

Results for announcement to the market

Preliminary final report for the year ended 30 June 2019

Tabcorp Holdings Limited (ABN 66 063 780 709)

Results	\$m	% change increase/(decrease)
Revenue from ordinary activities	5,482.3	46%
Profit from ordinary activities after tax attributable to members	362.5	>100%
Net profit for the period attributable to members	362.5	>100%
Revenue from continuing activities	5,482.2	46%
Profit from continuing activities after tax	372.3	145%

Dividends	Record date	Payable / paid	Amount per share	Franked amount per share
Final dividend	22 August 2019	20 September 2019	11.0 ¢	11.0 ¢
Interim dividend	19 February 2019	13 March 2019	11.0 ¢	11.0 ¢
Total dividend per share (interim plus final)			22.0 ¢	22.0 ¢

No foreign conduit income is attributable to the final dividend.

Dividend reinvestment plan

Tabcorp's dividend reinvestment plan (DRP) will operate in respect of the final dividend, with the last date for receipt of election notices being 23 August 2019. No discount is applicable to shares allocated to participants and no brokerage, commission or other transaction costs will be payable by participants on shares acquired under the DRP. Shares will be allocated on 20 September 2019 and will rank equally in all respects with existing shares. The price at which shares are allocated is the daily volume weighted average market price of Tabcorp shares sold in the ordinary course of trading on the Australian Securities Exchange over a period of 10 business days beginning on the second business day after the dividend record date.

Net tangible asset backing	30 June 2019 \$	30 June 2018 \$
Net tangible asset backing per ordinary share	(2.10)	(2.12)
Net tangible asset backing per ordinary share including licences	(0.98)	(0.95)

Supplementary information

The previous corresponding period is the year ended 30 June 2018.

For additional Appendix 4E disclosures, refer to the Annual Report 2019 and the Media Release lodged with the Australian Securities Exchange on 14 August 2019.

This Appendix 4E should be read in conjunction with the Directors' Report and the audited Financial Report for the year ended 30 June 2019.



Tabcorp

ANNUAL REPORT
2019



CONTENTS

Operating and financial review	01	Governance	28
About Tabcorp	01	Board of Directors	28
Our purpose and vision	02	Corporate governance	30
Strategic pillars and foundations	03	Executive Leadership Team	32
Chairman's message	04	Directors' Report	34
Managing Director's message	06	Remuneration Report	42
FY19 overview	08	Financial Report	73
Future priorities	09	Independent auditor's report	123
FY19 financial performance	10	At the back	128
Benefits for our stakeholders	12	Five year review	128
Lotteries and Keno business	14	Shareholder information	129
Wagering and Media business	17	Major announcements	131
Gaming Services business	20	Online shareholder services	131
Corporate responsibility	23	Glossary	132
		Company directory	133
		Key dates	133

About the Annual Report

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

This Annual Report relates to the operations of Tabcorp and the consolidated entity comprising Tabcorp and its subsidiaries (Group or Tabcorp Group) and the Group's interests in joint arrangements and associates in respect of the financial year ended 30 June 2019.

The Group's results for the financial year ended 30 June 2019 comprise the first full year contribution from Tatts Group Limited (Tatts) following the Tabcorp-Tatts combination which was implemented in December 2017 (Combination).

Elect not to receive a hard copy

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

Notice of meeting

The Annual General Meeting of Tabcorp Holdings Limited will be held at 10.00am (Sydney time) on Thursday 24 October 2019 at the Amora Jamison Hotel, 11 Jamison Street, Sydney NSW.



ABOUT TABCORP

- The Tabcorp Group is a world-class diversified gambling entertainment group.
- We employ more than 5,000 people and have more than 3 million registered customers.
- We manage iconic brands which ignite passion and excitement in millions of Australians.
- Our goal is to build a sustainable future for gambling entertainment while making a positive impact for our stakeholders.
- Each year our operations return hundreds of millions of dollars to the Australian community, the racing industry and venue partners including newsagents, hotels, clubs and TAB agents.
- FY19 is the first full year contribution from Tatts following the Tabcorp-Tatts combination in December 2017.

The Group has three market leading business units:

- Lotteries and Keno
- Wagering and Media
- Gaming Services



\$5.5 billion

Revenues



\$7.2 billion

Net assets



\$4.9 billion

Benefits to stakeholders



3 million+

Registered customers



9,000+

Venues, the largest Australian retail footprint



5,000+

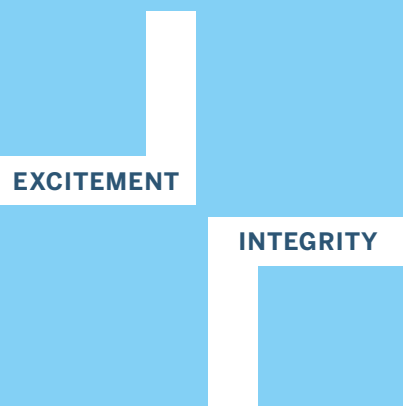
Employees

(i) For FY19 or as at 30 June 2019, as applicable.

We created a new purpose and vision in FY19 to bring our people together under a shared set of values and help focus our endeavours to deliver our strategic objectives.

OUR PURPOSE

OUR VISION



The Trusted Gambling Entertainment Company

For more than 100 years, Australians have trusted us to make life more exciting.





We enhance moments and bring people and communities together. It is ***Excitement with Integrity***, and it is our purpose. For us, integrity goes hand-in-hand with moments that engage, surprise and thrill. We balance the winning-ticket, first-past-the-post, jackpot-feeling with high standards and rigorous safeguards.

You can see integrity in the collaborative, supportive partnerships that span our industry and beyond. It is in what we give back to our communities, and in our passion for always putting our customers first. It balances out the risks of our industry and keeps our customers having fun, safely and responsibly.

Excitement with Integrity is core to our vision to be ***The Trusted Gambling Entertainment Company***.

Our strategy and the way we operate support the delivery of long term sustainable value for our multiple stakeholders.

STRATEGIC PILLARS

	CUSTOMER LED
We understand our customers, engage with them personally and create products they love	
	SUPERB EXPERIENCES
We leverage the powerful combination of our venues, digital and live event channels to deliver amazing experiences	
	BRILLIANT EXECUTION
We take pride in simply and efficiently delivering with excellence	
	COLLABORATIVE PARTNERSHIPS
We love winning with our partners through aligning our interests and deep collaboration	



OUR FOUNDATIONS

OUTSTANDING PEOPLE AND TEAMS
We are the best place to work, and we unlock the potential of our people to deliver superb customer experiences
COMMITMENT TO COMMUNITY AND INTEGRITY
We are trusted by governments, industry partners and our communities to grow responsible gambling sustainably
LEADING TECHNOLOGY AND INNOVATION
We create value through our unique combination of thought leadership and delivery excellence

CHAIRMAN'S MESSAGE



“The performance of Tabcorp in FY19 demonstrates that the combination with Tatts was strategically positive with the benefits of our balanced portfolio already being realised.”

Paula Dwyer / Chairman

The 2019 financial year was the first full year that Tabcorp and Tatts operated as a combined business.

The Board is confident that Tabcorp today is a strong and resilient business, with a portfolio of high-quality assets and earnings, diversified across our businesses of Lotteries and Keno, Wagering and Media, and Gaming Services.

Tabcorp has a stable of powerful consumer brands which reach across the Australian market. The equivalent of one in three adult Australians purchases a ticket in our biggest lottery jackpot draws. And on our biggest race day – the Melbourne Cup – Tabcorp takes circa 17m individual bets.

2019 PERFORMANCE AND DIVIDEND

The Group delivered a strong net profit after tax (NPAT) result of \$362.5m in FY19 reflecting the benefits of our diversified business and notwithstanding the significant internal transformation taking place across our businesses to integrate Tatts.

Tabcorp announced a final dividend of 11 cents per share, fully franked, taking the full year dividend to 22 cents per share.

This represents a dividend payout ratio of 100% of NPAT before significant items, amortisation of the Victorian Wagering and Betting Licence, and purchase price accounting, in line with stated policy.

Tabcorp actively manages capital and the Board regularly reviews alternatives to distribute value created to shareholders. We know our shareholders value fully franked dividends. As a result of the reliable free cashflows generated by our unique portfolio of businesses, Tabcorp has consistently adopted a high payout ratio policy and returned franking credits to shareholders.

The Group target dividend payout ratio in FY20 is 100% of NPAT before significant items, amortisation of the Victorian Wagering and Betting Licence, and purchase price accounting.

INTEGRATION DELIVERING BENEFITS

I am extremely pleased to report that the complex Tabcorp/Tatts integration program is ahead of schedule and is clearly delivering benefits for shareholders. In FY19 \$64m in EBITDA synergies and business improvements were delivered, ahead of plan, and expectations for the total operational expenditure synergies under the integration program have been upgraded. The Group remains on track to deliver on the upgraded total target of between \$130m and \$145m in EBITDA from synergies and business improvements in FY21.

CONDUCT AND CULTURE

The aim of the Board and management of Tabcorp is to lead an inclusive and diverse organisation with a culture founded on our vision to be ***The Trusted Gambling Entertainment Company***.

The Board recognises it is accountable for ensuring Tabcorp has a strong executive team running the Group, and for overseeing a governance framework, systems and policies designed to deliver the highest standards of responsible gambling, risk management and regulatory compliance.

During the year further investment was made to strengthen the capability and systems of the combined Group and underpin the achievement of our vision.

<p>“The Group delivered a strong net profit after tax result reflecting the benefits of our diversified business.”</p>	<p>\$362.5m</p> <p>NPAT Up >100%</p>	<p>22 cents</p> <p>Total full year dividends (cents per share fully franked)</p>
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GOVERNANCE AND THE BOARD

During FY19 Tabcorp undertook an external review of the Board’s performance and effectiveness, including a review of competencies and capabilities as part of the process of planning for Board renewal and succession.

I am standing for re-election at the 2019 Annual General Meeting and, if re-elected, it is my intention to retire as Chairman by no later than the 2021 Annual General Meeting. The precise timing will be managed to ensure continuity of leadership through to completion of the Tatts integration and a streamlined process for Board Chairman succession.

Mr Justin Milne is also standing for re-election at the 2019 Annual General Meeting.


Dr Ziggy Switkowski has expressed his intention to retire from the Board by no later than the 2020 Annual General Meeting. As part of managing this transition, from 1 July 2019, Mr Steven Gregg has become Chairman of the People and Remuneration Committee.

The Board oversees succession planning for the Executive Leadership Team. This is an ongoing process with key roles monitored and talent mapped and developed. During the year we welcomed a new Group General Counsel, Patrick McGlinchey, and announced a new Chief Financial Officer, Adam Newman, due to commence in October 2019.

CONCLUSION

The performance of Tabcorp in FY19 demonstrates that the combination with Tatts was strategically positive with the benefits of our balanced portfolio already being realised. I am confident that we are taking the necessary actions and directing investment to deliver sustained value and returns for our shareholders, industry partners, customers and employees well into the future.

On behalf of the Board I would like to thank all our people for their substantial efforts and commitment during the year. Finally, I would like to thank our shareholders for their ongoing support.



Paula J Dwyer
Chairman

MANAGING DIRECTOR'S MESSAGE



“We remain focused on generating attractive and sustainable shareholder returns over the long term, as well as delivering benefits for our partners, customers and the community.”

David Attenborough / Managing Director and Chief Executive Officer

In the 2019 financial year we delivered a strong Group result reflecting the compelling logic of combining Tabcorp and Tatts and the benefits of diversification and scale.

The integration is well ahead of schedule on cost synergies, with all key corporate initiatives largely implemented. We delivered \$64m of EBITDA from synergies and business improvements in the year, which exceeded our previously upgraded target of \$55m.

Pleasingly, the critical milestones for the full combination of the TAB and the former Tatts UBET wagering business are on track to be completed in FY20. Our total synergies and business improvements target remains between \$130m and \$145m of EBITDA in FY21.

Group revenues in FY19 were \$5,482.2m (up 45.9%) and EBITDA from continuing operations before significant items was \$1,064.7m (up 38.4%).

The Group reported NPAT of \$362.5m. This was impacted by significant expense items of \$25.3m after tax and a \$9.8m loss from the discontinued Sun Bets business. NPAT from continuing operations before significant items was \$397.6m (up 42.5%).

LOTTERIES AND KENO

Lotteries and Keno revenues were \$2,864.9m and EBITDA was \$509.0m.

With integration of this business now complete, there has been a positive step change in its performance.

Successful game initiatives, most notably the redesign of Powerball, reinvigorated the lottery market and drove strong growth in our digital and retail channels. Digital turnover was up a record 73.5%⁽ⁱⁱⁱ⁾ and represented 23.5% of total Lotteries turnover. Digital remains a key growth opportunity. Retail turnover grew 17.7%⁽ⁱⁱⁱ⁾, while active registered players were up 22.2% to 3.3 million.

Powerball had a halo effect on other games such as Set For Life and Monday and Wednesday Lotto. In addition, particularly favourable jackpot runs for Lucky Lotteries and Oz Lotto added circa \$30m of incremental EBIT.

Lotteries and Keno has strong momentum and is well placed for sustainable growth through digital expansion and continued game innovation.

WAGERING AND MEDIA

Wagering and Media revenues were \$2,312.2m and EBITDA was \$416.0m.

In Wagering and Media the focus in FY19 was the transformation of the business and the integration program to bring together TAB and Tatts' former wagering business, UBET. In the first full year of the combination, we made progress towards closing the gap in UBET's performance relative to market and completed the rebrand of 1,300 UBET retail venues to TAB. We are executing against our plan on the integration and are on track to have UBET fully aligned with the superior TAB customer experience in the second half of FY20.

A focus in the year was to maintain active customer numbers during a period of integration and transformation. In addition to sharper pricing and regular and competitive offers, we brought new products to market including Same Game Multi and the tote products Trio and Odds & Evens. These new tote products have been enabled by our investment in Longitude's Merged Pool Technology.

The Wagering and Media business will continue to execute against its strategy for sustained profitable market leadership. The implementation of a new data platform and further digitalisation of the retail experience are among the main initiatives to be delivered in FY20.

<p>“The Tabcorp-Tatts combination has created a strong and diversified portfolio of high-quality businesses.”</p>	<p>\$5,482.2m</p> <p>Revenue Up 45.9%</p>	<p>\$1,064.7m</p> <p>EBITDA from continuing operations before significant items Up 38.4%</p>
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GAMING SERVICES

Gaming Services revenues were \$304.0m, and EBITDA was \$139.7m.

A new structure for Gaming Services was implemented during the year, bringing together MAX Venue Services and MAX Regulatory Services under a consolidated brand.

A priority was extending the contracts of existing Venue Services customers. Good progress was made with 40% of the Victorian electronic gaming machine (EGM) network now contracted beyond 2022. While these extensions have come at reduced margins, they support Gaming Services' long term sustainability. The business now has 10,090 EGMs under contract.

Gaming Services has a more sustainable base from which to pursue growth opportunities.

TABCORP'S PEOPLE

We have prioritised the creation of a high-performing organisation, with a focus on an aligned culture, and lifting the organisation's capability.

Enhancing our employees' experience at work in an inclusive environment has been a priority as it drives engagement, retention and results. During the year we launched several employee policies covering inclusion and diversity, parental leave and domestic and family violence. Tabcorp was also once again awarded the WGEA Employer of Choice for Gender Equality citation in FY19.

I would like to thank all our people for their dedication and commitment to delivering ***Excitement with Integrity***.

LOOKING TO THE FUTURE

The Tabcorp-Tatts combination has created a strong and diversified portfolio of high-quality businesses across Lotteries and Keno, Wagering and Media and Gaming Services.

We started FY20 in a strong position to deliver long term profitable growth. We remain focused on generating attractive and sustainable shareholder returns over the long term, as well as delivering benefits for our partners, customers and the community.

Disciplined execution of the integration program is a priority in the coming year, with the program largely scheduled to complete by the end of FY20.

We will also continue to prioritise our investment in compliance, risk management and responsible gambling whilst continuing to be disciplined with operating expense, capital investment and balance sheet management.

Thank you for your support of Tabcorp.



David R H Attenborough
Managing Director and
Chief Executive Officer

(i) Earnings before interest, taxation, depreciation and amortisation (EBITDA) is non-IFRS financial information.

(ii) Pro-forma comparison includes adjustments to Tabcorp's FY18 results to facilitate examination of the performance of the combined Group as if the Combination had been in place for the full FY18, and is non-IFRS financial information.

FY19 OVERVIEW

HIGHLIGHTS

KEY POINTS

Strong Group result

- › Revenue of \$5,482.2m and NPAT of \$362.5m with first full year contribution from Tatts and ongoing business unit developments
- › Positive step change in Lotteries and Keno performance, with record result from successful game portfolio initiatives, strong growth in digital and retail channels, and favourable jackpots
- › Wagering and Media results reflect the incomplete status of integration and the heightened investment in maintaining active customer numbers during business transformation
- › Gaming Services made good progress on contract extensions and consolidated under the MAX brand

Increased dividend

- › Full year dividends totalled 22 cents per share fully franked, including a final dividend of 11 cents per share fully franked
- › Increase of 4.8% from prior year

Integration delivering benefits

- › Successful year with significant cost savings realised ahead of plan
- › Delivered \$64m EBITDA synergies and business improvements in FY19
- › Initiatives in place to deliver FY20 EBITDA target of \$90m
- › On track to deliver FY21 total EBITDA target of \$130m – \$145m

Digital experience accelerated

- › Lotteries digital turnover up 73.5%⁽ⁱⁱⁱ⁾, now representing 23.5% of total annual turnover
- › Wagering digital turnover up 7.7%⁽ⁱⁱⁱ⁾, with TAB up 11.2%, now representing 44.6% of total annual turnover
- › New omni-channel model being rolled out with Lotteries' retail partners^(iv)

(i) Revenue and net profit after tax (NPAT) include from discontinued operations.

(ii) Earnings before interest, taxation, depreciation and amortisation (EBITDA) is non-IFRS financial information.

(iii) Pro-forma comparison includes adjustments to Tabcorp's FY18 results to facilitate examination of the performance of the combined Group as if the Combination had been in place for the full FY18, and is non-IFRS financial information.

(iv) Subject to regulatory approval.

Revenue

\$5,482.2m

Up 45.9%

NPAT

\$362.5m

Up >100%

Total full year dividends

22 cents

per share fully franked

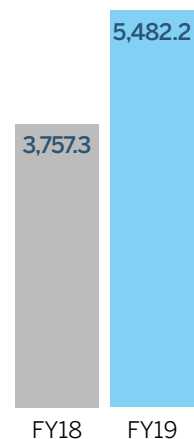
FUTURE PRIORITIES

PRIORITY	FOCUS AREA
Well positioned for long term profitable growth	<ul style="list-style-type: none"> › Customer-led omni-channel strategy focused on optimising our diverse and unique assets › Customer focus enhanced by investments in product innovation, data, digital, and retail modernisation › Continued investment in compliance, risk management and responsible gambling initiatives › Disciplined management of operating expenses, capital investment and balance sheet
Advance integration and further opportunities	<ul style="list-style-type: none"> › Complete integration and deliver synergies and business improvements › Potential acquisitions that leverage core capabilities (focused on Australia and New Zealand)
Businesses executing growth strategies	<ul style="list-style-type: none"> › Lotteries and Keno has strong momentum and is well positioned to increase its share of the gambling entertainment market through game portfolio innovation and growth in digital › Wagering and Media strategy on track to integrate and transform the business through enhanced digital and data capability; creating sustainable market leadership and future expansion opportunities › Gaming Services is creating a solid and sustainable base from which to pursue geographic and adjacent growth opportunities
Supporting our people	<ul style="list-style-type: none"> › Continue to be recognised as an employer of choice › Industry leader in inclusion, diversity and occupational health, safety and wellbeing › Continue to embed values and behaviours to enable our people to deliver on our purpose of Excitement with Integrity

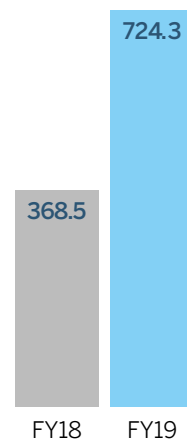


FY19 FINANCIAL PERFORMANCE

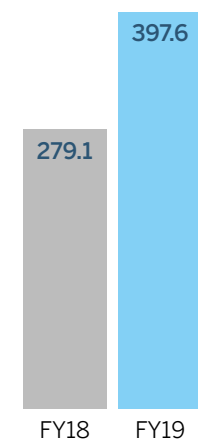
Revenues⁽ⁱ⁾⁽ⁱⁱⁱ⁾
\$m



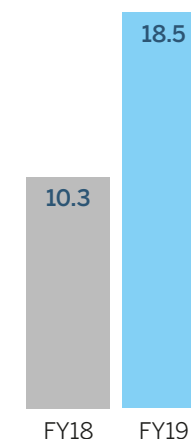
EBIT⁽ⁱ⁾
\$m



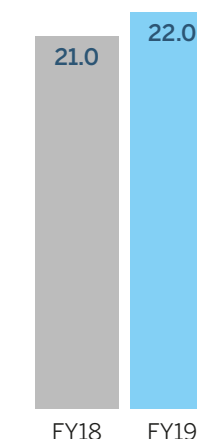
NPAT before significant items⁽ⁱ⁾⁽ⁱⁱ⁾
\$m



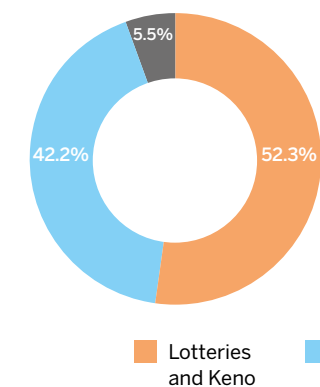
Earnings per share^{(i)(iv)}
Cents per share



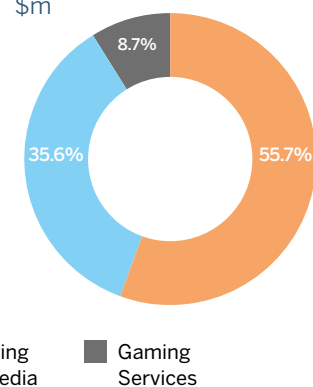
Dividends per share
Cents per share (fully franked)



Segment revenues⁽ⁱ⁾
\$m



Segment profit before interest and tax⁽ⁱ⁾
\$m



Group results from continuing operations⁽ⁱ⁾
For the year ended 30 June

	FY19 \$m	FY18 ⁽ⁱⁱⁱ⁾ \$m	Change %
Revenues	5,482.2	3,757.3	45.9
Taxes, levies, commission and fees	(3,508.6)	(2,248.6)	56.0
Operating expenses	(945.2)	(861.5)	9.7
Depreciation and amortisation	(301.2)	(247.3)	21.8
Impairment	(2.9)	(31.4)	(90.8)
EBIT	724.3	368.5	96.6
NPAT	372.3	152.1	>100
NPAT (including discontinued operations)	362.5	28.7	>100
NPAT before significant items ⁽ⁱⁱ⁾	397.6	279.1	42.5
EPS ^(iv) – cents per share	18.5	10.3	79.6
DPS – cents per share (fully franked)	22.0	21.0	4.8

(i) Results from continuing operations. The prior year results include contribution from Tatts Group from 14 December 2017 and have been restated to reflect Sun Bets as a discontinued operation.

(ii) Significant items after tax in FY19 totalled \$25.3m, which comprise benefits from ACTTAB point of consumption tax compensation of \$10.6m offset by Tatts Group combination expenses regarding implementation costs of \$24.1m and Racing Queensland arrangements costs of \$11.8m.

(iii) FY18 results have been restated to reflect the impact of the application of AASB 15 Revenue from Contracts with Customers.

(iv) Earnings per share (EPS) calculated using weighted average shares for the period.

Review of results

The financial results of the Tabcorp Group for the financial year ended 30 June 2019 (FY19) relate to the Tabcorp Group's operations, which comprise its three businesses of:

- **Lotteries and Keno**
- **Wagering and Media**
- **Gaming Services**

The Sun Bets operating segment reported in the financial results for the previous financial year ended 30 June 2018 was discontinued following the closure of the Company's Sun Bets business in the UK.

Comparisons to the prior year includes contribution from Tatts Group following the Company's acquisition of all the ordinary shares of Tatts Group in December 2017 and have been restated to reflect Sun Bets as a discontinued operation.

The results for FY19 were positively impacted by the first full year contribution from Tatts Group.

Reported NPAT, including discontinued operations, was \$362.5m, up from \$28.7m in the previous year.

Reported revenues from continuing operations were \$5,482.2m and NPAT from continuing operations was \$372.3m, up 45.9% and >100% respectively on the previous year.

Earnings before interest and tax (EBIT) from continuing operations was \$724.3m, up 96.6% from the prior year.

Basic EPS from continuing operations was 18.5 cents per share, up from 10.3 cents per share in the previous year.

The FY19 financial result was negatively impacted by significant items expense after tax of \$25.3m, which comprise benefits from ACTTAB point of consumption tax compensation of \$10.6m offset by Tatts Group combination expenses regarding implementation costs of \$24.1m and Racing Queensland arrangements costs of \$11.8m. Before significant items, NPAT from continuing operations was \$397.6m, up 42.5% from the previous year.

Tabcorp delivered a strong Group result in the first full year of the combined Tabcorp and Tatts business, reflecting the compelling logic of the combination and the benefits of diversification and scale.

The record performance of the Lotteries and Keno business was the highlight. We have been focused on driving sustainable growth through investments in our digital and retail channels, as well as game innovation. The new Powerball game reinvigorated the Australian lottery market, delivering bigger jackpots more often. This helped drive an increase of 600,000 active registered players and had positive revenue impacts on other lottery games.

In Wagering and Media the focus in FY19 was the effective integration and transformation of the business. This program is on track to have UBET fully aligned with the superior TAB customer experience in the second half of FY20. Pleasingly, active customer numbers were maintained during this period of significant change and TAB's digital growth continued. Gaming Services substantially completed its integration and consolidated its operations under the MAX brand.

The integration program is delivering for shareholders and we are ahead of schedule on delivering the cost synergies. The integration program yielded \$64m of EBITDA from synergies and business improvements in FY19 and we are on track to deliver our FY21 EBITDA target of between \$130m and \$145m.

Dividends

A final dividend of 11 cents per share fully franked has been announced. The final dividend will be payable on 20 September 2019 to shareholders registered at 22 August 2019. The ex-dividend date is 21 August 2019.

The interim and final dividends payable in respect of FY19 totalled 22 cents per share fully franked (up 4.8% on the prior year) and equates to a dividend payout ratio of 100% of NPAT before significant items, amortisation of the Victorian Wagering and Betting Licence, and purchase price accounting.

The FY20 dividend payout target is 100% of NPAT before significant items, amortisation of the Victorian Wagering and Betting Licence, and purchase price accounting.

The Dividend Reinvestment Plan will operate in respect of the 2019 final dividend, with no discount applicable.

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

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

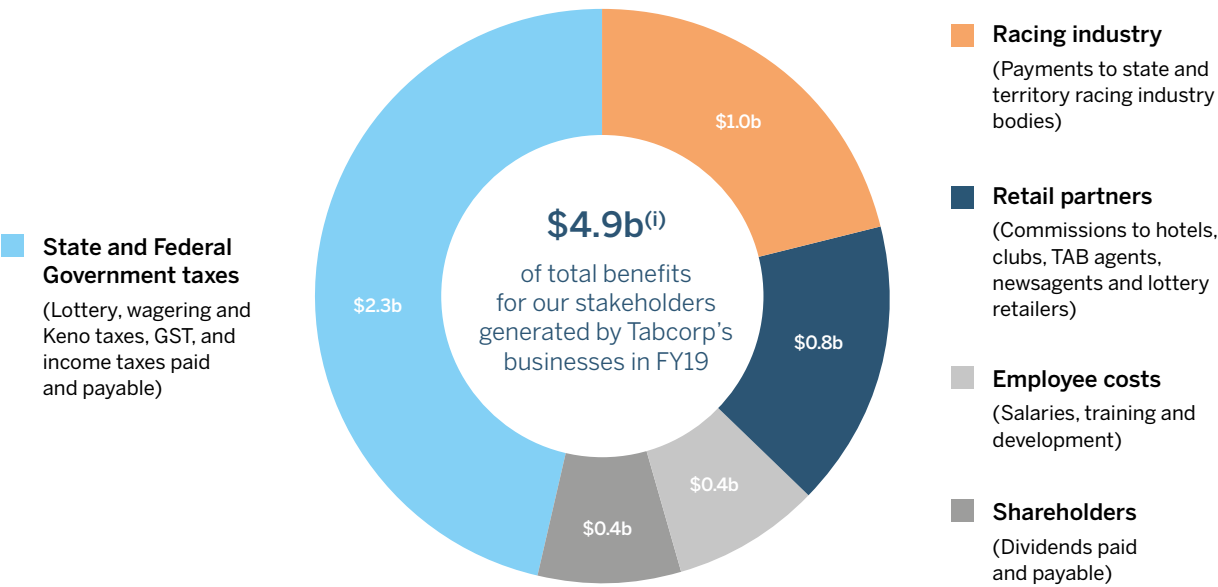
Description	Amount per share fully franked	Record date	Payment date	Total
2019 final dividend	11 cents	22 Aug 2019	20 Sep 2019	\$222.1m
2019 interim dividend	11 cents	19 Feb 2019	13 Mar 2019	\$221.7m
2018 final dividend	10 cents	16 Aug 2018	14 Sep 2018	\$201.3m

BENEFITS FOR OUR STAKEHOLDERS

We have a rich heritage in lotteries and wagering, with our iconic Australian brands being an important part of social experiences enjoyed by many Australians.

Our business model generates significant benefits for our stakeholders, and supports Tabcorp's sustainability.

In respect of FY19, nearly 70% of Tabcorp's revenue⁽ⁱ⁾ was returned to government, racing industry and retail partners.



⁽ⁱ⁾ Total includes 100% of Victorian Racing Industry joint venture interest and 100% of Keno NSW interest.



OUR PURPOSE

EXCITEMENT

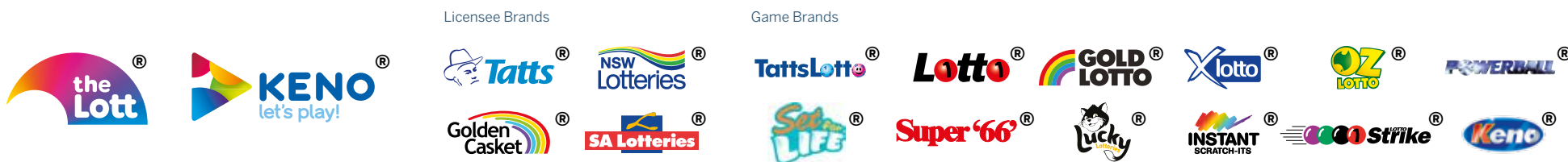
I'm excited that Tabcorp is committed to making a real difference in the community by investing in the Charitable Games business. Tabcorp's support of the 50-50 Charity Raffle and Play For Purpose means we're helping to create exciting winning experiences every week, and providing fundraising solutions that have benefited over 300 community organisations.

INTEGRITY

Integrity means delivering on our commitments whilst living our values, and I am proud that Tabcorp is committed to supporting hundreds of local community sports clubs and charities.

John Corry
General Manager Charitable Games

LOTTERIES AND KENO BUSINESS



Operations

- The Lott is Australia's leading lottery business with operations in all states and territories of Australia, except Western Australia, operating under exclusive licences.
- Our leading game brands include Set for Life, Powerball, Oz Lotto, TattsLotto, Saturday Lotto, Gold Lotto, X Lotto, Monday and Wednesday Lotto, Lucky Lotteries, Lotto Strike, Super 66, Keno and Instant Scratch-Its.
- Our lotteries products can be purchased in over 3,700 retail outlets, online at theLott.com and via our mobile app.
- Keno is a random number game that is played every 3 to 3.5 minutes with the chance for customers to win instant prizes and multi-million dollar lifechanging jackpots.
- Keno is distributed to over 3,500 venues across clubs, hotels and TABs in Victoria, Queensland, South Australia and ACT, and in clubs and hotels in NSW.
- Keno jackpot pooling across Victoria, NSW, Queensland and ACT.

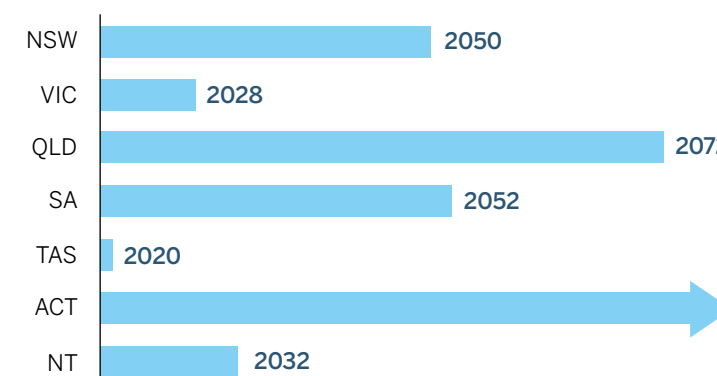
Lotteries licences/approvals⁽ⁱ⁾

- NSW Operator Licence and various product licences expire in April 2050.
- Victorian Public Lottery Licence expires in June 2028.
- Queensland Licensed Lottery Operator's Licence expires in July 2072.
- Lotteries operates under an agency agreement with the Lotteries Commission of South Australia which runs until December 2052.
- Tasmanian lotteries operate under renewable five year permits linked to Victorian (June 2020) and Queensland (June 2023) licences.
- ACT Approval to conduct a lottery indefinitely unless revoked.
- Northern Territory Lottery Agreement expires in June 2032.

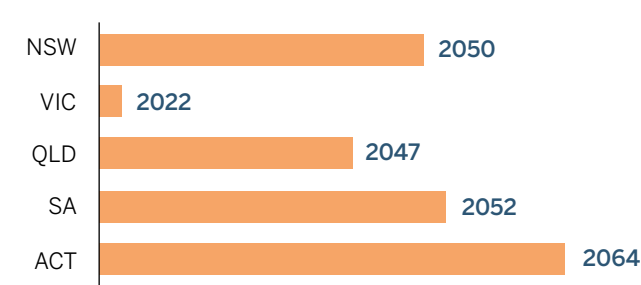
Keno licences/approvals⁽ⁱ⁾

- NSW Keno Licence expires in April 2050. Tabcorp operates Keno under a management agreement with ClubKENO Holdings Pty Ltd.
- Victorian Keno Licence expires in April 2022.
- Queensland Keno Licence expires in June 2047.
- Keno operates under an agency agreement with the Lotteries Commission of South Australia which runs until December 2052.
- ACT Approval to Conduct Keno expires in October 2064.

Lotteries licences/approvals⁽ⁱ⁾



Keno licences/approvals⁽ⁱ⁾



(i) Ordered by population.

LOTTERIES AND KENO BUSINESS

Review of results

Statutory revenue for the Lotteries and Keno business was \$2,864.9m, up >100%, and EBIT was \$425.2m, up >100%, with FY19 being the first full year contribution of the Tatts Lotteries business following the Combination.

In FY19, the performance of the business was positively impacted by continued game innovation, and upweighted investment in technology and data-led capability. Digital turnover was up a record 73.5%⁽ⁱ⁾, representing 23.5% (FY18: 16.8%⁽ⁱⁱ⁾) of total Lotteries turnover and digital momentum is continuing. Retail turnover grew 17.7%⁽ⁱⁱ⁾.

