MOMENTS THAT

THRILL!

TATTS GROUP LIMITED

ANNUAL REPORT 2017

ABN 19 108 686 040

TattsGroup

CONTENTS

2017

$244.6 MILLION

NET PROFIT FROM CONTINUING OPERATIONS BEFORE SIGNIFICANT ITEMS

10 YEARS

VICTORIAN EXCLUSIVE LICENCE TO LOTTERIES RENEWED FOR A FURTHER 10-YEAR PERIOD

1ST DIVISION AVERAGE JACKPOT

$24.2M

(FY16: $28.8M)

31.7%

OF ALL WAGERING TURNOVER **ONLINE**

14.5%

OF ALL LOTTERIES SALES **ONLINE**

8 **CENTS** PER SHARE FINAL DIVIDEND

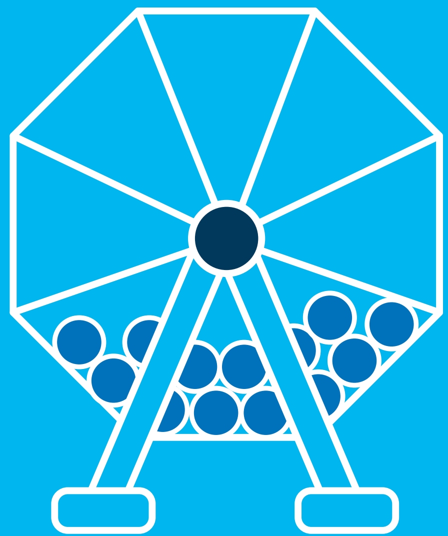
17.5 **CENTS** PER SHARE FOR THE FULL YEAR

203
MILLIONAIRES CREATED

NEW ‘THE LOTT’ APP DOWNLOADED ON
2.0 MILLION DEVICES

33.5% GROWTH
IN ONLINE ACTIVE CUSTOMERS
(OVER PAST 6 MONTHS)

the Lott
Australia's Official Lotteries



31 JACKPOTS
AT $15 MILLION OR MORE
(FY16: 45)

UBET

16%
SPONTANEOUS BRAND RECOGNITION
(FY16: 9%)

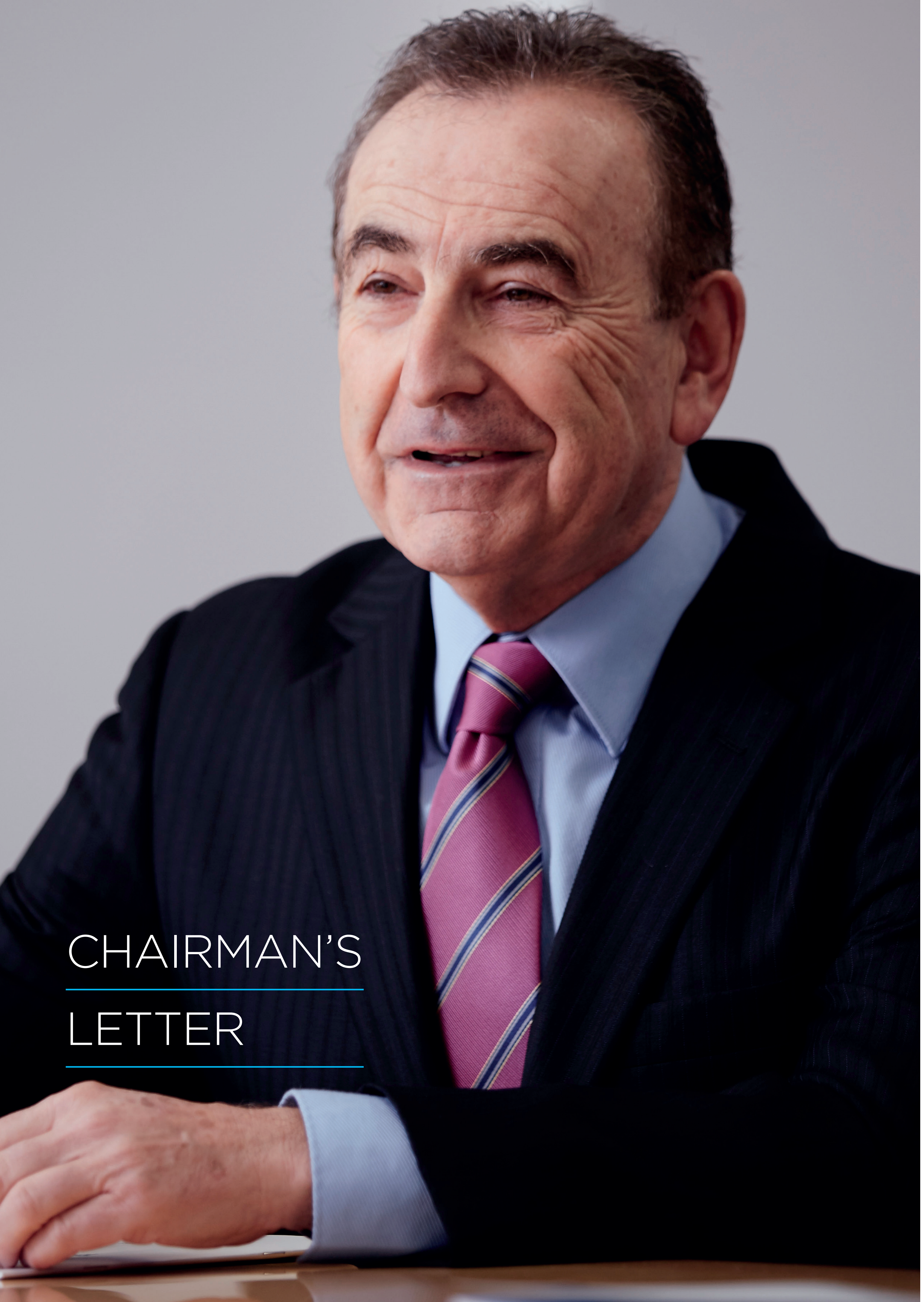
483 NEW UBET BRANDED RETAIL STORES, OUTPERFORMING PEER SET BY 5.1%

THE NEW UBET APP NOW REPRESENTS **46%** OF TOTAL DIGITAL TURNOVER
(UP FROM 24% IN FY16)

33,000
NEW DIGITAL CUSTOMERS ACQUIRED IN PAST 12 MONTHS

UBET BLENDED WIN RATE 15.3%

vs 14.8% (FY16)



CHAIRMAN'S LETTER

DEAR SHAREHOLDERS

2017 was a year of considerable flux at Tatts. While advancing the Tatts/Tabcorp merger, we secured the exclusive lotteries licence in Victoria for a further 10 years, implemented key operational initiatives in our lotteries, wagering and gaming businesses, and increased the traction now entrenched in our digital channels.

Irrespective of the outcome of the current merger activity, we are well positioned for future business success.

Our statutory net profit after tax of $220.5 million was down 5.7% on last year, a strong performance given this year's result absorbed $23.4 million costs (net of tax) incurred in progressing our merger with Tabcorp while also bearing the brunt of bad weather on UBET's revenue and the hurdle presented by last year's all-time record Powerball and Oz Lotto jackpot run. Excluding one-off significant items (such as merger costs) and losses from discontinued operations, net profit after tax from continuing operations was equally robust at $244.6 million.

Over the last 10 months the merger activity has consumed a considerable amount of your directors' and management's time, resources, attention and effort. This is the unavoidable reality of such transformational initiatives which will serve the long term best interests of our shareholders. From the outset in engaging with Tabcorp we recognised the substantial benefits the merger would bring, but we also understood the need to anticipate and prepare for all possible scenarios and outcomes. It is critically important that we retain our focus on running our business while at the same time, navigating the complex and uncertain regulatory and stakeholder approval process. This was never going to be a straight forward or fast process. In this context, the professionalism, resilience and focus of the entire Tatts team throughout this process has been nothing short of outstanding.

SUSTAINABILITY

As Australia's largest non-casino gambling group, we fully respect and understand that our licences and authorities to operate are privileges granted by government, and come with significant responsibility and obligation. In this regard our compliance track record is second to none.

We continue to make progress in the areas of diversity within the Tatts team, development of our people, safety and environmentally sustainable business practices. Detailed reporting on our actions and achievements can be found in our Sustainability Report on page 26.

As an organisation we have a long and proud history of contributing in a very meaningful way to both the communities in which we operate and to our industry partners. Most significant, in addition to our corporate taxes, we paid a total of $1.34 billion to state and territory governments and industry partners in lottery taxes, wagering tax, racing industry product fees and race information fees.

The most significant of these contributions in the year were:

- Queensland $392.9 million;
- New South Wales $335.7 million;
- Victoria $397.6 million.

Beyond our substantial tax contribution, we are a very active supporter of a range of charitable causes and programs which are discussed in our Sustainability Report.

We continue to look for ways we can do more, and this led to the recent establishment of our charitable games division which is entirely focused on fundraising activities for the charitable and not-for-profit sector. Our aim here is to supply innovative products and technology solutions that are capable of making a real difference to charitable organisations in their fund-raising endeavours.

We have also been working to improve our sustainability reporting to our stakeholders and it is pleasing to note that the Australian Council of Superannuation Investors has recognised our reporting efforts by assessing our disclosure within its second highest category.

A STRONG PERFORMANCE GIVEN THIS YEAR'S RESULT ABSORBED $23.4 MILLION COSTS (NET OF TAX) INCURRED IN PROGRESSING OUR MERGER WITH TABCORP...

MERGER WITH TABCORP

The announcement in October 2016 of the proposed merger with Tabcorp was a defining moment in history for Tatts and followed our earlier attempt in November 2015 to achieve a similar outcome by a 'nil premium merger of equals'. The proposed merger delivers, in effect, the same combination attempted in 2015 - creating a world-class, diversified gambling entertainment group. However, the economic outcome for our shareholders is enhanced under the current deal structure with Tatts shareholders retaining a 58% interest in the merged company.

As indicated when we announced the transaction, the proposed merger is based on compelling commercial logic, underwritten by a strong and tangible synergy proposition. We expect it will deliver significant value to both Tatts and Tabcorp shareholders as well as to external stakeholders and partners, and will create a group with a national footprint and product offerings across wagering, media, lotteries, keno, gaming services and charitable games.

Bringing the companies together is expected to allow at least $130 million of annual EBITDA synergies and business improvement efficiencies to be unlocked, as well as significant benefits to the Australian racing industry.

Your Board believes the implied value accretion for Tatts shareholders from this transaction fairly reflects the strategic value of our businesses. Further, the share-for-share or scrip consideration allows Tatts shareholders to participate as shareholders in the combined group, with ongoing exposure to the future growth of the enlarged wagering business, while also retaining exposure to Tatts' unique and highly attractive lotteries business. I say all this with the benefit of the extensive and detailed review your directors have undertaken over the last 24 months in evaluating many different options to maximise the value of Tatts' portfolio of assets. This review included considering demerging certain business units, selling certain assets and/or combining Tatts with other groups. The result of this review allowed us to conclude that the proposed Tabcorp transaction is in the best interests of shareholders and to unanimously recommend that shareholders support the transaction, subject to an independent expert concluding that the transaction is in the best interests of Tatts shareholders and in the absence of a superior proposal.

The combination will be achieved via a Tatts scheme of arrangement, under which Tatts shareholders will receive 0.80 of a Tabcorp share plus 42.5 cents in cash for each Tatts share held. This represented a premium of approximately 20.8% based on Tatts' and Tabcorp's closing share prices on 17 October 2016, being the last trading day prior to the announcement of the transaction. To secure the 20.8% premium for our shareholders as well as 58% of the combined company's shares, synergies and future growth, we agreed to hand board and management control to Tabcorp. Tabcorp's CEO, David Attenborough, will lead the combined group under the stewardship of Tabcorp's current board chaired by Paula Dwyer. I have been invited to join the combined group's board as a non-executive director.

This structure means that our own CEO and Managing Director, Robbie Cooke, will depart Tatts when the transaction is completed, which is currently expected to occur by the end of the calendar year. Robbie and his team will by then have completed a very successful 5 years guiding Tatts' fortunes, a period which has generated significant value for our shareholders. I am pleased to say Robbie has committed to seeing us through this critical period during which we have to remain focused on running the business while we also navigate a multitude of regulatory and legal approvals. As prudent business people, we also have to prepare for a possible scenario where the transaction may not proceed should we fail to secure these approvals.

The proposed transaction received authorisation from the Australian Competition Tribunal on 20 June 2017 conditional on Tabcorp divesting Odyssey Gaming Services. However, the ACCC and CrownBet have lodged applications for a judicial review of this authorisation, and the full Federal Court of Australia will hear the applications in late August. We currently anticipate scheme documentation, including an independent expert's report, will be sent to Tatts shareholders in September 2017, with a meeting of Tatts' shareholders to vote on the proposed transaction to be held in October 2017.

In the meantime I want to assure all our shareholders that your directors, management and the entire Tatts team remain focused on driving the Tatts business and delivering best in class products for our customers and other industry stakeholders.

DIVIDEND POLICY MAINTAINED

Our continuing operations NPAT result, coupled with a long-standing commitment to maintain a high dividend payout ratio, has seen your Board determine a final dividend of 8.0 cents per share (FY16: 8.0 cents). This takes the total dividend for the 2017 financial year to 17.5 cents per share, the same as in FY16.

Under the terms of the Merger Implementation Deed with Tabcorp, and consistent with a mutual obligation, the Tatts dividend reinvestment plan continues to be suspended.

It is also of note that we again outperformed the ASX200 index and our immediate peers on the important investor metric of total shareholder return (**TSR**). TSR for FY17 from a combination of dividends and share price growth was 16.5%, compared to the ASX200 TSR of 15.7%.

On behalf of the Tatts Directors, I look forward to welcoming you to our 2017 Annual General Meeting on 30 November and having the opportunity to present our 2017 financial year performance to you in detail. As usual this event will also be broadcast at www.tattsgroup.com if you are not able to attend the AGM in person.

Sincerely,

HARRY BOON
Chairman

MANAGING DIRECTOR'S REPORT

OPERATING AND FINANCIAL REVIEW

TO SAY IT HAS BEEN AN EVENTFUL YEAR AT TATTS WOULD BE AN UNDERSTATEMENT OF SOME MAGNITUDE.

The combination of winning our bid for the Victorian lotteries licence for a further 10 years, successfully commencing the roll out of our new monitoring platform for the +90,000 gaming machines in New South Wales, doing all things possible to beat FY16's record lottery result, opening 321 refurbished UBET outlets under our retail renewal program, installing 2,229 new wagering point of sale terminals, commissioning 268 UBET cash handling self-service terminals, launching our new charitable games operating unit to further lift our contribution to good causes, and a plethora of other business initiatives, all made for an extremely busy and exciting year.

Add to that mix the proposed merger with Tabcorp – an activity which of itself was all consuming – and I can say with no equivocation that the team at Tatts has been operating at maximum capacity. We have absolutely not allowed the uncertainty that such transformational M&A inevitably brings to disturb our momentum.

As usual, and before delving into our financial performance at a group level, I will first provide a 'snapshot' review of the 2017 financial year, including highlighting some of the more significant actions undertaken by our team over the course of the year. I will then provide a more in-depth review of each of our lotteries, wagering and gaming operating units with a particular focus on their major accomplishments in FY17.

As always, our Annual General Meeting will provide an opportunity to provide you with further insights, and to outline a number of new initiatives we have in the pipeline for FY18 assuming 'business as usual' is our operating mode at that time. I hope you can join us for this event in person or online in November.

FY17 SNAPSHOT

RESULTS

Our financial performance was highly credible when considering our statutory after tax profit of $220.5 million (down 5.7% on last year's $233.8 million) absorbed significant merger costs ($23.4 million net of tax), carried a $137.8 million revenue 'hit' from the lower jackpot outcomes for Oz Lotto and Powerball, and suffered from bad weather which hurt race wagering performance around the country for all betting operators. On a continuing operations basis (before merger costs), after tax profit was an equally credible $244.6 million (down 7.7% on last year's $264.9 million).

The impact of both cycling over last year's record lottery jackpot run, and poor weather on the racing calendar, was reflected in Group revenues which pulled back 5.1% to $2.78 billion. In this environment the team did a great job controlling expenses, with expenses before merger costs reducing 4.9% (or $118.4 million lower than last year). In line with these outcomes, EBITDA from continuing operations (before merger costs) was down 6.3% to $465.7 million.

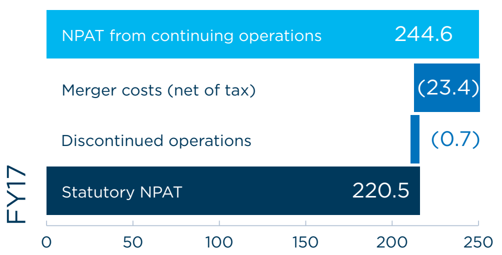
OPERATIONS

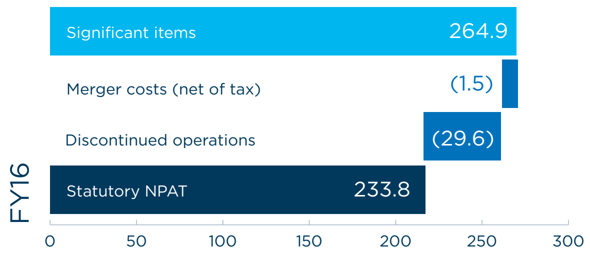
LOTTERIES

Our lotteries operation exited FY16 with the strongest jackpot run in our history – with 45 jackpots at or above the key $15 million level. Matching, let alone beating, this record and the revenue it generated in FY17 was always going to be against the odds. Ultimately the jackpot roll did not play our way – we reached 31 equivalent jackpots from our Powerball and Oz Lotto games. This saw our first division jackpot pool (at or above $15 million) for Oz Lotto and Powerball in FY17 significantly down at $750 million compared with $1,295 million in FY16 and resulted in revenue from these games dropping 15.3% from $898.4 million back to $760.6 million.

Pleasingly, the performance of our non-jackpot games including our largest game – Saturday Lotto, stepped up as expected in softer jackpot periods. These games performed well achieving 1.2% revenue growth however this was not enough to balance the ledger – with overall lotteries revenue in the year closing 5.9% down at $2,014.0 million (FY16: $2,139.5 million) and EBITDA and EBIT correspondingly down 8.7% (at $315.6 million) and 9.2% at $290.5 million respectively.

NORMALISED EARNINGS





WAGERING

Our wagering operation shifted emphasis from primarily targeting turnover growth to improving win-rates for our fixed price book. We enhanced our fixed price risk management systems and refined our promotional offers in the year. These initiatives saw our blended win rate lift to 15.3% from 14.8% last year – and significantly improve on the 14.3% experienced in the second half of FY16 when new customer acquisition was our prime focus.

Our heightened emphasis on risk management of customers in retail and a more disciplined approach to our promotional offers, along with the impact of poor weather on the racing calendar, did have an impact on turnover growth in the year which was down 6.9%. This reduction in turnover did not have as pronounced an effect on revenues which benefited from the improved win-rate, and as such wagering revenue was down 3.7% at $587.5 million.

We continued investing in digital and traditional marketing to remain competitive and incurred increased communication costs associated with our risk management step-up in retail. Along with the softer revenue result, this saw our wagering EBITDA at $110.4 million compared to $133.3 million last year. Similarly, EBIT for the period was $90.3 million as against $115.7 million achieved a year ago.

GAMING

Our gaming operation had an excellent year, lifting its combined EBITDA 10.7% to $75.4 million (FY16: $68.1 million). Our 'break and fix' (MAXtech) business is now showing the benefit of the turnaround strategy implemented over the last 3 years which involved refocusing on our core expertise in gaming and network infrastructure. This business lifted its EBITDA 125.6% to $7.7 million (FY16: $3.4 million).

MAXtech's performance was complemented by the strong and predictable revenues generated by our gaming machine monitoring operation (MAX) which converted a 2.0% revenue uplift to a 4.6% increase in EBITDA (at $67.7 million) and a 5.0% lift in EBIT (at $55.0 million).

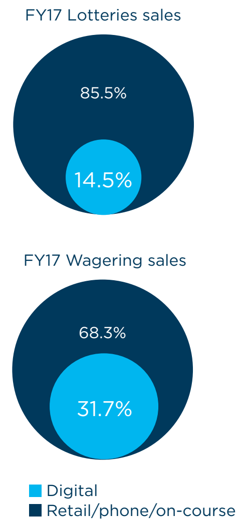
DIGITAL PERFORMANCE

The digital traction we have established over the last 4 years continued its momentum with our digital initiatives in lotteries increasing our digital sales from 13.5%[1] in FY16 to 14.5%[1] in FY17 - a significant achievement given the lower jackpot run and that a greater proportion of digital sales are typically achieved during periods of stronger jackpot activity. Our online sales performance is category leading when compared to our global lottery cohort.

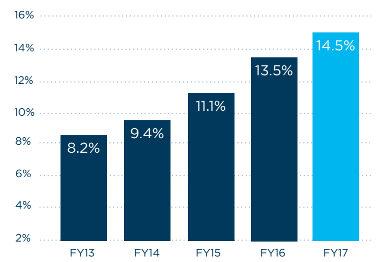
UBET's digital performance remained strong with 31.7% of turnover sourced digitally (FY16: 30.2%) - driven by a strong lift in UBET app downloads increasing to more than 411,000 up from approximately 165,000 in FY16, and over 103,000 customers now signed-up to UBET+ (our loyalty and rewards program). We also undertook our first ever cross selling of wagering bets to lottery customers with 40,000 mystery bets sold for the Melbourne Cup from our lotteries website.

1 Consistent with prior years this excludes South Australia, if South Australia is included, online sales represented 13.7% vs 12.7% in FY16

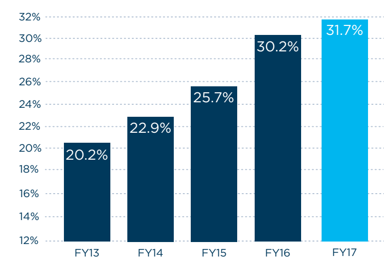
LOTTERIES AND WAGERING DIGITAL SALES CHANNEL



LOTTERIES DIGITAL GROWTH



WAGERING DIGITAL GROWTH



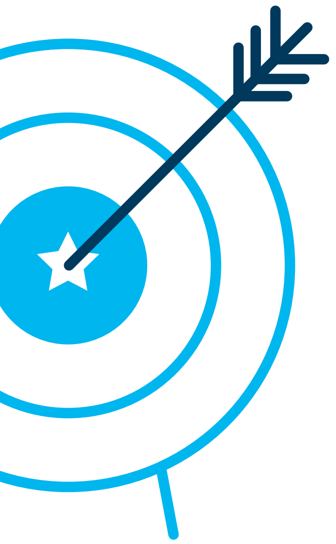
SIGNIFICANT BUSINESS OUTCOMES

Beyond the financial outcomes, and addressing the merger separately (see below), we achieved a significant win in our lotteries business with the renewal of our exclusive licence to conduct public lotteries in Victoria for a further 10-year term. Our new licence will commence on 1 July 2018. Tatts will make a single premium payment to the State of Victoria of $120 million (payable on 1 July 2018) as consideration for the licence grant.

As we have said in past years in our major Queensland wagering market the aggressive bonusing activity undertaken by UBET's extensive competitor pack continues, offering financial inducements to Queenslanders to establish betting accounts outside the State. Such financial inducements are unlawful elsewhere in Australia but will continue unabated in Queensland until there is political leadership to bring the State into step with the rest of the country. Inertia on this issue is to the detriment of the Queensland Racing Industry, Queensland taxation receipts and UBET as the State's licensed operator.

We established a new charitable games operating unit in the year, known as George[2], which is specifically focused on fund raising activities for the charitable and not-for-profit sector. This division's revenue and costs are included under our unallocated segment as they are not material to the overall group results.

We expanded our decade-long commercial relationship with Jumbo Interactive Limited (**Jumbo**) with a 5-year extension and expansion of our existing lottery reseller agreements. As part of these arrangements, we also agreed to subscribe for a shareholding in Jumbo (approximately 13%) and we also hold a 12-month option to acquire a further 3,474,492 ordinary shares in the company at a $2.37 strike price.



TATTS + TABCORP MERGER

The proposed merger with Tabcorp was a key Board and management focus in the year and will continue to be so for the balance of 2017. On current timelines, and assuming regulatory, shareholder and other approvals are secured, it is anticipated that the transaction will close in the last quarter of 2017.

At a senior team level, we have established a strong working relationship with Tabcorp's senior management team to ensure that the merged companies are best positioned for success in undertaking the integration of the two businesses as rapidly as possible once the merger is completed so as to extract all available synergies and business operational improvements.

An important element of this activity has been providing Tabcorp with a clear line of sight over the management and operational talent within Tatts – the ambition being to assist Tabcorp in achieving a best of breed operational team for the merged group and a seamless transition process. This is clearly an important undertaking and of prime importance for Tatts shareholders who will, post-merger, own 58% of the combined group.

GROUP FINANCIAL PERFORMANCE

GROUP REVENUE

At a Group level revenue was down 5.1% on FY16 at $2.78 billion. The key factors influencing this revenue outcome were:

- **Lotteries** cycled over its strongest ever jackpot run – with FY16 producing an exceptional 45 jackpots at or above the influential $15 million mark. This record result proved unbeatable in FY17, with Powerball and Oz Lotto generating 31 equivalent jackpots with a significantly reduced total first division jackpot pool (at or above $15 million) of $750 million compared to $1,295 million in FY16. As a result, our lotteries operation experienced a 5.9% fall in revenue at $2.01 billion (FY16: $2.14 billion).
- **Wagering's** revenue was down 3.7% partially impacted by the loss of 347 additional races over the prior year across all racing codes due to bad weather (a 26.2% increase in lost races) and an overall reduction of circa 2.0% in thoroughbred field sizes over the period. These factors contributed to the 6.9% fall in turnover, however the drop in revenue was not as severe due to the blended win-rate lifting 50 basis points to 15.3% (FY16: 14.8%).
- **Gaming's** monitoring operation, MAX, achieved a lift of 2.0% in its revenue flowing from contracted monitoring fee increases and from increased sales of its suite of value-add products. The division's 'break and fix' operation, MAXtech, continued its strategy of exiting/not renewing unprofitable and/or non-core service contracts to drive profitability and this, as expected, resulted in an 11.3% decline in revenue.

GROUP EBITDA

Group EBITDA (before merger costs) of $465.7 million was 6.3% down on FY16's result comprising:

- **Lotteries** experienced a 8.7% decline in EBITDA to $315.6 million reflecting the softer revenue result. Lotteries' EBITDA margin reduced slightly at 15.7% for the year (from 16.2%) reflecting the loss of some scale efficiencies achieved last year from jackpot outperformance. Overall although lotteries costs decreased 5.3% in the year, a significant component of our lotteries cost base is fixed, such that lower revenue had a greater impact on EBITDA margins.
- **Wagering,** carrying the adverse impact of bad weather and smaller field sizes, booked an EBITDA result of $110.4 million compared to $133.3 million in FY16 - down 17.1%. Higher telecommunications costs in retail venues to improve our risk management systems and the continued investment in digital and traditional marketing to remain competitive, were two major cost categories which impacted wagering's EBITDA result.
- **Gaming** produced strong results from both its divisions. MAX increased its EBITDA 4.6% to $67.7 million, while MAXtech lifted its EBITDA 125.6% to $7.7 million. These impressive earnings outcomes being the culmination of a 3-year program focused on business improvement and cost reduction in both divisions.

GROUP EBIT

EBIT from continuing operations (before merger costs) for the reporting period was $387.5 million (FY16: $421.7) down 8.1%. Depreciation and amortisation was up 4.0% at $78.2 million, a key component of this increase reflects the amortisation of our New South Wales interim monitoring right and investment in our UBET retail roll-out .

GROUP NET PROFIT

Group after tax profit on a statutory basis was $220.5 million down 5.7% on last year (FY16: $233.8 million). This FY17 statutory result includes merger costs net of tax of $23.4 million, while the FY16 statutory result included, in discontinued operations, the costs of the concluded Victorian pokies compensation litigation, and the loss on sale of our UK-based slots business, Talarius, which in combination amounted to $29.6 million net of tax.

Group profit after tax on a continuing operations basis (i.e. before merger costs) was $244.6 million (FY16: $264.9 million) down 7.7%.

Of note to both measures, finance costs were very well controlled, being up only 4.4% to $48.4 million reflecting funding costs associated with the payment of the $30.0 million Queensland wagering licence instalment, the payment in December 2016 of a $68.3 million instalment in relation to the New South Wales gaming machines monitoring right as well as the significant impact in the prior year of the repayment of the Victorian pokies compensation claim and the repayment of the interest benefit totalling $26.6 million.

GROUP FINANCIAL PERFORMANCE	FY17 $M	FY16 $M		CHANGE %
Total revenue and other income	**2,778.5**	**2,928.1**	∨	5.1%
State government share	(1,290.7)	(1,370.9)	∨	5.8%
Venue share/commission	(407.3)	(436.7)	∨	6.7%
Product and program fees	(199.3)	(202.7)	∨	1.7%
Other expenses	(415.5)	(420.9)	∨	1.3%
Total expenses	**(2,312.8)**	**(2,431.2)**	∨	4.9%
EBITDA (before merger costs)	**465.7**	**496.9**	∨	6.3%
Merger costs	(33.4)	(2.1)	∧	1470.8%
EBITDA	**432.3**	**494.8**	∨	12.6%
Depreciation and amortisation	(78.2)	(75.2)	∧	4.0%
EBIT	**354.1**	**419.6**	∨	15.6%
Net interest expense	(46.4)	(41.1)	∧	12.9%
Profit before tax	**307.7**	**378.5**	∨	18.7%
Income tax	(86.5)	(115.1)	∨	24.9%
Net profit after tax (continuing operations)	**221.2**	**263.4**	∨	16.0%
Discontinued operations	(0.7)	(29.6)	∨	97.6%
Net profit after tax (statutory)	**220.5**	**233.8**	∨	5.7%

RECONCILIATION TO NET PROFIT BEFORE SIGNIFICANT ITEMS	FY17 $M	FY16 $M		CHANGE %
Net profit after tax (statutory)	**220.5**	**233.8**	∨	5.7%
Add: Merger costs (after tax)	23.4	1.5	∧	1,470.8%
Add: Loss from discontinued operations	0.7	29.6	∨	97.6%
Net profit after tax from continuing operations before significant items	**244.6**	**264.9**	∨	7.7%

GROUP FINANCIAL POSITION

The Group remains in a strong financial position reinforced by the solid FY17 financial performance. Committed debt facilities (as at 30 June 2017) totalled $1.79 billion, of which $1.16 billion was utilised. When netted against the Group's cash holdings (excluding prize reserves) net debt amounted to $1.04 billion, which is comfortably serviceable considering our cash flow, profitability and future opportunities. This serviceability is reflected in our net debt to EBITDA ratio which sits at 2.4 times (2.3 times at 30 June 2016). Net debt remained constant at $1.04 billion at 30 June 2017 reflecting the strong cash generation of the business, noting this outcome was achieved after the payment of:

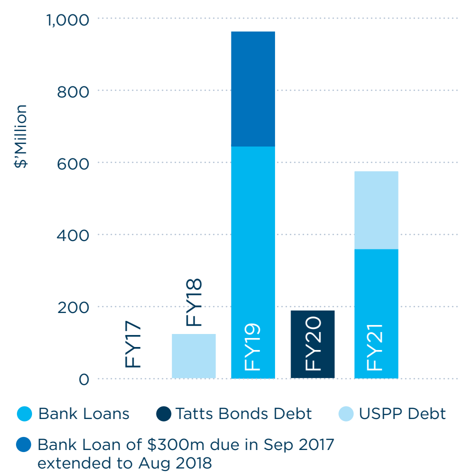
- the $30.0 million Queensland wagering licence instalment in July 2016; and
- the $68.3 million instalment payment for the New South Wales monitoring rights in November 2016.

The strong cash generative nature of our business underpins the continuing improvement in our balance sheet position. The Group's capital management planning seeks to ensure ongoing access to funds to support our business strategies, while appropriately rewarding shareholders. Despite not maintaining a public credit rating, our target is a balance sheet consistent with an investment grade rating.

Net finance costs were very tightly controlled in the year with these costs totalling $46.4 million in the year, against $41.1 million in FY16 - a $5.3 million increase. Although net debt decreased $23.5 million year-on-year, the timing of the repayment in March 2016 of the $540.5 million received from the State of Victoria in FY14 (relating to the pokies compensation litigation) together with the refund to the State of $26.6 million representing the interest benefit (pre-tax) Tatts derived from these funds, resulted in finance costs being slightly higher in FY17.

In terms of the Group's debt maturity profile (see chart below), the $300 million debt tranche maturing in September 2017 together with the $76.3 million (US$55 million) USPP 7-year debt which matures in December 2017 are categorised as current liabilities in the FY17 accounts. However subsequent to year-end the $300 million debt tranche maturing in September 2017 was extended to August 2018.

We continue to invest prudently and appropriately into the business. Capex in FY17 was $75.3 million (FY16: $71.3 million).



LOTTERIES REVIEW

FY17 LOTTERIES HEADLINES

- Successful bid for exclusive Victorian Lotteries Licence with 10-year term
- 31 Powerball + Oz Lotto jackpots at or above $15 million vs 45 in FY16
- Non-jackpot games performed strongly – portfolio's biggest game, Saturday Lotto, up 2.3%
- World-class digital channel performance - 14.5% [1] of all lotteries sales (FY16: 13.5%[1])
- New 'the Lott' app downloaded on 2.0 million devices (FY16: 1.3 million)
- 203 millionaires created
- Roll-out of new retail digital point-of-sale system
- $1.12 billion in lotteries tax paid to state and territory governments (FY16: $1.19 billion)

LOTTERIES PERFORMANCE

Our lotteries team stepped up to the challenge of out-performing the all-time record 45 jackpots achieved in FY16 at or above the influential $15 million mark. The mission though ultimately proved impossible, with Powerball and Oz Lotto jackpots unfortunately falling short, with a credible but lower 31 equivalent jackpots. This outcome saw a significantly reduced total first division jackpot pool (for jackpots at or above $15 million) of $750 million compared to $1,295 million last year. This performance was further challenged with only two jackpots reaching (or beating) $50 million in the year, compared to six in FY16.

The lower Oz Lotto and Powerball jackpot run translated to an overall 15.3% decrease in revenues from those games at $760.6 million (FY16: $898.4 million). Counterbalancing the jackpot performance, Tatts' largest draw game – Saturday Lotto, delivered strong growth with revenue up 2.3% reinforcing the resilience of our Saturday Lotto game in periods of fewer jackpots and highlighting the importance of a balanced portfolio of game types. Our Monday/Wednesday game also performed strongly with revenue up 3.1% and Instants performed solidly with the game finding traction in Victoria showing a revenue lift of 18.0%, however overall was down 0.9%. Set for Life revenue was down, due to fewer winners of the game's first division annuity prize of $4.8 million (8 winners in FY17 vs. 12 in FY16).

We saw excellent traction in our digital channel, with digital sales lifting to 14.5%[1] in the reporting period (up from 13.5%[1] last year). This was a world class result and is all the more impressive given the lower jackpot run – recognising that a greater proportion of sales are typically achieved via our digital channel during periods of stronger jackpot activity. Our online sales performance is category leading when compared to our global lottery cohort. Other measures reinforcing our strong digital performance in the year were:

- 1.7 million active lottery accounts across our digital channels (FY16: 1.4 million)
- 2.5 million registered online customers (FY16: 2.2 million)
- 2.0 million 'the Lott' app downloads – up from 1.3 million in FY16
- #1 lottery website/app in Australia with 82% traffic share (FY16: 77%)
- Set for Life achieving 24.2% of its sales via digital channels (FY16: 22.9%)
- Lucky Lotteries achieving 19.9% of its sales via digital channels (FY16: 17.5%)

1 Consistent with prior years this excludes South Australia, if South Australia is included, online sales represented 13.7% vs 12.7% in FY16

LOTTERIES FINANCIAL PERFORMANCE

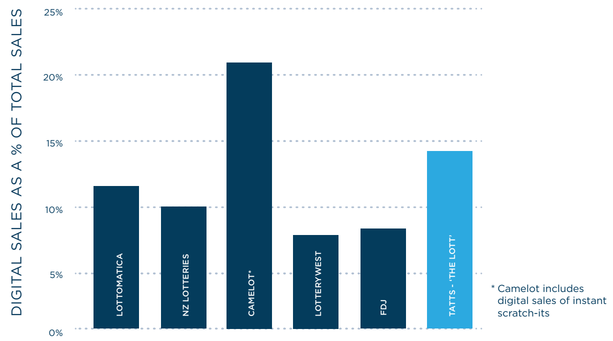
	FY17 $M	FY16 $M	CHANGE %
Revenue	2,014.0	2,139.5	5.9%
EBITDA	315.6	345.5	8.7%
EBIT	290.5	320.0	9.2%

Our 3,843 (FY16: 3,908) strong retail channel continues to be the powerhouse of our network although it was impacted by the jackpot cycle with total retail sales down 6.9%. Our retail network includes 194 convenience fuel outlets (FY16: 174) that were operational in the year. The roll-out to over 709 venues of our digital point of sale displays (DigiPOS) together with the roll-out of the Lott brand to retail venues were key projects delivered in the year. These two initiatives will assist in building retail performance for the future and are key in establishing a consistent omni-channel presence for our lotteries operation.

