the participant, with full voting and dividend rights corresponding to the rights of all other holders of ordinary shares.		
	Performance Rights that have not vested after testing will lapse (there is no retesting).		

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 recipient. 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.

LTI summary	In the form of Performance Rights (no dividends payable)	Allocated based on a face value methodology (i.e. share price)	Subject to relative TSR performance	Three-year performance period	Will only vest in full if top quartile shareholder returns are realised	Subject to claw back provisions
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Changes from 1 July 2017

During the year ended 30 June 2017, the Remuneration Committee reviewed the Group's LTI plan, taking external benchmarks, stakeholder feedback and shareholder views into consideration. Considering the proposed combination with the Tatts Group, the Remuneration Committee resolved not to make any amendments to the LTI plan until a final outcome regarding the combination is known. Should the combination proceed, a full review of the remuneration framework across both companies will be conducted which will be reviewed by the Remuneration Committee in the 2018 financial year.

Table 8: Current LTI allocations on foot

Grant year	Grant date	Allocation to	Test and expiry date
2014	28 October 2014	MD & CEO, senior management	16 September 2017
2015	29 October 2015	MD & CEO, senior management	22 September 2018
2016	25 October 2016	MD & CEO, senior management	14 September 2019

Table 9: Performance Rights granted during the year ended 30 June 2017

KMP	Grant date ⁽ⁱ⁾	Number	Fair value at grant date \$	Exercise Price \$	Expiry date ⁽ⁱⁱ⁾
Executive Director					
David Attenborough	25 October 2016	501,002	2.51	Nil	14 September 2019
Current Executives					
Damien Johnston	25 October 2016	137,241	2.51	Nil	14 September 2019
Craig Nugent	25 October 2016	140,722	2.51	Nil	14 September 2019
Adam Rytenschild	25 October 2016	123,607	2.51	Nil	14 September 2019
Total		902,572			

(i) Vesting of Performance Rights granted in 2016 are subject to a three-year relative TSR hurdle. The value of these Performance Rights are amortised over the next three years.

(ii) The 2016 LTI allocation of Performance Rights includes a three-year performance period, being 14 September 2016 to 14 September 2019.

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for the financial year ended 30 June 2017

7.4 Variable (at risk) remuneration (continued)

b) Long term incentive (LTI) (continued)

Table 10: Performance Rights vested and shares issued during the year ended 30 June 2017

KMP	Number of Performance Rights vested	Number of shares issued	Amount paid per share \$
Executive Director			
David Attenborough	590,062	590,062	Nil
Current Executives			
Damien Johnston	212,308	212,308	Nil
Craig Nugent	114,258	114,258	Nil
Adam Rytenskiid	106,566	106,566	Nil
Total	1,023,194	1,023,194	

Table 11: Value of Performance Rights granted as part of remuneration – granted and exercised during the year ended 30 June 2017

KMP	Granted ⁽ⁱ⁾ \$	Exercised ⁽ⁱⁱ⁾ \$	As a % of remuneration ⁽ⁱⁱⁱ⁾
Executive Director			
David Attenborough	1,257,515	2,938,509	43%
Current Executives			
Damien Johnston	344,475	1,057,294	32%
Craig Nugent	353,212	569,005	29%
Adam Rytenskiid	310,254	530,699	24%
Total	2,265,456	5,095,507	

(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 E1 of the Tabcorp Financial Report.

(ii) Represents the value of Performance Rights exercised during the year. The value is calculated based on the market value of Tabcorp shares at the date of exercise.

(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.

Table 12: KMP interests in Performance Rights of Tabcorp for the year ended 30 June 2017 (number)

KMP	Balance at start of year	Granted as remuneration	Vested	Lapsed	Net change other	Balance at end of year ⁽ⁱ⁾
Executive Director						
David Attenborough	1,593,768	501,002	(590,062)	-	-	1,504,708
Current Executives						
Damien Johnston	552,268	137,241	(212,308)	-	-	477,201
Craig Nugent	388,874	140,722	(114,258)	-	-	415,338
Adam Rytenschild	324,323	123,607	(106,566)	-	-	341,364
Total	2,859,233	902,572	(1,023,194)	-	-	2,738,611

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

LTI performance

Diagram 10: Full year dividend in respect of each financial year (includes interim, final and special dividends)

Cents per share fully franked

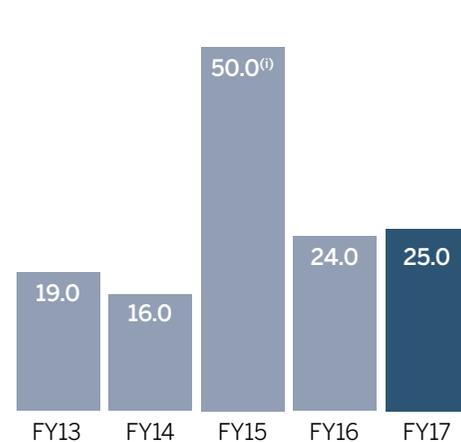
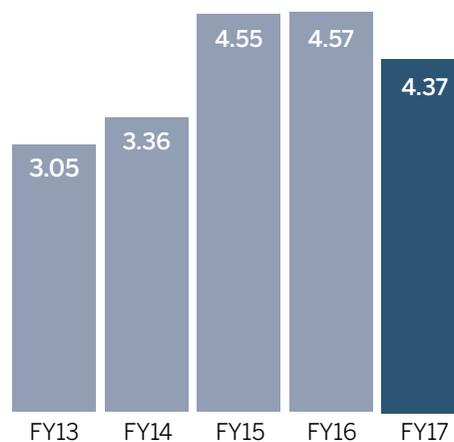


Diagram 11: Company share price at the end of each financial year

Share price (\$)



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

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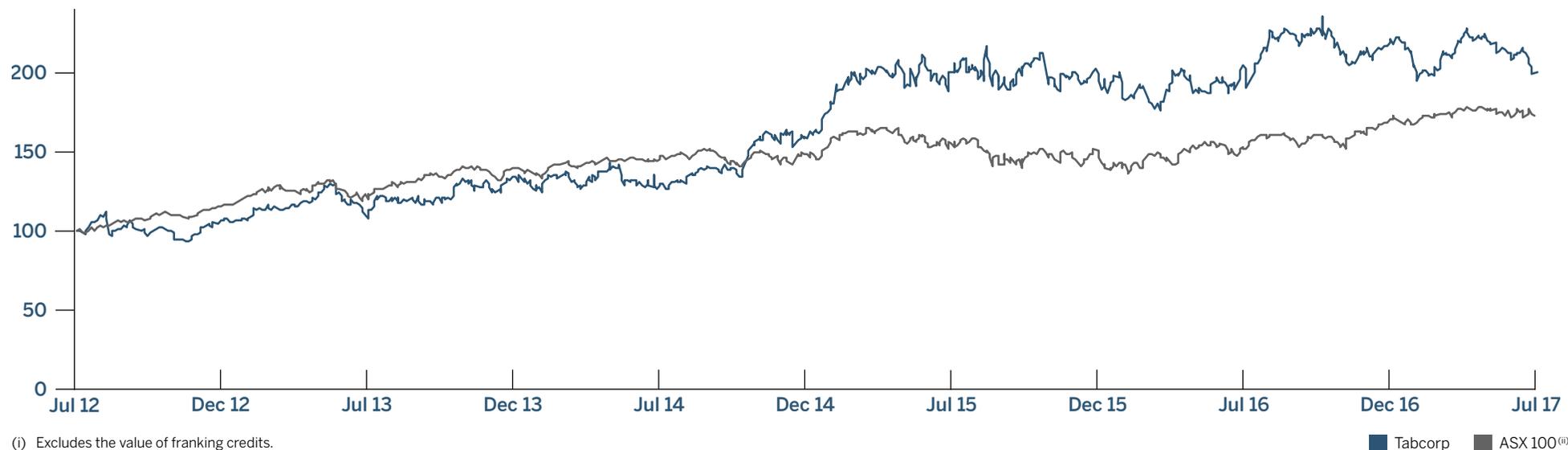
7.4 Variable (at risk) remuneration (continued)

b) Long term incentive (LTI) (continued)

Diagram 12: Tabcorp Total Shareholder Return ⁽ⁱ⁾

Total Shareholder Return has been indexed to 100 as at 1 July 2012.

Source: Bloomberg financial data



In the year ended 30 June 2017, there was one test date on 18 September 2016 for the 2013 allocation under the LTI. The three-year TSR result as at this date placed Tabcorp at the 81st percentile of the peer group, and accordingly 100 percent of the Performance Rights vested.

Table 13: LTI testing results

Grant year	Grant date	Allocation to	Test date	TSR result at test date	% of Performance Rights	
					Vested	Lapsed
2011	23 September 2011	Senior management	23 September 2014	69.2 percentile	88%	12%
	26 October 2011	MD & CEO				
2012	4 October 2012	Senior management	20 September 2015	82.4 percentile	100%	-
	31 October 2012	MD & CEO				
2013	2 October 2013	Senior management	18 September 2016	81.1 percentile	100%	-
	31 October 2013	MD & CEO				

c) Appointment/retention incentives

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 7.4(b)).

No appointment or retention incentives were provided to Executive KMP during the year ended 30 June 2017.

d) Policy prohibiting hedging

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

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

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

The Board at its discretion can request a senior manager to provide a statutory declaration that the senior manager has complied with this policy. During the year ended 30 June 2017, the Board did not require any such declarations.

e) Executives' Shareholdings Policy

The Executives' Shareholdings Policy (applicable to all members of the Senior Executive Leadership Team, including Executive KMP) aims to ensure that there is an adequate level of alignment between executives, the Group and shareholders, through equity ownership. Under the Policy, the MD & CEO is required to hold the equivalent of a minimum of two times his annual fixed remuneration in Tabcorp shares (one times annual fixed remuneration for the remainder of the Senior Executive Leadership Team, including other Executive KMP). The minimum shareholding must be achieved within five years from 1 July 2016 (for existing executives) or from the date the executive is appointed into their role.

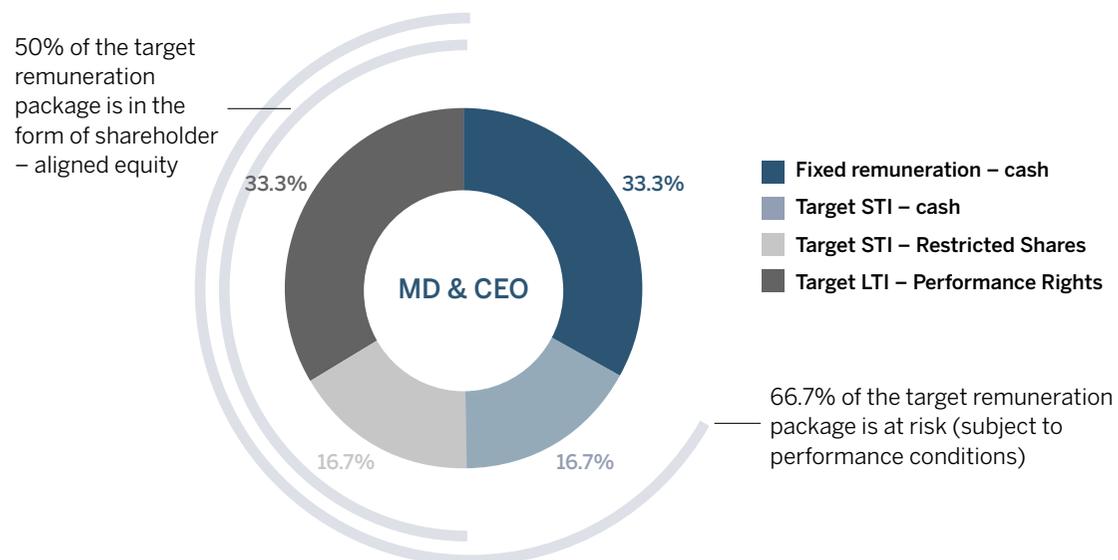
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for the financial year ended 30 June 2017

7.5 MD & CEO remuneration arrangements

a) Current remuneration

Mr Attenborough receives fixed remuneration and the opportunity to receive variable remuneration through STI and LTI arrangements. Mr Attenborough's remuneration package is depicted below:



Fixed remuneration

Mr Attenborough was appointed to the role of MD & CEO in 2011. Upon his appointment, the Board elected to provide him with a remuneration package that was substantially lower in value than that of the previous MD & CEO and market peers. The Board determined that this was appropriate taking into consideration Mr Attenborough's experience as MD & CEO, the unknown nature of the organisation post the demerger of the casinos business (now known as the Star Entertainment Group) and the significant performance expectations the Board had of Mr Attenborough.

The intention of the Board was to increase Mr Attenborough's remuneration levels over time to ensure alignment with market peers, to recognise his contribution to Tabcorp's performance and to appropriately align his remuneration with the responsibilities of his role as MD & CEO.

As communicated in Tabcorp's 2016 Remuneration Report, Mr Attenborough's fixed remuneration increased from \$1,100,000 to \$1,250,000 in the year ended 30 June 2017. This increase was provided to:

- + recognise that Mr Attenborough is required to lead an organisation that operates in a complex and highly regulated environment;
- + reward Mr Attenborough for his contribution to the sustained strong performance of the Group since he commenced as MD & CEO in 2011; and
- + appropriately recognise Mr Attenborough's experience and contribution in the context of market peers.

In determining the appropriate remuneration levels, the Board reviewed a recent market benchmarking exercise which included:

- + other organisations ranked between 50 and 100 on the ASX (by market capitalisation). During the year ended 30 June 2017, Tabcorp ranked between the 70th and 80th largest organisations on the ASX (by market capitalisation) and this comparator group was deemed appropriate;
- + industry peers; and
- + organisations with a similar profile (i.e. revenue, profitability, employee size, etc.) across Australia.

The benchmarking indicated that Mr Attenborough's remuneration package and, specifically, his fixed remuneration level was well below market.

The Board agreed that a fixed remuneration of \$1,250,000 would recognise the complexities of Mr Attenborough's role, would acknowledge his personal contribution to the success of the Group and would better align his remuneration to that of relevant comparator companies.

The Board considered Mr Attenborough's total remuneration package and determined that this uplift in fixed remuneration (which would result in corresponding uplifts in STI and LTI target opportunities) would result in an appropriate total remuneration package level that is market aligned and recognises the responsibilities of his role.

STI

For the year ended 30 June 2017, Mr Attenborough was eligible to receive an STI Award based on the Group's and his individual performance over the annual performance review period. Mr Attenborough's annual on-target STI opportunity was equivalent to \$1,250,000 and is delivered in cash (50%) and Restricted Shares (50%), with the opportunity for Mr Attenborough to voluntarily sacrifice part of the cash component into additional superannuation contributions.

For the year ended 30 June 2017, the Board determined that Mr Attenborough was not eligible to receive an STI award. The Board deemed this to be appropriate given Tabcorp's performance outcomes over the year (see Table 5).

