

Notice of Annual General Meeting

The Company's Annual General Meeting will be held at the Brisbane City Hall, Ithaca Auditorium, Ann Street entrance, Brisbane, Queensland at 2.00pm (Brisbane time) on Thursday 27 October 2016.

Attached are copies of documents relating to the Company's Annual General Meeting that will be dispatched to shareholders today.

Included in the attachments are:

- Notice of Annual General Meeting 2016 including Chairman's letter, Notice of Annual General Meeting and Explanatory Memorandum;
- Voting form; and
- Annual Shareholder Review.

A copy of the direct voting rules made by the Board which apply to general meetings at which direct voting applies, including this Annual General Meeting, was released to ASX on 27 September 2010 and can be found at www.tattsgroup.com.

A live audiocast of the Annual General Meeting will be available on the Company's website at www.tattsgroup.com.

Enquiries:

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Head of Investor Relations

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INNOVATIVE
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26 September 2016

Dear Shareholder

It is my pleasure to invite you to the Annual General Meeting (**AGM**) of Tatts Group Limited (**Tatts, or the Company**) to be held on Thursday, 27 October 2016 at 2.00pm (Brisbane time). The AGM will be held in the Ithaca Auditorium, Level 2, Brisbane City Hall (Ann Street entrance), Brisbane, Queensland. Registration will commence at 1.00pm and light refreshments will be available at the conclusion of the meeting.

If you are not able to attend the AGM, you are encouraged to vote your shares¹:

- directly (see page 4 for details);
- by lodging an electronic proxy online by visiting www.investorvote.com.au and following the instructions on the website; or
- by completing the enclosed personalised shareholder voting form and returning it to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, VIC 3001. Before completing your vote and returning by post, please consider using the preferred electronic voting option.

Corporate shareholders wishing to appoint a representative to attend on their behalf will need to complete a 'Certificate of Appointment of Representative'. This can be obtained at www.computershare.com.au or by calling 1300 367 346 within Australia or +61 3 9415 4199 outside Australia.

AGM questions can be submitted by shareholders using our online form. Visit www.tattsgroup.com/investors/agm and select the 'Lodge an AGM question online' link. Alternatively, shareholders can post written questions to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, VIC 3001. We will endeavour to respond to the more frequently asked questions at the AGM.

Shareholders who are not able to attend the AGM in person can listen online at www.tattsgroup.com. In addition, an electronic version of the Annual Report for the year ended 30 June 2016 is available at our website www.tattsgroup.com.

My fellow Directors and I look forward to seeing you at the AGM.

Yours sincerely



Harry Boon
Chairman

¹ See the "Lodgement" section on page 5 of this notice for voting deadlines.

Notice of Annual General Meeting

Notice is hereby given that the 2016 Annual General Meeting of shareholders of Tatts Group Limited will be held in the Ithaca Auditorium, Level 2, Brisbane City Hall (Ann Street entrance), Brisbane, Queensland on Thursday, 27 October 2016 commencing at 2.00pm (Brisbane time).

ITEMS OF BUSINESS

Chairman and Chief Executive Officer presentations

Financial statements and reports

To receive and consider the annual financial report, the Directors' Report and the Auditor's Report for the Company and its controlled entities for the financial year ended 30 June 2016.

Resolution 1 - Approval of the Remuneration Report:

To consider the Company's Remuneration Report as it appears in the 2016 Annual Report and, if thought fit, pass the following non-binding resolution as an ordinary resolution in accordance with section 250R(2) of the *Corporations Act 2001* (Cth):

"That the Company's Remuneration Report for the financial year ended 30 June 2016 is approved."

Voting Exclusion

The Company will disregard any votes cast on this resolution by certain persons. Details of the voting exclusions applicable to this resolution are set out in the 'Voting Exclusions' on page 4 of this Notice.

Resolutions 2(a) and (b) - Re-election of Directors:

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

- (a) *'That Mr Brian Jamieson, a Director retiring by rotation in accordance with the Company's Constitution and the ASX Listing Rules, and being eligible for re-election, be elected as a Director of the Company.'*
- (b) *'That Mr Julien Playoust, a Director retiring by rotation in accordance with the Company's Constitution and the ASX Listing Rules, and being eligible for re-election, be elected as a Director of the Company.'*

Resolution 3 - Grant of Rights to Chief Executive Officer:

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

'That the grant to Mr Robbie Cooke of 240,711 Rights under the Tatts Group Limited Rights Plan on the terms summarised in the Explanatory Memorandum to this Notice of Meeting, be approved for all purposes, including for the purposes of ASX Listing Rule 10.14.'

Voting Exclusion

The Company will disregard any votes cast on this resolution by certain persons. Details of the voting exclusions applicable to this resolution are set out in the 'Voting Exclusions' on page 4 of this Notice.

The Explanatory Memorandum attached to this Notice is incorporated into and forms part of this Notice. A detailed explanation of the background and reasons for the proposed resolutions is set out in the Explanatory Memorandum.

By Order of the Board



Anne Tucker
Company Secretary

Dated 18 August 2016

Important Notes

VOTING METHODS

Shareholders may vote by attending the AGM in person, by direct voting, by proxy or by appointing an attorney under a power of attorney. A body corporate shareholder may appoint a corporate representative.

To vote in person, please attend the AGM on Thursday, 27 October 2016 in the Ithaca Auditorium, Level 2, Brisbane City Hall (Ann Street entrance), Brisbane, Queensland at 2.00pm (Brisbane time).

VOTING ENTITLEMENT

For the purposes of voting at the AGM, the Board has determined that persons holding fully paid ordinary shares in the capital of the Company at 7pm (Sydney time) on Tuesday, 25 October 2016 will be treated as shareholders of the Company. This means that if you are not the registered holder of any shares in the Company at that time, you will not be entitled to vote.

VOTING EXCLUSIONS

The Corporations Act and the ASX Listing Rules require that certain persons must not vote, and the Company must disregard any votes cast by certain persons, on some of the resolutions to be considered at the AGM.

For the purpose of these voting exclusions:

- **Associate** has the meaning given in the ASX Listing Rules.
- The **Key Management Personnel (KMP)** of the Company's consolidated group are those persons having authority and responsibility for planning, directing and controlling the activities of the Company's consolidated group either directly or indirectly. It includes all Directors (executive and non-executive) and selected members of the management team. The KMP of the Company's consolidated group during the financial year ended 30 June 2016 are listed at page 61 of the Company's Annual Report.
- A **Closely Related Party (CRP)** of a member of the KMP means:
 - a spouse or child of the member;
 - a child of the member's spouse;
 - a dependant of the member or of the member's spouse;
 - anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company's consolidated group; or
 - a company the member controls.

The voting exclusions for Resolutions 1 and 3 are described in the following table:

Resolution number	Resolution description	Who is excluded from voting on the resolution?		
		As a shareholder?	As holder of a directed proxy?	As holder of an undirected proxy?
1	Approval of the Remuneration Report	KMP named in the Remuneration Report and their CRP.	Proxy holder for KMP named in the Remuneration Report or their CRP.	Proxy holder for KMP named in the Remuneration Report or their CRP. Proxy holder who is a KMP or a CRP (subject to Note 1 below).
3	Grant of Rights to Chief Executive Officer	Mr Robbie Cooke and Mr Robbie Cooke's associates.	Proxy holder for Robbie Cooke or any of Robbie Cooke's associates.	Proxy holder for Robbie Cooke or any of Robbie Cooke's associates. Proxy holder who is Robbie Cooke or any of Robbie Cooke's associates (subject to Note 2 below). Proxy holder who is a KMP or a CRP (subject to Note 1 below).

Note 1: The chairman of the meeting (the Chairman) will be entitled to vote an undirected proxy if the proxy appointment expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

Note 2: The Chairman will be entitled to vote an undirected proxy if the proxy appointment includes a direction to vote as the Chairman decides.

Direct Voting

Shareholders may cast a direct vote on resolutions considered at the AGM by lodging their votes with the Company prior to the AGM. Direct voting enables shareholders to exercise their voting rights without attending the AGM or appointing a proxy.

A direct vote by a shareholder is automatically revoked if the shareholder attends the AGM in person or by proxy, attorney or representative. A direct vote will revoke (or suspend in the case of a standing appointment) the authority of a proxy, attorney or corporate representative appointed by the shareholder, received by the Company before or at the same time the direct vote was received. A direct vote by a shareholder is automatically revoked if after the direct vote is received, the Company receives a proxy form, an instrument under which an attorney is appointed to act, or a corporate representative is appointed to act for that shareholder.

To review the rules relating to direct voting, please visit www.tattsgroup.com/investors/agm.

PROXIES

A shareholder entitled to attend and vote at the AGM is entitled to appoint any person to attend the AGM and vote as the shareholder's proxy. A proxy can be an individual or a body corporate. A proxy need not be a shareholder.

A proxy form is enclosed with this Notice.

Unless the proxy is required by law to vote, the proxy may decide whether or not to vote on any particular item of business. If the appointment of a proxy directs the proxy to vote on an item of business in a particular way, the proxy may only vote on that item as directed. Any undirected proxies on a given resolution may be voted by the appointed proxy as they choose, subject to the voting exclusions described on page 4 of this Notice of AGM.

If a shareholder is entitled to cast two or more votes, they may appoint two proxies and specify the proportion or number of votes each proxy is appointed to exercise. If the shareholder appoints two proxies and the proportion or the number of the shareholder's votes each proxy may exercise is not specified, each proxy may exercise half the votes (disregarding fractions).

If more than one proxy for a shareholder is present at the meeting, neither may vote on a show of hands. A proxy need not vote on a show of hands nor a poll (except if the proxy is the chairman of the meeting) but if the proxy does so, the proxy must vote as directed. If you require a second proxy form, please contact Computershare Investor Services Pty Limited from within Australia on 1300 367 346 and from outside Australia on +61 3 9415 4199.

CHAIRMAN'S INTENTION

Please note that the Chairman intends to vote all valid undirected proxies received in favour of each resolution (subject to the voting exclusions set out on page 4 of this Notice of AGM).

COMPLETION OF VOTING FORM

A voting form for appointment of a proxy or direct voting must be signed by the shareholder or the shareholder's attorney. In the case of shares held jointly by two or more persons, all joint holders must sign the voting form. Electronic voting forms do not need to be signed as they will be authenticated electronically. A voting form cannot be completed online if it is completed under power of attorney or similar authority.

LODGEMENT

A voting form for appointment of a proxy or direct voting is enclosed. To be valid, your voting instructions must be received by one of the following methods not less than 48 hours before the commencement of the AGM or any adjournment of the AGM:

- (a) electronically, by visiting www.investorvote.com.au and following the instructions on the website;
- (b) by sending the voting form by mail to the registered office of the Company or to the Company's Share Registry, Computershare Investor Services Pty Limited at GPO Box 242, Melbourne, VIC 3001, Australia;
- (c) by sending the voting form by facsimile to the Company's Share Registry on 1800 783 447 within Australia or +61 3 9473 2555 from outside Australia; or
- (d) for certain intermediaries (such as custodians, nominees and broker participants) who subscribe to the intermediary online service—electronically, by visiting www.intermediaryonline.com and following the instructions provided.

BODIES CORPORATE

Body corporate shareholders and proxies entitled to attend and vote at the AGM may appoint a person to act as their representative at the AGM by providing that appointee with a 'Certificate of Appointment of Representative'.

A pro forma of this certificate can be obtained by calling 1300 367 346 (within Australia), +61 3 9415 4199 (outside Australia), or at www.computershare.com.au. A copy of the signed Certificate of Appointment of Representative, or other evidence satisfactory to the Chairman of the AGM, must be produced prior to admission to the AGM.

RESOLUTIONS

All items of business involving a vote by shareholders are ordinary resolutions which means that to be passed, the items need approval of a simple majority of the votes cast by shareholders entitled to vote on the resolution.

Explanatory memorandum

INTRODUCTION

This Explanatory Memorandum forms part of the notice convening the AGM of the Company to be held in the Ithaca Auditorium, Level 2, Brisbane City Hall (Ann Street entrance), Brisbane, Queensland on Thursday, 27 October 2016 commencing at 2.00pm (Brisbane time).

FINANCIAL STATEMENTS AND REPORTS

The Corporations Act requires the Financial Report, Directors' Report and Auditor's Report for the Company and its controlled entities for the Financial Year ended 30 June 2016 to be laid before the AGM.

While there is no requirement in the Corporations Act or the Company's Constitution for shareholders to vote on, approve or adopt these reports, shareholders will have a reasonable opportunity at the AGM to ask questions and make comments on these reports and the management of the Company.

The auditor of the Company is required to attend the AGM and will be available to take shareholders' questions and comments about the conduct of the audit and the content of the Auditor's Report. Shareholders may also submit questions (up to five Business Days before the AGM) to the auditor on these matters for response at the meeting.