In aggregate, and whilst our non-jackpot game portfolio performed well, we were unable to offset the record FY16 jackpot performance and as such the reporting period saw lotteries revenues decline 5.9% at $2.01 billion (FY16: $2.14 billion).

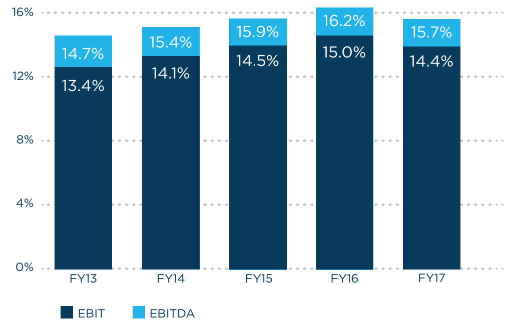
The lower revenue outcome also saw EBITDA decline 8.7% to $315.6 million and EBIT decline by 9.2% to $290.5 million. Our EBITDA margin was softer at 15.7% (FY16: 16.2%) reflecting some loss in operational efficiencies of scale achieved in FY16 from the jackpot outperformance – which is consistent with a significant component of our lotteries cost base being fixed. Overall, lotteries costs decreased 5.3% in the period.

INTERNATIONAL PEER SET ONLINE PERFORMANCE

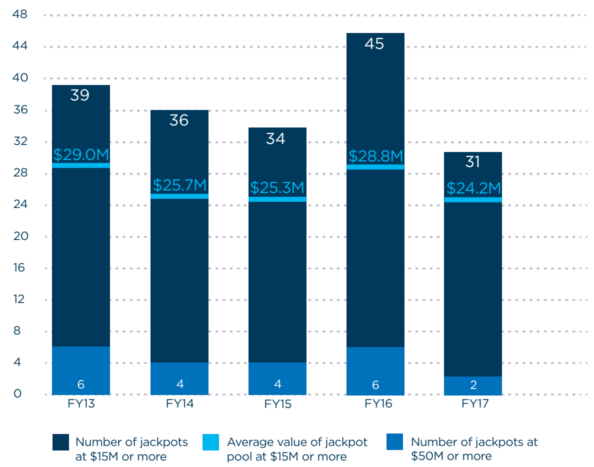


Source: Estimates derived from company public results based on their most recent financial results

LOTTERIES EBITDA/EBIT MARGIN



JACKPOT RUN



WAGERING REVIEW

FY17 WAGERING HEADLINES

- Continuing focus on win-rate optimisation via enhancements to fixed price risk management systems and refinement of promotional offers
- Blended win-rate improved now 15.3% (FY16: 14.8%)
- 31.7% of turnover now generated from digital channel (FY16: 30.2%)
- 33,000 new digital customers acquired in past 12 months
- UBET app performing strongly – generating 46% of total digital turnover (FY16: 24%)
- 347 additional races lost from bad weather + thoroughbred field sizes down ~2.0%
- 483 retail outlets upgraded, outperforming peer set by 5.1%
- 2,229 new retail point of sale terminals installed
- Cash handling self-service terminals roll-out commenced – 268 units deployed
- 16% spontaneous brand recognition
- $219.1 million paid to state and territory governments + racing industry (FY16: $222.9 million)

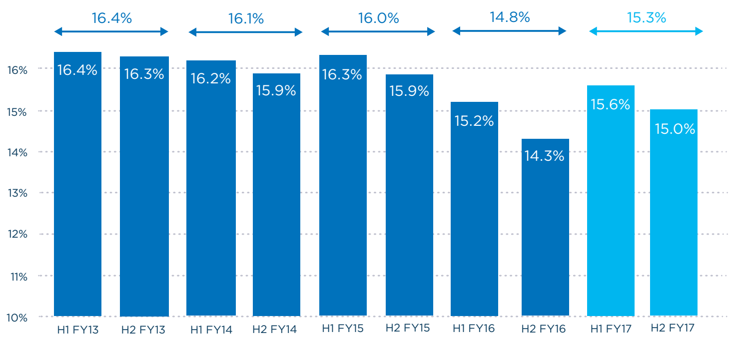
UBET's heightened focus in the year on risk management of customers in retail and the refinement of our promotional offers, successfully lifted win-rates. These initiatives did however come at the expense of UBET's turnover growth which was also subdued by the loss of an additional 347 races across all three racing codes due to bad weather which unhelpfully impacted thoroughbred field sizes (down on average 2.0%). These factors in combination saw UBET's turnover decline 6.9%.

Our improved blended win-rate at 15.3% up from 14.8% in FY16 (and a significant improvement on the 14.3% win-rate delivered in the second half of FY16 when UBET was particularly focused on new customer acquisition) saw UBET's revenue down a less pronounced 3.7% at $587.5 million. Fixed-price revenue on racing and sports continued to show growth, lifting 6.0% in aggregate. Racing continues to dominate the fixed-price book, comprising 84.6% of the book (FY16: 83.6%). The tote continued to experience a decline, down 10.3%, and is one of the areas where the proposed merger should provide particular benefit by providing a pathway to increasing the pool liquidity and depth.

Our digital performance continued to gain traction in the year with a record 31.7% of our wagering turnover generated from our digital channel up from 30.2% in FY16. Other key indicators demonstrating the year-on-year improved performance of our digital initiatives were:

- 411,000 UBET app downloads up from 204,000 in FY16;
- 33,000 new digital customers acquired in past 12 months;
- over 108 million digital impressions on UBET customers up from 104 million in FY16;
- 2.4 million mobile messages sent to customers up from 0.7 million in FY16;
- more than 70,000 new members signed-up to the UBET+ loyalty program in the year.

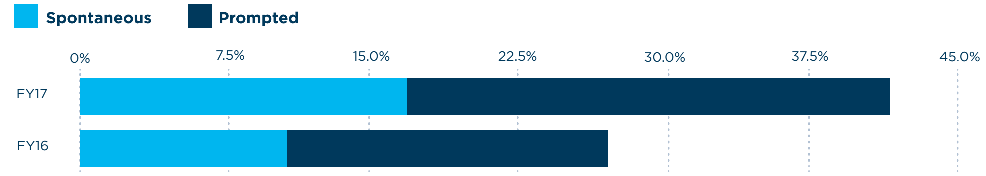
5 YEAR WIN RATE CHART



WAGERING FINANCIAL PERFORMANCE

	FY17 $M	FY16 $M	CHANGE %
Turnover	3,841.9	4,125.1	∨ 6.9%
Net win rate (%)	15.3%	14.8%	∧ 50 bps
Revenue	587.5	609.9	∨ 3.7%
EBITDA	110.4	133.3	∨ 17.1%
EBIT	90.3	115.7	∨ 22.0%

UBET BRAND AWARENESS



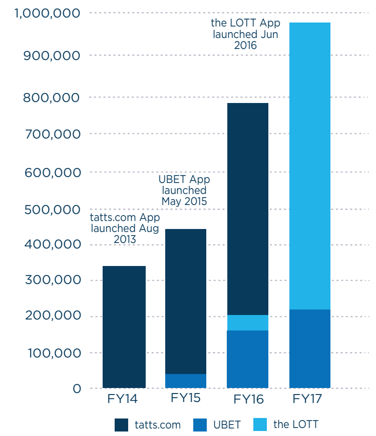
Our UBET brand position continues to build in the Australian market with our prompted brand awareness increasing to 39% up from 27% in FY16. A similar profile was achieved in terms of our spontaneous brand awareness with awareness lifting from 9% in FY16 to reach 16% in FY17.

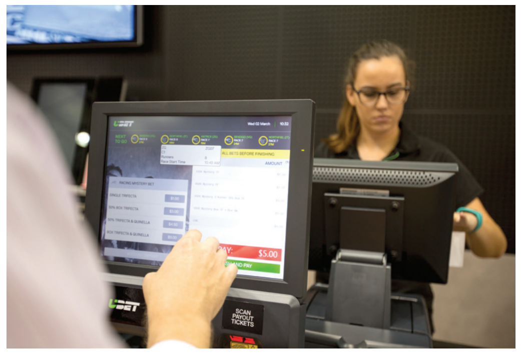
Overall, our retail network continued to experience soft turnover outcomes partly attributable to risk management initiatives we implemented in the year and the impact from lost races due to bad weather, coupled with reduced thoroughbred field sizes. We also continued to feel an impact from economic softness in a number of our key regional markets. Partially offsetting this trend, our retail renewal program saw 483 UBET outlets upgraded and these outperformed their non-refurbished peer set in surrounding locales by 5.1%. We are also starting to see very positive signs in retail from the installation of our new point of sale terminals - with 2,229 new terminals rolled-out in the year. Furthermore, our new generation self-service terminals with cash handling capability (SST) have been well received by customers with these SSTs now representing 2.3% of total retail turnover. As expected phone-based turnover, continued to decline, and was down 11.4%.

The lower revenue outcome along with the required investment in brand and marketing together with higher telecommunications costs in retail venues to improve our risk management, saw UBET deliver EBITDA of $110.4 million down 17.1% (FY16: $133.3 million) representing a margin of 18.8%. EBIT for the period was down 22.0% at $90.3 million (FY16: $115.7 million).

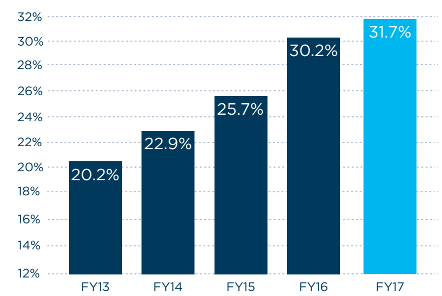
We are actively working with the South Australian racing industry and the South Australian Government to secure long-term exclusivity under our current South Australian wagering licence. A successful conclusion to these negotiations will close the chapter on the Group's wagering licence renewals after three years of negotiations in three jurisdictions.

APP DOWNLOAD CHART





WAGERING DIGITAL GROWTH



GAMING REVIEW

After divesting the Group's UK based slots business (Talarius) in FY16 and rebranding our gaming operation to MAX, our remaining two divisions, MAX (previously known as Maxgaming) and MAXtech (previously known as Bytecraft) delivered solid performances in the year off-the-back of the momentum generated in prior reporting periods.

MAX HEADLINES

- Revenue growth of 2.0%
- EBITDA growth of 4.6% and EBIT growth of 5.0%
- Retention of +80% share of gaming machine monitoring in Queensland
- Ticket-in-ticket-out solution installed on 8,241 machines in Queensland driving strong revenue outcomes

MAXTECH HEADLINES

- Restructure program instigated in FY15 has delivered operational turnaround
- Largest external contract successfully renewed
- Excellent EBITDA and EBIT growth of 125.6% and 444.9% respectively - strongest earnings since FY12

GAMING FINANCIAL PERFORMANCE

	FY17 $M	FY16 $M		CHANGE %
Revenue				
- MAX	**120.7**	118.4	▲	2.0%
- MAXtech	**81.8**	92.3	▼	11.3%
EBITDA				
- MAX	**67.7**	64.7	▲	4.6%
- MAXtech	**7.7**	3.4	▲	125.6%
EBIT				
- MAX	**55.0**	52.4	▲	5.0%
- MAXtech	**5.5**	1.0	▲	444.9%

GAMING – MAX

MAX is the Group's Australian gaming venue services division and provides government-mandated monitoring systems to gaming venues in New South Wales, Queensland and the Northern Territory. MAX is uniquely positioned in its markets to leverage its network and infrastructure to provide additional value-add services to its contracted venues.

MAX grew its revenue in the reporting period by 2.0% which was essentially driven by:

- contracted annual increases in monitoring fees along with a 0.4% lift in gaming machines monitored;
- a 4.5% increase in gaming machines installed with MaxConnect now 16,146 machines (FY16: 15,453);
- a 25.1% increase in gaming machine operating with ticket-in-ticket-out technology now installed on 8,241 machines (FY16: 6,590);
- a 29.2% increase in cash redemption terminals installed generating an additional $1.5 million in revenue.

After being awarded the exclusive right in FY16 to monitor all hotel and club based gaming machines in New South Wales until 2032, together with a one-year extension to our current monitoring arrangements until 30 November 2017, we have been working to deliver a new monitoring system to New South Wales in FY18. The system replacement is progressing well and will present the business with additional revenue earning potential once implemented in FY18.

EBITDA for the period reached $67.7 million up 4.6% and EBIT was up 5.0% to $55.0 million. EBIT margin improved, lifting to 45.6% in the year (FY16: 44.3%) reflecting primarily employee cost savings.

GAMING – MAXTECH

MAXtech provides fully managed time-critical end-to-end technical support services nationwide to a select portfolio of ASX top-50 companies and other everyday brands.

MAXtech revenue decreased 11.3% to $81.8 million as the business continued executing on its strategy of exiting or not renewing unprofitable and/or non-core contracts to focus on servicing its core areas of gaming and network infrastructure. This strategy has driven the operation's improved profitability with EBITDA lifting 125.6% to $7.7 million (FY16: $3.4 million) and EBIT up 444.9% to $5.5 million (FY16: $1.0 million).

As part of its focus on core business MAXtech has successfully negotiated the extension of its largest external contract under which it provides technical support to the national payphone network. This extension will become effective in FY18 and is expected to generate improved margins.

THE ROAD AHEAD

As mentioned the proposed merger with Tabcorp continues to be a key management focus and will be for the balance of this year.

Beyond merger activities, the Tatts team continues to work on 'business as usual' initiatives for the 2017 calendar year. In particular the team continues (as has been the case over the last 4 years) to progress the business improvement strategies set in our 2017 Play Book – our Play Book being an annual document which sets out key targets, initiatives and projects for the entire organisational team for the coming calendar year. Our progress on these important initiatives continues at a pace and has not slowed as a result of the current transactional activity – this focus being essential as we have had to anticipate all possible outcomes arising from the transaction and we have no desire to see a loss in momentum in the event that ultimately no combination occurs for whatever reason.

As has been the case over the last 10 months we will also remain focused on taking all possible steps to keep the Tatts team intact through what has been an extended period of uncertainty. We continue to actively manage this issue and so far we have kept disruption of our team to a minimum.

I look forward to providing you with more detail on the progress of our merger and a business update at our Annual General Meeting in November.

Robbie Cooke
Managing Director | Chief Executive Officer

SUSTAINABILITY REPORT

As Australia's largest non-casino gaming group Tatts takes its corporate social responsibilities extremely seriously. As part of these endeavours and as a responsible corporate citizen, sustainability is at the core of what we do. The pillars of our sustainability include:

- putting stakeholders first;
- being environmentally responsible; and
- maintaining an effective governance structure.

Through our sustainability reporting we identify and respond to key sustainability risks and opportunities.

FY17 SUSTAINABILITY SCORECARD

GENDER EQUALITY	FY17 PERFORMANCE	FY16 PERFORMANCE
Women in key management:		
Key management personnel	2 of 5 employees (40%)	2 of 5 employees (40%)
Other executives/general managers	4 of 6 employees (67%)	4 of 6 employees (67%)
Senior managers	11 of 31 employees (35%)	12 of 32 employees (38%)
Other managers	22 of 93 employees (24%)	22 of 94 employees (23%)
Equal pay:		
Conduct a pay equity audit across the Group	Audit completed in FY17. Results indicated there was no discrepancy in remuneration on the basis of gender	Audit, which is conducted biennially, was not due for completion in FY16
Diversity training:		
Conduct mandatory diversity training for all Group team members	Training completed in FY17	Training initiated in FY16

EMPLOYEE HEALTH AND SAFETY	FY17 PERFORMANCE	FY16 PERFORMANCE
Recordable incidents:		
Number of total incidents	38	57
Number of lost time incidents	19	24
Total recordable injury frequency rate	6.14	6.59
Lost time injury frequency rate	1.84	1.72

ENVIRONMENT	FY17 PERFORMANCE	FY16 PERFORMANCE
Carbon emissions:		
Scope 1 emissions	3,197 metric tonnes CO_2e	3,960 metric tonnes CO_2e
Scope 2 emissions	15,315 metric tonnes CO_2e	13,980 metric tonnes CO_2e
Scope 3 emissions	2,324 metric tonnes CO_2e	2,856 metric tonnes CO_2e
Water consumption	16,804 kilolitres	14,674 kilolitres

COMMUNITY AND SOCIAL INVESTMENT	FY17 PERFORMANCE	FY16 PERFORMANCE
Contributions		
Contributions to state and territory governments and industry partners	$1.34 billion	$1.41 billion
Charitable giving	$2.1 million	$1.8 million
Sponsorships	$2.4 million	$2.1 million

SUSTAINABILITY PILLARS

PUTTING STAKEHOLDERS FIRST

With operations spanning every Australian state and territory, our stakeholder cohort is very large. We believe that positive relationships with our stakeholders contribute to the positive performance of the Group. Our values direct these relationships, and ensure a consistent and transparent approach to our interactions.

The following external stakeholder groups have specific interests, and there are different risks related to sustaining good relations with these groups (see page 34 for our internal stakeholder group).

INVESTORS AND SHAREHOLDERS

COMMUNICATION

Besides formal communication channels—ASX releases, published results, investor presentations, media releases and our Annual General Meeting—we also conduct face-to-face meetings and participate in conferences where appropriate.

Key matters:

- Sustainable growth and returns on investment
- Dividends
- Key management personnel remuneration
- Sustainability
- Corporate governance
- Liquidity and gearing
- Strategy and innovation

Promoting effective communication with shareholders, and encouraging their participation at general meetings helps ensure that all shareholders have access to sufficient information, and maintains an informed market.

CUSTOMERS

COMMUNICATION

We interact with our customers through our contact centres, retail outlets, our customer relationship management program, and digital sales channels. We also have an active social media engagement program, and source feedback through our net promoter score and net experience score polling, together with targeted customer surveys.

Key matters:

- New ways to interact with us
- Information about new products and services
- Offers and features of relevance
- Information about terms and conditions of use
- Enhancing responsible gambling awareness and education

Material risks principally relate to the competitive environment in which we operate. To address this we invest in the key skills and talents of our team, and in our digital and retail product platforms.

THROUGH OUR SUSTAINABILITY REPORTING WE IDENTIFY AND RESPOND TO KEY SUSTAINABILITY RISKS AND OPPORTUNITIES.

SUPPLIERS AND BUSINESS PARTNERS

COMMUNICATION

We interact with suppliers and business partners through meetings, tender processes, and conferences. We indirectly support close to 5,000 small businesses that sell our lotteries and wagering products and employ some 25,000 people across Australia.

Key matters:

- Timely payment
- Fair treatment
- Environmental efficiency

Risks to our relationships with this group include systems failures, and reliance on third party products and services (e.g. telecommunications and racing products). We manage these risks, where possible, by implementing systems redundancy and putting other backup measures in place.

GOVERNMENT AND REGULATORY AGENCIES

COMMUNICATION

Compliance with our licences—and the legislation, regulations, rules and agreements underlying those licences—is critical to our business sustainability, as is understanding, and being responsive to, the broader economic, social and community issues impacting government policy.

Our internal legal and compliance, and government relations teams participate in regular updates and meetings with government and regulatory agencies, which helps us foster constructive relationships, and participate in government and industry forums.

Key matters:

- Constructive relationships
- Negotiation of licence renewals
- Remittance of taxation and duty
- Compliance reporting for licences, legislation and regulations
- Responsible gambling actions and initiatives

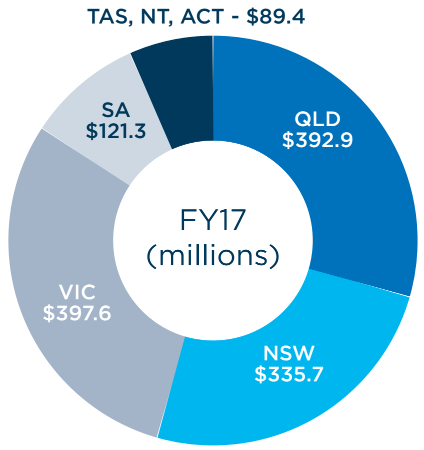
In FY17, we contributed a total of $1.15 billion to the community via wagering and lotteries taxes to state and territory governments, and a further $217.1 million to the Federal Government in corporate taxes. We are also proud to be an Australian company that pays tax on our entire profits in Australia. The tax contributions by state and territory are shown in Figure 1. In the majority of cases, the wagering and lottery taxes that Tatts pays are used to fund health, education, social services, junior sport and vital community infrastructure.

We also assist the governments in New South Wales, Queensland and the Northern Territory to collect more than $2 billion in gaming machine taxes from hotels and clubs through MAX's monitoring systems.

We are pleased to be part of making this important contribution to the lives of everyday Australians.

The Directors' Report on page 45 details the risks around our relationship with government and regulatory agencies, and the licences and other approvals they provide us.

FIGURE 1.
TAX CONTRIBUTIONS BY STATE AND TERRITORY



Be **amazing**

Create positive **change**

Do it **with heart**

Own it

Play as a **team**

Have **fun**

INDUSTRY PARTNERS AND ASSOCIATIONS

COMMUNICATION

We use industry briefings, forums and social media to monitor and connect with the industry associations that represent retailers who sell our core lottery and wagering products.

Key matters:

- Partnering to drive sales growth
- Product updates and education
- Insight into our innovation pipeline
- Communicating and discussing changes to our retail image

This group, and their stakeholders, currently face the challenge of customers who are increasingly transitioning to digital channels away from traditional retail sales channels. Our investment in new product innovations and refreshed retail offerings, helps to keep these channels relevant for lotteries and wagering customers.

We are proud to be a major contributor to the Australian racing industry with payments of $189.8 million (excluding GST) during FY17, helping to support more than 7,000 jobs. These payments were in the form of product and program fees, and race information fees, the majority of which related to Queensland, our largest market.

COMMUNITY ENGAGEMENT

COMMUNICATION

Positive relationships with the communities in which we operate allow us to build trust and long-term sustainability of our business.

Key matters:

- Responsible advertising and sponsorships
- Responsible gambling awareness and education
- Support for projects that benefit the community

We have been proudly supporting the communities in which we operate since 1881. We have a number of initiatives that directly target community support:

- Tatts Giving
- Our new charitable games unit
- The 50-50 raffle, which gives an equal share of takings to a single winner and a nominated charity.

Expanding on our community engagement activities, we were the first gaming company in Australia to create a charitable games unit, George[2]. This team develops innovative game platforms for the charitable and not-for-profit sector, providing immediate funds from its activities, as well as long-term technology solutions. The team has access to internal technology and marketing resources, meaning that Tatts is able to help make a real difference in this space. We hope to expand the program outside of Australia in due course, and to develop 'white label' solutions, purpose-built for charitable fundraising activities, that are powered by Tatts.

'Tatts Giving', our corporate social responsibility (CSR) framework, offers our team opportunities to get involved in a wide range of initiatives and activities with our major charity partners. Among other things, these include workplace giving, volunteering, dollar matching programs and challenge-based fundraising.

OUR KEY COMMUNITY ENGAGEMENT PARTNERS FOR FY17 WERE:

PROSTATE CANCER FOUNDATION AUSTRALIA

In May 2017, a national partnership was launched between UBET and the Prostate Cancer Foundation Australia (PCFA). In FY17, UBET donated $100,000 to this important cause. PCFA also benefited from Tatts' George[2] charitable games unit with 50-50 raffles held over five race meetings during the Brisbane Racing Winter Carnival raising significant contributions for PCFA.

In FY17, in support of Men's Health Week, UBET's agents received donation tins for customers to drive engagement with the cause. An awareness campaign was run in store urging men to be aware and "not take a punt on their health".

NATIONAL JOCKEY'S TRUST

National Jockey's Trust (NJT) is a public charitable trust dedicated to providing funds and other benefits for the relief of financial difficulties for jockeys, apprentice jockeys and their families, when faced with serious injury, illness and even death. The relationship with NJT is part of UBET's industry support for the racing industry.

STARLIGHT CHILDREN'S FOUNDATION

Starlight's programs embrace the principles of positive psychology, where fun is an important factor contributing to overall well-being. Through Starlight, sick kids are encouraged to embrace their uniqueness and creativity. Golden Casket is a long-standing supporter of the Starlight Children's Foundation in Queensland, and is also a Foundation Partner of the brand new Starlight Express Room in the Lady Cilento Children's Hospital which opened in March 2015.

CHILDREN'S HOSPITAL FOUNDATION

The Children's Hospital Foundation works wonders for sick kids by funding life-saving medical research, investing in vital new equipment and providing family support and care programs for sick kids.

MATER FOUNDATION

The Mater Foundation links community and philanthropic support to Mater Health Services and Mater Research in Queensland. Mater Foundation fundraising has touched the lives of generations of Queenslanders by supporting clinical programs, education and research activities at Mater Hospitals. Golden Casket has supported Mater for more than 90 years, and more recently provided annual donations to fund projects that enhance the lives of Queensland mothers and babies.

TATTS WORKPLACE GIVING PROGRAM

The Tatts Workplace Giving program provides our 2,300 team members with an opportunity to regularly donate to one of six charities through a payroll deduction scheme. The charities that are beneficiaries are Starlight Children's Foundation, the Smith Family, Australian Red Cross, World Wide Fund for Nature and Breast Cancer Network Australia.

There is more information on our CSR program and the history of our community support on the Group website (www.tattsgroup.com/community).

SPONSORSHIPS

During FY17, our lotteries, wagering and gaming operations provided more than $2.4 million to support a number of events and sporting teams around Australia including the support of the Gold Lotto Brisbane Christmas in the City, support of the North Queensland Cowboys, and naming rights sponsor of the UBET Stradbroke Day amongst other important community initiatives.

We were proud to support these initiatives in our communities where many of our key stakeholders (including customers, employees and other partners) live and work.

OUR COMMITMENT TO RESPONSIBLE GAMBLING

We are committed to responsible gambling throughout the states and territories in which we operate and to providing products in a safe, secure and friendly environment.

While the vast majority of people who gamble do so for enjoyment and entertainment, we recognise that there are some people for whom this form of entertainment has become a problem, causing them personal and financial distress. We understand the importance of providing responsible gambling programs and initiatives to assist those people who may experience difficulties with their gambling behaviour, as well as to keep all our lotteries and wagering customers well informed. We are committed to engaging with internal and external stakeholders to ensure our responsible gambling program meets industry expectations.

CODES OF CONDUCT AND RESPONSIBLE GAMBLING PROGRAMS

We have developed individual responsible gambling programs and, in certain states, we have also developed responsible gambling codes of conduct. These programs contain a variety of measures that respond to community expectations and needs in regard to player protection and harm minimisation according to local legislative requirements. These measures are reviewed regularly and include:

- responsible gambling information
- pre-commitment strategies
- game and product information
- advertising restrictions
- customer complaint mechanisms
- self-exclusion programs

In FY17, our lotteries programs were updated to coincide with the new "the Lott" branding.

Annually we conduct a series of surveys and audits for lotteries and wagering in retail outlets to ensure compliance with the requirements of our Responsible Gambling programs and state based legislation. In FY17 lotteries engaged a third party provider to scale up their outlet audit activities.

CUSTOMER MEASURES

Our digital customers have access to a voluntary self-exclusion feature through their online account that allows them to stay in control of their gambling. Customers are able to self-exclude for the prescribed time in their jurisdiction. In addition, they can choose to voluntarily set a maximum spend for lotteries, or to enable a wagering pre-commitment limit. For wagering the self-exclusion facility extends to all of our retail venues, and for lotteries, to retail venues in South Australia. We also provide access to gambling help services online, and refer retail customers to the online gambling help service as well as the gambling help telephone service. We also facilitate additional self-management through links to gambling help tools provided by government funded gambling help services. Customers at risk are also engaged by communications making them aware of the tools available to them to manage their play behaviour.

TEAM MEMBER EDUCATION

We ensure that our team members are informed and equipped with the tools to deliver and understand our responsible gambling program and their compliance requirements. Information about our program is delivered to new employees and through annual refresher training for those in customer-facing roles.

Annually we engage internal staff, retailers and customers with a Responsible Gambling Awareness Week campaign designed to make staff and customers aware of the risks of gambling and how to detect the signs of gambling related harm.

Our retail network also receives regular training, information and notices to ensure they are up to date with our responsible gambling program and compliance obligations. This is primarily conveyed through training programs, as well as through regular newsletters, bulletins and online updates. This ensures that our retailers and their staff comply with all of the requirements related to our responsible gambling codes of conduct, and to the relevant Australian state and territory responsible gambling codes and regulations.

In FY17 a move to online retailer training was made with the intent that more training will be delivered this way in the future.

ANNUALLY WE CONDUCT A SERIES OF SURVEYS AND AUDITS FOR LOTTERIES AND WAGERING IN RETAIL OUTLETS

INDUSTRY ENGAGEMENT

We engage and partner with a number of governments and community organisations to take a leading role in generating responsible gambling awareness in the jurisdictions in which we operate.

We are represented on the responsible gambling advisory bodies for various state and territory governments and collaborate with relevant stakeholders, including representatives of the community, counselling and welfare agencies, gambling industry associations, local government, state and territory government policy makers and regulators.

OUR PEOPLE

We aim to attract, engage and retain the very best talent by focusing on a range of people functions that support all team members. By striving to become an employer of choice, we help our team achieve their best, which in turn allows Tatts to achieve its goals.

ENGAGEMENT

Team engagement is measured on an annual basis through our 'State of the Nation' survey. This survey is a tool which helps measure team engagement levels identifying key areas of focus for the coming 12 months for team and corporate based initiatives to help drive engagement levels. An annual 'Play Book' sets out our targets and deliverables for our operating and shared service units. These 12 month plans and the previous year's successes are celebrated at our annual town hall presentation. All team members are invited along to hear from their Leadership team directly on our business strategies for the coming year. Individual and team based successes are also recognised and rewarded through the quarterly rewards program, Heavy Hitters.

DIVERSITY

At Tatts, we value and recognise the importance of having a diverse team which embraces the unique contributions of all our team members. Our current focus remains on gender balance, however we recognise that there is more to diversity than gender. To create an inclusive environment that allows team members to perform at their best, we finalised the rollout of unconscious bias training across the Group for all permanent team members. Our diversity policy outlines our objectives: (www.tattsgroup.com/investors/corporate-profile/key-policies).

In FY17, we remain focused on these key objectives:

1. Achieve gender balance at the managerial levels of the organisation—we are aiming to increase the representation of females in our managerial roles by 5%—refer to the table on page 35 for our progress in FY17.
2. Foster a culture that encourages respect and acceptance of individual differences—during FY17 we finalised training for our entire team on diversity in the workplace, focused on identifying and avoiding unconscious bias (or negative and positive stereotypes) and the potential impact it can have on diversity outcomes in our workplaces. Significant cultural dates continue to be promoted in Tatts, encouraging teams to get involved and recognise and celebrate our cultural differences.
3. Review our processes and systems to ensure compliance and to identify any significant trends or biases. In FY17, we completed a gender pay equity audit. This was used to highlight any gender-based differences in the remuneration of our team. Pleasingly, our last report found no difference in the remuneration of male and female team members. A review of recruitment processes was also undertaken to ensure our processes were inclusive of people with a disability.

As a relevant employer under the Workplace Gender Equality Act 2012, we participate in annual reporting against the standardised gender equality indicators. This report is available on our website and includes a workplace profile that uses standardised occupational categories.

These management positions are defined in the Workplace Gender Equality Agency's 'Guide to reporting under the Workplace Gender Equality Act 2012'. Note that 'Key Management Personnel' under these reporting guidelines does not include the Managing Director and CEO, as it does elsewhere in this report.

FIGURE 2.
NUMBER OF INCIDENTS

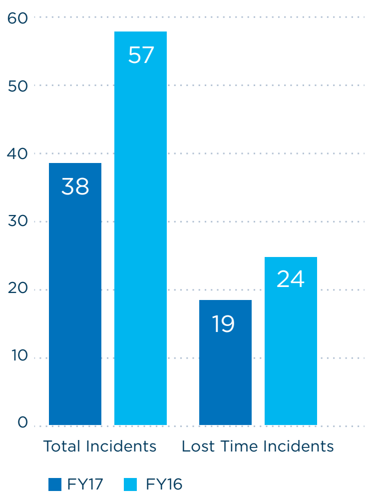
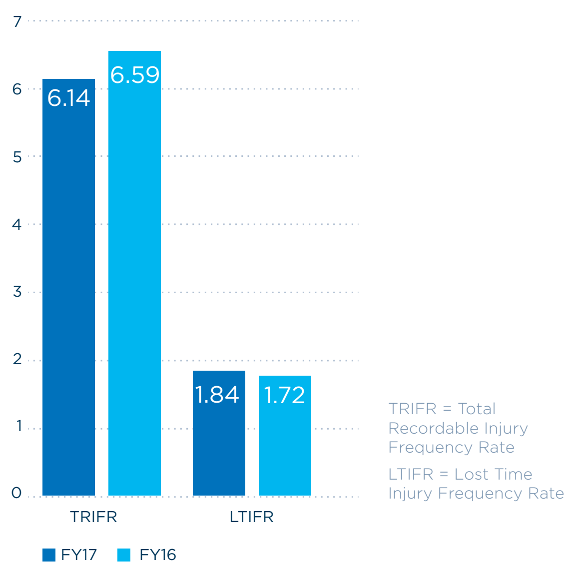


FIGURE 3.
INJURY FREQUENCY RATES



EMPLOYEE TRAINING AND DEVELOPMENT

We invested $1.4 million in the training and development of our team in FY17, compared with $1.6 million in FY16.

Whilst the Tatts' Future Leaders program was placed on hold in FY16, operating units continued with leadership skill development training for their respective leadership teams.

EMPLOYEE SAFETY

The health and safety of our people is a key focus for the Group, and we continue to look for opportunities to reduce the number of injuries that occur in our workplaces. Figures 2 and 3 show our incidents and injury frequency rates for the past two reporting periods.

During FY17, we built on the improvements to our employee safety program made in FY16, including:

- a new Health and Safety Management System with OHSAS 18001 Certification
- increased attention to, and training around, hazard management within high risk work groups
- subscription service to assist with due diligence and legal compliance
- we implemented a new Group-level safety policy

GENDER MIX IN KEY MANAGEMENT PERSONNEL AND OTHER EXECUTIVES/GENERAL MANAGERS

	AT 30 JUNE 2017	AT 30 JUNE 2016
Board	**1 of 6 Directors (17%)**	1 of 6 Directors (17%)
Chief Executive Officer	**0 of 1 employee (0%)**	0 of 1 employee (0%)
Key Management Personnel*	**2 of 4 employees (50%)**	2 of 5 employees (40%)
Other executives / general managers*	**4 of 5 employees (80%)**	4 of 6 employees (67%)
Senior managers*	**11 of 31 employees (35%)**	12 of 32 employees (38%)
Other managers*	**22 of 93 employees (24%)**	22 of 94 employees (23%)

* These management positions are defined in the Workplace Gender Equality Agency's 'Guide to reporting under the Workplace Gender Equality Act 2012'. Note that 'Key Management Personnel' under these reporting guidelines does not include the Managing Director and CEO, as it does elsewhere in this report.

OUR ENVIRONMENT

The operations of the Group are not subject to any significant environmental regulation under any law of the Commonwealth of Australia or any of its states or territories.

The Group comprises a portfolio of neighbourhood-based businesses, reaching our customers through advanced wide-area network technology. As such, our environmental footprint is relatively low and our carbon dioxide equivalent (CO_2e) emissions profile is well below the reporting levels identified in the National Greenhouse and Energy Reporting Act 2007. Despite this, we continue to report our environmental impacts to the Carbon Disclosure Project, run worldwide on behalf of investors and environmental management practices.

The Board's Audit, Risk and Compliance Committee periodically receives an environmental management report. An internal review of our major operations indicated the following environmental outcomes for the 12-month period to 30 June 2017, compared to the prior reporting period (prp) of 1 May 2015 to 30 April 2016:

- Scope 1 CO_2e emissions – 3,197 metric tonnes (prp: 3,960 metric tonnes), from a fleet of 545 vehicles across Australia.
- Scope 2 CO_2e emissions – 15,315 metric tonnes (prp: 13,980 metric tonnes), mostly from Group office and warehouse properties that used 18.5 million (prp: 17.6 million) kilowatts of electricity.
- Scope 3 CO_2e emissions – 2,324 metric tonnes (prp: 2,856 metric tonnes) from 7.7 million kilometres of business air travel (prp: 8.4 million kilometres).

ENERGY

Energy usage at our properties is primarily comprised of electricity consumption at the Group's principal office and warehouse properties, which increased in the reporting period due to increased operating activities at 18.5 million kWh (prp: 17.6 million kWh). We continue to develop and adapt our services in response to changes in customer demand, and to take advantage of new and more efficient systems.

WATER

The majority of our properties are in urban areas and use potable water provided by local councils. Water consumption at the Group's principal office and warehouse properties increased during the year by 14.5% to 16,804 kilolitres (pcp: 14,674 kilolitres).