The new Powerball game delivered bigger and more frequent jackpots, and more winners overall, leading to increased customer demand. Active registered players were up 22.2% to 3.3m, positively impacting revenues for other games.

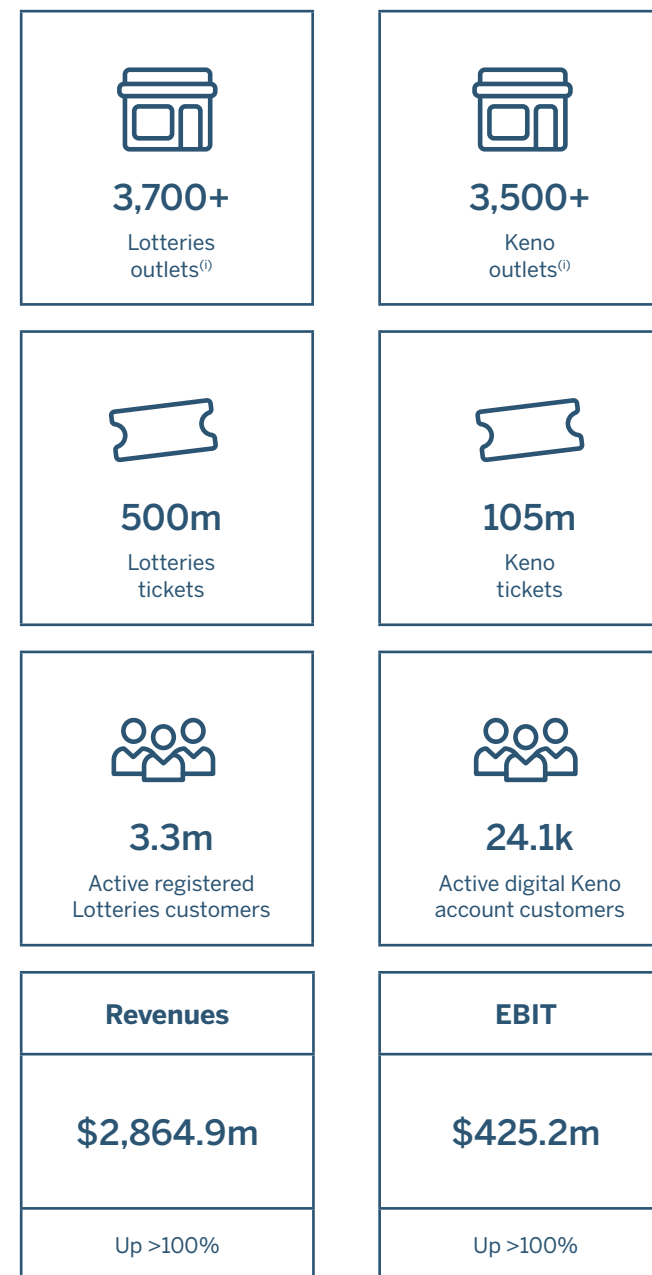
In addition, Lotteries and Keno revenues were supported by particularly favourable jackpot runs for Lucky Lotteries and Oz Lotto, which together added circa \$30m of incremental EBIT.

A new omni-channel model was introduced for lottery retailers during the year and will commence in most jurisdictions in August 2019, subject to regulatory approvals. The model will deliver greater alignment between lottery retailers and Tabcorp's digital growth strategy.

Lotteries and Keno results for the year ended 30 June	FY19 \$m	FY18 ⁽ⁱ⁾ \$m	Change %
Revenues	2,864.9	1,390.7	>100
Taxes, levies, commission and fees	(2,123.0)	(998.1)	>100
Operating expenses	(232.9)	(137.4)	69.5
EBITDA	509.0	255.2	99.5
Depreciation and amortisation	(83.8)	(55.9)	49.9
EBIT	425.2	199.3	>100

(i) FY18 results include the Tatts Lotteries business from 14 December 2017 and have been restated to reflect the Group's current reportable segments.

(ii) Pro-forma comparison includes adjustments to Tabcorp's FY18 results to facilitate examination of the performance of the combined Group as if the Combination had been in place for the full FY18, and is non-IFRS financial information.



(i) For FY19 or as at 30 June 2019, as applicable.

OUR PURPOSE

EXCITEMENT

Lotteries is an exciting business to work in. That jackpot winning feeling flows through everything we do and to know that we're providing a lifechanging experience for our customers is exciting.

INTEGRITY

Maintaining the integrity of our brands across our extensive retail network is vital. Ensuring that our retailers are well trained and supported and doing the right thing by them is at the core of our business.

Brad Chappel
*Business Development Manager
(QLD) with Cara Hickey,
Chermside Nextra Agent*

WAGERING AND MEDIA BUSINESS



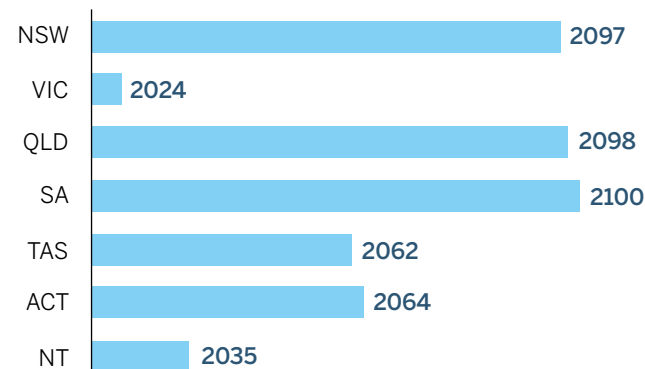
Operations

- The Wagering and Media business offers totalisator (or pari-mutuel) and fixed odds betting on racing, sports and other events.
- The business operates through a network of TAB agencies, hotels and clubs, and on-course operations in Victoria, NSW, Queensland, South Australia, Tasmania, Northern Territory and the ACT.
- Wagering channels include retail, internet, mobile devices and phone.
- Trackside, a computer simulated racing product, operates in Victoria, NSW and the ACT, and is licensed in other Australian and overseas jurisdictions.
- International wagering and pooling is conducted through the Premier Gateway International (PGI) joint venture on the Isle of Man (50% interest).
- Three Sky Racing television channels broadcast thoroughbred, harness and greyhound racing and other sports to audiences in TAB outlets, hotels, clubs, other licensed venues, and in-home to pay TV subscribers.
- The Sky Sports Radio network operates in NSW and the ACT, the RadioTAB network operates in Queensland, South Australia, Northern Territory and Tasmania, and the business has advertising and sponsorship arrangements with Radio Sport National.
- The Media business broadcasts Australian racing throughout Australia and distributes Australian and international racing to other countries, and imports overseas racing to Australia.

Wagering licences/ approvals⁽ⁱ⁾

- NSW Wagering Licence expires in March 2097, with retail exclusivity period to expire in June 2033.
- Victorian Wagering and Betting Licence expires in August 2024, and may be extended by the State of Victoria for a further two year period.
- Queensland Race Wagering Licence and Sports Wagering Licence expire in June 2098.
- South Australian Major Betting Operations Licence expires in June 2100, with retail exclusivity period to expire in December 2032.
- Tasmanian Gaming Licence expires in March 2062.
- ACT Totalisator Licence expires in October 2064.
- ACT Sports Bookmaking Licence expires in October 2029, with further rolling extensions to October 2064.
- ACT Approval to Conduct Trackside expires in October 2064.
- Northern Territory Totalisator Licence and Sports Bookmaker Licence expire in October 2035.

Wagering licences/approvals⁽ⁱ⁾



(i) Ordered by population.



WAGERING AND MEDIA BUSINESS

Review of results

Statutory revenue for the Wagering and Media business was \$2,312.2m, up 9.0%, and EBIT was \$271.8m, up 5.1%, with FY19 being the first full year contribution of the Tatts UBET business following the Combination.

Tabcorp significantly increased its investment in maintaining active customer numbers in FY19 during a period of integration and transformation. TAB competed well with active customer numbers up 2.5% to 538,000.

TAB turnover growth of 1.3% translated to a revenue decline of 3.6% due to the step-up in customer generosities and lower gross yields. Turnover in the former UBET business (Queensland, Tasmania, South Australia and Northern Territory) was down 9.5%⁽ⁱ⁾, largely as a result of the legacy offering. UBET revenues declined 7.2%⁽ⁱⁱ⁾, with the better revenue performance relative to turnover indicating early benefits from consolidation of our fixed odds teams and better yield management. The transition of

UBET to the full TAB offering is progressing well and is on track for completion during FY20.

During the year TAB launched products such as Same Game Multi, Trio and Odds & Evens, as well as Venue Mode, which gives participating account customers offers that can only be accessed in TAB retail venues. This is an example of Tabcorp using its retail network as a point of difference to create unique, digitally-led retail experiences.

Wagering and Media results for the year ended 30 June	FY19 \$m	FY18 ⁽ⁱ⁾ \$m	Change %
Revenues	2,312.2	2,122.1	9.0
Taxes, levies, commission and fees	(1,367.9)	(1,244.6)	9.9
Operating expenses	(528.3)	(483.7)	9.2
EBITDA	416.0	393.8	5.6
Depreciation and amortisation	(144.2)	(135.2)	6.7
EBIT	271.8	258.6	5.1

(i) FY18 results include the Tatts UBET Wagering business from 14 December 2017. FY18 results have been restated to reflect the impact of the application of AASB 15 Revenue from Contracts with Customers and the Group's current reportable segments.

(ii) Pro-forma comparison includes adjustments to Tabcorp's FY18 results to facilitate examination of the performance of the combined Group as if the Combination had been in place for the full FY18, and is non-IFRS financial information.



57%

National wagering market share of revenue (approx)



1.1b

Bets taken



4,400+

Venues



\$1.0b

Returns to racing industry



720,000

Active account customers



2.4m

Subscribers receiving Sky broadcast

Revenues

\$2,312.2m

Up 9.0%

EBIT

\$271.8m

Up 5.1%

(i) For FY19 or as at 30 June 2019, as applicable.

OUR PURPOSE

EXCITEMENT

We're always looking to deliver fun and engaging initiatives that create exciting experiences for our customers. We want our customers to have a positive experience every time they interact with us, and we aim to be at the top of our game by creating moments of excitement every day.

INTEGRITY

I'm proud to work for a trusted company that prides itself on doing the right thing. Maintaining a high standard of integrity and trust is at the heart of this organisation and is integral to the way my team operates both internally and in our interactions with customers.

Cathy Nigro
Senior Wagering Business
Partner Metro North (Sydney)

GAMING SERVICES BUSINESS



Operations

- The Gaming Services business operates two units under the MAX brand: MAX Regulatory Services and MAX Venue Services.
- MAX Regulatory Services provides electronic gaming machine (EGM) monitoring and related services across NSW, Queensland, and the Northern Territory.
- MAX Venue Services provides a mix of services including: gaming machine and systems supply and expertise, specialised services and strategic advice to licensed gaming venues in Victoria and NSW; value-add services to venues in NSW, Victoria, Queensland, South Australia, Tasmania, the ACT and the Northern Territory such as gaming and loyalty systems, business intelligence tools, linked jackpots, and cashless and ticket in ticket out (TITO) services; and logistics, installation, relocation, repair and maintenance of EGMs, lottery and wagering terminals and other transaction devices across Australia.

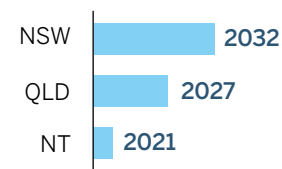
Monitoring licences⁽ⁱ⁾

- NSW Centralised Monitoring System Licence expires in November 2032.
- Queensland Monitoring Operator's Licence expires in August 2027, with indefinite rolling renewal capability.
- Northern Territory Monitoring Provider's Licence expires in July 2021 with indefinite rolling renewal capability.

Other licences/ approvals

- NSW Inter-Club Linked Gaming Systems Licence and Inter-Hotel Linked Gaming Systems Licence expire in October 2019.
- NSW Gaming Machine Dealer's and Seller's Licences.
- Victorian listings on the Roll of Manufacturers, Suppliers and Testers.
- Queensland Service Contractor Licence.
- South Australian Gaming Machine Dealer's Licence (voluntarily suspended) and Gaming Machine Service Licence.
- Tasmanian listings on the Roll of Recognised Manufacturers, Suppliers and Testers of Gaming Equipment.
- ACT Supplier Certificates.
- Northern Territory listing on the Roll of Approved Gaming Equipment Suppliers, Gaming Machine Service Contractors Licence and other approvals.

Monitoring licences⁽ⁱ⁾



(i) Ordered by population.



Nikolas Davies (Field Technician NSW and ACT)

GAMING SERVICES BUSINESS

Review of results

Statutory revenue for the Gaming Services business, which now operates under the umbrella MAX brand, was \$304.0m, up 21.7%, and EBIT was \$66.5m, up 1.8%, with FY19 being the first full year contribution of Tatts Group following the Combination.

The Gaming Services structure was simplified into two units during FY19: MAX Venue Services (venue solutions, gaming systems

and support services) and MAX Regulatory Services (monitoring and related services). Initiatives in FY19 were centred on creating a sustainable base for the future.

MAX Venue Services revenue was \$208.9m. The expiry of some contracts in Victoria negatively impacted MAX Venue Services revenue.

Good progress was made on contract extensions with 40% of Victorian electronic gaming machines (EGMs) now contracted beyond 2022, albeit on lower margins. There were 730 new EGMs signed during the year in Victoria and NSW bringing the total under contract to 10,090.

MAX Regulatory Services revenue was \$95.1m.

Gaming Services results for the year ended 30 June	FY19 \$m	FY18⁽ⁱ⁾ \$m	Change %
Revenues	304.0	249.7	21.7
Taxes, levies, commission and fees	(14.0)	(14.4)	(2.8)
Operating expenses	(150.3)	(113.8)	32.1
EBITDA	139.7	121.5	15.0
Depreciation and amortisation	(73.2)	(56.2)	30.2
EBIT	66.5	65.3	1.8

(i) FY18 results include the Tatts MAX and MAXtech business from 14 December 2017 and have been restated to reflect the Group's current reportable segments.



85%+

Reach across
national EGMs



**80% QLD
100% NSW**

EGM monitoring share



10,090

EGMs under contract
to MAX Venue Services



647k

Customer
call-outs



3,500+

Venues



Market leading gaming
technology systems

Revenues

\$304.0m

Up 21.7%

EBIT

\$66.5m

Up 1.8%

(i) For FY19 or as at 30 June 2019,
as applicable.



OUR PURPOSE

EXCITEMENT

Getting out in the field and meeting our customers face-to-face is exciting for me. I enjoy the challenges and opportunities that my role brings, and there's a great sense of accomplishment and reward when we work as a team and deliver a great result for our customers.

INTEGRITY

Integrity means upholding a sense of professionalism and accountability in everything we do. We aim to get the job right the first time, every time, and I'm proud to work in a team that is committed to doing the right thing.

Aidan Craine
Senior Field Technician (NSW)

CORPORATE RESPONSIBILITY

Our purpose of **Excitement with Integrity** underpins everything we do at Tabcorp. We believe in taking responsibility for the role we play in our communities and sharing the benefits of our success with all our stakeholders – our shareholders, customers, people, industry partners, governments, and the community.

Tabcorp’s corporate responsibility strategy supports our business strategy and vision to be **The Trusted Gambling Entertainment Company**, and builds upon the

progress and achievements made by Tabcorp over many years. Our corporate responsibility strategy is founded on the five pillars below.

In FY19, Tabcorp undertook a materiality assessment to identify those environmental, social and governance issues most relevant to our business and stakeholders. These findings have been incorporated into our corporate responsibility strategy and priorities.

The assessment indicated that Tabcorp’s top three material corporate responsibility priorities are responsible gambling, integrity in business and customer focus.

Throughout FY19, we continued to make good progress in delivering our corporate responsibility strategy. See pages 24 to 26 for key corporate responsibility activities and progress during the year.

In recognition of our continued improvements in sustainability performance and disclosure, Tabcorp’s rankings were upgraded in the most recent annual independent assessments for the Dow Jones Sustainability Index (DJSI) and FTSE4Good Index. Tabcorp is now ranked second globally in the Casinos and Gambling sector in the DJSI World and DJSI Australia Indices.

More detail about Tabcorp’s corporate responsibility activities can be found on our website and in our annual Corporate Responsibility Report, available at www.tabcorp.com.au.

The five pillars of our corporate responsibility framework

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

RESPONSIBLE GAMBLING

Tabcorp is committed to responsible gambling, gaming and play as we believe it is integral to our overall business strategy and long term success. Customer care is at the core of our approach to responsible gambling.

Our goal is to equip customers with information and resources to help them make informed decisions about how they gamble to minimise potential harm. We have developed customer care technologies and human-led tools that work hand-in-hand to better understand gambling behaviour and empower customer choice.

TAB responsible gambling microsite

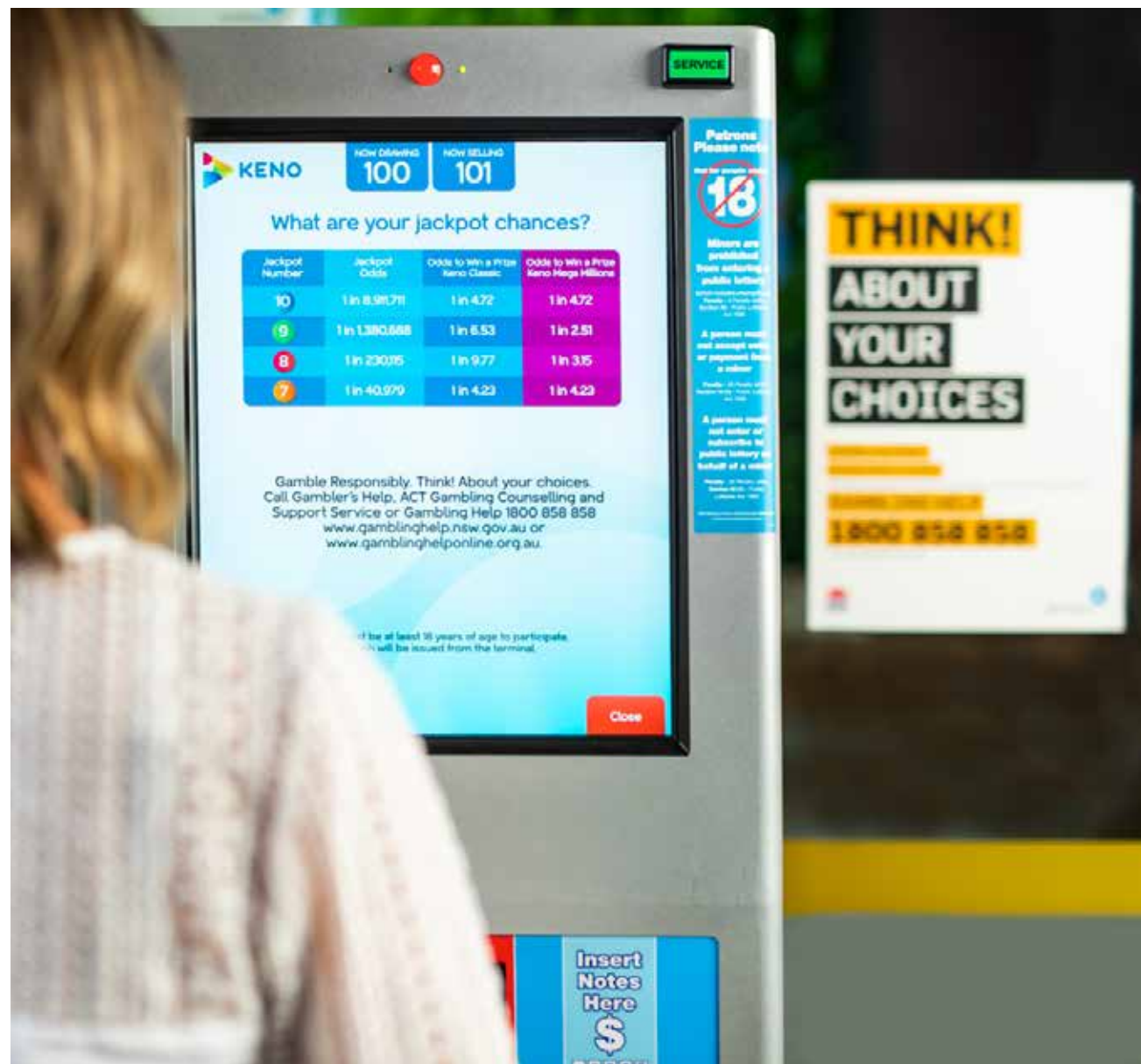
In April 2019, TAB launched a new responsible gambling microsite to create a user-friendly and easily accessible information and assistance hub for TAB wagering customers. The site provides:

- Information for customers about how to use our products safely and responsibly.
- Self-service tools to help customers manage their gambling, such as setting a deposit limit, electing to take a break from wagering, setting a maximum bet cost and self-excluding from on-line and/or in-venue wagering.

- Referrals to independent support services that can assist customers who are concerned about their own or another person's gambling.

FY19 highlights

- Launched the TAB responsible gambling microsite.
- Developed "Take a Break" and enhanced self-service tools that help customers manage their gambling.
- Supported the National Consumer Protection Framework launched by federal, state and territory governments which requires all online wagering customers to opt in or out of setting a deposit limit for their account.
- Implemented shorter customer ID verification timelines and a simplified online customer experience.
- Enhanced training of front-line customer service staff within retail venues, on-course and at call centres to ensure they are trained to understand and promote responsible gambling, and are equipped with tools and information to help identify problem gambling behaviour.



PEOPLE

We are focused on making Tabcorp the most exciting and rewarding place for our people to succeed. We continue to build an inclusive and diverse organisation with a values and purpose-led culture that supports our business priorities.

Tabcorp values

In November 2018, Tabcorp launched its new purpose, vision and values with our employees. The values, which were developed in consultation with our employees, support our business strategy.

Employee engagement

In May 2019, Tabcorp conducted an employee experience and engagement survey. It was the first time using the Culture Amp survey following the Combination. More than 72% of our employees responded to the survey and our engagement score was 65%. This is slightly below the 2019

median of 70% for Australian companies and establishes a baseline against which we can measure future efforts.

Inclusion and diversity

During FY19, the Board approved a three year Inclusion and Diversity Strategy consistent with our broader business and people priorities. The strategy sets out our commitment to a culture of inclusion and the creation of a bias-free workplace where all are welcomed and respected.

In FY19, Tabcorp also enhanced key policies to support this strategy, including:

- Updated its market leading Parental Leave Policy to increase paid leave for primary carers from 13 weeks to 18 weeks, and reduce the qualifying period from 12 months to three months.

- Adopted a new Domestic and Family Violence Support Policy that provides unrestricted paid leave for people experiencing violence, 10 days paid carer's leave for those who may be supporting others experiencing violence, a financial allowance of up to \$2,500, access to removalist services for an emergency move, and other support arrangements.

The Board has set a target for management to have at least 40% female representation in the Senior Leadership Cohort by the end of FY21.

The Board has also introduced a target for the Tabcorp Board to comprise at least 40% female Non Executive Directors by the end of FY23.

Employee health and safety

Tabcorp is committed to providing a safe environment for employees, contractors and visitors, and actively promotes health, safety and wellbeing in the workplace. In FY19 there was a reported increase in lost time injuries resulting in a lost time injury frequency rate of 3.6 lost time injuries per million hours worked, up from 2.3 in FY18. This rate is still well below the industry average of 7.0 based on Safe Work Australia benchmarks.

We continue to review, monitor and report on health and safety risk profiles throughout the business. We have increased our focus on early reporting and proactive injury management which has resulted in a decrease in our WorkCover Premiums this year.

FY19 highlights

- Tabcorp was again named an Employer of Choice for Gender Equality by the Workplace Gender Equality Agency.
- Launched our new purpose, vision and values with employees.
- Launched new Inclusion and Diversity Strategy supported by four key policies; Inclusion and Diversity, Flexible Working, Domestic and Family Violence Support, and Parental Leave policies.
- Combined the Tabcorp and Tatts employee management systems, including employee performance management, contractor management and employee assistance programs.
- Implemented the new Donesafe employee health and safety system.

Our values



Do it as One Team

We are stronger together. We are inclusive, collaborative and know that amazing ideas can come from anywhere



Do the Right Thing

We always act with integrity, standing up (and speaking out) for what is right



Explore What's Possible

We listen. We think big. We ask 'what if'. Our curiosity for what is next will shape tomorrow



Create Awesome Moments

We create excitement and positive experiences. Everything we do has the power to delight



Make a Difference

We are passionate and proud about making a real change for customers and benefiting our communities

CORPORATE RESPONSIBILITY

COMMUNITY

Tabcorp has a long history of supporting the community. We are committed to making a positive contribution to our industry and charity partners, and through them, the broader community. We believe that supporting the wellbeing of the communities in which we operate is critical to our long term success.

Key partnerships

We partner with a number of Australian charities, including the Prostate Cancer Foundation of Australia, Starlight Children's Foundation, OzHarvest and Conservation Volunteers Australia.

We also support industry based charities such as the National Jockeys Trust and Team Teal, which raises funds for the Women's Cancer Foundation.

Through Tabcare, our employee-community engagement program, we support our employees to contribute to the community through matched fundraising and volunteering for charities.

Tabcorp Charitable Games

Tabcorp Charitable Games aims to be one of the biggest supporters of fundraising activities and good causes in Australia. We facilitate fundraising for charities and sporting clubs by providing

innovative fundraising products and technology solutions. Tabcorp recognises the challenges facing not-for-profit fundraising efforts and we use our size, talent, expertise and technology to help. We support the 50-50 Foundation, a registered charity which raises significant funds for charities and sporting clubs through its two products:



FY19 highlights

- The value of Tabcorp's support to charities and community organisations in FY19 totalled approximately \$9.6m⁽ⁱ⁾. This represents Tabcorp's voluntary support in the form of cash donations, in-kind support, employee time, and leveraged support, with FY19 being the first full year contribution from Tatts following the Combination.
- Over \$1.2m in contributions were made to drought relief in NSW and Queensland from Tabcorp, SKY, TAB, Golden Casket and employee contributions.
- Tabcorp, TAB and Golden Casket contributed over \$500,000 to flood-impacted communities and the racing industry in North Queensland.

- Golden Casket facilitated contributions of over \$1.8m to charities in Queensland, including the Mater Hospital, Children's Hospital Foundation and Starlight Children's Foundation.

- Tabcorp helped the 50-50 Foundation partner with Sport Australia and the Australian Sports Foundation to launch Play for Purpose, Australia's Sport and Charity Raffle, which raised over \$1.0m for 98 Australian charities and 108 sporting clubs.

- Tabcorp's support of the 50-50 Foundation enabled it to partner with 15 major sporting clubs and through its 50-50 Charity Raffle raised over \$300,000 for 66 Australian charities.
- Tabcorp's CEO and executives raised more than \$160,000 for OzHarvest's annual CEO CookOff fundraiser.



(i) Independently verified by LBG.



OUR PURPOSE

EXCITEMENT

Tabcorp takes the role we play in our communities seriously and it's exciting to be in a position to share our success with all of our stakeholders.

INTEGRITY

Integrity means acting with honesty and transparency in everything we do, to make a positive impact on all our stakeholders.

Melissa Clarkson
Corporate Responsibility Manager

BOARD OF DIRECTORS



Paula Dwyer

Independent Chairman and Non Executive Director from June 2011⁽¹⁾⁽ⁱⁱ⁾

Paula Dwyer is a Director of Australia and New Zealand Banking Group Limited, Lion Pty Ltd and Allianz Australia Limited. She is also a Member of the Kirin Holdings International Advisory Board and a Member of the Takeovers Panel.

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

Ms Dwyer held senior executive positions with Ord Minnett (now JP Morgan) and PricewaterhouseCoopers.

Ms Dwyer brings to the Board her commercial experience in strategy, corporate finance and capital management and operating businesses in complex regulated industries.

Tabcorp Committees:

- Chairman of Nomination Committee
- Member of Audit Committee
- Member of Risk and Compliance Committee
- Member of People and Remuneration Committee
- Chairman of the Victorian Joint Venture Management Committee

Qualifications:

- Bachelor of Commerce
- Fellow of the Chartered Accountants Australia and New Zealand
- Senior Fellow of the Financial Services Institute of Australasia
- Fellow of AICD

Other ASX company directorships in past 3 years:

- Healthscope Limited from June 2014 to June 2019
- Australia and New Zealand Banking Group Limited since April 2012



David Attenborough

Managing Director and Chief Executive Officer from June 2011

David Attenborough joined Tabcorp in April 2010 as Managing Director - Wagering. He became Managing Director and Chief Executive Officer when Tabcorp's demerger of its former casinos business was completed in June 2011. He was appointed as the Managing Director and Chief Executive Officer following the Tabcorp-Tatts combination.

Mr Attenborough is also a Director of the Australasian Gaming Council.

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

Mr Attenborough brings to the Board extensive gambling industry experience, strategic and commercial acumen, international experience, retailing and customer experience, and corporate responsibility.

Qualifications:

- Bachelor of Science (Honours)
- Master of Business Administration
- Member of AICD

Other ASX company directorships in past 3 years:

- Nil



Bruce Akhurst

Independent Non Executive Director from July 2017

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

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

Mr Akhurst brings to the Board extensive experience in legal and regulatory compliance, governance and risk management, marketing and customer experience, digital innovation, information technology, strategy, finance and capital management.

Tabcorp Committees:

- Chairman of Risk and Compliance Committee
- Member of Audit Committee
- Member of Nomination Committee

Qualifications:

- Bachelor of Economics (Honours)
- Bachelor of Laws
- Fellow of AICD

Other ASX company directorships in past 3 years:

- Vocus Group Limited since September 2018



Harry Boon

Independent Non Executive Director from December 2017

Mr Boon is currently the Chairman of Asaleo Care Limited and is a former Director of Toll Holdings Limited.

Mr Boon was previously the Chairman of Tatts, and served as a Non Executive Director of Tatts from May 2005.

Mr Boon was previously 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. Mr Boon has held senior positions in Australia, Europe, the US and Canada.

Mr Boon brings to the Board extensive experience in global marketing and sales, retailing and customer experience, leadership, remuneration, people and organisational culture.

Tabcorp Committees:

- Member of Audit Committee
- Member of Risk and Compliance Committee
- Member of People and Remuneration Committee
- Member of Nomination Committee

Qualifications:

- Bachelor of Laws (Honours)
- Bachelor of Commerce

Other ASX company directorships in past 3 years:

- Asaleo Care Limited since May 2014
- Tatts from May 2005 to December 2017



Steven Gregg

Independent Non Executive Director
from July 2012

Steven Gregg is Chairman of Caltex Australia Limited and a Director of Challenger Limited and thoroughbred bloodstock company William Inglis & Son Limited. He is also a Trustee of the Australian Museum Trust and Chairman of Unisson Disability Limited.

Mr Gregg is the former Chairman of Goodman Fielder Limited and former Chairman of Austock Group Limited, and he was a Member of the Grant Samuel non-executive Advisory Board.

Mr Gregg had an executive career in investment banking and management consulting, including as Global Head of Investment Banking and CEO at ABN Amro Bank, and Partner and Senior Adviser to McKinsey & Company.

Mr Gregg brings to the Board extensive experience in corporate finance and capital management, strategic and commercial acumen, retailing and racing industry experience.

Tabcorp Committees:

- Chairman of People and Remuneration Committee
- Member of Audit Committee
- Member of Nomination Committee

Qualifications:

- Bachelor of Commerce

Other ASX company directorships in past 3 years:

- Caltex Australia Limited since October 2015
- Challenger Limited since October 2012



Vickki McFadden

Independent Non Executive Director
from July 2017

Vickki McFadden is Chairman of GPT Group and a Director of Newcrest Mining Limited and Myer Family Investments Pty Ltd. She is also a Member of Chief Executive Women and a Member of the Advisory Board and Executive Committee of the UNSW Business School.

Ms McFadden was formerly Chairman of Eftpos Payments Australia Limited and Skilled Group Limited, President of the Takeovers Panel, and was previously a Non Executive Director of Leighton Holdings Limited. Prior to this, she was Managing Director, Investment Banking at Merrill Lynch (Australia) Pty Ltd.

Ms McFadden brings to the Board extensive experience in finance and capital management, governance, risk management and compliance, people and organisational culture, strategy and corporate responsibility.

Tabcorp Committees:

- Chairman of Audit Committee
- Member of Risk and Compliance Committee
- Member of Nomination Committee

Qualifications:

- Bachelor of Commerce
- Bachelor of Laws
- Member of AICD

Other ASX company directorships in past 3 years:

- GPT Group since March 2018
- Newcrest Mining Limited since October 2016



Justin Milne

Independent Non Executive Director
from August 2011

Justin Milne is a Director of NBN Co Limited.

Mr Milne was a former Chairman of NetComm Wireless Limited, MYOB Group Limited, Australian Broadcasting Corporation and pieNETWORKS Limited, and was a Director of SMS Management and Technology Limited, Members Equity Bank Limited, Basketball Australia Limited and Chief Executive Officer of OzEmail and the Microsoft Network.

Mr Milne had an executive career in telecommunications, marketing and media. From 2002 to 2010 he was Group Managing Director of Telstra's broadband and media businesses, and headed up Telstra's BigPond New Media businesses in China.

Mr Milne brings to the Board extensive experience in information technology, media, digital innovation, marketing and customer experience, public policy, strategic and commercial acumen and governance.

Tabcorp Committees:

- Member of Risk and Compliance Committee
- Member of Nomination Committee

Qualifications:

- Bachelor of Arts
- Fellow of AICD

Other ASX company directorships in past 3 years:

- MYOB Group Limited from March 2015 to May 2019
- NetComm Wireless Limited from March 2012 to July 2019
- SMS Management and Technology Limited from August 2014 to September 2017



Zygmunt Switkowski AO

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

Zygmunt Switkowski is Chairman of NBN Co Limited and Chancellor of RMIT University.

Dr Switkowski is the former Chairman of Suncorp Group Limited, a former Director of Healthscope Limited and Oil Search Limited, and former Chairman of the Australian Nuclear Science and Technology Organisation.

Dr Switkowski was the Chief Executive Officer and Managing Director of Telstra Corporation Limited from 1999 to 2005, and is a former Chief Executive Officer of Optus Communications.

Dr Switkowski brings to the Board extensive experience in governance, leadership, remuneration, people and organisational culture, information technology, stakeholder relations and public policy.

Tabcorp Committees:

- Member of People and Remuneration Committee
- Member of Nomination Committee

Qualifications:

- Bachelor of Science (Honours)
- PhD (Nuclear Physics)
- Fellow of AICD
- Fellow of Australian Academy of Technological Sciences and Engineering
- Fellow of Australian Academy of Science

Other ASX company directorships in past 3 years:

- Healthscope Limited from April 2016 to June 2019
- Oil Search Limited from November 2010 to December 2016
- Suncorp Group Limited from September 2005 to September 2018

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

CORPORATE GOVERNANCE

Tabcorp's Board recognises the importance of having proper and effective corporate governance arrangements and maintaining high standards of corporate behaviour and accountability. The governance arrangements adopted by the Group enable the Board and management to make well informed decisions, provide appropriate accountability and transparency, and instil and reinforce a culture and behaviours that support Tabcorp's vision to be ***The Trusted Gambling Entertainment Company***.