To lodge questions online, visit www.tattsgroup.com/investors/aggm and select the Lodge an AGM question online link.

The Company is required by law to forward all questions to the auditor and the auditor is required to prepare a list of questions that the auditor considers are relevant to the conduct of the audit and the content of the Auditor's Report. The auditor may omit questions that are substantially the same as other questions or not received in a timely manner. At the AGM, the Chairman will give the auditor a reasonable opportunity to answer the questions on the question list. The list of questions prepared by the auditor will be available from the Company's website, www.tattsgroup.com/investors/aggm prior to the AGM. In addition, copies of the list of questions will be available at the AGM.

The auditor of the Company will also be available to take shareholders' questions at the AGM regarding accounting policies adopted by the Company in relation to the preparation of the financial statements, the preparation of the Auditor's Report and the independence of the auditor in relation to the conduct of the audit.

RESOLUTION 1: APPROVAL OF THE REMUNERATION REPORT

The Corporations Act requires a resolution in relation to the Remuneration Report to be included in the business of the AGM. There will be an opportunity for shareholders at the AGM to comment on, and ask questions about, the

2016 Remuneration Report (see pages 56 to 76 of the 2016 Annual Report).

The Corporations Act states that a vote on the Remuneration Report is advisory only and will not bind the Directors or the Company. The Board will, however, take the outcome of the vote and comments made by shareholders on the Remuneration Report into consideration when reviewing the Company's remuneration practices and policies.

Voting exclusions apply to this resolution as specified in the Notice of AGM.

RESOLUTIONS 2(A) AND (B): RE-ELECTION OF DIRECTORS

The ASX Listing Rules require the Company to hold an election of Directors each year. The Company's Constitution also requires that one-third of Directors (rounded down to the nearest whole number) retire from office at each AGM of the Company. In addition, no Director can stay in office longer than the later of the third AGM or three years after last being elected.

Mr Brian Jamieson and Mr Julien Playoust will retire by rotation at the AGM and they offer themselves for re-election.

RESOLUTION 2(A): RE-ELECTION OF MR BRIAN JAMIESON AS A DIRECTOR

Mr Brian Jamieson was last elected to the Board on 31 October 2013 and has been a member of the Board since 31 May 2005.

Mr Jamieson:

- is Chairman of the Audit, Risk and Compliance Committee;
- is a member of the Remuneration and Human Resources Committee;
- is Chairman of Mesoblast Limited (Director since November 2007);
- is Chairman of Sigma Pharmaceuticals Limited (since December 2005);
- was Chief Executive of Minter Ellison Melbourne from 2002-2005 and Chief Executive Officer at KPMG Australia from 1998-2000;
- has more than 30 years' experience providing advice and audit services to a diverse range of public and large private companies; and
- is a Fellow of the Institute of Chartered Accountants in Australia and a Fellow of the Institute of Company Directors in Australia.

Recommendation

A review of Mr Jamieson's performance during the period of his directorship has been undertaken by the other Directors. As a result, the Directors (with Mr Jamieson abstaining) recommend that shareholders vote in favour of Resolution 2(a).

RESOLUTION 2(B): RE-ELECTION OF MR JULIEN PLAYOUST AS A DIRECTOR

Mr Julien Playoust was last elected to the Board on 29 October 2014 and has been a member of the Board since 21 November 2005.

Mr Playoust:

- is Chairman of the Remuneration and Human Resources Committee;
- is a member of the Audit, Risk and Compliance Committee;
- is a Non-executive Director of private equity company, MGB Equity Growth. He is Trustee and Vice Chairman of Art Gallery NSW Foundation, Chairman of Finance Committee, and on the Advisory Boards of UNSW Arts and Designs and The Nature Conservancy;
- has more than 25 years' experience as CEO, senior executive and non-executive director in public and private companies, including ASX 100 companies, SMEs, and not-for-profit organisations;
- is Managing Director and CEO of AEH Group which includes over 40 special purpose vehicles in diversified property and investments; and
- holds a Masters of Business Administration from AGSM, Bachelor of Architecture, First Class Honours and Bachelor of Science from the University of Sydney, and a Company Director Course Diploma from Australian Institute of Company Directors.

Recommendation

A review of Mr Playoust's performance during the period of his directorship has been undertaken by the other Directors. As a result, the Directors (with Mr Playoust abstaining) recommend that shareholders vote in favour of Resolution 2(b).

RESOLUTION 3: GRANT OF RIGHTS TO CHIEF EXECUTIVE OFFICER

Background

Shareholders are being asked to approve Resolution 3 to allow performance rights (**Rights**), and shares that may vest under the Tatts Group Limited Rights Plan (**Rights Plan**) following the exercise of Rights, to be issued to Mr Robbie Cooke.

Mr Cooke's remuneration includes:

- fixed annual remuneration (salary plus superannuation); and
- a performance-based incentive of up to 100% of Mr Cooke's fixed annual remuneration, payable 35% in cash and 65% in Rights to restricted shares (with the Rights component subject to shareholder approval).

The performance-based incentive is at risk. The actual incentive awarded, if any, is determined by the Board each year, based on achievement of a mix of financial

and non-financial targets, including annual financial benchmarks linked to NPAT outcomes (providing direct alignment with desired shareholder outcomes), EBITDA margin improvement and EPS improvement (to reinforce cost control and capital management respectively) and an overall assessment of Mr Cooke's performance based on predetermined key performance indicators (**KPIs**). These KPIs include such measures as achieving strategic outcomes, organisational change, leadership development and other Company-defining events. The Board considers that the Company's performance-based incentive scheme forms an integral part of executive remuneration. It seeks to align the interests of shareholders with those of the Company's executives.

Further details about Mr Cooke's remuneration can be found in the 2016 Remuneration Report (see pages 56 to 76 of the 2016 Annual Report).

In determining Mr Cooke's remuneration package, including the proposed grant of Rights, the Board considered the scope of Mr Cooke's role, Mr Cooke's performance throughout FY16, the business challenges facing Tatts and market practice for the remuneration of chief executive officers in positions of similar responsibility.

The Board has determined that the grant of Rights under the Rights Plan to Mr Cooke is an appropriate form of incentive for Mr Cooke which aligns Mr Cooke's remuneration with the interests of shareholders.

ASX Listing Rule 10.14

Resolution 3 seeks shareholder approval in order to comply with the requirements of ASX Listing Rule 10.14, which provides that a company must not issue equity securities (including performance rights) to a director under an employee incentive scheme unless the issue has been approved by shareholders by ordinary resolution. If approval is given under Listing Rule 10.14, separate shareholder approval is not required under Listing Rule 10.11 (which provides a general restriction against issuing securities to company directors without shareholder approval).

As noted above, Mr Cooke's remuneration arrangements include a performance-based incentive of up to 100% of Mr Cooke's fixed annual remuneration, payable 35% in cash and 65% in Rights to restricted shares (with the Rights component subject to shareholder approval).

Subject to shareholder approval, the Board has determined that 240,711 Rights (with a face value of \$965,250 as at 29 July 2016) be granted to Mr Cooke as part of Mr Cooke's performance-based incentive award for the financial year ended 30 June 2016. The Board has endorsed the proposed award of Rights on the recommendation of the Remuneration and Human Resources Committee. This award was made for

Explanatory memorandum (cont.)

Mr Cooke's successful delivery of his annual targets which comprised 70% Group financial outcomes and 30% individual KPIs.

Approval is therefore sought pursuant to ASX Listing Rule 10.14 for the grant of 240,711 Rights to Mr Cooke. If approved, the grant of Rights will be made to Mr Cooke shortly after the AGM.

In the event that Resolution 3 is not approved by the requisite majority of shareholders, Mr Cooke will receive the value of the 240,711 Rights in cash (\$965,250). The cash value of the Rights is determined by using the VWAP of the 10 ASX trading days prior to determination by the Remuneration and Human Resources Committee to recommend the award of the Rights.

Information requirements for the purposes of Listing Rule 10.14

The following information is provided as required by Listing Rule 10.15A.

(a) Date the securities will be provided

If approved by shareholders, Rights will be granted to Mr Cooke as soon as practicable after the AGM (but in any case no later than 12 months after the AGM).

(b) Maximum number of securities to be provided

The maximum number of Rights that may be acquired by Mr Cooke is 240,711.

(c) The price of securities, performance measures and other matters

The principal terms of the Rights proposed to be granted are as follows:

- On exercise, each Right entitles Mr Cooke to be issued with one ordinary share in Tatts.
- No consideration will be payable by Mr Cooke for either the grant of Rights or on exercise of the Rights.
- Each grant of Rights will be exercisable into restricted shares approximately 12 months after grant (usually late October in the following year). Other than this time-based hurdle, there are no vesting conditions attached to the exercise of the Rights.
- Mr Cooke has one month in which to exercise each grant of Rights once exercisable, thereafter they will lapse.
- Mr Cooke will be restricted from dealing in shares issued following the exercise of Rights for the earlier of two years from the date of issue and Mr Cooke ceasing to be employed by Tatts Group (and at all times subject to the Company's Securities Trading Policy and insider trading laws) (**Disposal Restriction Period**).

- Subject to the discretion of the Board, if:
 - Mr Cooke does not remain employed by Tatts Group for any reason other than the expiration of his employment agreement; or
 - commits an act of fraud or serious misconduct in relation to the affairs of Tatts; or
 - there is a material misstatement in Tatts' financial statements,

prior to the Rights becoming exercisable, all unvested Rights will lapse.

- Shares issued following the exercise of Rights are, subject to the discretion of the Board, liable to forfeiture during the Disposal Restriction Period if:
 - Mr Cooke commits an act of fraud or serious misconduct in relation to the affairs of Tatts; or
 - there is a material misstatement in Tatts' financial statements.

(d) Persons referred to in ASX Listing Rule 10.14 who received securities under the Rights Plan since the last shareholder approval.

At the 2013 AGM, shareholders approved a grant of up to 450,000 Rights to Mr Cooke over a three-year period ending on 30 September 2015. The first tranche (150,000 Rights) was granted to Mr Cooke on 22 November 2013, the second tranche (150,000 Rights) on 31 October 2014, and the third tranche (150,000 Rights) on 3 November 2015. Additionally, at the 2013, 2014 and 2015 AGMs, shareholders approved the grant of 60,074 Rights (which were granted to Mr Cooke on 22 November 2013), 131,089 Rights (which were granted to Mr Cooke on 31 October 2014) and 103,383 Rights (which were granted to Mr Cooke on 3 November 2015). Since the last shareholder approval at the 2015 AGM, 281,089 of the Rights granted were exercised by Mr Cooke resulting in 281,089 ordinary shares in Tatts being issued to Mr Cooke on 3 November 2015. There was no issue price or exercise price for the Rights or shares. No other person who requires shareholder approval under ASX Listing Rule 10.14 has been granted any Rights under the Rights Plan since 30 October 2015.

(e) Voting Exclusion Statement

The voting exclusions applicable to Resolution 3 are contained in the voting exclusion statement set out on page 4 of the Notice of Meeting accompanying this Explanatory Memorandum.

(f) No loan

The Company will not be providing a loan to Mr Cooke in relation to the acquisition of Rights,

or the exercise of those Rights, the subject of Resolution 3.

(g) Details to be included in annual reports

Details of any securities issued under the Rights Plan will be published in each annual report of the Company relating to a period in which securities have been issued, and will state that approval for the issue of securities was obtained under Listing Rule 10.14.

No Directors other than Mr Cooke are entitled to participate in the Rights Plan. Any additional persons for whom shareholder approval is required and who become entitled to participate in the Rights Plan after Resolution 3 is approved and who are not named in the Notice of Meeting will not participate until approval is obtained under Listing Rule 10.14. If any additional persons for whom shareholder approval is required under the ASX Listing Rules become entitled to participate in the Rights Plan following approval of this resolution, they will not participate until approval is obtained as required under ASX Listing Rule 10.14.

Recommendation

The Directors (with Mr Cooke abstaining), recommend that shareholders vote in favour of Resolution 3.

Brisbane City Hall Guide Map



Arriving by train:

Take the train to Central Station. After a short walk down Ann Street, you will arrive at the Brisbane City Hall.

Arriving by bus:

Take the bus to stop 19 at City Hall.

Parking:

Brisbane City Council operates two public car parks in the Brisbane Central Business District (CBD). There are also street parking meters throughout the city and surrounding inner city areas.