DIESEL

The Group uses diesel-powered generators to provide emergency electricity backup. Consumption of diesel increased by 8.8% in the year to 115.3 kilolitres (prp: 106.0 kilolitres) due to an increased frequency of back-up generator testing translating to CO_2e emissions of 304.4 metric tonnes (prp: 279.8 metric tonnes)

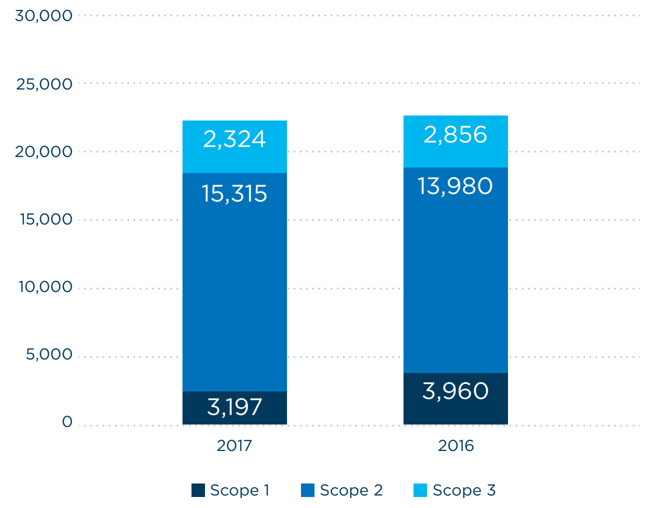
WASTE MANAGEMENT

Recycling initiatives are in place at all our office locations, including paper and mixed recycling. We also ensure that any obsolete e-waste (electronics, computers, printers, etc.) is recycled or disposed of in an environmentally safe way.

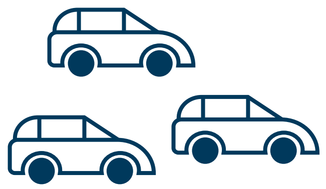
CORPORATE GOVERNANCE

Information relating to corporate governance is covered in detail in the Investors section of our website and economic sustainability is covered in more detail in the Directors' Report on pages 45 to 70.

SCOPE 1, 2 AND 3 CO_2E EMISSIONS

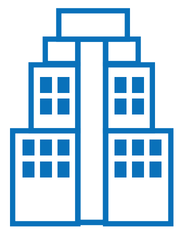


VEHICLE FLEET



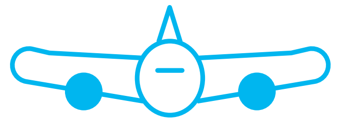
3,197
metric tonnes CO_2e
from 545 vehicles
(prp: 3,960 metric tonnes)

BUILDING ELECTRICITY



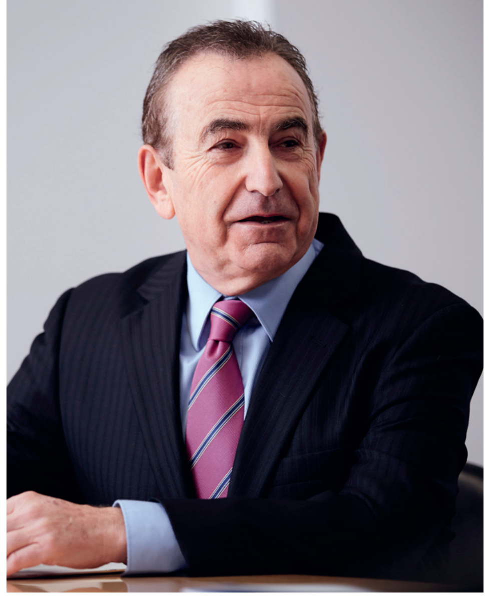
15,315
metric tonnes CO_2e
from 18.5 million kilowatts
(prp: 17.6 million kwh)

AIR TRAVEL



2,324
metric tonnes CO_2e
from 7.7million km air travel
(prp: 2,856 metric tonnes)

BOARD OF DIRECTORS



HARRY BOON

Chairman

Non-executive Director

Member of the Board since 31 May 2005

Harry was Chief Executive Officer and Managing Director of ASX listed company, Ansell Limited, until he retired in 2004, a position which capped a career spanning some 28 years with the Ansell Group. Harry has lived and worked in senior positions in Australia, Europe, the US and Canada, and has broad-based experience in global marketing and sales, manufacturing, and product development. He is multi-lingual and has a strong track record in delivering business results through setting ambitious goals, building the appropriate organisation and relationships, and relentlessly pursuing objectives.

Harry holds a Bachelor of Laws (Honours) and a Bachelor of Commerce from the University of Melbourne.

OTHER CURRENT DIRECTORSHIPS:

Chairman of Asaleo Care Limited (Director since May 2014) an ASX listed company.

SPECIAL RESPONSIBILITIES:

Member Remuneration and Human Resources Committee; Chairman Governance and Nomination Committee

FORMER LISTED PUBLIC COMPANY DIRECTORSHIPS IN LAST 3 YEARS:

Toll Holdings Limited (November 2006 – May 2015)

ROBBIE COOKE

Managing Director and Chief Executive Officer

Robbie Cooke commenced as Managing Director and Chief Executive Officer of Tatts on 14 January 2013.

Robbie's management career has traversed the wagering and gaming industries, oil and gas, and online travel retailing sectors.

Robbie joined the Wotif Group as Chief Operating Officer in 2006 and was promoted to Group CEO and Managing Director in 2007. Prior to that, Robbie was Head of Strategy and General Counsel at UNiTAB (now part of Tatts) from 1999 to 2005. He has also held commercial, corporate finance and legal roles at Santos, HSBC James Capel and MIM Holdings Limited.

Robbie holds a Bachelor of Laws (Honours) and Bachelor of Commerce from the University of Queensland together with a Diploma in Company Secretarial Practice.

Robbie is a member of the Australian Institute of Company Directors and Governance Institute of Australia.

LYNDSEY CATTERMOLE AM

Non-executive Director

Member of the Board since 31 May 2005

Lyndsey was the founder and Managing Director of Aspect Computing Pty Limited 1974-2003, and a Director of Kaz Group Limited 2001-2004. Lyndsey has also held many board and other membership positions on a range of government, advisory, association and not-for-profit committees, including the Committee for Melbourne, the Australian Information Industries Association, the Victorian Premier's Round Table, and as Chairman of the Women's and Children's Health Care Network.

Lyndsey holds a Bachelor of Science from the University of Melbourne and is a Fellow of the Australian Computer Society.

OTHER CURRENT DIRECTORSHIPS:

Non-executive Director of ASX-listed Treasury Wine Estates Limited (Director since May 2011); and ASX-listed PACT Group Holdings Limited (Director since November 2013); Directorships with JadeLynx Pty Limited, Madowla Park Holdings Pty Ltd, MPH Agriculture Pty Ltd, Catinvest Pty Ltd and Florey Neurosciences Board.

SPECIAL RESPONSIBILITIES:

Member Governance and Nomination Committee; Member Remuneration and Human Resources Committee

BRIAN JAMIESON

Non-executive Director

Member of the Board since 31 May 2005

Brian Jamieson was Chief Executive of Minter Ellison, Melbourne 2002-2005. Prior to joining Minter Ellison, he was Managing Partner of KPMG Melbourne and Southern Regions 1993-1998, Chief Executive Officer at KPMG Australia 1998-2000, and Chairman of KPMG Melbourne 2001-2002. He was also a KPMG Board member in Australia, and a member of the USA Management Committee.

Brian has more than 30 years' experience providing advice and audit services to a diverse range of public and large private companies.

Brian is a Fellow of the Institute of Chartered Accountants in Australia and a Fellow of the Institute of Company Directors in Australia.

OTHER CURRENT DIRECTORSHIPS:

Chairman of Mesoblast Limited (Director since November 2007) and Sigma Pharmaceuticals Limited (Director since December 2005), both ASX listed companies. Director and Treasurer of the Bionics Institute.

SPECIAL RESPONSIBILITIES:

Chairman Audit, Risk and Compliance Committee; Member Remuneration and Human Resources Committee

FORMER LISTED PUBLIC COMPANY DIRECTORSHIPS IN LAST 3 YEARS:

OZ Minerals Limited
(August 2004 – May 2015)

JULIEN PLAYOUST

Non-executive Director

Member of the Board since 21 November 2005

Julien has more than 25 years' experience as CEO, senior executive and non-executive director in public and private companies, including ASX-100, SMEs, and not-for-profit organisations.

He has worked across a range of industries including property, professional and financial services, media, healthcare, agriculture, retail, consumer discretionary, energy, innovation, technology and the arts.

He is Managing Director and CEO of AEH Group, which includes 40+ SPVs in diversified property and investments and his professional career includes management consulting at AMP, NAB and Accenture.

Julien holds a Masters of Business Administration from AGSM, Bachelor of Architecture, First Class Honours and Bachelor of Science from The University of Sydney, and a Company Director Course Diploma from Australian Institute of Company Directors. In 2015, he was invited to join the UNSW Business School Alumni Leaders Group.

OTHER CURRENT DIRECTORSHIPS:

Non-executive Director of private equity company MGB Equity Growth Pty Limited; Trustee and Vice Chairman Art Gallery NSW Foundation; Chairman of Finance Committee, and on the Advisory Boards of UNSW Arts & Design, and The Nature Conservancy.

SPECIAL RESPONSIBILITIES:

Chairman Remuneration and Human Resources Committee; Member Audit, Risk and Compliance Committee

FORMER LISTED PUBLIC COMPANY DIRECTORSHIPS IN THE LAST 3 YEARS:

Australian Renewable Fuels Limited
(April 2009 – October 2014)

KEVIN SEYMOUR AM

Non-executive Director

Member of the Board since 12 October 2006, previously having been appointed to UNiTAB's Board in September 2000

Kevin is Executive Chairman of Seymour Group, a private property development and investment company with interests in the energy sector.

Kevin's extensive management and business experience includes company restructuring and equities markets in Australia. He was previously Chair of Royal Brisbane Hospital Herston Redevelopment Taskforce, independent Chair of Queensland Government/ Brisbane City Council's Brisbane Housing Company Limited, Chair and Benefactor of Community TV's Channel 31, served on the Lord Mayor's Drugs Taskforce and is an Honorary Ambassador for the City of Brisbane.

OTHER CURRENT DIRECTORSHIPS:

Deputy Chairman of ASX listed Ariadne Australia Limited (since 1992); Board positions with several private companies in Australia.

SPECIAL RESPONSIBILITIES:

Member Audit, Risk and Compliance Committee; Member Governance and Nomination Committee

DR DAVID WATSON

Non-executive Director

Member of the Board since 27 March 2014

Dr Watson served in the Federal Parliament in the House of Representatives as the member for Forde from 1984-1987, and in the Queensland Parliament as the member for Moggill from 1990-2004, during which time he was the Minister for Public Works and Housing (April 1997-July 1998). Prior to entering parliament, Dr Watson was Professor of Accounting and Business Finance at the University of Queensland.

Dr Watson was previously the independent Chair of the Translational Research Institute, a leading Australian medical research and biopharmaceutical facility based in Brisbane and serves on some related medical research boards.

Dr Watson holds a Bachelor of Commerce (Hons) from the University of Queensland, and a MA and PhD from Ohio State University.

Dr Watson is a Fellow of the Institute of Chartered Accountants of Australia and New Zealand, a Fellow of CPA Australia, and an Associate in Accounting of the University of Queensland.

OTHER CURRENT DIRECTORSHIPS:

Non-executive director of Translational Research Institute Foundation Ltd.

SPECIAL RESPONSIBILITIES:

Member Audit, Risk and Compliance Committee; Member Governance and Nomination Committee

EXECUTIVE TEAM

ASHLEIGH LOUGHNAN
Executive General Manager – People, Property & Procurement

Ashleigh heads up the Group's People, Property and Procurement team. These teams are made up of a large number of employees with extensive experience and knowledge of the Group's businesses.

ANDREW COLLINS
Head of Corporate Development

Andrew leads the Group's domestic and international corporate development activities. Andrew and his team have led all of the Group's acquisitions and licensing, along with involvement in subsequent integration actions.

JOHN CORRY
Chief Operating Officer – George[2]

John leads the Group's newest unit, George[2], finding innovative fund raising solutions for the not-for-profit sector. John's extensive experience spans several start-ups and digital innovation companies, banking, hospitality, sport and social enterprise. He is co-founder of the award-winning 50-50 Foundation.

BRENDAN PARNELL
Chief Operating Officer – UBET

Brendan has over three decades of experience in broadcast media, betting, sports and international trade affairs with expertise in commercialising sports rights, media production, change management and international business.

Brendan's Wagering unit is one of the largest within the Group with more than 170 full-time employees operating across four states and territories.

FRANK MAKRYLLOS
Chief Operating Officer – MAX

Frank re-joined Tatts in early 2013 as COO of Gaming, rebranded in August 2016 as MAX, comprising MAX and MAXtech. MAX provides electronic monitoring and value-add services to gaming machine venues in NSW, Qld and NT. MAXtech (our largest Australian business by headcount) monitors and manages a 24/7 technical services business with more than one million support calls per annum.

MEGAN MAGILL
Chief Marketing Officer

Megan was appointed to this exciting new role in June 2015, after starting with Tatts in 2013. She is responsible for bringing a cohesive vision across the broad spectrum of Tatts' brands, and for exploring innovative marketing opportunities for the Group. Megan has more than 20 years' experience across agencies, media and in-house marketing.

MANDY ROSS
Chief Information Officer

Mandy leads the team of more than 400 technology and operations staff and develops the long-term strategic and digital roadmaps for the company. Mandy stepped into this role on 1 January 2015, after joining Tatts Group in 2014. Mandy has 15 years' industry experience, and was named 'CIO of the Year' at the national iAwards in 2012.

SUE VAN DER MERWE
Chief Operating Officer – The Lott

As the leading lottery operator in Australia, Sue heads the unit that contributes the largest amount to Group earnings. With a mix of long-standing lottery games and new brands, the lotteries team markets its products through some of Australia's leading consumer brands, in every Australian state and territory, with the exception of Western Australia.

MAREE PATANE
Chief Auditor

Maree and her team provide consultative, compliance and continuous audit monitoring services, both nationally and internationally. The audit team has been built up through integration and has an unrivalled knowledge of the wagering industry, gaming business systems and lottery processes.

NEALE O'CONNELL
Chief Financial Officer

Neale, who joined Tatts in 2004, was appointed as CFO in December 2012, and has managed the finance team through a period of substantial expansion via the float, a merger, and several acquisitions. Neale has more than 30 years' auditing and commercial experience.

ANNE TUCKER
General Counsel and Company Secretary

Anne joined the UNiTAB team in June 2005 prior to the Tatts merger in 2006, and was appointed as General Counsel and Company Secretary in July 2013. Anne and her team have a wealth of experience and knowledge within the gaming industry, and play an integral role in all merger, acquisition and integration activities.

TRACK RECORD

	30 JUNE 2017 $ M	30 JUNE 2016 $ M	30 JUNE 2015[1] $ M	30 JUNE 2014 $ M	30 JUNE 2013[2] $ M
REVENUE FROM CONTINUING OPERATIONS	**2,778.5**	2,928.1	2,803.9	2,868.3	2,948.8
STATUTORY CHARGES					
– GOVERNMENT	**(1,290.7)**	(1,370.9)	(1,271.5)	(1,289.9)	(1,376.4)
– OTHER	**(606.7)**	(639.4)	(620.1)	(600.3)	(605.7)
OPERATING COSTS	**(415.4)**	(420.9)	(421.3)	(479.7)	(476.5)
EBITDA (BEFORE MERGER COSTS)	**465.7**	496.9	491.0	498.4	490.2
MERGER COSTS	**(33.4)**	(2.1)	-	-	-
EBITDA	**432.3**	494.8	491.0	498.4	490.2
PROFIT BEFORE INCOME TAX ON CONTINUING OPERATIONS	**307.7**	378.5	363.3	326.6	303.1
PROFIT AFTER INCOME TAX ON CONTINUING OPERATIONS[3]	**221.2**	263.4	253.9	226.6	227.4
(LOSS)/PROFIT FROM DISCONTINUED OPERATIONS	**(0.7)**	(29.6)	(1.9)	(26.2)	19.9
NET PROFIT AFTER INCOME TAX	**220.5**	233.8	252.0	200.4	247.3

	CENTS	CENTS	CENTS	CENTS	CENTS
EARNINGS PER SHARE[4]	**15.1**	18.0	17.5	14.1	17.9
DIVIDENDS PER SHARE	**17.5**	17.5	16.5	13.5	15.5

	%	%	%	%	%
DIVIDEND PAY-OUT RATIO	**116.5**	109.6	95.1	95.9	87.4

	$ M	$ M	$ M	$ M	$ M
CASH FLOWS FROM OPERATING ACTIVITIES	**409.9**	331.0	439.8	278.4	346.9

1. Only FY15 comparatives have been restated to reflect Talarius as a discontinued operation.
2. The FY13 net profit after income tax on continuing operations includes a one-off tax benefit of $16.2 million. Before one-offs the adjusted NPAT for FY13 would be $211.2 million.
3. The FY17 net profit after income tax on continuing operations includes merger costs of $23.4 million net of tax. Before merger costs, the adjusted NPAT for FY17 would be $244.6 million.
4. EPS is calculated using the weighted average number of shares on issue throughout the year.

DIRECTORS' REPORT

CORPORATE GOVERNANCE

The Board recognises the importance of good corporate governance and its role in ensuring accountability of the Board and management. The full details of the Group's policies and its Corporate Governance Statement are available on the Group's website at **http://www.tattsgroup.com/investors/corporate-governance.**

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Tatts Group Limited (the **Company**, or **Tatts**) and the entities it controls (the **Group**) at the end of, or during, the year ended 30 June 2017.

DIRECTORS

The following persons held office as Directors of the Company during the financial year:

- Harry Boon
- Robbie Cooke
- Lyndsey Cattermole
- Brian Jamieson
- Julien Playoust
- Kevin Seymour
- Dr David Watson

Details, including term of office, qualifications, experience and information on other directorships held by Directors, can be found on pages 38 to 41 of the Annual Report.

DIVIDENDS

The Board continues its previously indicated commitment to maintaining a high dividend payout ratio. The total dividend paid or payable in respect of this year is 17.5 cents per share, reflecting 105.4% of Net Profit after Tax (**NPAT**) before merger costs being paid as dividends to shareholders. The final dividend of 8.0 cents per ordinary share has been determined since the end of the financial year, and is payable on 3 October 2017. The following dividends have been paid, determined, declared or recommended by the Company since the end of the preceding financial year:

DIVIDENDS	($'000)
Final Dividend 2017	
Fully franked dividend for 2017 of 8.0 cents per ordinary share as determined by the Directors on 17 August 2017 with a record date of 4 September 2017 and payable on 3 October 2017	117,482
Interim Dividend 2017	
Fully franked interim dividend for 2017 of 9.5 cents per ordinary share as determined by the Directors on 16 February 2017 with a record date of 7 March 2017 and paid on 3 April 2017	139,509
Final Dividend 2016	
Fully franked dividend for 2016 of 8.0 cents per ordinary share as determined by the Directors on 18 August 2016 with a record date of 1 September 2016 and paid on 4 October 2016	117,162

All dividends are fully franked.

DIVIDEND REINVESTMENT PLAN (DRP)

On 19 October 2016 the Company announced it had entered into an agreement with Tabcorp Holdings Limited to combine the two companies via a Tatts Scheme of Arrangement (**Merger Implementation Deed**). Under the terms of the Merger Implementation Deed, the Company has agreed to suspend the operation of its dividend reinvestment plan (**DRP**). Accordingly the Company's DRP has been suspended and will not operate for this final dividend.

Further information in relation to dividends can be found in Note 15.

DIRECTORS' REPORT (CONTINUED)

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year consisted of:

- the operation of regulated lotteries in Victoria, Queensland, New South Wales, Tasmania, Australian Capital Territory, the Northern Territory and South Australia;
- the conduct of wagering and sports betting through operations based in Queensland, South Australia, the Northern Territory and Tasmania;
- the conduct of gaming machine monitoring and supply of jackpot and other value add services in Queensland, New South Wales and the Northern Territory. In New South Wales this includes exclusive licences to operate inter-venue linked jackpots; and
- the provision of third party installation, repair and maintenance services for gaming, wagering, lottery, point- of-sale and other transactional equipment and systems throughout Australia.

OPERATING AND FINANCIAL REVIEW

REVIEW OF OPERATIONS AND FINANCIAL POSITION

Refer to the Managing Director's Report on pages 12 to 25.

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

Refer to Note 31 of the Financial Report.

BUSINESS STRATEGIES AND FUTURE PROSPECTS FOR FUTURE FINANCIAL YEARS

Tatts is the largest non-casino gambling group in Australia. Our aim is to be the world's best gambling group – world leading in brands, innovation and technology. The Group's business strategies aim to achieve the Group's goals by:

- optimising the management, operation and term of existing licences (including extending/improving licence terms) and businesses to achieve continued growth and operational efficiencies;
- participating in government processes associated with development and licensing of the gambling industry (in Australia and Internationally);
- pursuing strategic acquisitions of government and privately owned gambling assets as and when they become available;
- investing in people and new technologies; and
- maintaining a flexible balance sheet to support the existing businesses and fund other growth opportunities that fit with the Group's core competencies.

The Group will continue to develop and implement improvements to its websites, and other distribution channels, including smart phone and tablet apps and self-service terminals. Online is a key distribution channel for the Group's wagering and lotteries operations and the Group's focus will be on continuing to expand our digital and product offerings.

The Group also remains focussed on delivering new product initiatives and refreshing our retail offering to keep our important retail channels relevant to our lotteries and wagering customers.

This will be accomplished by ongoing product development across the Group's broad suite of distribution channels within its operating units, particularly wagering and lotteries.

The Group's key priorities and strategies for FY18 are also discussed in the Managing Director's Report on pages 12 to 25. The proposed merger with Tabcorp continues to be a key management focus and will be for the balance of this year. On current timelines, and assuming regulatory, shareholder and other approvals are secured, it is anticipated that the transaction will close in the last quarter of 2017.

In the Directors' opinion, any further disclosure of information would be likely to result in unreasonable prejudice to the Group.

MATERIAL RISKS TO BUSINESS STRATEGIES AND PROSPECTS FOR FUTURE FINANCIAL YEARS

The potential material business risks that could adversely affect the Group's achievement of its business strategies and financial prospects in future years are described below. This section does not purport to list every risk that may be associated with the Group's business now or in the future. There is no guarantee or assurance that the importance of these risks will not change or other risks emerge. While the Group aims to manage risks in order to avoid adverse impacts on its financial and reputational standing, some risks are outside the control of the Group.

1 REGULATION, LICENCES AND OTHER APPROVALS

(A) LICENCES AND OTHER APPROVALS

The conduct of wagering, lotteries and the monitoring of gaming machines is regulated by laws, licences, permits and other approvals from relevant state and territory governments. Any material non-compliance by Tatts with the relevant regulations or licence terms may result in financial penalties, or the suspension or loss of certain licences, permits or approvals which may have an adverse impact on the financial performance of Tatts or result in the loss of an operating unit and corresponding revenues from that operating unit.

Tatts has an established regulatory compliance function and governance framework. Tatts' regulatory compliance function monitors compliance with existing regulations, the political and regulatory environment and Tatts' adherence to internal processes.

(B) REGULATION AND CHANGES TO REGULATION

Regulation at state, territory and federal government level is subject to change and Tatts has no control over the regulations that apply to its current or proposed activities. Pending and future changes in legislation, regulation or government policy, or decisions by courts and / or governments, may result in the prohibition of certain types of gambling, and the imposition of additional taxes or other financial and operational imposts on Tatts' businesses. Such changes may reduce Tatts' margins, turnover or both.

For example, on 6 May 2017, the Commonwealth Government announced its intention to introduce new restrictions on gambling advertising during live sports programs shown on commercial television, commercial radio, subscription television, the Special Broadcasting Service (SBS) and online platforms including 'catch up' services, and live online streaming that is aimed at Australian audiences. The new restrictions will ban gambling advertisements from five minutes before the commencement of a sporting event, during the sporting event, and until five minutes after the conclusion of the sporting event. The restrictions will apply between 5:00am and 8:30pm. Existing exemptions for advertising that occurs as part of a live sporting event that consist of horse, harness or greyhound racing or that covers lotteries will remain.

The Government's intention is that the reforms will be given effect via changes to the various broadcast industry Codes of Practice.

In order to mitigate the risk of regulatory change in a particular jurisdiction or industry, Tatts has successfully developed a portfolio of diversified and long-term income streams across multiple jurisdictions.

(C) COMPETITION

Each of Tatts' businesses may be subject to competition from existing and new entrants at any time. More than just driving efficiencies, technological innovation is now challenging entire business models and causing disruption to industry structures. Technological developments have therefore increased, and will continue to increase, competition to Tatts' businesses, regardless of exclusive licences, permits or approvals. Gambling also competes with other forms of consumer discretionary spending.

Further, the rapid deregulation of the national wagering market has seen a sizeable 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 Tatts' earnings in the short term as market changes continue.

If Tatts does not adequately respond to the competition which it faces, this may have an adverse effect on the operational and / or financial performance of Tatts. A sustained increase in competition from new entrants may result in a material failure to grow, or a loss of market share or revenues. Examples of competition experienced by Tatts in its current businesses are set out below:

DIRECTORS' REPORT (CONTINUED)

(i) Wagering

Tatts' wagering business has for some time competed with interstate and international wagering operators who accept bets over the telephone or online. The internet and other new forms of distribution have allowed new competitors to enter Tatts' traditional markets without those competitors being licensed in those states and territories and often operating under more favourable fiscal regimes. There is also the possibility, that in the future, competition from interstate and international operators may extend to Tatts' retail network. This would undermine the retail exclusivity of the licences that are presently held by Tatts in Queensland, South Australia, Tasmania and the Northern Territory.

(ii) Lotteries

The emergence of synthetic lottery operators, such as Lottoland (a corporate bookmaker licensed in the Northern Territory) has seen competition extend to Tatts' lotteries business.

In August 2016, Tatts initiated legal proceedings in the Federal Court of Australia against Lottoland regarding allegations of trade mark infringement and misleading or deceptive conduct. In November 2016, the parties agreed to certain court orders including a permanent restraint on Lottoland from advertising in a way which represents that consumers can participate in and play Tatts' lottery games via the Lottoland website or app. The remaining matters in dispute were settled on a confidential basis. Tatts regularly monitors Lottoland's compliance with the court orders and settlement deed but there is a risk that the court orders and settlement deed may not prevent Lottoland from advertising its betting products in a way that could potentially have a negative impact on Tatts' lotteries sales. Further, there is a risk that, similarly to recent activity seen in the wagering market, competition from operators such as Lottoland may extend to Tatts' lotteries retail network.

On 22 May 2017, the Commonwealth Minister for Health and Minister for Sport announced the Commonwealth Government's new National Sport Plan which includes consideration of the introduction of a national sports lottery to raise funds for sport and recreation activities in Australia.

If a national sports lottery were introduced, there is a risk that this could have a negative impact on Tatts' lotteries sales and have an adverse effect on the operational and / or financial performance of Tatts' lotteries business.

(iii) Gaming Services

Two entities have recently acquired monitoring licences in Queensland. A sustained increase in competition from new entrants and existing operators may result in a failure to grow market share and associated revenue.

(D) LICENCE EXPIRY

Tatts cannot be certain:

- whether any of its licences will be renewed or whether new licences will be granted to Tatts when current licences expire; and
- if any of its licences are renewed or new licences granted to Tatts:
  - when they will be renewed or granted (as applicable); or
  - the terms on which they will be renewed or granted, including whether they will be granted on an exclusive basis and the amounts which might be required to be paid by way of licence fees.

If licences are not renewed or new licences are granted to Tatts on terms which are less favourable to Tatts than the terms of its existing licences, there is a possibility that this would result in Tatts being unable to conduct the specific businesses which operate pursuant to these licences, or being unable to generate earnings equal to those currently being generated by these businesses.

Tatts' current exclusive Victorian Lotteries Licence expires in June 2018. On 1 June 2017, the Victorian Government announced that Tatts had been awarded a new exclusive Victorian Lotteries Licence for a 10-year term. The new licence commences on 1 July 2018 and will continue in force until 30 June 2028 in accordance with its terms, with Tatts required to make a single premium payment to the Victorian Government of $120 million on 1 July 2018.

Tatts is actively working with the South Australian Racing Industry and State Government to secure long-term retail exclusivity for its South Australian wagering operations. However, the potential licensing of additional wagering operators in South Australia could result in the introduction of new entrants which would adversely affect the Group's earnings.

Tatts' New South Wales exclusive licences to operate inter-club and inter-hotel linked gaming systems are due to expire in October 2017 and October 2019 respectively. The New South Wales Government has not announced its intentions in relation to the expiry of those licences.

2 SYSTEMS SECURITY

Tatts operates a range of proprietary and non-proprietary information technology systems, including hardware and software, for existing and new infrastructure to conduct its wagering, lotteries and gaming services businesses. Tatts is exposed to the risk of failure of, or significant interruption to, its information technology systems or infrastructure which may have an adverse impact on the financial performance of Tatts. Further, a systems security failure, such as a cyber-attack, could impact upon Tatts' systems and equipment, and ultimately revenue and profit.

Tatts manages this risk by having system redundancy, other back-up measures, security and monitoring programs in place. However, there can be no assurance that Tatts' mitigation arrangements will be sufficient to entirely prevent the risk of a significant systems failure. A prolonged failure of the information technology systems operated by Tatts which support its wagering, lotteries and gaming services businesses would result in a significant loss of revenue and profit to Tatts as it would be unable to process bets, lottery tickets and other revenue generating transactions.

This may have an adverse effect on the operational and / or financial performance of Tatts.

3 RELIANCE ON THIRD PARTIES

Tatts is reliant on a number of third parties for the operation of its businesses. Areas where Tatts has significant reliance on third parties include:

- provision and maintenance of telecommunications infrastructure between Tatts' data centres and its network of venues for its lotteries, wagering and gaming services businesses;
- provision of racing and sporting products from racing industries and sporting bodies;
- provision of racing and sporting vision to Tatts' network of wagering outlets; and
- maintenance services for critical infrastructure.

Failure of, significant interruption to, or reduction in the quality of third party products and services upon which Tatts relies for a sustained period of time may result in Tatts being unable to provide certain services during that period or providing a less attractive service, which may have an adverse impact on the operating and / or financial performance of Tatts.

4 REPUTATION

Tatts considers its reputation for trust and integrity as important in maintaining customer goodwill and regulatory confidence for its operations. A range of events, including a material non-compliance with regulations or licence terms, or a breach of Tatts' information systems leading to the occurrence of fraudulent activity such as identity theft or credit card fraud, or other disclosure of customers' personal information, could have an adverse impact on Tatts' reputation and the value of its brands. This could also increase expenditure due to additional security costs and / or potential claims for compensatory damages.

Significant disciplinary actions, the imposition of monetary fines or the loss of a licence in one jurisdiction would affect Tatts' reputation and may adversely affect its current licences or future opportunities for licences in other jurisdictions. The consequences of such events could be significant for Tatts, including reduced revenues, increased expenses, loss of consumer trust in the relevant brand or products, and loss of a business unit.

Tatts has not been party to any significant disciplinary actions and has been successful in being granted new licences and renewing or retaining licences or licence exclusivity.

5 TAXES, LEVIES, RACE FIELD FEES AND SPORTS PRODUCT FEES

Taxes and levies relating to the wagering, lotteries and gaming segments of the gambling industry are currently determined by relevant governments. A material increase in the taxes and levies payable by Tatts in respect of its wagering, lotteries or gaming businesses may reduce margins and have an adverse impact on the financial performance of Tatts.

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

For example, the South Australian Government has introduced a "point of consumption" tax of 15% on the "Net Wagering Revenue" of betting companies offering services to South Australia, effective from 1 July 2017 (Point of

DIRECTORS' REPORT (CONTINUED)

Consumption Tax). The tax will apply to all bets placed in South Australia on horse, harness and greyhound racing as well as sporting and other events, such as the winner of the Academy Awards. Tatts understands that some other state and territory governments may be considering the introduction of a similar "point of consumption" tax. Tatts has no control over the introduction of new taxes such as the South Australian Point of Consumption Tax, and such changes may reduce Tatts' margins, turnover or both.

In addition to gambling taxes and levies, the rate of GST and corporate tax is determined by the Commonwealth Government. A material increase in the taxes imposed by the Commonwealth Government may increase Tatts' expenses and have an adverse impact on the financial performance of Tatts.

6 INDUSTRY AND ECONOMIC CONDITIONS

The performance of Tatts depends to a large extent on the level of discretionary consumer spending along with other economic factors in Australia such as economic growth, interest rates, inflation, household disposable income, tax, employment levels, consumer and business sentiment and market volatility. There can be no guarantee that the current economic environment and gambling industry conditions will remain the same. There is a risk that adverse changes to general economic or industry conditions may have an adverse impact on the financial performance of Tatts, as a consequence of the potential for customer numbers and / or spend per customer to reduce leading to a loss of revenues. Changes in government fiscal, monetary and regulatory policies could also affect the performance of Tatts.

7 LITIGATION, DISPUTES AND INVESTIGATIONS

From time to time, the Group may become involved in litigation, disputes and investigations by regulatory bodies. Litigation and disputes may be with or without merit. The costs of defending and settling legal claims can be substantial, even with respect to claims which have no merit. Any material non-compliance by Tatts with relevant regulations may result in financial penalties.

Should Tatts become subject to any legal proceedings, the inherent uncertainty of the litigation process could have a material adverse effect on Tatts' operational and / or financial position, through increased costs or the payment of damages. There is also the risk that Tatts' reputation may suffer due to the profile of, and public scrutiny surrounding, any regulatory investigation or litigation or dispute, regardless of the outcome.

8 IMPAIRMENT RISK

Tatts assesses whether there is any indication that an asset may be impaired on an ongoing basis. When an indicator of impairment exists, Tatts makes a formal estimate of the recoverable amount. When the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to the recoverable amount. Adverse outcomes of some of the risk factors listed above, as well as new developments which are not currently apparent, could trigger an impairment and have a negative impact on the reported financial results of Tatts.

9 ACQUISITIONS AND DIVESTMENTS

From time to time, Tatts examines new acquisition opportunities, including the opportunity to bid for new licences both domestically and internationally, which may relate to existing businesses or new areas of operation for Tatts. There is a risk that Tatts may incur substantial costs, delays or other problems in implementing its strategy for any acquired businesses, or be unsuccessful in bidding for new businesses or licences, which could negatively impact Tatts' operations, profitability and / or reputation.

Tatts also pursues divestment strategies from time to time. There is a risk that the divestment of an existing business may be costly and may result in variability in earnings over time. In addition, there could be liabilities that arise in connection with businesses that Tatts may sell, which could adversely affect Tatts' earnings.

On 24 June 2016, Tatts sold Talarius Limited. Tatts provided warranties and undertakings customary for a trade sale. No claims have been made under the warranties and undertakings and it is not possible to determine at this point in time if any claims will be made.

ENVIRONMENTAL REGULATION

The operations of the Group are not subject to any particular and significant environmental regulation under any law of the Commonwealth of Australia or any of its states or territories.

DIRECTORS INTEREST IN SECURITIES

The relevant interest of each Director in securities of the Company at the date of this Directors' Report is as follows:

DIRECTOR	RELEVANT INTEREST IN TATTS BONDS	RELEVANT INTEREST IN ORDINARY SHARES	OPTIONS OVER ORDINARY SHARES	RIGHTS OVER ORDINARY SHARES
Harry Boon	Nil	150,000	Nil	Nil
Robbie Cooke[1]	Nil	744,546	Nil	240,711
Lyndsey Cattermole	Nil	182,663	Nil	Nil
Brian Jamieson	Nil	114,734	Nil	Nil
Julien Playoust	Nil	25,000	Nil	Nil
Kevin Seymour	Nil	14,108,306	Nil	Nil
Dr David Watson	Nil	25,000	Nil	Nil

1 Executive Directors are the only Directors entitled to participate in the Group's incentive plans. Details of these interests are disclosed in the Remuneration Report.

COMPANY SECRETARY

Anne Tucker has been employed by the Group since 2005 and was appointed Company Secretary on 2 July 2013. Anne holds Bachelors of Law and Commerce, Graduate Diplomas in Legal Practice and Applied Corporate Governance, and is an Associate of the Governance Institute of Australia.

MEETINGS OF DIRECTORS

The number of Board meetings and meetings of Board Committees held, and the number of meetings attended by each of the Directors of the Company during the year were:

	BOARD OF DIRECTORS MEETINGS		AUDIT, RISK & COMPLIANCE		GOVERNANCE & NOMINATION		REMUNERATION & HUMAN RESOURCES	
	A	B	A	B	A	B	A	B
Harry Boon	19	19	nm	nm	1	1	2	2
Robbie Cooke[1]	19	19	nm	nm	nm	nm	nm	nm
Lyndsey Cattermole	19	17	nm	nm	1	1	2	2
Brian Jamieson	19	19	4	4	nm	nm	2	2
Julien Playoust	19	17	4	3	nm	nm	2	2
Kevin Seymour	19	19	4	4	1	1	nm	nm
Dr David Watson	19	19	4	4	1	1	nm	nm

A - Number of meetings during the year while the Director was a member of the Board or Committee
B - Number of meetings attended by the Director as a member during the year
nm - Not a member of the relevant Committee

1 Managing Director and Chief Executive Officer, not a Non-executive Director

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

REMUNERATION REPORT

REMUNERATION REPORT (CONTINUED)

INTRODUCTION

This report sets out the remuneration arrangements of the Company for the year ended 30 June 2017, and is in accordance with Section 300A of the Corporations Act. The information has been audited as required by Section 308(3C) of the Corporations Act.

