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4 February 2016

To: Australian Securities Exchange  
Market Announcements  
20 Bridge Street  
Sydney NSW 2000

## **RESULTS FOR ANNOUNCEMENT TO THE MARKET**

### **TABCORP RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

In accordance with the ASX Listing Rule 4.2A, the following information in respect of the half year ended 31 December 2015 is transmitted for lodgement:

1. Media Release; and
2. Directors' Report and Financial Report.

The information contained in this announcement should be read in conjunction with Tabcorp's most recent annual financial report.

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4 February 2016

## Tabcorp 2016 half year results

### OVERVIEW

#### Financial Highlights

- Statutory results
  - Net Profit After Tax (NPAT) \$81.9 million, down 33.1% on the prior corresponding period (pcp)
  - Earnings Per Share (EPS) 9.9 cents per share, down 38.1%
  - Results impacted by significant items after tax of \$15.6 million<sup>1</sup> in 1H16, compared to a one-off tax benefit of \$31.5 million in the pcp
- Results before significant items
  - EBITDA \$266.0 million, up 1.8%
  - NPAT \$97.5 million, up 7.3%
  - EPS 11.7 cents per share, down 1.7%, following capital raising in 2H15
- Interim dividend 12 cents per share, fully franked, up 20.0%

#### Operational Highlights

- **Wagering & Media**
  - ACTTAB integration successfully completed during period
  - Victorian thoroughbred media rights secured for a further five years
  - New online wagering and gaming business, Sun Bets, to be launched with News UK in 4Q16
- **Keno**
  - Transformation on track, driving increased customer participation
- **Gaming Services**
  - 9,550 gaming machines now contracted, up from 8,820 at June 2015

### MANAGING DIRECTOR AND CEO COMMENTARY

“We made good progress against our strategy in the half, executing a number of initiatives that position the business for further growth. The Board has announced an interim dividend of 12 cents per share, fully franked, and up 20%, reflecting our ongoing focus on delivering strong returns for shareholders. We remain well positioned to drive future performance, maintain expense discipline and achieve 14% Return on Invested Capital by FY17,” said Tabcorp Managing Director and CEO, David Attenborough.

“Our Wagering and Media business reported increased revenues from racing, which remains the core of our business. This was despite increased competition. We have continued to invest in growth initiatives by delivering new products, such as Partial Cash Out, channel enhancements and the expansion of international vision and pooling.

<sup>1</sup> Significant items (after tax) comprises costs relating to the AUSTRAC civil proceedings (\$7.2 million) and preparations for launch of the Sun Bets business (\$8.4 million).

“During the period we extended Tabcorp’s international reach through a partnership agreement with News UK to launch Sun Bets. This is an exciting opportunity for Tabcorp to take its market-leading wagering capabilities into the A\$7 billion UK online gambling market.

“The Keno business returned to growth in the half, benefiting from the brand relaunch and enhanced customer experience. Pleasingly, Gaming Services continues to grow on the back of further venue sign-ups.

“As of 31 December 2015, Tabcorp adopted an enhanced AML/CTF program covering all of our operations. A dedicated AML/CTF team has been established and Clinton Lollback commenced as Chief Risk Officer last month.”

## BUSINESS RESULTS<sup>2</sup>

\$m	Wagering & Media	Change on pcp	Gaming Services	Change on pcp	Keno	Change on pcp	Group	Change on pcp
Revenues	973.0	1.3%	52.9	4.3%	109.7	5.7%	1,135.6	1.8%
Variable contribution	392.6	1.2%	52.4	5.0%	62.3	7.6%	507.3	2.3%
Operating expenses	(195.8)	(0.1%)	(18.6)	15.5%	(24.5)	12.9%	(241.3)	2.9%
<b>EBITDA</b>	<b>196.8</b>	2.4%	<b>33.8</b>	0.0%	<b>37.8</b>	4.4%	<b>266.0</b>	1.8%
D&A	(65.5)	6.5%	(14.2)	5.2%	(9.8)	6.5%	(89.5)	6.3%
<b>EBIT</b>	<b>131.3</b>	0.5%	<b>19.6</b>	(3.4%)	<b>28.0</b>	3.7%	<b>176.5</b>	(0.3%)
<b>NPAT before significant items</b>							<b>97.5</b>	7.3%
Significant items							<b>(15.6)</b>	(149.5%)
<b>Statutory NPAT</b>							<b>81.9</b>	(33.1%)

### Wagering & Media

Tabcorp continued to invest in product and technology in the half, and remains well positioned as market leader.