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TATTS GROUP LIMITED

87 Ipswich Road
Woolloongabba, Qld 4102

+61 7 3435 4500

tattsgroup.com





Lodge your vote:



Online:

www.tattsgroup.com/investors/aggm



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

TTS

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 367 346
(outside Australia) +61 3 9415 4199

Voting Form

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Vote and view the annual report online

- Go to www.tattsgroup.com/investors/aggm or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999

PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



**For your vote to be effective it must be received by
2:00pm (Brisbane time) Tuesday, 25 October 2016**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Vote Directly

Voting 100% of your holding: Mark either the For, Against or Abstain box opposite each item of business. Your vote will be invalid on an item if you do not mark any box OR you mark more than one box for that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement.

Appoint a Proxy to Vote on Your Behalf

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders must sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Appointment of Corporate Representative" prior to admission. A form may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form. Questions can also be submitted in advance using the online form at www.tattsgroup.com/investors/aggm

**GO ONLINE TO VOTE,
or turn over to complete the form →**

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise their broker of any changes.



I 9999999999

I ND

Voting Form

Please mark to indicate your directions

STEP 1 Indicate How your Vote will be Cast *Select one option only* XX

At the Annual General Meeting of Tatts Group Limited to be held at the Ithaca Auditorium, Level 2, Brisbane City Hall (Ann Street Entrance), Brisbane QLD 4000 on Thursday, 27 October 2016 at 2:00pm (Brisbane time) and at any adjournment or postponement of that meeting, I/ We being member/s of Tatts Group Limited direct the following:

1. Vote Directly

Record my/our votes strictly in accordance with directions in Step 2.

PLEASE NOTE: A Direct Vote will take priority over the appointment of a Proxy. For a valid Direct Vote to be recorded you must mark FOR, AGAINST, or ABSTAIN on each item.

2. Appoint a Proxy to Vote on Your Behalf: I/We hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

OR

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit).

IMPORTANT FOR ITEMS 1 AND 3

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on **Items 1 and 3** (except where I/we have indicated a different voting intention below) even though **Items 1 and 3** are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on **Items 1 and 3** by marking the appropriate box in step 2 below.

STEP 2 Items of Business

PLEASE NOTE: If you have appointed a proxy and you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority. If you are directly voting and you mark the **Abstain** box for an item, it will be treated as though no vote has been cast on that item and no vote will be counted in computing the required majority.

		For	Against	Abstain
1	Approval of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2(a)	Re-election of Mr Brian Jamieson as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2(b)	Re-election of Mr Julien Playoust as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Grant of Rights to Chief Executive Officer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Before completing your vote and returning by post, please consider using the preferred electronic voting option outlined on the front page of this form.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____

Date ____ / ____ / ____



Questions from Securityholders

The Annual General Meeting (AGM) of Tatts Group Limited will be held on Thursday 27 October 2016 at 2:00pm (Brisbane time). Securityholders are invited to register questions in advance of the AGM.

This form may also be used to submit a written question to the auditor if the question is relevant to the content of the auditor's report or the conduct of the audit of the financial report to be considered at the AGM.

In the course of the AGM we intend to respond to the more frequently asked questions. Responses to the more frequently asked questions will be available on the Tatts Group Limited website after the AGM.

Securityholder questions must be received by Thursday 20 October 2016. Questions can be submitted online at www.tattsgroup.com/investors/agm by selecting the "Lodge an AGM question online" link. Alternatively please return this form to our Share Registry, Computershare Investor Services Pty Limited, GPO Box 242, Melbourne Victoria 3001 or by facsimile to 1800 783 447 (within Australia) or 61 3 9473 2555 (outside Australia).

Securityholder's Name

Securityholder Reference Number (SRN)

OR

Holder Identification Number (HIN)

Question/s

Please tick if it is a question directed to the Auditor

1. _____
- _____
- _____
- _____
2. _____
- _____
- _____
- _____
3. _____
- _____
- _____
- _____
4. _____
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5. _____
- _____
- _____
- _____

2
INNOVATIVE
6



2 FORWARD THINKING 6

OUR COMMITMENT TO INNOVATION CONTINUES TO DELIVER

In FY16, we again achieved results by adapting our products, brands, business practices, skill-sets and sales channels.

Not content with business as usual, we are creating new opportunities to deliver growth for the company as we chase our goal to be the world's best gambling group.

A woman is captured in mid-stride, running against a bright blue background. A dark blue diagonal shape cuts across the image from the top-left to the bottom-right. The woman's right arm is extended forward, and her left leg is bent at the knee. She is wearing blue athletic shorts and white sneakers with orange accents. The text '2 STRONG FINANCIALS 6' is centered within the dark blue diagonal area.

2
STRONG
FINANCIALS
6



CONTINUING OPERATIONS

NPAT ^{up 3.8%}

\$263.4
MILLION



GROUP REVENUE

\$2.93
BILLION

up 4.4% on FY15



EBIT **\$419.6**
MILLION

up 1.3% on FY15



2
0
DIGITAL
6

Digital Sales

LOTTERIES

↑ 32.2%

13.5% of FY16 sales

WAGERING

↑ 22.5%

30.2% of FY16 sales



1.5 MILLION

TOTAL APP DOWNLOADS

3.6 MILLION

AVERAGE MONTHLY VISITORS TO
LOTTERIES AND WAGERING WEBSITES



CHAIRMAN'S LETTER

THE SUCCESS OF OUR DIGITAL
INITIATIVES AND LOTTERIES'
SUPERB PERFORMANCE DROVE
OUR STRONG RESULTS

DEAR SHAREHOLDERS,

On behalf of the Tatts Board, I look forward to welcoming you to our Annual General Meeting on Thursday, 27 October 2016, at the Brisbane City Hall, and, as always, if you are unable to join us on the day, you can listen to the proceedings online at www.tattsgroup.com.

Looking back on financial year 2016, it is clear that the success of our digital initiatives and Lotteries' superb performance drove our strong results. Growth in digital sales was nothing short of outstanding, with Lotteries lifting 32.2% and Wagering digital sales up 22.5%. These outcomes are category leading.

Our Lotteries team is widely recognised as a global industry leader and innovator, and continues to go from strength-to-strength. The team delivered record-breaking performance on the back of an excellent jackpot run, with revenue, EBITDA and EBIT at new all-time highs.

UBET, which has been in the market a little over 12 months, achieved 4.1% turnover growth compared to a turnover decline of 0.9% in FY15, giving confidence that the new brand, digital platforms, and retailing initiatives are starting to capture market share in the highly competitive wagering space.

Our Gaming unit recently rebranded as MAX, successfully divested Talarius, our UK slots operation. This action allows the repositioning of this business unit as a purely B2B operation predominantly focused on providing monitoring and other services to gaming operators.

OPERATIONAL PERFORMANCE - POWERED BY LOTTERIES AND DIGITAL EXCELLENCE

The excellent result delivered by our Lotteries operation, coupled with our strongest ever digital sales in both Lotteries and Wagering, underwrote a 4.4% increase in Group revenues reaching \$2.93 billion. At NPAT level we produced a continuing operations result of \$263.4 million up 3.8% on the prior year. At a statutory level, after tax profit was down 7.2% impacted by both the State of Victoria winning its appeal in our long running and now concluded pokies compensation litigation, and the loss arising on the sale of Talarius.

The Managing Director's Report on page 12, discusses our operational performance in more detail.

INCREASED DIVIDENDS + TSR OUTPERFORMANCE

Our strong continuing operations NPAT result, coupled with a long-standing commitment to maintain a high dividend payout ratio, has seen your Board determine a final dividend of 8.0 cents per share (FY15: 7.5 cents).

This takes the total dividend paid for the 2016 financial year to 17.5 cents per share, an increase of 6.1% over FY15. This represents a 97.3% payout of our continuing operations profits, and maintains our long-standing policy of dividend payout ratios exceeding 90% of NPAT. In fact, this is the tenth year since listing on the ASX that our dividend payout has exceeded 90% on a continuing operations basis.

It is also of note that we again outperformed the ASX200 index and our immediate peers on the important investor metric of total shareholder return (TSR). TSR for FY16 from a combination of dividends and share price growth was 8.0%, compared to the ASX200 TSR of 1.1%.

POKIES COMPENSATION CLAIM CONCLUDED

After years of legal action to enforce our rights following the expiry of the Group's Victorian gaming operator's licence, the High Court upheld the State of Victoria's appeal in March 2016, with the result that Tatts repaid the state \$540.5 million, plus interest of \$26.6 million (pre-tax).

Given that the case was on two occasions decided in our favour by the Victorian Supreme Court and the Victorian Court of Appeals, the result in the High Court was disheartening. However, it has not impacted our ability to maintain a high dividend payout ratio or our ability to grow the business.

SUSTAINABILITY - ON THE RIGHT PATH

As Australia's largest non-casino gambling group, Tatts takes its responsibilities as a corporate citizen very seriously. We respect and understand that our licences and authorities to operate are privileges granted by government, and come with significant responsibility and obligation.

We have made considerable progress in the areas of diversity, development of our people, safety and environmentally sustainable business practices. Detailed reporting on our actions and achievements in this regard can be found in our Sustainability Report on page 32.

As an organisation we have a long and proud history of contributing in a very meaningful way to both the communities in which we operate and to the industry partners upon whom we depend. Our support to our communities is multi-faceted. Most significant is our financial contribution to the broader community via our tax contribution in all the states and territories in which we operate, together with the funds provided directly to the racing industry. In addition to our corporate taxes, in FY16 we paid a total of \$1.41 billion to state and territory governments and industry partners in the form of lottery taxes, wagering tax, racing industry product fees and race information fees. The most significant of these contributions in the year were:

- Queensland \$381.3 million
- New South Wales \$357.1 million
- Victoria \$422.1 million

Our commitment however goes significantly beyond our tax contribution. We are a very active supporter of a range of charitable causes and programs which are discussed further in our Sustainability Report. We remain focused on ways we can do more, and this year we established a new division within Tatts specifically focused on fund raising activities for the charitable and not-for-profit sector. Our aim is to supply innovative products and technology solutions that are capable of making a real difference to charitable organisations in their fund raising endeavours.

Over the last few years we have been working to improve our sustainability reporting to you, and are pleased that the Australian Council of Superannuation Investors has recognised our efforts by raising its rating of our reporting to the second highest category.

THE FUTURE - WELL PLACED FOR GROWTH

We remain determined in our resolve to seek ways to maximise the value of our unique portfolio of gambling assets and the proprietary technology platforms that support these businesses.

To this end, we are not fixated on one particular path or approach, but are acutely aware of the need to ensure each of our businesses is performing optimally, that the licences supporting each business are secure, and, in some cases, to reposition certain of our operations to maximise value for our shareholders.

We have demonstrated what can be accomplished by implementing this strategy in the turn around and subsequent divestment of Talarus, our UK slots operation. A further example of this approach and our desire to release value for our shareholders was our initiation of discussions with Tabcorp in 2015 about a merger of equals, even though this did not ultimately proceed. Other transformational opportunities have been and will be considered by your Board whenever they arise.

Our businesses also have the potential to grow from 'bolt-on' acquisitions. The planned acquisition of Victorian and New Zealand monitoring operations currently underway, which (if completed), will seamlessly integrate with our other monitoring operations, is a fine example, as was our previous mid-stream assumption of the Victorian Instant Scratch-Its lottery licence. We are also one of a limited group that has the capability to compete for



TOTAL SHAREHOLDER RETURN FOR FY16 FROM A COMBINATION OF DIVIDENDS AND SHARE PRICE GROWTH WAS 8.0% COMPARED TO THE ASX200 TSR OF 1.1%

international lottery opportunities as they present themselves. In these processes our bidding position is enhanced by holding proprietary and proven technology solutions, both in retail and digital environments, and having highly experienced management and an operational and regulatory compliance track record of excellence.

Beyond transformational and acquisition actions, we also have a strong opportunity to continue organically growing our businesses. With the established and ongoing success of our digital initiatives, the introduction of new products, the enhancement of our retail position, and leveraging the benefits flowing from an omni-channel presence, we have a powerful engine for growth.

REGULATORY ENVIRONMENT – POSITIVE OUTLOOK

The regulatory outlook for our businesses has improved in a number of important respects.

Firstly, we commend the Federal Government for its leadership in determining to retain and enhance the provisions of the *Interactive Gambling Act 2001* to stamp out 'click-to-call' in-play betting products and other illegal betting activities. Tatts has, for some time, held serious concerns about the behaviour of a number of foreign and domestic betting operators who use tricky and deceitful means to circumvent, at the least, the spirit of Australian laws and community expectations. In taking this stance, the government has drawn a line in the sand and demonstrated its commitment to Australian jobs, Australian businesses, and Australian values over companies based in offshore tax havens, such as Gibraltar, that engage in predatory and exploitative behaviour, while returning virtually nothing to the broader Australian economy.

The second positive movement in the regulatory environment is the gradual awakening of state and territory governments to the taxation leakage occurring with certain wagering companies operating out of virtually tax free jurisdictions. When considering the \$1.41 billion in lotteries and wagering tax and duty Tatts pays to state and territory governments and industry partners, it is an issue of significance to the fiscal position of these jurisdictions if other operators are circumventing the tax and duty system for their own financial benefit, and/or deceiving customers as to the nature of their product offering.