REMUNERATION HIGHLIGHTS

PERFORMANCE AND REMUNERATION OUTCOMES

PERFORMANCE HIGHLIGHTS	
Group revenue down 5.1% to $2.78 billion	Group revenue was down 5.1% in FY17 adversely impacted by lower comparative lottery jackpot activity and the challenging competitive wagering environment combined with adverse impacts of poor weather.
NPAT down 5.7%	Group NPAT was down by 5.7%, and EBITDA (before merger costs) fell by 6.3%. Net profit after tax on a continuing operations basis before merger costs was down 7.7%.
REMUNERATION HIGHLIGHTS	
Proposed combination with Tabcorp	The Board has tailored certain remuneration outcomes to address the circumstances of the proposed merger. This has included establishing retention arrangements and adjusting the normal equity incentive scheme by replacing the performance rights with deferred cash.
Group remuneration	Fixed annual remuneration (FAR) will increase in September 2017 by an average of 2% across the Group (FY16: 2%). This is consistent with maintaining a position at or above the 50th percentile of the market.
Managing Director and CEO remuneration	Total FY17 remuneration for the Managing Director and CEO was $3,886,816 (FY16: $3,620,901), which included: • a cash incentive payment of $781,500 (FY16: $519,750) of which 65% is deferred; • nil in rights to restricted shares (FY16: $965,250); • the amortised cost for his unvested rights of $nil (FY16: $170,625); • a special cash incentive payment of $1,025,000 of which 65% is deferred
Incentive plan	More than 1,400 team members participated in the Company's incentive plan in FY17, with over 71% (FY16: 75%) of the pool allocated to those outside the executive group. Excluding the Managing Director and CEO, the Board allocated $401,050 (FY16 $535,000) in cash payments and $564,296 in deferred cash payments and long-term incentive scheme rights to the KMP. The total incentive paid across the Group (excluding the Managing Director and CEO) was $4,840,900 (FY16: $9,727,500).
Non-executive Director fees	Non-executive Director base fees of $185,000 were unchanged and the Chair's fee of $472,000 was also unchanged. Fees for Committee chairs of $35,000 and Committee members of $11,000 did not change, which is consistent with maintaining a competitive and market relevant position.

KEY MANAGEMENT PERSONNEL

Tatts' Key Management Personnel (KMP) are its Non-executive Directors and those of its executives with responsibility for the planning, controlling and directing of the Group, which includes those executives who lead operating units that contribute more than 25% to continuing consolidated EBITDA.

Details of KMP, including changes made during the reporting period, are provided in the table below.

	NAME	POSITION
Non-executive Directors	Harry Boon	Chairman, Non-executive Director
	Lyndsey Cattermole	Non-executive Director
	Brian Jamieson	Non-executive Director
	Julien Playoust	Non-executive Director
	Kevin Seymour	Non-executive Director
	Dr David Watson	Non-executive Director
Executive Director	Robbie Cooke	Managing Director and CEO
Other Key Management Personnel	Neale O'Connell	Chief Financial Officer
	Mandy Ross	Chief Information Officer
	Brendan Parnell	Chief Operating Officer, Wagering (commenced as a KMP on 30 November 2016)
	Sue van der Merwe	Chief Operating Officer, Lotteries
	Barrie Fletton	Chief Operating Officer, Wagering (ceased employment 30 November 2016)

REMUNERATION GOVERNANCE

REMUNERATION AND HUMAN RESOURCES COMMITTEE

The Remuneration and Human Resources Committee (Committee) consists of four Non-executive Directors, with one performing the role of Chair. The Managing Director and CEO is invited to attend, but does not take part in the Committee's decisions, nor is he present when his remuneration is discussed.

Remuneration set by the Committee is reviewed on an annual basis. During this process, consideration is given to individual and overall performance of the Group, as well as market conditions. The Committee is responsible for advising on:

- remuneration of Non-executive Directors, the Managing Director and CEO, and Group executives
- performance review for the Managing Director and CEO
- employee equity plans
- remuneration disclosures
- executive recruitment, termination policies and succession planning
- remuneration risk management and controls
- strategic human resources initiatives, including diversity and related disclosures, such as environmental, social and governance (**ESG**)

REMUNERATION REPORT (CONTINUED)

PROPOSED COMBINATION WITH TABCORP

Prior to entering the Merger Implementation Deed with Tabcorp as announced on 19 October 2016, the Board considered the need to put retention arrangements in place for certain team members to reduce the risk of loss of employees who manage critical activities or who occupy roles that are key to the delivery of operating or strategic objectives. During the year, a maximum total retention pool of $20.5 million was approved by the Board and an allocation was made to cover approximately 470 team members employed predominantly in Technology, Wagering and Corporate Services.

For eleven senior executives the retention arrangements range from 40% to 120% of current FAR. For KMP, the percentage of current FAR that could be payable in FY18 or FY19 under the retention arrangements is as follows: Neale O'Connell, Chief Financial Officer (100%); Mandy Ross, Chief Information Officer (120%); Brendan Parnell, Chief Operating Officer Wagering (70%).

The retention arrangements remain on foot until at least 30 June 2018 for all team members, except the Chief Financial Officer, whose retention arrangements remain on foot until 31 December 2018. If the proposed combination with Tabcorp is implemented before then, the retention pool will vest in favour of eligible team members three months after implementation of the transaction to ensure continuity and retention post the transaction period. The Board intends to enter into an equivalent arrangement with the Managing Director and CEO equal to 100% of his FAR.

The Board believes that these arrangements are fair and reasonable in the circumstances and that it was in shareholders' best interests that the services of these senior executives were retained to lead Tatts during the period of uncertainty and beyond. A part accrual of $7.3 million for these potential payments has been made in the FY17 accounts and forms part of the merger costs. The amount accrued for the KMP is $1.4 million.

RESTRICTED SHARES PERFORMANCE RIGHTS AND DEFERRED CASH

(A) FY17 DEFERRED CASH

The Board determined that no performance rights would be issued in the current circumstances and instead determined to pay that portion normally allocated to the performance rights in cash but to defer payment for twelve months or until implementation of the proposed combination with Tabcorp (whichever occurs first). This deferral treatment is consistent with the performance rights issued in prior years. The percentage allocations between cash and deferred cash is consistent with the previous allocation between cash and performance rights.

(B) MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER FY16 PERFORMANCE RIGHTS

Tatts shareholders passed a resolution at Tatts' 2016 Annual General Meeting (held on 27 October 2016) to issue 240,711 performance rights to the Managing Director and CEO as part of his at risk performance based incentive for FY16 (**MD/CEO Performance Rights**).

The MD/CEO Performance Rights are subject to a time based hurdle and are exercisable into restricted shares approximately 12 months after being granted. The restricted shares are subject to a two year disposal restriction (**Disposal Restriction Period**). There are no other vesting conditions attached to the exercise of these performance rights.

If the Scheme of Arrangement to implement the merger becomes effective, the Board currently intends to waive the Disposal Restriction Period which would otherwise have applied to the MD/CEO Performance Rights (and earlier grants of rights under Tatts Group's Rights Plan) immediately prior to the effective date, subject to the Managing Director and CEO having exercised those rights. If the merger does not become effective, the Disposal Restriction Period will continue to apply.

(C) PERFORMANCE RIGHTS GRANTED TO TATTS EMPLOYEES UNDER TATTS INCENTIVE PLANS

In October 2016, 227,155 performance rights were issued to employees as part of their at risk performance based incentive for FY16 (**2016 Performance Rights**). Since that time 2,593 of the 2016 Performance Rights have been forfeited. The 2016 Performance Rights are subject to a time based hurdle, and are exercisable into restricted shares 12 months after the date of issue and are subject to a two year Disposal Restriction Period. There are no other vesting conditions attached to the exercise of the 2016 Performance Rights.

If the Scheme of Agreement to implement the merger becomes effective, the Tatts Board currently intends to waive the Disposal Restriction Period which would otherwise have applied to the 2016 Performance Rights (and earlier grants of rights under Tatts Group's Rights Plan) immediately prior to the effective date, subject to participants having exercised those rights. If the merger does not become effective, the Disposal Restriction Period will continue to apply.

In April 2017, in accordance with the long-term incentive scheme, 352,830 performance rights were issued to senior executives (excluding the Managing Director and CEO) (2017 Long Term Performance Rights). The 2017 Long Term Performance Rights are subject to a performance condition which is measured over a three year performance period (1 August 2016 to 30 July 2019). The rights issued in 2017 only vest if the volume weighted average share price for the ten trading days prior to 30 July 2019 is at or above the share price performance condition.

The share price performance condition is determined by grossing up Tatts' share price at the commencement of the 3 year performance period by the rolling compound annual growth rate return of the ASX All Ordinaries Index over 15 years, for each year of the three year performance period. All of the rights will lapse if the performance condition is not satisfied. If the share price performance condition is satisfied, all of the 2017 Long Term Performance Rights will vest. No Disposal Restriction Period applies to the 2017 Long Term Performance Rights.

If the Scheme of Arrangement to implement the merger becomes effective, and subject to obtaining any necessary approvals and the entry into an agreement between Tatts and the relevant 2017 Long Term Performance Rights holder, the Board currently intends to cancel all of the 2017 Long Term Performance Rights on issue in consideration for a cash payment to each holder. The payment will be based on the value of the maximum potential entitlement of each holder (determined having regard to Tatts' volume weighted average share price for the 10 trading days prior to the effective date) discounted to reflect the pro rata portion of the performance period which has elapsed since the date the 2017 Long Term Performance Rights were issued.

EXECUTIVE REMUNERATION

REMUNERATION FRAMEWORK

Our remuneration framework, summarised below, is designed to:

- **attract**, **motivate** and **retain** highly skilled team members
- incentivise and reward **high performance**
- align with **shareholder interests**

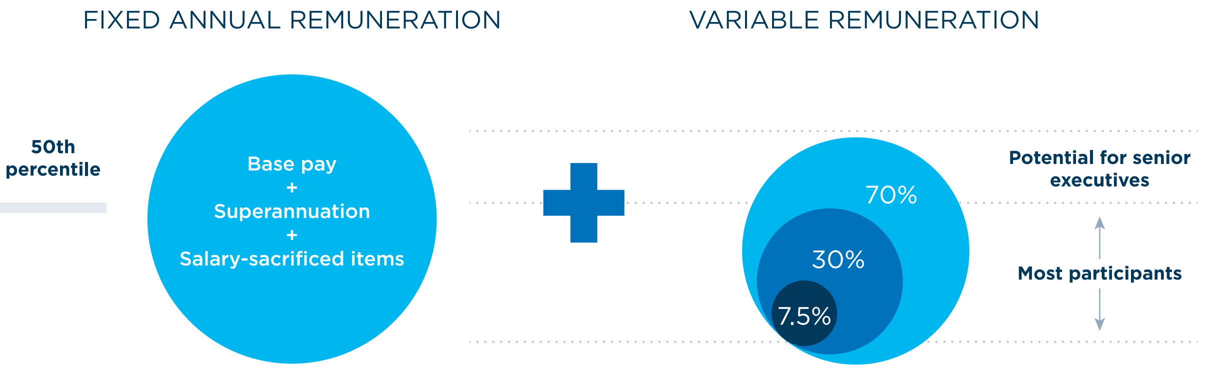
FIXED ANNUAL REMUNERATION

We **attract**, **motivate** and **retain** a highly skilled team by providing a FAR that targets the desired skills and experience for our roles, and is benchmarked at or above the 50th percentile. Our FAR structure comprises base pay, superannuation and salary-sacrificed items. We do not provide guaranteed pay increases in any executive contracts of employment.

VARIABLE REMUNERATION

We seek to encourage **high performance** through our incentive scheme, which is outlined below, noting that the operation of the scheme and the amount of any incentive pool remains, at all times, at the discretion of the Board. This scheme is aligned with **shareholder interests** through the calculation mechanisms, and also ordinarily through the payment of some incentives as deferred equity. In FY17, and in circumstances where the proposed combination with Tabcorp was well advanced, we replaced the deferred equity component of our variable remuneration scheme with deferred cash, with payment deferred for twelve months or until implementation of the proposed combination with Tabcorp (whichever occurs first). The Board may also determine a discretionary incentive where performance against KPIs was strong. Exceptional outcomes that may be considered on this basis are those that have a direct influence on share price, investor perspectives, and long-term value of the Group. In FY17, we paid $775,500 in incentives relating to such exceptional outcomes (FY16: $227,500).

REMUNERATION COMPONENTS



REMUNERATION REPORT (CONTINUED)

Short-term Incentive

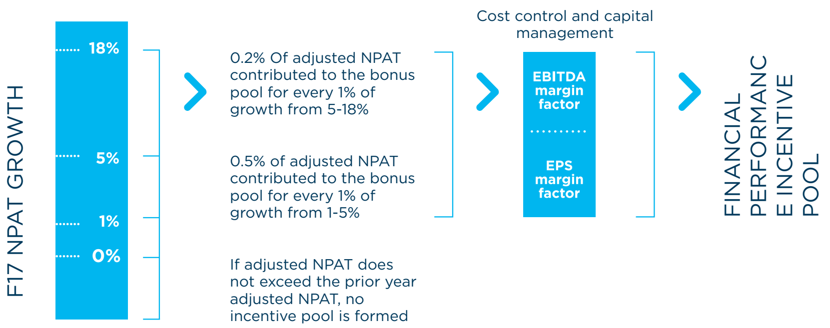
Participation: As mentioned above, participation in our incentive scheme is broad, with more than 1,400 employees participating in FY17 (FY16: 1,370), and more than 71% (FY16: 75%) of the paid incentive distributed to employees who are not KMP.

Program overview: Each participant in our program is assigned a target incentive, based on their remuneration level and position within the Group. The targets range from 7.5% to 30% of FAR for most participants (with some members of the senior executive team having the potential to earn up to 70% of FAR).

Incentive pool: The incentive pool is comprised of two elements—one based on the financial performance of the Group in the year, and the other based on each individual's performance.

Financial performance incentive pool: 70% of each individual's target incentive is linked to the Group's financial performance. This 'financial performance incentive pool' only forms if the Group outperforms criteria that the Remuneration and Human Resources Committee establishes at the commencement of each financial year.

CREATION OF THE FINANCIAL PERFORMANCE INCENTIVE POOL



The criteria for FY17 required continuing operations NPAT (as adjusted for one off items see below) to exceed the same metric for FY16.

- For every 1% of NPAT growth up to 5%, 0.5% of NPAT was contributed to the bonus pool.
- Thereafter, for every 1% of NPAT growth, 0.2% of NPAT was contributed to the bonus pool, capped at 18% NPAT growth.

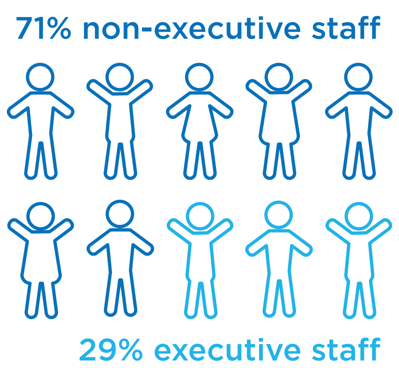
In undertaking this calculation, we consider one-off items that can impact it. The adjustments made to FY16 continuing operations NPAT were to exclude the interest benefit in relation to the funds received in the Victorian pokies compensation case and to include the trading result of Talarius (which was reported in discontinued operations). The FY17 calculation excluded merger costs and final adjustments for the Victorian pokies compensation case. The result for FY17 was the adjusted NPAT decreased from the prior year and no financial performance incentive pool was formed.

The individual performance incentive pool: The remaining 30% of each individual's target incentive is determined by reference to his or her own KPIs. These KPI targets traversed critical business measures, including operational excellence, strategy, people and leadership, financial discipline, customer satisfaction and project outcomes as agreed with each employee's manager. These measures were rated on a scale that was weighted to their relative importance. Scores were then aggregated into an overall performance rating, which determined the portion of the performance incentive to be awarded to each individual. Details of the specific measures are not provided, as they are commercially sensitive. Executive performance reviews are conducted by the Managing Director and CEO and are provided to the Committee annually.

Incentive payment: Incentives are paid either in cash, or for FY17 a combination of cash and deferred cash in lieu of performance rights, and depending upon the relevant employee's incentive level. KMP (excluding the Managing Director and CEO) received between 50% and 67% of their incentive payment in cash, with the balance provided in deferred cash. Deferred cash provided under the program is subject to a one-year deferral period. The table on page 64 has more detail on the breakdown of cash and equity incentive payments for the current and prior financial year.

Other than the time-based hurdle, there are no other conditions attached to the payment of deferred cash or exercise of rights. Where a participant ceases employment, the Board may, in its absolute discretion, waive any disposal restrictions.

INCENTIVE SCHEME PAYMENTS[1]



[1]Excluding Managing Director and CEO

Long-term Incentive

In FY16 we signalled an intention to introduce a remuneration structure that is aligned with shareholder value creation over a multi-year horizon. Whilst not all of the proposed changes were implemented, the long-term component was.

Participation: Participation in our long-term incentive scheme is currently limited to the executive team (excluding the Managing Director and CEO) and certain other senior executives.

Program overview: Each participant in the scheme receives a grant of performance rights (**LTI Rights**) to a dollar value calculated as a defined percentage, to a maximum of 30%, of their FAR. The defined percentage will be determined by reference to their most recent annual performance rating score.

The LTI Rights are exercisable into shares three years after grant and upon achievement of the performance hurdle. This hurdle is set by reference to the rolling compound annual growth rate of the ASX All Ordinaries Index. If the performance hurdle is met, 100% of the LTI Rights vest and are exercisable into shares. If it is not met, none of the LTI Rights vest and they lapse immediately.

MANAGING DIRECTOR AND CEO REMUNERATION STRUCTURE

Under the terms of the Managing Director and CEO's contract, the following remuneration structure applies for three years from 1 September 2015. The Board also intends to enter into a retention arrangement with the Managing Director and CEO (see page 56). Final details will be disclosed once concluded.

COMPONENT	DETAIL
Fixed annual remuneration	$2,050,000 million per annum, reviewed by the Board in accordance with normal remuneration practices.
Variable remuneration	• Performance-based entitlement of up to 100% of FAR, subject to the achievement of KPIs set annually, and as approved by the Board. Paid as 35% cash and 65% rights to restricted shares[1]. In FY17, and in circumstances where the proposed combination with Tabcorp was well advanced, the Board determined to award 65% in deferred cash. • Rights are subject to shareholder approval. In the event that this is not granted, 100% of the incentive will be paid in cash. • Based on KPIs of financial performance and other specific performance requirements for the position. • The Managing Director and CEO has one month after the last date for vesting to exercise vested performance rights.

1 In FY17, and in circumstances where the proposed combination with Tabcorp was well advanced, the Board determined to make incentive payments to the MD/CEO in cash and deferred cash on a 35:65 split.

KEY PERFORMANCE INDICATORS

The Board set the Key Performance Indicators (KPIs) for the Managing Director and CEO's FY17 incentive in 2016 in line with the Tatts Group plan and roadmap. They comprise the financial incentive and KPI incentive, as outlined in the Performance Review below.

PERFORMANCE REVIEW

The Managing Director and CEO's performance was assessed according to KPIs within the context of the overall performance of the Group and the executive team in FY17, and also taking into account any particular events that warranted a special incentive. In summary the Managing Director and CEO's incentive structure comprises the following components:

1.	Financial Performance Incentive	Maximum 50% of FAR
2.	Individual KPI Incentive	Maximum 30% of FAR
3.	Strategic Incentive	Maximum 20% of FAR
4.	Special Incentive	-

The first and largest consideration was the financial performance of the Group, which leads to the financial incentive outcome. This carried a 50% weighting and was determined from year-on-year NPAT growth according to Group targets as per the methodology set out above with respect to the Group-wide incentive (see the 'Financial performance incentive pool' section).

The second consideration is the incentive based upon achievement of specified individual KPIs (**KPI Incentive**). This amounts to 30% of the maximum incentive pool. Assessment of the KPI Incentive was discussed and determined according to the following table:

REMUNERATION REPORT (CONTINUED)

FY17 KEY PERFORMANCE INDICATORS

The third consideration is for strategic, company-making events above and beyond the normal pre-determined KPIs. This carried a 20% weighting. In the case of the Managing Director and CEO in FY17, his leadership and direct action in numerous strategic opportunities and negotiations conducted during the year was noted, including the successful re-negotiation of the Victoria Lotteries Licence for ten years.

The fourth consideration was a special incentive. The merger process has required the Managing Director to devote considerable time to execute the merger. The Committee noted the Managing Director's diligence, commitment and professionalism in leading the Tatts team through uncertain times, and particularly his commitment in representing the Group at the Australian Competition Tribunal.

KPI INCENTIVES (30% OF MAXIMUM)	WEIGHTING	MEASURES
Protecting the business	50%	• Comply with new NSW CMS licence obligations and achieve roll-out of new system; • Secure operational licences held by Group that are subject to expiry including SA TAB exclusivity and Victorian Lotteries Licence; • Retain/secure operational and management team throughout period of transaction uncertainty to ensure business as usual capability is maintained; • Demonstrated customer focus; • Lift cyber security awareness and strength.
Digitally driven retailer Innovation and product development	40%	• Increasing lotteries online penetration • Increasing wagering online penetration; • Continuous improvement of new wagering and lotteries digital assets; • New wagering product initiatives; • New lotteries product initiatives; • Continued new wagering retail format roll-out.
Organisational improvements	10%	• Continuing general organisational team refinement; • Working environment for team – Queensland and beyond; • Culture remix – agile, nimble, creative, diverse and ESG; • Organisational communications continual focus; • "Institutionalising" innovative culture; • Safety culture

STRATEGIC INCENTIVE 20% OF MAXIMUM	WEIGHTING	MEASURES
Strategic development	100%	• Acquire new licences in existing regimes eg Intralot and monitoring in Victoria • Implement responsive strategy and execution thereof to 'synthetic lotteries'; • Implement new charitable gaming business unit and other product initiatives; • Introduce new M&A opportunities;

SPECIAL INCENTIVES	MEASURES
Company-making events	• Strategic initiatives with managing the merger process with Tabcorp Holdings • Category-killer products and services

SUMMARY FY17 PERFORMANCE INCENTIVE

In accordance with the annual KPIs, set at the start of FY17, and following assessment of these during his performance review, the Board determined the Managing Director and CEO's performance incentive for FY17 to be as follows:

MANAGING DIRECTOR AND CEO PERFORMANCE INCENTIVE

	WEIGHTING %	MAXIMUM $	RESULT $	RESULT %
1 Financial Performance Incentive	50%	1,025,000	nil	0%
2 Individual KPI Incentive	30%	615,000	471,500	77%
3 Strategic Incentive	20%	410,000	310,000	76%
4 Special Incentive	-	-	1,025,000	-
TOTAL	**100%**	**2,050,000**	**1,806,500**	**88%**

The Incentive is paid to the Managing Director and CEO as 100% cash with 65% deferred, as follows:

- a cash incentive payment of $632,275 (FY16: $519,750);
- $1,174,225 deferred cash in lieu of performance rights (FY16: $965,250 in restricted shares)

The cash component is paid in September 2017. The deferred cash is paid in September 2018 or upon the proposed merger becoming effective, whichever is earlier.

FIXED ANNUAL REMUNERATION INCREASE FOR FY18

In 2015, a new contract was executed for the Managing Director and CEO, which provided for a revised FAR at market benchmarks. Consistent with the average annual increases made for the Tatts executive team, an annual increase in FAR for the Managing Director and CEO for the current financial year of 2% has been made.

CLAWBACK

Under the current incentive plan, shares issued following the exercise of rights are subject to Board discretion, and are liable to forfeiture during the Disposal Restriction Period. This may occur in circumstances including where a participant commits an act of fraud or serious misconduct in relation to the affairs of the Group, or if there is a material misstatement in the Group's financial statements.

CONTRACTS OF EMPLOYMENT

The employment conditions of the KMP (excluding Non-executive Directors) are provided in the table below. Other than the Managing Director and CEO, all KMP are employed under contracts of no fixed duration.

NAME	CONTRACT TERM	NOTICE PERIOD BY COMPANY	NOTICE PERIOD BY KMP	TERMINATION PAYMENT
Robbie Cooke	3 year contract commencing 1 September 2015	The lesser of 12 months or the period remaining until 1 September 2018[1]	6 months	No payment required on expiry of term. Early termination will attract no more than the amount allowed under the Corporations Act.
Neale O'Connell	No fixed duration	12 months	6 months	Combination of notice and payment in lieu, totalling no less than 12 months.
Mandy Ross	No fixed duration	6 months	6 months	Combination of notice and payment in lieu, totalling no less than 6 months.
Sue van der Merwe	No fixed duration	6 months	6 months	Combination of notice and payment in lieu, totalling no less than 6 months.
Brendan Parnell	No fixed duration	6 months[2]	6 months	Combination of notice and payment in lieu, totalling no less than 12 months.

1 If a change of control event occurs in the remaining contract period, the Board intends to enter into arrangements whereby the Managing Director and CEO will be entitled to 12 months FAR in lieu of notice. Final details will be disclosed once concluded.

2 Up to and including 1 September 2018, the notice period will be increased to 9 months if employment is terminated as a result of the position being made redundant as a result of a divestment of the Company's wagering operation.

In the event of serious misconduct, the Group may terminate employment at any time without a termination payment being made. Any options or rights not exercised before or on the date of termination will lapse.

REMUNERATION REPORT (CONTINUED)

ADDITIONAL INFORMATION

HEDGING

Employees (and closely related parties of KMP) who receive incentives in the form of equity may not enter into any contract, arrangement or transaction that is designed or intended to hedge or otherwise limit economic exposure to the risk relating to the Company's shares, which are subject to an unvested award or a vested award subject to a holding lock or other disposal restriction under any employee incentive plan. Any employee who is proven to have contravened the hedging policy may face disciplinary action, which, depending on the seriousness of the breach, could include termination of employment.

REMUNERATION CONSULTANTS

To ensure the Committee is fully informed when making remuneration decisions, it may seek external remuneration advice.

During the reporting period, the Committee did not engage any consultants to provide recommendations in relation to remuneration.

Tatts has adopted a process that complies with the Corporations Act requirement to ensure that any remuneration recommendation is free from undue influence by the KMP to whom the recommendation relates. This process requires the Committee or the Board to make any decision on engagement of a remuneration consultant. Communication, contractual engagement, and briefing of the consultant are carried out by the Committee Chair, and the consultant provides the remuneration recommendation directly to the Committee Chair. If the Committee decides that the remuneration recommendation should be shared with management, it can then be provided through the Committee Chair.

DIRECTOR AND EXECUTIVE LOANS

There were no loans made by the Group to Directors or executives during FY17.

NON-EXECUTIVE DIRECTOR REMUNERATION

REMUNERATION FRAMEWORK

Non-executive Directors receive a base fee and, where applicable, an additional fee in recognition of the higher workload and extra responsibilities resulting from Board Committee participation. Fees are based on peer market benchmarks and reviewed annually.

The Chair of any Board Committee receives a higher fee than a member to reflect the relative role, responsibilities and time commitment. The Board Chair does not receive additional fees for participation in, or chairing of, Board Committees.

Non-executive Directors do not receive incentive payments, nor are they entitled to participate in any Group employee or executive equity plans. They receive no non-monetary benefits and do not participate in any retirement benefit scheme, other than statutory superannuation contributions.

To align the Non-executive Directors' interests with the interests of Tatts' shareholders, the Board has established guidelines to encourage Non-executive Directors to hold a minimum of 25,000 Tatts shares. Such shares are to be acquired over a three-year period from the date of their appointment. All Non-executive Directors meet these guidelines and further details about Non-executive Directors' interests in Tatts' shares as at 30 June 2017 are set out on page 69 of this report.

As approved by the shareholders at the 2011 Annual General Meeting, the maximum aggregate Non-executive Directors' fee pool is $2 million per annum, of which the Group utilised $1.5 million in FY17. Fees paid to Non-executive Directors are set out in the Fee Structure table below, and are comprised of cash and statutory superannuation.

FEE STRUCTURE

	BOARD	COMMITTEE (PER MEMBERSHIP)
Chair	**$472,000**	**$35,000**
	(FY16: $472,000)	(FY16: $35,000)
Member	**$185,000**	**$11,000**
	(FY16: $185,000)	(FY16: $11,000)

GROUP PERFORMANCE AND REMUNERATION OUTCOMES

FINANCIAL PERFORMANCE SNAPSHOT

- Revenue on continuing operations fell by 5.1% in FY17 (FY16: 4.4% increase).
- EBIT from continuing operations fell by 15.6%, and EPS decreased by 16.1%.

This delivered a 7.7% fall in NPAT on a continuing operations basis (before merger costs). NPAT on a statutory basis was $220.5 million which is 5.7% below prior year.

FINANCIAL PERFORMANCE

In considering the Group's performance in the context of appropriate remuneration levels and structures, the Committee considers a variety of measures, such as EBIT and EBITDA growth, NPAT, EPS and TSR.

Over the past five years, there have been a number of events, including acquisitions, licence renewals, new licence outcomes, and litigation that have created substantial volatility in the accounting measures outlined above. This is highlighted in the summary below.

	FY17[1]	FY16[2]	FY15[3]	FY14[4]	FY13[5]
Revenue from continuing operations ($ '000)	**2,768,302**	2,928,100	2,803,940	2,868,334	2,948,803
EBIT margin (per cent)	**12.8**	14.3	14.4	14.4	13.7
NPAT from continuing operations ($'000)	**221,215**	263,382	253,836	226,622	211,202
NPAT statutory ($ '000)	**220,515**	233,794	251,964	200,421	247,336
Dividends paid/payable ($'000)	**256,991**	256,292	239,720	192,265	216,269
Dividend payout ratio on NPAT from continuing operations (per cent)	**116.2**	97.3	95.1	95.9	87.4
EPS (basic) (¢)	**15.1**	18.0	17.5	16.0	17.9
Total incentives as percentage of net profit (per cent)	**2.7**	4.2	4.3	4.1	4.1
Share price at start of year ($)	**3.82**	3.72	3.27	3.17	2.62
Share price at end of year ($)	**4.18**	3.82	3.72	3.27	3.17

1. Total incentives for FY17 were based on the underlying NPAT of $244.6 million after adjusting for merger costs of $23.4 million and discontinued operations of $0.7 million.
2. Total incentives for FY16 were based on the underlying NPAT of $263.4 million, after adjusting for one-off items.
3. Total incentives calculated for FY15 were based on the statutory NPAT of $252.0 million, which included the loss on discontinued operations of $1.9 million. Revenue for FY15 was for continuing operations.
4. Total incentives calculated for FY14 were based on the underlying NPAT of $226.6 million after adjusting for the loss on discontinued operation of $26.2 million. Revenue for FY14 was for continuing operations.
5. Total incentives calculated for FY13 were based on the underlying NPAT of $211.2 million after adjusting for the discontinued operation of $19.9 million and the Golden Casket tax claim of $16.2 million. Revenue for FY13 was for continuing operations.

The Company's share price increased by 9.4% in FY17, and the Company continues to provide a high dividend payout ratio and strong total returns to shareholders.

REMUNERATION REPORT (CONTINUED)

REMUNERATION EXPENSES

	Year	Cash salary & fees[9]	Cash incentive	Total cash	Other [2]	Super-annuation[9]	Long service leave	Performance rights and deferred cash[3] (current yr)	CEO performance rights (previous yr)	Total remuneration
		SHORT-TERM EMPLOYEE BENEFITS [1]				POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	SHARE-BASED PAYMENTS AND DEFERRED CASH		TOTAL
		$	$	$	$	$	$	$	$	$
NON-EXECUTIVE DIRECTORS										
Harry Boon	**FY17**	**452,384**	-	**452,384**	-	**19,616**	-	-	-	**472,000**
	FY16	451,025	-	451,025	-	19,308	-	-	-	470,333
Lyndsey Cattermole	**FY17**	**196,000**	-	**196,000**	-	-	-	-	-	**196,000**
	FY16	195,333	-	195,333	-	-	-	-	-	195,333
Brian Jamieson	**FY17**	**211,384**	-	**211,384**	-	**19,616**	-	-	-	**231,000**
	FY16	210,525	-	210,525	-	19,308	-	-	-	229,833
Julien Playoust	**FY17**	**211,384**	-	**211,384**	-	**19,616**	-	-	-	**231,000**
	FY16	210,525	-	210,525	-	19,308	-	-	-	229,833
Kevin Seymour	**FY17**	**178,995**	-	**178,995**	-	**17,005**	-	-	-	**196,000**
	FY16	178,386	-	178,386	-	16,947	-	-	-	195,333
Dr David Watson	**FY17**	**178,995**	-	**178,995**	-	**17,005**	-	-	-	**196,000**
	FY16	178,386	-	178,386	-	16,947	-	-	-	195,333
SUB-TOTAL Non-executive Directors	**FY17**	**1,429,142**	-	**1,429,142**	-	**92,858**	-	-	-	**1,522,000**
	FY16	1,424,180	-	1,424,180	-	91,818	-	-	-	1,515,998
EXECUTIVE DIRECTORS										
Robbie Cooke (Managing Director and CEO)	**FY17**	**2,022,051**	**632,275**	**2,654,326**	-	**19,616**	**38,649**	**1,174,225**	-	**3,886,816**
	FY16	1,908,192	519,750	2,427,942	-	19,381	37,703	965,250	170,625	3,620,901
SUB-TOTAL Executive Directors	**FY17**	**2,022,051**	**632,275**	**2,654,326**	-	**19,616**	**38,649**	**1,174,225**	-	**3,886,816**
	FY16	1,908,192	519,750	2,427,942	-	19,381	37,703	965,250	170,625	3,620,901
OTHER KEY MANAGEMENT PERSONNEL (GROUP)										
Neale O'Connell (CFO)[4]	**FY17**	**797,051**	**250,000**	**1,047,051**	**3,950**	**19,616**	**15,236**	**312,648**	-	**1,398,501**
	FY16	771,526	255,000	1,026,526	150,687	19,381	14,861	230,000	-	1,441,455
Mandy Ross (CIO)[5]	**FY17**	**497,051**	**47,500**	**544,551**	-	**19,616**	**9,620**	**89,520**	-	**663,307**
	FY16	451,525	120,000	571,525	-	19,381	8,674	120,000	-	719,580
Sue van der Merwe (COO Lotteries)[6]	**FY17**	**423,932**	**43,550**	**467,482**	-	**51,452**	**12,246**	**58,122**	-	**589,302**
	FY16	401,058	160,800	561,058	-	47,035	11,657	79,200	-	699,750
Brendan Parnell (COO Wagering)[7]	**FY17**	**340,057**	**60,000**	**400,057**	-	**14,489**	**8,764**	**104,006**	-	**527,316**
	FY16	-	-	-	-	-	-	-	-	-
Barrie Fletton (COO Wagering)[8]	**FY17**	**218,036**	-	**218,036**	**570,000**	**7,771**	-	-	-	**795,807**
	FY16	550,692	-	550,692	-	19,308	15,736	-	-	585,736
SUB-TOTAL Other Key Management Personnel	**FY17**	**2,276,127**	**401,050**	**2,677,177**	**573,950**	**112,944**	**45,866**	**564,296**	-	**3,974,233**
	FY16	2,174,801	535,800	2,709,801	150,687	105,105	50,928	429,200	-	3,446,521
TOTAL	**FY17**	**5,727,320**	**1,033,325**	**6,760,645**	**573,950**	**225,418**	**84,515**	**1,738,521**	-	**9,383,049**
	FY16	5,507,173	1,054,750	6,561,923	150,687	216,304	88,631	1,395,250	170,625	8,583,420

Notes

1. Short-term benefits may include amounts paid to superannuation at the discretion of the individual.
2. On cessation of employment on 30 November 2016 Barrie Fletton received payment in lieu of notice of $570,000. In addition he received accumulated statutory annual leave and long service leave entitlements of $405,202.
3. Not included in the above table is the accounting expense accrued to 30 June 2017 for expected retention payments to KMP. The total amount accrued as part of merger costs was $7.3 million, of which $1.4 million relates to KMP.
4. Executive of a service unit with responsibility for planning, controlling and directing of the Group.
5. Executive of a service unit with responsibility for planning, controlling and directing of the Group.
6. Executive of an operating unit that contributes greater than 25% to continuing EBITDA.
7. Executive of an operating unit that contributes greater than 25% to continuing EBITDA. Commenced as a KMP 30 November 2016.
8. Ceased employment 30 November 2016.
9. FAR is defined as cash salary and fees and superannuation.

In the preceding table, cash incentives represent 100% of the cash component of the annual incentive paid to each executive for the financial year. The remaining proportion of their total incentive paid for the year, which is deferred cash in lieu of performance rights, is included in the performance rights and deferred cash column.