TAB Racing revenues were \$895.3 million, up 2.0%. Fixed Odds racing products continued to drive the growth in TAB Racing, with revenues of \$256.8 million, up 19.6%. This more than offset a decline in totalisator revenues, which were \$638.5 million, down 3.7%.

Excluding the Soccer World Cup in the pcp, TAB Sports turnover was up 10.7% in 1H16. Reported revenues were \$98.6 million, down 8.1%, as a result of the Soccer World Cup impact and a strong yield performance in the pcp. Luxbet achieved turnover growth of 4.4%, however revenues were \$25.0 million, down 5.7%, as a result of lower sports yields.

Media revenues were \$85.8 million, down 0.6%. These results include savings passed on to licensed venues and TAB agencies for Victorian thoroughbred racing vision subscriptions as a result of new media rights arrangements.

<sup>2</sup> Business results do not aggregate to Group total due to unallocated expenses of \$2.4 million (1H15: \$0.9 million), largely related to merger discussions with Tatts.

Mobile devices made up 65% of total digital wagering turnover in the half, which was \$1,926.0 million, up 9.2%. Retail turnover was \$3,388.4 million, down 1.4%. Tabcorp has commenced a pilot of its Future Retail program across 16 sites. Future Retail aims to deepen the integration of digital features in a retail outlet, as well as deliver improved data analytics and insights.

Tabcorp continues to invest in growth in Wagering and Media through new products, innovation and partnerships. Recent product launches include Partial Cash Out, which complements the popular Cash Out product which went live in April last year. Tabcorp has also signed an exclusive agreement with Longitude LLC to implement software systems that will deliver enhanced totalisator products, subject to regulatory approvals.

### **Gaming Services**

Revenues from the group's Gaming Services business, TGS, were \$52.9 million, up 4.3%. Operating expenses were \$18.6 million, up 15.5%. EBITDA was flat at \$33.8 million.

TGS expanded its NSW presence during the half and now has 700 gaming machines under contract. This brings the total number of TGS machines under contract to 9,550 across NSW and Victoria.

### **Keno**

Keno revenues were \$109.7 million, up 5.7%. Operating expenses were \$24.5 million, up 12.9%, and EBITDA was \$37.8 million, up 4.4%.

Revenues were up 15.8% in Victoria, 8.6% in NSW, and 2.2% in Queensland.

The Keno transformation aims to strengthen the appeal of the game, with early indications of increased customer engagement.

### **DIVIDEND**

The Board has announced an interim dividend of 12 cents per share, fully franked, payable on 16 March 2016 to shareholders registered at 11 February 2016.

The FY16 target dividend payout ratio is 90% of NPAT, before significant items and amortisation of the Victorian Wagering and Betting Licence.

### **CAPITAL EXPENDITURE AND INVESTMENTS**

Capital expenditure in 1H16 was \$62 million. Capital expenditure for FY16 is expected to be up to \$160 million, including growth capex for TGS and Sun Bets. The depreciation and amortisation expense for FY16 is expected to be approximately \$185 million, reflecting increased investments in digital, product and business expansion.

### **AML/CTF MATTERS**

The litigation with AUSTRAC continues in accordance with the Court timetable.

As of 31 December 2015, Tabcorp adopted an enhanced AML/CTF program. Tabcorp remains focused on ensuring that its AML/CTF compliance system is best-in-class.

## ONLINE WAGERING REGULATION

In November 2015, Tabcorp made a submission to the Federal Government's Illegal Offshore Wagering Review. The review, and the Federal Government's response to it, have not yet been released.

The review provides an opportunity to redefine Australia's online wagering industry and to set the framework within which all wagering companies must operate.

"As it stands, online betting on live sport is an illegal form of wagering in Australia," Mr Attenborough said. "However, some operators continue to circumvent the law. The Federal Government must act now to address this."

## STAKEHOLDER RETURNS

- Gambling taxes \$225.8 million
- Returns to the racing industry \$413.4 million
  - Victoria \$178.6 million
  - NSW \$150.0 million
  - Race fields fees \$49.7 million
  - Media & International \$35.1 million
- Income taxes \$42.4 million

Total returns to the racing industry were up 0.7%.