OUR WINNING TEAM

Achieving our vision of becoming the world's best gambling company requires truly amazing people. We are fortunate to have a highly engaged, driven and passionate team. We actively encourage our team members to 'challenge, re-think and refresh' the way we conduct our business, thereby creating a culture of innovation and re-invigoration. On behalf of the Board and all shareholders, I would like to acknowledge the commitment of the entire Tatts team towards delivering our vision and thank them for all their efforts over the last year.

Sincerely,

HARRY BOON
Chairman



MANAGING DIRECTOR'S REPORT

THE TEAM REMAINS JUST
AS EXCITED ABOUT THE
POTENTIAL OF ALL OUR
BUSINESSES AS WE WERE
THREE YEARS AGO AT THE
COMMENCEMENT OF OUR
RENEWAL JOURNEY

> Operating & Financial Review

FY16 PROVED TO BE ANOTHER SUCCESSFUL YEAR AT TATTS.

Our lotteries operation delivered record results; our digital initiatives over the last few years are now driving exceptionally strong sales growth; a number of our key licences and authorities to operate were re-secured; UBET proved its ability to attract customers in a crowded market returning to turnover growth; and we successfully launched several new brands and products. All-in-all, our business renewal program is delivering, it positions us well for future growth, and has at its core a focus on maximising the value from our unique portfolio of gambling assets.

We achieved a healthy 3.8% lift in after tax profits on a continuing operations basis. At a statutory level, after tax profit was down 7.2% impacted by both the State of Victoria winning its appeal in our long running and now concluded pokies compensation litigation, and the loss arising on the sale of our UK slots operation, Talarius.

As a team, we remain just as excited about the potential of all our businesses as we were at the commencement of our renewal journey some three years ago. The mantra for the entire team at Tatts is to 'challenge, re-think and refresh' how we conduct our businesses, as we continue on our quest to innovate and re-invigorate. This cultural mindset is an essential element for our future successes.

Before reviewing our Group financial performance and position, I will first provide a 'year in a snapshot' view of FY16, including looking at the game-changing actions, initiatives and innovations undertaken by the team. I will then move to dive deeper into the performance of our three operating units (Lotteries, Wagering and Gaming) looking at the key achievements in the year, and will then wrap up with some of the key actions planned for the year ahead.

Our Annual General Meeting in October will be another opportunity to provide further insights, and to outline a number of the new initiatives and innovations in the pipeline. I hope that you can join us in October for this event in person or online.

FY16 Snapshot

BUSINESS SUCCESS

Our Lotteries operation was the standout performer in FY16. Across the board, this business achieved record-breaking performances with revenue, EBITDA, EBIT, operating margins, digital sales, and jackpots, all at all-time highs. This exceptional performance was the result of the many innovations put in place over the past three years, including:

- new products;
- game re-configuration and positioning;
- focus on our digital channel;
- improved customer relationship management actions; and
- excellent brand, promotional and retail positioning of all our lottery products.

Our Wagering operation ‘clocked up’ its first full reporting year operating under the new UBET banner, and pleasingly saw momentum return to the business. For the first time since FY13 (a year that benefited from the acquisition of Tote Tasmania) we achieved turnover growth, demonstrating our ability to attract customers to the UBET brand and product offering. In no small way this performance was driven by our digital initiatives. UBET also achieved cut-through in the important areas of brand awareness and customer loyalty.

In our Gaming unit—now renamed ‘MAX’—Maxgaming (our monitoring and value-add services division) for the third consecutive year increased revenue and achieved a solid lift in EBIT in FY16. Bytecraft (the unit’s ‘break and fix’ service operation), having undergone a business restructure over prior years, demonstrated the benefit of that strategy by improving profitability in FY16.

DIGITAL INITIATIVES

Worthy of a separate mention is the power of the Group’s digital initiatives. We have put together an expert team of digital marketers and empowered them with market-leading technology solutions. This has been a multi-year exercise that is now demonstrating the value of the investment. We have delivered our strongest ever digital performance in lotteries with a 32.2% lift in digital sales, and this channel in FY16 represented 13.5%¹ of total lottery sales. In wagering, an outstanding 22.5% lift in digital sales generated a record 30.2% (FY15: 25.7%) of our wagering sales for FY16.

RESULTS

On an overall Group level our continuing operations result provides the best representation of our performance—removing the impact of both the now concluded Victorian pokies compensation litigation, and the sale of our UK-based slots business, Talarius, which are included in discontinued operations. NPAT from continuing operations was up 3.8% to \$263.4 million driven by the excellent results delivered by our Lotteries team. Statutory NPAT was down 7.2% to \$233.8 million.

1. Consistent with prior years this excludes South Australia —if South Australia is included, digital sales grew 33.0% and represented 12.7% vs 10.4% in FY15.

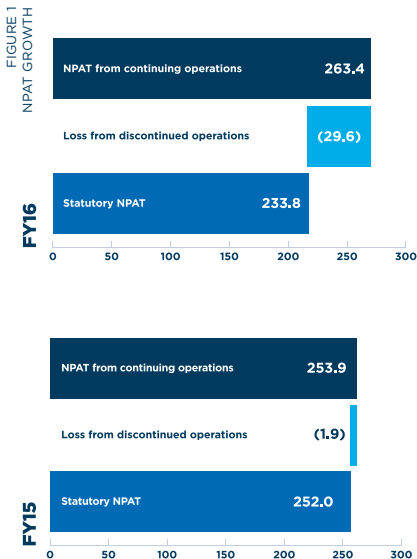
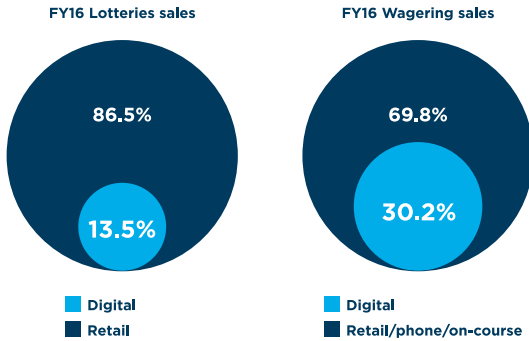


FIGURE 2
LOTTERIES & WAGERING
SALES CHANNELS



SIGNIFICANT BUSINESS OUTCOMES

Beyond the strong financial outcomes, we achieved a number of other significant business outcomes in the year, including:

- winning the exclusive monitoring rights to circa 97,000 gaming machines in New South Wales for a further 16 years;
- launching the first new draw lottery game in Australia in 20 years, Set for Life;
- releasing our first lotteries dedicated app with an impressive 1.3 million downloads to-date;
- launching our national umbrella lottery brand, 'the Lott';
- retaining the top search position in Google 95% of the time for lottery related keyword searches;
- rolling out digital point-of-sale advertising systems in our lottery outlets—with 153 stores up and running providing the opportunity to tailor offers to customers based on jackpot or other significant events, such as Mother's day;
- conducting a new marketing innovation competition ('Pitched Perfect') which saw two teams win \$250,000 marketing budgets to develop their novel marketing ideas. The first concept, the highly successful #winningfeeling social media campaign, went live in FY16 reaching more than 1.6 million customers;

- winning the exclusive wagering retail licence in the Northern Territory for a further 20 years;
- UBET now appearing consistently on the first page of Google search results;
- upgrading 162 wagering outlets to the new UBET experience, delivering 8.4% turnover growth compared to existing wagering retail stores in the same geographic areas.

As touched upon earlier, the disappointment in the year was the High Court of Australia's decision to uphold the State of Victoria's appeal in our compensation action relating to our now discontinued Victorian pokies business. We have repaid the State of Victoria \$540.5 million plus interest of \$26.6 million (pre-tax).

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TRANSACTIONAL ACTIVITIES

We maintained a rational and disciplined approach in managing our portfolio of gambling assets, perhaps best demonstrated by the strategy we implemented in relation to our UK slots operation, Talarius. With a single-minded focus, we turned this long-term loss making operation around, achieving a first-time positive contribution in FY14, and building on this performance over the following two years. Our strategy and patience in repositioning this business created a highly attractive asset in the extremely competitive UK gambling market. This ultimately provided a path to maximising shareholder value, with net proceeds of £111 million being released on divestment.

The sale of Talarius also delivered on our strategy to transform our gaming division into a pure B2B business, predominantly focused on providing gaming monitoring and other services to gaming operators. This has culminated in the launch of our new gaming brand, MAX, in August 2016. In parallel, we have been carefully assessing opportunities to extend our gaming operation's B2B footprint, which explains the exclusive confirmatory due diligence process being undertaken in relation to Victorian and New Zealand monitoring businesses.

Transactionally, our logic in initiating the nil-premium merger of equals discussions with Tabcorp in mid-2015, was the product of our quest for shareholder value creation, given the significant efficiencies the combination was capable of releasing. The additional attraction from the merger was the potential for the enlarged entity to embark on meaningful business expansion activities outside the Australian marketplace.

LEGISLATIVE AND REGULATORY ENVIRONMENT

FY16 saw significant and positive (for our business) legislative decisions at both federal and state levels relating to wagering in Australia.

In April 2016, responding to the recommendations of the O'Farrell review, the Federal Government indicated that it viewed the 'click-to-call' in-play betting products offered by some wagering operators in Australia as breaching the spirit of the *Interactive Gambling Act 2001 (IGA)*. The Federal Government agreed in principle to all of the recommendations of the O'Farrell review, and is expected to enact legislation in the near future to give effect to these recommendations.

In June 2016, the Government of South Australia announced that it would introduce a point of consumption tax from 1 July 2017 on all wagering activity by South Australian residents, regardless of where that service is based. Although limited details exist to-date on how the legislation will be enacted or enforced, we are encouraged by this decision.

We fully support these decisions by the Federal and South Australian governments. The foreign-owned wagering operators in Australia have enjoyed many years of minimal taxation, putting significant financial pressure on legitimate local operators, such as UBET, to compete against them. We hope the Federal Government's goal to 'introduce disruption measures to curb illegal offshore gambling activity' will level the playing field somewhat, allowing UBET to fairly compete.

A further regulatory development came about in July 2016 when the NSW Government decided to ban greyhound racing from 1 July 2017. While this decision will have a minimal impact on our earnings, it highlights the need for all codes of racing to operate with integrity and for all industry participants to embrace initiatives that ensure rogue elements do not damage racing's long-term sustainability.

> Group Financial Performance

GROUP REVENUE

At a Group level, revenue was up an impressive 4.4% on FY15 at \$2.93 billion.

Our Lotteries operation was the standout contributor to the result, achieving revenue growth of 8.2% in its own right. The result benefited from our jackpot games Oz Lotto and Powerball reaching a record 45 jackpots at \$15 million or more; the addition of Set for Life and the expanded Lucky Lotteries games; and a solid performance by our Instant Scratch-Its portfolio.

Fourteen months post the launch of our UBET brand, we have seen encouraging performance in this operation. Turnover was up 4.1% compared to a 0.9% decline in FY15, and the important measure of customer brand awareness is gaining traction in what continues to be a crowded segment. Although turnover was up, revenue was down 3.6% with the business offering more competitive pricing in its fixed-price book, coupled with the continuing migration of customers from tote to the lower yielding fixed-price products, and the usage of customer rewards and bonus programs.

Maxgaming delivered increased revenue of 1.3%, while Bytecraft's 11.3% decline in revenue came as it exited most of its unprofitable service contracts, a move validated by improved profitability.

GROUP EBITDA

Group EBITDA of \$494.8 million was 0.8% up on FY15's result.

Again, Lotteries was the biggest contributor to this result, with EBITDA increasing 10.2% and the margin increasing from 15.9% to 16.2%.

Wagering's margin performance at 21.9% fell short of our target of 23.5%, which saw EBITDA fall 13.2%. As mentioned, this result was impacted by a combination of a migration from tote to lower yield fixed-price betting, being more responsive to the market in pricing our fixed-price book, and from our usage of customer rewards and bonusing. We will continue to fine-tune our event-based marketing campaigns in FY17, but expect EBITDA margins to reflect the actuality of our operating environment for the foreseeable future.

Both our Gaming businesses improved on their FY15 EBITDA performances. Maxgaming was up 0.1%, while Bytecraft was up 23.0%.

THIS EXCEPTIONAL
DIGITAL PERFORMANCE
WAS THE RESULT OF THE
MANY INNOVATIONS PUT
IN PLACE OVER THE PAST
THREE YEARS

INCREASE
LOTTERIES

GROUP EBIT

EBIT from continuing operations was up 1.3% in FY16 to \$419.6 million. Total Group depreciation and amortisation amounted to \$75.2 million, down 2.2% on FY15 due to lower depreciation in our Lotteries and Maxgaming operations. Finance costs were down 20.5% to \$46.4 million due to the refinancing in September on improved terms, coupled with the interest rate environment.