LTI

The Company intends that the LTI component of Mr Attenborough's remuneration package will involve annual grants of Performance Rights, which would be subject to performance hurdles, 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 2017, Mr Attenborough's on-target LTI opportunity was equivalent to \$1,250,000 (with an Outperformance Opportunity of \$2,500,000). The structure and operation of this LTI Award is the same as that which applies to the LTI offers to other senior managers in Section 7.4(b), other than as set out in this section. During the year, Mr Attenborough was provided with an allocation of 501,002 Performance Rights (approved by shareholders at Tabcorp's 2016 AGM). This was based on the following formula:

$$\frac{\text{Outperformance Opportunity}}{\text{5 - Day Volume Weighted Average Tabcorp Trading Share Price up to but not including the grant date (25 October 2016)}} = \frac{\$2,500,000}{\$4.99} = 501,002$$

Vesting of this allocation is subject to meeting set performance conditions over a three-year period. Full vesting will only occur if top quartile shareholder returns are achieved.

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for the financial year ended 30 June 2017

7.5 MD & CEO remuneration arrangements (continued)

a) Current remuneration (continued)

Since being appointed as MD & CEO, Mr Attenborough has received six grants of Performance Rights under the Tabcorp Long Term Performance Plan, which were approved by shareholders at the Company's previous Annual General Meetings. The details of the current allocations still on foot are as follows:

Table 14: MD & CEO – current LTI allocations on foot

<u>Grant date</u>	<u>Number</u>	<u>Test and expiry date</u>
28 October 2014	519,125	16 September 2017
29 October 2015	484,581	22 September 2018
25 October 2016	501,002	14 September 2019

An LTI test date occurred on 18 September 2016 for Mr Attenborough's 2013 LTI grant. The relative TSR ranking at the test date for this grant placed Tabcorp at the 81st percentile when compared to the peer group. As a result, 100% of the Performance Rights for this grant vested.

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

Partial lapse of unvested Performance Rights may occur in circumstances where Mr Attenborough takes parental leave or extended unpaid leave. In the event of a takeover offer for the Company or any other transaction resulting in a change of control of the Company, the Board is required to determine, in its absolute discretion, the appropriate treatment regarding any unvested Performance Rights.

Further information relating to these Performance Rights is available in the notice of meeting for the Company's 2014, 2015 and 2016 Annual General Meetings.

b) Changes for the 2018 financial year

The Board determined that there would be no change to Mr Attenborough's remuneration level or reward mix for the 2018 financial year, subject to the proposed combination with the Tatts Group. When the proposed combination with the Tatts Group proceeds, Mr Attenborough's remuneration will be reviewed.

7.6 Contracts – Executive KMP (including the MD & CEO)

The table below contains details of the contracts of the Executive KMP. The contracts do not provide for any termination payments, other than payment in lieu of notice.

Table 15: Executive KMP contracts

Name	Position	Contract duration	Minimum notice period (months)	
			Executive	Tabcorp
Current Executives				
David Attenborough	Managing Director and Chief Executive Officer	Open ended	6	12
Damien Johnston	Chief Financial Officer	Open ended	6	9
Craig Nugent	Chief Operating Officer Wagering and Media	Open ended	6	9
Adam Rytenskild	Chief Operating Officer Keno and Gaming	Open ended	6	9

REMUNERATION REPORT (AUDITED)

for the financial year ended 30 June 2017

7.7 Remuneration – Executive KMP (including the MD & CEO)

Table 16: Executive KMP remuneration

KMP	Year	Short term			Long term	Post employment	Total excluding charge for share based allocations	Charge for share based allocations ^(iv)			Performance related ^(v) %	Termination benefits \$
		Salary & fees ⁽ⁱ⁾ \$	Cash bonus ⁽ⁱⁱ⁾ \$	Non-monetary benefits ⁽ⁱⁱⁱ⁾ \$	Accrued leave benefits \$	Super-annuation \$		Restricted Shares \$	Performance Rights \$	Total \$		
Executive Director												
David Attenborough	2017	1,205,384	-	-	79,812	19,616	1,304,812	305,376	1,235,714	2,845,902	54%	-
Managing Director and Chief Executive Officer	2016	1,080,692	495,000	-	36,320	19,308	1,631,320	382,377	1,173,742	3,187,439	64%	-
Current Executives												
Damien Johnston	2017	662,980	-	-	54,004	19,616	736,600	57,693	379,928	1,174,221	37%	-
Chief Financial Officer	2016	648,839	226,600	-	(13,801)	19,308	880,946	95,832	372,960	1,349,738	52%	-
Craig Nugent	2017	681,429	-	-	14,528	19,616	715,573	52,700	320,525	1,088,798	34%	-
Chief Operating Officer Wagering and Media	2016	672,567	187,718	-	24,234	19,308	903,827	86,508	259,940	1,250,275	43%	-
Adam Rytenski	2017	594,384	115,650	-	37,511	19,616	767,161	65,014	263,671	1,095,846	41%	-
Chief Operating Officer Keno and Gaming	2016	543,803	302,402	-	43,521	19,308	909,034	83,070	215,579	1,207,683	50%	-
Former Executives												
Kerry Willcock ^(vi) EGM Corporate, Legal and Regulatory	2016	363,901	-	-	23,723	12,872	400,496	69,931	218,044	688,471	42%	594,003
Total	2017	3,144,177	115,650	-	185,855	78,464	3,524,146	480,783	2,199,838	6,204,767	-	-
	2016	3,309,802	1,211,720	-	113,997	90,104	4,725,623	717,718	2,240,265	7,683,606	-	594,003

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

(ii) Cash bonus reflects 75% (50% for the MD & CEO) of the STI achieved in the year. The remaining 25% (50% for the MD & CEO) of the STI is deferred into Restricted Shares, and is reflected in remuneration during the vesting period.

(iii) Comprises the cost to the Company for providing car parking, where applicable.

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

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

(vi) Ceased employment and as a KMP on 19 February 2016. Termination payment includes \$594,003 payment in lieu of notice. In addition to the amounts disclosed above, payment on cessation of annual leave amounted to \$52,280 and long service leave amounted to \$161,149.

Table 16 is prepared in accordance with the Corporations Act requirements. The amounts that appear under the heading 'charge for share based allocations' are the amounts expensed by the Company in accordance with the required Accounting Standards in respect of current and past incentive allocations of Restricted Shares and Performance Rights. 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 Section 7.4(b).

An overview of the actual value of remuneration received by Executive KMP during the year is outlined in Table 17. This information is provided as it is considered to be of interest to users of the Remuneration Report.

Table 17: Actual value of remuneration received by current Executive KMP

KMP	Year	Salary and fees ⁽ⁱ⁾ \$	Cash bonus ⁽ⁱⁱ⁾ \$	Superannuation \$	Value of STI vested ⁽ⁱⁱⁱ⁾ \$	Value of LTI vested ^(iv) \$	Total \$
Executive Director							
David Attenborough	2017	1,205,384	495,000	19,616	240,681	2,938,509	4,899,190
Current Executives							
Damien Johnston	2017	662,980	226,600	19,616	119,212	1,057,294	2,085,702
Craig Nugent	2017	681,429	187,718	19,616	105,673	569,005	1,563,441
Adam Rytenskild	2017	594,384	302,402	19,616	95,517	530,699	1,542,618
Total	2017	3,144,177	1,211,720	78,464	561,083	5,095,507	10,090,951

(i) Comprises salary and salary sacrificed benefits as calculated in Table 16.

(ii) Cash bonus reflects the 75% (50% for the MD & CEO) of the previous year's STI, which was paid during the year.

(iii) Value of Restricted Shares vesting during the year as part of the STI granted in August 2014 (pertaining to the STI award earned for the year ended 30 June 2014). Calculated based on the market value of Tabcorp shares at the date of vesting.

(iv) Value of shares issued during the year on the vesting of Performance Rights granted in October 2013 under the 2103 LTI offer. Calculated based on the market value of Tabcorp shares at the date of vesting.

REMUNERATION REPORT (AUDITED)

for the financial year ended 30 June 2017

8. KMP SHAREHOLDINGS

Table 18: KMP interests in shares of Tabcorp (number)

For the year ended 30 June 2017

The table below details KMP shareholdings that are held directly and indirectly. A share trading blackout was in place for the majority of the year.

KMP	Balance at start of year	Granted as remuneration ⁽ⁱ⁾	On vesting of Performance Rights	Net change other ⁽ⁱⁱ⁾	Balance at end of year
Non Executive Directors					
Paula Dwyer	100,000	-	-	-	100,000
Elmer Funke Kupper	54,166	-	-	10,000	64,166
Steven Gregg	15,000	-	-	-	15,000
Jane Hemstritch	31,962	-	-	-	31,962
Justin Milne	31,208	-	-	-	31,208
Zygmunt Switkowski	91,949	-	-	-	91,949
Future Non Executive Directors, pending regulatory approval					
Bruce Akhurst ⁽ⁱⁱⁱ⁾	-	-	-	39,108	39,108
Vicki McFadden ⁽ⁱⁱⁱ⁾	-	-	-	30,000	30,000
Executive Director					
David Attenborough	1,052,316	97,249	590,062	(850,000)	889,627
Current Executives					
Damien Johnston	493,067	14,839	212,308	(360,000)	360,214
Craig Nugent	38,360	12,293	114,258	-	164,911
Adam Rytenskind	137,201	19,803	106,566	(77,713)	185,857
Total	2,114,337	144,184	1,023,194	(1,277,713)	2,004,002

(i) Includes Restricted shares issued during the year as part of the STI.

(ii) Includes voluntary on-market transactions.

(iii) Commenced as a Director and KMP on 18 July 2017 following the receipt of all necessary regulatory approvals.

FINANCIAL REPORT

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INCOME STATEMENT

For the year ended 30 June 2017

	Note	2017 \$m	2016 \$m
Revenue		2,234.1	2,188.7
Other income	A4	(24.1)	4.4
Commissions and fees		(921.4)	(869.2)
Government taxes and levies		(314.1)	(335.0)
Employment costs		(224.0)	(187.6)
Depreciation and amortisation		(183.3)	(178.6)
Impairment	A4	(27.5)	-
Communications and technology costs		(86.3)	(77.9)
Advertising and promotions		(73.3)	(64.0)
Property costs		(54.7)	(43.1)
Other expenses		(223.8)	(136.7)
Profit before income tax expense and net finance costs		101.6	301.0
Finance income		1.6	2.9
Finance costs	A4	(78.3)	(72.8)
Profit before income tax expense		24.9	231.1
Income tax expense	A5	(45.7)	(61.4)
Net profit/(loss) after tax		(20.8)	169.7
Other comprehensive income			
Change in fair value of cash flow hedges taken to equity that may be reclassified to profit or loss		10.3	11.1
Exchange differences on translation of foreign operations that may be reclassified to profit or loss		(2.0)	(0.8)
Income tax on items that may be reclassified to profit or loss		(3.1)	(3.3)
Items that will not be reclassified to profit or loss		1.4	(1.8)
Income tax on items that will not be reclassified to profit or loss		(0.4)	0.5
Other comprehensive income for the year, net of income tax		6.2	5.7
Total comprehensive income for the year		(14.6)	175.4
		2017	2016
Earnings per share:		cents	cents
Basic earnings per share	A2	(2.5)	20.4
Diluted earnings per share	A2	(2.5)	20.3
Dividends per share:			
Declared and paid during the year	A3	24.5	22.0
Determined in respect of the year	A3	25.0	24.0

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

BALANCE SHEET

As at 30 June 2017

	Note	2017 \$m	2016 \$m
Current assets			
Cash and cash equivalents	C5	114.3	126.0
Receivables	C6	54.5	41.5
Prepayments		22.8	17.1
Current tax assets		5.4	-
Derivative financial instruments	B3	296.2	2.8
Assets held for sale	D5	13.1	-
Other		50.3	9.7
Total current assets		556.6	197.1
Non current assets			
Receivables	C6	12.5	10.7
Licences	C1	637.5	682.4
Other intangible assets	C2	2,058.1	1,945.3
Property, plant and equipment	C4	339.4	311.7
Prepayments		33.0	33.0
Derivative financial instruments	B3	80.3	100.0
Other		23.5	22.6
Total non current assets		3,184.3	3,105.7
TOTAL ASSETS		3,740.9	3,302.8
Current liabilities			
Payables		361.8	317.0
Interest bearing liabilities	B2	974.3	248.9
Current tax liabilities		-	7.4
Provisions	C7	36.4	28.6
Derivative financial instruments	B3	32.4	34.0
Liabilities directly associated with assets held for sale	D5	2.6	-
Other		8.9	6.7
Total current liabilities		1,416.4	642.6
Non current liabilities			
Interest bearing liabilities	B2	684.0	831.5
Deferred tax liabilities	A5	60.5	60.8
Provisions	C7	63.0	24.6
Derivative financial instruments	B3	30.6	52.3
Other		3.0	2.9
Total non current liabilities		841.1	972.1
TOTAL LIABILITIES		2,257.5	1,614.7
NET ASSETS		1,483.4	1,688.1
Equity			
Issued capital		2,444.5	2,430.6
Accumulated losses		(270.3)	(46.3)
Reserves		(690.8)	(696.2)
TOTAL EQUITY		1,483.4	1,688.1

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

CASH FLOW STATEMENT

For the year ended 30 June 2017

	Note	2017 \$m	2016 \$m
Cash flows from operating activities			
Net cash receipts in the course of operations		2,270.5	2,218.8
Payments to suppliers, service providers and employees		(1,685.3)	(1,510.0)
Payment of government levies, betting taxes and GST		(226.1)	(250.7)
Finance income received		1.6	2.9
Finance costs paid		(76.7)	(71.3)
Income tax (paid)/refund		(61.5)	11.4
Net cash flows from operating activities	C5	222.5	401.1
Cash flows from investing activities			
Payments relating to cash-settled equity swap		(317.5)	-
Payment for business acquisition, net of cash acquired	D4	(113.2)	-
Payment for property, plant and equipment and intangibles		(197.4)	(183.1)
Proceeds from sale of property, plant and equipment and intangibles		1.9	6.5
Loan repayments received from customers		1.8	3.6
Net cash flows used in investing activities		(624.4)	(173.0)
Cash flows from financing activities			
Net cash flows from revolving bank facilities		584.9	(80.0)
Dividends paid		(194.5)	(173.3)
Payments for on-market share purchase		-	(8.8)
Net cash flows from/(used) in financing activities		390.4	(262.1)
Net decrease in cash held		(11.5)	(34.0)
Effects of exchange rate changes on cash		(0.2)	-
Cash at beginning of year		126.0	160.0
Cash at end of year	C5	114.3	126.0

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Number of ordinary shares m	Issued capital		Accumulated losses \$m	Reserves			Total equity \$m
		Ordinary shares \$m	Treasury shares \$m		Hedging \$m	Demerger \$m	Other \$m	
2017								
Balance at beginning of year	831.5	2,431.2	(0.6)	(46.3)	(31.4)	(669.9)	5.1	1,688.1
Loss for the year	-	-	-	(20.8)	-	-	-	(20.8)
Other comprehensive income	-	-	-	1.0	7.2	-	(2.0)	6.2
Total comprehensive income	-	-	-	(19.8)	7.2	-	(2.0)	(14.6)
Dividends paid	-	-	-	(204.2)	-	-	-	(204.2)
Dividend reinvestment plan	1.9	9.7	-	-	-	-	-	9.7
Transfers	-	2.8	-	-	-	-	(2.8)	-
Restricted shares issued	0.3	1.4	(1.4)	-	-	-	-	-
Performance Rights exercised	1.6	-	-	-	-	-	-	-
Share based payments expense	-	-	1.4	-	-	-	3.0	4.4
Balance at end of year	835.3	2,445.1	(0.6)	(270.3)	(24.2)	(669.9)	3.3	1,483.4
		Total issued capital 2,444.5			Total reserves (690.8)			
2016								
Balance at beginning of year	829.4	2,427.0	(0.8)	(32.0)	(39.2)	(669.9)	5.0	1,690.1
Profit for the year	-	-	-	169.7	-	-	-	169.7
Other comprehensive income	-	-	-	(1.3)	7.8	-	(0.8)	5.7
Total comprehensive income	-	-	-	168.4	7.8	-	(0.8)	175.4
Dividends paid	-	-	-	(182.7)	-	-	-	(182.7)
Dividend reinvestment plan	2.1	9.4	-	-	-	-	-	9.4
Transfers	-	2.0	-	-	-	-	(2.0)	-
Restricted shares issued	-	-	(1.6)	-	-	-	-	(1.6)
Share based payments expense	-	-	1.8	-	-	-	2.9	4.7
Net outlay to purchase shares	-	(7.2)	-	-	-	-	-	(7.2)
Balance at end of year	831.5	2,431.2	(0.6)	(46.3)	(31.4)	(669.9)	5.1	1,688.1
		Total issued capital 2,430.6			Total reserves (696.2)			

Issued capital – Ordinary shares are issued and fully paid. They carry one vote per share and hold the rights to dividends. Issued capital is recognised at the fair value of the consideration received. When issued capital is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from total issued capital. Any transaction costs directly attributable to the issue of ordinary shares are recognised directly in equity, net of tax, as a reduction of the share proceeds received.