FY19 achievements

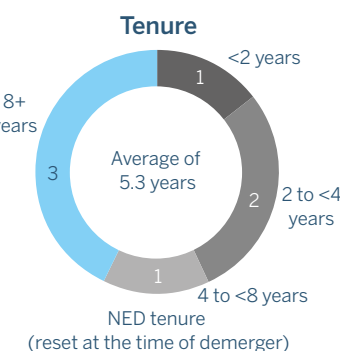
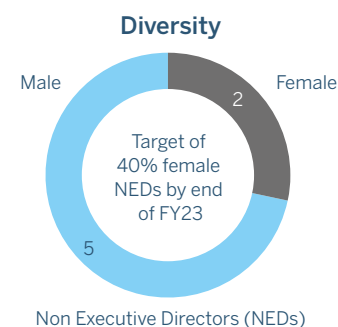
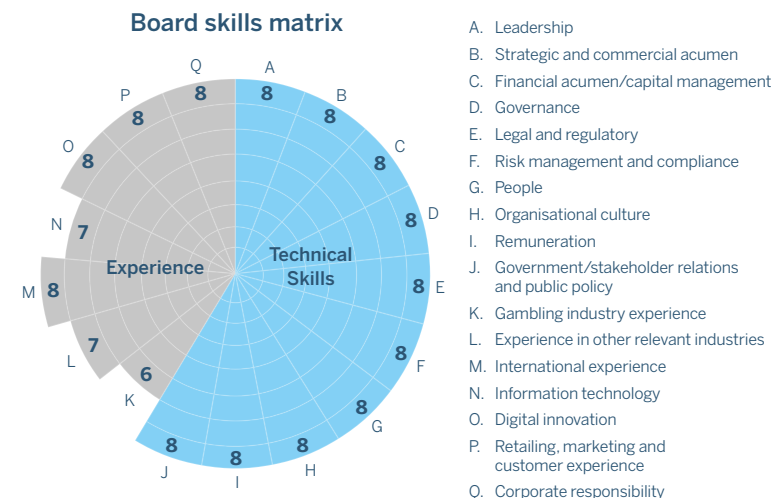
- An externally facilitated assessment was undertaken of the effectiveness and performance of the Board, its Committees and individual Directors and a number of resulting actions will be implemented.
- The Director skills matrix was reviewed and updated.
- The Board Nomination Committee was re-established effective from 14 June 2019.
- Tabcorp reviewed and updated its Whistleblower Policy, Market Disclosure Policy and Shareholder Communications Policy.

Board Committees

- The Board has established four Committees:
 - Audit Committee
 - Risk and Compliance Committee
 - People and Remuneration Committee
 - Nomination Committee
- All committees comprise only Non Executive Directors (NEDs).
- All committee members, including Chairmen, are independent Directors.

Balanced Board

- The Board comprises a mix of longer serving NEDs and more recent appointments, with three new Directors having commenced in the past three years.
- The Board has set a target of having at least 40% female NEDs by the end of FY23.
- All Tabcorp's NEDs are considered by the Board to be independent.
- The Board is comprised of Directors who bring a diverse range of skills, experience, qualifications and backgrounds to provide effective leadership and add value.
- The Board has commenced a process for orderly and coordinated Board renewal, including for the Chairman role, which is being overseen by the Nomination Committee.



Tabcorp's Corporate Governance Statement 2019, Appendix 4G, Board and Committee charters, key policies and governance documents are available from the Who We Are > Corporate Governance section of Tabcorp's website at www.tabcorp.com.au

Board and Committee meeting attendance

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

Name	Board meetings		Audit Committee		Risk and Compliance Committee		People and Remuneration Committee	
	A	B	A	B	A	B	A	B
Current Directors								
Paula Dwyer ⁽ⁱ⁾	11	11	4	4	4	4	5	5
David Attenborough ⁽ⁱⁱ⁾	11	11	4	4	4	4	5	5
Bruce Akhurst	11	11	4	4	4	4	-	-
Harry Boon	11	11	4	4	4	4	5	5
Steven Gregg	11	11	4	4	-	-	5	5
Vickki McFadden	11	11	4	4	3	4	-	-
Justin Milne	11	11	-	-	4	4	-	-
Zygmunt Switkowski	10	11	-	-	-	-	5	5
Former Director								
Elmer Funke Kupper ⁽ⁱⁱⁱ⁾	-	-	-	-	-	-	-	-

A – Number of meetings attended

B – Maximum number of possible meetings available for attendance

- (i) Paula Dwyer also attended meetings of the Victorian Joint Venture Management Committee as Chairman of this Committee.
- (ii) David Attenborough attends Board Committee meetings, but he is not a member of any Board Committee. Only Non Executive Directors are members of Board Committees.
- (iii) Elmer Funke Kupper commenced a leave of absence from the Board on 21 March 2016 and retired from the Board on 17 October 2018. He did not attend any Board or Committee meetings during the financial year.

In addition to the meetings above, a number of Directors also participated in meetings of Board Sub-Committees established for special purposes during the year.

The Nomination Committee was re-established and effective from 14 June 2019, however did not meet in FY19.

The functions and memberships of the Board Committees are set out in the Company's Corporate Governance Statement available on Tabcorp's website. The Board and Committee Charters are also available on Tabcorp's website.

Directors' interests in Tabcorp securities

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

Name	Ordinary shares	
	Number	Value ⁽ⁱ⁾
Current Directors		
Paula Dwyer	150,000	\$670,500
David Attenborough ⁽ⁱⁱ⁾	1,064,677	\$4,759,106
Bruce Akhurst	80,000	\$357,600
Harry Boon	70,000	\$312,900
Steven Gregg	42,000	\$187,740
Vickki McFadden	50,000	\$223,500
Justin Milne	41,808	\$186,882
Zygmunt Switkowski	91,949	\$411,012
Former Director		
Elmer Funke Kupper ⁽ⁱⁱⁱ⁾	64,166	\$305,430

- (i) Value of ordinary shares using closing price on ASX of \$4.47 as at 1 August 2019 (except for (iii) below). All Non Executive Directors maintain Tabcorp shareholdings which are within Tabcorp's Non Executive Director Shareholding Policy, noting that the required threshold must be reached within three years of appointment, or by 14 December 2020, whichever is the later. The MD and CEO's shareholding is within the Executives' Shareholdings Policy.
- (ii) David Attenborough also has an interest in 1,720,947 Performance Rights.
- (iii) Retired as a Director of Tabcorp on 17 October 2018, and the interests disclosed above and their value were applicable at that time.

EXECUTIVE LEADERSHIP TEAM



David Attenborough
Managing Director and
Chief Executive Officer

David joined Tabcorp in April 2010 as Managing Director – Wagering. He became Managing Director and Chief Executive Officer when Tabcorp's demerger of its former casinos business was completed in June 2011.

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

David is a Director of the Australasian Gaming Council.

David holds a Bachelor of Science (Honours) and a Masters of Business Administration, and he is a Member of AICD.



Merryl Dooley
Chief People Officer

Merryl commenced with Tabcorp in October 1990 and has held numerous positions across a range of discipline areas including human resources, training and development, communications and sales.

She became Executive General Manager – Human Resources in June 2011 following the implementation of the Tabcorp demerger, and then Executive General Manager – People, Culture and Communications in March 2016, prior to becoming Chief People Officer in December 2017 following the Tabcorp-Tatts combination.

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



Damien Johnston
Chief Financial Officer

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

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

Damien holds a Bachelor of Commerce and is a Fellow of CPA Australia and a Member of AICD.



Clinton Lollback
Chief Risk Officer

Clinton joined Tabcorp in January 2016 in this newly created role to lead Tabcorp's risk and compliance functions.

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

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

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



Frank Makryllos
Managing Director –
Gaming Services

Frank was Chief Operating Officer – Gaming at Tatts Group from early 2013 until commencing with Tabcorp following the Tabcorp-Tatts combination in December 2017. Frank is responsible for leading Tabcorp's Gaming Services business under the MAX brand.

Frank was previously Chief Executive Officer of Intralot Australia, and was the Chief Executive of Tatts Pokies.

Frank holds a Masters of Business Administration and has completed several courses through the Harvard and London Business Schools.



Patrick McGlinchey
Group General Counsel

Patrick commenced with Tabcorp in March 2019 as Group General Counsel, leading Tabcorp's Legal and Regulatory functions with functional responsibility for Company Secretariat.

Prior to joining Tabcorp, he was Regional General Counsel Asia Pacific at LafargeHolcim Group leading the legal, corporate governance and compliance teams across the region. Patrick also has experience in the gambling entertainment industry, having served previously as Chief Legal Officer and Company Secretary at Aristocrat Leisure Limited.

Patrick holds a Bachelor of Laws (Honours) and a Bachelor of Economics (Soc Sc). He has attended various executive development courses including the International Institute for Management Development in Switzerland and the Wharton School in the USA.



Mandy Ross
Chief Information Officer

Mandy commenced with Tabcorp in December 2017 following the combination of Tabcorp and Tatts. At Tatts, she was Chief Information Officer from December 2014, and Head of Technology Transformation and Process Improvement from 2013.

Mandy was previously Chief Technology Officer of start-up Literary Planet and Chief Information Officer of online travel organisation the Wotif Group.

Mandy holds a Masters of Business Administration and Bachelor of Information Technology (Honours).



Adam Rytenskild
Managing Director –
Wagering and Media

Adam joined Tabcorp in 2000. He has held numerous senior management positions, including expanding Wagering's Retail and Digital businesses through periods of increasing competition and significant change. In 2013 Adam established Tabcorp's Gaming Services business and led the turnaround of Tabcorp's Keno business.

In August 2017 Adam was appointed Chief Operating Officer – Wagering and Media and in December 2017 became Managing Director – Wagering and Media.

Adam has extensive experience leading complex multi-channel, multi-jurisdiction businesses with multiple partners and stakeholders. His career includes nine years with Mobil Oil prior to joining Tabcorp.

He holds a Masters of Business Administration, has attended the Senior Executive Program at London Business School and the Executive Breakthrough Program with Egon Zehnder. He is a Member of AICD.



Ben Simons
Chief Strategy Officer

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

He was previously with Telstra where he was most recently Director of Telstra Air, Australia's largest wifi hotspot network, and Director of Retail Product Strategy. Prior to Telstra, he was Principal of management consulting firm Bain and Company.

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



Sue van der Merwe
Managing Director –
Lotteries and Keno

Sue was Chief Operating Officer – Lotteries at Tatts Group and became Tabcorp's Managing Director – Lotteries and Keno following the combination of Tabcorp and Tatts in December 2017.

Sue has extensive experience in the lottery industry commencing her career in marketing lotto games in 1990 and progressing through various management roles at Tatts.

Sue holds a Bachelor of Social Science, Marketing and Economics.

DIRECTORS' REPORT

Contents

1. Principal activities	35
2. Operating and financial review	35
3. Significant changes in the state of affairs	35
4. Significant events after the end of the financial year	35
5. Business strategies	35
6. Likely developments and expected results	35
7. Material business risks	36
8. Directors	39
9. Directors' interests in contracts	39
10. Indemnification and insurance of Directors and Officers	39
11. Company Secretaries	39
12. Environmental regulation and performance	40
13. Other matters	40
14. Rounding of amounts	40
15. Auditors	40
16. Non-audit services	40
17. Auditor's independence declaration	41
18. Remuneration Report	41

The Directors of Tabcorp Holdings Limited (the Company) present their report for the consolidated entity comprising the Company and its subsidiaries (the Group) and the Group's interests in joint arrangements and associates in respect of the financial year ended 30 June 2019.

1. PRINCIPAL ACTIVITIES

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

2. OPERATING AND FINANCIAL REVIEW

The financial results of the Group for the financial year ended 30 June 2019 comprise its three operating segments of Lotteries and Keno, Wagering and Media, and Gaming Services. The activities and financial performance of the Group and each of its operating segments for the financial year are set out on pages 1 to 22.

3. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The following event, which may be considered to be a significant change in the state of affairs of the Group, occurred since the commencement of the financial year on 1 July 2018. There were no other significant changes in the state of affairs of the Group that occurred during the financial year other than as set out in this Directors' Report.

On 19 July 2018, the Group announced that it had completed discussions with News UK and executed an agreement to exit the Sun Bets business and Sun Bets ceased offering products effective from that date. Sun Bets is disclosed as a discontinued operation.

4. SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

In July 2019, the Group entered into sale agreements in relation to two surplus corporate properties. Proceeds of \$46.0m are expected to be recognised over the next two financial years in respect of the two properties.

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

5. BUSINESS STRATEGIES

The Group is one of Australia's leading gambling entertainment companies and seeks to deliver sustainable superior returns to its shareholders through the delivery of financial, operational and leadership excellence. To achieve these outcomes, the Group continues to focus on a number of key priorities, which are discussed on pages 4 to 9. The priorities of the Group's operating businesses are set out on pages 14 to 22.

6. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

The achievement of the expected results in future financial years is dependent on a range of factors, and may be adversely affected by any number of events, and are subject to, among other things, the material business risks described in section 7.

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

DIRECTORS' REPORT

7. MATERIAL BUSINESS RISKS

The Group has a structured and proactive approach to understanding, identifying and managing risk which is aligned to the Group's strategies and operations. The Group operates within an established Risk Management Framework (summarised opposite) which enables the effective identification, monitoring, management, reporting and oversight of risks throughout the Group. This framework is overseen by the Chief Risk Officer and the Risk and Compliance Committee, and supports a strong culture of proactive risk management, helps protect our reputation and supports long term value creation for our stakeholders.

For further information regarding the Group's approach to risk management and risk governance, refer to Tabcorp's Corporate Governance Statement.

There are various risks that could have a material impact at a whole-of-Group level on the achievement of the Group's strategies and future prospects which are presented below, in no particular order, together with existing mitigations employed by the Group. Many of the risks may arise due to events occurring that are outside the control of the Group.

Risk Management Framework



Risk	Description and potential consequences	Mitigations employed
Breach of laws and licences, and compliance and conduct risks	The Group's businesses are regulated by laws, licences, permits and other approvals. Any material breach of the relevant obligations or failure to meet compliance and conduct requirements may have an adverse impact on the financial performance and position of the Group. Any such adverse impact may arise as a result of the suspension or loss of applicable gambling licences, renewal of licences on less favourable terms, increased supervision and oversight by regulators and other stakeholders, civil or criminal penalties, brand or reputational damage, and the inability to obtain future licences or business opportunities.	<ul style="list-style-type: none"> The Group has risk management, compliance and accountability frameworks, considered risk appetite positions on material matters, and supporting policies, procedures, tools, training and other controls. Employees and managers are provided with training and support to enable them to effectively manage their risk and compliance obligations in accordance with the Group's frameworks. Internal Audit periodically reviews the effectiveness of, and provides independent and objective assurance regarding the adequacy of, controls and processes for managing risk and compliance obligations.
Licences and other approvals	The loss of or failure to renew any licence, permit, authorisation or other approval (or renewal on less favourable terms) may have an adverse impact on the financial performance and position of the Group.	<ul style="list-style-type: none"> The Group operates a diverse portfolio of businesses spread across a number of jurisdictions, business segments and customer categories which reduces the reliance on any one specific business or jurisdiction. The Group maintains long term gambling licences and, where the terms are appropriate, seeks new licences and to extend existing licences where possible.
Changes in laws and the regulatory environment	<p>The Group's businesses operate in a highly regulated environment and are significantly affected by government policy and the manner in which governments and regulators exercise their powers.</p> <p>Changes in legislation, regulation, taxation or government policy (and related judicial decisions and enforcement policy), including as a result of changes in societal attitudes towards gambling products, may have an adverse impact to varying degrees on the Group's operational and financial performance as a result of significant changes in the nature of operations, increased compliance or other costs, resourcing demands, and potential changes in the level of competition.</p>	<ul style="list-style-type: none"> The Group proactively engages with regulators and governments, and from time to time makes submissions relating to proposed changes in laws, and regulatory and licensing environments, which may impact the Group. The Group regularly reviews its operating business model and strategies to take account of changes to the regulatory and licensing environments to mitigate adverse consequences of these changes. The Group proactively engages with industry bodies to align the Group's business strategies with potential industry changes and ensure the sustainability of the Group's businesses and those industries more broadly. The Group continues to invest in and embed responsible gambling practices.

Risk	Description and potential consequences	Mitigations employed
Consumer discretionary spending	<p>Gambling activities compete with other consumer products for consumers' discretionary spending and in particular with other forms of leisure and entertainment. If the Group does not adequately respond to competition for consumers' discretionary expenditure, there may be an adverse effect on the operational and financial performance of the Group.</p> <p>Consumer discretionary spending may also be affected by adverse changes to general economic or industry conditions which may in turn adversely affect the financial performance of the Group.</p>	<ul style="list-style-type: none"> As noted above, the Group operates a diverse portfolio of businesses with operations spanning multiple jurisdictions and market segments, which reduces the reliance on any single business and customer category. The Group adopts a range of strategies to further mitigate this risk, including using its exclusive retail network, enhancing its customer service and relationship management, introducing new products, and driving digital innovation and excellence across its multi-channel network. The Group's strategic marketing and consumer insights teams support the businesses to understand and respond to changing consumer trends.
Competition and disruption	<p>The Group's businesses are affected to varying degrees by competing suppliers of gambling products and services, based both in Australia and overseas. New competitors and disruptors may also enter the Group's traditional markets. As a result, there are risks that the Group may not be able to compete on the same terms as other operators, or may face increased levels of competition from suppliers of gambling products and services, which could adversely affect the operational and financial performance of the Group.</p>	<ul style="list-style-type: none"> As noted above, the Group operates a diverse portfolio of businesses with operations spanning multiple jurisdictions and market segments, which reduces the reliance on any single business and/or customer category. The Group strives for continual improvement in its product and service offering to attract and retain customers, including enhancing its customer service and relationship management, introducing new products, and driving digital innovation and excellence across its multi-channel network. The Group supports an industry where all gambling operators can compete effectively and are required to adhere to, and are held to, the same laws, regulations, industry codes and standards.
Financial risks	<p>The Group is exposed to risks relating to the cost and availability of funds to support its operations, including changes in interest rates and foreign currency exchange rates, counterparty credit and liquidity risks which could impact its financing activities.</p>	<ul style="list-style-type: none"> The Group's Treasury department is responsible for managing the Group's finance facilities and interest rate, credit, liquidity and currency risks in line with policies approved by the Board. Detailed disclosures are contained in the Financial Report in section B titled "Capital and risk management" on pages 85 to 95.
Technology, cybersecurity and privacy risks	<p>The Group's businesses rely on the successful operation of technology infrastructure, which could be adversely affected by various factors including obsolescence of equipment, complexity of core environments, ability to recover from a significant hardware or datacentre failure, and managing risks associated with outsourcing key processes and activities to third-parties.</p> <p>The Group's business also relies on technology infrastructure to support ongoing business growth. Where such infrastructure cannot efficiently support the changing needs of the business, this may potentially adversely impact the reputation, operations or financial performance of the Group.</p> <p>A prolonged failure of the computer systems and/or related infrastructure or technology security failure, such as a cyber-attack, could impact upon the Group's technology systems and equipment, result in the loss or exposure of information assets, or personal customer data could be wrongfully appropriated, lost or disclosed, which may potentially adversely impact the reputation, operations or financial performance of the Group.</p>	<ul style="list-style-type: none"> The Group's Technology team dedicates resources, systems and expertise to the identification, analysis, and mitigation of technology risks, and leverages the expertise from key technology partners. This team designs new generation information technology platforms and evolves existing core platforms to take advantage of advances in technologies and practices to provide leading security technologies to support the Group's growth strategies. A dedicated information and cyber-security team within the Technology function is tasked with protecting key information assets, detecting any attempted attacks, and responding appropriately. The Group has a Privacy Policy, Privacy Officer, and a number of internal working groups, and adopts practices, procedures and systems to provide oversight and support the appropriate management of data and its privacy. The Group has disaster recovery plans and business continuity plans in place to manage major technology failures, cyber-security attacks and privacy breaches should they occur.

DIRECTORS' REPORT

Risk	Description and potential consequences	Mitigations employed
Reliance on infrastructure and third party commercial arrangements	The Group is reliant on key infrastructure and third party commercial arrangements for the operation of its businesses. A significant malfunction or interruption to key infrastructure, or a failure of, significant interruption to, or reduction in the quality of third party products and services that the Group relies upon for a sustained period of time, may have an adverse impact on the operating and/or financial performance of the Group.	<ul style="list-style-type: none"> The Group has in place business continuity and disaster recovery plans. The Group's procurement function seeks commercial relationships across a diverse supplier base with clear terms of engagement, agreed service levels, regular reporting and monitoring, and where necessary risk mitigation and remediation action plans. The Group maintains an insurance program which includes limited recourse in the event of major failures of infrastructure or third party supply arrangements.
Combination with Tatts Group	<p>There are risks associated with the ongoing integration of the Tabcorp and Tatts businesses. These risks include that the Group's integration or strategy implementation may take longer than expected or that the extraction of potential synergies or realisation of business improvements does not occur or may incur additional costs, which may impact the Group's financial performance.</p> <p>Tabcorp is in the process of integrating the Tatts Anti-Money Laundering/Counter-Terrorism Financing (AML/CTF) program into a single combined Tabcorp Group AML/CTF program and there is a risk that integration may take longer than expected.</p>	<ul style="list-style-type: none"> The Group continues to mitigate these risks through careful planning and execution, the involvement of internal staff and external experts and consultants, as required, and regular reporting to and monitoring by the Executive Leadership Team and Board. The Tabcorp-Tatts integration program is well advanced, and is on track to be completed by the end of FY20. The Group is implementing a detailed AML/CTF integration plan and expects to have a single combined Tabcorp Group AML/CTF program by the end of 2020.
Racing and sports products	The Group's Wagering and Media business is reliant on racing industries and sporting bodies across Australia, and internationally, providing a program of events for the purposes of wagering, and obtaining and maintaining the necessary broadcast rights for race meetings and sporting events. A significant decline in the quality or number of events that comprise this program (such as adverse weather conditions, an outbreak of equine influenza or other animal sickness pandemics) would have a significant adverse effect on Wagering and Media revenue and may have an adverse effect on the operational and financial performance of the Group.	<ul style="list-style-type: none"> The Group works closely with racing bodies and industry stakeholders to optimise racing schedules and broadcasts to provide the best racing product available to customers and mitigate the potential for adverse impacts which may result from a decline in racing product. The Group has in place business continuity plans to help manage and respond to significant events which may impact upon the supply of racing product. The Group also maintains an insurance program which provides limited cover for major disruptions.
Changes in race field and sports product fees and taxes	<p>Each state and territory of Australia has implemented race fields arrangements, under which wagering operators pay product fees for use of that industry's race fields information. Similar arrangements exist in relation to sports. There is the potential that fees will increase, new fees will be introduced, or the method for determining fees will change, and such changes may have an adverse effect on the operational and financial performance of the Group.</p> <p>In addition, a material increase in the taxes and levies payable by the Group in respect of its wagering, lotteries or gaming businesses may reduce margins and have an adverse impact on the financial performance of the Group.</p> <p>There is also a risk that racing, sport or industry bodies may disagree with the Group regarding the application of certain aspects of the race fields regimes, contracts that govern product fees, or the manner in which taxes, levies and fees are determined. Such disagreements may lead to litigation or other dispute resolution processes, including negotiated settlement.</p>	<ul style="list-style-type: none"> The Group currently has contracts in place that the Group considers will allow it to offset or share some of the race field fees or offer additional protections under the respective arrangements. The Group maintains strong relationships with industry controlling bodies, other industry partners and governments and engages with them in respect of proposed changes to industry funding arrangements, fees and other taxes and levies. The Group seeks to enter into contracts with racing and sports controlling bodies that provide long term certainty of commercial arrangements.

8. DIRECTORS

The names and details of the Company's Directors in office during the financial year and up to the date of this report (unless otherwise stated) are set out on pages 28 and 29 and below.

Elmer Funke Kupper retired as a Non Executive Director of the Company at the conclusion of the Company's Annual General Meeting on 17 October 2018. He served as a Director of the Company from June 2012, when he re-joined the Company as a Non Executive Director following the demerger. Prior to this, Mr Funke Kupper was Tabcorp's Managing Director and Chief Executive Officer from September 2007 to June 2011, and previously he was Tabcorp's Chief Executive Australian Business from February 2006. His career includes several senior executive positions with Australia and New Zealand Banking Group Limited, including Group Head of Risk Management, Group Managing Director Asia Pacific and Managing Director Personal Banking and Wealth Management. Previously he was a senior management consultant with McKinsey & Company and AT Kearney. Mr Funke Kupper holds a Bachelor of Business Administration and a Master of Business Administration, and is a Member of AICD.

9. DIRECTORS' INTERESTS IN CONTRACTS

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

The Board assesses the independence of Directors and, among other things, takes into account any related party dealings referable to a Director which are material and require disclosure under accounting standards, and whether any Director is, or is associated with, a supplier, professional adviser, consultant to or customer of the Group which is material. No such circumstances arose during the financial year. For more information refer to the Corporate Governance Statement available on Tabcorp's website.

10. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

11. COMPANY SECRETARIES

Chris Murphy commenced as Acting Company Secretary on 23 March 2018 and was formally appointed as Company Secretary on 6 February 2019 following receipt of the necessary regulatory and ministerial approvals. Prior to joining Tabcorp, he was Assistant Company Secretary of Transurban Group and previously held company secretariat and/or legal roles at Cleanaway Limited, Alstom Limited and Melbourne Stadiums Limited. Chris holds a Bachelor of Laws (Honours), Bachelor of Commerce, a Graduate Diploma of Applied Corporate Governance and a Graduate Certificate in Applied Finance and Investment, and he is an Associate Member of the Governance Institute of Australia.

Michael Scott was appointed as Company Secretary on 23 March 2018. He has been the deputy to the Company Secretary since joining Tabcorp in September 2002. He holds a Graduate Diploma of Applied Corporate Governance and a Bachelor of Land Information (Cartography). Michael is a Fellow of the Governance Institute of Australia, Graduate Member of the AICD and Fellow of Leadership Victoria's Williamson Community Leadership Program.

DIRECTORS' REPORT

12. ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's environmental obligations are regulated under both state and federal laws. The Group complies with, or in many cases exceeds, its environmental performance obligations. During the financial year ended 30 June 2019, no environmental breaches have been notified to the Group by any government agency.

13. OTHER MATTERS

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

On 28 June 2019, Racing Queensland (RQ) commenced legal proceedings against the Company and UBET Qld Limited (UBET). RQ is seeking damages and other relief. The proceedings are in relation to two disputes relating to the calculation of fees following the introduction of point of consumption tax in Queensland on 1 October 2018. The Company and UBET currently consider, on the balance of probability, that no provision for liability is required. In the event the Company and UBET are ultimately unsuccessful in the proceedings the estimated financial impact for the year ended 30 June 2019 is an expense of up to \$20m post tax.

14. ROUNDING OF AMOUNTS

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

15. AUDITORS

The Group's external auditor is Ernst & Young. The Group's internal audit function is fully resourced by Tabcorp, with specialist independent external support where necessary. More information relating to the audit functions can be found in the Company's Corporate Governance Statement.

16. NON-AUDIT SERVICES

Ernst & Young, the external auditor to the Company and the Group, provided non-statutory audit services to the Company during the financial year ended 30 June 2019. The Directors are satisfied that the provision of non-statutory audit services during this period was compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-statutory audit service provided means that auditor independence was not compromised.

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

Ernst & Young, acting as the Company's external auditor, received or are due to receive \$830,000 in relation to the provision of non-statutory audit services to the Company. These services relate to regulatory audit and other assurance services in relation to the Group. Amounts paid or payable by the Company for audit and non-statutory audit services are disclosed in note E6 to the Financial Report.

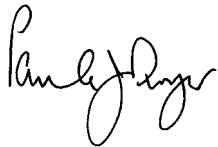
17. AUDITOR'S INDEPENDENCE DECLARATION

Shown opposite is a copy of the auditor's independence declaration provided under section 307C of the Corporations Act 2001 in relation to the audit for the financial year ended 30 June 2019. This auditor's independence declaration forms part of this Directors' Report.

18. REMUNERATION REPORT

The Remuneration Report for the financial year ended 30 June 2019 forms part of this Directors' Report, and can be found on pages 42 to 72.

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



Paula J Dwyer
Chairman

Melbourne
14 August 2019



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

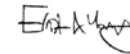
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ey.com/au

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

As lead auditor for the audit of the financial report of Tabcorp Holdings Limited for the financial year ended 30 June 2019, I declare 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 Tabcorp Holdings Limited and the entities it controlled during the financial year.



Ernst & Young



David Shewring
Partner
14 August 2019

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REMUNERATION REPORT (AUDITED)

Contents

Letter from the People and Remuneration Committee Chairman	43
1. Purpose	45
2. Key Management Personnel	45
3. Summary of key messages	46
4. Remuneration governance	47
5. Tabcorp's first strike on the 2018 Remuneration Report	48
6. Five year business performance and remuneration outcomes	49
7. Summary of remuneration outcomes	51
8. Non Executive Director fees	52
(a) Strategy and framework	52
(b) FY19 Non Executive Director fee structure	52
(c) Non Executive Director Shareholding Policy	52
9. Executive KMP remuneration strategy and structure	53
(a) Remuneration strategy	53
(b) Remuneration structure	54
10. Summary of executive KMP remuneration outcomes	55
(a) FY19 STI outcomes	55
(b) LTI awards tested in FY19	56
(c) Historical variable reward outcomes	56
11. Executive KMP remuneration arrangements for FY20	56
12. Executive KMP remuneration in detail	57
(a) Fixed remuneration	57
(b) Short term incentive (STI) structure	57
(c) STI performance measures and outcomes for FY19	60
(d) Long term incentive (LTI)	63
(e) Tabcorp's accountability framework	67
(f) Merger Completion Awards modification	67
(g) Policy prohibiting hedging	68
(h) Executives' Shareholdings Policy	68
13. Actual remuneration received by executive KMP	69
14. Executive KMP employment contracts	69
15. Statutory remuneration disclosures	70
(a) KMP statutory remuneration tables	70
(b) Transactions and loans with KMP	72

Letter from the People and Remuneration Committee Chairman

Dear Shareholder,

On behalf of the Tabcorp Board of Directors, we are pleased to present the 2019 Remuneration Report for which we will seek your approval at the Annual General Meeting (AGM) to be held on 24 October 2019.

This year we have made some significant enhancements to Tabcorp's remuneration framework and retained (or in some instances made the decision to reset) remuneration levels. Our approach has been shaped by several factors including shareholder feedback following the 2018 AGM where Tabcorp received a 'first strike' against our 2018 Remuneration Report, the current market capitalisation of the Group, strategic financial and non-financial targets being pursued by the Group and the importance of fostering executive collaboration to deliver strong Group performance and the successful integration of the Tabcorp and Tatts businesses.

We have also considered the recommendations made in the final report to the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry and in recent APRA reviews, specifically in relation to the importance of non-financial measures such as 'Do the Right Thing', regulatory compliance, culture, customer centricity and accountability. Accordingly, in FY19, Group performance carried a 60% weighting and individual financial and non-financial performance carried a 40% weighting for the purpose of determining STI outcomes. An individual's performance across the balanced scorecard of categories (i.e. strategic (including integration), operational excellence (including risk and compliance), customer and people and culture) is monitored throughout the year and an Individual Performance Multiplier is determined at year end which then becomes a key input into the final STI outcome.

As noted above, Tabcorp's FY18 Remuneration Report received a 'first strike' with more than 25% votes being cast against the adoption of the report at the 2018 AGM. The Board noted shareholder concerns around the report and has since engaged with shareholders, institutional investors and proxy firms, and made several enhancements to Tabcorp's FY19 remuneration framework and made decisions regarding remuneration levels, which are detailed in the following pages.

Most particularly:

- Having regard to Tabcorp's current market capitalisation, the remuneration benchmark peer group was reset to be the ASX 25 to 75 group of companies (previously the ASX 50).
- Board Chairman and base Board member fees were reset against this new peer group, resulting in a reduction of approximately 10% in fees (to take effect from 1 September 2019). In addition, annual fee adjustments have been frozen effective from January 2018 until the end of FY21, when integration synergies should be substantially delivered.
- The MD & CEO's maximum STI opportunity was lowered (effective 1 July 2019), and potential total maximum compensation reduced accordingly (by 9.4%).
- Executive KMP remuneration remained unchanged in FY19 and has not been adjusted since December 2017.
- As announced at the 2018 AGM, already issued Restricted Shares under the Merger Completion Awards are now restricted for three-and-a-half years (previously two years) and are subject to the achievement of Combination Synergy targets in FY21.

Our objective, as always, has been to balance strong and sustainable financial performance with non-financial measures. These comprise strategic outcomes (including successfully delivering the integration), operational excellence (including maintaining a market leading risk and compliance framework and processes), customer centricity, maintaining a talented and highly engaged workforce and fostering a performance culture underpinned by behaviours in line with Tabcorp's values (including 'Do the Right Thing').

This year, the benefits of our diversified portfolio of businesses were clear, and enabled the delivery of above target Group revenues, profits and cash flows. Specifically, our Lotteries and Keno business performed very strongly driven by the introduction of new lottery products, investment in digital channels and a run of favourable jackpots. The Lotteries and Keno business unit result more than offset a weaker performance by our Wagering and Media business, which is in year one of a three year integration and transformation program and managing vigorous competition.

REMUNERATION REPORT For the financial year ended 30 June 2019

Importantly, the continuing strength of the balance sheet has enabled the payment of a final dividend of 11.0 cents per share fully franked, bringing total dividends for the year to 22.0 cents per share fully franked. Tabcorp's dividend payout ratio for FY19 was 100% of NPAT before significant items, amortisation of the Victorian Wagering and Betting Licence, and purchase price accounting. We believe shareholders value the high payout ratio as well as the consistency of our dividends and appreciate that franking credits are passed on to them expeditiously.

The Board considered that strong progress was made during the year on the integration of Tabcorp and Tatts, especially on the realisation of cost savings. In the past financial year, \$64m of revenue and cost synergies were delivered (against a target of \$55m) and we are well on track to deliver our target of between \$130m and \$145m in EBITDA synergies and business improvements by FY21. Most importantly, the integration process has concentrated on building a values-driven, motivated and capable workforce supported by upgraded, resilient systems and contemporary processes.

In determining variable remuneration outcomes for FY19, the Board considered the excellent progress in integrating the Tabcorp and Tatts businesses, strong Group financial performance and the varied financial and non-financial performances across our operating business units. Under the STI plan, given the above target Group financial results, a higher Group Funding Multiplier would have applied to STI awards. However, the People and Remuneration Committee exercised discretion to reduce this STI multiplier to 1.00, to reflect a balanced assessment of Group and operating business unit financial and non-financial performance outcomes.

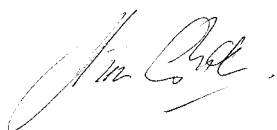
All executive KMP received 60% of their target STI award (the Group component) in recognition of strong progress on Group integration activity and the delivery of related benefits as well as above target Group financial and at-target non-financial performance in FY19. This reflects an on-target Group component of the STI award calculated using a 1.00 Group Funding Multiplier.

When evaluating individual performance based on a balanced assessment of financial and non-financial performance outcomes, the Board determined to award the MD & CEO 85% of his target STI opportunity or 43% of his maximum opportunity. This was determined based on a balanced assessment of strong strategic, operational and customer performance across the Group, balanced with strong Lotteries and Keno financial performance and below target Wagering and Media and Gaming Services financial performance.

For the remainder of the executive KMP, the average STI award was 89% of the target opportunity or 44% of the maximum opportunity. This comprised lower individual components of the STI awards made to the Managing Director Wagering and Media, the Managing Director Gaming Services and the Chief Financial Officer balanced with a higher individual component awarded to the Managing Director Lotteries and Keno.