GROUP NET PROFIT

Group profit after tax from continuing operations lifted 3.8% to \$263.4 million (FY15: \$253.9 million).

Group after tax profits on a statutory basis declined 7.2% to \$233.8 million (FY15: \$252.0 million), noting that the FY16 result includes the impact of both the now concluded Victorian pokies compensation litigation, and the sale of our UK-based slots business, Talarius, which are included in discontinued operations.

GROUP
FINANCIAL
PERFORMANCE

	FY16 \$M	FY15 \$M		CHANGE %
Total revenue and other income	2,928.1	2,803.9	▲	4.4%
State government share	(1,370.9)	(1,271.5)	▲	7.8%
Venue share/ commission	(436.7)	(417.0)	▲	4.7%
Product and program fees	(202.7)	(203.1)	▼	0.2%
Other expenses	(423.0)	(421.3)	▲	0.4%
Total expenses	(2,433.3)	(2,312.9)	▲	5.2%
EBITDA	494.8	491.0	▲	0.8%
Depreciation and amortisation	(75.2)	(76.9)	▼	2.2%
EBIT	419.6	414.1	▲	1.3%
Net interest expense	(41.1)	(50.9)	▼	19.2%
Profit before tax	378.5	363.3	▲	4.2%
Income tax	(115.1)	(109.4)	▲	5.2%
Net profit after tax (continuing operations)	263.4	253.9	▲	3.8%
Loss from discontinued operations	(29.6)	(1.9)	▲	1,480.6%
Net profit after tax (statutory)	233.8	252.0	▼	7.2%

> Group Financial Position

The Group remains in a position of financial strength, reinforced by the FY16 financial performance, coupled with our committed debt facilities (as at 30 June 2016) totalling \$1.80 billion, of which \$1.11 billion has been utilised. When netted against the Group's cash holdings (excluding prize reserves), Group net debt amounted to \$1.04 billion.

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

Throughout FY16, we have undertaken capital management activities that have positioned the Group well, delivering value to shareholders principally through lower financing costs and other operational savings. In this regard the following are of particular note:

- in terms of the Group's debt maturity profile, we renegotiated the \$350 million debt tranche maturing in March 2016 to a September 2020 maturity date on improved terms;
- all our GBP denominated debt was repaid on the sale of Talarius;
- the last of our revenue generating pokies properties in Victoria was exited. This reduced unallocated revenue (per our segment note) by \$3.1 million.

The \$540.5 million received from the State of Victoria in FY14 relating to the pokies compensation litigation plus the \$26.6 million interest benefit (pre-tax) derived from the funds, was repaid in March 2016. As previously reported, the Victorian pokies compensation monies significantly enhanced the Group's debt position in prior years, with the proceeds progressively applied to repay debt as it matured.

Net debt is comfortably serviceable considering the Group's cash flow, profitability and future opportunities. Our net debt to EBITDA ratio now sits at 2.3 times, which was also 2.3 times at 30 June 2015 (excluding the pokies compensation receipt that has now been repaid to the State of Victoria).

Forecast capex requirements for FY17 indicate a likely full-year capex spend in the vicinity of \$90.0 million (FY16: \$71.3 million). This excludes the licence payment to Racing Queensland in July 2016, and the second instalment for the Maxgaming NSW monitoring rights.

**B
GROUND
E
AKING**

45 JACKPOTS

AT \$15 MILLION OR MORE
(FY15: 34 JACKPOTS)

LOTT RECORD REVENUE IES

EBITDA AND EBIT IN FY16



AVERAGE
JACKPOT
POOL OF

\$28.8 MILLION

(FY15: \$25.3 MILLION)

DIGITAL
SALES
GREW

32.2%

DIGITAL SALES NOW **13.5%**
OF LOTTERIES TOTAL SALES



236 
NEW
MILLIONAIRES

Lotteries Review

FY16 LOTTERIES HIGHLIGHTS

- Record revenue, EBITDA and EBIT outcomes produced:
 - Revenue up 8.2% to \$2.14 billion
 - EBITDA up 10.2% to \$345.5 million
 - Record EBIT of \$320.0 million up 11.3%
- An all-time high of 45 jackpots at \$15 million or more (FY15: 34)
- Achieved average jackpot pools of \$28.8 million (FY15: \$25.3 million)
- 236 customers made millionaires
- Successful launch of Australia's first new draw lottery game in 20 years – Set for Life
- Launch of Australia's official lottery umbrella brand—"the Lott"
- Exceptional 32.2% growth in digital sales, with this channel representing 13.5% of lotteries sales (FY15: 11.1%)¹
- New 'the Lott' app downloaded on 1.3 million devices
- Launch of new retail digital point-of-sale system
- \$1.19 billion paid to state and territory governments in lotteries taxes (FY15 \$1.10 billion)

LOTTERIES PERFORMANCE

Our lotteries operation delivered another excellent set of results, all the more impressive given we were cycling over a strong prior year. Revenue was up an impressive 8.2% to \$2.14 billion across our portfolio of games, but notably getting a major boost from the very strong jackpot run in both our Oz Lotto and Powerball games. All up, a total of 45 jackpots at or above the \$15 million mark were achieved compared to the 34 in the prior year, with a significant lift in the average value of the jackpot pool to \$28.8 million (FY15: \$25.3 million). An impressive 10.2% lift in EBITDA was achieved, reaching a record \$345.5 million with a 16.2% margin (up from 15.9% in FY15). This operating leverage flowing through to EBIT which lifted 11.3% to \$320.0 million with a 15.0% margin (up from 14.5% in FY15) as shown in Figure 3.

In combination, the sales performance of Powerball and Oz Lotto was up 13.0% off the back of the exceptional jackpot run. Unsurprisingly, and as a direct consequence, our largest game by sales, Saturday Lotto, had a softer sales outcome—down 6.1%. This dynamic demonstrates the value and importance of our carefully balanced portfolio of lottery games. We saw the reverse outcome in FY15, a period when Oz Lotto and Powerball delivered softer jackpot outcomes and our Saturday game outperformed—the balanced suite of games counters the volatility that can arise from jackpot games.

SUCCESSFUL BRAND LAUNCHES

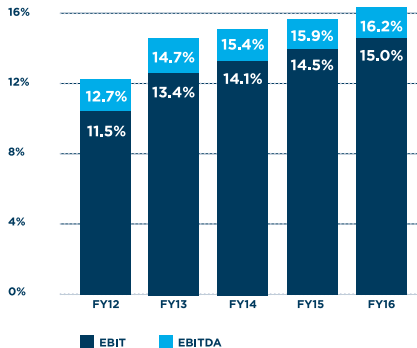


AUSTRALIA'S OFFICIAL LOTTERY UMBRELLA BRAND



AUSTRALIA'S FIRST NEW LOTTERY GAME IN 20 YEARS

FIGURE 3
EBIT/EBITDA MARGIN



1. Consistent with prior years this excludes South Australia—if South Australia is included, digital sales grew 33.0% and represented 12.7% vs 10.4% in FY15.

LOTTERIES
FINANCIAL
PERFORMANCE

	FY16 \$M	FY15 \$M		CHANGE %
Revenue	2,139.5	1,976.7	▲	8.2%
EBITDA	345.5	313.6	▲	10.2%
EBIT	320.0	287.5	▲	11.3%

Set for Life, launched on 3 August 2015, has exceeded our internal targets in its first year of operation. As hoped, the game has captured the attention of a younger demographic, especially the 18-45 year-olds, paying out for nine winners to-date across the country. This game is now our fifth largest game by sales, and perhaps most impressively is accomplishing 22.9% of its sales through our digital channel—outperforming all of our other lotteries games in this respect. Lucky Lotteries—which was repositioned as a multi-jurisdictional game in March 2015—has continued to perform well in FY16, with 13.9% of its sales now coming from outside its original home jurisdiction of New South Wales, and 17.5% of its sales via our digital channel.

Sales growth was further bolstered by the solid performance from our portfolio of Instant Scratch-Its games, their sales being up 6.3% on FY15.

Our continued focus on our digital sales channel saw us deliver our best ever result, with a very strong 32.2% lift in digital sales, which now represents 13.5% of total lottery sales. This outstanding result was driven from initiatives that included:

- behavioural segmentation of our extensive database;
- trigger based in-app messaging campaigns;
- dynamic deep-linking to our app;
- integration with Facebook and a step-up in our Facebook campaigns;
- improvements to our digital purchase funnel; and
- leveraging the capabilities of our market-leading CRM system.

The key metrics in FY16 which demonstrate the traction our lottery operation is achieving online were:

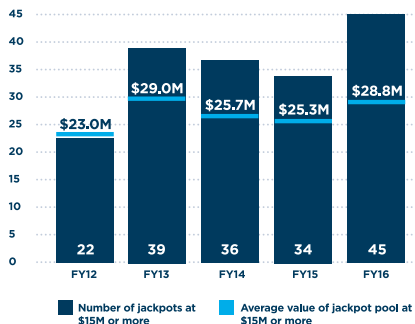
- 1.3 million 'the Lott' app downloads (FY15: 0.7 million);
- 2.2 million registered online customers (FY15: 1.7 million);
- 18.4 million emails sent out to customers;
- Facebook marketing campaigns that reached an audience of 7.6 million Australians, and 10% of app downloads generated from Facebook mobile campaigns;
- 1.6 million mobile messages sent to customers generating \$15.0 million in sales;
- 1.6 million customers reached through the new #winningfeeling campaign;
- an average of 3.0 million customers accessing the Lott website on a monthly basis to check winning numbers and draw results;
- maintained the top Google ranking for lottery keyword searches—95% of the time throughout FY16.

Our retail network—which is, and will remain, our largest source of sales—achieved 5.4% sales growth in the year. We launched a number of retail specific initiatives in the year including a very successful retail only, combined promotion with News Corp for our Set for Life game designed to drive customers to their nearest lottery agent. The success of this campaign will see us initiate further promotions of this nature. The launch and installation of our new digital point-of-sale system (DigiPOS) into 153 venues is another innovation designed to lift sales for our retail network.


As mentioned above, we achieved a lift in our EBITDA and EBIT margins at 16.2% (up from 15.9% in FY15) and 15.0% (up from 14.5% in FY15) respectively (as shown in Figure 3). Our margin growth although impressive, was suppressed in the year by a number of one-off costs including:

- launch costs for Set for Life and Lucky Lotteries;
- re-introduction of Instant Scratch-Its to Victoria; and
- 'the Lott' launch costs.

FIGURE 4
JACKPOT RUN



TOTAL
TURNOVER
GREW



4.1%
IN FY16

**W
A
G
G
I
N
G**
UBET

162 new UBET branded retail stores rolled out, generating 8.4% turnover growth



Fixed-price sales on racing and sports grew by

24.1%

DIGITAL
SALES
GREW

22.5%

DIGITAL SALES NOW **30.2%**
OF WAGERING TOTAL SALES



AWARDED

20 year

**EXCLUSIVE RETAIL LICENCES
IN THE NORTHERN TERRITORY**

> Wagering Review

FY16 WAGERING HIGHLIGHTS

- Turnover growth of 4.1% compared to a decline of 0.9% in FY15
- Exceptional growth in digital sales lifting 22.5%, with this channel now representing 30.2% of wagering sales (FY15: 25.7%)
- 162 new UBET branded retail stores, which generated 8.4% turnover growth
- 9% spontaneous brand recognition
- 25,000 new digital customers acquired
- Awarded a new exclusive 20-year tote licence and fixed-price betting licence for retail operations in the Northern Territory
- 24.1% increase in fixed-price sales to \$1.97 billion
- \$222.9 million paid to state and territory governments and racing industry (FY15: \$224.3 million)

WAGERING PERFORMANCE

Fourteen months into the launch of UBET, our wagering operation is showing encouraging signs in a crowded and competitive market. With our renewal actions well in train, we remain strongly positioned in the Australian market:

- the second largest Australian wagering operation by revenue
- the leading blended win-rate in the segment
- the third most profitable wagering operation in Australia
- maintaining one of the highest EBITDA margins in the segment

Pleasingly we were able to improve our turnover position with our wagering operation reporting turnover growth for the first time in three years, with a 4.1% lift compared to a 0.9% decline in FY15 and a 0.3% decline in FY14 (see Figure 7).