Treasury shares represent the unvested portion of Restricted Shares issued to executives as an incentive, on appointment or for retention, which is recognised as a reduction in issued capital. The amount which has been credited to the employee equity benefit reserve is transferred to issued capital to the extent the relevant Performance Rights vest or have been treated as vested.

Nature of reserves

Hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges.

Demerger reserve arose on the demerger of The Star Entertainment Group (previously the Echo Entertainment Group) in 2011. It represents the difference between the fair value of The Star Entertainment Group shares (being the distribution liability arising on demerger), the amount allocated as a capital reduction and any transfers to retained earnings.

Other reserves contain the employee equity benefit reserve and the foreign currency translation reserve.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

ABOUT THIS REPORT

Tabcorp Holdings Limited (the Company) is a company limited by shares which are traded on the Australian Securities Exchange. The Company is incorporated and domiciled in Australia, and is a for-profit entity. The Financial Report of the Company for the year ended 30 June 2017 comprises the Company and its subsidiaries (the Group) and the Group's interest in joint arrangements.

The Financial Report was authorised for issue by the Directors on 4 August 2017.

The Financial Report is a general purpose financial report which:

- + has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards as issued by the Australian Accounting Standards Board and other mandatory financial reporting requirements in Australia;
- + complies with International Financial Reporting Standards as issued by the International Accounting Standards Board;
- + is presented in Australian dollars with dollar amounts rounded to the nearest hundred thousand unless specifically stated to be otherwise, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191; and
- + is prepared on the historical cost basis, except for derivative financial instruments that have been measured at fair value.

The accounting policies have been applied consistently throughout the Group for the purposes of this Financial Report.

Note disclosures have been grouped into five sections. The notes within each section detail the accounting policies applied, together with any key judgements and estimates used. The purpose of this format is to provide users with a clear understanding of the key drivers of the Group's financial performance and financial position.

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Significant accounting estimates and assumptions

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of these assets and liabilities recognised in the financial statements are described in the following notes:

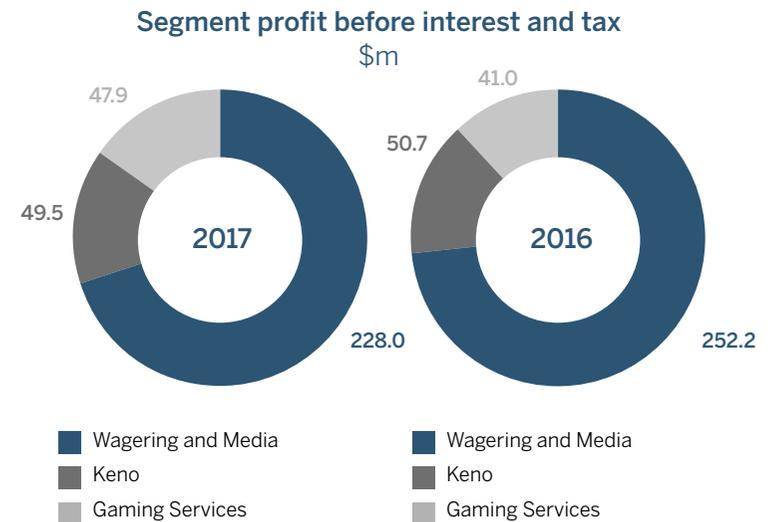
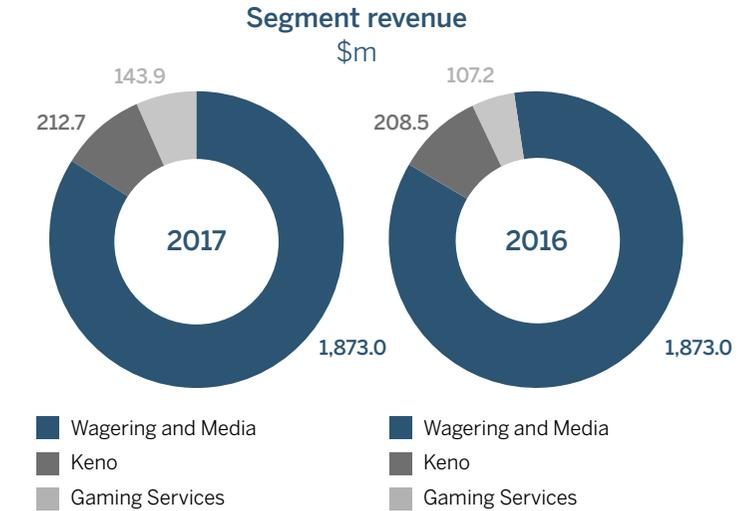
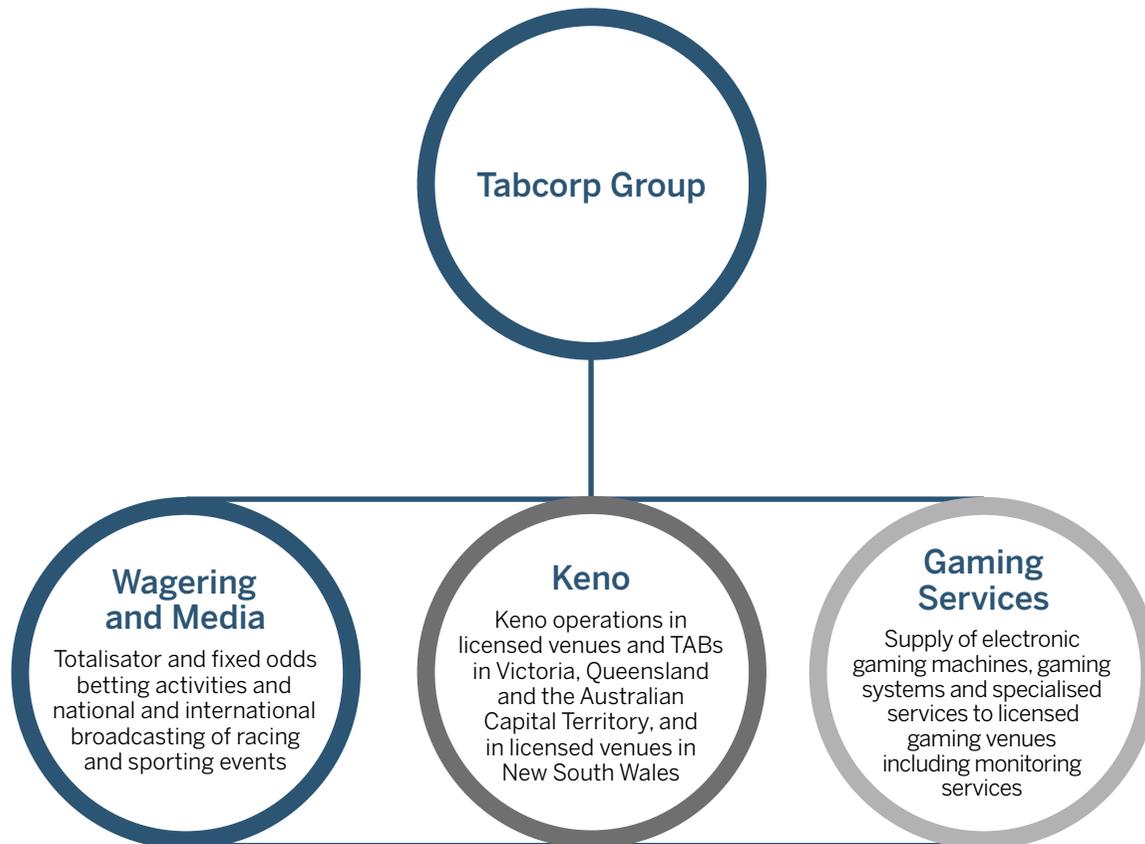
A5 – Income tax	C1 – Licences	C3 – Impairment testing	E3 – Contingencies
B3 – Derivative financial instruments	C2 – Other intangible assets	C6 – Receivables	

SECTION A – GROUP PERFORMANCE

A1 Segment information

Operating segments reflect the business level at which financial information is provided to the Managing Director and Chief Executive Officer (chief operating decision maker), 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. Intersegment pricing is determined on commercial terms and conditions.

The Group has three operating segments:



NOTES TO THE FINANCIAL STATEMENTS: GROUP PERFORMANCE

For the year ended 30 June 2017

A1 Segment information (continued)

	Wagering and Media \$m	Keno \$m	Gaming Services \$m	Total \$m
2017				
Revenue	1,873.0	212.7	143.9	2,229.6
Segment profit before interest and tax	228.0	49.5	47.9	325.4
Depreciation and amortisation	122.0	22.5	34.2	178.7
Capital expenditure ⁽ⁱ⁾	125.3	22.6	63.1	211.0
2016				
Revenue	1,873.0	208.5	107.2	2,188.7
Segment profit before interest and tax	252.2	50.7	41.0	343.9
Depreciation and amortisation	129.9	19.6	29.1	178.6
Capital expenditure ⁽ⁱ⁾	82.4	19.1	50.2	151.7

(i) Capital expenditure excludes the acquisition of licences and assets acquired via business combinations (refer note D4).

	Revenue		Profit		Depreciation and amortisation	
	2017 \$m	2016 \$m	2017 \$m	2016 \$m	2017 \$m	2016 \$m
Reconciliation of segment revenue, profit, depreciation and amortisation						
Segment total (per above)	2,229.6	2,188.7	325.4	343.9	178.7	178.6
Unallocated items:						
– finance income	-	-	1.6	2.9	-	-
– finance costs ⁽ⁱ⁾	-	-	(78.3)	(72.8)	-	-
– significant items:						
– settlement and other costs relating to the AUSTRAC civil proceedings and AFP Cambodia investigation	-	-	(71.7)	(19.4)	-	-
– costs relating to proposed combination with Tatts Group ⁽ⁱⁱ⁾	-	-	(55.3)	-	-	-
– establishment and start-up of Sun Bets, an online wagering and gaming business in the UK	4.5	-	(50.7)	(16.8)	4.6	-
– impairment (refer note A4)	-	-	(27.5)	-	-	-
– other ⁽ⁱⁱⁱ⁾	-	-	(18.6)	-	-	-
– other	-	-	-	(6.7)	-	-
Total per income statement	2,234.1	2,188.7	24.9	231.1	183.3	178.6

(i) Includes financing costs relating to the cash-settled equity swap and the proposed combination with Tatts Group (\$8.2 million).

(ii) Includes the net loss on the cash-settled equity swap relating to the proposed combination with Tatts Group (\$23.9 million).

(iii) Significant items – other in the current period comprise costs relating to the Intecq acquisition (\$5.9 million) and the Melbourne premises relocation (\$12.7 million).

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

Wagering revenue is recognised as the residual value after deducting the return to customers from wagering turnover. Fixed odds betting revenue is recognised as the net win or loss on an event. The amounts bet on an event are recognised as a liability until the outcome of the event is determined, at which time the revenue is brought to account. Open betting positions are carried at fair value and gains and losses arising on these positions are recognised in revenue.

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

Media revenue includes subscription income and advertising revenue, and is recognised once the service has been rendered. Subscriptions received relating to future periods are treated as deferred revenue.

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

Gaming services revenue is recognised once the service has been rendered or the goods have been delivered to the buyer.

A2 Earnings per share

	2017 \$m	2016 \$m
Earnings used in calculation of earnings per share (EPS)	(20.8)	169.7
	2017 Number (m)	2016 Number (m)
Weighted average number of ordinary shares used in calculating basic EPS	834.7	831.1
Effect of dilution from Performance Rights ⁽ⁱ⁾	-	3.6
Weighted average number of ordinary shares used in calculating diluted EPS	834.7	834.7

(i) In the current year the dilutive impact of Performance Rights has not been taken into consideration as they are antidilutive and would result in the dilutive loss per share being less than the basic loss per share. The Performance Rights on issue at 30 June 2017 (refer to note E1) could potentially dilute basic earnings per share in the future.

Basic EPS is calculated as net profit after tax divided by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated on the same basis as basic EPS except that it reflects the impact of any potential commitments the Group has to issue shares in the future, for example shares to be issued upon vesting of Performance Rights.

A3 Dividends

	2017 cents per share	2016 cents per share	2017 \$m	2016 \$m
Fully franked dividends declared and paid during the year:				
Prior year final dividend	12.0	10.0	99.8	82.9
Interim dividend	12.5	12.0	104.4	99.8
	24.5	22.0	204.2	182.7
Fully franked dividends determined in respect of the year:				
Interim dividend	12.5	12.0	104.4	99.8
Final dividend	12.5	12.0	104.4	99.8
	25.0	24.0	208.8	199.6
Fully franked dividends declared after balance date to be recognised in subsequent year:				
Final dividend	12.5	12.0	104.4	99.8
Franking credits available at the 30% company tax rate after allowing for tax payable or receivable			103.7	140.4

NOTES TO THE FINANCIAL STATEMENTS: GROUP PERFORMANCE

For the year ended 30 June 2017

A4 Revenue and expenses

	2017 \$m	2016 \$m
(a) Other income		
Net loss on cash-settled equity swap	(23.9)	-
Net gain/(loss) on disposal of non current assets	(1.7)	2.0
Other	1.5	2.4
	(24.1)	4.4
(b) Employment costs include:		
Defined contribution plan expense	16.7	14.3
(c) Operating lease rentals		
Minimum lease payments	39.0	41.9
(d) Finance costs		
Interest costs	70.3	66.5
Other	8.0	6.3
	78.3	72.8
(e) Impairment ⁽ⁱ⁾		
Leasehold improvements	0.2	-
Plant and equipment	4.5	-
Other intangible assets – software	22.8	-
	27.5	-
(f) Other expenses include:		
Settlement in relation to the AUSTRAC civil proceedings	45.0	-

(i) Comprises the write down of the business assets for Sun Bets due to operating losses and performance expectations being less than anticipated.