For more information:

Media: Nicholas Tzaferis, GM Corporate Affairs, 03 9868 2529

Financial analysts: Lachlan Fitt, GM Investor Relations and Strategy, 02 9218 1414



**TABCORP HOLDINGS LIMITED  
AND CONTROLLED ENTITIES**

**DIRECTORS' REPORT AND  
FINANCIAL REPORT**

**FOR THE HALF YEAR ENDED  
31 DECEMBER 2015**

**A.B.N. 66 063 780 709**

**ASX CODE: TAH**

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## Company directory

### Directors

The Directors of Tabcorp Holdings Limited ("the Company") at the date of this report and at any time during the half year ended 31 December 2015 are:

Name	Title
Paula Dwyer	Chairman and Non Executive Director
David Attenborough	Managing Director and Chief Executive Officer
Elmer Funke Kupper	Non Executive Director
Steven Gregg	Non Executive Director
Jane Hemstritch	Non Executive Director
Justin Milne	Non Executive Director
Zygmunt Switkowski AO	Non Executive Director

### Company Secretaries

Kerry Willcock  
Julian Hoskins (acting, subject to regulatory approval)  
Michael Scott (alternate)

### Registered office

5 Bowen Crescent  
Melbourne, VIC 3004, Australia  
Telephone: 03 9868 2100  
Website: [www.tabcorp.com.au](http://www.tabcorp.com.au)

### Share registry

Link Market Services Limited  
Level 1, 333 Collins Street  
Melbourne, VIC 3000, Australia  
Telephone: 1300 665 661 (local call cost within Australia)  
Telephone: 02 8280 7418  
Website: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

### Auditor

Ernst & Young

### Corporate information

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

### Stock exchange listings

The Company's securities are quoted on the Australian Securities Exchange (ASX) under the codes:

- TAH for ordinary shares; and
- TAHHB for Tabcorp Subordinated Notes.

### Annual reports

The Company's annual reports are available from the Company's website at [www.tabcorp.com.au](http://www.tabcorp.com.au).

### Currency

References to currency are in Australian dollars unless otherwise stated.

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## Directors' report

The Directors of the Company submit their report for the consolidated entity comprising the Company and its subsidiaries (collectively referred to as "the Tabcorp Group") in respect of the half year ended 31 December 2015.

### 1. Principal activities

The principal activities of the Tabcorp Group during the half year comprised the provision of gambling and entertainment services. The Tabcorp Group's principal activities remain unchanged from the previous financial year to 30 June 2015, except as disclosed elsewhere in this report.

### 2. Financial results

The financial results of the Tabcorp Group for the half year ended 31 December 2015 relate to the Tabcorp Group's operations, which comprise its three businesses of Wagering and Media, Gaming Services, and Keno.

Reported net profit after income tax (NPAT) was \$81.9 million, which was 33.1% below the previous corresponding period. NPAT before significant items was \$97.5 million, which was 7.3% above the previous corresponding period. Significant items comprised costs relating to civil proceedings commenced by AUSTRAC and the establishment of operations in the UK.

Earnings before interest and tax (EBIT) was \$159.0 million, which was 10.2% below the previous corresponding period.

Revenue was \$1,135.6 million, which was 1.8% above the previous corresponding period.

#### 2.1. Earnings per share

The Tabcorp Group's basic earnings per share for the half year were 9.9 cents, down 38.1% on the previous corresponding period, and diluted earnings per share were 9.8 cents, down 38.4% on the previous corresponding period.

#### 2.2. Dividends

An interim dividend of 12 cents per share has been announced. The dividend will be fully franked and payable on 16 March 2016 to shareholders registered at 11 February 2016. The ex-dividend date is 9 February 2016.

The target dividend payout ratio for the 2016 financial year is 90% of NPAT before significant items and amortisation of the Victorian Wagering and Betting Licence.

Tabcorp's Dividend Reinvestment Plan (DRP) will operate in respect of this interim dividend, with no discount or underwriting applicable.

The following dividends have been paid, declared or recommended by the Company since the end of the previous corresponding period:

Description	Amount per share fully franked	Announcement date	Record date	Payment date	Total
2016 interim dividend	12 cents	4 February 2016	11 February 2016	16 March 2016	\$99.8m
2015 final dividend	10 cents	13 August 2015	20 August 2015	24 September 2015	\$82.9m
2015 special dividend	30 cents*	5 February 2015	11 March 2015	16 March 2015	\$229.7m
2015 interim dividend	10 cents*	5 February 2015	11 March 2015	16 March 2015	\$76.6m

\* Dividend did not apply to the new shares issued under the 1 for 12 pro rata accelerated renounceable entitlement offer which concluded in March 2015

Further information regarding dividends may be found in note 3 to the Financial Report.

### **3. Review of operations**

The Tabcorp Group's structure comprises the following three businesses:

- Wagering and Media;
- Gaming Services; and
- Keno.

The activities and results for these operations during the half year are discussed below.