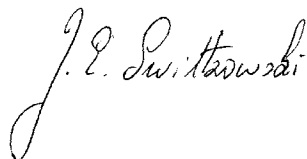
None of the LTI awards granted to executive KMP in 2015 vested.

The Board continues to remain confident that we are building a world-class gambling entertainment company which should provide superior returns in the years ahead.



Steven Gregg

People and Remuneration Committee Chairman (current)



Zygmunt E Switkowski

People and Remuneration Committee Chairman (during FY19)

1. PURPOSE

This Remuneration Report details the remuneration policies and arrangements for the Key Management Personnel (KMP) of the Group, comprising Tabcorp and its subsidiaries, for the financial year ended 30 June 2019 (FY19). KMP are those persons having the authority and responsibility for planning, directing and controlling the activities of Tabcorp and the Group, and comprises the Directors of Tabcorp and certain members of the Executive Leadership Team. This Remuneration Report is presented in accordance with the requirements of the Corporations Act 2001 (Cth) (Act) and its regulations and has been audited as required by section 308(3C) of the Act.

2. KEY MANAGEMENT PERSONNEL

Mr Elmer Funke Kupper retired from the Group at the 2018 Annual General Meeting. There were no other changes to the Group's KMP in FY19.

Table 1: List of KMP for FY19

Name	Position held	Period in position if less than the full financial year
Current Non Executive Directors		
Paula Dwyer	Chairman and Director (Non Executive)	
Bruce Akhurst	Director (Non Executive)	
Harry Boon	Director (Non Executive)	
Steven Gregg	Director (Non Executive)	
Vicki McFadden	Director (Non Executive)	
Justin Milne	Director (Non Executive)	
Zygmunt Switkowski	Director (Non Executive)	
Former Non Executive Director		
Elmer Funke Kupper	Director (Non Executive)	Until 17 October 2018
Executive Director		
David Attenborough	Managing Director and Chief Executive Officer (MD & CEO)	
Current executive KMP		
Damien Johnston	Chief Financial Officer	
Frank Makryllos	Managing Director Gaming Services	
Adam Rytenskild	Managing Director Wagering and Media	
Sue van der Merwe	Managing Director Lotteries and Keno	

Effective 1 July 2019, Mr Gregg replaced Dr Switkowski as Chairman of the People and Remuneration Committee. Dr Switkowski continues to be a member of this Committee.

Mr Johnston (Chief Financial Officer) will cease employment in FY20. As disclosed on 28 June 2019, Mr Adam Newman has been appointed as the Group's Chief Financial Officer, replacing Mr Johnston. He will commence employment in early October 2019.

Details of the qualifications, experience and other responsibilities of KMP are set out on pages 28 to 29, 32 to 33 and 39.

Any references made to "executive KMP" in this Remuneration Report includes the MD & CEO unless otherwise stated.

REMUNERATION REPORT For the financial year ended 30 June 2019

3. SUMMARY OF KEY MESSAGES

In further enhancing Tabcorp's remuneration framework in FY19, the People and Remuneration Committee considered a number of factors, including:

Shareholder feedback	Royal Commission Report	Market capitalisation	Group targets	Integration and executive collaboration
Including specific concerns which resulted in a "first strike" at the 2018 AGM (e.g. Merger Completion Awards without further performance conditions).	The recommendations included in the final report to the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.	The current market capitalisation of the Group and any changes during the year.	The strategic, financial and non-financial targets currently in place and being pursued by the Group.	The importance of fostering collaboration amongst executives to deliver strong Group performance and the successful integration of the Tabcorp and Tatts businesses.

Key changes made to Tabcorp's remuneration arrangements in FY19 are summarised below.

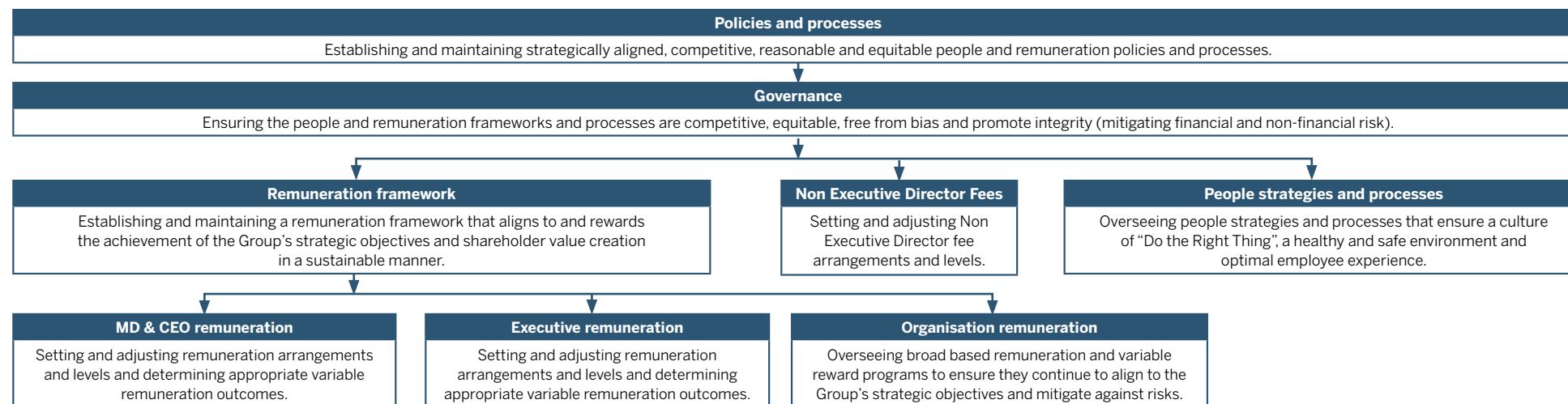
Benchmarking reset	Non Executive Director fees reset and frozen	Executive KMP remuneration not increased	MD & CEO maximum STI opportunity reduced for FY20	New STI structure	Second LTI measure	Amendments to the Merger Completion Awards already granted
Tabcorp's remuneration benchmarking peer group was reset to be the ASX 25 to 75 group of companies (from the ASX 50). Non Executive Director fees and executive KMP remuneration are benchmarked against this peer group and its applicability will continue to be assessed annually.	The Board Chairman and Non Executive Director fees will reduce by approximately 10%, effective 1 September 2019, and all Board fees will be frozen until FY21, at which point the integration of the Tabcorp and Tatts businesses should be substantially completed. Board fees were last set on Combination.	Considering the new remuneration benchmarking peer group, the Board determined not to increase executive KMP remuneration levels in FY19 (executive KMP remuneration was last set on Combination).	Considering the new remuneration benchmarking peer group, the Board determined to reduce the MD & CEO's maximum STI opportunity to 150% of the target opportunity (from 200%), from 1 July 2019. This results in an overall reduction in the MD & CEO's maximum remuneration package by 9.4% (from \$8m to \$7.25m).	The STI structure was amended such that 60% of STI awards are now subject to the achievement of Group objectives and 40% to individual (business unit-specific) objectives (financial and non-financial). This adjustment was made to encourage all participants to work together collaboratively to deliver on key Group objectives including integrating the Tabcorp and Tatts businesses. Previously, the STI award was dependent on business unit and individual performance outcomes.	A second LTI measure, a Combination Synergy measure, was included in the 2018 LTI grant, aligning long term reward with Tabcorp's strategic objective of integrating the Tabcorp and Tatts businesses and generating synergies which will benefit shareholders.	Merger Completion Awards (granted in FY18 to executive KMP) were amended such that already issued Restricted Shares are now subject to a Combination Synergy measure and the restriction period is now three and a half years (previously two years).

Key remuneration outcomes in FY19:

FY19 short term incentive awards	FY19 long term incentive vesting outcome
The Board considered FY19 Group financial and non-financial performance against targets set across a balanced scorecard of measures. Under the STI plan, a higher Group Funding Multiplier would have applied. However, the Board exercised its discretion to reduce the Group Funding Multiplier to 1.00 for FY19. As a result, the MD & CEO received an STI award of 85% of his target opportunity (43% of his maximum opportunity) paid as Restricted Shares (50% and restricted for two years) and cash (50%). The remainder of the executive KMP received STI awards, on average, to the value of 89% of their target opportunities (44% of their maximum opportunities) paid as a combination of Restricted Shares (25% and restricted for two years) and cash (75%). More details of these awards can be found in section 12(b).	The 2015 LTI grant was tested on 22 September 2018. The relative TSR result at the test date for this grant placed Tabcorp at the 46th percentile of the peer group and no Performance Rights vested for this grant. Executive KMP derived no value from this grant.

4. REMUNERATION GOVERNANCE

The People and Remuneration Committee comprises four independent Non Executive Directors and assists the Board in fulfilling its responsibilities with respect to people-related and remuneration matters as outlined below:



The People and Remuneration Committee regularly reviews Non Executive Director and executive KMP remuneration arrangements to ensure they continue to be fair, competitive, encourage strong business performance and shareholder value creation, and align with the Group's Values and approach to risk management and compliance. To inform its decisions, the People and Remuneration Committee sources a range of data and may receive independent advice, as appropriate. No such advice was provided during FY19 and to the date of this report in respect of any KMP. The People and Remuneration Committee is governed by its Charter, which is available on Tabcorp's website (www.tabcorp.com.au) under the Corporate Governance section.

REMUNERATION REPORT For the financial year ended 30 June 2019

5. TABCORP'S FIRST STRIKE ON THE 2018 REMUNERATION REPORT

At the 2018 AGM, Tabcorp recorded a "first strike" because more than 25% of votes cast were against the resolution to adopt the Remuneration Report. Tabcorp values shareholder feedback and the following table summarises how Tabcorp has actively addressed the key concerns expressed by shareholders in 2018.

Table 2: Key shareholder concerns in relation to the 2018 Remuneration Report and Tabcorp's responses

Topic	Description	Key concerns raised by shareholders	Actions taken by Tabcorp to address shareholder concerns
Merger Completion Award	<ul style="list-style-type: none"> One-off awards made to executive KMP, recognising the completion of the Combination. Provided partly in Restricted Shares (restricted for 2 years with no further performance conditions). 	<ul style="list-style-type: none"> Awards not linked to integration related measures. 	<ul style="list-style-type: none"> Combination Synergy measure to apply to already issued Restricted Shares. Restriction period extended to three and a half years. Testing date and performance criteria detailed under section 12(f). No additional payments or Restricted Share allocations made.
Non Executive Director fees	<ul style="list-style-type: none"> Following the Combination new fees were set considering the size and complexity of the combined Group. 	<ul style="list-style-type: none"> The level of NED fees set post-Combination. 	<ul style="list-style-type: none"> Tabcorp's remuneration benchmarking peer group was reset to be the ASX 25 to 75 group of companies (from the ASX 50). In this context, the Board determined: <ul style="list-style-type: none"> to reduce the Board Chairman and Non Executive Director fees by approximately 10% from 1 September 2019; and to freeze fees until FY21, at which point the integration of the Tabcorp and Tatts businesses should be substantially complete. Fees were last set in January 2018 on Combination.
Pay for performance	<ul style="list-style-type: none"> FY18 STI awards were paid considering a balanced view of Group and individual financial and non-financial performance. 	<ul style="list-style-type: none"> STI awards were provided despite below expectations Sun Bets performance. 	<ul style="list-style-type: none"> FY18 executive KMP STI awards equated to 33% of the target STI opportunities (17% of the maximum opportunities). This was deemed appropriate given the balanced assessment of Group and individual financial and non-financial performance in FY18. The same balanced assessment has been applied for FY19 STI awards.
MD & CEO remuneration	<ul style="list-style-type: none"> On Combination new remuneration arrangements were set considering the size of the combined Group, market peers and role responsibilities. 	<ul style="list-style-type: none"> The level of remuneration set post-Combination. 	<ul style="list-style-type: none"> Tabcorp's remuneration benchmarking peer group was reset to be the ASX 25 to 75 group of companies (from the ASX 50). In this context, the Board determined: <ul style="list-style-type: none"> not to adjust remuneration levels in FY19 (they have not been adjusted since December 2017 on Combination); not to adjust remuneration levels in FY20; and to reduce the maximum STI opportunity to 150% of the target opportunity (from 200%) effective 1 July 2019.
STI scorecard weightings	<ul style="list-style-type: none"> Tabcorp uses a balanced scorecard of measures covering financial, strategic (including integration), operational excellence (including risk and compliance), customer and people and culture categories. 	<ul style="list-style-type: none"> The STI scorecard not being weighted by category. 	<ul style="list-style-type: none"> In FY19, the STI structure was amended such that 60% of STI awards are subject to Group performance and 40% to individual (business unit-specific) performance across the same balanced scorecard of measures. Previously 100% of the STI award was dependent on business unit and individual performance outcomes.

6. FIVE YEAR BUSINESS PERFORMANCE AND REMUNERATION OUTCOMES

Table 3: Five year Group financial performance and remuneration outcomes

	FY15	FY16	FY17	FY18	FY19
Net profit after tax (NPAT) – \$m	334.5 ⁽ⁱ⁾	169.7	(20.8)	28.7	362.5
Basic earnings per share (EPS) – c	42.4 ⁽ⁱ⁾	20.4	(2.5)	1.9	18.0
Closing share price ⁽ⁱⁱ⁾ – \$	4.55	4.57	4.37	4.46	4.45
Dividends ⁽ⁱⁱⁱ⁾ – CPS	50.0	24.0	25.0	21.0	22.0
Overall Group STI pool (percentage of the target pool)	125%	90%	30%	33%	100%
MD & CEO STI awards					
% of target opportunity	113%	90%	0%	33%	85%
% of maximum opportunity	45%	36%	0%	17%	43%
Average executive KMP (excluding the MD & CEO) STI awards					
% of target opportunity	91%	99%	17%	33%	89%
% of maximum opportunity	36%	40%	8%	17%	44%
LTI vesting (all executive KMP)					
% of maximum opportunity	88%	100%	100%	80%	0% ^(iv)

(i) Includes \$163.2m of income tax benefits relating to the Victorian wagering and gaming licences payment and the NSW Trackside payment and associated interest income. This was excluded from the calculation of STI awards in the relevant year.

(ii) Closing share price is as at 30 June of the respective financial year. Opening share price as at 1 July 2014 was \$3.36.

(iii) Includes interim, final and special dividends. FY15 includes a special dividend of 30 cents per share declared in February 2015. CPS is defined as cents per share fully franked.

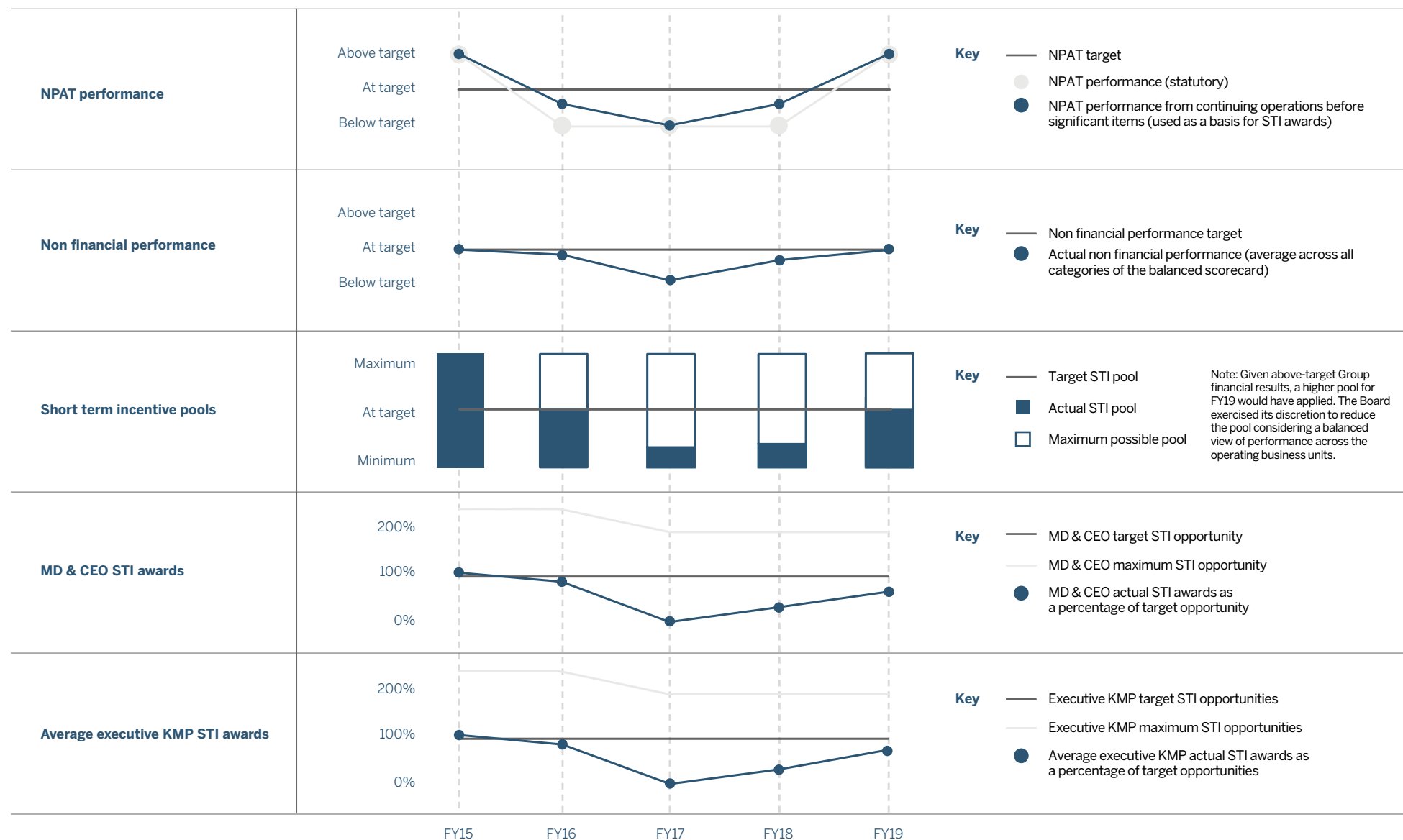
(iv) The 2015 LTI grant of Performance Rights was tested on 22 September 2018 and the entire grant lapsed for all participants (including the executive KMP). No participant benefited from the 2015 LTI grant.

As detailed in Table 3, both the overall Group STI pool and executive KMP incentive outcomes (long and short term) have varied over the preceding five years in line with business results (financial and non-financial), demonstrating a strong link between variable pay and Group performance.

Diagram 1 on the following page continues to demonstrate the close alignment between financial and non-financial performance, Tabcorp's STI pools and executive KMP STI outcomes over the preceding five financial years.

REMUNERATION REPORT For the financial year ended 30 June 2019

Diagram 1: The relationship between financial and non-financial performance and executive KMP STI awards



7. SUMMARY OF REMUNERATION OUTCOMES

Table 4: Summary of executive KMP remuneration outcomes in FY19 and changes from 1 July 2019

			FY19		FY20		
Summary			MD & CEO	Executive KMP (excl. MD & CEO)	MD & CEO	Executive KMP (excl. MD & CEO)	
Annual fixed remuneration (refer section 12(a))		No adjustments in FY19 (previous adjustments were applied in December 2017 on Combination). No adjustment for the MD & CEO in FY20.	Actual:	\$2,000,000	\$800,000 (average)	\$2,000,000	\$829,500 (average)
			Increase:	0%	0%	0%	3.7%(i)(ii)
STI (refer section 12(b))	Opportunity	No adjustments in FY19. Reduction of the MD & CEO's maximum STI opportunity for FY20.	Target (% of fixed remuneration):	75%	50%	75%	50%
			Maximum (% of fixed remuneration):	150%	100%	112.5%	100%
	Awards	A new STI plan was implemented in FY19. The People and Remuneration Committee determined, based on a balanced assessment of financial and non-financial performance outcomes, that a Group Funding Multiplier of 1.00 should apply (under the STI plan, a higher Group Funding Multiplier would have applied given NPAT performance). As such executive KMP received 60% of their target opportunities in recognition of Group performance with the remainder of the STI awards reflecting business unit and individual performance.	Award (\$):	\$1,275,000	\$351,875 (average)	N/A	N/A
			Award (% of target):	85%	89% (average)	N/A	N/A
			Award (% of maximum):	43%	44% (average)	N/A	N/A
	LTI (refer section 12(d))	Opportunity	No adjustments in FY19 and for FY20.	Target (% of fixed remuneration):	75%	50%	75%
Outperformance (% of fixed remuneration):				150%	100%	150%	100%
Vesting		Performance Rights granted in 2015 did not vest due to below threshold performance.	% of Performance Rights that vested under the 2015 LTI grant:	0%	0%	N/A	N/A
			Value of Performance Rights that vested under the 2015 LTI grant:	\$0	\$0	N/A	N/A
Allocations		Performance Rights were granted during FY19, based on a face value allocation methodology. Vesting of this grant is subject to two performance conditions.	Maximum number of Performance Rights granted:	646,551	689,654 (total)	To be confirmed in FY20	To be confirmed in FY20
Executives' Shareholdings Policy	Minimum requirement	Under this Policy, the MD & CEO and executive KMP are required to hold a minimum value of Tabcorp shares. The minimum shareholding must be met within five years from the date of the Combination	Minimum requirement: (% of fixed remuneration)	200%	100%	200%	100%
			Meet policy requirements:	Yes	Yes	N/A	N/A

(i) Effective 1 September 2019, Mr Rytenskiid's fixed remuneration will increase by 2%, and Mr Johnston's and Mr Makryllos' remuneration will remain unchanged.

(ii) In recognition of Ms van der Merwe's below market fixed remuneration level (considering the size of the business she manages) and her proven performance since the Combination, her fixed remuneration will increase, effective 1 September 2019, to \$800,000 per annum.

REMUNERATION REPORT For the financial year ended 30 June 2019

8. NON EXECUTIVE DIRECTOR FEES

(a) Strategy and framework

Board and Board Committee fees are set considering the Non Executive Directors' skills, qualifications and experience, the responsibilities and workload imposed upon them and market benchmarks. Board fees are not paid to the MD & CEO or to executives for directorships of any subsidiaries. In order to maintain independence and impartiality, Non Executive Directors do not receive any performance or incentive-related payments.

In FY19, Tabcorp's remuneration benchmarking peer group was reset to be the ASX 25 to 75 group of companies (from the ASX 50). Considering this and the set timeframe to integrate the Tabcorp and Tatts Group businesses, the Board determined to reduce the Board Chairman and Non Executive Director fees by approximately 10% from 1 September 2019 and to freeze fees until FY21, at which point the integration of the Tabcorp and Tatts businesses should be substantially completed. Fees were last set in January 2018, on Combination.

(b) FY19 Non Executive Director fee structure

Non Executive Directors receive a base Board fee and a fee for each Board Committee that they chair or are a member of (with the exception of the Nomination Committee, where no additional fees are paid). The Board Chairman receives a single fixed fee which is inclusive of services on all standing Board Committees. Superannuation contributions are paid in addition to all fees and Non Executive Directors are not eligible to receive any other retirement benefits.

Table 5: FY19 Non Executive Director fees

		Non Executive Director fees (\$ per annum, excluding superannuation)					Non Executive Director fees (\$ per annum, including superannuation)
		At 30 June 2018	at 30 June 2019	Change	at 1 September 2019	Change	at 1 September 2019
Board	Chairman ⁽ⁱ⁾	590,000	590,000	0%	530,000	-10.2%	580,350
	Member ⁽ⁱⁱ⁾	190,000	190,000	0%	170,000	-10.5%	186,150
Audit Committee	Chairman	50,000	50,000	0%	50,000	0%	54,750
	Member	22,000	22,000	0%	22,000	0%	24,090
Risk and Compliance Committee	Chairman	45,000	45,000	0%	45,000	0%	49,275
	Member	20,000	20,000	0%	20,000	0%	21,900
People and Remuneration Committee	Chairman	45,000	45,000	0%	45,000	0%	49,275
	Member	20,000	20,000	0%	20,000	0%	21,900

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

(ii) The fee paid to Board Members is inclusive of services on the Nomination Committee.

Certain Non Executive Directors received additional fees for membership of other Board Sub-Committees. During FY19, a Sub-Committee of the Board was in operation with responsibility for overseeing and managing special business and legal matters. Table 16 details all fees paid to Non Executive Directors including additional fees paid to members of these Sub-Committees.

Non Executive Directors are entitled to be reimbursed for all business-related expenses, including travel, which may be incurred as part of their duties as Non Executive Directors.

The current maximum aggregate amount of fees that can be paid to Non Executive Directors per year for their services (including superannuation contributions) is set at \$3.0 million, as approved by shareholders at the Annual General Meeting held on 17 October 2018. No adjustment to this limit is proposed for 2019. The total actual fees paid to Non Executive Directors in FY19 was \$2,267,745.

(c) Non Executive Director Shareholding Policy

This policy requires Non Executive Directors to hold a minimum shareholding in Tabcorp equivalent to the annual Board Member base fee (currently \$190,000), and the Board Chairman to hold a minimum shareholding equivalent to double the annual Board Member base fee. At the date of this report, all Non Executive Directors (including the Board Chairman) complied with this policy, noting that Non Executive Directors are required to reach the applicable threshold within three years of appointment, or by 14 December 2020, whichever is the later.

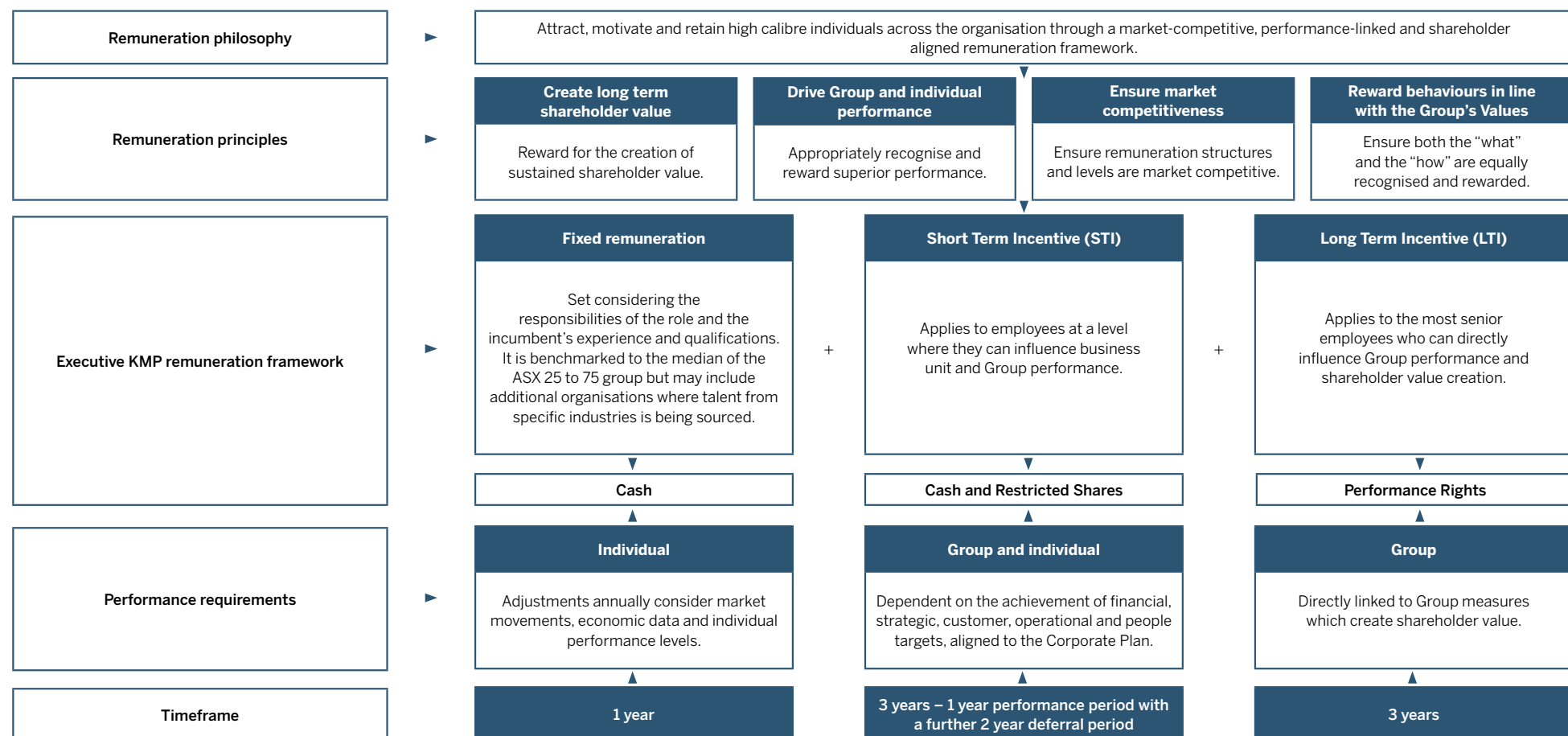
A copy of this policy is available on Tabcorp's website (www.tabcorp.com.au) under the Corporate Governance section.

9. EXECUTIVE KMP REMUNERATION STRATEGY AND STRUCTURE

(a) Remuneration strategy

Tabcorp's remuneration strategy aims to reward its employees competitively and appropriately for strong Group performance (financial and non-financial), for creating long term shareholder value and to align shareholder and management interests through equity. Tabcorp's performance and remuneration frameworks also align performance and reward with the Group's Values and approach to risk management and compliance, ensuring employees are recognised and rewarded for results that are achieved in a sustainable and ethical manner.

Diagram 2: Tabcorp's remuneration philosophy, principles and framework



REMUNERATION REPORT For the financial year ended 30 June 2019

(b) Remuneration structure

Executive KMP remuneration packages are set in line with their responsibilities in a complex and highly regulated business and are reviewed annually against market benchmarks to ensure they remain competitive and that their skills and experiences are retained.

Table 6: Executive KMP FY19 remuneration template (at target)

Executive KMP	Fixed remuneration \$ (% of remuneration package)	STI (cash) \$ (% of remuneration package)	STI (Restricted Shares) \$ (% of remuneration package)	LTI (Performance Rights) \$ (% of remuneration package)	Total \$
David Attenborough	2,000,000 (40%)	750,000 (15%)	750,000 (15%)	1,500,000 (30%)	5,000,000
Damien Johnston	900,000 (50%)	337,500 (18.8%)	112,500 (6.3%)	450,000 (25%)	1,800,000
Frank Makryllos	700,000 (50%)	262,500 (18.8%)	87,500 (6.3%)	350,000 (25%)	1,400,000
Adam Rytenskild	900,000 (50%)	337,500 (18.8%)	112,500 (6.3%)	450,000 (25%)	1,800,000
Sue van der Merwe	700,000 (50%)	262,500 (18.8%)	87,500 (6.3%)	350,000 (25%)	1,400,000
At risk and subject to performance conditions					
Equity-based					

No adjustments were made to executive KMP remuneration packages in FY19 (the last adjustments were made in December 2017).

10. SUMMARY OF EXECUTIVE KMP REMUNERATION OUTCOMES

(a) FY19 STI outcomes

STI structure

In FY19, a new STI plan was implemented with 60% of participants' target STI opportunities dependent on Group performance (Group component) and 40% on individual (financial and non-financial) performance (individual component). Section 12(b) details the operation of the FY19 STI plan.

Group component (60% of target STI opportunity)

All executive KMP received the full at-target Group component (i.e. 60%) of their STI opportunity in recognition of strong progress on integration activity and the delivery of related benefits as well as above-target Group financial results and on-target non-financial performance outcomes.

Individual component (40% of target STI opportunity)

In determining the individual component of each executive KMP's STI award, the People and Remuneration Committee considered each operating business unit's financial and non-financial performance outcomes over the year.

STI awards

All STI awards (with the exception of Mr Johnston) will be paid as Restricted Shares (50% for the MD & CEO and 25% for other executive KMP) and cash (50% for the MD & CEO and 75% for other executive KMP). Restricted Shares are restricted for two years and are subject to forfeiture, malus and claw back provisions. As Mr Johnston will be ceasing employment in FY20, his STI award will be paid fully in cash (as agreed by the Board).

Table 7: Executive KMP FY19 STI awards

	Group component (60% of the STI opportunity)		Individual component (40% of the STI opportunity)			Total STI awarded	
	Target \$	Awarded \$	Target \$	Awarded \$	Assessment	Target \$	Awarded \$
David Attenborough	900,000	900,000 (100%)	600,000	375,000 (62.5%)	Based on a balanced assessment of financial and non-financial performance across the Wagering and Media, Lotteries and Keno and Gaming Services business units.	1,500,000	1,275,000 (85%)
Damien Johnston	270,000	270,000 (100%)	180,000	112,500 (62.5%)	Based on a balanced assessment of financial and non-financial performance across the Wagering and Media, Lotteries and Keno and Gaming Services business units.	450,000	382,500 (85%)
Frank Makryllos	210,000	210,000 (100%)	140,000	35,000 (25%)	Although below target on financial performance, the Gaming Services business unit met their strategic and operational targets.	350,000	245,000 (70%)
Adam Rytenskild	270,000	270,000 (100%)	180,000	90,000 (50%)	Although below target on financial performance, the Wagering and Media business unit achieved strong strategic, operational and customer results amidst integration, transformation and vigorous competition.	450,000	360,000 (80%)
Sue van der Merwe	210,000	210,000 (100%)	140,000	210,000 (150%)	The total STI award (which was below maximum) was reflective of strong Lotteries and Keno financial, strategic, operational and customer performance outcomes over the year, balanced with (and adjusted downward for) consideration of management effort (versus favourable Lotteries jackpot outcomes) and opportunities to improve on some non-financial measures within the balanced scorecard.	350,000	420,000 (120%)

REMUNERATION REPORT For the financial year ended 30 June 2019

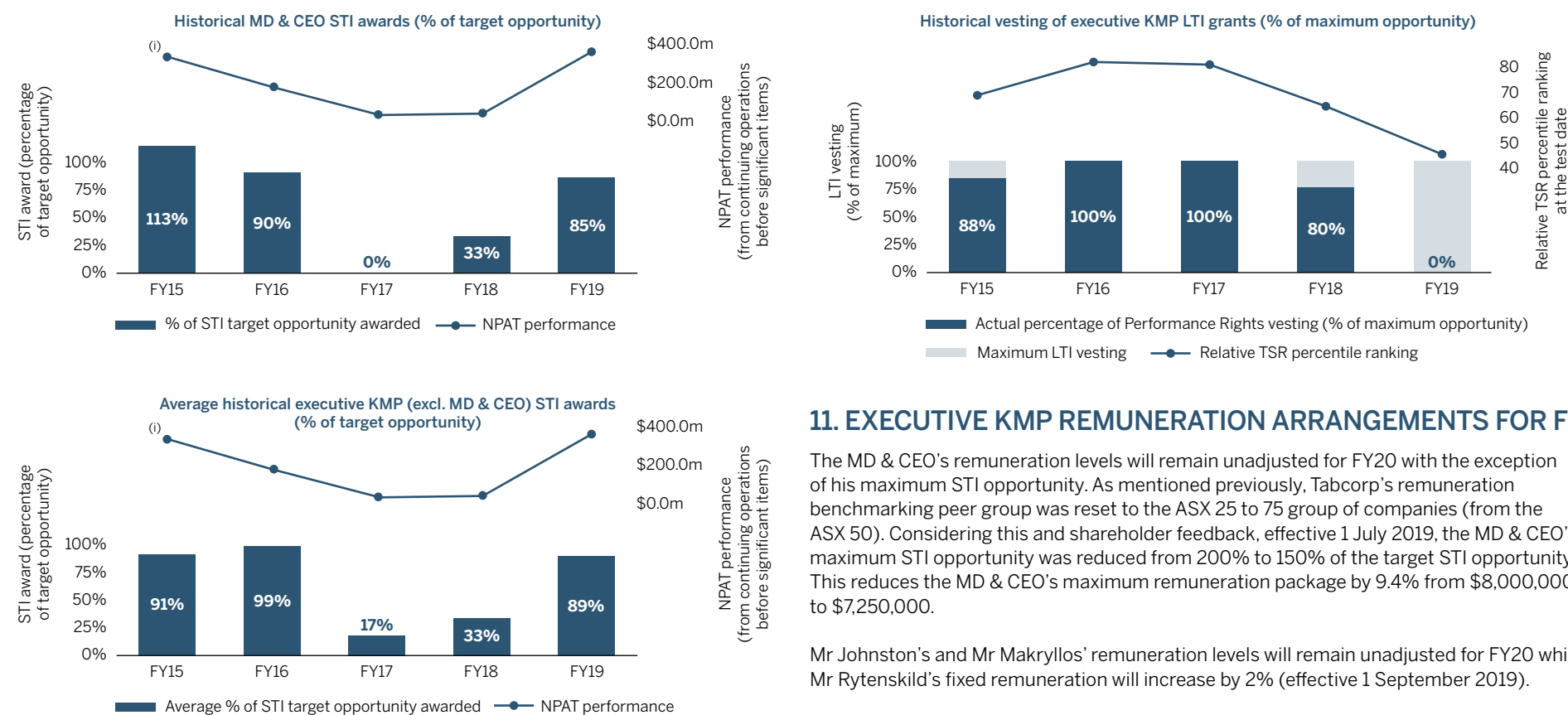
(b) LTI awards tested in FY19

The 2015 LTI grant was tested in FY19. All Performance Rights under this grant lapsed and executive KMP derived no value from this grant.