Contributions to defined contribution plans are recognised in the income statement as they become payable.

Operating lease rentals are recognised in the income statement on a straight line basis over the lease term. Lease incentives received are recognised as a liability and are released to the income statement on a straight line basis over the lease term. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Finance income is recognised using the effective interest rate method.

Finance costs are recognised as an expense when incurred.

A5 Income tax

	2017 \$m	2016 \$m
(a) The major components of income tax expense are:		
Current tax	(59.8)	(74.1)
Adjustments in respect of current income tax of previous years	11.5	12.6
Deferred tax	2.6	0.1
	(45.7)	(61.4)
Income tax reconciliation:		
Profit before income tax expense	24.9	231.1
Income tax payable at the 30% company tax rate	(7.5)	(69.3)
Tax effect of adjustments in calculating taxable income:		
– amortisation of Victorian licences	(11.7)	(11.7)
– non-deductible expenses	(23.7)	-
– unbooked deferred tax assets	(7.1)	-
– research and development claims	8.0	7.6
– NSW retail exclusivity payment	-	7.5
– other	0.7	3.4
Effect of differing international tax rates	(4.4)	1.1
Income tax expense	(45.7)	(61.4)

NOTES TO THE FINANCIAL STATEMENTS: GROUP PERFORMANCE

For the year ended 30 June 2017

A5 Income tax (continued)

(b) Deferred tax assets/(liabilities)

	Balance at 1 July 2015 \$m	Recognised in income statement \$m	Recognised directly in equity \$m	Balance at 30 June 2016 \$m	Recognised in income statement \$m	Acquisitions via business combinations \$m	Recognised directly in equity \$m	Balance at 30 June 2017 \$m
NSW Trackside concessions	17.3	(3.1)	-	14.2	(3.2)	-	-	11.0
Fair value of cash flow hedges	16.8	-	(3.3)	13.5	-	-	(3.1)	10.4
Property, plant and equipment	14.7	1.8	-	16.5	(0.8)	-	-	15.7
Provisions	11.7	0.6	-	12.3	1.9	1.1	-	15.3
Accrued expenses	10.1	(1.5)	-	8.6	(2.4)	(0.1)	-	6.1
Cash-settled equity swap	-	-	-	-	7.1	-	-	7.1
NSW retail exclusivity	-	3.0	-	3.0	(1.5)	-	-	1.5
Other	7.3	(3.6)	0.5	4.2	(5.1)	1.2	(0.4)	(0.1)
Licences	(101.0)	1.5	-	(99.5)	1.4	-	-	(98.1)
Other intangible assets	(8.9)	0.4	-	(8.5)	7.6	(1.0)	-	(1.9)
Unclaimed dividends	(5.5)	0.7	-	(4.8)	0.3	-	-	(4.5)
Research and development	(20.6)	0.3	-	(20.3)	(2.7)	-	-	(23.0)
Net deferred tax assets/(liabilities)	(58.1)	0.1	(2.8)	(60.8)	2.6	1.2	(3.5)	(60.5)

A deferred tax asset in relation to tax losses arising in the UK of \$7.8 million has not been recognised at 30 June 2017. These losses are available for offsetting against future taxable profits in the UK.

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

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

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes. The temporary differences for goodwill and the initial recognition of an asset or liability in a transaction which is not a business combination and that affect neither accounting nor taxable profit at the time of the transaction are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

A **deferred tax asset** is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

A6 Subsequent events

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

SECTION B – CAPITAL AND RISK MANAGEMENT

B1 Capital management

The Group's objectives when managing capital are to ensure the Group continues as a going concern while providing optimal returns to shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Group has a target of an investment grade credit rating. Gearing is managed primarily through the ratio of gross debt to earnings before interest, tax, depreciation, amortisation and impairment (EBITDA).

At 30 June the Group's gearing ratio was:

	2017 \$m	2016 \$m
Gross debt (US private placement debt at the Australian dollar principal repayable under cross currency swaps)	1,585.5	1,000.5
EBITDA (before significant items)	504.1	515.8
Gearing ratio	3.1	1.9

B2 Interest bearing liabilities

The Group borrows money from financial institutions and debt investors in the form of bank loans, subordinated notes and foreign currency denominated notes.

The following table details the debt position of the Group at 30 June:

Facility	Details	Facility limit \$m	Maturity	2017 \$m	2016 \$m
Bank loans – unsecured	Floating interest rate revolving facility. Subject to financial undertakings as to gearing and interest cover.	575.0	Dec-17	574.8 ⁽ⁱ⁾	-
		250.0	Jun-18	-	-
		400.0	Jun-18	399.5	398.9
		150.0	Dec-18	9.8	-
		400.0	Jun-20	388.8	138.0
		1,775.0		1,372.9	536.9
Subordinated notes	Floating interest rate. Redeemed in Mar-17.	250.0	n/a	-	248.9
US private placement	Fixed interest rate US dollar debt. Aggregate US dollar principal of \$220.0m. Cross currency swaps are in place for all US dollar debt. Under these swaps the aggregate Australian dollar amount payable at maturity is \$210.5m.	USD 87.0	Apr-19	112.9	116.6
		USD 133.0	Apr-22	172.5	178.0
		USD 220.0		285.4	294.6
				1,658.3	1,080.4
Current ⁽ⁱⁱ⁾				974.3	248.9
Non current				684.0	831.5
				1,658.3	1,080.4

(i) Proceeds on close out of the cash-settled equity swap must be applied to the \$325 million tranche of this facility.

(ii) The Group has a number of bank loans with maturity dates in the next 12 months. These loans are intended to be refinanced by a new bank facility in respect of the proposed combination with Tatts Group. The Group has executed a legally binding commitment letter with a number of domestic and international banks expected to provide sufficient capacity to refinance facilities as required, and management has initiated discussions with the relevant banks for an extension of the December 2017 facility to a later date.

Interest bearing liabilities are recognised initially at fair value net of transaction costs, and subsequent to initial recognition are recognised at amortised cost which is calculated using the effective interest rate method. Foreign currency liabilities are carried at amortised cost and are translated at the exchange rates ruling at reporting date. Gains and losses are recognised in the income statement when the liabilities are derecognised in addition to the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS: CAPITAL AND RISK MANAGEMENT

For the year ended 30 June 2017

B3 Derivative financial instruments

The Group holds the following derivative financial instruments, all at fair value based on level 2 observable inputs (refer to note B4):

	2017 \$m	2016 \$m
Current assets		
Cross currency swaps	2.6	2.8
Cash-settled equity swap	293.6	-
	296.2	2.8
Non current assets		
Cross currency swaps	77.2	100.0
Interest rate swaps	3.1	-
	80.3	100.0
	376.5	102.8
Current liabilities		
Interest rate swaps	19.8	21.0
Cross currency swaps	2.1	2.3
Open betting positions	10.5	10.7
	32.4	34.0
Non current liabilities		
Interest rate swaps	30.6	52.3
	30.6	52.3
	63.0	86.3

Derivative financial instruments are recognised initially at cost, and subsequently are stated at fair value (refer to note B4). The method of recognising any remeasurement gain or loss depends on the nature of the item being hedged. For the purposes of hedge accounting, hedges are classified as either cash flow or fair value hedges.

Cash flow hedges are used to hedge the exposure to variability in cash flows attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction. Hedge effectiveness is measured by comparing the change in the fair value of the hedged item and the hedging instrument respectively each quarter. Any difference represents ineffectiveness. The effective portion of any gain or loss on the hedging instrument is recognised directly in equity, with any ineffective portion recognised in the income statement. For hedged items relating to financial assets or liabilities, amounts recognised in equity are reclassified into the income statement when the hedged transaction affects the income statement (i.e. when interest income or expense is recognised). When the hedged item is the cost of a non-financial asset or liability, the amounts recognised in equity are transferred into the initial cost or other carrying amount of the non-financial asset or liability.

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

Fair value hedges are used to hedge the variability of changes in the fair value of a recognised asset or liability or an unrecognised firm commitment. Any gain or loss on the derivative is recognised directly in the income statement.

B3.1 Interest rate swaps

These swaps are used to mitigate the risk of variability in cash flows due to movements in the reference interest rate of the designated debt.

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

	Notional principal	
	2017 \$m	2016 \$m
Less than one year	-	200.0
One to five years	775.5	348.5
More than five years	-	227.0
Notional principal	775.5	775.5
Fixed interest rate range p.a.	1.9% – 7.3%	1.9% – 7.3%
Variable interest rate range p.a.	1.7% – 2.3%	2.0% – 2.3%

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

B3.2 Cross currency swaps

These swaps are used to reduce the exposure to the variability of movements in the forward USD exchange rate in relation to the USD private placement debt.

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

	2017		2016	
	Pay principal AUD m	Receive principal USD m	Pay principal AUD m	Receive principal USD m
One to five years	210.5	220.0	83.5	87.0
More than five years	-	-	127.0	133.0
Notional principal	210.5	220.0	210.5	220.0
Fixed interest rate range p.a.		4.6% – 5.2%		4.6% – 5.2%
Variable interest rate range p.a.	5.3% – 6.1%		5.8% – 6.1%	

The terms and conditions in relation to the interest rate and maturity of the cross currency swaps are similar to the terms and conditions of the underlying hedged US private placement debt.

B3.3 Cash-settled equity swap

During the year the Group entered into a cash-settled equity swap with an investment bank in respect of circa 147 million shares in Tatts Group representing approximately 10% of Tatts Group shares on issue. This transaction is intended to help facilitate the proposed combination of Tabcorp and Tatts Group. The swap has an average reference price of \$4.34 per Tatts Group share, and provides the Group with voting rights (subject to certain conditions) over any Tatts Group shares the investment bank holds in connection with the swap. During the term of the swap the Group is entitled to receive payments equivalent to any cash dividends paid by Tatts Group in respect of 147 million shares. The swap is scheduled to terminate in November 2017 or such date as agreed with the counterparty.

NOTES TO THE FINANCIAL STATEMENTS: CAPITAL AND RISK MANAGEMENT

For the year ended 30 June 2017

B4 Fair value measurement

The fair value of financial assets and financial liabilities are estimated for recognition, measurement and disclosure purposes at each balance date.

Various methods are available to estimate the fair value of a financial instrument, and comprise:

Level 1 – calculated using quoted prices in active markets.

Level 2 – estimated using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – estimated using inputs for the asset or liability that are not based on observable market data.

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

	Carrying amount		Fair value	
	2017 \$m	2016 \$m	2017 \$m	2016 \$m
Financial liabilities				
US private placement	286.0	295.3	305.4	329.8
Subordinated notes	-	250.0	-	252.4
	286.0	545.3	305.4	582.2

The fair value of the Group's financial instruments are estimated as follows:

US private placement

Fair value is calculated using discounted future cash flow techniques, where estimated cash flows and estimated discount rates are based on market data at balance date, in combination with restatement to foreign exchange rates at balance date (level 2 in fair value hierarchy).

Subordinated notes

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

Cross currency and interest rate swaps

Fair value is calculated using discounted future cash flow techniques, where estimated cash flows and estimated discount rates are based on market data at balance date (level 2 in fair value hierarchy).

Cash-settled equity swap

Fair value is calculated with reference to market data at initiation of the swap and at balance date (level 2 in fair value hierarchy), combined with the value of the initial exchange paid to the counterparty.

There have been no significant transfers between level 1 and level 2 during the financial year ended 30 June 2017.

B5 Financial instruments – risk management

The Group's principal financial instruments, other than derivatives, comprise cash, short term deposits, and interest bearing liabilities. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group also has various other financial assets and liabilities which arise directly from its operations.

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities, principally interest rate swaps and cross currency swaps. The Group does not hold or issue derivative financial instruments for trading purposes.

The main risks arising from the Group's financial instruments are discussed in section B5.1 to B5.5.

B5.1 Interest rate risk

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

At 30 June after taking into account the effect of interest rate swaps, approximately 48.9% (2016: 67.5%) of the Group's borrowings are at a fixed rate of interest.

The following assets and liabilities are exposed to floating interest rate risk:

	2017 \$m	2016 \$m
Cash assets	18.0	16.5
Short term deposits	80.8	92.1
	98.8	108.6
Bank loans – unsecured	(1,372.9)	(536.9)
Subordinated notes	-	(248.9)
Interest rate swaps – notional principal amounts	(775.5)	(775.5)
Cross currency swaps – notional principal amounts	(210.5)	(210.5)
Cash-settled equity swap – applicable notional amount ⁽ⁱ⁾	(318.5)	-
	(2,677.4)	(1,771.8)

(i) The cash-settled equity swap includes the applicable notional amount with the swap counterparty that is exposed to fluctuations in BBSW.

Sensitivity analysis – interest rates – AUD and USD

The Group's sensitivity to reasonably possible changes in interest rates on the affected financial assets and financial liabilities in existence at year end is shown below. With all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	Post tax profit higher/(lower)		Other comprehensive income higher/(lower)	
	2017 \$m	2016 \$m	2017 \$m	2016 \$m
AUD				
+ 1.00% (100 basis points) (2016: + 1.00%)	(4.7)	(1.1)	18.0	13.4
- 1.00% (100 basis points) (2016: - 1.00%)	4.7	1.1	(18.7)	(14.0)
USD				
+ 0.20% (20 basis points) (2016: + 0.20%)	-	-	(1.1)	(2.0)
- 0.20% (20 basis points) (2016: - 0.20%)	-	-	1.1	2.1

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

NOTES TO THE FINANCIAL STATEMENTS: CAPITAL AND RISK MANAGEMENT

For the year ended 30 June 2017

B5 Financial instruments – risk management (continued)

B5.1 Interest rate risk (continued)

Sensitivity analysis - interest rates – AUD and USD (continued)

Significant assumptions used in the analysis include:

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

B5.2 Foreign currency risk

The Group's primary currency exposure is to US dollars as a result of issuing US private placement debt. In order to hedge this exposure, the Group has entered into cross currency swaps to fix the exchange rate on the USD debt until maturity. The Group agrees to pay a fixed USD amount in exchange for an agreed AUD amount with swap counterparties, and to re-exchange this again at maturity. These swaps are designated to hedge the principal and interest obligations of the US private placement debt.

Sensitivity analysis foreign exchange

The following analysis is based on the Group's foreign currency risk exposures in existence at balance date and demonstrates the Group's sensitivity to reasonably possible changes in the AUD/USD exchange rate. With all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	Post tax profit higher/(lower)		Other comprehensive income higher/(lower)	
	2017 \$m	2016 \$m	2017 \$m	2016 \$m
AUD/USD + 10 cents (2016: + 10 cents)	-	-	(2.2)	(3.8)
AUD/USD - 10 cents (2016: - 10 cents)	-	-	2.8	5.0

The movement in other comprehensive income is due to an increase/decrease in the fair value of financial instruments designated as cash flow hedges. Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

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

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

The translation of the results of the Group's foreign subsidiaries into the Group presentation currency has not been included in the above sensitivity analysis as it represents translation risk rather than transaction risk.