#### **3.1. Wagering and Media business**

The Tabcorp Group conducts wagering activities under the TAB brand in Victoria, New South Wales and the Australian Capital Territory (ACT) through a network of agencies, hotels and clubs; provides on-course totalisators at thoroughbred, harness and greyhound metropolitan and country race meetings; and via the internet, mobile devices, phone and pay TV. TAB customers can wager on a wide range of totalisator and fixed odds betting products offered on racing and sporting events. In Victoria, the business operates under a 50/50 Joint Venture with the Victorian Racing Industry.

Tabcorp's Wagering and Media business operates Luxbet, offering a racing, sport and novelty product bookmaking service to Australian customers by phone, internet and mobile devices based in the Northern Territory. The Luxbet Europe business offers online gambling products to European based customers.

The business operates Trackside, a computer simulated racing product, in Victoria, New South Wales and the ACT, and also licenses the product for use in other domestic and overseas jurisdictions.

The Tabcorp Group has a 50% interest in the Premier Gateway International (PGI) joint venture in the Isle of Man, which provides wagering services for PGI customers and pooling services to the Tabcorp Group and other international wagering operators in various jurisdictions outside Australia.

Tabcorp is partnering with News UK to establish a new online wagering and gaming business in the UK and Irish markets. The new business will be known as Sun Bets and will launch in 2016.

In addition, the business has specialist television and radio operations focused on the racing industry and other associated content. The business operates three Sky Racing television channels and broadcasts thoroughbred, harness and greyhound racing and other sports to audiences in TAB outlets, hotels, clubs, other licensed venues, and into homes to pay TV subscribers. The business manages the export of Australian racing to 52 other countries (as at 31 December 2015) which includes vision, form guides and wagering data, and also the import of racing content to Australian customers. The business also operates the Sky Sports Radio network which broadcasts throughout New South Wales and the ACT, and has advertising and sponsorship arrangements with Radio Sport National.

The Wagering and Media business achieved EBIT of \$131.3 million, which was 0.5% above the previous corresponding period. The business's revenue increased by 1.3% to \$973.0 million.

#### **3.2. Gaming Services business**

The Tabcorp Group operates Tabcorp Gaming Solutions (TGS) in Victoria and New South Wales. The business provides services to licensed gaming venues in areas including marketing, compliance, responsible gambling, venue refurbishment and machine procurement.

The Gaming Services business achieved EBIT of \$19.6 million, which was 3.4% below the previous corresponding period. The business's revenue increased by 4.3% to \$52.9 million.

#### **3.3. Keno business**

The Tabcorp Group operates Keno in licensed venues and TABs in Victoria, Queensland and the ACT, and in licensed venues in New South Wales.

The Keno business achieved EBIT of \$28.0 million, which was 3.7% above the previous corresponding period. The business's revenue increased by 5.7% to \$109.7 million.

## **4. Significant changes in the state of affairs**

The following events, which may be considered to be significant changes in the state of affairs of the Tabcorp Group, have occurred since the commencement of the half year on 1 July 2015.

### **4.1. Media rights**

Prior to the commencement of the half year, Tabcorp announced that its Sky Racing business had secured the broadcasting rights for all New South Wales thoroughbred racing, and that Sky Racing's thoroughbred showcase channel, Sky Racing World, would be included on FOXTEL's base tier.

On 7 August 2015, Tabcorp announced it had reached agreement on a media rights deal for Victorian thoroughbred racing. The arrangements, which expire in 2020, include domestic, digital and international rights for Victorian thoroughbred racing.

These long term media rights arrangements deliver certainty for Tabcorp, the racing industry, retail venue partners and wagering customers.

All Australian racing vision is available on the Sky Racing broadcast and TAB digital platforms.

### **4.2. Victorian licence payment Supreme Court proceedings**

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

However, in its judgment handed down on 26 June 2014 the Supreme Court held that the State of Victoria was not obliged to make the payment to Tabcorp. The Court accepted the State's argument that amendments to the legislation made by the State in 2008 and 2009 impliedly repealed the statutory provision which gave rise to the payment entitlement. Tabcorp was unsuccessful in its subsequent appeal to the Court of Appeal of the Supreme Court of Victoria which handed down its judgment on 4 December 2014.

On 15 May 2015, the High Court of Australia granted Tabcorp special leave to appeal in respect for the judgment of the Court of Appeal in relation to its claim based on the statutory provision. Tabcorp's appeal was heard in the High Court of Australia on 10 November 2015, and Tabcorp is waiting for the judgment to be handed down.