KMP have received the following percentages of their total target incentive for the year, with the respective splits between cash and deferred cash outlined in the following table:

	YEAR	TOTAL TARGET INCENTIVE ACHIEVED	CASH	DEFERRED CASH	TOTAL REMUNERATION	RELATED TO GROUP FINANCIAL PERFORMANCE	NOT RELATED TO GROUP FINANCIAL PERFORMANCE
		INCENTIVE PLAN			PORTION OF REMUNERATION		
Robbie Cooke	**FY17**	**88%**	**35%**	**65%**	**3,886,816**	**0%**	**100%**
	FY16	74%	35%	65%	3,620,901	41%	59%
Barrie Fletton	**FY17**	**-**	**-**	**-**	**1,201,011**	**-**	**-**
	FY16	-	67%	33%	585,736	0%	100%
Neale O'Connell	**FY17**	**87%**	**50%**	**50%**	**1,398,501**	**0%**	**100%**
	FY16	86%	53%	47%	1,441,455	34%	66%
Mandy Ross	**FY17**	**26%**	**50%**	**50%**	**663,307**	**0%**	**100%**
	FY16	72%	50%	50%	719,580	33%	67%
Sue van der Merwe	**FY17**	**23%**	**67%**	**33%**	**589,302**	**0%**	**100%**
	FY16	88%	67%	33%	699,750	34%	66%
Brendan Parnell	**FY17**	**42%**	**50%**	**50%**	**527,316**	**0%**	**100%**
	FY16	N/A	N/A	N/A	-	N/A	N/A

TERMS AND CONDITIONS OF EQUITY INSTRUMENTS

Shares issued under the Group's incentive plan are subject to a cap of 5% of equity. This is inclusive of shares that may be issued in respect of each outstanding offer or grant of shares, options or rights if accepted or exercised under other equity plans. This amount excludes offers made outside of Australia, made under a disclosure document, or which do not require a disclosure document.

(A) TERMS AND CONDITIONS OF OPTIONS AND RIGHTS

Terms, conditions and total unissued shares for each grant of options and rights for the previous and current reporting periods are as follows:

REMUNERATION REPORT (CONTINUED)

AWARD TYPE	GRANT DATE	EXPIRY DATE	EXERCISE PRICE	VALUE PER OPTION/ RIGHT AT GRANT DATE	DATE EXERCISABLE
Performance options	30 November 2007	30 November 2014	$3.99	$1.02	30 November 2010
	30 November 2008[1]	30 November 2015	$2.56	$0.33	30 November 2011
Performance rights	30 November 2009[2]	30 November 2016	N/A	$1.36	30 November 2012
	30 November 2009[3]	30 November 2016	N/A	$1.87	30 November 2012
Performance right	27 October 2011[2]	10 January 2016	N/A	$1.26	12 October 2014
(former Managing Director/CE)	27 October 2011[2]	10 January 2015	N/A	$1.81	12 October 2014
Performance rights	31 October 2014[4]	1 November 2015	N/A	$3.49	1 November 2015
	3 November 2015[4]	1 November 2016	N/A	$3.99	1 November 2016
	6 October 2016[5]	1 October 2017	N/A	$4.01	1 October 2017
Long Term Incentive Plan	12 April 2017[6]	1 September 2019	N/A	$0.00	1 September 2019

1. Options granted with TSR market based vesting conditions.
2. Rights granted with TSR market based vesting conditions.
3. Rights granted with EPS non-market based vesting conditions.
4. Rights granted under current incentive plan at fair value.
5. Rights granted under current incentive plan at share price value.
6. Rights granted under current incentive plan at share price value.

Upon exercise of performance options or rights, the holder receives one fully paid ordinary share in the Company.

Options and rights issued under the current plans carry no dividend or voting rights. They do not entitle holders to participate in issues of shares, except in respect of pro-rata incentive and rights issues in the manner specified by the ASX Listing Rules.

The exercise price of options awarded in previous reporting periods is based on the 30-day weighted average share price up to and including the determination date.

FY17	A REMUNERATION CONSISTING OF RIGHTS %	B VALUE AT GRANT DATE ISSUE INCENTIVE $	C VALUE AT EXERCISE DATE $	D VALUE AT LAPSE DATE $
Robbie Cooke	0%	-	1,013,532	-
Brendan Parnell	8%	-	-	-
Neale O'Connell	4%	-	230,576	-
Mandy Ross	6%	-	120,300	-
Sue van der Merwe	6%	-	73,516	-

A The percentage of the value of remuneration consisting of rights, based on the value of rights expensed during the current year.

B The accounting and/or cash value at grant date of rights granted during or in respect of the year as part of remuneration.

C The value at exercise date of options and rights that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the rights at that date.

D The value—determined at lapse date—of rights that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined as though all conditions were satisfied.

RIGHTS

Of the 503,289 rights that vested during FY17 (FY16: 510,314), all were exercised. No consideration is payable on the exercise of rights. During the same period, 2,593 rights were forfeited (FY16: 4,950).

Non-executive Directors are not entitled to receive performance rights.

Unissued ordinary shares in the Company under performance rights at the date of this report are shown in the table below:

AWARD TYPE	GRANT DATE	EXPIRY DATE	EXERCISE PRICE	NUMBER UNDER RIGHTS
Performance right	7 October 2016 and 8 November 2016	1 October 2017	N/A	465,273
Long Term Performance right	12 April 2017	1 September 2019	N/A	352,830
Total				**818,103**

NAME	YEAR	BALANCE AT START OF YEAR	GRANTED AS COMPENSATION	EXERCISED[1]	LAPSED	BALANCE AT END OF YEAR	VESTED AND EXERCISABLE	UNVESTED
Robbie Cooke	**FY17**	**494,094**	**-**	**253,383**	**-**	**240,711**	**-**	**240,711**
	FY16	384,472	390,711	281,089	-	494,094	-	494,094
Barrie Fletton	**FY17**	**11,696**	**-**	**11,696**	**-**	**-**	**-**	**-**
	FY16	36,768	-	25,072	-	11,696	-	11,696
Neale O'Connell	**FY17**	**115,001**	**51,122**	**57,644**	**-**	**108,479**	**-**	**108,479**
	FY16	122,114	57,357	64,470	-	115,001	-	115,001
Mandy Ross	**FY17**	**60,000**	**34,289**	**30,075**	**-**	**64,214**	**-**	**64,214**
	FY16	30,075	29,925	-	-	60,000	-	60,000
Sue van der Merwe	**FY17**	**38,130**	**29,925**	**18,379**	**-**	**49,676**	**-**	**49,676**
	FY16	22,963	19,751	4,584	-	38,329	-	38,130
Brendan Parnell[2]	**FY17**	**-**	**35,910**	**-**	**-**	**35,910**	**-**	**35,910**
	FY16	-	-	-	-	-	-	-

1. For FY16, upon vesting on 28 October 2015, one ordinary share per right was allocated.
2. Commenced employment on 30 November 2016.

Details of rights vested, exercised and forfeited are in the table below.

GRANT DATE	VESTING DATE	VESTED PERCENTAGE	EXERCISED	LAPSED	BALANCE AT 30 JUNE 2016
27 October 2011 (former Managing Director/CE)	10 January 2015	96%	-	4,950	-
3 November 2014	1 November 2015	100%	150,000	-	-
3 November 2014	1 November 2015	100%	360,314	-	-

REMUNERATION REPORT (CONTINUED)

OPTIONS

In FY17, no performance options were exercised or shares issued upon the exercise of options (FY16: nil). No performance options were granted. Non-executive Directors are not entitled to receive performance options.

RECONCILIATION OF RIGHTS AND OPTIONS

NAME	FINANCIAL YEAR GRANTED OR IN RESPECT OF FINANCIAL YEAR	VESTED %	FORFEITED %	FINANCIAL YEARS IN WHICH OPTIONS/ RIGHTS MAY VEST	MINIMUM TOTAL VALUE OF OPTIONS/ RIGHTS GRANT YET TO VEST	MAXIMUM TOTAL VALUE OF OPTIONS/ RIGHTS GRANT YET TO VEST $
Robbie Cooke	**2017**	**-**	**-**	**2018**	**Nil**	**-**
	2016	-	-	2017	Nil	965,250
	2015	-	-	2016	Nil	412,500
	2014	100%	-	2015	Nil	457,500
Brendan Parnell	**2017**	**-**	**-**	**2020**	**Nil**	**143,999**
	2016	-	-	2017	Nil	N/A
Neale O'Connell	**2017**	**-**	**-**	**2020**	**Nil**	**204,999**
	2016	-	-	2017	Nil	230,000
	2015	-	-	2016	Nil	230,000
	2014	100%	-	2015	Nil	-
Mandy Ross	**2017**	**-**	**-**	**2020**	**Nil**	**137,499**
	2016	-	-	2017	Nil	120,000
	2015	-		2016	Nil	120,000
	2014	-	-	2015	Nil	N/A
Sue van der Merwe	**2017**	**-**	**-**	**2020**	**Nil**	**119,999**
	2016	-	-	2017	Nil	80,000
	2015	-	-	2016	Nil	73,332
	2014	100%	-	2015	Nil	-

SHAREHOLDINGS AND TATTS BONDS HOLDINGS

The numbers of shares and Tatts Bonds holdings in the Company held during the financial year by each of the KMP, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation, and all shares are ordinary shares.

NAME	YEAR	BALANCE AT START OF YEAR	RECEIVED DURING YEAR ON EXERCISE OF OPTIONS/ RIGHTS	RECEIVED ON VESTING RIGHTS TO DEFERRED SHARES	OTHER CHANGES DURING YEAR	BALANCE AT END OF YEAR
DIRECTORS OF TATTS GROUP LIMITED						
Harry Boon	**FY17**	**150,000**	**-**	**-**	**-**	**150,000**
	FY16	150,000	-	-	-	150,000
Robbie Cooke	**FY17**	**491,163**	**253,383**	**-**	**-**	**744,546**
	FY16	210,074	281,089	-	-	491,163
Lyndsey Cattermole	**FY17**	**182,663**	**-**	**-**	**-**	**182,663**
	FY16	182,663	-	-	-	182,663
Brian Jamieson	**FY17**	**114,734**	**-**	**-**	**-**	**114,734**
	FY16	114,734	-	-	-	114,734
Julien Playoust	**FY17**	**25,000**	**-**	**-**	**-**	**25,000**
	FY16	25,000	-	-	-	25,000
Kevin Seymour	**FY17**	**14,108,306**	**-**	**-**	**-**	**14,108,306**
	FY16	14,108,306	-	-	-	14,108,306
Dr David Watson	**FY17**	**25,000**	**-**	**-**	**-**	**25,000**
	FY16	25,000	-	-	-	25,000
OTHER KEY MANAGEMENT PERSONNEL OF THE GROUP						
Barrie Fletton[1]	**FY17**	**400,974**	**11,696**	**-**	**-**	**412,670**
	FY16	375,902	25,072	-	-	400,974
Neale O'Connell	**FY17**	**236,918**	**57,644**	**-**	**-**	**294,562**
	FY16	172,448	64,470	-	-	236,918
Mandy Ross	**FY17**	**-**	**30,075**	**-**	**-**	**30,075**
	FY16	-	-	-	-	-
Sue van der Merwe	**FY17**	**57,299**	**18,379**	**-**	**-**	**75,678**
	FY16	52,715	4,584	-	-	57,299
Brendan Parnell[2]	**FY17**	**-**	**-**	**-**	**-**	**-**
	FY16	-	-	-	-	-

1. Ceased employment 30 November 2016, and the balance is shown as at that date.
2. Commenced employment on 30 November 2016

NAME	YEAR	BALANCE AT START OF YEAR	ACQUIRED DURING THE YEAR	DISPOSED DURING THE YEAR	BALANCE AT END OF YEAR
TATTS BONDS HOLDINGS OF DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL					
Barrie Fletton[1]	**FY17**	**300**	**-**	**-**	**300**
	FY16	300	-	-	300

1. Ceased employment 30 November 2016, and the balance is shown as at that date.

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW (CONTINUED)

ADDITIONAL INFORMATION

INDEMNITIES AND INSURANCE

Article 7.3 of the Company's Constitution provides that every person who is or has been a Director or Secretary of the Company or of a subsidiary of the Company may be indemnified by the Company, to the extent permitted by law, against liabilities:

- incurred by the person as an officer (as defined in the Corporations Act) of the Company or a subsidiary of the Company; and
- for legal costs incurred by the person in defending an action for a liability incurred by that person as an officer of the Company or a subsidiary of the Company.

The Company has executed Deeds of Indemnity, Insurance and Access, consistent with this Article, in favour of all current and former Directors of the Company, certain current and former Directors of related bodies corporate of the Company, and the current and certain former Secretaries of the Company. Each Deed indemnifies those persons for the full amount of all such liabilities including costs and expenses.

For the year ended 30 June 2017, no amounts have been paid pursuant to indemnities (2016: Nil).

The Company's Constitution also allows the Company to pay insurance premiums for contracts insuring the officers of the Company in relation to any such liabilities and legal costs.

During or since the end of the financial year, consistent with the Company's Constitution, the Company has paid the premium in respect of a contract insuring each of the Directors and the Secretary named in this Directors' Report, the former Directors, and the officers of the Company and its subsidiaries as permitted by the Corporations Act. The class of officers insured by the policy includes all officers involved in the management of the Group. The terms of the contract of insurance prohibit the disclosure of the nature of the liabilities insured against and the amount of the premium.

Pursuant to the terms of the Company's standard engagement letter with PricewaterhouseCoopers (PwC), it indemnifies PwC against any liabilities, including legal costs, that PwC incurs, in connection with any claim by a third party arising out of or in relation to the provision of services or the use of any work performed under, or a breach of, the engagement letter. The indemnity is for the full amount of all such liabilities including costs and expenses. The indemnity does not apply if prohibited by the Corporations Act.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act.

NON-AUDIT SERVICES

The non-audit services paid to the auditors (PwC) was for due diligence, accounting advisory and tax compliance services amounting to $975,933, $15,000 and $1,400 respectively.

AUDITOR'S INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is set out on page 71 and forms part of the Directors' Report for the financial year ended 30 June 2017.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Legislative Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

DIRECTORS' RESOLUTION

This Directors' Report is made in accordance with a resolution of the Directors.

HARRY BOON
Chairman

ROBBIE COOKE
Managing Director and CEO

Brisbane 17 August 2017

AUDITOR'S INDEPENDENCE DECLARATION

pwc

Auditor's Independence Declaration

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

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Tatts Group Limited and the entities it controlled during the period.

Steven Bosiljevac
Partner
PricewaterhouseCoopers

Brisbane
17 August 2017

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Liability limited by a scheme approved under Professional Standards Legislation.

ANNUAL FINANCIAL REPORT

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2017

	NOTES	2017 $'000	2016 $'000
Revenue from continuing operations	2	**2,768,302**	2,927,883
Statutory outgoings			
Government share		**(1,290,732)**	(1,370,885)
Venue share/commission		**(407,318)**	(436,719)
Product and program fees		**(199,303)**	(202,691)
Other Income	3	**10,191**	217
Other expenses from ordinary activities			
Employee expenses		**(172,351)**	(181,817)
Operating fees and direct costs		**(51,230)**	(57,386)
Telecommunications and technology		**(41,501)**	(38,739)
Marketing and promotions		**(68,672)**	(61,196)
Information services		**(20,817)**	(19,805)
Property expenses		**(24,481)**	(24,839)
Restructuring expenses		**(737)**	(1,912)
Other expenses		**(35,647)**	(35,191)
Profit before interest, income tax, depreciation, amortisation and merger costs		**465,704**	496,920
Merger costs	3	**(33,411)**	(2,127)
Profit before interest, income tax, depreciation and amortisation		**432,293**	494,793
Depreciation and amortisation	3	**(78,213)**	(75,219)
Interest income		**2,028**	5,283
Finance costs	3	**(48,397)**	(46,370)
Profit before income tax		**307,711**	378,487
Income tax expense	4	**(86,496)**	(115,105)
Profit from continuing operations		**221,215**	263,382
Loss from discontinued operations	21	**(700)**	(29,588)
Profit attributable to owners of Tatts Group Limited		**220,515**	233,794

		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	16	**15.1**	18.0
Diluted earnings per share	16	**15.1**	18.0
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	16	**15.0**	16.0
Diluted earnings per share	16	**15.0**	16.0

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	NOTES	2017 $'000	2016 $'000
Profit for the year		**220,515**	233,794
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of available-for-sale financial assets	14	**(121)**	(18)
Changes in the value of net investment hedges	14	**-**	(41,581)
Changes in the value of cross currency interest rate swaps	14	**(1,453)**	564
Changes in the value of interest rate swaps	14	**4,433**	(16)
Changes in the value of forward foreign exchange contracts	14	**38**	(80)
Exchange differences on translation of foreign operations	14	**6**	49,306
Income tax relating to these items		**(869)**	(135)
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) on retirement benefit obligation		**4,771**	(6,389)
Income tax relating to these items	4	**(1,092)**	2,060
Other comprehensive income for the year, net of tax		**5,713**	3,711
Total comprehensive income attributable to the owners of Tatts Group Limited		**226,228**	237,505

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2017

	NOTES	2017 $'000	2016 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5	**228,779**	194,064
Trade and other receivables	6	**80,626**	81,994
Inventories		**1,854**	2,324
Derivative financial instruments	20	**18,336**	-
Current tax receivables		**-**	50,023
Assets classified as held for sale	7	**-**	14,957
Other current assets	9	**55,763**	49,353
Total current assets		**385,358**	392,715
Non-current assets			
Trade and other receivables		**401**	924
Investment in an associate	22	**15,665**	-
Available-for-sale financial assets	18	**20,360**	19,884
Property, plant and equipment	10	**157,075**	156,706
Held-to-maturity investments	18	**55,000**	35,240
Derivative financial instruments	20	**56,259**	94,872
Intangible assets	11	**4,458,756**	4,461,832
Deferred tax assets	4	**2**	1
Other non-current assets	9	**144,349**	71,199
Total non-current assets		**4,907,867**	4,840,658
Total assets		**5,293,225**	5,233,373
LIABILITIES			
Current liabilities			
Trade and other payables	8	**587,961**	593,964
Interest bearing liabilities	19	**313,116**	-
Derivative financial instruments	20	**-**	751
Tax liabilities		**20,050**	-
Provisions	12	**18,449**	17,742
Other current liabilities	9	**55,763**	49,353
Total current liabilities		**995,339**	661,810
Non-current liabilities			
Trade and other payables	8	**207,000**	187,371
Interest bearing liabilities	19	**847,159**	1,123,723
Deferred tax liabilities	4	**270,288**	264,551
Derivative financial instruments	20	**2,291**	5,973
Provisions	12	**3,261**	2,896
Employee benefit obligations	13	**10,130**	14,323
Total non-current liabilities		**1,340,129**	1,598,837
Total liabilities		**2,335,468**	2,260,647
Net assets		**2,957,757**	2,972,726
EQUITY			
Contributed equity	14	**2,869,480**	2,854,416
Other reserves	14	**290**	(2,154)
Retained earnings	14	**87,987**	120,464
Capital and reserves attributable to owners of Tatts Group Limited		**2,957,757**	2,972,726
Total equity		**2,957,757**	2,972,726

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

		ATTRIBUTABLE TO OWNERS OF TATTS GROUP LIMITED			
	NOTES	SHARE CAPITAL $'000	OTHER RESERVES $'000	RETAINED EARNINGS $'000	TOTAL EQUITY $'000
Balance at 1 July 2015		2,841,366	(9,978)	139,684	2,971,072
Profit for the year		-	-	233,794	233,794
Other comprehensive income		-	8,040	(4,329)	3,711
Total comprehensive income for the year		-	8,040	229,465	237,505
Transactions with owners in their capacity as owners:					
Dividend Reinvestment Plan issues		11,268	-	-	11,268
Dividends provided for or paid	15	-	-	(248,691)	(248,691)
Employee performance rights		1,782	(216)	6	1,572
		13,050	(216)	(248,685)	(235,851)
Balance at 30 June 2016		2,854,416	(2,154)	120,464	2,972,726
Balance at 1 July 2016		**2,854,416**	**(2,154)**	**120,464**	**2,972,726**
Profit for the year		-	-	220,515	220,515
Other comprehensive income		-	2,034	3,679	5,713
Total comprehensive income for the year		**-**	**2,034**	**224,194**	**226,228**
Transactions with owners in their capacity as owners:					
Dividend Reinvestment Plan issues		13,167	-	-	13,167
Dividends provided for or paid	15	-	-	(256,671)	(256,671)
Employee performance rights		1,897	410	-	2,307
		15,064	410	(256,671)	(241,197)
Balance at 30 June 2017		**2,869,480**	**290**	**87,987**	**2,957,757**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	NOTES	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST) net of prizes paid/cash returns to customers		**2,799,757**	3,056,063
Payments to suppliers and employees (inclusive of GST)		**(433,776)**	(488,991)
Payments to Government		**(1,293,563)**	(1,407,154)
Payments to venues/commission		**(407,318)**	(436,719)
Payments for product and program fees		**(199,578)**	(202,710)
		465,522	520,489
Other revenue		**12**	17
Interest received		**1,800**	5,417
Interest paid		**(43,822)**	(43,827)
Interest paid for legal compensation claim		**-**	(26,632)
Income taxes paid		**(13,635)**	(124,416)
Net cash inflow from operating activities	5	**409,877**	331,048
Cash flows from investing activities			
Payments for property, plant and equipment	10	**(35,752)**	(35,883)
Payments for intangibles		**(69,826)**	(26,400)
Payments for held-to-maturity investments		**(19,760)**	(35,240)
Proceeds from sale of assets held for sale		**23,482**	1,201
Proceeds/(payments) from sale of available-for-sale assets		**(597)**	(508)
Payment for shares in associate	22	**(15,665)**	-
Payments for shares (unlisted)		**(226)**	-
Proceeds on disposal of controlled entities net of cash		**-**	188,861
Payments to Government for future monitoring rights		**(68,333)**	(68,333)
Net cash inflow/(outflow) from investing activities		**(186,677)**	23,698
Cash flows from financing activities			
Dividends paid net of Dividend Reinvestment Plan		**(243,504)**	(237,423)
Proceeds from borrowings		**55,000**	462,801
Repayment of borrowings		**-**	(266,081)
Payments for legal compensation claim excluding interest		**-**	(540,468)
Net cash (outflow) from financing activities		**(188,504)**	(581,171)
Net (decrease)/ in cash and cash equivalents		**34,696**	(226,425)
Cash and cash equivalents at the beginning of the financial year		**194,064**	421,638
Effects of exchange rate changes on cash and cash equivalents		**19**	(1,149)
Cash and cash equivalents at end of year	5	**228,779**	194,064

The above figures directly reconcile to cash and cash equivalents in the balance sheet at the end of the year.

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2017

BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act. The Group is a for-profit entity for the purpose of preparing the financial statements.

COMPLIANCE WITH IFRS

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**).

HISTORICAL COST CONVENTION

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and retirement benefit obligation plan assets.

PRINCIPLES OF CONSOLIDATION

SUBSIDIARIES

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2017 and the results of all subsidiaries for the year then ended. Tatts Group Limited and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

FOREIGN CURRENCY TRANSLATION

FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars (AUD), which is the Company's functional and presentation currency.

FOREIGN CURRENCY TRANSLATION

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are recognised in the statement of comprehensive income.

GROUP COMPANIES

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each income statement and consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

KEY NUMBERS
1. SEGMENT INFORMATION

30 JUNE 2017

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Managing Director and Chief Executive Officer.

OPERATING SEGMENTS

The Group is organised on a global basis into the following segments by product and service type.

SEGMENT	PRODUCT AND SERVICE TYPE
Lotteries	The operation of lottery licences within the states of Victoria, New South Wales, Tasmania, ACT, the operation of a Lottery Operator Agreement in Queensland, South Australia, and an agreement in Northern Territory to conduct lotteries.
Wagering	Totalisator and fixed odds betting on thoroughbred, harness, greyhounds and other sporting events pursuant to licences in Queensland, South Australia, Northern Territory and Tasmania.
MAX	Gaming machine monitoring and value added services in Queensland, New South Wales and the Northern Territory.
MAXtech	Warehousing, installation, relocation, repair and maintenance of gaming machines, lottery and wagering terminals and other transaction devices in Australia and New Zealand.
Unallocated	This segment includes shared services and investment properties. None of these activities constitutes a separately reportable business segment.
Discontinued operations	The operation of gaming machines and Club Keno in Victoria. On 15 August 2012, Tatts' gaming operator's licence expired. The expiry of this licence resulted in Tatts Pokies ceasing gaming machine operations from 16 August 2012. Gaming operations in the United Kingdom. These activities were disposed of on 24 June 2016.

GEOGRAPHICAL AREAS

Although the Consolidated Entity's divisions are managed on a global basis they have operated in Australia during the current financial year and in Australia and United Kingdom in the comparative financial year. The total of non-current assets other than financial instruments and deferred tax assets located in Australia is $4,851.6 million (2016: $4,745.8 million).

RECOGNITION AND MEASUREMENT

Segment information is prepared in conformity with the accounting policies of the Group and accounting standard AASB 8 Operating Segments, which states that disclosure of total assets and liabilities for each reportable segment is only required if such an amount is regularly provided to the chief operating decision maker (Managing Director and Chief Executive Officer). Segment revenues and expenses are those that are directly attributable to a segment and the relevant portion of corporate expenses that can be allocated to a segment on a reasonable basis.

INTER-SEGMENT TRANSFERS

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an 'arm's-length' basis and are eliminated on consolidation.

SEGMENT INFORMATION PROVIDED TO THE MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER OF THE GROUP

2017	LOTTERIES $'000	WAGERING $'000	MAX $'000	MAXTECH $'000	UNALLO-CATED $'000	INTER-SEGMENT ELIMINA-TIONS[1] $'000	TOTAL CONTINUING OPERATIONS $'000	DISCONTIN-UED OPERA-TIONS[2] $'000	CONSOLI-DATED $'000
TOTAL SEGMENT REVENUE AND OTHER INCOME	2,013,996	587,531	120,731	81,849	10,199	(35,813)	2,778,493	-	2,778,493
EBITDA	315,641	110,447	67,668	7,726	(35,778)	-	465,704	(1,000)	464,704
DEPRECIATION AND AMORTISATION	(25,148)	(20,176)	(12,652)	(2,255)	(17,982)	-	(78,213)	-	(78,213)
EBIT	**290,493**	**90,271**	**55,016**	**5,471**	**(53,760)**	**-**	**387,491**	**(1,000)**	**386,491**

2016	LOTTERIES $'000	WAGERING $'000	MAX $'000	MAXTECH $'000	UNALLO-CATED $'000	INTER-SEGMENT ELIMINA-TIONS[1] $'000	TOTAL CONTINUING OPERATIONS $'000	DISCONTIN-UED OPERA-TIONS[2] $'000	CONSOLI-DATED $'000
TOTAL SEGMENT REVENUE AND OTHER INCOME	2,139,513	609,884	118,367	92,288	136	(32,088)	2,928,100	103,612	3,031,712
EBITDA	345,545	133,283	64,695	3,424	(50,027)	-	496,920	(741)	496,179
DEPRECIATION AND AMORTISATION	(25,579)	(17,567)	(12,313)	(2,420)	(17,340)	-	(75,219)	(7,606)	(82,825)
EBIT	319,966	115,716	52,382	1,004	(67,367)	-	421,701	(8,347)	413,354

1 Inter-segment eliminations against revenue comprises MAXtech revenue.

2 On 15 August 2012, the gaming operator's licence issued to Tatts Pokies expired resulting in this segment ceasing gaming machine operations subsequent to 15 August 2012. Gaming operations in the United Kingdom were disposed of on 24 June 2016 (refer to Note 21 for further details regarding this segment).

A reconciliation of EBIT from continuing operations to operating profit before tax is as follows:

	2017 $'000	2016 $'000
EBIT from continuing operations	**387,491**	421,701
Finance costs	**(48,397)**	(46,370)
Interest income	**2,028**	5,283
Significant item: Merger costs (refer to Note 3)	**(33,411)**	(2,127)
Profit before income tax from continuing operations	**307,711**	378,487

2. REVENUE

30 JUNE 2017

RECOGNITION AND MEASUREMENT

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

LOTTERIES REVENUE

Gross subscriptions received for lotteries less prizes payable are recognised as revenue when the official draw for each game is completed. Subscriptions received during the year for games which will be drawn in the next financial period, are deferred and recognised as revenue in the next financial period. Revenue from lottery card subscriptions is recognised over the life of the subscription. Management fees recognised in relation to the Master Agent Agreement associated with the operation of SA Lotteries are recognised in sales revenue.

RENDERING OF SERVICES

Revenue from the sale of goods or rendering of a service is recognised upon the delivery of the goods or service to customers.

WAGERING REVENUE

Wagering revenue is the residual value after deducting the statutory returns to customers from wagering turnover. Revenue is recognised at the point when the event on which the wagering investment is made is officially completed.

Fixed odds betting revenue is the residual value after deducting fixed odds returns to customers from fixed odds bets placed on specific events. The amounts bet on an event are recognised as an advance sale liability until the outcome of the event is determined, at which time the revenue is recognised in the income statement.

INTEREST INCOME

Interest income is recognised on a time proportion basis using the effective interest method. Interest income earned on prize reserves and unpaid prizes is included in revenue from continuing operations with the exception of interest earned on prize reserves by New South Wales Lotteries Corporation Pty Limited. Interest income from all other interest generating balances is included in interest income.

OTHER REVENUE

Dividend revenue is recognised when the right to receive a dividend is established.

	2017 $'000	2016 $'000
From continuing operations		
Sales revenue		
Entertainment products and services	**2,577,549**	2,720,170
Rendering of services	**185,432**	202,803
	2,762,981	2,922,973
Other revenue		
Rental and sub-lease rental income	**124**	121
Interest on unpaid prizes and prize reserves	**3,140**	2,638
Other revenue	**2,057**	2,151
	5,321	4,910
	2,768,302	2,927,883

3. OTHER INCOME AND EXPENSE ITEMS

30 JUNE 2017

RECOGNITION AND MEASUREMENT

LEASES

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at lease inception at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in interest bearing liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Leased assets acquired under finance leases are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (refer to Note 26). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated balance sheet based on their nature.

IMPAIRMENT OF ASSETS

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested 6 monthly for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period (refer to Note 11).

OTHER INCOME

	2017 $'000	2016 $'000
Net gain/(loss) on disposal of property, plant and equipment	**8,128**	-
Fair value gains/(losses) on financial assets at fair value through profit or loss	**2,019**	-
Movement on foreign exchange	**44**	217
	10,191	217

3. OTHER INCOME AND EXPENSE ITEMS (CONTINUED)

EXPENSES

From continuing operations

Profit before income tax includes the following specific expenses:

	2017 $'000	2016 $'000
Expenses		
Depreciation		
Buildings	**1,694**	1,497
Plant and equipment	**27,441**	28,112
Leasehold improvements	**4,360**	3,164
Freehold improvements	**1,816**	1,486
Total depreciation	**35,311**	34,259
Amortisation		
Licences	**19,594**	17,765
Brand	**894**	894
Computer software	**16,578**	16,477
Other	**5,836**	5,824
Total amortisation	**42,902**	40,960
Total depreciation and amortisation	**78,213**	75,219

Other items		
Minimum lease payments expense relating to operating leases	**8,861**	9,653
Defined contribution superannuation expense	**14,731**	14,314
	23,592	23,967

Significant expenses

The following significant expense items are relevant in explaining the financial performance:

	2017 $'000	2016 $'000
Merger costs:		
Merger costs relate to costs incurred to date by the Company in the proposed merger with Tabcorp. These include accounting, legal, advisory fees and staff retention costs.	**33,411**	2,127

Finance costs		
Interest and finance charges paid/payable	**46,255**	43,906
Unwinding of present value of discount on Wagering licence	**2,142**	2,464
Finance costs expensed	**48,397**	46,370

4. TAX

RECOGNITION AND MEASUREMENT

Tatts Group Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements. This policy is also discussed in Note 24.

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (eg the Research and Development Tax Incentive regime in Australia or other investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

ESTIMATES AND JUDGEMENTS

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

In addition, the Group recognises deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same subsidiary against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of the entity, which is not part of the tax consolidated group, to satisfy certain tests at the time the losses are recouped.

During the 2016 income tax year, the Group claimed $209 million as an immediate tax deduction with respect to the Maxgaming NSW centralised monitoring rights and $118 million over five years under section 40-880 of the Income Tax Assessment Act 1997 with respect to the Racing Queensland Exclusivity premium. These claims are currently being reviewed by the Australian Taxation Office as part of their review of the Group's FY16 income tax return.

4. TAX (CONTINUED)

30 JUNE 2017

INCOME TAX EXPENSE

	2017 $'000	2016 $'000
Current tax	**96,656**	52,282
Deferred tax	**3,786**	61,118
Adjustments for current tax of prior periods	**(14,246)**	(6,326)
	86,196	107,074

Income tax expense/(benefit) is attributable to:		
Profit from continuing operations	**86,496**	115,105
Profit from discontinued operations	**(300)**	(8,031)
	86,196	107,074

NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

	2017 $'000	2016 $'000
Profit from continuing operations before income tax expense	**307,711**	378,487
Loss from discontinuing operations before income tax expense	**(1,000)**	(37,619)
	306,711	340,868
Tax at the Australian tax rate of 30.0% (2016 - 30.0%)	**92,013**	102,260
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Depreciation and amortisation	**1,169**	1,977
Non-deductible items	**906**	5,269
Unrecognised tax losses	**4**	64
Sundry items	**46**	(1,007)
	94,138	108,563
Difference in overseas tax rates	**-**	(3)
Under/(over) provision in prior years in deferred tax	**6,304**	4,840
Under/(over) provision in prior years in current tax	**(14,246)**	(6,326)
Income tax expense	**86,196**	107,074

TAX EXPENSE (INCOME) RELATING TO ITEMS OF OTHER COMPREHENSIVE INCOME

	2017 $'000	2016 $'000
Available-for-sale financial assets	**36**	5
Cash flow hedges	**(905)**	(140)
Other	**(1,092)**	2,060
	(1,961)	1,925

DEFERRED TAX BALANCES

DEFERRED TAX ASSETS

	2017 $'000	2016 $'000
The balance comprises temporary differences attributable to:		
Employee benefits	**14,494**	12,823
Depreciation	**13,384**	14,058
Provisions	**3**	59
Available-for-sale financial assets	**65**	28
Cash flow hedges	**708**	1,602
Other	**13,122**	9,541
	41,776	38,111
Set-off of deferred tax liabilities pursuant to set-off provisions	**(41,774)**	(38,110)
Net deferred tax assets	**2**	1

DEFERRED TAX BALANCES (CONTINUED)

DEFERRED TAX ASSETS (CONTINUED)

MOVEMENTS

	EMPLOYEE BENEFITS $'000	DEPRECIATION $'000	PROVISIONS $'000	LISTED SECURITIES $'000	CASH FLOW HEDGE $'000	OTHER $'000	TOTAL $'000
At 1 July 2015	10,772	22,007	114	23	1,742	7,923	42,581
(Charged)/credited							
- to the income statement	(9)	(1,241)	(55)	-	-	1,618	313
- to other comprehensive income	2,060	-	-	5	(140)	-	1,925
Disposal of subsidiary	-	(7,822)	-	-	-	-	(7,822)
Foreign exchange movement	-	1,114	-	-	-	-	1,114
Closing balance at 30 June 2016	12,823	14,058	59	28	1,602	9,541	38,111
At 1 July 2016	12,823	14,058	59	28	1,602	9,541	**38,111**
(Charged)/credited							
- to the income statement	2,763	(674)	(56)	-	-	3,581	**5,614**
- to other comprehensive income	(1,092)	-	-	37	(894)	-	**(1,949)**
Closing balance at 30 June 2017	14,494	13,384	3	65	708	13,122	**41,776**

DEFERRED TAX LIABILITIES

	2017 $'000	2016 $'000
The balance comprises temporary differences attributable to:		
Depreciation	**2,327**	2,856
Intangibles	**239,701**	231,628
Unclaimed dividends	**4,865**	4,794
Maxgaming NSW monitoring rights	**65,169**	62,700
Other	**-**	683
	312,062	302,661
Set-off of deferred tax liabilities pursuant to set-off provisions	**(41,774)**	(38,110)
Net deferred tax liabilities	**270,288**	264,551

MOVEMENTS

	DEPRECIATION $'000	INTANGIBLE ASSETS $'000	UNCLAIMED DIVIDENDS $'000	OTHER $'000	TOTAL $'000
Closing balance at 1 July 2015	3,937	233,210	3,564	519	241,230
Charged/(credited)					
- to the income statement	(1,081)	(1,582)	1,230	62,864	61,431
Closing balance at 30 June 2016	2,856	231,628	4,794	63,383	302,661
At 1 July 2016	2,856	231,628	4,794	63,383	**302,661**
Charged/(credited)					
- to the income statement	(529)	8,073	71	1,786	**9,401**
Closing balance at 30 June 2017	2,327	239,701	4,865	65,169	**312,062**

5. CASH AND CASH EQUIVALENTS

30 JUNE 2017

RECOGNITION AND MEASUREMENT

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within interest bearing liabilities in current liabilities in the balance sheet. Cash includes prize reserves.