B5.3 Credit risk

The Group's credit risk arises in relation to cash and cash equivalents, receivables, financial liabilities and liabilities under financial guarantees. Credit risk on financial assets which have been recognised on the balance sheet, is the carrying amount less any allowance for non recovery.

Credit risk is managed by:

- + adherence to a strict cash management policy;
- + use of a risk assessment process for customers requesting credit using credit checks, bank opinions and trade references;
- + conducting all investment and financial instrument activity with approved counterparties with investment grade credit ratings; and
- + reviewing compliance with counterparty exposure limits on a continuous basis, and spreading the aggregate value of transactions amongst the approved counterparties.

Credit risk associated with financial liabilities arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The Group's maximum credit risk exposure in respect of derivative contracts is detailed in the liquidity risk table in note B5.4.

Credit risk includes liabilities under financial guarantees. For financial guarantee contract liabilities the fair value at initial recognition is determined using a probability weighted discounted cash flow approach. The fair value of financial guarantee contract liabilities has been assessed as nil (2016: nil), as the possibility of an outflow occurring is considered remote. Details of the financial guarantee contracts at balance date are outlined below:

The counterparty to the cash-settled equity swap is a financial institution with an investment grade credit rating of 'A'.

Deed of cross guarantee

The Company has entered into a deed of cross guarantee as outlined in note D2.

Guarantees and indemnities

Entities in the Group are called upon to give in the ordinary course of business, guarantees and indemnities in respect of the performance of their contractual and financial obligations. The maximum amount of these guarantees and indemnities is \$23.8 million (2016: \$19.2 million).

NOTES TO THE FINANCIAL STATEMENTS: CAPITAL AND RISK MANAGEMENT

For the year ended 30 June 2017

B5 Financial instruments – risk management (continued)

B5.4 Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and notes. To help reduce liquidity risk, the Group targets a minimum level of cash and cash equivalents to be maintained, and has sufficient undrawn funds available.

The Group's policy is that not more than 33% of debt facilities should mature in any financial year within the next four years. The Group has a number of bank loans with maturity dates in the next twelve months (2017: 62% of the debt facilities; 2016: nil). These loans are intended to be refinanced by a new bank facility in respect of the proposed combination with Tatts Group. The Group has executed a legally binding commitment letter with a number of domestic and international banks expected to provide sufficient capacity to refinance facilities as required, and management has initiated discussions with the relevant banks for an extension of the December 2017 facility to a later date. It is expected that the maturity of debt facilities will revert to within policy during the next financial year.

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

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

	2017			2016		
	< 1 year \$m	1 – 5 years \$m	> 5 years \$m	< 1 year \$m	1 – 5 years \$m	> 5 years \$m
Non-derivative financial instruments						
Financial liabilities						
Trade creditors and accrued expenses	361.8	-	-	317.0	-	-
Bank loans – unsecured	1,043.9	433.7	-	18.0	566.0	-
Subordinated notes	-	-	-	261.8	-	-
US private placement	14.2	249.3	-	14.6	130.4	134.7
Net outflow	1,419.9	683.0	-	611.4	696.4	134.7
Derivative financial instruments						
Financial assets						
Interest rate swaps – receive AUD floating	13.6	34.4	-	14.3	34.7	2.5
Cross currency swaps – receive USD fixed	14.2	249.3	-	14.6	130.4	134.7
Cash-settled equity swap	289.6	-	-	-	-	-
	317.4	283.7	-	28.9	165.1	137.2
Financial liabilities						
Interest rate swaps – pay AUD fixed	33.7	74.5	-	33.9	81.4	5.2
Cross currency swaps – pay AUD floating	11.5	241.4	-	12.6	123.5	133.5
Open betting positions	10.5	-	-	10.7	-	-
	55.7	315.9	-	57.2	204.9	138.7
Net inflow/(outflow)	261.7	(32.2)	-	(28.3)	(39.8)	(1.5)

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

B5.5 Cash-settled equity swap price risk

Price risk arises in relation to the cash-settled equity swap from the movement in Tatts Group's share price. The sensitivity to the movement in fair value of the cash-settled equity swap on the post tax profit/(loss) of the Group as a result of an increase in Tatts Group's share price by 10% since balance date would be an increase of \$43.1 million. The sensitivity to the movement in fair value of the cash-settled equity swap on the post tax profit/(loss) of the Group as a result of a decrease in Tatts Group's share price by 10% since balance date would be a reduction of \$43.1 million.

SECTION C – OPERATING ASSETS AND LIABILITIES

C1 Licences

	Victorian Wagering and Betting Licence \$m	NSW wagering licence \$m	Keno licences \$m	ACT totalisator and sports bookmaking licence \$m	Total \$m
2017					
Carrying amount at beginning of year	283.5	294.8	86.3	17.8	682.4
Amortisation	(34.9)	(3.6)	(6.0)	(0.4)	(44.9)
Carrying amount at end of year	248.6	291.2	80.3	17.4	637.5
Cost	418.7	339.1	128.0	18.4	904.2
Accumulated amortisation and impairment	(170.1)	(47.9)	(47.7)	(1.0)	(266.7)
	248.6	291.2	80.3	17.4	637.5
2016					
Carrying amount at beginning of year	318.4	298.5	65.9	18.1	700.9
Additions	-	-	25.7	-	25.7
Amortisation	(34.9)	(3.7)	(5.3)	(0.3)	(44.2)
Carrying amount at end of year	283.5	294.8	86.3	17.8	682.4
Cost	418.7	339.1	128.0	18.4	904.2
Accumulated amortisation and impairment	(135.2)	(44.3)	(41.7)	(0.6)	(221.8)
	283.5	294.8	86.3	17.8	682.4
Amortisation policy – straight line basis over useful life (years):	12	93	10 – 34	50	
Licence expiration date:	2024	2097		2064 ⁽ⁱ⁾	
– Victorian Keno			2022		
– Queensland Keno			2047		
– NSW Keno			2050		
(i) ACT sports bookmaking licence was granted for an initial term of 15 years with further rolling extensions to a total term of 50 years.					
Licences that are acquired by the Group are stated at cost less accumulated amortisation.					

NOTES TO THE FINANCIAL STATEMENTS: OPERATING ASSETS AND LIABILITIES

For the year ended 30 June 2017

C2 Other intangible assets

	Goodwill \$m	NSW Trackside concessions \$m	NSW retail exclusivity \$m	Brand names \$m	Media content and broadcast rights \$m	Other \$m	Software \$m	Total \$m
2017								
Carrying amount at beginning of year	1,431.8	140.5	43.6	110.0	30.6	4.1	184.7	1,945.3
Additions:								
– acquired	-	-	-	-	-	-	30.3	30.3
– internally developed	-	-	-	-	-	-	64.5	64.5
Acquisitions via business combinations	80.8	-	-	-	-	12.7	9.5	103.0
Amortisation	-	(1.8)	(2.6)	-	-	(1.0)	(53.5)	(58.9)
Impairment	-	-	-	-	-	-	(22.8)	(22.8)
Disposals	-	-	-	-	-	-	(0.2)	(0.2)
Transferred to assets held for sale	-	-	-	-	-	(3.0)	(0.1)	(3.1)
Carrying amount at end of year	1,512.6	138.7	41.0	110.0	30.6	12.8	212.4	2,058.1
Cost	2,217.5	150.0	51.3	110.0	30.6	21.1	530.8	3,111.3
Accumulated amortisation and impairment	(704.9)	(11.3)	(10.3)	-	-	(8.3)	(318.4)	(1,053.2)
	1,512.6	138.7	41.0	110.0	30.6	12.8	212.4	2,058.1
Includes capital works in progress of:							38.8	38.8
2016								
Carrying amount at beginning of year	1,431.7	142.2	46.2	110.0	30.6	4.9	159.1	1,924.7
Additions:								
– acquired	-	-	-	-	-	-	18.9	18.9
– internally developed	-	-	-	-	-	-	56.4	56.4
Amortisation	-	(1.7)	(2.6)	-	-	(0.8)	(48.4)	(53.5)
Disposals	-	-	-	-	-	-	(1.3)	(1.3)
Other	0.1	-	-	-	-	-	-	0.1
Carrying amount at end of year	1,431.8	140.5	43.6	110.0	30.6	4.1	184.7	1,945.3
Cost	2,136.7	150.0	51.3	110.0	30.6	11.5	493.9	2,984.0
Accumulated amortisation and impairment	(704.9)	(9.5)	(7.7)	-	-	(7.4)	(309.2)	(1,038.7)
	1,431.8	140.5	43.6	110.0	30.6	4.1	184.7	1,945.3
Includes capital works in progress of:							45.7	45.7
Amortisation policy – straight line basis over useful life (years):		87	20	Indefinite	Indefinite	12 – 20	3 – 10	
Expiration date		2097	2033					

Goodwill arising in a business combination represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired and liabilities assumed. All business combinations are accounted for by applying the acquisition method. Any contingent consideration is recognised at fair value at the acquisition date. Negative goodwill arising on an acquisition is recognised directly in the income statement. Goodwill is not amortised, and is stated at cost less any accumulated impairment losses. Any impairment losses recognised against goodwill cannot be reversed.

Brand names, media content and broadcast rights are not amortised as the Directors believe that the life of these intangibles to the Group will not materially diminish over time, and the residual value at the end of that life would be such that the amortisation charge, if any, would not be material.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. The cost of internally developed software includes the cost of materials, direct labour and an appropriate proportion of overheads.

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

C3 Impairment testing

Goodwill and indefinite life intangible assets are tested for impairment annually, or whenever there is an indicator of impairment.

Carrying amount of goodwill and other intangible assets with indefinite useful lives allocated to each cash generating unit (CGU) or segment:	2017	2016
	\$m	\$m
Goodwill		
Wagering and Media	1,277.8	1,277.8
Keno	154.0	154.0
Gaming Services	80.8	-
	1,512.6	1,431.8
Other intangible assets with indefinite useful lives		
NSW Wagering	98.8	98.8
ACTTAB	4.5	4.5
Sky Racing	30.8	30.8
Sky Sports Radio	6.5	6.5
	140.6	140.6

The recoverable amount of each CGU is determined based on fair value less costs of disposal, calculated using discounted cash flows. The cash flow forecasts are principally based upon management approved business plans for a four year period and extrapolated using growth rates ranging from 2.0% to 2.5%. These cash flows are then discounted using a relevant long term post tax discount rate, ranging between 9.2% and 9.7%. This is considered to be level 3 in the fair value hierarchy, based on non market observable inputs (refer to note B4 for explanation of the valuation hierarchy).

NOTES TO THE FINANCIAL STATEMENTS: OPERATING ASSETS AND LIABILITIES

For the year ended 30 June 2017

C3 Impairment testing (continued)

Key assumptions on which management has based its cash flow projections:

- + State tax regimes and the regulatory environment in which the Group currently operates remain largely unchanged, other than announced.
- + Exclusive retail wagering licences in Victoria, NSW and the ACT are assumed to be retained. The wagering business competes with bookmakers in Victoria, NSW and the ACT, and other interstate and international wagering operators who accept bets over the phone and the internet. There is a possibility that competition from the interstate and international operators may extend further to the Group's retail wagering network in the future.
- + Race fields arrangements implemented in each State and Territory of Australia remain largely unchanged.
- + Growth rates used to extrapolate cash flows are either in line with or do not exceed the long term average growth rate for the industry in which the CGU operates.
- + Discount rates applied are based on the post tax weighted average cost of capital applicable to the relevant CGU.
- + Terminal growth rate used is in line with the forecast long term underlying growth rate in Consumer Price Index.

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

At each balance date, in addition to goodwill and intangible assets with indefinite useful lives, all non-current assets are reviewed for impairment if events or changes in circumstances indicate they may be impaired. When an indicator of impairment exists, the Group makes a formal assessment of recoverable amount. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the greater of fair value less costs of disposal and value in use. It is determined for an individual asset, unless the asset's recoverable value cannot be estimated as it does not generate cash inflows that are largely independent of those from other assets or groups of assets. In this case, the recoverable amount is determined for the CGU, being assets grouped at the lowest levels for which there are separately identifiable cash flows.

Goodwill and intangible assets with indefinite useful lives (brand names, broadcast rights and media content) acquired through business combinations have been allocated to each CGU or group of CGUs expected to benefit from the business combination's synergies for impairment testing.

C4 Property, plant and equipment

	Land		Buildings \$m	Leasehold improvements \$m	Plant and equipment \$m	Total \$m
	Freehold \$m	Leasehold ⁽ⁱ⁾ \$m				
2017						
Carrying amount at beginning of year	5.3	-	13.4	37.2	255.8	311.7
Additions	-	-	0.4	28.7	87.1	116.2
Acquisitions via business combinations	-	-	-	1.5	2.6	4.1
Disposals	-	-	-	(0.7)	(2.7)	(3.4)
Depreciation	-	-	(1.7)	(8.6)	(69.2)	(79.5)
Impairment	-	-	-	(0.2)	(4.5)	(4.7)
Transfer to assets held for sale	-	-	-	(0.2)	(4.8)	(5.0)
Carrying amount at end of year	5.3	-	12.1	57.7	264.3	339.4
Cost	5.3	-	26.9	106.1	727.9	866.2
Accumulated depreciation and impairment	-	-	(14.8)	(48.4)	(463.6)	(526.8)
	5.3	-	12.1	57.7	264.3	339.4
Includes capital works in progress of:	-	-	0.3	31.5	15.9	47.7
2016						
Carrying amount at beginning of year	5.3	2.4	15.9	47.5	254.0	325.1
Additions	-	-	0.7	2.1	73.6	76.4
Disposals	-	(2.4)	(1.3)	(0.4)	(4.8)	(8.9)
Depreciation	-	-	(1.9)	(12.0)	(67.0)	(80.9)
Carrying amount at end of year	5.3	-	13.4	37.2	255.8	311.7
Cost	5.3	-	26.5	105.6	713.2	850.6
Accumulated depreciation	-	-	(13.1)	(68.4)	(457.4)	(538.9)
	5.3	-	13.4	37.2	255.8	311.7
Includes capital works in progress of:	-	-	0.5	4.8	13.6	18.9

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

Depreciation policy – straight line basis over useful life (years):

7 - 40	7 – 13	3 – 10
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Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. For operating leases where the lease incentive is in the form of a fitout contribution by the landlord, an asset is recognised and amortised on a straight line basis over the lease term.

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

NOTES TO THE FINANCIAL STATEMENTS: OPERATING ASSETS AND LIABILITIES

For the year ended 30 June 2017

C5 Notes to the cash flow statement

(a) Cash and cash equivalents comprise:	2017	2016
	\$m	\$m
Cash on hand and in banks	33.5	33.9
Short term deposits	80.8	92.1
	114.3	126.0

For the purpose of the cash flow statement, cash comprises cash balances and short term deposits with an original maturity of three months or less.