(c) Historical variable reward outcomes

In the last five years, the executive KMP STI awards and LTI vesting outcomes have been closely aligned to Group performance (financial and non-financial) and have varied as depicted in Diagram 3.

Diagram 3: Executive KMP actual STI awards and LTI vesting outcomes over the last five years



(i) The NPAT result includes \$163.2m of income tax benefits relating to the Victorian wagering and gaming licences payment and the NSW Trackside payment and associated interest income. This was excluded from the calculation of STI awards in the relevant year.

11. EXECUTIVE KMP REMUNERATION ARRANGEMENTS FOR FY20

The MD & CEO's remuneration levels will remain unadjusted for FY20 with the exception of his maximum STI opportunity. As mentioned previously, Tabcorp's remuneration benchmarking peer group was reset to the ASX 25 to 75 group of companies (from the ASX 50). Considering this and shareholder feedback, effective 1 July 2019, the MD & CEO's maximum STI opportunity was reduced from 200% to 150% of the target STI opportunity. This reduces the MD & CEO's maximum remuneration package by 9.4% from \$8,000,000 to \$7,250,000.

Mr Johnston's and Mr Makryllos' remuneration levels will remain unadjusted for FY20 whilst Mr Rytenschild's fixed remuneration will increase by 2% (effective 1 September 2019).

Ms van der Merwe's fixed remuneration will increase to \$800,000 (effective 1 September 2019) reflecting her current below market fixed remuneration level (given the size of the business she leads) and her proven performance since Combination.

12. EXECUTIVE KMP REMUNERATION IN DETAIL

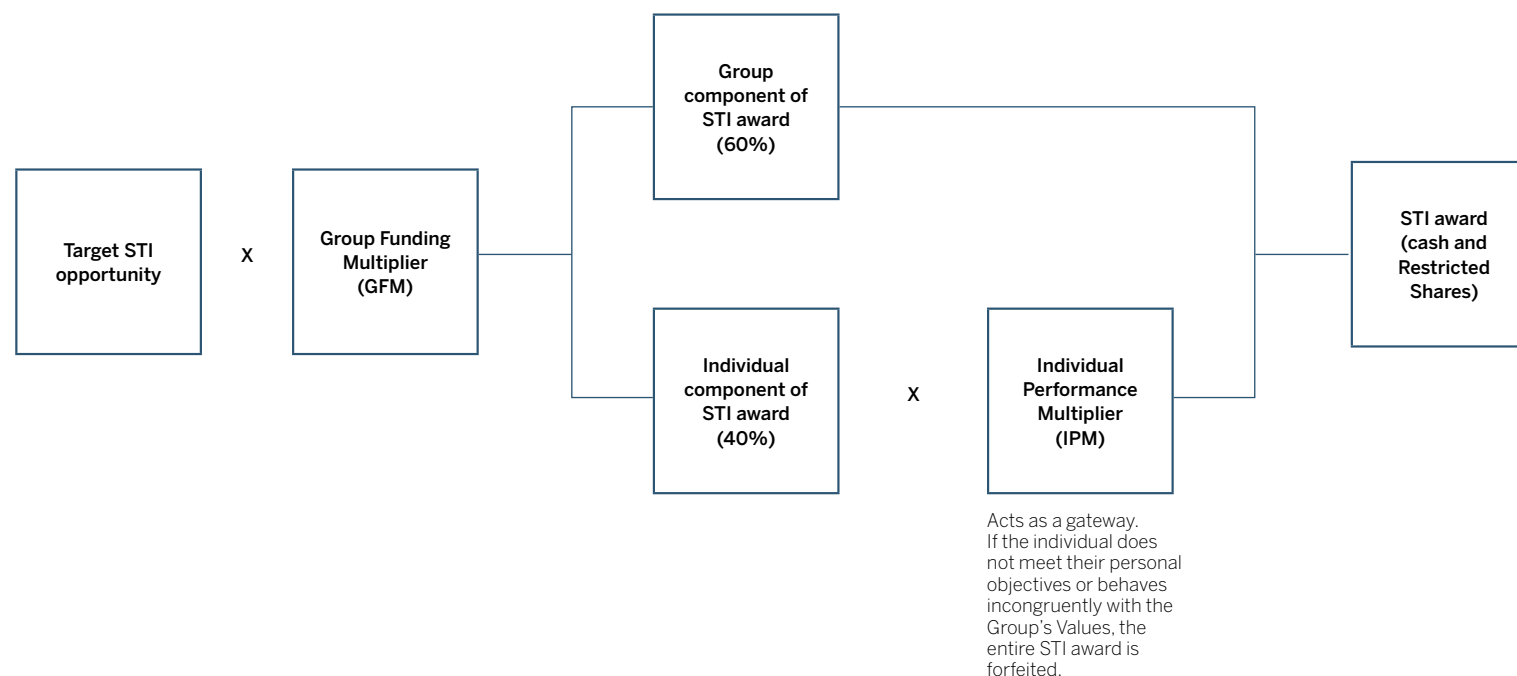
(a) Fixed remuneration

What constitutes fixed remuneration?	Cash salary, statutory superannuation contributions and other employee-elected salary sacrificed benefits (e.g. additional superannuation contributions).
How is it set?	With reference to the executive's knowledge, experience, skills, the responsibilities and complexities associated with the role, and market benchmarks.
How is it benchmarked?	Remuneration is benchmarked to the median of the ASX 25 to 75 group of companies. Variations may occur where a rare skill set may be required or where the executive KMP has significant knowledge and/or experience that is sought by Tabcorp.
How often is it benchmarked?	Annually and upon appointment of an executive KMP. The People and Remuneration Committee approve executive KMP remuneration adjustments (the Board approves this for the MD & CEO) to ensure that remuneration continues to be well governed, fair, equitable and competitive.

(b) Short term incentive (STI) structure

A new Group STI plan was implemented in FY19, which was designed to better align reward and the achievement of the combined Group's short and long term strategic priorities (including integration and synergy generation), and to reflect good incentive practices.

Diagram 4: Summary of Tabcorp's FY19 STI plan



REMUNERATION REPORT For the financial year ended 30 June 2019

		MD & CEO	Chief Financial Officer and Managing Director Wagering and Media	Managing Director Lotteries and Keno and Managing Director Gaming Services
What is the “target STI opportunity”?	The individual's STI award if target Group and individual performance levels are achieved and behaviours are aligned with the Group's Values.	75% of fixed remuneration/ \$1,500,000	50% of fixed remuneration/ \$450,000	50% of fixed remuneration/ \$350,000
What is the “maximum” STI opportunity?	The individual's STI award if stretch Group and stretch individual performance levels (as determined in advance by the Board) are achieved and Tabcorp's Values are role modelled in behaviours.	150% of fixed remuneration/ \$3,000,000	100% of fixed remuneration/ \$900,000	100% of fixed remuneration/ \$700,000
What is the “Group Funding Multiplier (GFM)”?	A multiplier that is principally based on the Group's NPAT from continuing operations before significant items for the year, but also considers Group strategic, operational, customer and risk and compliance performance outcomes. This multiplier ensures all STI awards are linked to overarching Group performance.	Minimum⁽ⁱ⁾	0.00	0.00
		Target⁽ⁱ⁾	1.00	1.00
		Maximum⁽ⁱ⁾	1.25	1.25
		FY19 actual	1.00	1.00
What is the “Group component”?	After the target STI opportunity is multiplied by the GFM, it is split into two components – a Group component (weighted 60%) and an individual component (weighted 40%). The Group component rewards participants for contributing to the achievement of strong business results.	Minimum⁽ⁱ⁾	\$0	\$0
		Target⁽ⁱ⁾ <i>(target opportunity X 1.00 (GFM) X 60%)</i>	\$900,000	\$270,000
		Maximum⁽ⁱ⁾ <i>(target opportunity X 1.25 (GFM) X 60%)</i>	\$1,125,000	\$337,500
		FY19 actual	\$900,000	\$270,000
What is the “Individual Performance Multiplier (IPM)”?	STI participants are assigned IPMs depending on their business units' and individual performance outcomes. The IPM acts as a gateway. If an individual fails to meet their individual performance or behavioural targets, no STI award will be provided (including no Group component). Individual performance is assessed using a balanced scorecard of measures which include financial, strategic (including integration), operational excellence (including risk and compliance), customer and people and culture. The IPM is also based on participants' behaviours as they relate to the Group's Values ensuring that “what” is delivered, is as important as “how” it is delivered. The IPM is only applied to the individual component (40% of the STI award).	Minimum⁽ⁱ⁾	0.00	0.00
		Target⁽ⁱ⁾	1.00	1.00
		Maximum⁽ⁱ⁾	2.50	2.50
		FY19 actual	0.625	0.625 (Chief Financial Officer) 0.50 (Managing Director Wagering and Media)
				0.25 (Managing Director Gaming Services) 1.50 (Managing Director Lotteries and Keno)

		MD & CEO	Chief Financial Officer and Managing Director Wagering and Media	Managing Director Lotteries and Keno and Managing Director Gaming Services
What is the “individual component” of the STI award?	This component (weighted 40%) rewards STI participants for strong individual performance across a range of financial and non-financial measures.	Minimum⁽ⁱ⁾	\$0	\$0
		Target⁽ⁱ⁾ <i>(target opportunity X 1.00 (GFM) X 40% X 1.00 (IPM))</i>	\$600,000	\$180,000
		Maximum⁽ⁱ⁾ <i>(target opportunity X 1.25 (GFM) X 40% X 2.50 (IPM))</i>	\$1,875,000	\$562,500
			\$112,500 (Chief Financial Officer)	\$35,000 (Managing Director Gaming Services)
		FY19 actual	\$375,000	\$90,000 (Managing Director Wagering and Media) \$210,000 (Managing Director Lotteries and Keno)
How is the final STI award calculated?	As the sum of the Group and individual components after the GFM and IPM have been applied. If the performance measures or behavioural expectations are not met, the minimum STI value possible is zero.	Minimum⁽ⁱ⁾	\$0	\$0
		Target⁽ⁱ⁾ <i>(target Group + target individual components)</i>	\$1,500,000	\$450,000
		Maximum⁽ⁱ⁾ <i>(maximum Group + maximum individual components)</i>	\$3,000,000	\$900,000
			\$382,500 (Chief Financial Officer)	\$245,000 (Managing Director Gaming Services)
		FY19 actual	\$1,275,000	\$360,000 (Managing Director Wagering and Media) \$420,000 (Managing Director Lotteries and Keno)
What happens if an STI participant leaves the Group?	All Restricted Shares will be forfeited unless they leave for reasons outside of their control (e.g. death or disability). In this case Restricted Shares would generally be released. However, the People and Remuneration Committee has discretion to keep Restricted Shares on foot or forfeit them (in full or on a pro rata basis) where a participant has left the Group.			
Can Restricted Shares be forfeited or clawed back?	Restricted Shares may be forfeited at the Board’s discretion based on certain events or information that may come to light (see section 12(e)). If these events occur or information becomes available after the Restricted Shares have become unrestricted, the Board may require the participants to repay all or part of the value of the Restricted Shares.			
How does the STI align with Tabcorp’s risk and compliance objectives?	The STI scorecard contains non-financial measures which include adherence with risk management and compliance objectives, appropriate customer outcomes and cultural measures. In addition, the STI is dependent on participants displaying the appropriate behaviours in line with the Group’s Values, ensuring that both “what” is delivered and “how” it’s delivered are equally important. For executive KMP, the STI is delivered partly in Restricted Shares which are restricted for two years. These Restricted Shares are subject to malus and claw back provisions (see above).			
Accounting treatment	The financial impact of the STI (excluding any Restricted Shares) is expensed in the relevant financial year and is reflected in the remuneration disclosures for executive KMP. Restricted Shares are expensed on a straight line basis over the current and future two years.			

(i) Operates on a sliding scale between minimum and target, and target and maximum.

(ii) Restricted Shares are used to retain key talent (they are, by default, forfeited on resignation), align executive KMP to shareholder interests (through the value of reward being subject to share price movements) and reduce organisation risk (through malus and clawback provisions).

REMUNERATION REPORT For the financial year ended 30 June 2019

(c) STI performance measures and outcomes for FY19












Diagram 5: How the Group Funding Multiplier was determined

Statutory NPAT performance		>	NPAT from continuing operations before significant items		>	Other Board considerations		>	GFM	
<ul style="list-style-type: none">Group NPAT was \$362.5m, exceeding target and which represents an uplift of \$333.8m on FY18.The increase in FY19 statutory NPAT (on FY18) reflects the first full year of the Combination being effective, strong Group performance and fewer significant items in FY19.			<ul style="list-style-type: none">FY19 result was \$397.6m, exceeding target.Significant items included costs associated with the implementation of the Combination and some compensation payments received.			The People and Remuneration Committee considered management's contributions to Lotteries outperformance (versus favourable Lotteries jackpot outcomes) as well as the risk and compliance performance in FY19.			Under the STI Plan (considering NPAT performance) a higher GFM would have applied in FY19. Following a balanced assessment of financial and non-financial performance across the operating business units, the Board exercised its discretion to reduce the GFM to 1.00 for FY19.	
Actual \$362.5m	FY19 performance Above target		Actual \$397.6m	FY19 performance Above target						

Group STI measures and targets are derived from the Board-approved long term strategic Corporate Plan which comprise financial and non-financial objectives. These are included in the MD & CEO's scorecard and cascaded to the other executive KMP scorecards (and determines their IPMs).

Diagram 6: FY19 STI scorecard and performance outcomes

Financial	FY19 revenue		FY19 NPAT from continuing operations before significant items		FY19 Combination synergies	
	<ul style="list-style-type: none">Exceeded target, with revenue up 8.7% on FY18 (on a pro-forma basis).Largely driven by a 22.8% increase in revenue in the Lotteries and Keno business unit, generated from strong management of the business unit’s operations, game innovation and digital and retail channel growth.		<ul style="list-style-type: none">NPAT from continuing operations before significant items result of \$397.6m, exceeding target and benefitting from operational performance and synergy delivery.Some depreciation and amortisation savings were delivered without impacting overall performance.Minor interest and tax savings also contributed to the outcome.		<ul style="list-style-type: none">Target exceeded with \$64m in EBITDA synergies and business improvements delivered (comprised of cost synergies of \$57m and revenue benefits of \$7m).Synergy performance was underpinned by strong focus and disciplined integration management.	
	Actual \$5,482.2m	FY19 performance Above target	Actual \$397.6m	FY19 performance Above target	Actual \$64m EBITDA synergies	FY19 performance Above target

Non-financial	Strategic (including integration)		Operational excellence (including risk and compliance)		Customer first		People and culture	
	<ul style="list-style-type: none">Integration of Tabcorp and Tatts Group on track and already delivering shareholder benefits.FY19 EBITDA synergy and business improvement target exceeded.FY21 target was revised upwards from \$130m to \$130m – \$145m of EBITDA synergies.The Group delivered significant revenue and EBITDA growth in FY19 through domestic business growth.		<ul style="list-style-type: none">Group operating expenses remained flat, driven by synergy benefits.The FY19 operating cost to revenue ratio of 16.7% improved from 18.1% (on a pro forma basis) from FY18.Tabcorp’s risk framework has been rolled out across the combined Group.There were no material compliance breaches during FY19, although several non-material breaches did occur, resulting in a below target performance outcome overall for this category.		<ul style="list-style-type: none">Strong growth in active customer numbers.Lotteries active registered players of 3.3m, up 24% and Wagering active account customers of 720k up 0.1%.Digital growth continued to accelerate, with a record year for Lotteries of 73.5% and growth for Wagering of 7.7%.		<ul style="list-style-type: none">Combined Group culture program and overall employee engagement on track.Significant inclusion and diversity work has been undertaken including mentoring and development programs, partnerships with racing bodies and new Group inclusion and diversity policies.WGEA citation as an employer of choice for gender equality received for another year.Strong health and safety performance with overall Group lost time injuries well below market benchmarks.	
	Measures	Performance against target	Measures	Performance against target	Measures	Performance against target	Measures	Performance against target
	Tabcorp / Tatts Group integration	Target 	Cost management	Target 	Customer acquisition and retention	Target 	Culture and engagement	Target 
	Business growth	Threshold 	Risk management	Threshold 	Customer engagement and satisfaction	Threshold 	Health and safety	Threshold 
		Compliance	Threshold 	Digital turnover growth	Threshold 	Diversity	Threshold 	

REMUNERATION REPORT For the financial year ended 30 June 2019

Table 8: FY19 executive KMP overall STI outcomes

Executive KMP	Financial year	Actual STI achieved			Actual STI achieved as a % of target STI	STI foregone as a % of target STI	Actual STI achieved as a % of maximum STI
		Cash portion ⁽ⁱ⁾ \$	Deferred portion ⁽ⁱⁱ⁾ \$	Total ⁽ⁱⁱⁱ⁾ \$			
David Attenborough	2019	637,500	637,500	1,275,000	85%	15%	43%
	2018	247,500	247,500	495,000	33%	67%	17%
Damien Johnston	2019	382,500	-	382,500	85%	15%	43%
	2018	111,375	37,125	148,500	33%	67%	17%
Frank Makryllos	2019	183,750	61,250	245,000	70%	30%	35%
	2018 ^(iv)	45,330	15,110	60,440	33%	67%	17%
Adam Rytenskild	2019	270,000	90,000	360,000	80%	20%	40%
	2018	111,375	37,125	148,500	33%	67%	17%
Sue van der Merwe	2019	315,000	105,000	420,000	120%	0%	60%
	2018 ^(iv)	45,330	15,110	60,440	33%	67%	17%

(i) The cash portion of the FY19 STI (50% for the MD & CEO and 75% for other executive KMP) will be paid in August 2019. As Mr Johnston will cease employment in FY20, the Board determined to award his FY19 STI fully in cash.

(ii) The Restricted Share portion of the FY19 STI will be granted in August 2019. The value of each Restricted Share is based on the market value of Tabcorp shares at the grant date. The portion of the STI deferred into Restricted Shares is 50% for the MD & CEO and 25% for other executive KMP. Restricted Shares are subject to a two year service condition from the grant date.

(iii) This reflects the total value of the STI granted as at 30 June 2019. The minimum STI value possible is zero.

(iv) Mr Makryllos and Ms van der Merwe were appointed as executive KMP on 22 December 2017 following the Combination and their STI value relates to the period as Tabcorp KMP. 'Actual STI achieved as a % of target STI'; 'STI foregone as a % of target STI' and 'Actual STI achieved as a % of maximum STI' for these executive KMP are expressed as a percentage of a pro rata STI target.

(d) Long term incentive (LTI)

For the 2018 LTI grant, a second three year LTI performance measure was introduced, being the Combination Synergy measure. This was in addition to the relative TSR measure. LTI grants are tested once following the end of the performance period and all or a portion of the Performance Rights granted may lapse or vest depending on testing outcomes. There is no retesting of LTI grants.

What were the target and outperformance LTI opportunities?	MD & CEO		Executive KMP (excl. the MD & CEO)		
	Target	75% of fixed remuneration	50% of fixed remuneration		
	Outperformance	150% of fixed remuneration	100% of fixed remuneration		
How is the LTI delivered?	Participants are allocated a maximum number of Performance Rights (based on the outperformance opportunity). Each Performance Right provides the right to receive one Tabcorp ordinary share, subject to meeting performance conditions, at no cost to the participant. Performance Rights do not attract dividends or voting rights, and lapse if performance conditions are not met at the end of the performance period.				
On what basis are Performance Rights allocated?	Face value. To determine the number of Performance Rights allocated, the outperformance opportunity (see above) is divided by the five day volume weighted average price of Tabcorp shares traded on the ASX up to but not including the Performance Rights grant date.				
How long is the performance period?	Three years. Tabcorp considers this to be appropriate, balancing the fast-changing industry and competitive landscape that the Group operates in with rewarding executives for the creation of long term shareholder value. A three year performance period also aligns to Tabcorp's business planning cycle and predominant market practice.				
What is the weighting?	Relative total shareholder return (relative TSR) 75%		Combination Synergy 25%		
How is this measure defined?	The return received by shareholders (capital returns, dividends and share price movement) over the period relative to a peer group of companies.		The contribution of synergies created through the integration of Tabcorp and Tatts Group, to EBITDA savings.		
Why does the Board consider this an important measure?	It directly aligns to shareholder value creation.		It directly aligns to Tabcorp's key strategic priority of integrating the Tabcorp and Tatts Group businesses and delivering expected synergies.		
What are the performance hurdles?		Tabcorp's relative TSR rank ⁽ⁱ⁾	% of Performance Rights that will vest	Contribution of synergies to EBITDA savings in FY21	% of Performance Rights that will vest
	Threshold	Below 50th percentile	0%	Below \$130 million	0%
	Target	At 50th percentile ⁽ⁱⁱ⁾	37.5%	\$130 million ⁽ⁱⁱ⁾	12.5%
	Outperformance	At 75th percentile ⁽ⁱⁱ⁾	75%	Stretch performance ^{(ii),(iii)}	25%
⁽ⁱ⁾ This vesting schedule aligns to predominant ASX 100 practice.					
⁽ⁱⁱ⁾ Straight line (pro rata) vesting occurs between the threshold and target, and target and outperformance levels.					
⁽ⁱⁱⁱ⁾ The stretch performance target has not been disclosed due to its sensitive nature. This target will be disclosed retrospectively once tested.					
Which companies were included in the 2018 LTI relative TSR peer group?	Constituent companies of the S&P/ASX 100 index excluding organisations operating in the Metals & Mining, Oil and Gas, Transportation Infrastructure, Utilities and Real Estate Investment Trust sectors.				

REMUNERATION REPORT For the financial year ended 30 June 2019

How are performance measures assessed objectively?	The relative TSR measure is calculated by an independent organisation in line with best practice methodologies. The Combination Synergy measure will also be verified by an independent advisor at the end of the performance period.
What happens when Performance Rights vest?	Tabcorp will issue or transfer ordinary shares to the participant. Shares allocated will rank equally with other fully paid shares and have full voting and dividend rights.
Accounting treatment	Performance Rights granted under the LTI are expensed on a straight line basis over the vesting period. Under Accounting Standards, for the relative TSR measure Tabcorp is required to recognise an expense irrespective of whether the Performance Right ultimately vests to the participant. A reversal of the expense is only recognised in the event the Performance Rights lapse due to cessation of employment within the vesting period (for both relative TSR and Combination Synergy measures) or the Performance Rights do not vest (for the Combination Synergy measure).
What happens when an LTI participant leaves the Group?	Performance Rights lapse unless a participant leaves because of an uncontrollable event (e.g. death or permanent disablement). In this case a pro rata number of Performance Rights (based on the portion of the performance period that has elapsed) remain on foot and are subject to the original terms and conditions (including performance requirements). The Board has discretion to lapse the grant or to allow partial or full vesting into Tabcorp shares.
What happens in the event of a change in control of the Group?	In the event of a takeover offer for the Company or any other transaction resulting in a change in control of the Group or a subsidiary company, the Board is required to determine, in its absolute discretion, the appropriate treatment regarding any unvested Performance Rights held by participants employed in the relevant company.
Can Performance Rights be cancelled or clawed back?	Performance Rights may lapse at the Board's discretion based on events that have occurred or where material information becomes available after the Performance Rights have been granted to participants. If this event occurred or information becomes available after the Performance Rights have vested and shares or cash have been awarded, the Board may require the participants to repay all or part of the value of shares or cash.

In FY19, the Board reviewed the LTI plan and the following change was approved, effective from 1 July 2019 with the 2019 LTI grant being the first grant to incorporate this change:

- The relative TSR peer group will be broadened to include organisations in the Utilities, Transportation Infrastructure and Real Estate Investment Trust sectors. These organisations reflect similar stock profiles to that of Tabcorp.

A Combination Synergy measure will be included as a second measure (weighted 25%) in the 2019 LTI grant (in addition to relative TSR). More details will be provided in Tabcorp's 2020 Remuneration Report.

Table 9: Performance Rights granted during the year ended 30 June 2019

Executive KMP	Grant date ⁽ⁱ⁾	Number	Fair value per Performance Right ⁽ⁱⁱ⁾		Fair value at grant date ⁽ⁱⁱⁱ⁾	Vesting date
			Relative TSR	Combination Synergy		
			\$	\$	\$	
David Attenborough	17 October 2018	646,551	2.59	4.16	1,928,338	19 September 2021
Damien Johnston	17 October 2018	193,965	2.59	4.16	578,501	19 September 2021
Frank Makryllos	17 October 2018	150,862	2.59	4.16	449,946	19 September 2021
Adam Rytenskild	17 October 2018	193,965	2.59	4.16	578,501	19 September 2021
Sue van der Merwe	17 October 2018	150,862	2.59	4.16	449,946	19 September 2021
Total		1,336,205			3,985,231	

(i) Vesting of the 2018 LTI allocation of Performance Rights is subject to three year relative TSR and Combination Synergy measures. Accordingly, no testing or vesting of the 2018 LTI grant occurred during FY19. The value of the Performance Rights is amortised over the next three years.

(ii) The LTI allocation is weighted 75% – Relative TSR and 25% – Combination Synergy.

(iii) Represents the maximum value of the grants to each executive KMP for accounting purposes. The minimum possible total value of the grant is nil. For details of the valuation of the Performance Rights, including models and assumptions used, refer to note E1 of the Tabcorp Financial Report.

LTI awards tested in FY19

The 2015 LTI grant (which had one performance measure – relative TSR) was tested on 22 September 2018. The three year TSR result placed Tabcorp at the 46th percentile of the peer group, and accordingly no Performance Rights vested (100% of the Performance Rights lapsed) and participants did not derive any value from this grant.

Table 10: Performance Rights vested and lapsed and shares issued during FY19

Executive KMP	Number of Performance Rights vested	Value of Performance Rights exercised ⁽ⁱ⁾	Number of Performance Rights lapsed ⁽ⁱⁱ⁾	Number of shares issued	Amount paid per share
		\$			\$
David Attenborough	-	-	484,581	-	-
Damien Johnston	-	-	147,886	-	-
Frank Makryllos	-	-	-	-	-
Adam Rytenskild	-	-	119,221	-	-
Sue van der Merwe	-	-	-	-	-
Total	-	-	751,688	-	-

(i) No Performance Rights were exercised during the year as the entire 2015 LTI grant lapsed.

(ii) Performance Rights that lapsed were granted on 29 October 2015 under the 2015 LTI offer.

REMUNERATION REPORT For the financial year ended 30 June 2019

Table 11: KMP interests in Performance Rights for FY19 (number)

Executive KMP	Balance at start of year	Granted as remuneration	Vested	Lapsed ⁽ⁱ⁾	Balance at end of year ⁽ⁱⁱ⁾
David Attenborough	1,558,977	646,551	-	(484,581)	1,720,947
Damien Johnston	445,340	193,965	-	(147,886)	491,419
Frank Makryllos	-	150,862	-	-	150,862
Adam Rytenschild	449,250	193,965	-	(119,221)	523,994
Sue van der Merwe	-	150,862	-	-	150,862
Total	2,453,567	1,336,205	-	(751,688)	3,038,084

(i) Reflects the number of 2015 LTI Performance Rights that were tested and lapsed during the FY19.

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

Table 12: Current LTI Performance Rights allocations to KMP on foot

Grant year	Grant date	Number of Performance Rights on foot	Allocation to	Performance measure	Test and expiry date
2016	25 October 2016	761,850	MD & CEO, senior management	RelativeTSR	14 September 2019
2017	27 October 2017	940,029	MD & CEO, senior management	RelativeTSR	15 September 2020
2018	17 October 2018	1,002,156	MD & CEO, senior management	RelativeTSR	19 September 2021
		334,049		Combination Synergy	30 June 2021

(e) Tabcorp's accountability framework

As mentioned in sections 12(b) and 12(d), if a material event has occurred or material information has become available, the Board has the ability to:

- reduce STI awards and/or LTI offers (partially or fully) prior to awarding them;
- forfeit STI Restricted Shares and/or lapse Performance Rights (partially or fully) while they are restricted/still on foot; and/or
- request part or full repayment to the value of the Restricted Shares/Performance Rights that have already become unrestricted/vested.

Material events or information may include (but not limited to) where the participant has:

- acted dishonestly (including, but not limited to, misappropriation of funds, or deliberately concealing material events that would have influenced business outcomes);
- contributed to materially breaching Tabcorp's compliance obligations (regulatory or legal);
- been accountable for significant reputational harm to the Group; and/or
- acted in such a way that the Group has made a financial misstatement.

In addition to STI and LTI impacts, Tabcorp has the ability to terminate staff where such events have occurred. If this was to occur, by default, all STI and LTI allocations on foot would be forfeited.

(f) Merger Completion Awards modification

During FY18, one-off Merger Completion Awards were provided to select employees. For the MD & CEO and the pre-Combination Tabcorp executive KMP, the awards were provided in the form of cash and Restricted Shares. The Restricted Share component was restricted for two years and subject only to service-based conditions.

As outlined in Table 2, these awards were modified on 17 October 2018. The market price of underlying instruments, being Restricted Shares, at the date of the alteration was \$4.76. The alteration, being the introduction of a new performance measure and extension of the restriction period, has made no difference to the total fair value of the Restricted Shares. The value of the Restricted Shares will continue to be amortised over the original restriction period, in accordance with the accounting standards. The modification relates to 78,532 Restricted Shares, with an original restriction period ending on 18 January 2020, now extended to 30 June 2021.

REMUNERATION REPORT For the financial year ended 30 June 2019

(g) Policy prohibiting hedging

Participants in the Group's incentive plans are restricted from hedging the value of Restricted Shares and unvested Performance Rights, and must not enter into a derivative arrangement in respect of the equity instruments granted under these plans. Breaches of the restriction will result in equity instruments being forfeited. These prohibitions are included in the terms and conditions of the incentive plans and Tabcorp's Securities Trading Policy, available on Tabcorp's website (www.tabcorp.com.au) under the Corporate Governance section.

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

(h) Executives' Shareholdings Policy

The Executives' Shareholdings Policy (applicable to all executive KMP) ensures that the interests of executives, the Group and shareholders are aligned. Under the Policy, the MD & CEO is required to hold the equivalent of 200% of his fixed remuneration in Tabcorp shares. Other executive KMP are required to hold the equivalent of 100% of their fixed remuneration in Tabcorp shares. The minimum shareholding must be achieved within five years from the executive KMP's appointment, or by 14 December 2022 (whichever is later). Refer to table 17 for details of KMP shareholdings. At the date of this report, all executive KMP complied with this Policy (noting that Mr Makryllos and Ms van der Merwe have until 14 December 2022 to achieve the minimum shareholding required).

A copy of the Tabcorp Executives' Shareholdings Policy is available on Tabcorp's website (www.tabcorp.com.au) under the Corporate Governance section.

13. ACTUAL REMUNERATION RECEIVED BY EXECUTIVE KMP

Table 13 provides a non-statutory voluntary disclosure of the total remuneration received by current executive KMP during FY19. Some of the figures in the table have not been prepared in accordance with the Australian Accounting Standards. This information is supplementary to the remuneration disclosure prepared in accordance with the statutory requirements and Australian Accounting Standards as detailed in section 15 of this report. We believe this information will help shareholders understand the cash and other benefits actually received by executive KMP from the various components of their remuneration during FY19.

Table 13: Actual value of remuneration received by executive KMP during FY19

Executive KMP	Salary and fees ⁽ⁱ⁾ \$	STI cash bonus ⁽ⁱⁱ⁾ \$	Superannuation \$	Value of STI Restricted Shares that became unrestricted ⁽ⁱⁱⁱ⁾ \$	Value of LTI vested ^(iv) \$	Total \$
David Attenborough	1,979,469	247,500	20,531	481,383	-	2,728,883
Damien Johnston	879,469	111,375	20,531	73,453	-	1,084,828
Frank Makryllos	679,469	45,330	20,531	-	-	745,330
Adam Rytenskild	879,469	111,375	20,531	98,025	-	1,109,400
Sue van der Merwe	620,842	45,330	79,158	-	-	745,330
Total	5,038,718	560,910	161,282	652,861	-	6,413,771

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

(ii) STI cash bonus reflects the portion of the FY18 STI which was paid in cash in August 2018.

(iii) Value of the deferred component of the FY16 STI (provided in the form of Restricted Shares) which was released during FY19 and calculated based on the market value of Tabcorp shares at the date the restrictions ceased to apply (being 11 August 2018).

(iv) The 2015 LTI grant of Performance Rights lapsed in full. As such, executive KMP did not receive any benefit from this grant.

14. EXECUTIVE KMP EMPLOYMENT CONTRACTS

Table 14: Executive KMP contracts and notice periods

Executive KMP	Position	Contract duration	Minimum notice period (months)	
			Executive	Tabcorp
David Attenborough	Managing Director and Chief Executive Officer	Open ended	6	12
Damien Johnston	Chief Financial Officer	Open ended	6	9
Frank Makryllos	Managing Director Gaming Services	Open ended	6	9
Adam Rytenskild	Managing Director Wagering and Media	Open ended	6	9
Sue van der Merwe	Managing Director Lotteries and Keno	Open ended	6	9

REMUNERATION REPORT For the financial year ended 30 June 2019

15. STATUTORY REMUNERATION DISCLOSURES

(a) KMP statutory remuneration tables

The following table provides a breakdown of the executive KMP remuneration in accordance with statutory requirements and the Australian Accounting Standards.