	2017 $'000	2016 $'000
Current assets		
Cash at bank and in-hand	**128,752**	135,031
Deposits at call	**27**	33
Fixed interest securities	**100,000**	59,000
	228,779	194,064

RECONCILIATION TO CASH AT THE END OF THE YEAR

Cash balances are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2017 $'000	2016 $'000
Profit for the year	**220,515**	233,794
Non cash flows in operating profit		
Depreciation and amortisation	**78,213**	82,825
Amortisation of borrowing costs	**2,433**	2,750
(Profit)/loss on sale of fixed assets	**(8,128)**	229
Employee share option	**2,307**	(211)
Bad and doubtful debts	**184**	218
Retirement benefit obligation	**578**	441
Loss on sale of subsidiary	**-**	6,911
Loss on sale of asset held for sale	**-**	99
Fair value (gains)/losses on financial assets at fair value through profit or loss	**(2,019)**	-
Change in operating assets and liabilities, net of effects from purchase of controlled entities		
(Increase)/decrease in other receivables	**4,488**	(7,528)
(Increase)/decrease in inventories	**471**	1,196
(Increase)/decrease in deferred tax assets	**(4,757)**	1,703
(Increase)/decrease in other operating assets	**(4,591)**	(1,464)
(Decrease)/increase in trade and other payables	**40,563**	29,381
(Decrease)/increase in current tax liabilities	**70,074**	(77,007)
(Decrease)/increase in deferred tax liabilities	**8,474**	57,966
(Decrease)/increase in other provisions	**1,072**	(255)
Net cash inflow/(outflow) from operating activities	**409,877**	331,048

NON-CASH FINANCING ACTIVITIES

Dividends satisfied by the issue of shares under a dividend reinvestment plan are shown in Note 14. Options and rights issued to employees under the Group's incentive plans and structures are shown in Note 17.

6. TRADE AND OTHER RECEIVABLES

30 JUNE 2017

RECOGNITION AND MEASUREMENT

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

Trade receivables are recognised initially at fair value and subsequently reviewed for impairment. Trade receivables are generally due for settlement, unless through prior arrangement, between 2 to 30 days from the date of recognition. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for the impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

	2017 $'000	2016 $'000
Current		
Trade receivables		
Weekly sweeps[1]	**29,729**	33,005
Trade debtors	**3,480**	7,605
Less: Provision for impairment of receivables	**(11)**	(195)
	33,198	40,415
Other receivables	**27,102**	21,029
Prepayments	**20,326**	20,550
	80,626	81,994

1 Balances with venues, agencies and outlets are swept on recurring cycles of between 2 and 7 days.

IMPAIRED TRADE AND OTHER RECEIVABLES

The Group has recognised losses of $0.1 million in the income statement (2016: loss of $0.2 million) in respect of bad and doubtful trade receivables during the year ended 30 June 2017.

At 30 June 2017, there were no material receivables past due and deemed to be irrecoverable which have not been impaired or individual balances specifically impaired. Collateral is not normally obtained for balances owing.

Movements in the provision for impairment of receivables are as follows:

6. TRADE AND OTHER RECEIVABLES (CONTINUED)

IMPAIRED TRADE AND OTHER RECEIVABLES (CONTINUED)

	2017 $'000	2016 $'000
At 1 July	**(195)**	(413)
Provision for impairment recognised during the year	**(105)**	(151)
Receivables written off during the year as uncollectible	**289**	369
At 30 June	**(11)**	(195)

OTHER RECEIVABLES

These amounts generally arise from transactions outside the usual operating activities of the Group. Where interest is charged, this is on commercial terms. Collateral is not normally obtained.

7. ASSETS CLASSIFIED AS HELD FOR SALE

RECOGNITION AND MEASUREMENT

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

They are measured at the lower of their carrying amount and fair value less costs of disposal, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal Group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal Group classified as held for sale are presented separately from other liabilities in the balance sheet.

Land and buildings previously held as assets classified as held for sale were sold during the year. The balance at 30 June 2017 is nil (2016: $15.0 million).

	2017 $'000	2016 $'000
Non-current assets held for sale		
Land	**-**	11,551
Land and buildings	**-**	3,406
Total non-current assets held for sale	**-**	14,957

8. TRADE AND OTHER PAYABLES

30 JUNE 2017

RECOGNITION AND MEASUREMENT

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Prizes payable to the lottery major prize winners for some games are payable over periods exceeding 12 months. The portion of this liability which is payable more than 12 months post balance date is reported as a non-current liability.

	2017 $'000	2016 $'000
Current		
Trade payables	**480,558**	468,871
Other payables and accruals	**107,403**	125,093
	587,961	593,964
Non-Current		
Other payables	**207,000**	187,371

Non-current includes the liability for the remaining balance of the Wagering licence which is held at net present value.

9. OTHER ASSETS AND LIABILITIES

30 JUNE 2017

	2017 $'000	2016 $'000
Current assets		
SA Lotteries monies held in trust	**55,763**	49,353
Non-current assets		
Advance payment of Maxgaming NSW monitoring rights	**142,606**	69,682
Unlisted Investments	**1,743**	1,517
Total non-current assets	**144,349**	71,199
Current liabilities		
SA Lotteries monies held in trust	**55,763**	49,353
Total other current liabilities	**55,763**	49,353

ADVANCE PAYMENT OF MAXGAMING NSW MONITORING RIGHTS

On 15 March 2016 the NSW Government issued rights to the Group to operate a Central Monitoring System (CMS). The new monitoring rights will commence on 1 December 2017 and will continue until 30 November 2032. This prepayment represents the first and second instalment for the CMS rights. The total amount paid and payable is $209 million which has resulted in a deferred tax liability of $64.3 million.

SA LOTTERIES MONIES HELD IN TRUST

There is a corresponding asset in other current assets.

10. PROPERTY, PLANT AND EQUIPMENT

RECOGNITION AND MEASUREMENT

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Plant and equipment under development is not depreciated. Depreciation will commence on completion of the development when the assets are available for use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Finance costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other finance costs are expensed.

VALUATIONS OF LAND AND BUILDINGS

The basis of valuation of land and buildings is at cost less subsequent depreciation for buildings. Where required, land and buildings of the Group were assessed by independent valuers, and these assessments were greater than the carrying value.

REVALUATION, DEPRECIATION METHODS AND USEFUL LIVES

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their useful lives as follows:

Buildings	25 - 50 years
Freehold improvements	25 - 40 years
Plant and equipment	1 - 10 years
Leasehold improvements	7 years

RECOGNITION AND MEASUREMENT (CONTINUED)

	FREEHOLD LAND $'000	BUILDINGS $'000	FREEHOLD IMPROVE-MENTS $'000	LEASEHOLD IMPROVE-MENTS $'000	PLANT AND EQUIPMENT $'000	ASSETS UNDER DEVELOPMENT $'000	TOTAL $'000
At 30 June 2016							
Cost or fair value	22,057	45,820	26,403	48,760	419,534	23,907	586,481
Accumulated depreciation	-	(17,299)	(17,218)	(35,539)	(359,719)	-	(429,775)
Carrying amount at 30 June 2016	**22,057**	**28,521**	**9,185**	**13,221**	**59,815**	**23,907**	**156,706**
Year ended 30 June 2017							
Opening net book amount	22,057	28,521	9,185	13,221	59,815	23,907	156,706
Additions	-	-	-	(26)	68	35,710	35,752
Disposals	-	-	-	(18)	(54)	-	(72)
Transfers	-	-	314	12,619	34,651	(47,584)	-
Depreciation charge	-	(1,694)	(1,816)	(4,360)	(27,441)	-	(35,311)
Carrying amount at 30 June 2017	**22,057**	**26,827**	**7,683**	**21,436**	**67,039**	**12,033**	**157,075**
At 30 June 2017							
Cost	22,057	43,673	24,197	56,263	425,669	12,033	583,892
Accumulated depreciation	-	(16,846)	(16,514)	(34,827)	(358,630)	-	(426,817)
Net book amount	**22,057**	**26,827**	**7,683**	**21,436**	**67,039**	**12,033**	**157,075**
At 30 June 2015							
Cost or fair value	33,238	75,558	24,795	76,881	503,078	30,685	744,235
Accumulated depreciation	-	(37,826)	(16,179)	(63,201)	(416,799)	-	(534,005)
Carrying amount at 30 June 2015	33,238	37,732	8,616	13,680	86,279	30,685	210,230
Year ended 30 June 2016							
Opening net book amount	33,238	37,732	8,616	13,680	86,279	30,685	210,230
Additions	-	-	6	30	4,132	31,715	35,883
Disposals	-	-	-	(51)	(237)	59	(229)
Disposals - discontinued operations	(1,997)	(4,770)	-	(2,508)	(20,553)	(2,393)	(32,221)
Assets included in a disposal group classified as held for sale and other disposals	(9,090)	(4,480)	(188)	(9)	(90)	-	(13,857)
Transfers	-	2,184	2,237	6,571	25,045	(36,037)	-
Depreciation charge	-	(1,915)	(1,486)	(4,403)	(34,025)	-	(41,829)
Exchange differences	(94)	(230)	-	(89)	(736)	(122)	(1,271)
Carrying amount at 30 June 2016	22,057	28,521	9,185	13,221	59,815	23,907	156,706
At 30 June 2016							
Cost or fair value	22,057	45,820	26,403	48,760	419,534	23,907	586,481
Accumulated depreciation	-	(17,299)	(17,218)	(35,539)	(359,719)	-	(429,775)
Net book amount	22,057	28,521	9,185	13,221	59,815	23,907	156,706

11. INTANGIBLE ASSETS

30 JUNE 2017

RECOGNITION AND MEASUREMENT

GOODWILL

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment 6 monthly, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (Refer to Note 1).

LICENCES

Licences that have a finite useful life are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives.

The expected useful lives used for licences and rights are as follows:

Race wagering licence – Qld	92 years	Expires 2098
Sports wagering licence – Qld	84 years	Expires 2098
Totalisator licence – NT	20 years	Expires 2035
Sports bookmaker licence – NT	20 years	Expires 2035
Major betting operations licence – SA	94 years	Expires 2100
Gaming machine monitoring operator's licence – Qld	10 years	Expires 2017
Monitoring provider's licence – NT	5 years	Expires 2021
Centralised monitoring system licence - NSW	11 years	Expires 2017
Centralised monitoring rights – NSW	15 years	Expires 2032[1]
Inter-club linked gaming system licence - NSW	11 years	Expires 2017
Inter-hotel linked gaming system licence – NSW	13 years	Expires 2019
Radio licences - Qld	5 years	Expires 2019
Lotteries licence - Vic	10 years	Expires 2028[3]
Lotteries licence – NSW	40 years	Expires 2050
Race and sports wagering licence - Tas	50 years	Expires 2062[2]

1 Following the expiry of the preceding centralised monitoring rights new licence commence on 1 December 2017.

2 The race and sports wagering licence in Tasmania has an option to be extended for a further 49 years.

3 The new Victorian lottery licence commences on 1 July 2018. The current licence expires on 30 June 2018.

The carrying value of licences and rights is reviewed annually and any balance representing future benefits for which realisation is considered to be no longer probable is written off.

RECOGNITION AND MEASUREMENT (CONTINUED)

BRAND

The Wagering brand is an indefinite life asset carried at cost being the fair value on acquisition of UNiTAB. It is reviewed annually by reference to future cash flows to ensure it is not carried in excess of recoverable amount.

Brands with a finite useful life are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the brands over their estimated useful lives.

The expected useful lives used for brands are as follows:

Lotteries Brand - Qld	65 years	Expires 2072

RESEARCH AND DEVELOPMENT

Expenditure on research activities, undertaken with the prospect of obtaining new technical knowledge and understanding, is recognised in the income statement as an expense when it is incurred.

IT DEVELOPMENT AND SOFTWARE

Costs incurred in developing products or systems that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project.

Capitalised software is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the software over its estimated useful life of 2 to 6 years.

OTHER

The cost associated with the Golden Casket Lottery Operator Agreement is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the agreement over the term of 65 years, expiring in 2072.

On 20 June 2012, Tatts NT Lotteries Pty Ltd entered into an agreement with the Northern Territory Government to conduct lotteries. The cost associated with the agreement will be amortised over the 20-year life of the agreement which expires in 2032.

On 10 December 2012, Tatts Lotteries SA Pty Ltd entered into an agreement with the South Australian Government to exclusively manage the lottery and wide area keno service in South Australia on behalf of the government owned Lotteries Commission of South Australia. The cost allocated to the agreement will be amortised over the 40-year life of the agreement which expires in 2052.

11. INTANGIBLE ASSETS (CONTINUED)

30 JUNE 2017

RECOGNITION AND MEASUREMENT (CONTINUED)

	GOODWILL $'000	LICENCES $'000	BRANDS[1] $'000	SOFTWARE[2] $'000	OTHER $'000	WIP $'000	TOTAL $'000
At 30 June 2016							
Cost	3,615,532	704,836	105,417	255,803	285,851	1,456	4,968,895
Accumulated amortisation	(140,000)	(124,025)	(8,242)	(201,949)	(32,847)	-	(507,063)
Carrying amount at 30 June 2016	**3,475,532**	**580,811**	**97,175**	**53,854**	**253,004**	**1,456**	**4,461,832**
Year ended 30 June 2017							
Opening net book amount	3,475,532	580,811	97,175	53,854	253,004	1,456	4,461,832
Additions	-	2,333	-	11,901	-	25,592	39,826
Amortisation charge continuing operations	-	(19,594)	(894)	(16,578)	(5,836)	-	(42,902)
Carrying amount at 30 June 2017	**3,475,532**	**563,550**	**96,281**	**49,177**	**247,168**	**27,048**	**4,458,756**
At 30 June 2017							
Cost	3,615,532	707,169	105,417	267,047	285,850	27,048	5,008,063
Accumulated amortisation	(140,000)	(143,619)	(9,136)	(217,870)	(38,682)	-	(549,307)
Net book amount	**3,475,532**	**563,550**	**96,281**	**49,177**	**247,168**	**27,048**	**4,458,756**

	GOODWILL $'000	LICENCES $'000	BRANDS[1] $'000	SOFTWARE[2] $'000	OTHER $'000	WIP $'000	TOTAL $'000
At 30 June 2015							
Cost	3,790,511	704,836	105,417	233,002	285,851	-	5,119,617
Accumulated amortisation	(140,000)	(106,261)	(7,348)	(186,439)	(27,024)	-	(467,072)
Carrying amount at 30 June 2015	**3,650,511**	**598,575**	**98,069**	**46,563**	**258,827**	**-**	**4,652,545**
Year ended 30 June 2016							
Opening net book amount	3,650,511	598,575	98,069	46,563	258,827	-	4,652,545
Additions	146	-	-	24,798	-	1,456	26,400
Disposals	-	-	-	(869)	-	-	(869)
Amortisation charge continuing operations	-	(17,764)	(894)	(16,515)	(5,823)	-	(40,996)
Foreign exchange movements	(7,863)	-	-	(6)	-	-	(7,869)
Disposals - discontinued operations	(167,262)	-	-	(117)	-	-	(167,379)
Carrying amount at 30 June 2016	**3,475,532**	**580,811**	**97,175**	**53,854**	**253,004**	**1,456**	**4,461,832**
At 30 June 2016							
Cost	3,615,532	704,836	105,417	255,803	285,851	1,456	4,968,895
Accumulated amortisation	(140,000)	(124,025)	(8,242)	(201,949)	(32,847)	-	(507,063)
Net book amount	**3,475,532**	**580,811**	**97,175**	**53,854**	**253,004**	**1,456**	**4,461,832**

1 Brands include $46.3 million and $7.1 million of assets with an indefinite life, which is included in the Wagering and MAX segments respectively.

2 Software includes capitalised development costs being an internally generated intangible asset.

ESTIMATED IMPAIRMENT OF GOODWILL, LICENCES AND BRANDS

The Group tests 6 monthly whether goodwill, licences and brands have suffered any impairment. These calculations require the use of assumptions.

These key assumptions apply for the impairment testing for all of the Group's indefinite life intangible assets. The impairment calculations are prepared on both a value in use basis and a fair value less cost to sale basis.

IMPAIRMENT TESTS FOR GOODWILL

Goodwill is allocated to the Group's cash-generating units (CGU) expected to benefit from the synergies of those business combinations.

A segment-level summary of the goodwill allocation is presented below.

	2017 $'000	2016 $'000
Lotteries	**1,510,999**	1,510,999
Wagering	**1,454,242**	1,454,242
MAX	**500,000**	500,000
MAXtech	**10,291**	10,291
Total	**3,475,532**	3,475,532

The recoverable amount of each CGU is determined based on the higher of fair value less costs of disposal and value in use. These calculations use cash flow projections based on the budget approved by the Board for the next financial year and management's forecasts covering a 5 year period. Cash flows beyond the 5 year period are extrapolated using a growth rate not exceeding the long term growth rate for the business in which the CGU operates.

KEY ASSUMPTIONS

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill and other non-cash assets.

CASH FLOW FORECASTS

Cash flow forecasts are based on the 2018 financial year budget approved by the Board and management's 5 year forecasts.

TERMINAL VALUE

Terminal value is calculated using a long-term growth rate based on the cash flow forecast for year 5, pre-tax weighted average cost of capital and forecast growth rates.

FORECAST GROWTH RATES

Forecast EBITDA growth rates are principally based on management's expectations for future performance in each business segment. These growth rates take into account historical growth rates for each CGU. The growth rates range from 2.0% to 3.0% for each CGU (2016: 2.5% to 3.0%).

DISCOUNT RATES

Discount rates used are based on the Group's pre-tax weighted average cost of capital and reflect specific risks relating to the relevant segments and the countries in which they operate. The pre-tax discount rates used range from 7.8% to 11.7% (2016: 8.1% to 12.0%).

11. INTANGIBLE ASSETS (CONTINUED)

30 JUNE 2017

IMPACT OF POSSIBLE CHANGES IN KEY ASSUMPTIONS

Management do not believe that reasonably possible changes to any of the key assumptions would trigger considerations of impairment of any of the Group's CGU's except as outlined below.

WAGERING CGU

Management have assessed that the Wagering CGU is sensitive to reasonable changes in key assumptions. Based on assumptions made, the recoverable amount of this CGU would equal its carrying amount if the following key assumptions were to change as follows:

	2017		2016	
	FROM	TO	FROM	TO
Long-term growth rate (%)	3.0	2.9	3.0	2.6
Pre-tax discount rates (%)	9.3	9.5	9.6	9.9
Year 5 EBITDA forecast (%)	Decrease of 3.0%		Decrease of 4.5%	

12. PROVISIONS

30 JUNE 2017

RECOGNITION AND MEASUREMENT

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

	2017 $'000	2016 $'000
Current		
Employee benefits	**18,449**	17,742
Non-current		
Employee benefits - long service leave	**3,261**	2,896

13. RETIREMENT BENEFIT OBLIGATIONS

All employees of the Group are entitled to benefits from one of the Group's superannuation plans on retirement, disability or death.

Golden Casket Lottery Corporation Limited contributes to the Queensland State Public Sector Superannuation Scheme (Q-Super), with all contributions recognised as an expense when incurred. Benefits are provided to employees on either a defined benefit basis or through an accumulation fund. Both funds are administered by the Queensland Government Superannuation Office. No liability is recognised for superannuation benefits in respect of defined benefit and accumulation plans to which Golden Casket Lottery Corporation Limited contributes as this liability is held on a Whole of Government basis and reported in the Whole of Government financial statements.

RECOGNITION AND MEASUREMENT

A liability or asset in respect of defined benefit superannuation plans is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at the end of each reporting period less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the end of each reporting period, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the end of each reporting period on high quality Bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in the statement of comprehensive income.

Past service costs are recognised immediately in the income statement.

Future taxes that are funded by the entity as part of the provision of the existing benefit obligation (e.g. taxes on investment income and employer contributions) are taken into account in measuring the net liability or asset.

Contributions to defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

DEFINED BENEFIT SUPERANNUATION PLAN – NEW SOUTH WALES LOTTERIES CORPORATION PTY LIMITED

Following the Group's acquisition of New South Wales Lotteries Corporation Pty Limited on 31 March 2010, the Group has consolidated the net liability relating to Tatts Employment Co (NSW) Pty Limited's defined benefit plans for those employees who transferred employment to Tatts Employment Co (NSW) Pty Limited, a subsidiary of Tatts Group Limited.

Sub-funds were created in relation to the transferred employees who are members of the following New South Wales public sector superannuation schemes:

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS).

These schemes are all defined benefit schemes - at least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal.

All the schemes are closed to new members.

Employees contribute to the schemes at various percentages of their salaries. Tatts Employment Co (NSW) Pty Limited contributes to the investment of the plans based on actuarial advice, but generally at a multiple of the employees' contributions, depending on the fund.

Actuarial based gains and losses are recognised in the statement of comprehensive income in the year in which they occur.

The figures below relate only to those employees who transferred to Tatts Employment Co (NSW) Pty Limited on 31 March 2010.

DESCRIPTION OF THE REGULATORY FRAMEWORK

The schemes in the Pooled Fund are established and governed by the following NSW legislation: *Superannuation Act* 1916, *State Authorities Superannuation Act* 1987, *Police Regulation (Superannuation) Act* 1906, *State Authorities Non-Contributory Superannuation Scheme Act* 1987, and their associated regulations.

The schemes in the Pooled Fund are exempt public sector superannuation schemes under the *Commonwealth Superannuation Industry (Supervision) Act* 1993 *(SIS)*. The SIS Legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Commonwealth's retirement incomes policy.

An actuarial investigation of the Pooled Fund is performed every 3 years. The last actuarial investigation was performed as at 30 June 2015. The next actuarial investigation will be performed as at 30 June 2018.

DESCRIPTION OF OTHER ENTITIES' RESPONSIBILITIES FOR GOVERNANCE OF THE FUND

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of fund beneficiaries. The Trustee has the following roles:

- administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules;
- management and investment of the fund assets; and
- compliance with other applicable regulations.

DESCRIPTION OF RISKS

There are a number of risks to which the Fund exposes Tatts Group Limited. The more significant risks relating to the defined benefits are:

- Investment risk - The risk that investment returns will be lower than assumed and the Company will need to increase contributions to offset this shortfall.
- Longevity risk - The risk that pensioners live longer than assumed, increasing future pensions.
- Pension indexation risk - The risk that pensions will increase at a rate greater than assumed, increasing future pensions.
- Salary growth risk - The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- Legislative risk - The risk that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

13. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

30 JUNE 2017

DESCRIPTION OF SIGNIFICANT EVENTS

There were no fund amendments, curtailments or settlements during the year.

SENSITIVITY ANALYSIS

The Company's total defined benefit obligation is not materially sensitive to changes in assumptions.

RECONCILIATION OF THE NET DEFINED BENEFIT LIABILITY/(ASSET)

	2017 $'000	2016 $'000
Net defined balance at the start of the year	**14,323**	7,493
Current service cost	**77**	82
Net interest on the net defined benefit liability	**501**	359
Actual return on Fund assets less interest income	**(788)**	247
Actuarial (gains)/losses arising from changes in demographic assumptions	**-**	665
Actuarial gains/(losses) arising from changes in financial assumptions	**(3047)**	4,039
Actuarial gains/(losses) arising from liability experience	**(384)**	1,474
Employer contributions	**(552)**	(36)
Net defined benefit liability at end of year	**10,130**	14,323

RECONCILIATION OF THE FAIR VALUE OF FUND ASSETS

	2017 $'000	2016 $'000
Fair value of Fund assets at start of the year	**13,760**	14,663
Interest income	**484**	683
Actual return on Fund assets less interest income	**788**	(247)
Employer contributions	**552**	36
Contributions by participants	**26**	26
Benefits paid	**(866)**	(1,444)
Taxes, premiums & expenses paid	**76**	43
Fair value of Fund assets at end of the year	**14,820**	13,760

SENSITIVITY ANALYSIS (CONTINUED)

RECONCILIATION OF THE DEFINED BENEFIT OBLIGATION

	2017 $'000	2016 $'000
Present value of the defined benefit obligation	**28,083**	22,156
Current service cost	**77**	82
Interest cost	**986**	1,042
Contributions by participants	**26**	26
Actuarial (gains)/losses arising from changes in demographic assumptions	**-**	665
Actuarial (gains)/losses arising from changes in financial assumptions	**(3,047)**	4,039
Actuarial (gains)/losses arising from liability exposure	**(384)**	1,474
Benefits paid	**(866)**	(1,444)
Taxes, premiums & expenses paid	**75**	43
Present value of defined benefit obligation at end of the year	**24,950**	28,083

FAIR VALUE OF FUND ASSETS

All Pooled Fund assets are invested by SAS Trustee Corporation (STC) at arm's length through independent fund managers, assets are not separately invested for each entity and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. As such, the disclosures below relate to total assets of the Pooled Fund.

The percentage invested in each asset class at the reporting date is:

AS AT	30 JUNE 2017
Cash	7.7%
Australian fixed interest	6.2%
International fixed interest	1.2%
Australian equities	23.6%
International equities	30.1%
Property	8.6%
Alternatives	22.6%
Total	**100.0%**

14. EQUITY

RECOGNITION AND MEASUREMENT

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options/rights are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options/rights, for the acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration.

ORDINARY SHARES

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

Every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Voting power may be subject to certain restrictions arising from a combination of the Company's Constitution, statute, the ASX listing rules and other general law.

SHARE CAPITAL

	2017 SHARES	2016 SHARES	2017 $'000	2016 $'000
Ordinary shares - fully paid	**1,468,519,481**	1,464,523,643	**2,869,480**	2,854,416

MOVEMENTS IN ORDINARY SHARE CAPITAL

DATE	DETAILS	NUMBER OF SHARES	ISSUE PRICE	$'000
1 July 2015	Opening balance	1,460,807,302		2,841,366
5 October 2015	Dividends reinvestment plan issues	3,183,005	$3.54	11,268
28 October 2015	Dividends reinvestment plan issues	150,000	$3.25	488
28 October 2015	Performance rights issue	360,314	$3.49	1,256
3 November 2015	Performance rights issue	11,511	$1.87	22
3 November 2015	Performance rights issue	11,511	$1.36	16
30 June 2016	Closing balance	1,464,523,643		2,854,416
1 July 2016	**Opening balance**	**1,464,523,643**		**2,854,416**
4 October 2016	Dividends reinvestment plan issues	3,492,549	$3.77	13,167
8 November 2016	Performance rights issue	353,289	$3.99	1,409
8 November 2016	Performance rights issue	150,000	$3.25	488
30 June 2017	**Closing balance**	**1,468,519,481**		**2,869,480**

DIVIDEND REINVESTMENT PLAN (DRP)

The Company has a DRP under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the provision of ordinary shares rather than being paid in cash. The DRP is presently suspended.

OPTIONS AND RIGHTS ISSUES

Refer to Note 17 regarding options and rights issued as share-based payments.

OTHER RESERVES AND RETAINED EARNINGS

RECOGNITION AND MEASUREMENT

AVAILABLE-FOR-SALE FINANCIAL ASSETS REVALUATION RESERVE

Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets, are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are reclassified to the income statement when the associated assets are sold or impaired.

FOREIGN CURRENCY TRANSLATION RESERVE

Exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the income statement upon disposal of the net investment.

HEDGE RESERVE

The hedge reserve is used to recognise the portion of the gain or loss on a hedging instrument in a net investment or cash flow hedge that is determined to be an effective hedge. Amounts are reclassified to the income statement if the hedge is ineffective.

SHARE-BASED PAYMENT RESERVE

The share-based payments reserve is used to recognise the fair value at grant date of performance options and performance rights issued but not exercised.

RESERVES

The following table shows a breakdown of the balance sheet line item 'other reserves' and the movements in these reserves during the year.

	2017 $'000	2016 $'000
Available-for-sale financial assets revaluation reserve	**(152)**	(67)
Hedge reserve	**(1,624)**	(3,737)
Share-based payments reserve	**2,299**	1,889
Foreign currency translation reserve	**(233)**	(239)
	290	(2,154)

14. EQUITY (CONTINUED)

OTHER RESERVES AND RETAINED EARNINGS (CONTINUED)

	2017 $'000	2016 $'000
Movements:		
Available-for-sale financial assets revaluation reserve		
Balance 1 July	**(67)**	(54)
Revaluation	**(121)**	(18)
Tax on these items	**36**	5
Balance 30 June	**(152)**	(67)
Hedge reserve		
Balance 1 July	**(3,737)**	37,516
Interest rate swap movement	**4,433**	(16)
Forward foreign exchange contracts movements	**38**	(80)
Cross currency interest rate swaps	**(1,453)**	564
Foreign currency net investment hedge movements	**-**	4,217
Disposal of controlled entities	**-**	(45,798)
Tax on these items	**(905)**	(140)
Balance 30 June	**(1,624)**	(3,737)
Share-based payments reserve		
Balance 1 July	**1,889**	2,105
Performance options and rights expense	**2,307**	1,572
Options and rights exercised	**(1,897)**	(1,782)
Forfeited rights to equity	**-**	(6)
Balance 30 June	**2,299**	1,889
Foreign currency translation reserve		
Balance 1 July	**(239)**	(49,545)
Currency translation differences arising during the year	**6**	(2,369)
Disposal of controlled entities	**-**	51,675
Balance 30 June	**(233)**	(239)
Retained earnings		
Movements in retained earnings were as follows:		
Balance 1 July	**120,464**	139,684
Net profit for the period	**220,515**	233,794
Actuarial gains on retirement benefit obligation, net of tax		
Actuarial gain / (loss) on retirement benefit obligation, net of tax	**3,679**	(4,329)
Dividends	**(256,671)**	(248,691)
Transfer from share-based payment reserve	**-**	6
Balance 30 June	**87,987**	120,464

15. DIVIDENDS

RECOGNITION AND MEASUREMENT

Provision is made for the amount of any dividend determined, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

ORDINARY SHARES

	2017 $'000	2016 $'000
Final dividend for the year ended 30 June 2016 of 8.0 cents per fully paid share paid on 4 October 2016 (2016: 7.5 cents paid on 5 October 2015) Fully franked based on tax paid @ 30%	**117,162**	109,561
Interim dividend for the year ended 30 June 2017 of 9.5 cents per fully paid share paid on 3 April 2017 (2016: 9.5 cents paid on 31 March 2016) Fully franked based on tax paid @ 30.0%	**139,509**	139,130
	256,671	248,691

DIVIDENDS NOT RECOGNISED AT YEAR END

In addition to the above dividends, since the balance sheet date the Directors have determined the payment of a final dividend of 8.0 cents (2016: Final - 8.0 cents) per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend to be paid on 3 October 2017 out of retained earnings, but not recognised as a liability at year end, is $117.5 million (2016: $117.2 million).

FRANKED DIVIDENDS

The franked portions of the final dividends determined after 30 June 2017 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2018.

	2017 $'000	2016 $'000
Franking credits available for subsequent financial years based on a tax rate of 30.0% (2016 - 30.0%)	**121,020**	159,700

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted as necessary for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting period, and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting period.

The consolidated amounts include franking credits that are available to the Company if distributable profits of subsidiaries were paid as dividends.

The impact on the franking account of the final dividend determined by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $50.3 million (2016: $50.2 million).

16. EARNINGS PER SHARE

30 JUNE 2017

BASIC EARNINGS PER SHARE

	2017 CENTS	2016 CENTS
From continuing operations attributable to the ordinary equity holders of the Company	**15.1**	18.0
Total basic earnings per share attributable to the ordinary equity holders of the Company	**15.0**	16.0

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

DILUTED EARNINGS PER SHARE

	2017 CENTS	2016 CENTS
From continuing operations attributable to the ordinary equity holders of the Company	**15.1**	18.0
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**15.0**	16.0

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financial costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive ordinary shares.

RECONCILIATION OF EARNINGS USED IN CALCULATING EARNINGS PER SHARE

BASIC AND DILUTED EARNINGS PER SHARE	2017 $'000	2016 $'000
Profit from continuing operations	**221,215**	263,382
Profit from continuing operations attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share	**221,215**	263,382
Profit attributable to the ordinary equity shareholders of the Company used in calculating basic and diluted earnings per share	**220,515**	233,794

WEIGHTED AVERAGE NUMBER OF SHARES USED AS DENOMINATOR

	2017 NUMBER OF SHARES	2016 NUMBER OF SHARES
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**1,467,420,260**	1,463,504,818
Adjustments for calculation of diluted earnings per share: Performance options and performance rights	**576,457**	520,139
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**1,467,996,717**	1,464,024,957

17. SHARE-BASED PAYMENTS

30 JUNE 2017

RECOGNITION AND MEASUREMENT

Share-based compensation benefits are provided to certain employees who have greater potential impact on share price and long-term value generation as part of any annual incentive awarded to them in the form of rights exercisable in 12 months from grant date into restricted shares, provided the employee remains employed with the Group.

The assessed fair value at determination date of options and rights previously granted to the individuals under the Long-Term Incentive Plan (LTIP) was allocated equally over a 3 year period from determination date. Fair values at determination date were determined using a Monte Carlo Simulation Valuation methodology that takes into account the exercise price, the term of the option and right, the impact of dilution, the share price at determination date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option and right.

INCENTIVE PLAN

Executives, senior managers and other employees who have greater potential impact on share price and long-term value generation receive part of any annual incentive awarded to them as cash and part as rights to restricted shares.

Rights granted under this incentive plan are priced at the VWAP of the ten trading days prior to the day the Remuneration and Human Resources Committee decides to recommend to the Board that it award them. The rights will be able to be exercised into restricted shares 12 months after grant provided the employee remains employed with the Group. Once the shares are acquired, they will be placed in a restricted class and employees will be required to retain them for a further 2 years. No exercise price is payable upon the exercise of the rights. The rights granted under this structure carry no dividend or voting rights. The restricted shares do carry dividend and voting rights.

LONG-TERM INCENTIVE PLAN PRIOR TO 2011 FINANCIAL YEAR

Staff eligible to participate in the LTIP prior to 2011 financial year were those of senior manager level and above (including Executive Directors).

Performance options and performance rights granted under the LTIP were for no consideration. Options and rights granted were for a 3 year vesting period for the earnings per share performance level with a subsequent 1 or 2 year testing period to achieve the requisite total shareholder return. The exercise period for these instruments granted to date will expire on the seventh anniversary of their allocation date. The performance rights issued to the former Chief Executive expire 90 days after the last date for vesting.

Performance options and performance rights granted under the LTIP carry no dividend or voting rights.

The exercise price of performance options was based on the weighted average price at which the Company's shares are traded on the Australian Securities Exchange during the 30 days immediately before the determination date. No exercise price is payable upon the exercise of performance rights.

CURRENT LONG-TERM INCENTIVE PLAN

Staff eligible to participate in the current LTIP are limited to the Executive team and certain other senior executive.

Each participant in the scheme receives a grant of performance rights to a dollar value calculated as a defined percentage, to a maximum of 30%, of their Fixed Annual Remuneration. The defined percentage will be determined by reference to their most recent annual performance rating score. The LTIP rights are exercisable into shares three years after grant and upon achievement of the performance hurdle. This hurdle is set by reference to the rolling compound annual growth rate of the ASX All Ordinaries Index. If the performance hurdle is met, 100% of the LTIP rights vest and are exercisable into shares. If it is not met, none of the LTIP rights vest and they lapse immediately.

17. SHARE-BASED PAYMENTS (CONTINUED)

RIGHTS GRANTED UNDER THE INCENTIVE PLANS

Set out below are summaries of the performance options and rights granted or to be granted in respect of the 2017 financial year under the incentive plans:

2017 GRANT DATE	EXPIRY DATE	BALANCE AT THE START OF THE YEAR NUMBER	GRANTED DURING AND IN RESPECT OF THE YEAR NUMBER	EXERCISED DURING THE YEAR NUMBER	LAPSED/ FORFEITED DURING THE YEAR NUMBER	BALANCE AT END OF YEAR NUMBER	EXERCISABLE AT END OF YEAR NUMBER
Performance rights							
03 Nov 2015	01 Nov 2016	503,289	-	(503,289)	-	-	-
07 Oct 2016	01 Nov 2017	-	227,155	-	(2,593)	224,562	-
08 Nov 2016	01 Nov 2017	-	240,711	-	-	240,711	-
12 Apr 2017	01 Sep 2019	-	352,830	-	-	352,830	-
Total		**503,289**	**820,696**	**(503,289)**	**(2,593)**	**818,103**	**-**

2016 GRANT DATE	EXPIRY DATE	BALANCE AT THE START OF THE YEAR NUMBER	GRANTED DURING AND IN RESPECT OF THE YEAR NUMBER	EXERCISED DURING THE YEAR NUMBER	LAPSED/ FORFEITED DURING THE YEAR NUMBER	BALANCE AT END OF YEAR NUMBER	EXERCISABLE AT END OF YEAR NUMBER
Performance rights							
30 Nov 2009	30 Nov 2016	23,022	-	(23,022)	-	-	-
27 Oct 2011 - Chief Executive	10 Jan 2016	4,950	-	-	(4,950)	-	-
22 Nov 2014	01 Nov 2015	510,314	-	(510,314)	-	-	-
03 Nov 2015	01 Nov 2016	-	503,289	-	-	503,289	-
Total		538,286	503,289	(533,336)	(4,950)	503,289	-

The weighted average share price at the date of the exercise of rights exercised during the year ended 30 June 2017 was $4.00 (2016: $3.86).