Significant restrictions

The Group operates under various state based licences which have regulatory requirements in place that restrict the Group's use of certain cash balances. The carrying amount of these cash balances included within the consolidated financial statements is \$26.9 million (2016: \$27.2 million).

(b) Reconciliation of net profit/(loss) after tax to net cash flows from operating activities	2017	2016
	\$m	\$m
Net profit/(loss) after tax	(20.8)	169.7
Add items classified as investing/financing activities:		
– net (gain)/loss on disposal of non current assets	1.7	(2.0)
– net loss on cash-settled equity swap	23.9	-
Add non cash income and expense items:		
– depreciation and amortisation	183.3	178.6
– impairment	27.5	-
– share based payments expense	4.4	4.7
– other	7.2	3.4
Net cash provided by operating activities before changes in assets and liabilities	227.2	354.4
Changes in assets and liabilities:		
(Increase)/decrease in:		
– debtors	(4.7)	(4.1)
– current tax assets	(5.4)	76.2
– other assets	(42.9)	(18.1)
(Decrease)/increase in:		
– payables	23.3	(1.9)
– provisions	44.4	0.6
– deferred tax liabilities	(5.3)	(0.1)
– current tax liabilities	(9.2)	(6.8)
– other liabilities	(4.9)	0.9
Net cash flows from operating activities	222.5	401.1

C6 Receivables

	2017 \$m	2016 \$m
Current		
Trade debtors	35.6	25.9
Allowance for doubtful debts	(1.7)	(1.1)
	33.9	24.8
Sundry debtors	18.9	15.1
Other	1.7	1.6
	54.5	41.5
Non current		
Trade debtors	3.8	-
Other	8.7	10.7
	12.5	10.7
Ageing analysis of trade debtors		
Not past due, 0 – 30 days	30.7	20.9
Past due, not impaired, > 30 days	7.0	3.9
Past due, impaired, > 30 days	1.7	1.1
	39.4	25.9

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

Trade debtors are recognised and carried at original invoice amount less an allowance for any uncollectible amount.

Other receivables reflect fixed term loans and generate fixed or variable interest for the Group, and are initially recognised at amortised cost. The carrying amount may be affected by changes in the credit risk of counterparties.

An allowance for doubtful debts or impairment is made when there is objective evidence that collection of the full amount is no longer probable. Factors considered when determining if an impairment exists include ageing and timing of expected receipts, management's experienced judgement and facts in the individual situation. Bad debts are written off when identified.

NOTES TO THE FINANCIAL STATEMENTS: OPERATING ASSETS AND LIABILITIES

For the year ended 30 June 2017

C7 Provisions

	2017 \$m	2016 \$m
Current		
Employee benefits	27.3	23.7
Premises	8.5	4.4
Other	0.6	0.5
	36.4	28.6
Non current		
Employee benefits	4.1	3.8
Premises	58.9	20.8
	63.0	24.6

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

	Premises \$m	Other \$m
Carrying amount at beginning of year	25.2	0.5
Provisions made during year ⁽ⁱ⁾	45.1	0.8
Provisions used during year	(1.8)	(0.7)
Provisions reversed during year	(1.1)	-
Carrying amount at end of year	67.4	0.6

(i) Includes \$34.2 million relating to lease incentives.

Premises provisions comprise:

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

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

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

Employee benefits (long term) – the Group's net obligation is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is discounted to determine its present value. Remeasurements are recognised in the income statement in the period in which they arise. This excludes pension plans.

SECTION D – GROUP STRUCTURE

D1 Subsidiaries

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

The consolidated financial statements incorporate the assets, liabilities and results of Tabcorp Holdings Limited and the following controlled entities:

100% owned Australian subsidiaries in a deed of cross guarantee with Tabcorp Holdings Limited (refer to note D2)

Tabcorp Assets Pty Ltd	Tabcorp Wagering (Vic) Pty Ltd	Tab Limited	Tabcorp International Pty Ltd
Luxbet Pty Ltd	Tabcorp Wagering Participant (Vic) Pty Ltd	Sky Channel Pty Ltd	Tabcorp International No.4 Pty Ltd
Tabcorp Participant Pty Ltd	Tabcorp Wagering Assets (Vic) Pty Ltd	2KY Broadcasters Pty Ltd	Tabcorp Gaming Holdings Pty Ltd ⁽ⁱ⁾
Tabcorp Wagering Holdings Pty Ltd ⁽ⁱ⁾	Tabcorp Investments No.4 Pty Ltd	Tabcorp Services Pty Ltd	Tabcorp Gaming Solutions Pty Ltd ⁽ⁱ⁾
Tabcorp ACT Pty Ltd	Keno (Qld) Pty Ltd ⁽ⁱ⁾	Tabcorp Training Pty Ltd	

100% owned Australian subsidiaries

Tabcorp Manager Pty Ltd	OneTab Holdings Pty Ltd	Tabcorp Gaming Solutions (NSW) Pty Ltd	Bounty Pty Limited ⁽ⁱⁱ⁾
Tabcorp Wagering Manager (Vic) Pty Ltd	OneTab Australia Pty Ltd	Tabcorp Gaming Solutions (Qld) Pty Ltd	Bounty Systems Pty Limited ⁽ⁱⁱ⁾
Tabcorp Investments Pty Ltd	COPL Pty Ltd	Tabcorp Gaming Solutions (ACT) Pty Ltd	Clubline Systems Pty Limited ⁽ⁱⁱ⁾
Tabcorp Investments No.2 Pty Ltd	Tabcorp International No.5 Pty Ltd	Keno (NSW) Pty Ltd	Inov8 Mobile Pty Limited ⁽ⁱⁱ⁾
Tabcorp Investments No.5 Pty Ltd	Tabcorp International No.6 Pty Ltd	Intecq Limited ⁽ⁱⁱ⁾	Industry Data Online Pty Limited ⁽ⁱⁱ⁾
Tabcorp Investments No.6 Pty Ltd	Sky Channel Marketing Pty Ltd	eBET Gaming Systems Pty Limited ⁽ⁱⁱ⁾	Advento Pty Limited ⁽ⁱⁱ⁾
Tabcorp Investments No.9 Pty Ltd	Club Gaming Systems (Holdings) Pty Ltd	Maxi Gaming Pty Limited ⁽ⁱⁱ⁾	Odyssey Gaming Limited ⁽ⁱⁱ⁾
Tabcorp Investments No.10 Pty Ltd	Sky Australia International Racing Pty Ltd	eBET Systems Pty Limited ⁽ⁱⁱ⁾	Odyssey Gaming Services Limited ⁽ⁱⁱ⁾
Showboat Australia Pty Ltd	TAHAL Pty Ltd	eBET Services Pty Limited ⁽ⁱⁱ⁾	Tabcorp Employee Share Administration Pty Ltd

50% owned Australian joint venture entities

Gaming Solutions Pty Ltd^{(ii),(iii)}

International subsidiaries

Name	Country of incorporation	% equity interest	Equity interest in all controlled entities at 30 June 2017 was consistent with 30 June 2016 other than as noted in (ii) below.
Tabcorp Europe Holdings Limited	Isle of Man	100	
Premier Gateway International Limited	Isle of Man	50	(i) Companies were added to the deed of cross guarantee with Tabcorp Holdings Limited on 12 May 2017.
Premier Gateway Services Limited	Isle of Man	50	
Tabcorp Europe Limited	Isle of Man	100	
Luxbet Europe Limited	Isle of Man	100	(ii) Companies joined the Group on 16 December 2016.
Luxbet Europe Services Limited	Isle of Man	100	
Tabcorp UK Limited ^(iv)	United Kingdom	100	(iii) Principal activity is the marketing of ticket based technologies for gaming machines. The entity had not yet commenced operations at 30 June 2017.
Tabcorp Canada Limited	Canada	100	
Sky Racing World Holdco, LLC	United States of America	100	
Sky Racing World, LLC	United States of America	100	
Tabusa, LLC	United States of America	100	(iv) Company changed its name from Tukcorp Limited on 2 September 2016.

NOTES TO THE FINANCIAL STATEMENTS: GROUP STRUCTURE

For the year ended 30 June 2017

D1 Subsidiaries (continued)

Subsidiaries are entities controlled by the Company. The Group controls an entity if and only if the Group has:

- + power over the entity;
- + exposure, or rights, to variable returns from its involvement with the entity; and
- + the ability to use its power over the entity to affect its returns.

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

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

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

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

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

- + A **joint operation** is where the parties have rights to the assets and obligations for the liabilities, relating to the arrangement. The Group recognises in relation to its interest in a joint operation its assets, including its share of assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue including its share of revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly.
- + A **joint venture** is where the parties have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since acquisition date.

D2 Deed of cross guarantee

The parties to the deed of cross guarantee, as identified in note D1, each guarantee the debts of the others. By entering into the deed, the subsidiaries are relieved from the requirements of preparation, audit and lodgement of a financial report and a Directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785. Together with Tabcorp Holdings Limited, the entities represent a 'Closed Group' for the purposes of the Instrument.

The consolidated income statement and balance sheet of all entities included in the Closed Group are set out below.

	2017 \$m	2016 \$m
Income statement		
Revenue	2,037.2	1,901.1
Expenses	(1,941.8)	(1,614.9)
Profit before income tax expense and net finance costs	95.4	286.2
Finance income	1.5	2.9
Finance costs	(78.3)	(72.8)
Profit before income tax expense	18.6	216.3
Income tax expense	(34.0)	(35.0)
Net profit/(loss) after tax	(15.4)	181.3
Other comprehensive income		
Change in fair value of cash flow hedges taken to equity that may be reclassified to profit or loss	10.3	11.1
Income tax on items that may be reclassified to profit or loss	(3.1)	(3.3)
Items that will not be reclassified to profit or loss	1.4	(1.8)
Income tax on items that will not be reclassified to profit or loss	(0.4)	0.5
Other comprehensive income for the year, net of income tax	8.2	6.5
Total comprehensive income for the year	(7.2)	187.8
Net profit/(loss) after tax	(15.4)	181.3
Accumulated losses at beginning of year	(170.7)	(168.0)
Retained earnings of entities added to deed of cross guarantee	200.6	-
Other comprehensive income	1.0	(1.3)
Dividends paid	(204.2)	(182.7)
Accumulated losses at end of year	(188.7)	(170.7)

NOTES TO THE FINANCIAL STATEMENTS: GROUP STRUCTURE

For the year ended 30 June 2017

D2 Deed of cross guarantee (continued)

	2017 \$m	2016 \$m
Balance sheet		
Cash and cash equivalents	95.3	113.5
Receivables	34.7	19.3
Prepayments	21.5	15.2
Current tax assets	6.1	-
Derivative financial instruments	296.2	2.8
Other	38.4	4.5
Total current assets	492.2	155.3
Receivables	4.5	251.6
Investment in controlled entities	376.3	94.2
Licences	593.4	596.1
Other intangible assets	1,905.4	1,726.0
Property, plant and equipment	278.4	165.9
Prepayments	33.0	32.0
Derivative financial instruments	80.3	100.0
Other	9.1	2.8
Total non current assets	3,280.4	2,968.6
TOTAL ASSETS	3,772.6	3,123.9
Payables	328.6	287.6
Interest bearing liabilities	974.3	248.9
Current tax liabilities	-	7.1
Provisions	34.3	27.4
Derivative financial instruments	32.4	34.0
Other	3.7	5.9
Total current liabilities	1,373.3	610.9
Interest bearing liabilities	684.0	831.5
Deferred tax liabilities	54.1	40.9
Provisions	60.9	24.1
Derivative financial instruments	30.6	52.3
Other	2.2	-
Total non current liabilities	831.8	948.8
TOTAL LIABILITIES	2,205.1	1,559.7
NET ASSETS	1,567.5	1,564.2
Issued capital	2,444.5	2,430.6
Accumulated losses	(188.7)	(170.7)
Reserves	(688.3)	(695.7)
TOTAL EQUITY	1,567.5	1,564.2

D3 Parent entity disclosures

	Tabcorp Holdings	
	2017	2016
	\$m	\$m
Result of the parent entity		
Profit for the year	141.6	164.5
Other comprehensive income	1.0	(1.3)
Total comprehensive income for the year	142.6	163.2
Financial position of the parent entity		
Current assets	47.8	55.5
Total assets	2,248.6	2,540.3
Current liabilities	24.8	275.6
Total liabilities	38.1	282.3
Total equity of the parent entity comprising of:		
Issued capital	2,444.5	2,430.6
Retained earnings	430.3	491.9
Demerger reserve	(669.9)	(669.9)
Other reserves	5.6	5.4
Total equity	2,210.5	2,258.0

Contingent liabilities

Refer to note E3.

Capital expenditure

The parent entity does not have any capital expenditure commitments for the acquisition of property, plant and equipment contracted but not provided for at 30 June 2017 or 30 June 2016.

Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has entered into a deed of cross guarantee with the effect that the Company guarantees debts in respect of its subsidiaries. Further details of the deed of cross guarantee and the subsidiaries subject to the deed, are set out in note D2.

Tax consolidation

Tabcorp Holdings Limited (the Head Company) and its 100% owned Australian tax resident subsidiaries have formed an income tax consolidation group, and are therefore taxed as a single entity. Members of the tax consolidation group entered into a tax sharing arrangement that provides for the allocation of income tax liabilities between the entities should the Head Company default on its tax payment obligations. At balance date, the possibility of default is remote.

Members of the tax consolidation group have entered into a tax funding agreement which requires each member of the tax consolidation group to make a tax equivalent payment to or from the Head Company, based on the current tax liability or current tax asset of the member. These amounts are recognised as either an increase or decrease in the subsidiaries' intercompany accounts with the Head Company. Deferred taxes are recognised separately by each member of the tax consolidation group.

NOTES TO THE FINANCIAL STATEMENTS: GROUP STRUCTURE

For the year ended 30 June 2017

D4 Business combinations

Acquisition of Intecq Limited

On 16 December 2016 the Group purchased 100% of the ordinary shares of Intecq Limited (Intecq), a leading Australian gaming systems company, providing integrated gaming technology solutions, gaming management systems and monitoring services to gaming venues and other businesses. The acquisition complements the Group's existing Gaming Services business, providing increased scale and diversification of earnings.

(a) Identifiable assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Intecq as at the date of the acquisition were:

	\$m
Cash and cash equivalents	14.5
Receivables	13.3
Prepayments	0.3
Other assets	10.2
Property, plant and equipment	4.1
Other intangible assets	22.2
Deferred tax liabilities	(1.2)
Payables	(7.3)
Current tax liabilities	(1.8)
Provisions	(2.5)
Other liabilities	(4.9)
Net identifiable assets acquired	46.9
Goodwill arising on acquisition ⁽ⁱ⁾	80.8
Purchase consideration transferred (cash)	127.7

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

The cash outflow on acquisition was:

– Net cash acquired	14.5
– Cash paid	(127.7)
Net cash outflow	(113.2)

At the acquisition date, the fair value of trade debtors was \$13.3 million. The gross contractual amounts due from trade debtors was \$13.9 million, of which \$0.6 million was expected to be uncollectible at the acquisition date.

(b) Acquisition costs

Transaction costs of \$4.7 million have been expensed and are included in other expenses in the income statement.