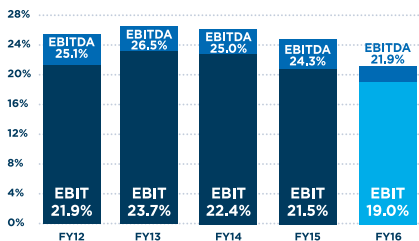
Our turnover position was greatly assisted by the very strong digital outcomes achieved in the year. The outstanding 22.5% increase in our digital sales, saw a record 30.2% of our wagering turnover (FY15: 25.7%) generated from our digital channels in FY16. This growth is ahead of our immediate peer set in Australia and supports the focus placed on the UBET digital platform. This outstanding result was driven from initiatives that included:

- the introduction of A/B testing;
- commencing our first affiliate partnership;
- promoting a 'sign up' bonus in eligible jurisdictions;
- leveraging real time in app messaging;
- launching a new affiliates marketing platform;
- introducing event-based automation for mobile push and SMS campaigns;
- developing a 'best offer' model across sport and racing enabling delivery of personalised content and offers to customers via email and mobile channels; and
- leveraging the capabilities of our market-leading CRM system.

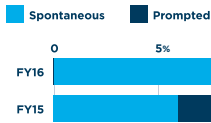
The key metrics in FY16 which demonstrate the traction our wagering operation is starting to achieve online are:

- 163,000 UBET app downloads (FY15: 41,000);
- \$2.6 million given back to customers in loyalty rewards (FY15: \$0.2 million);
- 2.4 million emails sent out to customers (FY15: 1.9 million);
- \$3.6 million offered to customers through event driven dynamic bet offers (FY15: nil);
- Circa 700,000 mobile messages sent to customers (FY15: 200,000).

FIGURE 5
EBITDA/EBIT
MARGIN



1 Sometimes called split testing, this involves comparing two versions of a web page or app to see which one performs better.

FIGURE 6
UBET BRAND
AWARENESS

Our UBET brand position continues to build in the Australian market with our spontaneous brand awareness increasing to 9% up from 6% in FY15. A similar profile was achieved in terms of our prompted brand awareness with awareness lifting from 22% in FY15 to reach 27% in FY16.

Our turnover performance was achieved despite continuing retail softness in some of our geographies that continued to be impacted by regionally specific issues. Most significantly, regional Queensland continued to be challenged by the commodities downturn and drought. In combination, these factors continued to 'bite' with turnover in this region down 5.8% on last year. South East Queensland lifted retail sales 1.7% on the prior period. Overall, our retail network showed a 1.5% decline in sales (compared to a decline of 2.4% in FY15). Running against this trend, the 162 revitalised UBET retail outlets produced 8.4% turnover growth compared to outlets with older branding in their immediate geographical vicinity. Phone-based sales, as expected, continued to decline (down 7.7%), however the increase in digital sales more than offset this decline, outpacing the decline in phone sales by a factor of ten.

The continued rollout of rebranded UBET retail stores into FY17 (a target of 270 in the year), installation of new generation cash-handling self-service terminals, and the associated expansion of our 'UBET Live' in-venue in-play betting modules, make us confident that we can bring our retail network into growth.

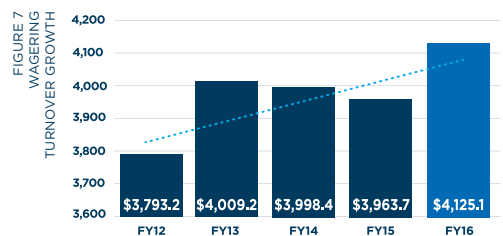
Fixed-price sales on racing and sports continued to display an impressive growth profile, lifting 24.1% in aggregate, and now exceed total sales generated from the traditional tote products. Racing continues to dominate the fixed-price book, comprising 83.6% of the book (FY15: 82.6%), with sports making up the remainder at 16.4% (FY15: 17.4%). Following the introduction of our more compelling and expansive sports offering under UBET, we have had strong growth in the American-based sports of basketball, American football and baseball. These growth sports now represent 24.4% of our total sports book, up from 19.3% in FY15.

The year saw the business achieve an overall lower blended win-rate of 14.8% (FY15: 16.0%) being the reality of operating in a very competitive market and this blended rate including the cost of rewards and bonuses provided to customers. The win-rate also reflects the migration from higher margin parimutuel offers to fixed-price—fixed-price sales on racing and sports increased 24.1% while parimutuel betting declined 11.7%. We expect the decline in win-rate to stabilise, noting that UBET continues to sit at the top of the range compared to our Australian competitor cohort, which ranged from 3-15%. The resultant impact of the win-rate position was a 3.6% reduction in revenue to \$609.9 million (FY15: \$632.9 million).

Our FY16 EBITDA margin of 21.9% fell short of our targeted EBITDA margin of 23.5% for the year. This reflected the significant lift in marketing spend; the dynamic bet offers to customers in the second half of FY16; and the blended win-rate outcome. The reality is that UBET needs to remain competitive in terms of its fixed-book prices on offer relative to the market, and to build customer loyalty through its loyalty scheme and dynamic bet offers. As a result, we expect EBITDA margins to be reflective of the actuality of our operating environment for the foreseeable future.

Finally, the competitive process in the Northern Territory for the new Totalisator Licence and the extension of the fixed-price licence was concluded during FY16 with Tatts awarded 20-year exclusive retail licences.

	FY16 \$M	FY15 \$M		CHANGE %
Turnover	4,125.1	3,963.7	▲	4.1%
Net win-rate	14.8%	16.0%	▼	1.2%
Revenue	609.9	632.9	▼	3.6%
EBITDA	133.3	153.5	▼	13.2%
EBIT	115.7	135.9	▼	14.8%



Gaming Review

FY16 GAMING HIGHLIGHTS

MAXGAMING HIGHLIGHTS

- Revenue growth of 1.3%
- EBIT growth of 2.1%
- Entry into a 15-year contract to monitor 97,000+ gaming machines in New South Wales
- Retention of +80% share of gaming machine monitoring in Queensland
- New South Wales state-wide links game, Megabucks, showing strong revenue growth
- Ticket-in-ticket-out solution installed on 6,590 machines in Queensland driving strong revenue outcomes

BYTECRAFT HIGHLIGHTS

- Business restructure undertaken in FY15 has transformed performance
- EBITDA growth of 23.0%
- EBIT growth of 77.1%

The sale of our UK-based slots operation (Talariaus) completes the transformation of our gaming division to a pure B2B business, predominantly focused on providing monitoring and other services to gaming operators. The business now has two separate but related businesses discussed below.

MAXGAMING PERFORMANCE

Maxgaming is the Group's Australian gaming venue services unit. Founded on the provision of government-mandated electronic monitoring systems to gaming venues in New South Wales, Queensland and the Northern Territory, Maxgaming has a unique position in its markets to leverage this network, and certain infrastructure, to provide additional value-add services to its contracted venues.

Maxgaming was awarded the exclusive right to monitor all hotel- and club-based gaming machines in New South Wales until 2032, together with a one-year extension to our current monitoring arrangements until 30 November 2017. In addition to the revenue generated from exclusive monitoring in New South Wales, Maxgaming is able to provide services such as online authorisations for machine movements, testing, loyalty and membership, venue reporting, and other workflow management products.

GAMING FINANCIAL PERFORMANCE	FY16	FY15	CHANGE	
	\$M	\$M		%
Revenue				
- Maxgaming	118.4	116.8	▲	1.3%
- Bytecraft	92.3	104.0	▼	11.3%
EBITDA				
- Maxgaming	64.7	64.6	▲	0.1%
- Bytecraft	3.4	2.8	▲	23.0%
EBIT				
- Maxgaming	52.4	51.3	▲	2.1%
- Bytecraft	1.0	0.6	▲	77.1%

FOR THE THIRD CONSECUTIVE YEAR, MAXGAMING HAS LIFTED REVENUE

For the third consecutive year, Maxgaming has lifted revenue (following three years of decline) growing revenue in FY16 by 1.3% to \$118.4 million. This performance benefited from an annual increase in our monitoring fees along with value-add product sales in the year including our Ticket-in-Ticket-out (TITO)¹ solution in Queensland, which has been particularly well-received. TITO is now installed on 6,590 (FY15: 5,365) machines in Queensland and revenue from this product has lifted by 60.1% over the prior year.

In addition, our new \$250,000 base-level state-wide linked jackpot in New South Wales has performed well. The higher jackpot offering has generated renewed interest from venues and customers alike in this long-established product. An Australian record for a state-wide linked jackpot was triggered in April 2016 at \$658,304. The Megabucks jackpot is now up and running in more than 120 clubs with more than 330 gaming machines linked. Revenue on this product grew 55.9% in FY16.

Increased technology costs in the business slightly lowered our EBITDA margin however it remains at a very healthy 54.7% (FY15: 55.3%). With the current monitoring fee structure being retained under the new New South Wales monitoring arrangements, we are confident we can maintain these excellent margins in our business. EBIT lifted 2.1% with the run-down of existing monitoring systems in New South Wales which are now fully depreciated. Depreciation and amortisation is expected to increase in FY17 as we rollout a new monitoring system in New South Wales.

BYTECRAFT PERFORMANCE

Bytecraft is the provider of a nationwide fully managed time-critical, end-to-end technical support service to a portfolio of ASX top-50 companies, and other everyday brands. Bytecraft has undergone a business restructure over prior years to return to profitability. This has seen the business exit (or not renew) a number of unprofitable and/or non-core contracts, and a clear focus on winning new contracts in our core areas of gaming and network infrastructure.

The 11.3% decline in revenue reflects this strategy, as does the reduction in externally sourced revenue (which in FY16 represented 64.6% of total revenue compared to 69.8% in FY15). Bytecraft continued to undertake internally sourced work on a no-margin basis, which ultimately had a negative impact on the division's stand-alone profitability.

EBITDA lifted 23.0% to \$3.4 million (FY15: \$2.8 million). The strategy of exiting unprofitable contracts, and the resultant downsizing of our team and cost-base in some areas, resulted in this lift in EBITDA off a lower revenue base. EBIT improved 77.1% to a \$1.0 million (FY15: \$0.6 million).

1. TITO is a solution for inserting, printing and redeeming tickets from gaming machine to gaming machine.

Managing Director's Report (CONTINUED)

DISCONTINUED OPERATIONS

The \$29.6 million loss from discontinued operations in the year comprises:

- an interest charge in the amount of \$26.6 million arising from the successful appeal by the State of Victoria to the High Court of Australia in Tatts' compensation action arising from our now discontinued pokies business in Victoria;
- legal fees relating to the above proceedings in the amount of \$4.1 million;
- the trading result for Talarius (\$3.5 million) being now reported as a discontinued operation;
- a loss arising on the sale of Talarius in the amount of \$12.8 million; and
- a tax benefit of \$10.4 million from discontinued operations.



INNOVATION REMAINS AT THE FOREFRONT
IN FY17 AS OUR TEAMS LOOK FOR NEW
AND CREATIVE WAYS TO ORGANICALLY
GROW OUR BUSINESSES

KEY FY17 ACTIONS

Innovation remains at the forefront in FY17 as our teams look for new and creative ways to organically grow our businesses across all our distribution channels. We also remain committed in our pursuit of transaction opportunities that sensibly add to our business portfolio and profits, or which will unlock value for the benefit of our shareholders. The following is just a sample of what is in store for the year:

> DIGITAL PLATFORMS

We will continue to invest in our state-of-the-art proprietary digital platforms, with a new lotteries website to be launched in FY17 under our new 'the Lott' branding. This new site will provide a leading online experience with convenient access to our extensive family of lotteries products, and emphasise our place as 'Australia's Official Lotteries'. This will be accompanied by a program of continuous enhancement to our UBET and 'the Lott' apps, with new features, functionality and category leading user experience initiatives being added on a rolling basis.

> OMNI-CHANNEL LOTTERIES

With the launch of the Lott brand, and as it is progressively rolled out into more retail outlets, we will be working to provide a world-class seamless experience, whether a customer is shopping online, from a desktop, on a mobile device or in a retail outlet. Our focus is providing our products to our customers in a unified, easy, convenient and trusted way, whenever the winning feeling strikes.

> UBET UPDATES

We have set ourselves a target to have a total of 270 UBET next generation retail spaces in place in the year. Having seen the impressive sales growth of these stores in FY16, we look forward to the results additional outlets will generate in the next 12 months.

> **MAX - OUR NEW GAMING BRAND**

As mentioned, the sale of our UK-based slots businesses has positioned our gaming operations as a true B2B service provider for gaming operators. In August 2016, we completed this transition with the launch of our new unified gaming brand, MAX. This brings our gaming businesses together under one strong brand to deliver a complete end-to-end solution for gaming operators. Look out for this brand as we progressively roll it out over FY17.

> **NEW GENERATION UBET TERMINALS**

Customers will start to see our new generation self-service terminals in the UBET retail outlets, featuring cash in, and Ticket-in-Ticket-out technology.