The weighted average share price at the date of the exercise of options exercised during the year ended 30 June 2017 was nil (2016: nil).

The weighted average remaining contractual life of exercisable rights outstanding at 30 June 2017 was 1.13 years (2016: 1.26 years).

There were no outstanding share options at the end of the period and the prior period.

RIGHTS GRANTED UNDER THE INCENTIVE PLANS (CONTINUED)

FAIR VALUE OF RIGHTS GRANTED

The model inputs for rights granted during the year ended 30 June 2017 included:

PERFORMANCE CONDITIONS	PERFORMANCE RIGHTS RIGHTS GRANTED TO QUALIFYING EMPLOYEES UNDER CURRENT INCENTIVE PLAN
Grant date	**Jul-16**
Expiry date	**Sep-19**
Share price at grant date	**$4.13**
Expected life	**3.1 years**
Vesting period	**3.1 years**
Volatility	**N/A**
Risk free interest rate	**N/A**
Dividend yield	**4.4%**
Fair value	**$4.01**

The model inputs for rights granted during the year ended 30 June 2016 included:

PERFORMANCE CONDITIONS	PERFORMANCE RIGHTS RIGHTS GRANTED TO QUALIFYING EMPLOYEES UNDER CURRENT INCENTIVE SCHEME
Grant date	Oct-16
Expiry date	Oct-17
Share price at grant date	$4.15
Expected life	1.0 year
Vesting period	1.0 year
Volatility	N/A
Risk free interest rate	N/A
Dividend yield	4.2%
Fair value	$4.01

EXPENSES ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2017 $'000	2016 $'000
Performance rights issued[1]	**432**	171
Performance rights issued under incentive schemes[2]	**-**	1,877
	432	2,048

1 Represents the amortised cost charged in the relevant financial year for all grants that are still in, or remain to enter into, their vesting period.

2 Represents the total value of the rights to be granted in respect of the relevant financial year.

FINANCIAL MANAGEMENT
18. FINANCIAL ASSETS

RECOGNITION AND MEASUREMENT

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established. Interest income from these financial assets is included in the net gains/(losses).

IMPAIRMENT AND PRICE RISK EXPOSURE

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss.

Information concerning exposure to price and credit risk is set out in Note 20.

The Group has recognised no impairment loss on its available-for-sale financial assets during the year ended 30 June 2017 (2016: $Nil).

FINANCIAL ASSETS INCLUDE THE FOLLOWING CLASSES OF FINANCIAL ASSETS:

	2017 $'000	2016 $'000
Non-current assets		
Unlisted investments		
Managed fund investment - at fair value	**20,360**	19,884
Total available-for-sale financial assets	**20,360**	19,884
Investment – Term Deposits – Non Current	**55,000**	35,240
Total held-to-maturity investments	**55,000**	35,240

19. INTEREST BEARING LIABILITIES

RECOGNITION AND MEASUREMENT

Interest bearing liabilities, such as loans, are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Interest bearing liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

	2017 $'000	2016 $'000
Current		
Unsecured		
Bank loans	**239,901**	-
Loan notes (US Private Placement)	**73,215**	-
Total current interest bearing liabilities	**313,116**	-
Non-current		
Unsecured		
Bank loans	**427,786**	611,053
Loan notes (US Private Placement)	**225,962**	319,882
Tatts Bonds	**193,411**	192,788
Total non-current interest bearing liabilities	**847,159**	1,123,723

All interest bearing liabilities are unsecured, and are disclosed net of capitalised borrowing costs of $4.0 million (2016: $6.4 million).

FAIR VALUE AND MATURITY ANALYSIS DISCLOSURES

Details of the fair value borrowings for the Group and the maturity analysis are set out in Note 20.

20. FINANCIAL RISK MANAGEMENT

30 JUNE 2017

Financial risk management is carried out by a central treasury department, Group Treasury, under a framework and policies approved by the Board of Directors. Group Treasury identifies, monitors and manages financial risks in close cooperation with the Group's operating units. Compliance with these policies is monitored regularly by the Audit, Risk and Compliance Committee of the Board.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management program seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses various risk management approaches including derivative financial instruments to hedge relevant risk exposures. Derivatives are used exclusively for hedging purposes, not for speculative purposes. The Group uses a variety of methods to quantify different types of risk to which it is exposed, including market or fair value, or face value as appropriate.

CLASSIFICATION

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date (refer to Notes 6 and 18).

RECOGNITION AND MEASUREMENT

Purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Policies for recognition and measurement of Receivables and Available-for-sale Financial Assets are in Notes 6 and 18.

IMPAIRMENT AND PRICE RISK EXPOSURE

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of 1 or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Impairment testing of trade receivables is described in Note 6.

RECOGNITION AND MEASUREMENT (CONTINUED)

DERIVATIVES AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed further in this Note. Movements in the hedging reserve in shareholder's equity are shown in Note 14. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months from balance sheet date; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

FAIR VALUE HEDGE

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit or loss within other income or other expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

CASH FLOW HEDGE

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

RECOGNITION AND MEASUREMENT (CONTINUED)

NET INVESTMENT HEDGES

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

DERIVATIVES THAT DO NOT QUALIFY FOR HEDGE ACCOUNTING

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are only used for economic hedging purposes and not as trading or speculative instruments. The Group has the following derivative financial instruments:

	2017 $'000	2016 $'000
Current assets		
Forward foreign exchange contracts	**38**	-
Cash flow hedges - Cross currency interest rate swaps (US Private Placement)	**16,279**	-
Equity Derivative	**2,019**	-
Total current derivative financial instrument assets	**18,336**	-
Non-current assets		
Cash flow hedges - Cross currency interest rate swaps (US Private Placement)	**56,259**	94,872
	56,259	94,872
Current liabilities		
Cash flow hedges - interest rate swap contracts	**-**	751
	-	751
Non-current liabilities		
Cash flow hedges - interest rate swap contracts	**2,291**	5,973
	2,291	5,973

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group financial risk management policies.

EQUITY DERIVATIVE: CALL OPTION

On 13 July 2017, the Group was issued an option to acquire a further 3,474,492 ordinary shares in Jumbo Interactive Limited at a strike price of $2.37 (maturing on 13 July 2018), following Jumbo shareholder approval on 12 July 2017.

A revaluation will be made at least every reporting period using the Black Scholes Discrete model. Any change in the option value each period will be recognised through the profit and loss statement.

DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

INTEREST RATE SWAP - CASH FLOW HEDGES

The Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and pay interest at fixed rates. Swaps currently in place cover approximately 21.6% of the loan principal outstanding (2016: 24.7%) and are timed to match each interest rate payment as it falls due. The contracts require settlement of interest receivable or payable every 1, 3 or 6 months, and are settled on a net basis. Variable interest rates range between 1.67% and 1.79% (2016: 1.89% and 2.27%) while the fixed interest rates average AUD 2.71% (2016: AUD 3.06%).

The gain or loss from remeasuring the hedging instruments at fair value is recognised in the statement of comprehensive income and deferred in equity in the hedging reserve to the extent that the hedge is effective.

CROSS CURRENCY INTEREST RATE SWAP CONTRACTS/LOAN NOTES (US PRIVATE PLACEMENT) - CASH FLOW HEDGES

The gain or loss from remeasuring the loan notes at fair value is recognised in the statement of comprehensive income and deferred in the hedging reserve to the extent that the hedge is effective.

MARKET RISK

FOREIGN EXCHANGE RISK

The Group operates internationally and is exposed to foreign exchange risk arising predominantly from currency exposures to the United States Dollar (USD), and various other currencies from time to time.

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency, and from net investments in foreign operations. The goal of managing foreign exchange risk is minimising the volatility of Group financial results to adverse exchange rate movements.

This is achieved through a combination of risk management approaches including forward foreign exchange contracts, cross currency interest rate swaps, holding foreign currency cash balances against exposures, and minimising offshore net asset holdings through foreign currency denominated debt.

The Group's material exposure to foreign currency risk at the end of the reporting period, was as follows:

	30 JUNE 2017 USD $'000	30 JUNE 2016 USD $'000
Cross currency interest rate swap - receivable	**(225,000)**	(225,000)
Loan notes (US Private Placement)	**225,000**	225,000
Total	**-**	-

MARKET RISK SENSITIVITY ANALYSIS

The Group's exposure to foreign exchange movements is not material.

CASH FLOW AND FAIR VALUE INTEREST RATE RISK

Interest rate risk is the risk that the Group will suffer a financial or economic opportunity loss due to an unfavourable change in interest rates. The Group's interest rate risk arises from the Group's variable interest rate bearing assets and liabilities.

CASH FLOW AND FAIR VALUE INTEREST RATE RISK (CONTINUED)

INTEREST RATE RISK EXPOSURE

Cash at bank is bearing floating interest rates between zero and 1.70% (2016: zero and 1.95%).

Fixed and floating rate interest securities are bearing interest rates with a weighted average of 2.66% (2016: 2.95%).

The Group may enter into interest rate hedge instruments, ranging from 0% to 100.0% of the net variable interest rate exposure of the Group.

Group Treasury manage interest rate risk by executing fixed or floating interest rate swaps in accordance with the Board approved policy.

As at the end of the period, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	2017			2016		
	AVAILABLE FACILITY $'000	BALANCE DRAWN DOWN $'000	% OF TOTAL LOANS	AVAILABLE FACILITY $'000	BALANCE DRAWN DOWN $'000	% OF TOTAL LOANS
Bank overdrafts and bank loans	**1,200,000**	**670,000**	**57.90**	1,200,000	615,000	55.30
Loan Notes (US Private Placement)	**292,626**	**292,626**	**25.30**	301,973	301,973	27.20
Bonds	**194,664**	**194,664**	**16.80**	194,664	194,664	17.50
Bilateral facility	**100,000**	**-**		100,000	-	
Interest rate swaps (notional principal amount)	**-**	**(250,000)**		-	(275,000)	
Net exposure to cash flow interest rate risk	**1,787,290**	**907,290**		1,796,637	836,637	

All other financial assets and liabilities are either non-interest bearing or not subject to interest rate risk or exposures to such risk are not material.

CASH FLOW AND FAIR VALUE INTEREST RATE RISK SENSITIVITY ANALYSIS

At 30 June 2017, if interest rates had increased/decreased by 100 basis points (2016: 100 basis points) from the year-end rates with all other variables held constant, the post-tax profit for the year and equity for the Group would have been $4.9 million lower/higher and $4.0 million higher/$4.1 million lower respectively (2016: $2.4 million lower/higher and $5.1 million higher/$5.2 million lower respectively).

PRICE RISK

The Group is exposed to managed fund securities price risk. This arises from investments held by the Group and classified in the consolidated balance sheet as available-for-sale financial assets (Refer to Note 18 for further information).

These managed fund investments are part of the usual business operations or strategies of the Group and do not represent a material exposure to the Group. As at 30 June 2017, the amount held is $20.4 million (2016: $19.9 million).

Additionally, the Group is exposed to equities price risk from the options held in Jumbo Interactive Ltd, which are held as Derivative Financial Assets (Refer to Note 20 for further information).

These derivatives are part of the usual business operations or strategies of the Group and do not represent a material exposure to the Group. As at 30 June 2017, the value of the options held was $2.0 million (2016: nil).

PRICE RISK SENSITIVITY ANALYSIS

Based on the equity securities and managed fund securities held at 30 June 2017, had the price increased/decreased by 10% (2016: 10%) with all other variables held constant, the Group's post tax profit for the year would have been $0.5 million higher/$0.1 million lower while equity would have been $2.0 million higher/lower (2016: $2.0 million higher/lower).

CREDIT RISK

Credit risk is the risk that the Group will suffer a financial loss due to the inability of a counterparty to meet its financial and/or contractual obligations. Treasury activities generate credit risk arising primarily from investments, and the use of derivative instruments. Credit risk relating to other instruments is not material.

CREDIT RISK (CONTINUED)

The Board-approved Treasury policy requires that approved financial institutions counterparties maintain a minimum long-term credit rating of BBB+. As at 30 June 2017, and 30 June 2016, all current counterparties for Treasury activities had a credit rating that exceeded this requirement. Additionally, Group Treasury seeks to spread transactions across a range of approved counterparties to minimise the concentration of credit risk with any one financial institution.

Business and trade related credit risk is managed through procurement policies in place for the Group.

LIQUIDITY RISK

Liquidity risk is the risk that the Group may not be able to meet its obligations with respect to financial liabilities. Prudent liquidity risk management requires maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. Group Treasury manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the maturity profiles of financial assets and liabilities, and maintaining appropriate committed funding lines in anticipation of future requirements.

MATURITIES OF FINANCIAL ASSETS

The financial assets of the Group, with the exception of available-for-sale financial assets disclosed in Note 18 have maturity periods ranging from 12 to 2,090 days. (2016: 4 to 2,455 days).

MATURITIES OF FINANCIAL LIABILITIES

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting date to the contractual maturity date. The amounts disclosed are undiscounted cash flows.

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES	LESS THAN 6 MONTHS	6 TO 12 MONTHS	1 TO 2 YEARS	2 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL CONTRACTUAL CASH FLOWS[4]	CARRYING VALUE
AT 30 JUNE 2017	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-derivatives							
Trade and other payables[1]	553,613	89,326	17,817	56,583	81,001	798,340	794,961
Bank loans[2]	255,306	9,204	451,605	-	-	716,115	670,000
Tatts Bonds[2]	4,729	4,616	9,466	197,095	-	215,907	194,664
Loan Notes (USPP)[3]	78,776	5,682	11,364	238,142	-	333,964	292,626
Total non-derivatives	**892,424**	**108,828**	**490,252**	**491,820**	**81,001**	**2,064,326**	**1,952,251**
Derivatives							
Net settled (interest rate swaps)	**-**	**-**	**1,182**	**1,109**	**-**	**2,291**	**2,291**
AT 30 JUNE 2016							
Non-derivatives							
Trade and other payables[1]	536,096	57,868	74,376	53,327	65,184	786,851	781,335
Bank loans[2]	10,774	8,622	16,665	659,928	-	695,989	627,086
Tatts Bonds[2]	5,080	4,766	9,383	206,510	-	225,739	194,664
Loan Notes (USPP)[3]	7,477	7,477	87,156	257,476	-	359,586	301,973
Total non-derivatives	559,427	78,733	187,580	1,177,241	65,184	2,068,165	1,905,058
Derivatives							
Net settled (interest rate swaps)	-	751	-	5,832	141	6,724	6,724

1 Non-interest bearing
2 Floating interest rate
3 Fixed interest rate
4 Excludes the impact of financial derivatives

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

LIQUIDITY RISK (CONTINUED)

FINANCING ARRANGEMENTS

The Group's existing debt facilities and their maturities at the end of the reporting period were as follows:

			UTILISED		FACILITY LIMIT	
	SECURITY	MATURITY	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Bilateral Facility	Unsecured	Feb-2019	**-**	-	**100,000**	100,000
Syndicated Facility	Unsecured	Feb-2019	**135,000**	180,000	**250,000**	250,000
Syndicated Facility	Unsecured	Sep-2020	**-**	-	**350,000**	350,000
Syndicated Facility	Unsecured	Jul-2018	**295,000**	135,000	**300,000**	300,000
Syndicated Facility	Unsecured	Sep-2017	**240,000**	300,000	**300,000**	300,000
USPP	Unsecured	Dec-2017	**71,531**	73,816	**71,531**	73,816
USPP	Unsecured	Dec-2020	**221,095**	228,157	**221,095**	228,157
Tatts Bonds	Unsecured	Jul-2019	**194,664**	194,664	**194,664**	194,664

This table excludes the impact of any derivatives at the end of each reporting period.

Loans provided under the syndicated multi-currency revolving facility agreement and the bilateral facility are subject to covenants on the Group. The USD Private Placement Notes contain undertakings and covenants similar to the loan agreements. The financial undertakings state that (subject to certain exceptions) the companies party to these facilities would limit security given over their assets, and will ensure that certain financial ratios are maintained.

No financial covenants apply to the Tatts Bonds. The Group complied with all debt covenants imposed on it under its debt facilities during the period.

CAPITAL RISK MANAGEMENT

The Group's policy is to maintain a capital structure for the business which ensures sufficient liquidity and support for business operations, maintains shareholder and market confidence, provides strong stakeholder returns, and positions the business for future growth.

The ongoing maintenance and pursuit of this policy is characterised by:

- maintaining a leverage ratio that ensures an investment grade credit profile of the Group;
- maintaining appropriate sources of debt funding that ensures an appropriate maturity profile for the Group;
- a dividend policy aimed at dividend payout ratios of circa 90% on a fully franked basis; and
- investment criteria that consider earnings accretion and risk adjusted rate of return requirements based on the Group's weighted average cost of capital.

The leverage ratios that management monitor as key metrics for capital management are calculated as net debt divided by total capital (balance sheet leverage ratio), and net debt divided by EBITDA (earnings leverage ratio).

Net debt is calculated as total borrowings (interest bearing liabilities as shown in the balance sheet, plus derivative financial liabilities and bank guarantees) less cash and cash equivalents (less prize reserves and other committed cash amounts).

Total capital is calculated as 'equity' as shown in the balance sheet (including non-controlling interests) plus net debt. EBITDA (leverage) is the earnings before interest, tax, depreciation and amortisation as shown in the income statement, adjusted to reflect full-year outcomes of continuing operations, adjusted for non-recurring significant or extraordinary items which are non-cash in nature, adjusted for acquisitions/disposals during the past financial year on a pro forma 12-month basis and with the addition of interest income.

CAPITAL RISK MANAGEMENT (CONTINUED)

Two measures are used for leverage to provide both a balance sheet and earnings/cash flow perspective of the leverage of the business.

In addition, the interest cover ratio is used to monitor the annual earnings leverage in the income statement. Interest cover ratio is calculated as EBITDA (leverage) as outlined above less the acquisition/disposal adjustment (EBITDA (interest cover)), divided by interest expense as disclosed in the accounts adjusted for any non-recurring non-cash items.

	2017 $'000	2016 $'000
EBITDA (leverage)	**433,321**	499,365
EBITDA (interest cover)	**433,321**	486,104
Interest expense	**50,434**	74,049
Interest bearing and other liabilities	**1,177,636**	1,182,325
Less: cash and cash equivalents (excluding prize reserves)	**(119,756)**	(70,191)
Net debt	**1,057,880**	1,112,134
Equity	**2,957,757**	2,972,726
Total Capital	**4,015,637**	4,084,860
Balance sheet leverage ratio	**29.33%**	27.23%
Earnings leverage ratio	**2.44:1**	2.29:1
Interest cover ratio	**8.59:1**	6.74:1

KEY FINANCIAL DISCLOSURES FOR TATTS BONDS

In accordance with the requirements of clause 13.2 of the Trust Deed, the following Key Financial Disclosures are made:

- Tatts Bonds rank equally among themselves and at least equally with all other senior and unsecured creditors of the Group, other than those obligations mandatorily preferred by law;
- the Group has not materially breached any loan covenants or any debt obligations (whether or not relating to Tatts Bonds) during the period covered by this report; and
- the key financial ratios for the Group at 30 June 2017 calculated in accordance with section 713B of the Corporations Act are:

$$\text{Interest Coverage Ratio}^{1} = \frac{\text{EBITDA}}{\text{Net Interest Expense}} = 9.3 \text{ times}$$

$$\text{Gearing Ratio} = \frac{\text{Total Liabilities}}{\text{Total Equity}} = 79.0\%$$

$$\text{Working Capital Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = 38.7\%$$

1. Calculated on EBITDA on continuing operations

CAPITAL RISK MANAGEMENT (CONTINUED)

KEY FINANCIAL DISCLOSURES FOR TATTS BONDS (CONTINUED)

A description of these ratios and how they are calculated is included in section 2.3(b) of the Tatts Bonds Prospectus.

The Board and management continually assess the relative merits of the potential for higher returns from increased leverage and the advantages of operational stability and strategic flexibility from a strong capital base.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements, other than normal banking requirements.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

RECOGNITION AND MEASUREMENT

FAIR VALUE MEASUREMENTS

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Derivative financial instruments
- Available-for-sale financial assets

ON-BALANCE SHEET

The fair value of cash and cash equivalents, and non-interest bearing monetary financial assets and financial liabilities of the Group approximates their carrying amounts.

The fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

Equity investments traded in active markets have been valued by reference to market prices prevailing at balance sheet date. For non-traded equity investments, the fair value is an assessment by management based on the underlying net assets, future maintainable earnings and any special circumstances pertaining to a particular investment.

FAIR VALUE HIERARCHY

Other than those classes of financial assets and liabilities denoted as 'listed' (Refer to Note 18), none of the classes of financial assets and liabilities are readily traded on organised markets in standardised form. The fair value of financial assets and liabilities is exclusive of costs which would be incurred on realisation of an asset, and inclusive of costs which would be incurred on settlement of a liability. The fair values of financial assets and liabilities of the Group are approximately the same as the carrying amount shown in the balance sheet.

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy (consistent with the hierarchy applied to financial assets and financial liabilities):

Level 1 - the fair value is calculated using quoted prices in active market

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

Level 3 - the fair value is estimated using inputs for the asset or liability that are not based on observable market data

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the above fair value measurement hierarchy.

VALUATION TECHNIQUES USED TO DERIVE LEVEL 2 FAIR VALUES

RECURRING AND NON-RECURRING FAIR VALUE MEASUREMENTS

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Borrowings within Level 2 are measured at fair value on initial recognition.

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.

The main inputs used by the Group are derived and evaluated as follows:

- Discount rates for financial assets and financial liabilities are determined using publicly available pre-tax discount rates in the relevant currency, which reflects the market's assessment of the present value of the future cashflows of the individual instruments.
- Risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk gradings determined by Tatts Group Limited's internal credit risk management group.

Equity investments traded in active markets have been valued by reference to market prices prevailing at balance sheet date. For non-traded equity investments, the fair value is an assessment by management based on the underlying net assets, future maintainable earnings and any special circumstances pertaining to a particular investment.

OFF-BALANCE SHEET

The Company and certain controlled subsidiaries have potential financial liabilities which may arise from certain contingencies disclosed in Note 25. No material losses are anticipated in respect of any of those contingencies.

DERIVATIVE FINANCIAL INSTRUMENTS

For forward foreign exchange contracts, the fair value is taken to be the unrealised gain or loss at balance sheet date calculated by reference to the current forward exchange rates for contracts with similar remaining maturity profiles.

For interest rate swaps, the fair value is taken to be the unrealised gain or loss at balance sheet date calculated by reference to the current interest rate curve with similar remaining maturity profiles.

For cross-currency interest rate swaps, the fair value is taken to be the unrealised gain or loss at balance sheet date calculated by reference to the current forward exchange rates and interest rate curve with similar maturity profiles.

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

RECOGNISED FAIR VALUE MEASUREMENTS

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2017.

30 JUNE 2017	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Financial assets				
Financial assets at fair value through profit or loss				
Cross currency interest rate swaps	-	72,538	-	**72,538**
Available-for-sale financial assets	-	20,360	-	**20,360**
Forward foreign exchange contracts	-	38	-	**38**
Equity derivative: Call option	-	2,019	-	**2,019**
Total financial assets	**-**	**94,955**	**-**	**94,955**
Financial Liabilities				
Interest rate swap contracts	-	2,291	-	**2,291**
Total financial liabilities	**-**	**2,291**	**-**	**2,291**
30 JUNE 2016				
Financial assets				
Financial assets at fair value through profit or loss				
Cross currency interest rate swaps	-	94,872	-	94,872
Available-for-sale financial assets	-	19,884	-	19,884
Total financial assets	-	114,756	-	114,756
Financial liabilities				
Interest rate swap contracts	-	6,724	-	6,724
Total financial liabilities	-	6,724	-	6,724

There were no transfers between Levels 1 and 2 for recurring fair value measurements during the period. There were no recurring or non-recurring transfers in or out of Level 3 measurements.

GROUP STRUCTURE
21. DISCONTINUED OPERATIONS

RECOGNITION AND MEASUREMENT

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

TOTAL GROUP DISCONTINUED OPERATIONS

FINANCIAL PERFORMANCE AND CASH FLOW INFORMATION

	2017 $'000	2016 $'000
Revenue	**-**	103,612
Expenses	**(1,000)**	(103,845)
Loss on disposal of assets held for sale	**-**	(302)
Loss on sale of Talarius	**-**	(206)
EBITDA	**(1,000)**	(741)
Depreciation	**-**	(7,606)
Interest income	**-**	30
Finance costs	**-**	(29,302)
Income tax benefit/(expense)	**300**	8,031
Loss after income tax of discontinued operation	**(700)**	(29,588)
Net cash inflow/(outflow) from operating activities	**(1,000)**	(10,196)
Net cash inflow from investing activities	**-**	181,672
Net cash (outflow) from financing activities	**-**	(176,640)
Net cash (decrease)/increase generated by Total Group	**(1,000)**	(5,164)

TATTS POKIES

DESCRIPTION

On 15 August 2012 the gaming operator's licence held by the Company expired. This gaming operator's licence enabled Tatts Pokies to own and operate gaming machines in venues within the State of Victoria. The expiry of this licence means that Tatts Pokies no longer generates earnings and cash flows from the activities which were conducted under this licence. As part of the transition to the new gaming machine monitoring licence holder, the Group provided monitoring services and support through to 15 February 2013.

The Group entered into agreements with third parties to sell its gaming machines classified as plant and equipment with the effective date of sale of these machines being the date when the gaming operator's licence expired on 15 August 2012. As a result of the sale agreements, the Group changed the depreciation estimate of the gaming machines to a zero depreciation rate from 31 March 2011 as the sale value of the gaming machines exceeded their written down book value. The remainder of the gaming assets classified under plant and equipment relating to the gaming operator's licence continued to be depreciated at existing rates up to the expiry of the licence on 15 August 2012.

On 2 March 2016 the High Court of Australia upheld the State of Victoria's appeal in relation to the matter of the State of Victoria v Tatts Group Limited (M83 of 2015). Consequently on 3 March 2016, Tatts repaid the State $540.5 million plus our estimate of interest of $26.6 million. Tatts is also required to pay the State's costs of the appeal and its costs of the proceedings in the Victorian Supreme Court of Appeal. This amount and the interest have been agreed. The final interest and legal costs are included in discontinued operations.

21. DISCONTINUED OPERATIONS (CONTINUED)

FINANCIAL PERFORMANCE AND CASH FLOW INFORMATION

The financial performance and cash flow information presented are for the full year ended 30 June 2017 and the corresponding prior period ended 30 June 2016.

	2017 $'000	2016 $'000
Expenses	**(1,000)**	(3,833)
Loss on disposal of assets classified as held for sale	**-**	(302)
EBITDA	**(1,000)**	(4,135)
Finance costs	**-**	(26,632)
Income tax benefit/(expense)	**300**	10,799
Loss after income tax of discontinued operation	**(700)**	(19,968)
Net cash (outflow) from operating activities	**(1,000)**	(17,711)
Net cash inflow from investing activities	**-**	-
Net cash (decrease)/increase generated by Tatts Pokies	**(1,000)**	(17,711)

TALARIUS

DESCRIPTION

On 24 June 2016 the Group sold its 100% interest in Talarius. The results include the contribution from Talarius as a discontinued operation up until 19 March 2016 (being the effective date of sale).

FINANCIAL PERFORMANCE AND CASH FLOW INFORMATION

The financial performance and cash flow information presented are for the corresponding prior period ended 30 June 2016 as in the current year ended 30 June 2017 there were no transactions.

	2016 $'000
Revenue	103,612
Expenses	(90,351)
EBITDA	13,261
Depreciation	(7,606)
Interest income	30
Finance costs	(2,182)
Income tax expense	(1,560)
Profit after income tax of discontinued operation	1,943
Net cash inflow from operating activities	10,161
Net cash (outflow) from investing activities	(7,189)
Net cash (decrease)/increase generated by Talarius	2,972

TALARIUS (CONTINUED)

DETAILS OF THE SALE OF THE TALARIUS SEGMENT

	2016 $'000
Consideration received or receivable	
Cash*	217,654
Carrying amount of net assets sold	(217,860)
Loss on sale after income tax	(206)

*Total consideration received of $217.6 million, includes proceeds of $188.9 million plus cash extracted from Talarius Group prior to disposal.

Sale of Talarius	
Expenses including recycling of reserves	(9,661)
Loss on sale of Talarius	(206)
EBITDA	(9,867)
Finance costs	(488)
Income tax	(1,208)
Total loss on sale after expenses	(11,563)
Net cash inflow from operating activities	(2,646)
Net cash inflow from investing activities	188,861
Net cash outflow from financing activities	(176,640)
Net cash (decrease)/increase generated by Talarius	9,575

The carrying amounts of assets and liabilities as at the effective date of sale 19 March 2016 were:

	19 MARCH 2016 $'000
Cash and cash equivalents	28,793
Trade receivables	5,129
Inventories	199
Property, plant and equipment	32,222
Intangible assets	167,379
Deferred tax asset	7,822
Total assets	241,544
Trade and other payables	(22,255)
Employee benefits obligations	(1,429)
Total liabilities	(23,684)
Net assets	217,860

22. INVESTMENTS IN CONTROLLED ENTITIES AND ASSOCIATES

30 JUNE 2017

Shareholdings in all controlled entities are classed as ordinary shares.

NAME OF ENTITY	COUNTRY OF INCORPORATION	EQUITY HOLDING 2017 %	2016 %
Ubet Qld Limited (1)	Australia	100	100
Ubet Enterprises Pty Ltd	Australia	100	100
Ubet NT Pty Ltd (1)	Australia	100	100
Ubet Radio Pty Ltd	Australia	100	100
Ubet SA Pty Ltd (1)	Australia	100	100
TAB Queensland Pty Ltd (2)	Australia	100	100
Ubet Tas Pty Ltd (1)	Australia	100	100
Agility Interactive Pty Ltd (2)	Australia	100	100
Tasradio Pty Ltd (2)	Australia	100	100
Maxgaming Holdings Pty Ltd (1)	Australia	100	100
Maxgaming NSW Pty Ltd (1)	Australia	100	100
Maxgaming Qld Pty Ltd (1)	Australia	100	100
Maxgaming Vic Pty Ltd	Australia	100	100
Bytecraft Systems Pty Ltd (1) (3)	Australia	100	100
Bytecraft Systems (NSW) Pty Ltd (1)	Australia	100	100
Bytecraft Systems (NZ) Limited	New Zealand	100	100
EGM Tech Pty Ltd (2)	Australia	100	100
Reaftin Pty Ltd (1)	Australia	100	100
Bytecraft Systems Pty Ltd (1) (3)	Australia	100	100
Tattersall's Holdings Pty Ltd (1)	Australia	100	100
Tatts Online Pty Ltd	Australia	100	100
Tattersall's Sweeps Pty Ltd (1)	Australia	100	100
Tattersall's Gaming Pty Ltd (1)	Australia	100	100
Tattersall's Club Keno Pty Ltd (2)	Australia	100	100
tatts.com Pty Ltd	Australia	100	100
New South Wales Lotteries Corporation Pty Limited (1)	Australia	100	100
Tatts Employment Co (NSW) Pty Ltd	Australia	100	100
George Adams Pty Ltd	Australia	100	100
Tattersall's Australia Pty Ltd (2)	Australia	100	100
Tatts NT Lotteries Pty Ltd (1)	Australia	100	100
Golden Casket Lottery Corporation Limited (1)	Australia	100	100
Tattersall's Investments (South Africa) (Pty) Limited	South Africa	100	100
Wintech Investments Pty Ltd (1)	Australia	100	100
Tattersall's Gaming Systems (NSW) Pty Ltd	Australia	100	100
Tatts Lotteries SA Pty Ltd (1)	Australia	100	100
Thelott Enterprises Pty Ltd	Australia	100	100
Tatts Employment Share Plan Pty Ltd	Australia	100	100

NAME OF ENTITY	COUNTRY OF INCORPORATION	EQUITY HOLDING 2017 %	2016 %
TattsTech Pty Ltd (2)	Australia	100	100
50-50 Software Pty Ltd	Australia	100	100
Talarius Holdings Limited	United Kingdom	100	100
European Gaming (Finance) Limited	United Kingdom	100	100
George Adams Holdings Limited	United Kingdom	100	100
European Gaming Limited	United Kingdom	100	100
Jumbo Interactive Ltd (4)	Australia	13	-

1 These subsidiaries have, where applicable, been granted relief from the necessity to prepare financial statements in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. (Refer to Note 23 for further information).
2 Dormant entity.
3 Owned 50% by Tatts Group Limited and 50% by Reaftin Pty Ltd. 100% equity holding within the Group.
4 Shares acquired in associate during the current financial year.

INVESTMENT IN ASSOCIATE

An associate is an entity over which the Group has significant influence but not control or joint control. Significant influence is the power to participate in the financial and operating decisions of the investee. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

SUMMARISED FINANCIAL INFORMATION OF ASSOCIATE

	2017 $'000	2016 $'000
Jumbo Interactive Ltd	**15,665**	-

The Group purchased 6,609,686 newly issued fully paid ordinary shares in Jumbo at $2.37 per share on 12 May 2017.

The above associate was incorporated in Australia. The Group does not have representation on the board of directors, although does have the option to have representation. The Group does not participate in the significant financial and operating decisions but has transitional arrangements in place with the associate which are material to its operational and financial performance. The Group has therefore determined that it has significant influence over this entity. The Group also owns options over a further 3,474,492 ordinary shares (see Note 20).

23. DEED OF CROSS GUARANTEE

30 JUNE 2017

As at 1 July 2016, Tatts Group Limited, Tattersall's Holdings Pty Ltd, Tattersall's Gaming Pty Ltd, Tattersall's Sweeps Pty Ltd, Reaftin Pty Ltd, Wintech Investments Pty Ltd, Bytecraft Systems Pty Ltd, Ubet Qld Limited, Ubet SA Pty Ltd, Maxgaming Holdings Pty Ltd, Maxgaming NSW Pty Ltd, Maxgaming Qld Pty Ltd, Golden Casket Lottery Corporation Limited, New South Wales Lotteries Corporation Pty Limited, Ubet Tas Pty Ltd, Tatts Lotteries SA Pty Ltd, Bytecraft Systems NSW Pty Ltd, Tatts NT Lotteries Pty Ltd and Ubet NT Pty Ltd were party to a Deed of Cross Guarantee (Deed) dated 1 May 2009, under which each company guarantees the debts of the others in the event of the winding up of any of those companies in the circumstances contained in the Deed.

By entering into the current Deed, the wholly owned entities have been relieved under ASIC Class Order 98/1418 from certain requirements including preparing and lodging a financial report and Directors' Report.

CONSOLIDATED INCOME STATEMENT, STATEMENT OF COMPREHENSIVE INCOME AND SUMMARY OF MOVEMENTS IN CONSOLIDATED RETAINED EARNINGS

The above companies represent a 'Closed Group' for the purposes of the Class Order and they also represent the 'Extended Closed Group'. Set out below is a consolidated income statement, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2017 of the Closed Group consisting of the companies listed above.

	2017 $'000	2016 $'000
Consolidated income statement		
Revenue from continuing operations	**2,798,348**	2,950,887
Statutory outgoings		
Government share	**(1,290,732)**	(1,370,885)
Venue share/commission	**(407,318)**	(436,719)
Product/program fees	**(199,303)**	(202,691)
Other income	**2,673**	-
Other expenses from ordinary activities		
Employee expenses	**(168,141)**	(177,414)
Operating fees and direct costs	**(50,901)**	(56,626)
Telecommunications and technology	**(40,673)**	(38,043)
Marketing and promotions	**(68,617)**	(61,164)
Information services	**(25,177)**	(23,631)
Property expenses	**(23,006)**	(23,617)
Restructuring costs	**(736)**	(4,036)
Merger costs	**(33,411)**	-
Other expenses	**(34,919)**	(34,325)
Profit before interest, income tax, depreciation, amortisation and impairment	**458,087**	521,736
Depreciation and amortisation expense	**(77,116)**	(74,622)
Interest income	**2,041**	5,281
Finance costs	**(48,397)**	(46,297)
Profit before income tax	**334,615**	406,098
Income tax expense	**(79,855)**	(107,089)
Profit for the year from continuing operations	**254,760**	299,009
Loss from discontinued operations	**(700)**	(76,107)
Profit attributable to owners of Tatts Group Limited	**254,060**	222,902

CONSOLIDATED INCOME STATEMENT, STATEMENT OF COMPREHENSIVE INCOME AND SUMMARY OF MOVEMENTS IN CONSOLIDATED RETAINED EARNINGS (CONTINUED)

	2017 $'000	2016 $'000
Profit for the year	**254,060**	222,902
Items that may be reclassified to profit or loss		
Changes in the fair value of available-for-sale financial assets	**(121)**	(18)
Changes in the fair value of cash flow hedges	**(1,453)**	564
Exchange differences on translation of foreign operations	**1**	(2,723)
Changes in the value of net investment hedges	**-**	(41,648)
Changes in the value of interest rate swaps	**4,433**	-
Changes in the fair value of forward foreign exchange contracts	**38**	-
Income tax relating to these items	**(869)**	(164)
Other comprehensive income for the year, net of tax	**2,029**	(43,989)
Total comprehensive income for the year	**256,089**	178,913
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**135,296**	161,079
Net profit for the year	**254,060**	222,902
Dividends (Note 15)	**(256,671)**	(248,691)
Share options lapsed	**-**	6
Retained earnings at the end of the financial year	**132,685**	135,296

23. DEED OF CROSS GUARANTEE (CONTINUED)

CONSOLIDATED BALANCE SHEET

Set out below is a consolidated balance sheet as at 30 June 2017 of the Closed Group consisting of the companies listed.