Table 15: Executive KMP remuneration for FY19

	Financial year	Short term		Long term	Post employment	Charge for share based allocations ⁽ⁱⁱⁱ⁾				Total \$	Performance related ^(iv)
		Salary and fees ⁽ⁱ⁾ \$	Cash bonus ⁽ⁱⁱ⁾ \$	Merger Completion Award (cash) \$	Accrued leave benefits \$	Super-annuation \$	Restricted Shares \$	Merger Completion Award (Restricted Shares) \$	Performance Rights \$		
Executive KMP											
Current executives											
David Attenborough	2019	1,979,469	637,500	-	10,981	20,531	300,405	126,027	1,451,676	4,526,589	56%
	2018	1,623,687	247,500	315,069	175,004	19,170	252,297	126,027	1,269,983	4,028,737	55%
Damien Johnston	2019	879,469	382,500	-	54,331	20,531	14,082	17,607	438,196	1,806,716	47%
	2018	781,731	111,375	132,052	105,096	20,049	39,015	17,607	367,428	1,574,353	42%
Frank Makryllos	2019	679,469	183,750	-	(7,870)	20,531	24,766	-	129,393	1,030,039	33%
	2018 ^(v)	356,130	45,330	-	14,533	10,024	4,901	-	-	430,918	12%
Adam Rytenskild	2019	879,469	270,000	-	23,106	20,531	56,457	22,686	457,394	1,729,643	47%
	2018	839,934	111,375	170,138	140,769	20,049	58,655	22,686	342,307	1,705,913	41%
Sue van der Merwe	2019	620,842	315,000	-	(598)	79,158	38,955	-	129,393	1,182,750	41%
	2018 ^(v)	337,762	45,330	-	7,558	28,392	4,901	-	-	423,943	12%
Former executive											
Craig Nugent	2018	96,391	-	-	9,596	2,833	5,312	-	47,292	161,424	33%
Total	2019	5,038,718	1,788,750	-	79,950	161,282	434,665	166,320	2,606,052	10,275,737	
	2018	4,035,635	560,910	617,259	452,556	100,517	365,081	166,320	2,027,010	8,325,288	

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

(ii) Cash bonus reflects the cash portion of the STI achieved in the relevant financial year, being 50% for the MD & CEO and 75% for other executive KMP. The remaining portion of the STI, being 50% for the MD & CEO and 25% for other executive KMP, is deferred into Restricted Shares and is reflected in the Restricted Shares column in accordance with Accounting Standards. As Mr Johnston will cease employment in FY20, the Board determined to award his FY19 STI fully in cash.

(iii) Represents the fair value of share based payments expensed by Tabcorp. Includes the restricted portion of the Merger Completion Award that was expensed by Tabcorp during the year.

(iv) Represents the sum of cash bonus (from STI and Merger Completion Awards), Restricted Shares (from STI and Merger Completion Awards) and LTI Performance Rights as a percentage of total remuneration, excluding termination payments.

(v) Commenced employment as a KMP on 22 December 2017. For FY18, figures represent the period 22 December 2017 to 30 June 2018 (i.e. partial year).

Table 16: Non Executive Director remuneration for FY19

		Short term	Post employment	
	Financial year	Fees	Superannuation	Total
		\$	\$	\$
KMP				
Current Non Executive Directors				
Paula Dwyer ⁽ⁱ⁾	2019	590,000	56,050	646,050
	2018	510,000	48,450	558,450
Bruce Akhurst ^(iv)	2019	265,750	25,246	290,996
	2018 ⁽ⁱⁱ⁾	226,000	21,470	247,470
Harry Boon	2019	252,000	23,940	275,940
	2018 ⁽ⁱⁱⁱ⁾	130,643	12,411	143,054
Steven Gregg ^(v)	2019	249,500	23,703	273,203
	2018	248,500	23,608	272,108
Vickki McFadden	2019	260,000	24,700	284,700
	2018 ⁽ⁱⁱ⁾	231,458	21,989	253,447
Justin Milne ^(vi)	2019	218,750	20,781	239,531
	2018	202,500	19,238	221,738
Zygmunt Switkowski	2019	235,000	22,325	257,325
	2018	223,750	21,256	245,006
Former Non Executive Directors				
Elmer Funke Kupper ^(vii)	2019	-	-	-
	2018	-	-	-
Jane Hemstritch ^(viii)	2018	68,333	6,492	74,825
Total	2019	2,071,000	196,745	2,267,745
	2018	1,841,184	174,914	2,016,098

- (i) Ms Dwyer also received a fee of \$35,000 (plus superannuation at 9.5%) for the role of Chairman of the Victorian Joint Venture Management Committee in FY19. This fee was borne by the Joint Venture, which is jointly controlled by Tabcorp.
- (ii) Appointed as an Observer on 1 September 2016, and commenced as a Director and KMP on 18 July 2017 following the receipt of all necessary regulatory approvals.
- (iii) Commenced as a Director and KMP on 22 December 2017, following the implementation of the Combination.
- (iv) Includes additional fees of \$8,750 (FY18: \$8,750) (plus superannuation at 9.5%) received for membership of other Board Sub-Committees.
- (v) Includes additional fees of \$17,500 (FY18: \$35,000) (plus superannuation at 9.5%) received for membership of other Board Sub-Committees.
- (vi) Includes additional fees of \$8,750 (FY18: \$8,750) (plus superannuation at 9.5%) received for membership of other Board Sub-Committees.
- (vii) Mr Funke Kupper retired from the Board at the 2018 Tabcorp AGM. Mr Funke Kupper did not receive Tabcorp Board Fees whilst on leave of absence.
- (viii) Ceased as a Director and KMP on 27 October 2017. FY18 Fees reflect the period as KMP until employment ceased. Includes additional fees of \$2,500 (plus superannuation) received in FY18 for membership of other Board Sub-Committees.

REMUNERATION REPORT For the financial year ended 30 June 2019

Table 17: KMP interests in Tabcorp shares for FY19 (number)

KMP	Balance at start of year	Granted as remuneration ⁽ⁱ⁾	On vesting of Performance Rights	Net change other ⁽ⁱⁱ⁾	Balance at KMP cessation ⁽ⁱⁱⁱ⁾	Balance at end of year
Current Non Executive Directors						
Paula Dwyer	150,000	-	-	-	n/a	150,000
Bruce Akhurst	80,000	-	-	-	n/a	80,000
Harry Boon	70,000	-	-	-	n/a	70,000
Steven Gregg	35,000	-	-	7,000	n/a	42,000
Vicki McFadden	50,000	-	-	-	n/a	50,000
Justin Milne	31,208	-	-	10,600	n/a	41,808
Zygmunt Switkowski	91,949	-	-	-	n/a	91,949
Former Non Executive Director						
Elmer Funke Kupper	64,166	-	-	-	64,166	n/a
Executive Director						
David Attenborough	1,364,435	50,242	-	(350,000)	n/a	1,064,677
Current Executives						
Damien Johnston	522,186	7,536	-	(153,659)	n/a	376,063
Frank Makryllos	39,483	3,067	-	-	n/a	42,550
Adam Rytenski	284,703	7,536	-	(100,000)	n/a	192,239
Sue van der Merwe	76,343	3,067	-	-	n/a	79,410
Total	2,859,473	71,448	-	(586,059)	64,166	2,280,696

(i) Includes Restricted Shares issued during FY19 as the deferred component of the FY18 STI.

(ii) Includes voluntary on-market transactions.

(iii) Reflects shareholding at 17 October 2018 for Elmer Funke Kupper.

(b) Transactions and loans with KMP

No KMP (including their related parties) have entered into material commercial relationships or transactions with the Company or a subsidiary during the year ended 30 June 2019 other than as disclosed in this Remuneration Report. All KMP related party relationships are at arm's length and on normal commercial terms and none of the KMP were, or are, involved in any procurement or other decision-making regarding organisations with which they have an association. No KMP (including their related parties) has entered into a loan made, guaranteed or secured, directly or indirectly, by the Company or a subsidiary during the reporting period.

FINANCIAL REPORT

Contents

Income statement	74
Balance sheet	75
Cash flow statement	76
Statement of changes in equity	77
Notes to the financial statements	78
About this report	78
Section A – Group performance	79
Section B – Capital and risk management	85
Section C – Operating assets and liabilities	96
Section D – Group structure	104
Section E – Other disclosures	114
Directors' declaration	122
Independent auditor's report	123

INCOME STATEMENT For the year ended 30 June 2019

	Note	2019 \$m	2018 \$m
Revenue	A4	5,482.2	3,757.3
Other income	A4	17.3	1.8
Commissions and fees		(1,499.2)	(1,174.5)
Government taxes and levies		(2,009.4)	(1,074.1)
Employment costs		(421.2)	(344.1)
Communications and technology costs		(125.8)	(102.1)
Advertising and promotions		(162.0)	(125.9)
Property costs		(69.9)	(74.9)
Other expenses		(183.6)	(167.7)
Depreciation and amortisation		(301.2)	(247.3)
Impairment	A4	(2.9)	(31.4)
Transaction costs – combination with Tatts Group	D4	-	(48.6)
Profit before income tax expense and net finance costs		724.3	368.5
Finance income		1.7	2.0
Finance costs	A4	(191.8)	(129.9)
Profit from continuing operations before income tax expense		534.2	240.6
Income tax expense	A5	(161.9)	(88.5)
Profit from continuing operations after income tax expense		372.3	152.1
Discontinued operations			
Loss from discontinued operations net of tax	D5	(9.8)	(123.4)
Net profit after tax		362.5	28.7
Other comprehensive income			
Items that may be reclassified to profit or loss			
Change in fair value of cash flow hedges taken to equity		(5.1)	(46.4)
Exchange differences on translation of foreign operations		1.1	(1.0)
Income tax relating to these items		1.4	13.7
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) on retirement benefit obligation		(3.2)	1.1
Income tax relating to these items		0.9	(0.1)
Other comprehensive income for the year, net of income tax		(4.9)	(32.7)
Total comprehensive income for the year		357.6	(4.0)
		2019	2018
Earnings per share:		cents	cents
From continuing operations			
Basic earnings per share	A2	18.5	10.3
Diluted earnings per share	A2	18.4	10.3
Total attributable to shareholders of Tabcorp			
Basic earnings per share	A2	18.0	1.9
Diluted earnings per share	A2	17.9	1.9
Dividends per share:			
Declared and paid during the year	A3	21.0	23.5
Determined in respect of the year	A3	22.0	21.0

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

BALANCE SHEET As at 30 June 2019

	Note	2019 \$m	2018 \$m
Current assets			
Cash and cash equivalents	C5	463.0	368.2
Receivables	C6	111.3	98.1
Prepayments		35.2	44.9
Current tax assets		26.7	21.1
Derivative financial instruments	B4	18.8	49.6
Other financial assets	B2	12.8	-
Other		97.0	85.8
Total current assets		764.8	667.7
Non current assets			
Receivables	C6	4.3	7.0
Investment in an associate	D6	29.2	22.7
Other financial assets	B2	156.6	75.8
Licences	C1	2,254.4	2,361.1
Other intangible assets	C2	9,184.1	9,142.0
Property, plant and equipment	C4	562.0	488.2
Prepayments		23.0	29.9
Derivative financial instruments	B4	289.0	123.0
Other		31.7	23.4
Total non current assets		12,534.3	12,273.1
TOTAL ASSETS		13,299.1	12,940.8
Current liabilities			
Payables	C7	1,206.1	1,070.2
Interest bearing liabilities	B3	192.0	132.9
Provisions	C8	66.1	92.4
Derivative financial instruments	B4	46.3	48.1
Other		81.6	67.3
Total current liabilities		1,592.1	1,410.9
Non current liabilities			
Payables	C7	234.2	211.5
Interest bearing liabilities	B3	3,526.9	3,371.8
Deferred tax liabilities	A5	575.3	596.1
Provisions	C8	69.9	78.9
Derivative financial instruments	B4	81.5	21.8
Other		12.7	11.2
Total non current liabilities		4,500.5	4,291.3
TOTAL LIABILITIES		6,092.6	5,702.2
NET ASSETS		7,206.5	7,238.6
Equity			
Issued capital		8,561.7	8,529.1
Accumulated losses		(629.0)	(566.2)
Reserves		(726.2)	(724.3)
TOTAL EQUITY		7,206.5	7,238.6

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

CASH FLOW STATEMENT For the year ended 30 June 2019

	Note	2019 \$m	2018 \$m
Cash flows from operating activities			
Net cash receipts in the course of operations		5,729.4	3,994.8
Payments to suppliers, service providers and employees		(2,834.2)	(2,353.0)
Payment of government levies, betting taxes and GST		(1,800.8)	(923.3)
Finance income received		2.0	1.4
Finance costs paid		(198.2)	(150.0)
Income tax paid		(183.4)	(122.4)
Net cash flows from operating activities	C5	714.8	447.5
Cash flows from investing activities			
Payment for property, plant and equipment and intangibles		(278.4)	(291.7)
Proceeds from sale of property, plant and equipment and intangibles		2.4	1.0
Payment for exercise of call option		(8.2)	-
Proceeds from sale of shares in an associate		12.1	-
Payment for other financial assets		(93.1)	-
Loan repayments received from customers		1.8	5.4
Payments relating to cash-settled equity swap		-	(325.1)
Proceeds relating to cash-settled equity swap		-	625.3
Payment for business acquisition, net of cash acquired	D4	-	(193.4)
Net proceeds from business divestment		-	13.2
Net cash flows used in investing activities		(363.4)	(165.3)
Cash flows from financing activities			
Net cash flows from revolving bank facilities		236.0	35.0
Repayment of borrowings		(83.5)	(4,873.8)
Proceeds from borrowings		-	5,350.0
Dividends paid		(393.0)	(313.8)
Settlement of dividends payable by business acquired		-	(235.0)
Payments for on-market share purchase		(0.7)	(4.8)
Payment of transaction costs for share issue		-	(1.7)
Net cash flows used in financing activities		(241.2)	(44.1)
Net increase in cash held		110.2	238.1
Effects of exchange rate changes on cash		0.1	0.3
Cash at beginning of year		352.7	114.3
Cash at end of year	C5	463.0	352.7

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

The cash flow statement includes the cash flows of the discontinued Sun Bets business, refer note D5.

STATEMENT OF CHANGES IN EQUITY For the year ended 30 June 2019

	Number of ordinary shares m	Issued capital		Accumulated losses \$m	Reserves			Total equity \$m
		Ordinary shares \$m	Treasury shares \$m		Hedging \$m	Demerger \$m	Other \$m	
2019								
Balance at beginning of year	2,013.0	8,529.2	(0.1)	(566.2)	(56.9)	(669.9)	2.5	7,238.6
Profit for the year	-	-	-	362.5	-	-	-	362.5
Other comprehensive income	-	-	-	(2.3)	(3.7)	-	1.1	(4.9)
Total comprehensive income	-	-	-	360.2	(3.7)	-	1.1	357.6
Dividends paid	-	-	-	(423.0)	-	-	-	(423.0)
Dividend reinvestment plan	6.3	30.0	-	-	-	-	-	30.0
Transfers	-	2.8	-	-	-	-	(2.8)	-
Restricted shares issued	-	-	(0.7)	-	-	-	-	(0.7)
Share based payments expense	-	-	0.5	-	-	-	3.5	4.0
Balance at end of year	2,019.3	8,562.0	(0.3)	(629.0)	(60.6)	(669.9)	4.3	7,206.5
		Total issued capital \$8,561.7m			Total reserves (\$726.2m)			
2018								
Balance at beginning of year	835.3	2,445.1	(0.6)	(270.3)	(24.2)	(669.9)	3.3	1,483.4
Profit for the year	-	-	-	28.7	-	-	-	28.7
Other comprehensive income	-	-	-	1.0	(32.7)	-	(1.0)	(32.7)
Total comprehensive income	-	-	-	29.7	(32.7)	-	(1.0)	(4.0)
Dividends paid	-	-	-	(325.6)	-	-	-	(325.6)
Dividend reinvestment plan	2.5	11.7	-	-	-	-	-	11.7
Transfers	-	3.0	-	-	-	-	(3.0)	-
Restricted shares issued	-	-	(0.2)	-	-	-	-	(0.2)
Share based payments expense	-	-	0.7	-	-	-	3.2	3.9
Consideration for business combination	1,175.2	6,075.7	-	-	-	-	-	6,075.7
Transaction costs on business combination	-	(1.7)	-	-	-	-	-	(1.7)
Net outlay to purchase shares	-	(4.6)	-	-	-	-	-	(4.6)
Balance at end of year	2,013.0	8,529.2	(0.1)	(566.2)	(56.9)	(669.9)	2.5	7,238.6
		Total issued capital \$8,529.1m			Total reserves (\$724.3m)			

Issued capital

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

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

Nature of reserves

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

ABOUT THIS REPORT

Tabcorp Holdings Limited (the Company) is a company limited by shares which are traded on the Australian Securities Exchange. The Company is incorporated and domiciled in Australia, and is a for-profit entity. The Financial Report of the Company for the year ended 30 June 2019 comprises the Company and its subsidiaries (the Group) and the Group's interest in joint arrangements and associates.

The Financial Report was authorised for issue by the Board of Directors on 14 August 2019.

The Financial Report is a general purpose financial report which:

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

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

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

A Group performance	B Capital and risk management	C Operating assets and liabilities	D Group structure	E Other disclosures
A1 Segment information 79	B1 Capital management 85	C1 Licences 96	D1 Subsidiaries 104	E1 Employee share plans 114
A2 Earnings per share 81	B2 Other financial assets 85	C2 Other intangible assets 97	D2 Deed of cross guarantee 107	E2 Pensions and other post employment benefit plans 116
A3 Dividends 81	B3 Interest bearing liabilities 86	C3 Impairment testing 98	D3 Parent entity disclosures 109	E3 Commitments 117
A4 Revenue and expenses 82	B4 Derivative financial instruments 88	C4 Property, plant and equipment 99	D4 Business combinations 110	E4 Contingencies 118
A5 Income tax 83	B5 Fair value measurement 91	C5 Notes to the cash flow statement 100	D5 Discontinued operations 112	E5 Related party disclosures 118
A6 Subsequent events 84	B6 Financial instruments – risk management 92	C6 Receivables 101	D6 Investment in an associate 113	E6 Auditor's remuneration 119
		C7 Payables 101		E7 Other accounting policies 119
		C8 Provisions 102		

Significant accounting estimates and assumptions

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

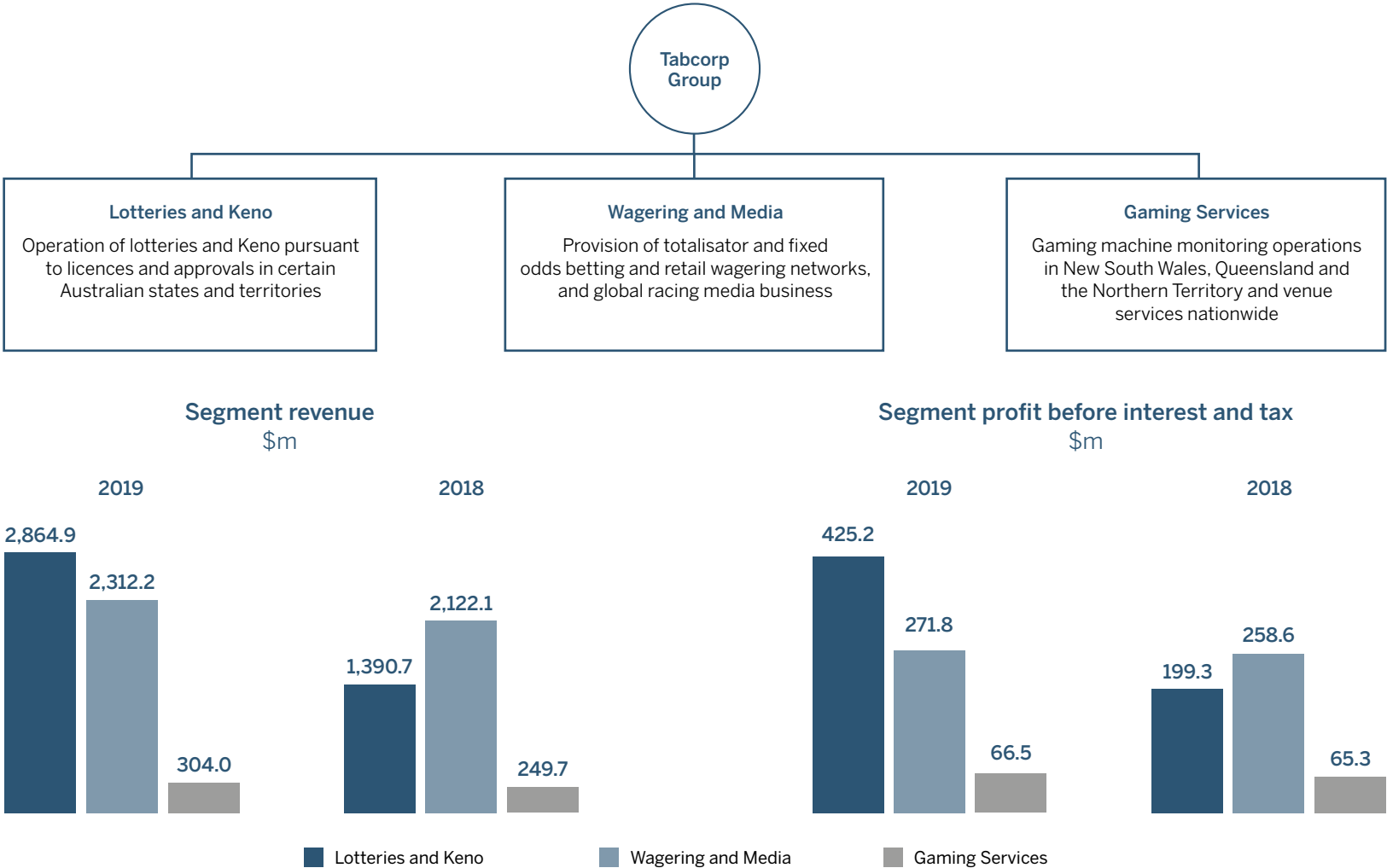
A5 – Income tax	B4 – Derivative financial instruments	C1 – Licences	C3 – Impairment testing	D4 – Business combinations
B2 – Other financial assets		C2 – Other intangible assets	C8 – Provisions	E4 – Contingencies

SECTION A – GROUP PERFORMANCE

A1 Segment information

Operating segments reflect the business level at which financial information is provided to the Managing Director and Chief Executive Officer (Chief Operating Decision Maker), for decision making regarding resource allocation and performance assessment. The measure of segment profit used excludes significant items not considered integral to the ongoing performance of the segment. Intersegment pricing is determined on commercial terms and conditions.

The Group has three operating segments at year end. Sun Bets ceased trading during the period and is reported as a discontinued operation (refer Note D5). Comparative information has been restated to reflect the Group’s current reportable segments.



NOTES TO THE FINANCIAL STATEMENTS: GROUP PERFORMANCE For the year ended 30 June 2019

A1 Segment information (continued)

	Lotteries and Keno \$m	Wagering and Media \$m	Gaming Services \$m	Total \$m
2019				
Revenue – external	2,864.9	2,310.3	304.0	5,479.2
Revenue – intersegment	-	1.9	-	1.9
Segment revenue	2,864.9	2,312.2	304.0	5,481.1
Segment profit before interest and tax	425.2	271.8	66.5	763.5
Depreciation and amortisation	83.8	144.2	73.2	301.2
Capital expenditure ⁽ⁱ⁾	64.5	151.6	91.5	307.6
2018				
Revenue – external	1,390.7	2,121.2	244.5	3,756.4
Revenue – intersegment	-	0.9	5.2	6.1
Segment revenue	1,390.7	2,122.1	249.7	3,762.5
Segment profit before interest and tax	199.3	258.6	65.3	523.2
Depreciation and amortisation	55.9	135.2	56.2	247.3
Capital expenditure ⁽ⁱ⁾	17.4	93.7	67.8	178.9

(i) Capital expenditure excludes the acquisition of licences, unallocated items, assets acquired via business combinations (refer note D4) and make good provisions raised during the year.

	Revenue		Profit	
	2019 \$m	2018 \$m	2019 \$m	2018 \$m
Reconciliation of segment revenue and profit before tax				
Segment total (per above)	5,481.1	3,762.5	763.5	523.2
Intersegment revenue elimination	(1.9)	(6.1)	-	-
Unallocated items:				
– significant items:				
– costs relating to combination with Tatts Group ⁽ⁱ⁾	-	-	(34.6)	(143.3)
– Racing Queensland arrangements ⁽ⁱⁱ⁾	-	-	(16.8)	-
– ACT point of consumption tax compensation	-	-	15.1	-
– net gain on cash-settled equity swap	-	-	-	6.6
– other ⁽ⁱⁱⁱ⁾	-	-	-	(17.0)
	-	-	(36.3)	(153.7)
– finance income	-	-	1.7	2.0
– finance costs ^(iv)	-	-	(191.8)	(129.9)
– other	3.0	0.9	(2.9)	(1.0)
Total per income statement (continuing operations)	5,482.2	3,757.3	534.2	240.6

(i) Includes implementation costs of \$34.6 million (2018: \$62.9 million). Prior year also includes transaction costs per note D4 of \$48.6 million, impairments of \$17.6 million and surplus lease space provision of \$14.2 million.

(ii) Additional fees related to the minimum performance obligations under Racing Queensland arrangements.

(iii) Prior year comprised costs relating to Luxbet closure of \$17.0 million.

(iv) Prior period includes financing costs relating to the combination with Tatts Group and the cash-settled equity swap of \$9.3 million.

A2 Earnings per share

	2019 \$m	2018 \$m
Profit from continuing operations after income tax	372.3	152.1
Loss from discontinued operations net of tax	(9.8)	(123.4)
Earnings used in calculation of earnings per share (EPS) attributable to shareholders	362.5	28.7
	2019 Number (m)	2018 Number (m)
Weighted average number of ordinary shares used in calculating basic EPS	2,016.2	1,480.0
Effect of dilution from Performance Rights	3.8	3.2
Weighted average number of ordinary shares used in calculating diluted EPS ⁽ⁱ⁾	2,020.0	1,483.2

(i) The prior year was impacted by the issue of shares as consideration for business combination in December 2017. The number of ordinary shares at 30 June 2018 was 2,013.0 million.

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

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

A3 Dividends

	2019 cents per share	2018 cents per share	2019 \$m	2018 \$m
Fully franked dividends declared and paid during the year:				
Prior year final dividend	10.0	12.5	201.3	104.4
Interim dividend	11.0	11.0	221.7	221.2
	21.0	23.5	423.0	325.6
Fully franked dividends determined in respect of the year:				
Interim dividend	11.0	11.0	221.7	221.2
Final dividend	11.0	10.0	222.1	201.3
	22.0	21.0	443.8	422.5
Fully franked dividends declared after balance date to be recognised in subsequent year:				
Final dividend	11.0	10.0	222.1	201.3
Franking credits available at the 30% company tax rate after allowing for tax payable or receivable			61.4	73.9

NOTES TO THE FINANCIAL STATEMENTS: GROUP PERFORMANCE For the year ended 30 June 2019

A4 Revenue and expenses

	2019 \$m	2018 \$m
(a) Revenue comprises:		
Revenue from contracts with customers	4,424.9	2,804.1
Other revenue ⁽ⁱ⁾	1,057.3	953.2
	5,482.2	3,757.3
(b) Other income		
Net gain on cash-settled equity swap	-	6.6
Net loss on disposal of non current assets	(1.1)	(1.3)
Net gain/(loss) on disposal of subsidiaries	0.3	(9.3)
Fair value gains on financial assets at fair value through profit or loss	-	5.3
ACT point of consumption tax compensation	15.1	-
Other	3.0	0.5
	17.3	1.8
(c) Employment costs include:		
Defined contribution plan expense	30.8	24.8
(d) Operating lease rentals		
Minimum lease payments	62.9	50.8
(e) Finance costs		
Interest costs	176.3	112.7
Other	15.5	17.2
	191.8	129.9
(f) Impairment⁽ⁱⁱ⁾		
Leasehold improvements	1.6	2.3
Plant and equipment	1.2	9.2
Buildings	0.1	-
Other intangible assets – software	-	15.8
Other intangible assets – other	-	4.1
	2.9	31.4

(i) Includes fixed odds betting revenue, refer accounting policy below.

(ii) Prior year includes the write down of the business assets relating to the Luxbet closure.

Revenue from contracts with customers is recognised when control of the goods or services is transferred to customers at an amount that reflects the consideration the Group expects to be entitled to in exchange for those goods or services. Incremental costs of obtaining contracts with a duration of one year or less are expensed as incurred. The following specific criteria must also be met before revenue is recognised:

Lotteries revenue is recognised as the gross subscriptions received for lotteries less prizes payable 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.

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

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

The Group operates loyalty programmes enabling customers to accumulate award credits for wagering spend. A portion of the spend is allocated to the loyalty points awarded to customers on relative stand-alone selling price and recognised as a contract liability until the points are redeemed. Revenue from the award credits is recognised when the award is redeemed or expires.

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

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

Interest revenue earned from customers in the ordinary course of operations is disclosed within revenue.

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

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

Finance income is recognised using the effective interest rate method.

Finance costs are recognised as an expense when incurred.

A5 Income tax

	2019 \$m	2018 \$m
(a) The major components of income tax expense are:		
Current tax	(168.1)	(101.5)
Adjustments in respect of current income tax of previous years	(11.7)	12.7
Deferred tax	18.5	4.0
	(161.3)	(84.8)
Income tax reconciliation:		
Profit from continuing operations before income tax expense	534.2	240.6
Loss from discontinued operations before income tax benefit	(10.4)	(127.1)
Profit before income tax expense	523.8	113.5
Income tax payable at the 30% company tax rate	(157.1)	(34.0)
Tax effect of adjustments in calculating taxable income:		
– amortisation of licences	(12.1)	(11.9)
– unbooked deferred tax assets	(1.1)	(23.0)
– research and development claims	1.7	2.7
– other	7.6	(5.3)
Effect of differing international tax rates	(0.3)	(13.3)
Income tax expense	(161.3)	(84.8)
Income tax expense reported in the income statement	(161.9)	(88.5)
Income tax benefit attributable to discontinued operations	0.6	3.7
Income tax expense	(161.3)	(84.8)

NOTES TO THE FINANCIAL STATEMENTS: GROUP PERFORMANCE For the year ended 30 June 2019

A5 Income tax (continued)

(b) Deferred tax assets/(liabilities)

	Balance at 1 July 2017 \$m	Recognised in income statement \$m	Acquisitions via business combinations \$m	Recognised directly in equity \$m	Balance at 30 June 2018 \$m	Recognised in income statement \$m	Recognised directly in equity \$m	Balance at 30 June 2019 \$m
NSW Trackside concessions	11.0	(3.2)	-	-	7.8	(3.1)	-	4.7
Fair value of cash flow hedges	10.4	-	0.4	13.7	24.5	-	1.4	25.9
Property, plant and equipment	15.7	(1.5)	2.7	-	16.9	(2.2)	-	14.7
Provisions	15.3	6.3	16.5	-	38.1	(8.2)	-	29.9
Cash-settled equity swap	7.1	(7.1)	-	-	-	-	-	-
Accrued expenses	6.1	0.9	1.3	-	8.3	2.4	-	10.7
NSW retail exclusivity	1.5	(1.5)	-	-	-	-	-	-
Other	(0.1)	1.7	11.3	(0.1)	12.8	(6.9)	0.9	6.8
Licences	(98.1)	9.0	(534.0)	-	(623.1)	20.7	-	(602.4)
Other intangible assets	(1.9)	2.8	(44.9)	-	(44.0)	1.8	-	(42.2)
Unclaimed dividends	(4.5)	0.1	(4.4)	-	(8.8)	1.0	-	(7.8)
Research and development	(23.0)	(3.5)	(2.1)	-	(28.6)	13.0	-	(15.6)
Net deferred tax assets/(liabilities)	(60.5)	4.0	(553.2)	13.6	(596.1)	18.5	2.3	(575.3)

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

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

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

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

A6 Subsequent events

Subsequent events other than those disclosed elsewhere in this report are:

Sale of corporate properties

In July 2019 the Group entered into sale agreements in relation to two surplus corporate properties. Proceeds of \$46.0 million are expected to be recognised over the next two financial years, in respect of the two properties.

SECTION B – CAPITAL AND RISK MANAGEMENT

B1 Capital management

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

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

At 30 June the Group's gearing ratio was:

	2019 \$m	2018 \$m
Gross debt (US private placement debt at the Australian dollar principal repayable under cross currency swaps)	3,441.5	3,308.3
EBITDA (before significant items) ⁽ⁱ⁾⁽ⁱⁱ⁾	1,064.7	954.0
Gearing ratio	3.2	3.5

(i) EBITDA for 2019 represents continuing operations, whereas EBITDA for 2018 includes both continuing and discontinued operations.

(ii) EBITDA for 2018 includes allowance for 12 months contribution from Tatts Group.

B2 Other financial assets

Other financial assets are held to fund payments to winners of certain lottery games, where winnings are payable for up to 20 years.

AASB 9 requires that, subsequent to initial recognition, an entity recognises its financial assets at amortised cost or fair value, depending on the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. Following the adoption of AASB 9, the Group classifies its financial assets as follows:

	2019 \$m	2018 \$m
Equity instruments at fair value through other comprehensive income		
Unlisted investments – managed fund	21.3	20.8
Debt instruments at amortised cost		
Investment – term deposits	148.1	55.0
	169.4	75.8

	2019 \$m	2018 \$m
Current	12.8	-
Non current	156.6	75.8
	169.4	75.8

Equity instruments at fair value through other comprehensive income are equity instruments which the Group intends to hold for the foreseeable future, and for which an irrevocable election to classify as such upon transition to AASB 9 has been made.

After initial measurement, they are subsequently carried at fair value (refer to note B5). Changes in the fair value are recognised in other comprehensive income and accumulated in a reserve within equity. No subsequent recycling of gains or losses to profit or loss is permitted.

Debt instruments at amortised cost are financial assets held in order to collect contractual cash flows that solely represent payments of principal and interest. They are carried at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS: CAPITAL AND RISK MANAGEMENT For the year ended 30 June 2019

B3 Interest bearing liabilities

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

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

Facility	Details	Facility limit \$m	Maturity	2019 \$m	2018 \$m
Bank overdraft	Floating interest rate revolving bilateral overdraft facility.	100.0	Feb-20	-	15.5
Bank loans – unsecured	Floating interest rate revolving facility. Subject to financial undertakings as to gearing and interest cover.	660.0	Jul-22	631.6	630.7
		600.0	Jul-23	494.7	257.8
		600.0	Jul-24	-	-
		1,860.0		1,126.3	888.5
US private placement	Fixed interest rate US dollar debt. At 30 June 2019 aggregate US dollar principal of \$1,553.0 million (2018: \$1,640.0 million). Cross currency swaps are in place for all US dollar debt. Under these swaps the aggregate Australian dollar amount payable at maturity is \$1,925.0 million (2018: \$2,008.5 million).	USD 87.0	n/a	-	117.4
		USD 170.0	Dec-20	246.1	236.1
		USD 133.0	Apr-22	189.2	179.3
		USD 105.0	Jun-26	148.9	141.1
		USD 450.0	Jun-28	637.8	604.6
		USD 520.0	Jun-30	737.0	698.7
		USD 175.0	Jun-33	248.0	235.1
		AUD 97.3	Jun-35	96.8	96.7
		AUD 97.3	Jun-36	96.8	96.7
				2,400.6	2,405.7
Tatts Bonds ⁽ⁱ⁾	Floating rate interest 90 day BBSW +3.1% paid quarterly in arrears.	192.0	Jul-19	192.0	195.0
				3,718.9	3,504.7
Current				192.0	132.9
Non current				3,526.9	3,371.8
				3,718.9	3,504.7

(i) The Tatts Bonds were fully redeemed in July 2019, and a payment of \$192.0m was made to the Bond holders.