> **NEW DIGITAL POINT OF SALE SYSTEM**

Our new lotteries DigiPOS system has already allowed us to successfully feature products and promotions, and we will expand the number of these in retail outlets throughout our jurisdictions. This forms an element of our lotteries omni-channel strategy.

> **INSTANT SCRATCH-ITS MERCHANDISING**

Initial trials of new merchandising methods to highlight and display our Instant Scratch-Its products have been positive. In FY17 we will install these new displays in retail outlets to enhance Instant Scratch-Its impact in what are busy retail environments.

> **UBET LIVE**

We continue to develop and improve our prototype of the unique in-venue in-play betting modules with an eye to a full retail launch.

> **AFFILIATE MARKETING**

We will trial affiliate marketing programs in FY17 to further drive digital demand.

> **VIRTUAL SPORT AND RACING**

We are looking to launch our first virtual sports and racing products in the Northern Territory in FY17.

> **BIG DATA**

We have put in place an enterprise insights team that will work on streamlining data usage across the Group, and develop predictive analysis to assist demand generation teams with their customer engagement activities.

I look forward to providing you with more detail on our progress with these and other exciting initiatives in progress at our Annual General Meeting in October.



ROBBIE COOKE

Managing Director and Chief Executive Officer



SUSTAINABILITY REPORT

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

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

Through our sustainability reporting we identify and respond to key sustainability risks and opportunities. In 2016, the Australian Council of Superannuation Investors rated Tatts in the second highest category for its sustainability reporting. We will continue to work towards achieving the 'Industry leading' rating.

FY16 SUSTAINABILITY SCORECARD

KEY PERFORMANCE INDICATOR

GENDER EQUALITY	FY16 PERFORMANCE	FY15 PERFORMANCE
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Women in key management:

Key management personnel	2 of 5 employees (40%)	2 of 5 employees (40%)
Other executives/general managers	4 of 6 employees (67%)	3 of 5 employees (60%)
Senior managers	12 of 32 employees (38%)	10 of 26 employees (38%)
Other managers	22 of 94 employees (23%)	17 of 87 employees (20%)

Equal pay:

Conduct a pay equity audit across the Group	The next audit is due at the end of December 2016	Audit results indicated that there was no discrepancy in pay between women and men in the Group.
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Diversity training:

Conduct mandatory diversity training for all Group team members	Training initiated in FY16 to be completed in FY17	Training, which is conducted biennially, was not due for completion during FY15.
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EMPLOYEE HEALTH AND SAFETY	FY16 PERFORMANCE	FY15 PERFORMANCE
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Recordable incidents:

Number of total incidents	57	67
Number of lost time incidents	24	27
Total recordable injury frequency rate	6.59	5.12
Lost time injury frequency rate	1.72	1.72

ENVIRONMENT	FY16 PERFORMANCE	FY15 PERFORMANCE
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Carbon emissions:

Scope 1 emissions	3,960 metric tonnes CO ₂ e	2,384 metric tonnes CO ₂ e
Scope 2 emissions	16,837 metric tonnes CO ₂ e	15,848 metric tonnes CO ₂ e
Scope 3 emissions	2,856 metric tonnes CO ₂ e	2,660 metric tonnes CO ₂ e
Water consumption	14,674 kilolitres	16,947 kilolitres

COMMUNITY AND SOCIAL INVESTMENT	FY16 PERFORMANCE	FY15 PERFORMANCE
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Contributions

Contributions to state and territory governments and industry partners	\$1.41 billion	\$1.32 billion
Charitable giving	\$1.8 million	\$1.8 million
Sponsorships	\$2.1 million	\$1.7 million

> Sustainability Pillars

PUTTING STAKEHOLDERS FIRST

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

The following external stakeholder groups have specific interests, and there are different risks related to sustaining good relations with these groups (see page 40 for our internal stakeholder group).

INVESTORS AND SHAREHOLDERS

COMMUNICATION

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

Key matters:

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

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

CUSTOMERS

COMMUNICATION

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

Key matters:

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

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

SUPPLIERS AND BUSINESS PARTNERS

COMMUNICATION

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

Key matters:

- Timely payment
- Fair treatment
- Environmental efficiency

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

GOVERNMENT AND REGULATORY AGENCIES

COMMUNICATION

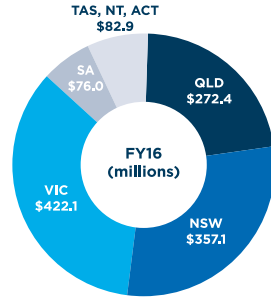
Compliance with our licences—and the legislation, regulations, rules and agreements underlying those licences—is critical to our business sustainability, as is understanding, and being responsive to, the broader economic, social and community issues impacting government policy.

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

Key matters:

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

FIGURE 8
TAX CONTRIBUTIONS BY STATE AND TERRITORY



In FY16, we contributed a total of \$1.21 billion to the community via wagering and lotteries taxes to state and territory governments, and a further \$115.1 million to the Federal Government in corporate taxes. We are also proud to be an Australian company that pays tax on our entire profits in Australia. The tax contributions by state and territory are shown in Figure 8. In the majority of cases, the wagering and lottery taxes that Tatts pays are used to fund health, education, social services, junior sport and vital community infrastructure.

We also assist the governments in New South Wales, Queensland and the Northern Territory to collect over \$2.13 billion in gaming machine taxes from hotels and clubs through Maxgaming’s monitoring systems.

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

The Directors’ Report on page 51 of our Annual Report details the risks around our relationship with government and regulatory agencies, and the licences and other approvals they provide us.



Be amazing



Create positive change



Do it with heart



Own it



Play as a team



Have fun

OUR VALUES

INDUSTRY PARTNERS AND ASSOCIATIONS

COMMUNICATION

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

Key matters:

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

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

We are proud to be a major contributor to the Australian racing industry with payments of \$200.6 million (excluding GST) during FY16, helping to support more than 7,000 jobs. These payments were in the form of product and program fees, and race information fees, the majority of which related to Queensland, our largest market.

WE ARE PROUD TO BE
A MAJOR CONTRIBUTOR
TO THE AUSTRALIAN
RACING INDUSTRY WITH
PAYMENTS OF \$200.6
MILLION (EXCLUDING
GST) DURING FY16

COMMUNITY ENGAGEMENT

COMMUNICATION

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

Key matters:

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

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

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

Expanding on our community engagement activities for FY16, we are the first gaming company in Australia to create a charitable gaming unit. This team develops innovative gaming platforms for the charitable and not-for-profit sector, providing immediate funds from its activities, as well as long-term technology solutions. John Corry, a passionate advocate in this sector who co-founded the 50-50 Foundation in Australia, heads the unit. The team has access to internal technology and marketing resources, meaning that Tatts is able to help make a real difference in this space. We hope to expand the program outside of Australia in due course, and to develop 'white label' solutions, purpose-built for charitable fundraising activities, that are powered by Tatts.

'Tatts Giving', our corporate social responsibility (CSR) framework launched in FY15, offers our team opportunities to get involved in a wide range of initiatives and activities with our major charity partners. Among other things, these include workplace giving, volunteering, dollar matching programs and challenge-based fundraising.

WE ARE THE FIRST GAMING COMPANY IN AUSTRALIA TO CREATE A CHARITABLE GAMING UNIT

OUR KEY COMMUNITY ENGAGEMENT PARTNERS FOR FY16 WERE:

NATIONAL JOCKEY'S TRUST

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

STARLIGHT CHILDREN'S FOUNDATION

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

CHILDREN'S HOSPITAL FOUNDATION

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

MATER FOUNDATION

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

TATTS WORKPLACE GIVING PROGRAM

The Tatts Workplace Giving program provides our 2,300 team members with an opportunity to regularly donate to one of six charities through a payroll deduction scheme. The charities that are beneficiaries are Starlight Children's Foundation, Mates4Mates, the Smith Family, Australian Red Cross, World Wide Fund for Nature and Breast Cancer Network Australia.

MATES4MATES

Mates4Mates is an independent charity supporting current and ex-serving Australian Defence Force members who have suffered physical or psychological wounds, injuries or illnesses as a result of their service, either in Australia or overseas.

THE SMITH FAMILY

Tatts is a proud supporter of iTrack, a mentoring program that provides students from years 9 to 11 with guidance and support as they transition from school into further education or work. Students are matched with a supportive adult, in the form of a volunteer mentor, whose role is to provide advice and guidance about work, study and career opportunities. These mentors are drawn from The Smith Family's corporate and community partners, including Tatts.

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

SPONSORSHIPS

During FY16, lotteries provided more than \$0.4 million to support a number of events in the Northern Territory, and also toward the Gold Lotto Brisbane City Hall Light Spectacular and Sydney Harbour 2016 Australia Day celebrations.

UBET and our wagering brands provided more than \$1.7 million in sponsorship to events around Australia during FY16. Notably, the V8 Supercar Championship, Port Adelaide Football Club, Racing Queensland, and TasRacing.

Our Commitment to Responsible Gambling

We are committed to responsible gambling and to providing products in a safe, secure and friendly environment.

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

CODES OF CONDUCT AND RESPONSIBLE GAMBLING PROGRAMS

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

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

In 2016, our wagering programs were updated to coincide with changes to various state-based codes of conduct, and to create consistent UBET branding in our responsible gambling signage and brochures in all jurisdictions.

We conduct a series of surveys and audits annually for lotteries and wagering in retail outlets to ensure we comply with the requirements of our responsible gambling programs and state-based legislation.

CUSTOMER MEASURES

Our digital customers have access to a voluntary self-exclusion feature through their online account that allows them to stay in control of their gambling. Customers are able to self-exclude for the prescribed time in their jurisdiction. In addition, they can choose to voluntarily set a maximum spend for lotteries, or to enable a wagering pre-commitment limit. For wagering the self-exclusion facility extends to all of our retail venues, and for lotteries, to retail venues in South Australia.

TEAM EDUCATION

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

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

INDUSTRY ENGAGEMENT

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

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



WE ARE COMMITTED TO RESPONSIBLE
GAMBLING AND TO PROVIDING
PRODUCTS IN A SAFE, SECURE AND
FRIENDLY ENVIRONMENT

> Our People

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

ENGAGEMENT

Our annual 'State of the Nation' survey measures team and individual commitment to the Group and our goals. We use this survey to drive both team initiatives and company-wide interventions that will create positive change in areas of concern for our employees. Our annual town hall presentation is streamed live to all offices, allowing team members the opportunity to hear from our Managing Director and CEO, senior executives and industry specialists on our previous year's performance and the business strategies for the coming year. We provide all employees with an annual 'Play Book' that sets out the targets and deliverables for our operating and shared service units.

DIVERSITY

At Tatts, we value the unique contributions of all our team members, and we respect and celebrate the differences that make us stronger together. Our current focus is on gender balance, however we recognise that there is more to diversity than gender. To create an inclusive environment that allows team members to perform at their best, we initiated programs across the Group, such as unconscious bias training for all permanent team members. Our diversity policy outlines our objectives: (www.tattsgroup.com/investors/corporate-profile/key-policies).

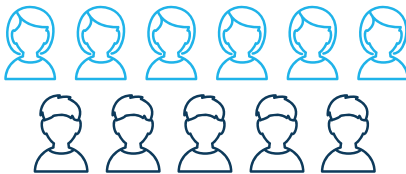
In FY16, we remain focused on these key objectives:

- Achieve gender balance at the managerial levels of the organisation—we are aiming to increase the representation of females in our managerial roles by 5%—refer to table on page 41 for our progress in FY16.
- Foster a culture that encourages respect and acceptance of individual differences—during FY16 we conducted training for our entire team on diversity in the workplace, focused on identifying and avoiding unconscious bias (or negative and positive stereotypes) and the potential impact it can have on diversity outcomes in our workplaces.
- Review our processes and systems to ensure compliance and to identify any significant trends or biases. We conduct a gender pay equity audit every two years. This is used to highlight any gender-based differences in the remuneration of our team. Pleasingly, our last report found no difference in the remuneration of male and female team members.

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

FIGURE 9
GENDER MIX IN KEY MANAGEMENT
PERSONNEL AND OTHER EXECUTIVES/
GENERAL MANAGERS

FY16



FY15



EMPLOYEE TRAINING AND DEVELOPMENT

We invested \$1.6 million in the training and development of our team in FY16, compared with \$1.2 million in FY15.