(c) Revenue and profit contribution

Since the date of acquisition, Intecq has contributed \$28.3 million revenue and \$6.3 million profit before income tax expense. If the acquisition had taken place at the beginning of the period, the Group's revenue and profit before income tax expense would have been \$2,256.3 million and \$8.6 million respectively.

D5 Disposal group held for sale

On 18 April 2017, the Group announced that it had executed agreements to divest its Odyssey Gaming Services (Odyssey) business (by way of the sale of 100% of the shares of Odyssey Gaming Limited), as part of the process for securing competition approvals for the proposed combination with Tatts Group. Odyssey provides electronic gaming machine monitoring services and repair and maintenance services in Queensland, and is part of the Group's Gaming Services operating segment. The sale is subject to the successful completion of the Group's acquisition of Tatts Group.

At 30 June 2017, Odyssey is classified as a disposal group held for sale, with the major classes of assets and liabilities set out below.

	\$m
Assets	
Cash	0.9
Receivables	1.4
Other intangible assets	3.1
Property, plant and equipment	5.0
Deferred tax assets	0.3
Other	2.4
Assets held for sale	13.1
Liabilities	
Payables	1.7
Provisions	0.9
Liabilities directly associated with assets held for sale	2.6
Net assets directly associated with disposal group	10.5

No impairment loss was recognised as at 30 June 2017 as the carrying amount of the disposal group did not exceed its fair value less costs to sell.

Assets classified as held for sale (and all assets and liabilities in a disposal group) are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale are included in the income statement. The same applies to gains and losses on subsequent re-measurement. No depreciation or amortisation is charged on these assets while they are classified as held for sale.

NOTES TO THE FINANCIAL STATEMENTS: OTHER DISCLOSURES

For the year ended 30 June 2017

SECTION E – OTHER DISCLOSURES

E1 Employee share plans

The Company operates share plans which provide equity instruments to senior executives and management as a component of their remuneration.

Long Term Performance Plan (LTPP)

The LTPP is available at the most senior executive levels. Under the LTPP employees may become entitled to Performance Rights in the Company. The fair value of Performance Rights is measured at grant date and is recognised as an employee expense (with a corresponding increase in equity) over three years irrespective of whether the Performance Rights vest to the holder. A reversal of the expense is only recognised in the event the instruments lapse due to cessation of employment within the three year period. The fair value of the Performance Rights is determined by an external valuer and takes into account the terms and conditions upon which they were granted. The dilutive effect, if any, of outstanding Performance Rights is reflected in the computation of diluted earnings per share.

Short Term Performance Plan (STPP)

For senior management it is mandatory to defer 25% (50% for the Managing Director and Chief Executive Officer) of their STPP into Restricted Shares, which are subject to a two year service condition. The cost of the Restricted Shares is based on the market price at grant date and is recognised over the vesting period.

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

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

Further explanation of the share plans is disclosed in the Remuneration Report.

Performance Rights (number)

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

Grant date	Expiry date	Balance at start of year	Movement during the year				Balance at end of year
			Granted	Forfeited	Vested	Other ⁽ⁱ⁾	
2017							
2 October 2013	18 September 2016	994,499	-	-	(994,499)	-	-
31 October 2013	18 September 2016	590,062	-	-	(590,062)	-	-
28 October 2014	16 September 2017	1,315,072	-	-	-	-	1,315,072
29 October 2015	22 September 2018	1,239,782	-	-	-	-	1,239,782
25 October 2016	14 September 2019	-	1,375,381	(51,027)	-	-	1,324,354
		4,139,415	1,375,381	(51,027)	(1,584,561)	-	3,879,208
2016							
4 October 2012	20 September 2015	1,060,269	-	-	(1,140,803)	80,534	-
31 October 2012	20 September 2015	427,586	-	-	(427,586)	-	-
2 October 2013	18 September 2016	978,872	-	(60,273)	-	75,900	994,499
31 October 2013	18 September 2016	590,062	-	-	-	-	590,062
28 October 2014	16 September 2017	1,384,728	-	(137,565)	-	67,909	1,315,072
29 October 2015	22 September 2018	-	1,351,955	(112,173)	-	-	1,239,782
		4,441,517	1,351,955	(310,011)	(1,568,389)	224,343	4,139,415

(i) Additional Performance Rights allocated during the prior year to restore value to previous equity grants that were impacted by the 1 for 12 pro rata accelerated renounceable entitlement offer and the payment of a special dividend, which occurred in March 2015. The additional Performance Rights are subject to the same terms and conditions as the corresponding tranche of Performance Rights to which the additional grants relate.

No Performance Rights were exercisable at the end of the current or previous year.

NOTES TO THE FINANCIAL STATEMENTS: OTHER DISCLOSURES

For the year ended 30 June 2017

E1 Employee share plans (continued)

Fair value of equity instruments

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

The weighted average fair value of Performance Rights granted during the year was \$2.51 (2016: \$2.47).

The assumptions underlying the Performance Rights valuations are:

Grant date	Expiry date	Share price at date of grant \$	Expected volatility in share price ⁽ⁱ⁾ %	Expected dividend yield ⁽ⁱⁱ⁾ %	Risk free interest rate ⁽ⁱⁱⁱ⁾ %	Value per performance right \$
4 October 2012	20 September 2015	2.86	22.00	6.00	2.40	1.37
31 October 2012	20 September 2015	2.84	22.00	6.00	2.57	1.31
2 October 2013	18 September 2016	3.27	22.00	5.50	2.92	1.73
31 October 2013	18 September 2016	3.60	22.00	5.50	3.00	2.07
28 October 2014	16 September 2017	4.03	22.00	5.00	2.52	2.42
29 October 2015	22 September 2018	4.73	25.00	5.00	1.80	2.47
25 October 2016	14 September 2019	4.91	22.00	5.00	1.78	2.51

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

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

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

E2 Commitments

	2017 \$m	2016 \$m
(a) Capital expenditure commitments		
Property, plant and equipment	6.6	11.7
Software	1.1	3.6
	7.7	15.3
(b) Operating lease commitments		
Contracted but not provided for and payable:		
Not later than one year	41.0	38.6
Later than one year but not later than five years	94.2	81.0
Later than five years	69.2	57.4
	204.4	177.0
Sublease payments expected to be received under non-cancellable subleases	6.1	-

The Group leases property under operating leases expiring from 1 to 11 years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or are subject to market rate review. For leases relating to the Victorian wagering operations, 50% of the cost is recoverable from VicRacing Pty Ltd.

E3 Contingencies

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

Contingent liabilities

(a) Charge

A controlled entity, Tabcorp Wagering Participant (Vic) Pty Ltd, which is a participant in the joint venture outlined in note E4(a), has entered into a deed of cross charge with its joint venture partner to cover the non payment of a called sum in the event of the joint venture incurring a loss. The charge is over undistributed and future earnings of the joint venture to the level of the unpaid call.

(b) Legal challenges

There are outstanding legal actions between controlled entities and third parties at 30 June 2017. It is expected that any liabilities arising from such legal action would not have a material adverse effect on the Group's financial position.

(c) Tatts Group Limited merger reimbursement fees

Under the terms of the Merger Implementation Deed (MID) with Tatts Group, the Company would be liable to pay to Tatts Group a reimbursement fee of \$35 million if the competition approval condition is not satisfied or waived by the end date for satisfying that condition (or the parties agree, subject to certain pre-conditions, to terminate the MID on the basis that the competition approval condition will not be satisfied by the end date for satisfying that condition), provided in each case, that: (1) Tatts Group has complied with its obligations under the MID, and (2) Tatts Group has used best endeavours to procure that competition approval is obtained.

E4 Related party disclosures

(a) Transactions with joint arrangements

The Group conducts an unincorporated joint venture with VicRacing Pty Ltd in Victoria (the joint venture). The principal activity of the joint venture is the organisation, conduct, promotion and development of wagering and betting in Victoria. The Group receives 50% of the revenue and expenses of the joint venture, which is accounted for as a joint operation.

The Group charges the joint venture for the provision of employee, management and asset services. On consolidation, 50% of the charges eliminate (being the Group's interest in the joint venture). Charges for the remaining 50% of \$79.9 million were received by the Group in 2017 (2016: \$76.3 million).

NOTES TO THE FINANCIAL STATEMENTS: OTHER DISCLOSURES

For the year ended 30 June 2017

E4 Related party disclosures (continued)

(b) Director and executive disclosures

(i) Compensation of Key Management Personnel (KMP)

	2017 \$	2016 \$
Short term	4,867,952	5,824,232
Other long term	185,855	113,997
Post employment	231,236	213,859
Share based payments	2,680,621	2,957,983
Termination benefits	-	594,003
	7,965,664	9,704,074

E5 Auditor's remuneration

	2017 \$000	2016 \$000
Amounts received or due and receivable by Ernst and Young for:		
– audit and review of the Financial Report of the Group and subsidiaries	1,260	948
– regulatory audit and other assurance services in relation to the Group	844	478
	2,104	1,426

E6 Other accounting policies

(a) Statement of compliance

(i) Changes in accounting policy and disclosures

A number of new and amended accounting standards became mandatorily applicable for the Group for the first time in the current financial year. The adoption of these new and amended standards had no impact on the financial position or performance of the Group, or the disclosures included in this Financial Report.

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

The following new and amended accounting standards and interpretations have been recently issued by the Australian Accounting Standards Board but not yet effective, are considered relevant to the Group. They are available for early adoption but have not been applied by the Group in this Financial Report:

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

The Group have undertaken an assessment of the potential impact of this standard and no material impacts have been identified.

AASB 15 Revenue from Contracts with Customers is applicable to the Group from 1 July 2018. It establishes a framework for determining whether, how much and when the revenue is recognised. The core principle is that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price.

An initial diagnostic has been conducted and key areas of focus have been identified. The significant revenue streams in the Wagering and Keno segments are currently not expected to be materially impacted by the new standard. However there is expected to be an impact to the revenue streams within the Gaming Services segment, and early indications suggest the impact will not be material to the Group's financial performance. The Group will continue to assess the impact of the standard to ensure readiness for the implementation of the new standard in advance of its effective date.

AASB 16 Leases is applicable to the Group from 1 July 2019. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Depreciation of the asset and interest on the liability will be recognised.

This standard will materially impact the Group's financial position at transition and in future years, as the Group's operating leases (primarily in relation to office and agency leases) are recognised on balance sheet. At the present time the standard is not expected to materially impact the Group's financial performance. Rental expense currently recognised in the statement of financial performance will be replaced with depreciation and interest.

Initial assessment activities have been undertaken on the Group's current leases, however the impact of the standard will depend on the leases in place on transition. Detailed review of contracts, financial reporting impacts and system requirements will continue.

(b) Goods and services tax

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

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

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

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

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

(c) Foreign currency translation and balances

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

Monetary assets and liabilities denominated in foreign currencies at balance date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement with the exception of differences on foreign currency borrowings that are in an effective hedge relationship. These are taken directly to equity until the liability is extinguished at which time they are recognised in the income statement. Refer to note B3 for further detail.

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

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

DIRECTORS' DECLARATION

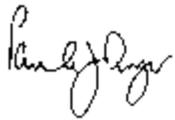
In the opinion of the Directors of Tabcorp Holdings Limited:

- (a) the financial statements and notes of the Group are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001;
- (b) the financial statements and notes also comply with International Financial Reporting Standards; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2017.

In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note D2 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

Signed in accordance with a resolution of Directors.



Paula J Dwyer
Chairman



David R H Attenborough
Managing Director and Chief Executive Officer

Melbourne
4 August 2017

INDEPENDENT AUDITOR'S REPORT



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

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

INDEPENDENT AUDITOR'S REPORT

To the members of Tabcorp Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Tabcorp Holdings Limited (the company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

In our opinion:

the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated financial position of the Group at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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INDEPENDENT AUDITOR'S REPORT



Building a better
working world

Reliance on automated processes and controls related to revenue

Why significant	How the matter was addressed in the audit
<p>The Group's financial reporting processes are heavily reliant on IT systems with automated processes and controls over the capturing, valuing and recording of wagering transactions, fees and charges. Given the significance of these processes and controls to the accounting records and financial reporting process, the understanding and testing of these IT systems, and the related processes and controls is a key part of our audit.</p>	<p>In performing our audit procedures and with assistance from our IT specialists, we:</p> <ul style="list-style-type: none"> ▶ Examined and tested controls relevant to material financial reporting systems in conjunction with testing the operating effectiveness of IT Controls associated to these systems. ▶ Performed predictive testing and recalculation of key Wagering revenue and expense line items against the requirements of applicable legislated fees, rates and commissions. This testing approach is reliant on a continuation of the effective IT General Control and our application testing of core Wagering systems.

Impairment Assessment of licence intangibles, other intangibles and goodwill

Why significant	How the matter was addressed in the audit
<p>The Group has licence intangibles of \$637.5 million, other intangibles of \$545.5 million and goodwill of \$1,512.6 million. An impairment assessment is performed on an annual basis or when there is a trigger to assess whether the carrying value of these assets and the related non-current assets exceed the recoverable amount.</p> <p>Our focus was determining whether or not an impairment charge relating to these assets was required. This involved assessing the judgements inherent in the cash flow forecast and testing key assumptions supporting the impairment model such as forecast business growth rates, discount rates, licence tenure and terminal value assumptions. Refer to Note C3 - Impairment testing.</p>	<ul style="list-style-type: none"> ▶ We evaluated the Group's future cashflow forecasts supporting the impairment assessments for goodwill, licence intangibles, other intangibles and property, plant and equipment. ▶ We evaluated the appropriateness of the key assumptions in the forecasts. We performed sensitivity analysis around the key assumptions to ascertain the extent of change in those assumptions that would either individually or collectively result in an impairment charge. ▶ We assessed the discount rates applied by comparing them to the cost of capital for the Group. ▶ We involved our valuation specialists to assess whether the methodology applied is in accordance with Australian Accounting Standards - AASB 136 "Impairment of Assets" and evaluated key assumptions including licence end dates and terminal values, long term growth rates, discount rates, capital expenditure assumptions and working capital requirements applied in the impairment model. ▶ We performed market capitalisation and earnings multiples cross checks in comparison with other comparable businesses to corroborate the impairment testing models. ▶ We assessed the adequacy of the disclosures included in note C3 - Impairment testing. ▶ Refer to the Key audit matter on Significant items for impairment charge on Sun Bets.

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Interest bearing liabilities

Why significant	How the matter was addressed in the audit
<p>The Group has interest bearing liabilities of \$1,658.3 million at 30 June 2017. During the year the Group repaid Subordinated Notes.</p> <p>The Group maintains a portfolio of facilities with varying counterparties, currencies and terms. This portfolio influences the Group's gearing, liquidity, solvency, covenant obligations and financing cost profile.</p> <p>In relation to this portfolio, the Group incurred \$78.3 million in financing and interest costs during the year.</p> <p>Refer to Note B2 to the financial report for a description of the accounting policy treatment for these liabilities and information of the Group's interest bearing liabilities.</p>	<ul style="list-style-type: none"> ▶ We understood the Group's processes and assessed the design and operating effectiveness of key controls over the recording and reporting of drawdowns and repayments, the valuation of interest bearing liabilities and the monitoring of compliance. ▶ We assessed the Group's compliance with material facility agreements in place during the year. ▶ We confirmed details of all interest bearing liabilities directly with counterparties at 30 June 2017. ▶ We tested the calculation of interest recognised in the income statement. ▶ We assessed the maturity profile and compliance with debt covenants of the Group's interest bearing liabilities to test the appropriate classification of the interest bearing liabilities as current or non-current. ▶ We assessed the disclosure in B2 on the Company's available debt facilities.