B3.1 Changes in liabilities arising from financing activities:

	Balance at 30 June 2018 \$m	Cash flows \$m	Foreign exchange movement \$m	Changes in fair values \$m	Other \$m	Balance at 30 June 2019 \$m
Interest bearing liabilities						
Current	132.9	(99.0)	(34.0)	-	192.1	192.0
Non current	3,371.8	236.0	114.7	-	(195.6)	3,526.9
Cross currency interest rate swaps						
Current assets	(40.5)	-	-	21.7	-	(18.8)
Non current assets	(121.8)	-	-	(167.2)	-	(289.0)
Current liabilities	9.5	-	-	(4.1)	-	5.4
Non current liabilities	0.4	-	-	(0.4)	-	-
	3,352.3	137.0	80.7	(150.0)	(3.5)	3,416.5

	Balance at 1 July 2017 \$m	Cash flows \$m	Acquisitions via business combinations \$m	Foreign exchange movement \$m	Changes in fair values \$m	Other \$m	Balance at 30 June 2018 \$m
Interest bearing liabilities							
Current	974.3	(958.7)	-	4.4	-	112.9	132.9
Non current	684.0	1,469.9	1,272.1	69.1	-	(123.3)	3,371.8
Cross currency interest rate swaps							
Current assets	(2.6)	-	(2.4)	-	(35.5)	-	(40.5)
Non current assets	(77.2)	-	(55.0)	-	10.4	-	(121.8)
Current liabilities	2.1	-	-	-	7.4	-	9.5
Non current liabilities	-	-	-	-	0.4	-	0.4
	1,580.6	511.2	1,214.7	73.5	(17.3)	(10.4)	3,352.3

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

NOTES TO THE FINANCIAL STATEMENTS: CAPITAL AND RISK MANAGEMENT For the year ended 30 June 2019

B4 Derivative financial instruments

The Group holds the following derivative financial instruments, all at fair value based on level 2 observable inputs (refer to note B5):

	2019 \$m	2018 \$m
Current assets		
Cross currency swaps	18.8	40.5
Equity derivative	-	9.1
	18.8	49.6
Non current assets		
Cross currency swaps	289.0	121.8
Interest rate swaps	-	1.2
	289.0	123.0
	307.8	172.6
Current liabilities		
Cross currency swaps	5.4	9.5
Interest rate swaps	30.0	22.4
Open betting positions	10.9	16.2
	46.3	48.1
Non current liabilities		
Cross currency swaps	-	0.4
Interest rate swaps	81.5	21.4
	81.5	21.8
	127.8	69.9

Derivative financial instruments are recognised initially at cost, and subsequently are stated at fair value (refer to note B5). The method of recognising any remeasurement gain or loss depends on the nature of the item being hedged. For the purposes of hedge accounting, the Group's hedges are classified as cash flow hedges.

At inception, hedge relationships are designated as such and documented. This includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged, and how the hedge effectiveness requirements are assessed.

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio is the same as that resulting from actual amounts of hedged items and hedging instruments for risk management.

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

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

Equity derivative is a financial asset at fair value through profit or loss. Gains or losses arising from changes in the fair value (refer note B5) are recognised directly in the income statement within other income.

B4.1 Interest rate swaps

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

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

	Notional principal	
	2019 \$m	2018 \$m
Less than one year	240.0	258.5
One to five years	427.0	667.0
More than five years	722.1	722.1
Notional principal	1,389.1	1,647.6
Fixed interest rate range p.a.	1.9% – 7.3%	1.9% – 7.3%
Variable interest rate range p.a.	1.2% – 1.7%	1.9% – 2.1%

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

There is an economic relationship between the hedged item and the hedged instrument as the key terms of the interest rate swap are similar to the key terms of the floating rate borrowings. The Group has established a hedge ratio of 1:1 which has been determined by comparing the notional principal of the swap with the notional amount of the designated debt.

Further information about the Group's interest rate risk management is disclosed in note B6.1.

B4.2 Cross currency swaps

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

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

	2019		2018	
	Pay principal AUD m	Receive principal USD m	Pay principal AUD m	Receive principal USD m
One to five years	298.5	303.0	382.0	390.0
More than five years	1,626.5	1,250.0	1,626.5	1,250.0
Notional principal	1,925.0	1,553.0	2,008.5	1,640.0
Fixed interest rate range p.a.		4.6% – 5.2%		4.6% – 5.2%
Variable interest rate range p.a.	3.3% – 5.6%		4.2% – 5.6%	

There is an economic relationship between the hedged item and the hedged instrument as the terms and conditions in relation to the interest rate and maturity of the cross currency swaps are similar to the terms and conditions of the underlying hedged US private placement debt. The Group has established a hedge ratio of 1:1 which has been determined by comparing the notional principal of the swap with the notional amount of the designated debt.

Further information about the Group's foreign currency risk management is disclosed in note B6.2.

NOTES TO THE FINANCIAL STATEMENTS: CAPITAL AND RISK MANAGEMENT For the year ended 30 June 2019

B4 Derivative financial instruments (continued)

B4.3 Impact of hedging on balance sheet

The change in fair value used for measuring ineffectiveness is set out in the below table. All hedging instruments are presented within derivative financial instruments in the balance sheet.

	2019 \$m	2018 \$m
Interest rate swaps	(70.1)	6.2
Cross currency swaps	187.9	21.6
	117.8	27.8

The ineffectiveness recognised in the income statement was immaterial in the current and prior financial years.

B4.4 Impact of hedging on equity

Set out below is a reconciliation of the movement in the hedging reserve:

	Hedging reserve \$m
As at 1 July 2018	(56.9)
Effective portion of changes in fair value arising from:	
– Interest rate swaps	(70.1)
– Cross currency swaps	187.9
Loss on revaluation of USD debt	(120.7)
Amount reclassified to income statement	(1.6)
Other	(0.6)
Tax effect	1.4
As at 30 June 2019	(60.6)
As at 1 July 2017	(24.2)
Effective portion of changes in fair value arising from:	
– Interest rate swaps	6.2
– Cross currency swaps	21.6
Loss on revaluation of USD debt	(72.8)
Other	(1.4)
Tax effect	13.7
As at 30 June 2018	(56.9)

B5 Fair value measurement

The fair value of financial assets and financial liabilities is estimated for recognition, measurement and disclosure purposes at each balance date. Various methods are available to estimate the fair value of a financial instrument, and comprise:

Level 1 – calculated using quoted prices in active markets.

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

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

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

	Carrying amount		Fair value	
	2019 \$m	2018 \$m	2019 \$m	2018 \$m
Financial assets				
Investment in an associate	29.2	22.7	145.8	33.0
	29.2	22.7	145.8	33.0
Financial liabilities				
US private placement	2,410.7	2,416.3	2,749.0	2,440.3
Tatts Bonds	192.0	195.6	194.3	196.2
	2,602.7	2,611.9	2,943.3	2,636.5

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

Investment in an associate

Fair value is determined using quoted market price (level 1 in fair value hierarchy).

US private placement

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

Tatts Bonds

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

Cross currency and interest rate swaps

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

Equity instruments at fair value through other comprehensive income

Fair value is reference to market prices prevailing at balance date (level 2 in fair value hierarchy).

There have been no significant transfers between level 1 and level 2 during the financial year ended 30 June 2019.

NOTES TO THE FINANCIAL STATEMENTS: CAPITAL AND RISK MANAGEMENT For the year ended 30 June 2019

B6 Financial instruments – risk management

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

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

The main risks arising from the Group's financial instruments are discussed in section B6.1 to B6.4.

B6.1 Interest rate risk

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

At 30 June after taking into account the effect of interest rate swaps, approximately 72.3% (2018: 83.1%) of the Group's borrowings are at a fixed rate of interest.

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

	2019 \$m	2018 \$m
Cash assets	314.8	190.4
Short term deposits	56.3	111.0
Investment term deposits – current	12.8	-
Investment term deposits – non current	135.3	55.0
	519.2	356.4
Overdraft – unsecured	-	(15.5)
Bank loans – unsecured	(1,126.3)	(888.5)
Tatts Bonds	(192.0)	(195.0)
Interest rate swaps – notional principal amounts	(1,389.1)	(1,647.6)
Cross currency swaps – notional principal amounts	(1,925.0)	(2,008.5)
	(4,632.4)	(4,755.1)

Sensitivity analysis – interest rates – AUD and USD

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

	Post tax profit higher/(lower)		Other comprehensive income higher/(lower)	
	2019 \$m	2018 \$m	2019 \$m	2018 \$m
AUD				
+ 0.50% (50 basis points) (2018: + 1.00%)	(1.4)	(3.7)	66.9	135.2
- 0.50% (50 basis points) (2018: - 1.00%)	1.8	3.7	(70.3)	(163.7)
USD				
+ 0.20% (20 basis points) (2018: + 0.20%)	-	-	(27.7)	(70.7)
- 0.20% (20 basis points) (2018: - 0.20%)	-	-	28.3	40.0

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

Significant assumptions used in the analysis include:

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

B6.2 Foreign currency risk

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

Sensitivity analysis foreign exchange

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

	Post tax profit higher/(lower)		Other comprehensive income higher/(lower)	
	2019 \$m	2018 \$m	2019 \$m	2018 \$m
AUD/USD + 10 cents (2018: + 10 cents)	-	-	(43.3)	(22.3)
AUD/USD - 10 cents (2018: - 10 cents)	-	-	57.7	23.8

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

NOTES TO THE FINANCIAL STATEMENTS: CAPITAL AND RISK MANAGEMENT For the year ended 30 June 2019

B6 Financial instruments – risk management (continued)

B6.2 Foreign currency risk (continued)

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

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

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

B6.3 Credit risk

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

Credit risk is managed by:

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

Credit risk associated with financial liabilities arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The Group's maximum credit risk exposure in respect of derivative contracts is detailed in the liquidity risk table in note B6.4.

Credit risk includes liabilities under financial guarantees. For financial guarantee contract liabilities the fair value at initial recognition is determined using a probability weighted discounted cash flow approach. The fair value of financial guarantee contract liabilities has been assessed as nil (2018: nil), as the possibility of an outflow occurring is considered remote.

Details of the financial guarantee contracts at balance date are outlined below:

- The Company has entered into a deed of cross guarantee as outlined in note D2.
- The maximum amount of bank guarantee contracts at balance date is \$37.9 million (2018: \$37.7 million).

B6.4 Liquidity risk

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

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

The Group's current policy is that not more than 33% of debt facilities should mature in any financial year within the next four years. At 30 June 2019, 7% (2018: 2%) of debt facilities will mature in less than one year.

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

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

	2019			2018		
	< 1 year \$m	1 – 5 years \$m	> 5 years \$m	< 1 year \$m	1 – 5 years \$m	> 5 years \$m
Non-derivative financial instruments						
Financial liabilities						
Payables	(1,206.1)	(121.2)	(113.0)	(1,070.2)	(114.4)	(97.1)
Bank loans – unsecured	(41.8)	(1,228.8)	-	(51.4)	(995.1)	-
US private placement	(118.5)	(711.2)	(2,408.1)	(200.9)	(713.3)	(2,475.8)
Tatts Bonds	(194.3)	-	-	(11.5)	(192.1)	-
Net inflow/(outflow)	(1,560.7)	(2,061.2)	(2,521.1)	(1,334.0)	(2,014.9)	(2,572.9)
Derivative financial instruments						
Financial assets						
Interest rate swaps – receive AUD floating	23.5	57.8	63.1	31.4	88.0	70.4
Cross currency swaps – receive USD fixed	107.5	663.5	2,086.9	190.8	665.7	2,143.8
	131.0	721.3	2,150.0	222.2	753.7	2,214.2
Financial liabilities						
Interest rate swaps – pay AUD fixed	(44.2)	(101.5)	(72.9)	(52.1)	(125.6)	(92.9)
Cross currency swaps – pay AUD floating	(93.9)	(622.9)	(2,079.9)	(184.7)	(655.4)	(2,152.3)
Open betting positions	(10.9)	-	-	(16.2)	-	-
	(149.0)	(724.4)	(2,152.8)	(253.0)	(781.0)	(2,245.2)
Net inflow/(outflow)	(18.0)	(3.1)	(2.8)	(30.8)	(27.3)	(31.0)

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

NOTES TO THE FINANCIAL STATEMENTS: OPERATING ASSETS AND LIABILITIES For the year ended 30 June 2019

SECTION C – OPERATING ASSETS AND LIABILITIES

C1 Licences

	Lotteries licences \$m	Wagering licences \$m	Gaming machine monitoring licence \$m	Keno licences \$m	Total \$m
2019					
Carrying amount at beginning of year	1,374.2	719.2	193.3	74.4	2,361.1
Amortisation	(45.7)	(41.2)	(13.8)	(6.0)	(106.7)
Carrying amount at end of year	1,328.5	678.0	179.5	68.4	2,254.4
Cost	1,391.0	978.4	200.3	128.0	2,697.7
Accumulated amortisation and impairment	(62.5)	(300.4)	(20.8)	(59.6)	(443.3)
	1,328.5	678.0	179.5	68.4	2,254.4
2018					
Carrying amount at beginning of year	-	557.2	-	80.3	637.5
Acquisition through business combination (refer note D4)	1,397.6	202.2	200.3	-	1,800.1
Amortisation	(23.4)	(40.2)	(7.0)	(5.9)	(76.5)
Carrying amount at end of year	1,374.2	719.2	193.3	74.4	2,361.1
Cost	1,397.6	978.4	200.3	128.0	2,704.3
Accumulated amortisation and impairment	(23.4)	(259.2)	(7.0)	(53.6)	(343.2)
	1,374.2	719.2	193.3	74.4	2,361.1
Amortisation policy – straight line basis over useful life (years):	10 – 55	12 – 93	15	10 – 34	
Licence expiration date:					
– Victoria	2028	2024		2022	
– Queensland	2072	2098		2047	
– New South Wales	2050	2097	2032	2050	
– Australian Capital Territory		2064 ⁽ⁱ⁾			
– Northern Territory	2032				
– South Australia	2052	2100			
(i) ACT sports bookmaking licence was granted for an initial term of 15 years with further rolling extensions to a total term of 50 years					

Licences that are acquired by the Group are stated at cost less accumulated amortisation, and impairment losses.

C2 Other intangible assets

	Goodwill \$m	NSW Trackside concessions \$m	Customer related assets \$m	Brand names \$m	Media content and broadcast rights \$m	Other \$m	Software \$m	Total \$m
2019								
Carrying amount at beginning of year	8,249.6	137.0	149.6	218.1	30.6	41.5	315.6	9,142.0
Additions:								
– acquired	-	-	-	-	-	-	46.7	46.7
– internally developed	-	-	-	-	-	-	93.7	93.7
Amortisation	-	(1.8)	(11.3)	-	-	(2.8)	(80.3)	(96.2)
Transfers	-	-	-	-	-	-	(2.2)	(2.2)
Disposals	-	-	-	-	-	-	(0.1)	(0.1)
Other	0.2	-	-	-	-	-	-	0.2
Carrying amount at end of year	8,249.8	135.2	138.3	218.1	30.6	38.7	373.4	9,184.1
Cost	8,955.5	150.0	158.7	218.1	30.6	54.5	818.2	10,385.6
Accumulated amortisation and impairment	(705.7)	(14.8)	(20.4)	-	-	(15.8)	(444.8)	(1,201.5)
	8,249.8	135.2	138.3	218.1	30.6	38.7	373.4	9,184.1
Includes capital works in progress of:							92.9	92.9
2018								
Carrying amount at beginning of year	1,512.6	138.7	9.6	110.0	30.6	44.2	212.4	2,058.1
Additions:								
– acquired	-	-	-	-	-	-	25.3	25.3
– internally developed	-	-	-	-	-	-	88.9	88.9
Acquisitions via business combinations	6,743.4	-	149.5	108.1	-	-	82.5	7,083.5
Amortisation	-	(1.7)	(6.2)	-	-	(2.7)	(69.6)	(80.2)
Impairment	(0.8)	-	(3.3)	-	-	-	(23.8)	(27.9)
Disposals	(5.6)	-	-	-	-	-	(0.1)	(5.7)
Carrying amount at end of year	8,249.6	137.0	149.6	218.1	30.6	41.5	315.6	9,142.0
Cost	8,955.3	150.0	167.3	218.1	30.6	54.6	673.6	10,249.5
Accumulated amortisation and impairment	(705.7)	(13.0)	(17.7)	-	-	(13.1)	(358.0)	(1,107.5)
	8,249.6	137.0	149.6	218.1	30.6	41.5	315.6	9,142.0
Includes capital works in progress of:							61.1	61.1

Amortisation policy – straight line basis

over useful life (years):

Expiration date:

(i) New South Wales retail exclusivity

87
2097

5 – 20

Indefinite

Indefinite

20
2033⁽ⁱ⁾

3 – 10

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS: OPERATING ASSETS AND LIABILITIES For the year ended 30 June 2019

C3 Impairment testing

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

	2019 \$m	2018 \$m
Carrying amount of goodwill and other intangible assets with indefinite useful lives allocated to each cash generating unit (CGU) or segment:		
Goodwill		
Lotteries and Keno	5,304.4	5,304.4
Wagering and Media	2,638.9	2,638.7
Gaming Services	306.5	306.5
	8,249.8	8,249.6
Other intangible assets with indefinite useful lives		
Lotteries	108.1	108.1
NSW Wagering	98.8	98.8
Sky Racing	30.8	30.8
Sky Sports Radio	6.5	6.5
ACTTAB	4.5	4.5
	248.7	248.7

The recoverable amount of each CGU is determined based on fair value less costs of disposal, calculated using discounted cash flows. The cash flow forecasts are principally based upon management approved business plans for a four year period and extrapolated using growth rates ranging from 2.0% to 3.5% (2018: 2.0% to 3.5%). These cash flows are then discounted using a relevant long term post tax discount rate, ranging between 7.5% and 8.4% (2018: 7.5% and 8.4%). This is considered to be level 3 in the fair value hierarchy, based on non market observable inputs (refer to note B5 for explanation of the valuation hierarchy).

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

- State tax regimes and the regulatory environment in which the Group currently operates remain largely unchanged, other than announced.
- Exclusive retail wagering licences held are assumed to be retained. The wagering business competes with bookmakers and other interstate and international wagering operators who accept bets over the phone and the internet. There is a possibility that competition from interstate and international operators may extend further to the Group's retail wagering network in the future.
- Race fields arrangements implemented in each State and Territory of Australia remain largely unchanged.
- Calculation of fees paid following the introduction of point of consumption tax remain unchanged (refer note E4 Contingencies).
- Growth rates used to extrapolate cash flows are either in line with or do not exceed the long term average growth rate for the industry in which the CGU operates.
- Discount rates applied are based on the post tax weighted average cost of capital applicable to the relevant CGU.
- Terminal growth rate used is in line with the forecast long term underlying growth rate in Consumer Price Index.

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

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

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

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

C4 Property, plant and equipment

	Freehold land \$m	Buildings \$m	Leasehold improvements \$m	Plant and equipment \$m	Total \$m
2019					
Carrying amount at beginning of year	60.7	29.6	83.3	314.6	488.2
Additions	-	0.9	32.6	141.1	174.6
Disposals	-	-	(0.3)	(1.5)	(1.8)
Depreciation	-	(2.9)	(16.4)	(79.0)	(98.3)
Transfers	-	-	(4.6)	6.8	2.2
Impairment	-	(0.1)	(1.6)	(1.2)	(2.9)
Carrying amount at end of year	60.7	27.5	93.0	380.8	562.0
Cost	60.7	45.8	167.9	961.2	1,235.6
Accumulated depreciation and impairment	-	(18.3)	(74.9)	(580.4)	(673.6)
	60.7	27.5	93.0	380.8	562.0
Includes capital works in progress of:		-	20.0	49.0	69.0
2018					
Carrying amount at beginning of year	5.3	12.1	57.7	264.3	339.4
Additions	-	1.0	17.2	57.2	75.4
Acquisitions via business combinations	55.4	18.7	26.9	80.7	181.7
Disposals	-	-	(1.3)	(3.6)	(4.9)
Depreciation	-	(2.2)	(14.9)	(74.8)	(91.9)
Impairment	-	-	(2.3)	(9.2)	(11.5)
Carrying amount at end of year	60.7	29.6	83.3	314.6	488.2
Cost	60.7	42.8	140.8	816.4	1,060.7
Accumulated depreciation and impairment	-	(13.2)	(57.5)	(501.8)	(572.5)
	60.7	29.6	83.3	314.6	488.2
Includes capital works in progress of:		0.2	0.5	24.6	25.3

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

7 – 40

5 – 15

3 – 10

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

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

NOTES TO THE FINANCIAL STATEMENTS: OPERATING ASSETS AND LIABILITIES For the year ended 30 June 2019

C5 Notes to the cash flow statement

	2019 \$m	2018 \$m
(a) Cash and cash equivalents comprise:		
Cash on hand and in banks	406.7	257.2
Short term deposits	56.3	111.0
	463.0	368.2
Bank overdrafts	-	(15.5)
	463.0	352.7

For the purpose of the cash flow statement, cash comprises cash and short term deposits with an original maturity of three months or less, and bank overdrafts (refer note B3).

Significant restrictions

The Group operates under various state based licences which have regulatory requirements in place that restrict the Group's use of certain cash balances. The carrying amount of these cash balances included within the consolidated financial statements is \$274.6 million (2018: \$263.7 million).

	2019 \$m	2018 \$m
(b) Reconciliation of net profit after tax to net cash flows from operating activities		
Net profit after tax	362.5	28.7
Add items classified as investing/financing activities:		
– net loss on disposal of non current assets	1.1	1.3
– net gain on cash-settled equity swap	-	(6.6)
– net loss on sale of business	-	9.3
Add non cash income and expense items:		
– depreciation and amortisation	301.2	248.6
– impairment	2.9	39.4
– share based payments expense	4.0	3.9
– other	(1.6)	8.3
Net cash provided by operating activities before changes in assets and liabilities	670.1	332.9
Changes in assets and liabilities:		
(Increase)/decrease in:		
– debtors	(12.3)	(4.7)
– current tax assets	(3.9)	(37.0)
– other assets	7.1	(1.6)
(Decrease)/increase in:		
– payables	125.3	148.6
– provisions	(42.6)	19.1
– deferred tax liabilities	(18.5)	(3.3)
– other liabilities	(10.4)	(6.5)
Net cash flows from operating activities	714.8	447.5

C6 Receivables

	2019 \$m	2018 \$m
Current		
Trade debtors	65.0	58.5
Allowance for expected credit losses	(2.1)	(3.0)
	62.9	55.5
Sundry debtors	47.4	41.5
Other	1.0	1.1
	111.3	98.1
Non current		
Trade debtors	2.0	3.0
Other	2.3	4.0
	4.3	7.0

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

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

Expected credit losses for the Group are calculated using a lifetime expected loss allowance under the simplified approach of AASB 9. The expected credit loss is based on historical credit loss experience adjusted for forward-looking factors specific to the debtors and the economic environment.

C7 Payables

	2019 \$m	2018 \$m
Current		
Payables	1,206.1	1,070.2
Non current		
Payables	234.2	211.5

Non current payables include prizes payable to the lottery major prize winners and instalments payable for the Queensland wagering licence.

Non current payables relating to the Queensland wagering licence are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS: OPERATING ASSETS AND LIABILITIES For the year ended 30 June 2019

C8 Provisions

	2019 \$m	2018 \$m
Current		
Employee benefits	56.1	60.9
Premises	8.4	9.8
Restructuring costs	1.6	14.2
Other	-	7.5
	66.1	92.4
Non current		
Employee benefits	9.6	7.0
Premises	60.3	65.9
Other	-	6.0
	69.9	78.9

Movement in provisions other than employee benefits during the year are set out below:

	Premises \$m	Restructuring costs \$m	Other \$m
Carrying amount at beginning of year	75.7	14.2	13.5
Provisions made during year	13.3	14.6	-
Provisions used during year	(16.4)	(23.4)	(13.5)
Provisions reversed	(3.9)	(3.8)	-
Carrying amount at end of year	68.7	1.6	-

Premises provisions comprise:

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

Restructuring costs relate to cost saving restructures and initiatives following the combination with Tatts Group.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS: GROUP STRUCTURE For the year ended 30 June 2019

SECTION D – GROUP STRUCTURE

D1 Subsidiaries

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

The consolidated financial statements incorporate the assets, liabilities and results of Tabcorp Holdings Limited and the following controlled entities, that were held in both current and prior period unless otherwise stated:

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

Tabcorp Assets Pty Ltd	Tabcorp Wagering Participant (Vic) Pty Ltd	Maxgaming NSW Pty Ltd
Tabcorp Participant Pty Ltd	Tab Limited	Maxgaming Qld Pty Ltd
Luxbet Pty Ltd	Tabcorp Services Pty Ltd	Reaftin Pty Ltd
Tabcorp Wagering Holdings Pty Ltd	Tabcorp Finance Pty Ltd	Bytecraft Systems Pty Ltd
Tabcorp ACT Pty Ltd	Sky Channel Pty Ltd	Bytecraft Systems (NSW) Pty Ltd
Tabcorp Gaming Holdings Pty Ltd	2KY Broadcasters Pty Ltd	Tattersall's Holdings Pty Ltd
Keno (Qld) Pty Ltd	Tabcorp Training Pty Ltd	Tattersall's Sweeps Pty Ltd
TAHAL Pty Ltd	Tabcorp International Pty Ltd	George Adams Pty Ltd
Keno (NSW) Pty Ltd	Tabcorp International No.4 Pty Ltd	Tatts NT Lotteries Pty Ltd
Tabcorp Gaming Solutions (NSW) Pty Ltd	Tatts Group Limited	New South Wales Lotteries Corporation Pty Limited
Tabcorp Gaming Solutions Pty Ltd	Ubet Qld Limited	Golden Casket Lottery Corporation Limited
Intecq Limited	Ubet NT Pty Ltd	Tatts Lotteries SA Pty Ltd
eBET Gaming Systems Pty Limited	Ubet Radio Pty Ltd	TattsTech Pty Ltd
Tabcorp Investments No.5 Pty Ltd	Ubet SA Pty Ltd	50-50 Software Pty Ltd
Tabcorp Investments No.6 Pty Ltd	Ubet Tas Pty Ltd	tatts.com Pty Ltd ⁽ⁱ⁾
Tabcorp Wagering (Vic) Pty Ltd	Tasradio Pty Ltd	
Tabcorp Wagering Assets (Vic) Pty Ltd	Maxgaming Holdings Pty Ltd	

100% owned Australian subsidiaries

Tabcorp Gaming Solutions (ACT) Pty Ltd	Sky Australia International Racing Pty Ltd	Clubline Systems Pty Limited ⁽ⁱⁱ⁾
Tabcorp Gaming Solutions (Qld) Pty Ltd	Club Gaming Systems (Holdings) Pty Ltd	eBET Services Pty Limited ⁽ⁱⁱ⁾
Tabcorp International No.5 Pty Ltd	COPL Pty Ltd	EGM Tech Pty Ltd ⁽ⁱⁱ⁾
Tabcorp International No.6 Pty Ltd	eBET Systems Pty Limited	Inov8 Mobile Pty Limited ⁽ⁱⁱ⁾
Tabcorp Investments No.9 Pty Ltd	Industry Data Online Pty Ltd	Maxgaming Vic Pty Ltd ⁽ⁱⁱ⁾
Tabcorp Investments No.10 Pty Ltd	Sky Channel Marketing Pty Ltd	Maxi Gaming Pty Limited ⁽ⁱⁱ⁾
Tabcorp Investments No.11 Pty Ltd	Tattersall's Gaming Systems (NSW) Pty Ltd	Showboat Australia Pty Ltd ⁽ⁱⁱ⁾
Tabcorp Wagering Manager (Vic) Pty Ltd	Tatts Online Pty Ltd	TAB Queensland Pty Ltd ⁽ⁱⁱ⁾
OneTab Australia Pty Ltd	Thelott Enterprises Pty Ltd	Tabcorp Investments No.2 Pty Ltd ⁽ⁱⁱ⁾
OneTab Holdings Pty Ltd	Ubet Enterprises Pty Ltd	Tabcorp Investments Pty Ltd ^(vi)

100% owned Australian subsidiaries (continued)

Tattersall's Gaming Pty Ltd	Wintech Investments Pty Ltd	Tabcorp Manager Pty Ltd ⁽ⁱⁱ⁾
Tatts Employment Co (NSW) Pty Ltd	Advento Pty Ltd ⁽ⁱⁱ⁾	Tattersall's Australia Pty Ltd ⁽ⁱⁱ⁾
Tatts Employment Share Plan Pty Ltd	Agility Interactive Pty Ltd ⁽ⁱⁱ⁾	Tattersall's Club Keno Pty Ltd ⁽ⁱⁱ⁾
Tabcorp Employee Share Administration Pty Ltd		

50% owned Australian joint venture entities

Gaming Solutions Pty Limited⁽ⁱⁱⁱ⁾

International subsidiaries

Name	Country of incorporation	% equity interest
Tabcorp Canada Limited ⁽ⁱⁱ⁾	Canada	100
Luxbet Europe Limited ^(v)	Isle of Man	100
Luxbet Europe Services Limited ^(v)	Isle of Man	100
Premier Gateway International Limited	Isle of Man	50
Premier Gateway Services Limited	Isle of Man	50
Tabcorp Europe Holdings Limited	Isle of Man	100
Tabcorp Europe Limited	Isle of Man	100
Bytecraft Systems (NZ) Limited	New Zealand	100
Tattersall's Investments (South Africa)(Pty) Limited	South Africa	100
Tabcorp UK Limited ^(iv)	United Kingdom	100
Talarius Holdings Limited ⁽ⁱⁱ⁾	United Kingdom	100
Sky Racing World Holdco, LLC	United States of America	100
Sky Racing World, LLC	United States of America	100
Tabusa, LLC	United States of America	100

(i) Company was added to the deed of cross guarantee with Tabcorp Holdings Limited during the current year.

(ii) Companies were deregistered by the Group during the current year.

(iii) Principal activity is the marketing of ticket based technologies for gaming machines. The entity had not yet commenced operations at 30 June 2019.

(iv) Company was placed in members' voluntary liquidation during the current year.

(v) Companies were deregistered by the Group on 1 July 2019.

(vi) Company was deregistered by the Group on 21 July 2019.

NOTES TO THE FINANCIAL STATEMENTS: GROUP STRUCTURE For the year ended 30 June 2019

D1 Subsidiaries (continued)

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

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

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

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

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

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

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

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

D2 Deed of cross guarantee

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

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

	2019 \$m	2018 \$m
Income statement		
Revenue	5,491.1	3,705.7
Expenses	(4,829.6)	(3,382.4)
Profit before income tax expense and net finance costs	661.5	323.3
Finance income	1.8	1.9
Finance costs	(191.8)	(129.9)
Profit from continuing operations before income tax expense	471.5	195.3
Income tax expense	(162.4)	(77.8)
Profit from continuing operations after income tax expense	309.1	117.5
Discontinued operations		
Loss from discontinued operations net of tax	(82.0)	(8.7)
Net profit after tax	227.1	108.8
Other comprehensive income		
Change in fair value of cash flow hedges taken to equity that may be reclassified to profit or loss	(5.1)	(46.4)
Income tax on items that may be reclassified to profit or loss	1.4	13.7
Items that will not be reclassified to profit or loss	(0.4)	0.4
Income tax on items that will not be reclassified to profit or loss	0.1	(0.1)
Other comprehensive income for the year, net of income tax	(4.0)	(32.4)
Total comprehensive income for the year	223.1	76.4
Net profit after tax	227.1	108.8
Accumulated losses at beginning of year	(505.9)	(188.7)
Retained earnings/(accumulated losses) of entities added to deed of cross guarantee	20.3	(100.7)
Other comprehensive income	(0.3)	0.3
Dividends paid	(423.0)	(325.6)
Accumulated losses at end of year	(681.8)	(505.9)

NOTES TO THE FINANCIAL STATEMENTS: GROUP STRUCTURE For the year ended 30 June 2019

D2 Deed of cross guarantee (continued)

	2019 \$m	2018 \$m
Balance sheet		
Cash and cash equivalents	450.0	350.4
Receivables	110.2	95.6
Prepayments	35.2	42.8
Current tax assets	27.0	21.0
Derivative financial instruments	18.8	40.6
Other financial assets	12.8	-
Other	97.0	81.7
Total current assets	751.0	632.1
Receivables	4.3	7.0
Investment in controlled entities	14.2	101.3
Other financial assets	156.6	75.8
Licences	2,254.4	2,361.1
Other intangible assets	9,089.0	9,047.9
Property, plant and equipment	562.0	488.2
Prepayments	23.0	29.9
Derivative financial instruments	289.0	123.0
Other	19.6	14.0
Total non current assets	12,412.1	12,248.2
TOTAL ASSETS	13,163.1	12,880.3
Payables	1,129.7	966.6
Interest bearing liabilities	192.0	132.9
Provisions	65.9	89.2
Derivative financial instruments	46.3	47.7
Other	81.7	66.9
Total current liabilities	1,515.6	1,303.3
Payables	234.2	211.1
Interest bearing liabilities	3,526.9	3,371.8
Deferred tax liabilities	577.5	589.4
Provisions	69.9	78.9
Derivative financial instruments	81.5	21.8
Other	1.3	2.0
Total non current liabilities	4,491.3	4,275.0
TOTAL LIABILITIES	6,006.9	5,578.3
NET ASSETS	7,156.2	7,302.0
Issued capital	8,561.7	8,529.1
Accumulated losses	(681.8)	(505.9)
Reserves	(723.7)	(721.2)
TOTAL EQUITY	7,156.2	7,302.0

D3 Parent entity disclosures

	Tabcorp Holdings	
	2019	2018
	\$m	\$m
Result of the parent entity		
Profit for the year	247.4	146.8
Other comprehensive income	(0.2)	0.3
Total comprehensive income for the year	247.2	147.1
Financial position of the parent entity		
Current assets	65.1	25.6
Total assets	8,024.1	8,147.5
Current liabilities	40.1	19.6
Total liabilities	49.8	30.7
Total equity of the parent entity comprising of:		
Issued capital	8,561.7	8,529.1
Retained earnings	76.0	251.8
Demerger reserve	(669.9)	(669.9)
Other reserves	6.5	5.8
Total equity	7,974.3	8,116.8

Contingent liabilities

Refer to note E4.

Capital expenditure

The parent entity did not have any capital expenditure commitments for the acquisition of property, plant and equipment contracted but not provided for at 30 June 2019 or 30 June 2018.

Parent entity guarantees in respect of debts of its subsidiaries

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

Tax consolidation

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

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

NOTES TO THE FINANCIAL STATEMENTS: GROUP STRUCTURE For the year ended 30 June 2019

D4 Business combinations

Acquisition of Tatts Group Limited in the prior year

In December 2017, the Group purchased 100% of the ordinary shares of Tatts Group Limited (Tatts Group), through a scheme of arrangement between Tatts Group and its members. Tatts Group is a leading Australian lottery, wagering and gaming company with a diversified network of retail and direct channels across Australia. The acquisition created a leading, diversified portfolio of gambling entertainment businesses.