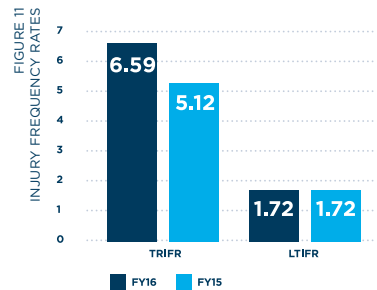
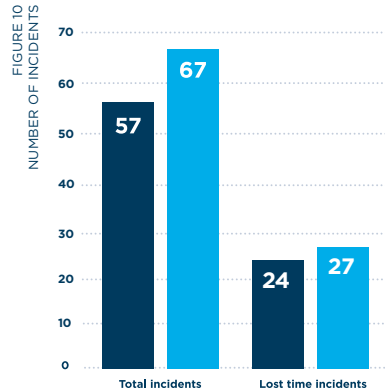
One element of our training and development program is the Tatts' Future Leaders program, which commenced in FY15. We conducted this bespoke program in partnership with Mount Eliza Executive Education, designed to prepare employees for leadership positions as they arise. This forms an important part of our succession planning.

EMPLOYEE SAFETY

The health and safety of our people is a key focus for the Group, and we continue to look for opportunities to reduce the number of injuries that occur in our workplaces. Figures 10 and 11 show our incidents and injury frequency rates for the past two reporting periods.

During FY16, we made several improvements to our employee safety program:

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



TRIFR = total recordable injury frequency rate
LTIFR = lost time injury frequency rate

WOMEN IN
MANAGEMENT
POSITIONS

	AT 30 JUNE 2016	AT 30 JUNE 2015
Board	1 of 6 Directors (17%)	1 of 6 Directors (17%)
Chief Executive Officer	0 of 1 employee (0%)	0 of 1 employee (0%)
Key Management Personnel*	2 of 5 employees (40%)	2 of 5 employees (40%)
Other executives / general managers*	4 of 6 employees (67%)	3 of 5 employees (60%)
Senior managers*	12 of 32 employees (38%)	10 of 26 employees (38%)
Other managers*	22 of 94 employees (23%)	17 of 87 employees (20%)

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

> Our Environment

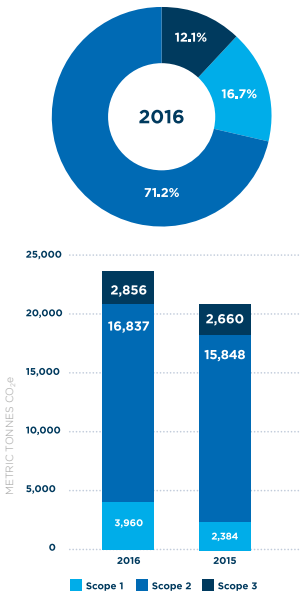
The operations of the Group are not subject to any significant environmental regulation under any law of the Commonwealth of Australia or any of its states or territories.

The Group comprises a portfolio of neighbourhood-based businesses, reaching our customers through advanced wide-area network technology. As such, our environmental footprint is relatively low and our carbon dioxide equivalent (CO₂e) emissions profile is well below the reporting levels identified in the *National Greenhouse and Energy Reporting Act 2007*. Despite this, we continue to report our environmental impacts to the Carbon Disclosure Project, run worldwide on behalf of investors and environmental management practices.

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

- Scope 1 CO₂e emissions – 3,960 metric tonnes (pcp: 2,384 metric tonnes), from a fleet of 438 vehicles across Australia, a reduction of 89 vehicles over the prior comparative period. The calculation for determining Scope 1 emissions from motor vehicles was amended in the financial year to a direct measurement basis per vehicle, rather than the extrapolated calculation basis used in prior periods. This gives the Group a more reliable basis to calculate Scope 1 emissions and has led to the increase in reported emissions for FY16, while the actual number of motor vehicles decreased by 17%.
- Scope 2 CO₂e emissions – 16,837 metric tonnes (pcp: 15,848 metric tonnes), mostly from Group office and warehouse properties that used 12.57 million (pcp: 12.63 million) kilowatts of electricity, translating to 13,700 metric tonnes of CO₂e emissions. Emissions from business air travel were restated during the year, and are now reported under Scope 3 emissions.
- Scope 3 CO₂e emissions – 2,856 metric tonnes (pcp: 2,660 metric tonnes) from 8.4 million kilometres of business air travel (pcp: 7.8 million kilometres).

FIGURE 12
SCOPE 1, 2 AND 3 CO₂E EMISSIONS



ENERGY

Energy usage at our properties is primarily comprised of electricity consumption, which remained constant at the Group's principal office and warehouse properties at 12.57 million kWh (pcp: 12.63 million kWh) and decreased at our smaller regional properties to 4.99 million kWh (pcp: 5.27 million kWh). We continue to develop and adapt our services in response to changes in customer demand, and to take advantage of new and more efficient systems.

WATER

The majority of our properties are in urban areas and use potable water provided by local councils. Water consumption at the Group's principal office and warehouse properties decreased during the year by 13.4% to 14,674 kilolitres (pcp: 16,947 kilolitres).

DIESEL

The Group uses diesel-powered generators to provide emergency electricity backup. Consumption of diesel decreased by 10.0% in the year to 106.0 kilolitres (pcp: 117.8 kilolitres).

WASTE MANAGEMENT

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

CORPORATE GOVERNANCE

Information relating to corporate governance is covered in detail in the Investors section of our website and economic sustainability is covered in more detail in the Directors' Report on pages 51 to 77 of our Annual Report.

VEHICLE FLEET



3,960
metric tonnes CO₂e
from 438 vehicles
(pcp: 2,384 t CO₂e
from 527 vehicles)

BUILDING ELECTRICITY



13,700
metric tonnes CO₂e
from 12.57 million kilowatt/hrs
(pcp: 13,515 t CO₂e
from 12.63 million kwh)

AIR TRAVEL



2,856
metric tonnes CO₂e
from 8.4million km air travel
(pcp: 2,660 t CO₂e
from 7.8 million km)

DI BOARD OF DIRECTORS

HARRY BOON

Chairman

Non-executive Director

Member of the Board since 31 May 2005

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

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

Other current directorships: Harry is Chairman of Asaleo Care Limited (Director since May 2014) an ASX listed company.

Special responsibilities: Member Remuneration and Human Resources Committee; Chairman Governance and Nomination Committee

Former listed public company directorships in the last 3 years: Toll Holdings Limited (November 2006 – May 2015)



ROBBIE COOKE

Managing Director and Chief Executive Officer

Member of the Board since 14 January 2013

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

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

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

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

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

Other current directorships: Pro-Active Games Pty Ltd; 50-50 Foundation Limited.

LYNDSEY CATTERMOLE AM

Non-executive Director

Member of the Board since 31 May 2005

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

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

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

Special responsibilities: Member Governance and Nomination Committee; Member Remuneration and Human Resources Committee



BRIAN JAMIESON

Non-executive Director

Member of the Board since 31 May 2005

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

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

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

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

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

Former listed public company directorships in the last 3 years: OZ Minerals Limited (August 2004 - May 2015); Tigers Realm Coal Limited (February 2011 - May 2014)

JULIEN PLAYOUST

Non-executive Director

Member of the Board since 21 November 2005

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

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

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

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

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

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

Former listed public company directorships in the last 3 years: Australian Renewable Fuels Limited (April 2009 - October 2014)

brian



julien



KEVIN SEYMOUR AM

Non-executive Director

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

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

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

Other current directorships: Deputy Chairman of ASX listed Ariadne Australia Limited (since 1992); Director Secure Parking Limited (appointed 1 April 2015); Board positions with several private companies in Australia.

Special responsibilities: Member Audit, Risk and Compliance Committee; Member Governance and Nomination Committee

Former listed public company directorships in the last 3 years: Watpac Limited (May 1996 - September 2013)

DR DAVID WATSON

Non-executive Director

Member of the Board since 27 March 2014

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

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

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

Other current directorships: Independent Chair of the Translational Research Institute, a leading Australian medical research and biopharmaceutical facility based in Brisbane, and serves on some related medical research boards.

Special responsibilities: Member Audit, Risk and Compliance Committee; Member Governance and Nomination Committee



EXECUTIVE TEAM

FRANCIS CATTERALL Executive General Manager - Corporate Development

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



JOHN CORRY Chief Operating Officer - Charitable Gaming

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



FRANK MAKRYLLOS Chief Operating Officer - Gaming

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



NEALE O'CONNELL Chief Financial Officer

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



MAREE PATANE Chief Auditor

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



BARRIE FLETTON
Chief Operating Officer – Wagering

Barrie has been a part of the Group for more than 20 years in various executive roles. Barrie's Wagering unit is one of the largest within the Group with more than 125 full-time employees operating across four states and territories.



ASHLEIGH LOUGHNAN
Executive General Manager –
People, Property & Procurement

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



MEGAN MAGILL
Chief Marketing Officer

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



MANDY ROSS
Chief Information Officer

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



ANNE TUCKER
General Counsel and Company
Secretary

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



SUE VAN DER MERWE
Chief Operating Officer – Lotteries

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



TRACK RECORD

	30 JUNE 2016 \$ M	30 JUNE 2015 ¹ \$ M	30 JUNE 2014 \$ M	30 JUNE 2013 ² \$ M	30 JUNE 2012 ³ \$ M
REVENUE FROM CONTINUING OPERATIONS	2,928.1	2,803.9	2,868.3	2,948.8	2,656.9
STATUTORY CHARGES					
- GOVERNMENT	(1,370.9)	(1,271.5)	(1,289.9)	(1,376.4)	(1,265.6)
- OTHER ⁴	(639.4)	(620.1)	(600.3)	(605.7)	(552.3)
OPERATING COSTS ⁴	(423.0)	(421.3)	(479.7)	(476.5)	(423.4)
EBITDA	494.8	491.0	498.4	490.2	415.6
PROFIT BEFORE INCOME TAX ON CONTINUING OPERATIONS	378.5	363.3	326.6	303.1	225.4
PROFIT AFTER INCOME TAX ON CONTINUING OPERATIONS	263.4	253.9	226.6	227.4	161.5
(LOSS)/PROFIT FROM DISCONTINUED OPERATIONS	(29.6)	(1.9)	(26.2)	19.9	157.6
NET PROFIT AFTER INCOME TAX	233.8	252.0	200.4	247.3	319.1
	CENTS	CENTS	CENTS	CENTS	CENTS
EARNINGS PER SHARE ⁵	18.0	17.5	14.1	17.9	23.8
DIVIDENDS PER SHARE	17.5	16.5	13.5	15.5	23.0
	%	%	%	%	%
DIVIDEND PAY-OUT RATIO	109.6	95.1	95.9	87.4	97.4
	\$ M	\$ M	\$ M	\$ M	\$ M
CASH FLOWS FROM OPERATING ACTIVITIES	262.7	439.8	278.4	346.9	390.3

1. Only FY15 comparatives have been restated to reflect Talarius as a discontinued operation.

2. The FY13 net profit after income tax on continuing operations includes a one-off tax benefit of \$16.2 million. Before one-offs the adjusted NPAT for FY13 would be \$211.2 million.

3. Only FY12 comparatives have been restated to reflect Tatts Pokies as a discontinued operation.

4. Product and program fees have been reclassified as 'Statutory charges - Other' in each year.

5. EPS is calculated using the weighted average number of shares on issue throughout the year.

GLOSSARY OF TERMS

AASB	Australian Accounting Standards Board
ABN	Australian Business Number
AGM	Annual General Meeting
app	A software application designed to run on smartphones, tablet computers and other mobile devices.
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited ABN 98 008 624 691, or the financial products market operated by ASX, as the context requires.
ATO	Australian Taxation Office
Board	The Company's board of directors.
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CO ₂ e	Carbon dioxide equivalent, as defined by the Carbon Disclosure Project
Company or Tatts	Tatts Group Limited
Consolidated Entity	The Company and its subsidiaries.
COO	Chief Operating Officer
Corporations Act	<i>Corporations Act 2001</i> (Cth)
CPI	Consumer Price Index
Director	A director (or their alternate) of the Company.
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortization
fixed-price betting	A betting system where the payout is agreed at the time the bet is sold.
Gaming, MAX or Tatts Gaming	The Group's businesses that provide gaming solutions under various licences, permits and approvals from state governments under the brands MAX, Maxgaming and Bytecraft.
Group	The Company and its wholly-owned subsidiaries (unless otherwise defined).
GST	Australian goods and services tax
Non-executive Director	A Director who is not a member of the Company's executive management team.
NPAT	Net profit after tax
parimutuel	A betting system where the payout is not determined until the pool is closed.
pcp	Prior corresponding period
PwC	Pricewaterhouse Coopers - The Company's independent auditor.
Wagering, UBET or TattsBet	The Group's businesses that provide parimutuel and fixed-price betting services under various licences from state governments in Queensland, South Australia, Tasmania and Northern Territory.
Lotteries, the Lott or Tatts lotteries	The Group's businesses that provide lottery products under various licences, permits and approvals from state governments in Victoria, Queensland, Tasmania, New South Wales, South Australia, Australian Capital Territory and Northern Territory.
Tatts Pokies	The poker machine business operated under a licence granted by the Victorian Government, and which ceased operations on 15 August 2012.
TSR	Total shareholder return

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