Significant items

Why significant	How the matter was addressed in the audit
<p>The financial statements include certain items that are disclosed as significant items. These are considered a Key Audit Matter as we focus on the judgements inherent in such charges, and the appropriateness of their disclosure as significant items.</p> <p>Significant items are presented in Note A1 - Segment Information and comprise costs associated with legal fees and settlement costs relating to AUSTRAC Civil Proceedings and AFP Cambodia investigation, establishment and start- up of a new online Wagering and Gaming business in the UK, Intecq acquisition costs, Melbourne premise relocation and costs incurred in the proposed combination with Tatts Group and on the related cash settled equity swap, as well as Sun Bets impairment charge.</p>	<ul style="list-style-type: none"> ▶ For all cash items, we tested amounts on a sample basis to supporting documentation and cash payments and cash receipts where relevant. ▶ For Melbourne premises relocation provisioning, we assessed underlying assumptions to contractual terms, including anticipated sub-lease recoveries. ▶ For impairment charge relating to Sun Bets, we assessed forecast cashflows assumptions within the Group impairment model. ▶ We tested the presentation of the significant items in the financial statements by assessing whether the classification was in accordance with the Australian Accounting Standards.

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INDEPENDENT AUDITOR'S REPORT



Information Other than the Financial Statements and Auditor's Report

The Directors are responsible for the other information. The other information comprises the information included in the Tabcorp Holdings Limited Annual Report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

The Directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. This description forms part of our auditor's report.

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Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Tabcorp Holdings Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors 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.

Ernst & Young

David Shewring
Partner
Melbourne
4 August 2017

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FIVE YEAR REVIEW

Financial performance	Unit	FY17	FY16	FY15	FY14	FY13
Total revenue	\$m	2,234.1	2,188.7	2,155.5	2,039.8	2,133.4
EBITDA ⁽ⁱ⁾	\$m	284.9	479.6	508.1	459.4	472.3
Profit before interest and tax	\$m	101.6	301.0	334.6	295.0	313.1
Profit/(loss) after income tax attributable to members of parent entity ⁽ⁱⁱ⁾	\$m	(20.8)	169.7	334.5	129.9	126.6
Dividend ⁽ⁱⁱⁱ⁾	\$m	208.8	199.6	389.2	121.3	140.3
Financial position and cash flow						
Total assets	\$m	3,740.9	3,302.8	3,384.0	3,105.1	3,144.6
Total liabilities	\$m	2,257.5	1,614.7	1,693.9	1,623.7	1,731.4
Shareholders' funds/total equity	\$m	1,483.4	1,688.1	1,690.1	1,481.4	1,413.2
Net cash flows from operating activities	\$m	222.5	401.1	399.7	387.4	264.9
Capital expenditure – payments	\$m	197.4	183.1	131.6	198.4	204.2
Cash at end of year	\$m	114.3	126.0	160.0	126.8	109.7
Shareholder value						
Earnings per share	cents	(2.5)	20.4	42.4	17.2	17.2
Dividends per share ⁽ⁱⁱⁱ⁾	cents	25.0	24.0	50.0	16.0	19.0
Operating cash flow per share ^(iv)	cents	3.0	26.2	34.0	25.0	8.2
Net assets per share	\$	1.78	2.03	2.14	1.96	1.92
Return on shareholders' funds	%	(1.3)	10.0	21.3	8.9	9.0
Total shareholder return ^(v)	%	0.6	5.5	50.3	15.6	11.9
Share price close	\$	4.37	4.57	4.55	3.36	3.05
Market capitalisation	\$m	3,650.1	3,799.8	3,773.8	2,563.5	2,271.9
Segment revenue^(vi)						
Wagering and Media	\$m	1,873.0	1,873.0	1,856.9	1,737.8	1,711.5
Keno	\$m	212.7	208.5	199.0	203.9	205.4
Gaming Services	\$m	143.9	107.2	99.6	98.1	86.3
Gaming ^(vii)	\$m	-	-	-	-	130.2
Employee						
Safety ^(viii)	LTIFR	1.5	0.9	1.0	1.5	2.7
Engagement ^(ix)	number	4.04	3.94	3.89	3.81	3.65
Females in senior management roles	%	39	37	33	35	29
Stakeholder benefits						
Returns to racing industry	\$m	813.0	786.9	773.2	735.0	728.2
State and territory gambling taxes and GST	\$m	406.3	428.2	459.2	438.9	513.8
Income tax expense/(benefit) ⁽ⁱⁱ⁾	\$m	45.7	61.4	(75.7)	66.7	83.0

- (i) FY17 includes impairment of \$27.5 million. FY13 includes impairment of \$65.8 million.
- (ii) FY15 includes \$163.2 million as a result of receiving income tax benefits relating to the Victorian wagering and gaming licence payment and the NSW Trackside payment (\$160.4 million) and associated interest income.
- (iii) Dividends attributable to the year, but which may be payable after the end of the period. FY15 includes a special dividend of 30.0 cents per share.
- (iv) Net operating cash flow per the cash flow statement 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.
- (v) Total shareholder return (TSR) is calculated from 1 July to 30 June. The share price used for calculating TSR is the volume weighted average share price used in the Tabcorp Dividend Reinvestment Plan (DRP). Where no DRP was in operation, the closing share price on the dividend payment date is used.
- (vi) Revenue includes both external and internal revenue.
- (vii) Gaming includes the Victorian Tabaret business which ceased operations on 15 August 2012.
- (viii) The lost time injury frequency rate (LTIFR) is the number of lost time injuries per million hours worked.
- (ix) Employee engagement is measured by Gallup on a 1 to 5 scale.

SHAREHOLDER INFORMATION

As at 30 June 2017

Ordinary shares

Tabcorp has on issue 835,267,014 fully paid ordinary shares which are listed on the Australian Securities Exchange (ASX) under the code TAH. The issued capital has increased since 30 June 2016 due to ordinary shares issued pursuant to Tabcorp's Short Term Performance Plan, Long Term Performance Plan, and 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 redeemed the Tabcorp Subordinated Notes on 22 March 2017 (i.e. the First Call Date) and they were then delisted from the ASX. Tabcorp Subordinated Notes were issued on 22 March 2012 at a price of \$100 each and the minimum investment was \$5,000 pursuant to the Prospectus dated 22 February 2012. Tabcorp Subordinated Notes were listed on the ASX under the code TAHHB, and holders were entitled to receive quarterly interest payments equal to the sum of the 3 month Bank Bill Rate plus a margin of 4.0% 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

Ordinary shares issued by Tabcorp carry one vote per ordinary share. Tabcorp 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 operates a benefits scheme for shareholders. 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 need to register once, and in July each year they will receive a new benefits card. 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 substantial shareholders at 30 June 2017 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⁾
Perpetual Limited	2 June 2017	76,753,683	9.19%
UBS Group AG	22 March 2017	53,077,869	6.35%
BlackRock Group	17 March 2017	51,451,401	6.15%
Northcape Capital Pty Ltd	6 April 2017	47,424,416	5.68%
National Australia Bank Limited	23 June 2017	42,422,759	5.079%
The Vanguard Group, Inc	28 June 2016	42,218,117	5.078%

(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.

Twenty largest registered holders of ordinary shares

Investor name	Number of Ordinary Shares	% of issued capital
HSBC Custody Nominees (Australia) Limited	235,581,387	28.20
J P Morgan Nominees Australia Limited	189,276,910	22.66
National Nominees Limited	57,727,585	6.91
Citicorp Nominees Pty Limited	43,840,593	5.25
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	20,572,990	2.46
BNP Paribas Noms Pty Ltd <DRP>	19,148,554	2.29
UBS Nominees Pty Ltd	9,326,496	1.12
IOOF Investment Management Limited <IPS Super A/C>	5,205,052	0.62
Bainpro Nominees Pty Limited	5,029,780	0.60
Argo Investments Limited	4,050,670	0.48
Navigator Australia Ltd <SMA Antares Inv DV Build A/C>	3,692,116	0.44
HSBC Custody Nominees (Australia) Limited <NT-Comnwith Super Corp A/C>	3,037,660	0.36
BNP Paribas Nominees Pty Ltd <Agency Lending Collateral>	2,497,000	0.30
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	1,857,581	0.22
AMP Life Limited	1,232,986	0.15
3A Investments Pty Ltd	1,231,345	0.15
Bond St Custodians Ltd <MIL>	1,162,397	0.14
HSBC Custody Nominees (Australia) Limited <GSCO ECA>	1,143,089	0.14
Pan Australian Nominees Pty Limited <Collat A/C>	1,110,000	0.13
IOOF Investment Management Limited <IPS IDPS A/C>	1,103,071	0.13
Total of top 20 registered holders	607,827,262	72.75

Distribution of securities held

Number of securities held	Ordinary Shares ⁽ⁱ⁾		Performance Rights ⁽ⁱⁱ⁾	
	Number of holders	Number of securities	Number of holders	Number of securities
1 – 1,000	72,514	21,790,931	-	-
1,001 – 5,000	31,725	70,563,480	-	-
5,001 – 10,000	5,675	39,946,238	-	-
10,001 – 100,000	3,492	69,721,074	8	454,656
100,001 and over	114	633,245,291	8	3,475,579
Total	113,520	835,267,014	16	3,930,235

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

(ii) Performance Rights were issued pursuant to the Company's long term incentive arrangements.
Refer to the Remuneration Report on pages 47 to 80 for more information about the Company's incentive arrangements.

Marketable parcel

There were 22,681 shareholders holding less than a marketable parcel of ordinary shares (\$500 or more, equivalent to 115 ordinary shares) based on a market price of \$4.37 at the close of trading on 30 June 2017.

MAJOR ANNOUNCEMENTS

Tabcorp's major announcements since the previous annual report were:

2017

4 August	Annual Report and full year results – statutory net loss after tax of \$20.8 million
18 July	Bruce Akhurst and Vickki McFadden formally commence as Directors
20 June	The Australian Competition Tribunal grants authorisation for the combination with Tatts, and Tabcorp trading update
18 April	Tabcorp to divest Odyssey Gaming Services if combination with Tatts is implemented
30 March	Formal appointment of Fiona Mead as Company Secretary
16 March	Federal Court approves AUSTRAC settlement
13 March	Tabcorp to seek authorisation from the Australian Competition Tribunal
9 March	Tabcorp notes ACCC announcement on proposed merger of Tabcorp and Tatts
16 February	AUSTRAC civil proceedings resolved (subject to Court approval)
3 February	Suspension of Dividend Reinvestment Plan for interim dividend
2 February	Intention to redeem Tabcorp Subordinated Notes
2 February	Half year results – statutory net profit after tax of \$58.9 million, down 28.1%

2016

2 December	Approval of Intecq Scheme of Arrangement by Supreme Court of New South Wales
25 November	Tabcorp enters into an equity swap over c.10% of Tatts shares
28 October	Approval of Scheme of Arrangement by shareholders of Intecq
25 October	Annual General Meeting addresses and presentations by the Chairman and Managing Director
19 October	Tabcorp and Tatts to combine to create a world-class diversified gambling entertainment group
11 October	Tabcorp welcomes NSW Government announcement on greyhound racing
4 August	Annual Report and full year results – statutory net profit after tax of \$169.7 million, down 49.3%

ONLINE SHAREHOLDER SERVICES

USE THE INTERNET TO EASILY MANAGE YOUR SHAREHOLDING

Shareholders can use the online share registry facility available on the Company's website www.tabcorp.com.au, or on the share registry's website 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

ELECTRONIC COMMUNICATIONS

Shareholders can elect to receive all their communications electronically, including dividend statements, Annual Report, Notice of Meeting and proxy form. This enables shareholders to receive their communications promptly and securely, and helps minimise the costs of printing and mailing. Shareholders can update their communication preferences by using the online share registry facility or by contacting the share registry.

GLOSSARY

AASB	Australian Accounting Standards Board
ACT	Australian Capital Territory
AGM	Annual general meeting
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Board	The Company's Board of Directors
Company or Tabcorp	Tabcorp Holdings Limited (ABN 66 063 780 709)
DRP	Dividend Reinvestment Plan
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EGM	Electronic gaming machine
EPS	Earnings per share
Gaming Services	The Group's business that provides services to licensed gaming venues
GFM	Group funding multiplier, used in determining remuneration under the STPP
Group	The Tabcorp group of companies
IPM	Individual performance multiplier, used in determining remuneration under the STPP
Keno	The Group's business that operates Keno, a game of chance that is played approximately every three minutes
KMP	Key management personnel
LTI	Long term incentive
LTPP	The Group's Long Term Performance Plan
MD & CEO	Managing Director and Chief Executive Officer
NPAT	Net profit after tax
NSW	New South Wales
Performance Rights	Securities allocated to executives under the LTPP, which may vest subject to achieving specified performance hurdles
Restricted Shares	Ordinary shares held by executives under the STPP, and which may not be traded for a specified period
Sky Racing	Part of the Group's Media business, broadcasting racing and sport throughout Australia and internationally
STI	Short term incentive
STPP	The Group's Short Term Performance Plan
Sun Bets	The Group's online wagering and gaming business located in the United Kingdom
TAB	The Group's wagering brand, derived from the term Totalizator Agency Board
Tabcare	The Group's community and employee engagement program
TGS	Tabcorp Gaming Services, part of the Group's Gaming Services business
Trackside	The Group's animated racing game
TSR	Total shareholder return
Wagering and Media	The Group's business that operates fixed odds and pari-mutuel betting products and services on racing, sport and other products, and racing and sports broadcasting



Visit 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 enquiries@tabcorp.com.au

Website

www.tabcorp.com.au

New South Wales office

Level 31
680 George Street
Sydney NSW 2000
Telephone 02 9218 1002

Sky Racing/Sky Sports Radio

79 Frenchs Forest Road
Frenchs Forest NSW 2086
Telephone 02 9452 8400

Queensland office

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

London office

Level 13, The Shard
32 London Bridge Street
London SE1 9SG
ENGLAND

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

2017

Annual General Meeting (Grand Hyatt, Melbourne)	27 October
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2018*

Half year results announcement	8 February
Ex-dividend for interim dividend	13 February
Record date for interim dividend	14 February
Interim dividend payment	13 March
End of financial year	30 June
Full year results announcement	8 August
Ex-dividend for final dividend	15 August
Record date for final dividend	16 August
Final dividend payment	14 September
Annual General Meeting	17 October

* These are proposed dates.

See the Company's website for updates (if any).

Corporate information

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

Stock exchange listings

The Company's securities are quoted on the Australian Securities Exchange (ASX) under the code 'TAH' for Ordinary Shares.

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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.

Currency

References to currency are in Australian dollars unless otherwise stated.