(a) Identifiable assets acquired and liabilities assumed

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

	2018 \$m
Cash and cash equivalents	195.9
Receivables	37.0
Prepayments	27.4
Derivative financial instruments	73.6
Other assets	58.9
Investment in an associate	22.8
Other financial assets	75.5
Property, plant and equipment	181.7
Licences	1,800.1
Other intangible assets	340.1
Payables	(897.9)
Interest bearing liabilities	(1,272.1)
Current tax liabilities	(21.3)
Deferred tax liabilities	(553.2)
Provisions – dividends	(235.0)
Provisions – other	(45.5)
Other liabilities	(66.4)
Net identifiable liabilities acquired	(278.4)
Goodwill arising on acquisition ⁽ⁱ⁾	6,743.4
Purchase consideration transferred	6,465.0

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

At the acquisition date, the fair value and gross contractual amounts due from trade debtors was \$21.6 million. This amount was fully expected to be collectible at the acquisition date.

(b) Purchase consideration

Consideration for the acquisition was 0.8 new shares of the Company and \$0.425 cash per Tatts Group share less the amount of any Tatts Group special dividend paid per share. Tatts Group shareholders received a special dividend of \$0.16 per share, reducing the cash consideration payable by the Company from \$0.425 to \$0.265 per Tatts Group share. The Company issued 1,175 million shares at a fair value based on the listed share price of the Company at acquisition of \$5.17 per share as part of the purchase consideration.

	2018 \$m
Cash	389.3
Shares issued	6,075.7
Total purchase consideration	6,465.0
The cash outflow on acquisition was:	
– Net cash acquired	195.9
– Cash paid	(389.3)
Net cash outflow	(193.4)

(c) Acquisition costs

In the prior year, transaction costs of \$48.6 million were expensed and disclosed as 'Transaction costs – combination with Tatts Group' in the income statement and comprised:

	2018 \$m
Consultancy and legal costs	31.2
Debt related costs	17.1
Other expenses	0.3
Total transaction costs	48.6

Costs of \$1.7 million attributable to the issuance of shares were charged directly to equity in the prior year as a reduction in issued capital.

(d) Revenue and profit contribution

Tatts Group contributed \$1,560.0 million revenue and \$120.2 million profit after income tax expense in the prior year. If the acquisition had taken place at the beginning of the prior year, the Tabcorp Group's revenue and profit after income tax expense would have been \$5,117.2 million and \$149.2 million respectively. The profit excluded transaction costs, gain on the cash-settled equity swap, and the impact of the Odyssey Gaming Services business divested during the prior year.

NOTES TO THE FINANCIAL STATEMENTS: GROUP STRUCTURE For the year ended 30 June 2019

D5 Discontinued operations

In July 2018, Sun Bets ceased trading and is reported as a discontinued operation. Sun Bets was a UK online wagering and gaming business that the Group had in partnership with News UK since 2016.

The results of the discontinued operations are presented below:

	2019 \$m	2018 \$m
Revenue	0.1	7.4
Expenses ⁽ⁱ⁾	(10.5)	(134.5)
Loss before income tax benefit	(10.4)	(127.1)
Income tax benefit on operating activities of discontinued operations	0.6	3.7
Loss from discontinued operations, net of tax	(9.8)	(123.4)
Cash flow information – discontinued operations:		
The cash flows from the discontinued operations contained in the Group cash flow statement are:		
Net cash outflow from operating activities	(91.5)	(46.0)
Net cash outflow from investing activities	-	(9.4)
Net cash outflow	(91.5)	(55.4)
Earnings per share from discontinued operations:		
Basic earnings per share (cents)	(0.5)	(8.3)
Diluted earnings per share (cents)	(0.5)	(8.3)

(i) Expenses in the prior year included an impairment of software of \$8.0 million and an onerous contract expense in relation to contractual obligations of \$82.5 million.

A **discontinued operation** is a component of the Group's business that represents a separate major line of business or geographical area of operations, or is a controlled entity acquired or held exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative period.

D6 Investment in an associate

	2019 \$m	2018 \$m
Investment in Jumbo Interactive Ltd (Jumbo)	29.2	22.7

The Group owns 7,234,178 fully paid ordinary shares in Jumbo (12% interest), which is a retailer of official government and charitable lotteries in Australia, and is listed on the ASX under the ticker 'JIN'.

The equity accounted profit recognised during the year was \$3.0m (2018: \$0.9m). Dividends received from Jumbo during the year were \$2.5m (2018: \$1.0m).

The above associate was incorporated in Australia. The Group does not have representation on the Board of Directors, although it does have the option to have representation. The Group does not participate in the significant financial and operating decisions but has arrangements in place with the associate which are material to Jumbo's operational financial performance. The Group has therefore determined that it has significant influence over this entity. In the normal course of business, commission is paid to Jumbo for acting as an agent in regards to the sale of lottery tickets. In July 2018, the Group exercised options over 3,474,492 ordinary shares at a strike price of \$2.37 and disposed 2.85 million shares with a profit before tax impact of \$0.8 million.

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.

NOTES TO THE FINANCIAL STATEMENTS: OTHER DISCLOSURES For the year ended 30 June 2019

SECTION E – OTHER DISCLOSURES

E1 Employee share plans

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

Long Term Performance Plan (LTPP)

The LTPP is available at the most senior executive levels. Under the LTPP employees may become entitled to Performance Rights in the Company. Performance Rights are subject to a relative total shareholder return (relative TSR) measure, a market vesting condition. A second performance measure, being a non-market vesting condition was introduced for grants made in the current financial year.

The fair value of Performance Rights under each performance measure is determined at grant date by an external valuer and takes into account the terms and conditions upon which they were granted. The fair value is recognised as an employee expense (with a corresponding increase in equity) over the vesting period.

For the relative TSR measure the fair value is recognised as an expense irrespective of whether the Performance Rights vest to the holder, and a reversal of the expense is only recognised in the event the instruments lapse due to cessation of employment within the vesting period. For the second performance measure the amount expensed is based on the expected number of Performance Rights vesting, with the ultimate expense reflecting the actual Performance Rights that vest.

The dilutive effect, if any, of outstanding Performance Rights is reflected in the computation of diluted earnings per share.

Short Term Performance Plan (STPP)

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

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

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

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

Performance Rights (number)

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

Grant date	Expiry date	Balance at start of year	Movement during the year			Balance at end of year
			Granted	Forfeited	Vested	
2019						
29 October 2015	22 September 2018	1,136,076	-	(1,136,076)	-	-
25 October 2016	14 September 2019	1,135,762	-	(25,344)	-	1,110,418
27 October 2017	15 September 2020	1,460,242	-	(127,134)	-	1,333,108
17 October 2018	19 September 2021	-	1,727,310	-	-	1,727,310
17 October 2018	30 June 2021	-	575,758	-	-	575,758
		3,732,080	2,303,068	(1,288,554)	-	4,746,594

Grant date	Expiry date	Balance at start of year	Movement during the year			Balance at end of year
			Granted	Forfeited	Vested	
2018						
28 October 2014	16 September 2017	1,315,072	-	(263,017)	(1,052,055)	-
29 October 2015	22 September 2018	1,239,782	-	(103,706)	-	1,136,076
25 October 2016	14 September 2019	1,324,354	-	(188,592)	-	1,135,762
27 October 2017	15 September 2020	-	1,566,071	(105,829)	-	1,460,242
		3,879,208	1,566,071	(661,144)	(1,052,055)	3,732,080

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

Fair value of equity instruments

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

The weighted average fair value of Performance Rights granted during the year was \$2.98 (2018: \$2.37).

The assumptions underlying the Performance Rights valuations are:

Grant date	Expiry date	Share price at date of grant	Expected volatility in share price ⁽ⁱ⁾	Expected dividend yield ⁽ⁱⁱ⁾	Risk free interest rate ⁽ⁱⁱⁱ⁾	Value per Performance Right
		\$	%	%	%	\$
28 October 2014	16 September 2017	4.03	22.00	5.00	2.52	2.42
29 October 2015	22 September 2018	4.73	25.00	5.00	1.80	2.47
25 October 2016	14 September 2019	4.91	22.00	5.00	1.78	2.51
27 October 2017	15 September 2020	4.45	22.00	5.50	2.04	2.37
17 October 2018	19 September 2021	4.76	21.00	5.06	2.05	2.59
17 October 2018	30 June 2021	4.76	21.00	5.06	2.05	4.16

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

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

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

Merger Completion Awards modification

During the prior year, Merger Completion Awards were provided to select employees. The awards were delivered in the form of cash or a combination of cash and Restricted Shares. For KMP, the Restricted Shares component was modified during the current year. The modification introduced a non-market vesting condition in addition to the previous service condition, and extended the restriction period. The modification had no impact on the accounting for the Restricted Shares.

NOTES TO THE FINANCIAL STATEMENTS: OTHER DISCLOSURES For the year ended 30 June 2019

E2 Pensions and other post employment benefit plans

The Group has two defined benefit superannuation plans (closed to new entrants), the New South Wales Lotteries Corporation Pty Limited defined benefit plan ('NSW Lotteries plan') and the Tabcorp Superannuation Plan ('Tabcorp plan'), which provide benefits based on salary and length of service. The plans are governed by the employment laws of Australia and the Group contributes to the plans at rates based on actuarial advice.

	Fair value of plan assets \$m	Present value of defined benefit obligation \$m	Net defined benefit plan assets/ (liabilities) \$m
Reconciliation of the net defined benefit asset/(liability) recognised in the balance sheet⁽ⁱ⁾			
NSW Lotteries plan			
– Balance at 30 June 2017	-	-	-
– Acquisitions via business combinations	15.7	(25.6)	(9.9)
– Actuarial gains/(losses)	-	0.5	0.5
– Benefits paid	(0.5)	0.5	-
– Other	0.8	(0.6)	0.2
– Balance at 30 June 2018	16.0	(25.2)	(9.2)
– Actuarial gains/(losses)	0.7	(3.5)	(2.8)
– Benefits paid	(1.0)	1.0	-
– Other	1.6	(1.0)	0.6
– Balance at 30 June 2019	17.3	(28.7)	(11.4)
Tabcorp plan			
– Balance at 30 June 2017	14.9	(12.7)	2.2
– Actuarial gains/(losses)	-	(0.2)	(0.2)
– Actual return on plan assets excluding interest income	0.6	-	0.6
– Benefits paid	(1.2)	-	(1.2)
– Other	0.6	0.6	1.2
– Balance at 30 June 2018	14.9	(12.3)	2.6
– Actuarial gains/(losses)	-	(0.9)	(0.9)
– Actual return on plan assets excluding interest income	0.5	-	0.5
– Benefits paid	(1.2)	-	(1.2)
– Other	0.7	0.6	1.3
– Balance at 30 June 2019	14.9	(12.6)	2.3
(i) Net defined benefit plan assets and net defined benefit plan liabilities are recognised on the balance sheet in other non current assets and other non current liabilities respectively.			
Amounts recognised in other comprehensive income		2019 \$m	2018 \$m
NSW Lotteries plan		(2.8)	0.6
Tabcorp plan		(0.4)	0.5
		(3.2)	1.1

Fair value of plan assets

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	NSW Lotteries plan		Tabcorp plan	
	2019	2018	2019	2018
	%	%	%	%
Cash	9.6	10.5	5.0	5.0
Fixed interest	10.1	8.6	17.0	17.0
Australian equities	19.8	22.2	28.0	28.0
International equities	27.0	26.1	25.0	25.0
Property	8.5	8.9	6.0	6.0
Alternatives	25.0	23.7	19.0	19.0
	100.0	100.0	100.0	100.0

The Trustees are responsible for the governance and administration of the funds, the management and investment of the fund assets and compliance with other applicable regulations.

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

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

Defined benefit plans are recognised in the balance sheet as the difference between the present value of the estimated future benefits that will be payable to plan members and the fair value of the plan's assets. An annual adjustment is made to recognise all movements in the carrying amount of the plan in the income statement, except for the portion of the movement that is attributable to actuarial gains and losses, which are recognised directly in equity. Actuarial gains and losses represent the difference between previous actuarial assumptions of future outcomes and the actual outcome, in addition to the effect of changes in actuarial assumptions.

E3 Commitments

	2019 \$m	2018 \$m
(a) Capital expenditure commitments		
Property, plant and equipment	14.0	4.8
Software	15.4	3.3
	29.4	8.1
(b) Operating lease commitments		
Contracted but not provided for and payable:		
Not later than one year	56.6	62.1
Later than one year but not later than five years	141.2	143.9
Later than five years	118.2	146.2
	316.0	352.2
Sublease payments expected to be received under non-cancellable subleases	17.2	5.6

The Group leases property under operating leases expiring from 1 to 14 years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or are subject to market rate review. For leases relating to the Victorian wagering operations, 50% of the cost is recoverable from VicRacing Pty Ltd.

NOTES TO THE FINANCIAL STATEMENTS: OTHER DISCLOSURES For the year ended 30 June 2019

E4 Contingencies

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

Contingent liabilities

(a) Charge

A controlled entity, Tabcorp Wagering Participant (Vic) Pty Ltd, which is a participant in the joint venture outlined in note E5(a), has entered into a deed of cross charge with its joint venture partner to cover the non payment of a called sum in the event of the joint venture incurring a loss. The charge is over undistributed and future earnings of the joint venture to the level of the unpaid call.

(b) Legal challenges

There are outstanding legal actions between controlled entities and third parties at 30 June 2019. It is expected that any liabilities arising from such legal action would not have a material adverse effect on the Group's financial position, except as set out below.

(c) Racing Queensland dispute

On 28 June 2019 Racing Queensland (RQ) commenced legal proceedings against the Company and UBET Qld Limited (UBET). RQ is seeking damages and other relief. The proceedings are in relation to two disputes relating to the calculation of fees following the introduction of point of consumption tax in Queensland on 1 October 2018. The Company and UBET currently consider, on the balance of probability, that no provision for liability is required. In the event the Company and UBET are ultimately unsuccessful in the proceedings the estimated financial impact for the year ended 30 June 2019 is an expense of up to \$20 million post tax.

E5 Related party disclosures

(a) Transactions with joint arrangements

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

The Group charges the joint venture for the provision of employee, management and asset services. On consolidation, 50% of the charges eliminate (being the Group's interest in the joint venture). Charges for the remaining 50% of \$83.6 million were received by the Group in 2019 (2018: \$85.5 million).

(b) Director and executive disclosures

(i) Compensation of Key Management Personnel (KMP)

	2019 \$	2018 \$
Short term	8,898,468	7,054,988
Other long term	79,950	452,556
Post employment	358,027	275,431
Share based payments	3,207,037	2,558,411
	12,543,482	10,341,386

E6 Auditor's remuneration

	2019 \$000	2018 \$000
Amounts received or due and receivable by Ernst and Young for:		
– audit and review of the Financial Report of the Group and subsidiaries	1,896	1,883
– regulatory audit and other assurance services in relation to the Group	830	723
	2,726	2,606

E7 Other accounting policies

(a) Statement of compliance

(i) Changes in accounting policy and disclosures

The accounting policies used are consistent with those applied in the 30 June 2018 financial report, except for the adoption of new standards effective as of 1 July 2018. The Group applies, for the first time, *AASB 9 Financial Instruments* and *AASB 15 Revenue from Contracts with Customers*.

Adoption of AASB 9 impacted how the Group classifies certain financial instruments (refer note B2). Assets previously classified as held to maturity investments are now classified as debt instruments at amortised cost and assets previously classified as available for sale financial assets are now classified as equity instruments at fair value through other comprehensive income (FVOCI). Comparative information has been restated. There were no changes to the measurement of the Group's financial assets except that changes in the fair value of equity instruments at FVOCI are no longer permitted to be reclassified to profit or loss upon derecognition. There were no changes in the classification or measurement of the Group's financial liabilities.

AASB 15 establishes a framework for determining whether, how much and when revenue from contracts with customers is recognised. The core principle is that revenue must be recognised when control of the goods or services is transferred to the customer, at the transaction price. The Group's accounting policies in relation to revenue (refer to note A4) have been aligned to the new standard.

On application of AASB 15, certain commission arrangements are reclassified out of operating expenses and are presented as a reduction to revenue. The reclassification has no impact on profit. The below table sets out the impact of the restatement:

	30 June 2018		
	Reported \$m	Impact \$m	Restated \$m
Revenue	3,821.3	(64.0)	3,757.3
Commission and fees	(1,238.5)	64.0	(1,174.5)

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

NOTES TO THE FINANCIAL STATEMENTS: OTHER DISCLOSURES For the year ended 30 June 2019

E7 Other accounting policies (continued)

(a) Statement of compliance (continued)

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

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

AASB 16 Leases is applicable to the Group from 1 July 2019. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with exemptions available for low value and leases less than 12 months. At commencement of the lease, a lessee will recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Depreciation will be recognised on the asset and interest on the liability, and will replace rental expense which is currently recognised.

The lease liability will be remeasured upon occurrence of certain events such as change in lease term or change in rate used to determine lease payments. The remeasurement normally also adjusts the right of use asset.

The Group has circa 1,300 leases, and will adopt the 'full retrospective' approach whereby on a lease by lease basis the right-of-use asset and lease liability is calculated from commencement of the lease. The cumulative effect will be recognised as an adjustment to the opening balance of retained earnings as at 1 July 2018, and is estimated to reduce retained earnings by \$22.0m. The comparative information in relation to the year ended 30 June 2019 will be restated.

The Group will elect to use the exemptions provided by AASB 16 for short-term leases (less than 12 months) and leases for low-value assets.

The Group will also elect to apply AASB 16 to contracts that were previously identified as leases applying AASB 117 and AASB Interpretation 4. Therefore AASB 16 will not be applied to contracts that were not previously identified as containing a lease.

The Group has performed a detailed impact assessment of AASB 16 and the estimated impact is as follows:

	30 June 2019 Reported \$m	Estimated impact \$m	30 June 2019 Restated \$m
Estimated impact on the Balance Sheet as at 30 June 2019			
Right-of-use asset	-	316.3	316.3
Lease receivable	-	3.4	3.4
Property, plant and equipment	562.0	(7.4)	554.6
Total assets impact	13,299.1	312.3	13,611.4
Lease Liabilities	-	398.2	398.2
Deferred tax liabilities	575.3	(10.0)	565.3
Provisions	136.0	(52.9)	83.1
Total liabilities impact	6,092.6	335.3	6,427.9
Equity impact	7,206.5	(23.0)	7,183.5

	30 June 2019 Reported \$m	Estimated impact \$m	30 June 2019 Restated \$m
Estimated impact on the Income Statement for the year ended 30 June 2019			
Revenue	5,482.2	6.1	5,488.3
Depreciation and amortisation	(301.2)	(51.6)	(352.8)
Impairment	(2.9)	6.4	3.5
Property costs	(69.9)	54.6	(15.3)
Profit before income tax expense and net finance costs impact	724.3	15.5	739.8
Net finance costs	(190.1)	(17.0)	(207.1)
Profit from continuing operations before income tax expense impact	534.2	(1.5)	532.7
Income tax expense	(161.9)	0.5	(161.4)
Net profit after tax impact	362.5	(1.0)	361.5

(b) Goods and services tax

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

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

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

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

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

(c) Foreign currency translation and balances

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

Monetary assets and liabilities denominated in foreign currencies at balance date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement with the exception of differences on foreign currency borrowings that are in an effective hedge relationship. These are taken directly to equity until the liability is extinguished at which time they are recognised in the income statement. Refer to note B4 for further detail.

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

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

DIRECTORS' DECLARATION

In the opinion of the Directors of Tabcorp Holdings Limited:

- (a) the financial statements and notes of the Group are in accordance with the Corporations Act 2001 (Cth), including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001 (Cth);
- (b) the financial statements and notes also comply with International Financial Reporting Standards; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2019.

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

Signed in accordance with a resolution of Directors.



Paula J Dwyer
Chairman



David R H Attenborough
Managing Director and Chief Executive Officer

Melbourne
14 August 2019

INDEPENDENT AUDITOR'S REPORT



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Independent Auditor's Report to the Members of Tabcorp Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Tabcorp Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

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

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

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INDEPENDENT AUDITOR'S REPORT



Impairment Assessment of licence intangibles, other intangibles and goodwill

Why significant

The Group has licence intangibles of \$2,254 million, other intangibles of \$934 million and goodwill of \$8,250 million.

An impairment assessment is performed on an annual basis for goodwill and indefinite life intangibles. Finite life intangibles are assessed for impairment when there is a trigger. This assessment determines whether the carrying value of these assets and the related non-current assets exceed the recoverable amount.

Our focus was considering whether or not an impairment charge relating to these assets was required. This involved assessing the judgements inherent in the cash flow forecast and testing key assumptions supporting the impairment model such as forecast business growth rates, discount rates, licence tenure and terminal value assumptions.

How our audit addressed the key audit matter

- ▶ We evaluated the Group's future cash flow forecasts supporting the impairment assessments for goodwill, licence intangibles, other intangibles and property, plant and equipment.
- ▶ We evaluated the appropriateness of the key assumptions in the forecasts. We performed sensitivity analysis around the key assumptions to ascertain the extent of change in those assumptions that would either individually or collectively result in an impairment charge.
- ▶ We assessed the discount rates applied by comparing them to the cost of capital for the Group.
- ▶ We involved our valuation specialists to assess whether the methodology applied is in accordance with Australian Accounting Standards and evaluated key assumptions including licence end dates and terminal values, long term growth rates, discount rates, capital expenditure assumptions and working capital requirements applied in the impairment model.
- ▶ We performed market capitalisation and earnings multiples cross checks in comparison with other comparable businesses to corroborate the impairment testing models.
- ▶ We assessed the adequacy of the disclosures made within note C3- Impairment testing.

Reliance on automated processes and controls related to revenue

Why significant

The Group's financial reporting processes are heavily reliant on IT systems with automated processes and controls over the capturing, valuing and recording of Wagering, Keno and Lotteries transactions, fees and charges. Given the significance of these processes and controls to the accounting records and financial reporting process, the understanding and testing of these IT systems, and the related processes and controls was a key audit matter.

How our audit addressed the key audit matter

With the involvement of our IT specialists we assessed the effectiveness of the control environment and transaction processing controls relevant to the recording of revenue transactions. When testing controls was not considered an appropriate or efficient testing approach, alternative audit procedures were performed on the financial information being produced by systems.

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Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report, 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 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 Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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INDEPENDENT AUDITOR'S REPORT



- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Tabcorp Holdings Limited for the year ended 30 June 2019, 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.

Ernst & Young

David Shewring
Partner
Melbourne
14 August 2019

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FIVE YEAR REVIEW

Financial performance	Unit	FY19	FY18	FY17	FY16	FY15
Total revenue ⁽ⁱ⁾	\$m	5,482.3	3,764.7	2,234.1	2,188.7	2,155.5
EBITDA ⁽ⁱⁱ⁾	\$m	1,014.9	490.0	284.9	479.6	508.1
Profit before interest and tax	\$m	713.7	241.4	101.6	301.0	334.6
Profit/(loss) after income tax attributable to members of parent entity ⁽ⁱⁱⁱ⁾	\$m	362.5	28.7	(20.8)	169.7	334.5
Dividend ^(iv)	\$m	423.6	422.5	208.8	199.6	389.2

Financial position and cash flow

Total assets	\$m	13,299.1	12,940.8	3,740.9	3,302.8	3,384.0
Total liabilities	\$m	6,092.6	5,702.2	2,257.5	1,614.7	1,693.9
Shareholders' funds/total equity	\$m	7,206.5	7,238.6	1,483.4	1,688.1	1,690.1
Net cash flows from operating activities	\$m	714.8	447.5	222.5	401.1	399.7
Capital expenditure – payments	\$m	278.4	291.7	197.4	183.1	131.6
Cash at end of year	\$m	463.0	352.7	114.3	126.0	160.0

Shareholder value

Earnings per share	cents	18.0	1.9	(2.5)	20.4	42.4
Dividends per share ^(iv)	cents	21.0	21.0	25.0	24.0	50.0
Operating cash flow per share ^(v)	cents	21.6	10.5	3.0	26.2	34.0
Net assets per share	\$	3.57	4.89	1.78	2.03	2.14
Return on shareholders' funds	%	5.0	0.6	(1.3)	10.0	21.3
Total shareholder return ^(vi)	%	4.2	7.5	0.6	5.5	50.3
Share price close	\$	4.45	4.46	4.37	4.57	4.55
Market capitalisation	\$m	8,985.9	8,977.9	3,650.1	3,799.8	3,773.8

Segment revenue from continuing operations^(vii)

Lotteries and Keno ^(viii)	\$m	2,864.9	1,390.7	212.7	208.5	199.0
Wagering and Media ⁽ⁱ⁾	\$m	2,312.2	2,122.1	1,873.0	1,873.0	1,856.9
Gaming Services	\$m	304.0	249.7	143.9	107.2	99.6

Employee

Safety ^(ix)	LTIFR	3.6	2.3	1.5	0.9	1.0
Females in senior management roles	%	36	36	39	37	33

Other stakeholder benefits

Returns to racing industry	\$m	974.5	916.8	813.0	786.9	773.2
State and territory gambling taxes and GST	\$m	2,099.9	1,166.4	406.3	428.2	459.2
Income tax expense/(benefit) ⁽ⁱⁱⁱ⁾	\$m	161.3	84.8	45.7	61.4	(75.7)

(i) FY18 has been restated to reflect impact of application of AASB 15 Revenue from Contracts with Customers.

(ii) FY19 includes impairment of \$2.9 million.
FY18 includes impairment of \$39.4 million.
FY17 includes impairment of \$27.5 million.

(iii) FY15 includes \$163.2 million as a result of receiving income tax benefits relating to the Victorian Wagering and Gaming Licences payment and the NSW Trackside payment (\$160.4 million) and associated interest income.

(iv) Dividends attributable to the year, but which may be payable after the end of the period. FY15 includes a special dividend of 30.0 cents per share.

(v) Net operating cash flow per the cash flow statement does not include payments for property plant and equipment and intangibles, whereas these items are included in the calculation for the operating cash flow per share ratio.

(vi) Total shareholder return (TSR) is calculated from 1 July to 30 June. The share price used for calculating TSR is the volume weighted average share price used in the Tabcorp Dividend Reinvestment Plan (DRP). Where no DRP was in operation, the closing share price on the dividend payment date is used.

(vii) Revenue includes both external and internal revenue.

(viii) Prior to FY18, this was the Keno segment.

(ix) The lost time injury frequency rate (LTIFR) is the number of lost time injuries per million hours worked.

SHAREHOLDER INFORMATION As at 1 August 2019

Securities on issue

Tabcorp has on issue 2,019,296,793 fully paid ordinary shares which are listed on the Australian Securities Exchange (ASX) under the code TAH. The issued capital has increased since 30 June 2018 due to ordinary shares issued pursuant to Tabcorp's Dividend Reinvestment Plan. There currently isn't a share buy-back in operation in respect of the Company's ordinary shares.

Tabcorp also has 4,746,594 Performance Rights issued to executives pursuant to Tabcorp's Long Term Incentive Plan.

These securities represent the only Company securities on issue.

A total of 153,827 ordinary shares were acquired on market during FY19 at an average price of \$4.90 per ordinary share pursuant to Tabcorp's employee incentive plans.

Shareholding restrictions

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

Voting rights

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

Substantial shareholders

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

Name	Date of interest	Number of ordinary shares ⁽ⁱ⁾	% of issued capital ⁽ⁱⁱ⁾
AustralianSuper Pty Ltd	9 February 2018	131,834,848	6.56
Perpetual Limited	29 July 2019	119,313,410	5.91
The Vanguard Group, Inc	29 December 2017	106,462,742	5.295
BlackRock Group	21 May 2019	101,144,422	5.00

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

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

SHAREHOLDER INFORMATION As at 1 August 2019

Twenty largest registered holders of ordinary shares

Investor name	Number of ordinary shares	% of issued capital
HSBC Custody Nominees (Australia) Limited	517,961,548	25.65
J P Morgan Nominees Australia Pty Limited	407,730,496	20.19
Citicorp Nominees Pty Limited	172,365,786	8.54
National Nominees Limited	90,899,845	4.50
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	57,494,820	2.85
BNP Paribas Noms Pty Ltd <DRP>	27,551,125	1.36
UBS Nominees Pty Ltd	20,729,758	1.03
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	18,300,210	0.91
Argo Investments Limited	10,586,538	0.52
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	9,779,071	0.48
HSBC Custody Nominees (Australia) Limited – GSCO ECA	8,045,022	0.40
Robin Edward Davey <Est Alexander Hubbard A/C>	7,654,934	0.38
Australian Executor Trustees Limited <IPS Super A/C>	6,557,709	0.32
Solid Earth Pty Ltd	6,015,467	0.30
Wentworth Investments Pty Ltd	5,311,910	0.26
AMP Life Limited	4,907,963	0.24
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	4,594,415	0.23
HSBC Custody Nominees (Australia) Limited	4,566,369	0.23
Avanteos Investments Limited <Encircle IMA A/C>	4,344,073	0.22
Navigator Australia Ltd <SMA Antares Inv DV Build A/C>	3,789,814	0.19
Total of top 20 registered holders	1,389,186,873	68.80

Distribution of securities held

Number of securities held	Ordinary shares ⁽ⁱ⁾		Performance Rights ⁽ⁱⁱ⁾	
	Number of holders	Number of securities	Number of holders	Number of securities
1 – 1,000	78,373	25,867,132	-	-
1,001 – 5,000	69,121	163,746,127	-	-
5,001 – 10,000	12,313	87,480,025	-	-
10,001 – 100,000	8,626	184,393,091	15	572,824
100,001 and over	390	1,557,810,418	11	4,173,770
Total	168,823	2,019,296,793	26	4,746,594

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

(ii) Performance Rights were issued pursuant to the Company's long term incentive arrangements. Refer to the Remuneration Report on pages 42 to 72 for more information about the Company's incentive arrangements.

Marketable parcel

There were 13,772 shareholders holding less than a marketable parcel of ordinary shares (\$500 or more, equivalent to 112 ordinary shares) based on a market price of \$4.47 at the close of trading on the ASX on 1 August 2019.

MAJOR ANNOUNCEMENTS

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

2019

14 August	Annual Report and full year results
24 July	Update on UBET – Racing Queensland dispute
28 June	Claim by Racing Queensland
28 June	Appointment of Adam Newman as Chief Financial Officer
30 April	Macquarie Australia Conference presentation by David Attenborough
13 February	Chief Financial Officer, Damien Johnston, to retire
13 February	Half year results
7 February	Formal appointment of Chris Murphy as Company Secretary

2018

17 December	Tabcorp releases dates for half year results announcement and dividend
25 October	Tabcorp Investor Day presentation
17 October	Annual General Meeting addresses and presentations by the Chairman and Managing Director
11 September	Notice of Annual General Meeting and proxy form

ONLINE SHAREHOLDER SERVICES

Use the internet to easily manage your shareholding

Shareholders can use the online share registry facility available on the Company's website www.tabcorp.com.au, or on the share registry's website www.linkmarketservices.com.au, to conduct standard shareholding enquiries and transactions, including:

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

Electronic Communications

Shareholders can elect to receive all their communications electronically, including dividend statements, Annual Report, Notice of Meeting and proxy form. This enables shareholders to receive their communications promptly and securely, and helps minimise the costs of printing and mailing. In addition, by electing to receive communications electronically, shareholders can support Tabcorp with its objective to reduce its impact on the environment. Shareholders can update their communication preferences by using the online share registry facility (see above) or by contacting the share registry (see next page).



Visit www.tabcorp.com.au

GLOSSARY

AASB	Australian Accounting Standards Board
ACT	Australian Capital Territory
ACTTAB	The Tabcorp business located in the ACT
AGM	Annual General Meeting
AML/CTF	Anti-Money Laundering/Counter-Terrorism Financing
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUD	Australian dollar
Board	The Company's Board of Directors
Combination	The Tabcorp-Tatts combination which was implemented in December 2017
Company or Tabcorp	Tabcorp Holdings Limited (ABN 66 063 780 709)
Director	Director of the Company
DPS	Dividends per share
DRP	Dividend Reinvestment Plan
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation, and which is non-IFRS financial information
EGM	Electronic gaming machine
EPS	Earnings per share
Financial year/FY	The Group's financial year is 1 July to 30 June
Gaming Services	The Group's business that provides services to licensed gaming venues and EGM monitoring services
GFM	Group Funding Multiplier, used in determining remuneration under the STI
Group	The Tabcorp group of companies
IPM	Individual performance multiplier, used in determining remuneration under the STI
Keno	A game of chance that is played approximately every three minutes and is part of the Group's Lotteries and Keno business
KMP	Key management personnel
Lotteries and Keno	The Group's business that operates lotteries and Keno, which are games of chance
LTI	Long term incentive
MAX	The Group's Gaming Services brand
MD & CEO	Managing Director and Chief Executive Officer

NED	Non Executive Director
NPAT	Net profit after tax
NSW	New South Wales
NT	Northern Territory
Performance Rights	Securities allocated to executives under the LTI, which may vest subject to achieving specified performance hurdles
PGI	The Premier Gateway International joint venture operating from the Isle of Man
QLD	Queensland
Restricted Shares	Ordinary shares allocated to executives under the STI, and which may not be traded for a specified period
SA	South Australia
Sky Racing	Part of the Group's media business, broadcasting racing and sport throughout Australia and internationally
STI	Short term incentive
Sun Bets	The online wagering and gaming business located in the United Kingdom which ceased trading in July 2018
TAB	The Group's wagering brand
Tabcare	The Group's community and employee engagement program
TAH	The ASX ticker code used to identify Tabcorp
TAS	Tasmania
Tatts or Tatts Group	Tatts Group Limited (ABN 19 108 686 040) which was acquired by Tabcorp Holdings Limited in December 2017
TGS	Tabcorp Gaming Solutions, now called MAX Performance Solutions and part of the Gaming Services business
The Lott	The umbrella brand for the Group's lotteries business
Trackside	The Group's animated racing game
TSR	Total shareholder return
UBET	Part of the Group's wagering business acquired as part of the Combination
USD	United States dollar
VIC	Victoria
Wagering and Media	The Group's business that operates fixed odds and pari-mutuel betting products and services on racing, sport and novelty products, and racing and sports broadcasting
WGEA	Workplace Gender Equality Agency

COMPANY DIRECTORY

Registered office

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Melbourne VIC 3008
Australia
Telephone 03 9246 6010
Facsimile 03 9246 6684
Email enquiries@tabcorp.com.au

Website

www.tabcorp.com.au

New South Wales office

Level 31
680 George Street
Sydney NSW 2000
Telephone 02 9218 1000

Sky Racing/Sky Sports Radio

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

Queensland office

Level 8
180 Ann Street
Brisbane QLD 4000
Telephone 07 3877 1010

Share Registry

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

KEY DATES

2019	
Annual General Meeting (Sydney)	24 October
2020*	
Half year results announcement	11 February
Ex-dividend for interim dividend	14 February
Record date for interim dividend	17 February
Interim dividend payment	11 March
End of financial year	30 June
Full year results announcement	19 August
Ex-dividend for final dividend	26 August
Record date for final dividend	27 August
Final dividend payment	18 September
Annual General Meeting (Melbourne)	20 October

* Proposed dates set out above are subject to change. Payment of any dividend is subject to Board approval and the key dates for each payment will be confirmed to the ASX. Refer to the Company's website for any updates.

Corporate information

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

Stock exchange listing

The Company's ordinary shares are quoted on the Australian Securities Exchange (ASX) under the code 'TAH'.

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Investment warning

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

Privacy

Tabcorp respects the privacy of its stakeholders. Tabcorp's Privacy Policy is available on the Company's website at www.tabcorp.com.au.

Currency

References to currency are in Australian dollars unless otherwise stated.

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