	2017 $'000	2016 $'000
ASSETS		
Current assets		
Cash and cash equivalents	**281,493**	190,977
Trade and other receivables	**80,925**	46,831
Inventories	**1,853**	2,324
Current tax receivables	**-**	49,891
Assets classified as held for sale	**-**	2,980
Other current assets	**-**	49,353
Total current assets	**364,271**	342,356
Non-current assets		
Trade and other receivables	**143,007**	70,606
Available-for-sale financial assets	**20,360**	19,884
Other financial assets	**3,872**	3,872
Property, plant and equipment	**141,219**	140,312
Derivative financial instruments	**72,576**	94,872
Intangible assets	**4,454,773**	4,458,271
Held-to-maturity investments	**55,000**	35,240
Total non-current assets	**4,890,807**	4,823,057
Total assets	**5,255,078**	5,165,413
LIABILITIES		
Current liabilities		
Trade and other payables	**518,820**	527,341
Derivative financial instruments	**-**	751
Current tax liabilities	**20,172**	-
Provisions	**17,817**	17,150
Interest bearing liabilities	**313,116**	-
Other current liabilities	**55,763**	49,353
Total current liabilities	**925,688**	594,595
Non-current liabilities		
Trade and other payables	**206,999**	187,371
Interest bearing liabilities	**847,158**	1,123,723
Provisions	**3,241**	2,881
Derivative financial instruments	**2,291**	5,973
Deferred tax liabilities	**271,454**	267,514
Total non-current liabilities	**1,331,143**	1,587,462
Total liabilities	**2,256,831**	2,182,057
Net assets	**2,998,247**	2,983,356
EQUITY		
Contributed equity	**2,869,475**	2,854,411
Reserves	**(3,913)**	(6,351)
Retained earnings	**132,685**	135,296
Total equity	**2,998,247**	2,983,356

24. PARENT ENTITY FINANCIAL INFORMATION

RECOGNITION AND MEASUREMENT

The financial information for the Parent Entity, Tatts Group Limited has been prepared on the same basis as the consolidated financial statements, except as set out below.

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are accounted for at cost in the financial statements of the Parent Entity. Dividends received from associates are recognised in the Parent Entity's profit or loss rather than being deducted from the carrying amount of these investments.

TAX CONSOLIDATION LEGISLATION

Tatts Group Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly owned entities in the case of a default by the head entity, Tatts Group Limited.

The head entity and its controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate the head entity for any current tax payable assumed, and are compensated by the head entity for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the head entity under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable as a contribution to (or distribution from) wholly owned tax consolidated entities.

24. PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

30 JUNE 2017

SUMMARY FINANCIAL INFORMATION

The individual financial statements for the Parent Entity show the following aggregate amounts:

	2017 $'000	2016 $'000
Balance sheet		
Current assets	**1,615,618**	1,435,944
Total assets	**4,208,369**	4,061,225
Current liabilities	**343,641**	34,983
Total liabilities	**1,193,429**	1,097,794
Shareholders' equity		
Issued capital	**3,968,948**	3,953,884
Reserves		
Hedge reserve	**(1,651)**	(3,737)
Share-based payments	**2,298**	1,889
Retained earnings	**(954,655)**	(988,605)
Total equity	**3,014,940**	2,963,431
Profit for the year	**290,622**	192,192
Total comprehensive income	**292,708**	195,668

GUARANTEES ENTERED INTO BY THE PARENT ENTITY

The Parent Entity has not provided any financial guarantees in respect of bank overdrafts or loans to subsidiaries as at 30 June 2017 or 30 June 2016.

There are cross guarantees given by the Parent Entity and its nominated subsidiaries as described in Note 23. No deficiencies of assets exist in any of these entities.

CONTINGENT LIABILITIES OF THE PARENT ENTITY

The Parent Entity did not have any contingent liabilities as at 30 June 2017 or 30 June 2016.

CONTRACTUAL COMMITMENTS FOR THE ACQUISITION OF PROPERTY, PLANT OR EQUIPMENT

The Parent Entity did not have any contractual commitments for the acquisition of property, plant and equipment as at 30 June 2017 or 30 June 2016.

UNRECOGNISED ITEMS

25. CONTINGENT LIABILITIES

30 JUNE 2017

The Group had contingent liabilities at 30 June 2017 in respect of:

BANK GUARANTEES

Guarantees in respect of bank facilities drawn down but not included in the accounts of the Company or the Group are $83.6 million (2016: $140.3 million).

Financial guarantee contracts are recognised as a contingent financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* or the amount initially recognised less cumulative amortisation, where appropriate.

DISPOSAL OF TALARIUS

Upon the sale of Talarius Limited and its controlled entities, the Group provided warranties and undertakings customary for a transaction with an existing industry participant. It is not possible to determine at this point in time if any claims will be made.

26. COMMITMENTS FOR EXPENDITURE

30 JUNE 2017

CAPITAL COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2017 $'000	2016 $'000
Property, plant and equipment - payable:		
Within 1 year	**17,327**	8,744
	17,327	8,744

OPERATING LEASE COMMITMENTS

The Group leases motor vehicles and various buildings under non-cancellable operating leases. The leases have varying terms and renewal rights. On renewal, the terms of the leases are to be negotiated.

	2017 $'000	2016 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	**22,504**	17,478
Later than 1 year but not later than 5 years	**49,707**	36,449
Later than 5 years	**74,944**	94,243
Commitments not recognised in the financial statements	**147,155**	148,170

OPERATING COMMITMENTS

Operating commitments contracted for at the reporting date but not recognised as liabilities are as follows:

	2017 $'000	2016 $'000
Commitments in relation to non-cancellable operating activities are payable as follows:		
Within 1 year	**123,520**	81,901
Later than 1 year but not later than 5 years	**156,063**	78,655
Later than 5 years	**-**	1,590
	279,583	162,146

Included in Operating commitments are the remaining instalments for the Maxgaming NSW monitoring rights.

EMPLOYEE REMUNERATION COMMITMENTS

	2017 $'000	2016 $'000
Commitments under non-cancellable employment contracts not provided for in the financial statements payable:		
Within 1 year	**2,050**	2,000
Later than 1 year but not later than 5 years	**342**	2,333
	2,392	4,333

OTHER INFORMATION

27. RELATED PARTY TRANSACTIONS

30 JUNE 2017

PARENT ENTITIES

Disclosures relating to Directors and specified executives are set out in Note 29.

The ultimate parent entity within the Group is Tatts Group Limited.

CONTROLLED ENTITIES

Interests in controlled entities are set out in Note 22.

DIRECTORS AND KEY MANAGEMENT PERSONNEL

TRANSACTIONS WITH OTHER RELATED PARTIES

	2017 $'000	2016 $'000
Superannuation contributions		
Contribution to superannuation funds on behalf of employees	**17,094**	17,766

OUTSTANDING BALANCES

There are no outstanding balances at 30 June 2017 (2016: Nil) in relation to transactions with related parties.

TERMS AND CONDITIONS

Transactions relating to dividends were on the same terms and conditions that applied to other shareholders.

All other transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of principal on loans advanced by the Company. There was no interest charged on loans during the year (2016: nil).

Outstanding balances are unsecured and are repayable in cash.

28. REMUNERATION OF AUDITORS

30 JUNE 2017

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

PWC AUSTRALIA

AUDIT AND OTHER ASSURANCE SERVICES

	2017 $	2016 $
Audit and other assurance services		
Audit and review of financial reports and other audit work under the Corporations Act	**875,670**	843,000
Other assurance services		
Audit of regulatory returns	**51,500**	59,500
Due diligence services	**975,933**	-
Accounting advisory services	**15,000**	-
	1,042,433	59,500
Total remuneration for audit and other assurance services	**1,918,103**	902,500
Taxation services		
Tax compliance services	**1,400**	53,533
Total remuneration of PwC Australia	**1,919,503**	956,033

NETWORK FIRMS OF PWC AUSTRALIA

	2017 $	2016 $
Audit and other assurance services		
Audit and review of financial statements	**2,200**	60,904
Total remuneration of network firms of PwC Australia	**2,200**	60,904
Total auditor's remuneration	**1,921,703**	1,016,937

Subject to maintaining their independence it is the Group's policy to employ PwC on assignments additional to their statutory audit duties where PwC's expertise and experience with the Group are important. The major assignment in 2017 has been the due diligence services provided by PwC in relation to the merger process.

29. KEY MANAGEMENT PERSONNEL DISCLOSURES

30 JUNE 2017

KEY MANAGEMENT PERSONNEL COMPENSATION

	2017 $	2016 $
Short-term employee benefits - cash salary, fees and cash bonus	**7,334,595**	6,713,410
Post-employment benefits	**225,418**	216,304
Long-term benefits	**84,515**	88,631
Share-based payments and deferred cash	**3,188,340**	1,565,075
	10,832,868	8,583,420

Detailed remuneration disclosures are provided in the Remuneration Report.

LOANS TO KEY MANAGEMENT PERSONNEL

No loans were made to Directors or Key Management Personnel.

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

No other transactions were made with Directors or Key Management Personnel.

30. OTHER SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out throughout this report and below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Tatts Group Limited and its subsidiaries. Tatts Group Limited (the Company or the Parent Entity) and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

EARLY ADOPTION OF STANDARDS

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

EMPLOYEE BENEFITS

WAGES, SALARIES AND ANNUAL LEAVE

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

LONG SERVICE LEAVE

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of each reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of each reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

PERFORMANCE-BASED INCENTIVES

Permanent employees of the Group participate in an annual incentive plan under which employees receive cash, and for certain executives a combination of cash and share-based compensation benefits. The total incentive amount paid annually is determined by a calculation based on revenue growth, EBIT margin growth, and EPS growth, applied to target incentives of the Group's permanent employees.

For the amount payable in cash, the Group recognises a liability and an expense for such cash incentives arising from these calculations, and for any Special Circumstance incentive amounts paid or payable outside of the incentive pool arising from the calculations. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation. Share-based payments under this annual incentive plan are outlined in the next section.

TERMINATION BENEFITS

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not yet been applied in the financial statements. The Group's assessment of the impact of these new standards and interpretations follows.

AASB9 FINANCIAL INSTRUMENTS, AASB2009-11 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM AASB 9, AND AASB2010-7 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM AASB 9 (DECEMBER 2010) (EFFECTIVE FROM 1 JANUARY 2018)

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard is applicable for reporting periods after 1 January 2018 but is available for early adoption. The Group does not intend to adopt AASB 9 before its mandatory date.

The Group has undertaken an assessment of the impact of implementing AASB9. The financial assets held by the group include:

- managed fund investments currently classified as AFS for which a FVOCI election is available;
- equity derivatives currently measured at fair value through profit or loss (FVPL) which would likely continue to be measured on the same basis under AASB 9, and
- bank-issued debt instruments currently classified as held-to-maturity and measured at amortised cost which appear to meet the conditions for classification at amortised cost under AASB 9.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets. There will be no impact on the Group's accounting for financial liabilities, as the new requirement only affect the accounting for financial liabilities that are designed at fair value through profit or loss and the Group does not have any such liabilities.

The new 'expected loss' approach to impairment will require more timely recognition of expected credit losses however these are not expected to be material for the Group. The revisions to hedge accounting align the accounting treatment with risk management activities, although the adoption of AASB9 is not expected to affect the continuance of the Group's current hedge relationships. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

AASB 15 Revenue from contracts with customers addresses the recognition, measurement and disclosure of revenue, replacing AASB 118 covering contracts for goods and services and AASB 111 which covers construction contracts. The standard is not applicable until 1 January 2018 but is available for early adoption. The Group does not intend to adopt AASB 15 before its mandatory date. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. The Group will have to adopt the new 5-step process for the recognition of revenue. The Group is currently assessing the impact of implementing AASB15 on the Group's financial accounts and while areas such as MaxTech and the accounting for the Ubet rewards program will be affected, the Group does not expect those impacts to be material. The Group will have a choice of full retrospective application, or prospective application with additional disclosures.

AASB 16 LEASES

AASB 16 Leases addresses the classification, measurement and recognition of almost all leases. The standard is not applicable until 1 January 2019 but is available for early adoption. The Group does not presently intend to adopt AASB 16 before its mandatory date. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has operating lease commitments of $147.2 million. The Group has conducted investigations into the forecast impact of AASB 16 on the Group's profit, balance sheet and cash flows. Upon adoption of AASB16, the Group expects a material increase in both lease liabilities and right-of-use assets. The Group's equity balance is also expected to be materially negatively impacted due to the mismatch in the initial values recognised for lease liabilities and assets. Group EBITDA is expected to be materially positively impacted as lease costs are reclassified as interest and depreciation, although the impact on the Group's profit is not expected to be material.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

31. EVENTS OCCURRING AFTER THE REPORTING PERIOD

MERGER UPDATE

On 22 June 2017 the Australian Competition Tribunal (Tribunal) granted authorisation of the acquisition of TattsShares by Tabcorp. Authorisation is conditional on Tabcorp divesting its Odyssey Gaming Business (which has been agreed, conditional on the Scheme proceeding).

On 10 July 2017, the ACCC applied to the Federal Court of Australia for judicial review of the Tribunal's decision to authorise the Transaction. Separately, on 12 July 2017, CrownBet Pty Ltd also applied for judicial review of the Tribunal's decision. The Full Federal Court will hear both the ACCC's and CrownBet's application in a two day hearing that has been set down on 28th and 29th August 2017. Therefore, as at the date of this report, the judicial review process is on-going.

FUNDING UPDATE

On 17 August 2017, Tatts Group executed an agreement to borrow $300 million, maturing in August 2018, to replace the $300 million facility maturing on 27 September 2017.

In the opinion of the Directors, there have been no other material matters or circumstances which have arisen between 30 June 2017 and the date of this report that have significantly affected or may significantly affect the operations of the Group, the result of those operations or the state of affairs of the Group in subsequent financial periods.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 72 to 148 are in accordance with the Corporations Act, including:

- (i) complying with Accounting Standards, the Corporations Regulations and other mandatory professional reporting requirements, and
- (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 23 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 described in Note 23.

The financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (Refer to Basis of preparation on page 80).

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act.

This declaration is made in accordance with a resolution of the Directors.

HARRY BOON
Chairman

ROBBIE COOKE
Managing Director and CEO

Brisbane
17 August 2017

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Independent auditor's report

To the shareholders of Tatts Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Tatts Group Limited (the Company) and its controlled entities (together, the Group) is in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended

b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2017
- the consolidated statement of profit or loss for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the Directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Accounting Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

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.

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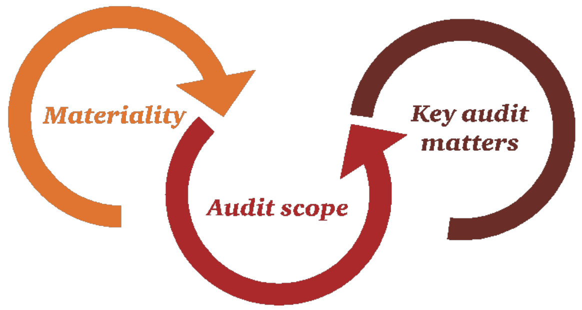
Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit we used overall Group materiality of $17.0 million, which represents approximately 5% of the Group's profit before tax after adjusting for the non-recurring costs associated with the proposed merger with Tabcorp Holdings Limited.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit before tax as the benchmark as the Group is a profit oriented entity and because, in our view, it is one of the key metrics against which the performance of the Group is most commonly measured and it is a generally accepted benchmark.
- We selected 5% based on our professional judgement noting that it is also within the range of commonly acceptable profit related materiality thresholds.

Audit scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- Due to the nature of the Group's business, PwC IT systems specialists were used to develop our understanding of the Group's IT systems and key financial processes, which are complex and, in the case of revenue generation, highly regulated.
- As part of our audit we also utilised PwC Valuations and Taxation specialists and experts to assist with our audit of certain key areas of judgement.

Key audit matters

- Amongst other relevant topics, we communicated the following key audit matters to the Audit, Risk and Compliance Committee:
  - Impairment assessment on the Group's intangible assets
  - Revenue recognition for the wagering and lotteries businesses
  - Tax deductibility of payments for monitoring rights and licences
  - Accounting considerations arising from the Group's proposed merger
- These are further described in the Key audit matters section of our report.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the Key audit matter
Impairment assessment on the Group's intangible assets *Refer to note 11 Intangible assets (page 100)* The Group's financial report recognised intangible assets of $4,459m at 30 June 2017, of which $3,476m relates to goodwill and $983m relates to licences, brands and other intangibles. These assets are allocated between four cash generating units (CGUs), being Lotteries, Wagering, MAX and MAXtech. At each reporting period, the Group performs an impairment assessment over the goodwill and other intangible assets by calculating the 'value in use' or 'fair value less costs of disposal' for each CGU using discounted cash flow models (the models). Given the level of judgement involved in estimating the key assumptions in the models and the materiality of the intangible assets recognised on the Group's balance sheet, we determined that this was a key audit matter. The most significant areas of judgement related to: • Cash flow forecasts, including the terminal value forecast • Future licence renewals and payments • Short and long term growth rates • The discount rates applied in the models.	Our audit procedures in relation to the impairment assessment of intangible assets included, amongst others: • Assessing the appropriateness of the Group's determination of its CGUs • Testing the mathematical accuracy of the underlying calculations in the Group's models • Comparing the cash flow forecasts for FY18 used in the models to the Board approved budget for FY18 • Comparing the FY17 actual results with the prior year forecasts to assess the historical accuracy of the Group's forecasting processes • Evaluating the key assumptions in the models, including cash flow forecasts, forecasts, future licence renewals and payments, growth rates, and the discount rates applied in the models, with assistance from PwC valuations experts • Assessing the Group's methodology applied in allocating shared service costs to CGUs • Assessing the value of CGU specific synergies that may be realised by a willing buyer of the Group • Applying industry specific Earnings Before Interest Tax Depreciation and Amortisation ("EBITDA") multiples, based on observable external data, to assess the recoverability of the CGU's • Performing sensitivity analysis to assess the impact of reasonably possible changes in the assumptions used in the models, including the discount rates, growth rates, EBITDA margins, FY18 forecast and both the quantum and terms of licence renewals • Assessing the accuracy and completeness of disclosures in the financial statements in light of the requirements of Australian Accounting Standards, specifically the risk associated with not renewing existing licences, or renewing licences on less favourable terms. We also compared the Group's net assets as at 30 June 2017 of $2,958m to its market capitalisation of $6,145m at 30 June 2017.

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Key audit matter	How our audit addressed the Key audit matter
Revenue recognition for the wagering and lotteries businesses *Refer to note 1 Segment information (page 82) and note 2 Revenue (page 84)* The Group's revenue from wagering and lotteries is based on a high volume of transactions, underpinned by different IT systems and detailed processes and controls. The wagering and lotteries revenue streams are largely based on automated processes in regulated environments, and there is deemed to be very little estimation or judgement involved in the recognition of the revenue for each stream. Due to the quantum of the revenue from each stream and associated systems and processes, the recognition of revenues for the wagering and lotteries businesses were deemed a key audit matter.	Our audit procedures in relation to the recognition of revenue from the lotteries and wagering businesses included, amongst others: • Developing an understanding of the revenue recognition processes, key controls and IT systems used to generate and support those revenue streams • Assessing the design and implementation and testing the operating effectiveness of the key controls relevant for the audit over the continued integrity of the relevant IT systems • Testing the operating effectiveness of selected manual and automated controls in the revenue processes • Testing a sample of transactions recognised in the general ledger to supporting documentation, including cash receipts per the bank statements • Utilising data analytic techniques to identify revenue transactions recognised through manual journal entries and testing a sample of manual journal revenue transactions to confirm if the revenue recognition is consistent with the Group's accounting policies and Australian Accounting Standards.
Tax deductibility of payments for monitoring rights and licences *Refer to note 4 Tax (page 87) and note 9 Other assets and liabilities (page 97)* After receiving professional advice, the Group has claimed tax deductions in respect of the full amount of the Maxgaming NSW Monitoring Rights payment and the Queensland Racing retail exclusivity licence extension payment. The Group has recognised deferred tax liabilities totalling $73.7m at 30 June 2017 relating to the deductions for these rights and licences. The Group has determined that it is 'more likely than not' that these deductions will be allowed under the Income Tax Assessment Act. These claims are currently being considered by the ATO as part of their review of the Group's FY16 income tax return. This area of law is complex and its application involves significant judgement. Due to the level of judgement required and the materiality of the tax balances in question, the treatment of these payments within the accounting tax balances was deemed a key audit matter.	Our audit procedures in relation to the treatment of the tax balances associated with the payments for monitoring rights and licences included, amongst others: • Examining, in conjunction with PwC tax experts, position papers, correspondence and advice between the Group, its advisors and the Australian Taxation Office • Examining the relevant contractual terms associated with the monitoring rights and retail exclusivity licence agreements, and using our understanding of taxation law and other relevant guidance and case law to assess the available evidence and the positions taken by the Group.

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Key audit matter	How our audit addressed the Key audit matter
Accounting considerations associated from the Group's proposed merger with Tabcorp Holdings Limited *Refer to note 3 Other income and expense items (page 85) and note 31 Events occurring after the reporting period (page 148)* On 19 October 2016, the Group announced it had entered into an agreement with Tabcorp Holdings Limited to combine the two companies via a Scheme of Arrangement (proposed merger). At the date of issuing this report, the relevant parties are still in the process of securing competition regulatory approvals and accordingly, the proposed merger has not yet been finalised. However, the Group has incurred transaction costs directly related to the proposed merger, which have partially been recognised in the year ended 30 June 2017. Given the pervasive nature and the significance of the impact of the proposed merger to the Group's operations, we deemed the accounting for transaction costs and the related disclosures in the financial statements to be a key audit matter.	Our audit procedures in relation to the accounting considerations associated with the proposed merger included, amongst others: • Testing a sample of transaction related costs (including legal fees, employee retention costs and professional advisory fees) recognised in the general ledger to supporting documentation, including engagement letters, invoices and employee letters • Assessing whether a sample of the transaction costs have been incurred, or are committed to, in the year ended 30 June 2017 and therefore assessing the appropriateness of recognition in the current financial year • Assessing the disclosures in the financial statements in relation to the proposed merger in light of the requirements of Australian Accounting Standards, including consideration of the adequacy of disclosures for commitments and contingencies.

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Other information

The Directors are responsible for the other information. The other information comprises the *Chairman's Letter, Managing Director's Report, Sustainability Report, Board of Directors, Executive Team, Track Record, Directors' Report, Corporate Governance Statement, Shareholder Information, Corporate Directory and Glossary of Terms* in the annual report for the year ended 30 June 2017, but does not include the financial report and our 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 identified above 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 on 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.

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal 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 ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to 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 the 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 the 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/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS (CONTINUED)

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Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 52 to 69 of the Directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Tatts Group Limited, for the year ended 30 June 2017 complies with section 300A of the Corporations Act 2001.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Steven Bosiljevac
Partner

Brisbane
17 August 2017

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SHAREHOLDER INFORMATION

30 JUNE 2017

The shareholder information set out below is based on the information recorded in the Tatts Group Limited share register as at 28 July 2017.

ORDINARY SHARES

Tatts has on issue 1,468,519,481 fully paid ordinary shares.

TATTS BONDS

Tatts has on issue 1,946,642 Tatts Bonds, which are seven-year debt securities listed on the Australian Securities Exchange (**ASX**) under the code TTSHA. They were initially issued on 29 June 2012 to successful applicants pursuant to the Tatts Bonds Prospectus dated 6 June 2012, and commenced trading on a normal settlement basis on 4 July 2012.

VOTING RIGHTS

The voting rights attaching to each class of equity securities are set out below:

a. Ordinary shares – On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

b. Performance options and rights – No voting rights.

SUBSTANTIAL SHAREHOLDERS

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

NAME	DATE OF INTEREST	NUMBER OF ORDINARY SHARES[1]	% OF ISSUED CAPITAL[2]
Perpetual Limited	24 July 2017	145,018,604	9.88%
AustralianSuper Pty Ltd	5 May 2017	73,462,700	5.00%
UBS Group AG and its related bodies corporate	16 February 2017	160,833,417	10.95%
Tabcorp Holdings Limited[3]	28 November 2016	146,705,096	9.99%

1. As disclosed in the last notice lodged with the ASX by the substantial shareholder.
2. The percentage set out in the notice lodged with the ASX is based on the total issued share capital of Tatts at the date of interest.
3. Shares are held under a cash-settled equity swap with UBS Group AG entered into on 25 November 2016

ON MARKET BUY-BACK

There is no current on-market buy-back in respect of Tatts Group's ordinary shares.

DISTRIBUTION OF SECURITIES HELD

Analysis of number of ordinary shareholders and Tatts Bond holders by size of holding:

	ORDINARY SHARES[1]		TATTS BONDS	
RANGE	NUMBER OF HOLDERS	NUMBER OF SECURITIES	NUMBER OF HOLDERS	NUMBER OF BONDS
1 – 1,000	13,348	7,572,153	1,609	405,907
1,001 – 5,000	42,631	119,630,308	97	205,015
5,001 – 10,000	6,580	49,126,653	6	43,116
10,001 – 100,000	5,252	118,246,323	6	226,790
100,001 and over	360	1,173,944,044	4	1,065,814
Total	**68,171**	**1,468,519,481**	**1,722**	**1,946,642**

1. Ordinary shares include shares offered to employees under the Company's incentive arrangements.

There were 1,300 holders of less than a marketable parcel of ordinary shares, representing 53,198 shares, and no holders of less than a marketable parcel of Tatts Bonds.

TOP 20 LARGEST SHAREHOLDERS

The names of the 20 largest quoted equity security holders as they appear on the Tatts Group Limited share register are listed below:

		ORDINARY SHARES	
	NAME	NUMBER OF SHARES	% OF TOTAL SHARES
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	302,060,535	20.57
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	297,017,016	20.23
3	CITICORP NOMINEES PTY LIMITED	183,170,873	12.47
4	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	43,854,166	2.99
5	NATIONAL NOMINEES LIMITED	39,818,752	2.71
6	UBS NOMINEES PTY LTD	25,343,589	1.73
7	BNP PARIBAS NOMS PTY LTD <DRP>	23,348,410	1.59
8	AMP LIFE LIMITED	10,332,727	0.70
9	ROBIN EDWARD DAVEY <EST ALEXANDER HUBBARD A/C>	9,568,668	0.65
10	SOLID EARTH PTY LTD	9,127,640	0.62
11	TASSYD PTY LIMITED <ESTATE THOMAS LYONS A/C>	8,790,000	0.60
12	WENTWORTH INVESTMENTS PTY LTD	6,639,887	0.45
13	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	6,500,561	0.44
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	6,455,639	0.44
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	4,814,627	0.33
16	WBK PTY LTD	4,327,340	0.29
17	SANK PTY LTD <A/C SJF DISCRETIONARY>	3,569,231	0.24
18	MR GEOFFREY WILLIAM NETTE	3,516,106	0.24
19	UBS NOMINEES PTY LTD	3,325,000	0.23
20	NAVIGATOR AUSTRALIA LTD <SMA ANTARES INV DV BUILD A/C>	3,315,880	0.23
	Total	**994,896,647**	**67.75**

TOP 20 LARGEST TATTS BONDS HOLDERS

The names of the 20 largest quoted Tatts Bonds holders as they appear on the Tatts Group Limited register are listed below:

		TATTS BONDS	
	NAME	NUMBER OF BONDS	% OF TOTAL BONDS
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	670,581	34.45
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	192,559	9.89
3	CITICORP NOMINEES PTY LIMITED	182,787	9.39
4	BNP PARIBAS NOMS PTY LTD <DRP>	60,000	3.08
5	UBS NOMINEES PTY LTD	48,000	2.47
6	NATIONAL NOMINEES LIMITED	41,500	2.13
7	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	41,345	2.12
8	IOOF INVESTMENT MANAGEMENT LIMITED <IPS SUPER A/C>	24,307	1.25
9	AVANTEOS INVESTMENTS LIMITED <2477966 DNR A/C>	11,754	0.60
10	AUST EXECUTOR TRUSTEES LTD <DDH PREFERRED INCOME FUND>	10,000	0.51
11	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <GSAM A/C>	10,000	0.51
12	NATIONAL NOMINEES LIMITED <DB A/C>	8,502	0.44
13	BT PORTFOLIO SERVICES LIMITED <MAXWELL FAMILY A/C>	7,760	0.40
14	BT PORTFOLIO SERVICES LIMITED <JAMES INVESTMENT A/C>	6,790	0.35
15	SUNSTONE FINANCE PTY LTD	5,417	0.28
16	NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	5,357	0.28
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	5,249	0.27
18	ANGUELINE CAPITAL PTY LIMITED	5,000	0.26
19	AUSTRALIAN FRIENDLY SOCIETY LTD <FUNERAL FUND 166 A/C>	5,000	0.26
20	DUCHEN HOLDINGS PTY LTD	5,000	0.26
Total		**1,346,908**	**69.19**

SHAREHOLDER INFORMATION (CONTINUED)

30 JUNE 2017

DOMICILE OF ORDINARY SHAREHOLDERS

DOMICILE	NUMBER OF HOLDERS	% HOLDERS	NUMBER OF SHARES	% OF SHARES
Australian Capital Territory	620	0.91	3,192,065	0.22
New South Wales	9218	13.52	538,689,589	36.68
Northern Territory	271	0.40	1,036,991	0.07
Queensland	35324	51.82	183,017,971	12.46
South Australia	1764	2.59	14,041,257	0.96
Tasmania	950	1.39	46,772,428	3.19
Victoria	16152	23.69	649,912,569	44.26
Western Australia	3542	5.20	27,008,713	1.84
Overseas	330	0.48	4,847,898	0.33
Total	**68,171**	**100.00**	**1,468,519,481**	**100.00**

DOMICILE OF TATTS BOND HOLDERS

DOMICILE	NUMBER OF HOLDERS	% HOLDERS	NUMBER OF TATTS BONDS	% OF TATTS BONDS
Australian Capital Territory	11	0.64	2,780	0.14
New South Wales	492	28.57	465,930	23.94
Northern Territory	3	0.17	295	0.02
Queensland	325	18.87	67,722	3.48
South Australia	65	3.77	70,773	3.64
Tasmania	22	1.28	10,079	0.52
Victoria	446	25.90	1,220,672	62.71
Western Australia	351	20.38	107,074	5.50
Overseas	7	0.41	1,317	0.07
Total	**1,722**	**100.00**	**1,946,642**	**100.00**

UNQUOTED EQUITY SECURITIES

	NUMBER ON ISSUE	NUMBER OF HOLDERS
Performance rights in respect of ordinary shares issued under the Tatts Group Rights Plan and the Tatts Group Long Term Incentive Plan	818,103	71

GO ONLINE TO MANAGE YOUR SHAREHOLDING

Online share registry facility

Tatts offers shareholders the use of an online share registry facility through www.computershare.com.au or www.investorcentre.com to conduct standard shareholding enquiries and transactions, including:

- update registered address
- lodge or update banking details
- notify Tax File Number / Australian Business Number
- download dividend statements
- check current and previous shareholding balances
- appoint a proxy to vote at the Annual General Meeting
- participate in the Dividend Reinvestment Plan

DIVIDEND PAYMENTS

All dividends paid by Tatts to shareholders with a registered address in Australia are paid by electronic funds transfer into your nominated bank account with an Australian financial institution. Payments are electronically credited on the payment date, allowing shareholders to utilise their funds immediately.

Shareholders can provide or update their bank account details by using the online share registry facility or by contacting Computershare.

DIVIDEND REINVESTMENT PLAN (DRP)

On 19 October 2016 the Company announced it had entered into an agreement with Tabcorp Holdings Limited to combine the two companies via a Tatts Scheme of Arrangement (**Merger Implementation Deed**). Under the terms of the Merger Implementation Deed, the Company has agreed to suspend the operation of its dividend reinvestment plan (**DRP**). Accordingly the Company's DRP has been suspended and will not operate for this final dividend.

CORPORATE DIRECTORY

30 JUNE 2017

REGISTERED AND PRINCIPAL ADMINISTRATIVE OFFICE IN AUSTRALIA

Tatts Group Limited
87 Ipswich Road, Woolloongabba, QLD, 4102
Telephone: + 61 7 3435 4500
ABN: 19 108 686 040

WEBSITE ADDRESSES

www.tatts.com
www.ubet.com
www.thelott.com
www.tattsgroup.com

AUSTRALIAN SECURITIES EXCHANGE (ASX) LISTING

Tatts Group Limited shares are quoted on the ASX under the code TTS. Tatts Group Limited Bonds are quoted on the ASX under the code TTSHA.

DIRECTORS

Refer to profiles on pages 38 to 41

SENIOR EXECUTIVES

Refer to profiles on pages 42 to 43

GENERAL COUNSEL AND COMPANY SECRETARY

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email: legal@tattsgroup.com

INVESTOR RELATIONS

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To maintain or update your details online and enjoy full access to all your holdings and other valuable information, simply visit www.investorcentre.com.

DIVIDEND HISTORY

DATE PAID/PAYABLE	TYPE	CENTS PER SHARE	DRP SHARE PRICE ($)
5 April 2006	FY 2006 Interim	8.75	-
26 September 2006	FY 2006 Final	7.50	-
30 March 2007	FY 2007 Interim	8.00	-
5 October 2007	FY 2007 Final	10.0	-
5 October 2007	FY 2007 Special	4.00	-
4 April 2008	FY 2008 Interim	9.50	-
3 October 2008	FY 2008 Special[1]	10.5	-
3 April 2009	FY 2009 Interim	10.0	2.58
2 October 2009	FY 2009 Final	11.0	2.52
6 April 2010	FY 2010 Interim	10.0	2.44
1 October 2010	FY 2010 Special[2]	11.0	2.29
6 April 2011	FY 2011 Interim	10.5	2.18
5 October 2011	FY 2011 Final	11.0	2.10
4 April 2012	FY 2012 Interim	11.0	2.33
3 October 2012	FY 2012 Final	12.0	2.64
5 April 2013	FY 2013 Interim	8.0	3.07
7 October 2013	FY 2013 Final	7.5	3.05
4 April 2014	FY 2014 Interim	8.0	2.90
6 October 2014	FY 2014 Final	5.0	3.17
2 April 2015	FY 2015 Interim	9.0	3.88
5 October 2015	FY 2015 Final	7.5	3.54
31 March 2016	FY 2016 Interim[3]	9.5	-
4 October 2016	FY 2016 Final	8.0	3.77
3 April 2017	FY 2017 Interim[3]	9.5	-
3 October 2017	FY 2017 Final[3]	8.0	-

All dividend payments are fully franked unless otherwise stated.

1. Paid in place of a 2008 Final Dividend—refer to ASX releases dated 23 June and 28 August 2008.
2. Paid in place of a 2010 Final Dividend—refer to ASX release dated 26 August 2010.
3. DRP suspended.

TATTS ANNOUNCEMENTS

Details of all announcements released by Tatts Group Limited can be found on our Investors page at www.tattsgroup.com.

GLOSSARY OF TERMS

30 JUNE 2017

AASB	Australian Accounting Standards Board
ABN	Australian Business Number
AGM	Annual General Meeting
app	A software application designed to run on smartphones, tablet computers and other mobile devices.
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited ABN 98 008 624 691, or the financial products market operated by ASX, as the context requires.
ATO	Australian Taxation Office
Board	The Company's board of directors.
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CO_2e	Carbon dioxide equivalent, as defined by the Carbon Disclosure Project
Company or Tatts	Tatts Group Limited
Consolidated Entity	The Company and its subsidiaries.
COO	Chief Operating Officer
Corporations Act	Corporations Act 2001 (Cth)
CPI	Consumer Price Index
Director	A director (or their alternate) of the Company.
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
fixed-price betting	A betting system where the payout is agreed at the time the bet is sold.
Gaming, MAX or Tatts Gaming	The Group's businesses that provide gaming solutions under various licences, permits and approvals from state and territory governments under the brands MAX and MAXtech.
Group	The Company and its wholly-owned subsidiaries (unless otherwise defined).
GST	Australian goods and services tax
Non-executive Director	A Director who is not a member of the Company's executive management team.
NPAT	Net profit after tax
parimutuel	A betting system where the payout is not determined until the pool is closed.
pcp	prior corresponding period
PwC	Pricewaterhouse Coopers
Wagering, UBET or TattsBet	The Group's businesses that provide parimutuel and fixed price betting services under various licences from state and territory governments in Queensland, South Australia, Tasmania and Northern Territory.
Lotteries, the Lott or Tatts lotteries	The Group's businesses that provide lottery products under various licences, permits and approvals from state and territory governments in Victoria, Queensland, Tasmania, New South Wales, South Australia, Australian Capital Territory and Northern Territory.
Tatts Pokies	The poker machine business operated under a licence granted by the Victorian Government, and which ceased operations on 15 August 2012.
TSR	Total shareholder return

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