### **4.3. AUSTRAC proceedings**

In July 2015, Tabcorp announced that civil proceedings had been brought by the Australian Transaction Reports and Analysis Centre (AUSTRAC) against Tabcorp Holdings Limited and the Tabcorp Group's NSW and Victorian wagering businesses. The statement of claim includes matters which have been raised by and discussed with AUSTRAC over an extended period. Tabcorp has been actively managing these matters in consultation with AUSTRAC, and continues to work on resolving them as a priority. Tabcorp notes that certain matters referred to by AUSTRAC in its statement of claim were, at the time of occurrence and where appropriate, reported to the relevant gambling regulators and police authorities. Notifications were not made to AUSTRAC in all cases.

Tabcorp has filed its defence in accordance with the court timetable. The hearing is scheduled to commence in September 2016.

Tabcorp takes its regulatory compliance obligations extremely seriously. Tabcorp acknowledges the matters raised by AUSTRAC and is committed to ensuring they are resolved. A program of works, underway for some time, has been expanded. At this stage it is not practicable to determine the extent of any potential financial impact to the Tabcorp Group.

### **4.4. Other significant changes in the state of affairs**

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

## **5. Rounding of amounts**

Dollar amounts in the financial report and the Directors' report have been rounded to the nearest hundred thousand unless specifically stated to be otherwise, in accordance with the Australian Securities and Investments Commission Class Order 98/0100.

## **6. Auditor's independence declaration**

Attached is a copy of the auditor's independence declaration provided under section 307C of the Corporations Act 2001 in relation to the review for the half year ended 31 December 2015. This auditor's independence declaration forms part of this Directors' report.

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

As lead auditor for the review of Tabcorp Holdings Limited for the half-year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

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

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

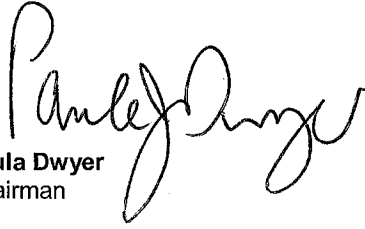


Ernst & Young



Tony Johnson  
Partner  
4 February 2016

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



**Paula Dwyer**  
Chairman

Melbourne  
4 February 2016

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## Income statement

For the half year ended 31 December 2015



	December 2015 \$m	December 2014 \$m
Revenue	1,135.6	1,115.2
Other income	0.4	(2.2)
Government taxes and levies	(176.8)	(191.2)
Commissions and fees	(451.5)	(428.0)
Employment costs	(91.7)	(88.0)
Communication and technology costs	(40.1)	(39.5)
Depreciation and amortisation	(89.5)	(84.2)
Property costs	(20.4)	(20.9)
Advertising and promotions	(37.3)	(22.3)
Other expenses	(69.7)	(61.8)
<b>Profit before income tax expense and net finance costs</b>	<b>159.0</b>	<b>177.1</b>
Finance income	1.8	1.3
Finance costs	(36.5)	(41.5)
<b>Profit before income tax expense</b>	<b>124.3</b>	<b>136.9</b>
Income tax expense	2 (42.4)	(14.5)
<b>Net profit after tax</b>	<b>81.9</b>	<b>122.4</b>
<b>Other comprehensive income</b>		
Change in fair value of cash flow hedges taken to equity that may be reclassified to profit or loss	6.4	(6.4)
Exchange differences on translation of foreign operations	0.6	0.2
Income tax on items that may be reclassified to profit or loss	(1.9)	1.9
<b>Other comprehensive income/(loss) for the period, net of income tax</b>	<b>5.1</b>	<b>(4.3)</b>
<b>Total comprehensive income for the period</b>	<b>87.0</b>	<b>118.1</b>
<b>Earnings per share:</b>		
<b>Total attributable to shareholders of Tabcorp</b>		
Basic earnings per share (cents)	9.9	16.0
Diluted earnings per share (cents)	9.8	15.9

The income statement should be read in conjunction with the accompanying notes.

**Balance sheet**  
As at 31 December 2015



	December 2015 \$m	June 2015 \$m
<b>Current assets</b>		
Cash and cash equivalents	117.8	160.0
Receivables	48.7	35.1
Consumables	5.4	4.9
Derivative financial instruments	2.6	1.9
Current tax assets	-	76.2
Other	24.9	18.1
<b>Total current assets</b>	<b>199.4</b>	<b>296.2</b>
<b>Non current assets</b>		
Receivables	13.0	14.2
Property, plant and equipment	312.0	325.1
Intangible assets - licences	678.8	700.9
Intangible assets - other	1,928.1	1,924.7
Derivative financial instruments	98.9	79.2
Other	47.2	43.7
<b>Total non current assets</b>	<b>3,078.0</b>	<b>3,087.8</b>
<b>TOTAL ASSETS</b>	<b>3,277.4</b>	<b>3,384.0</b>
<b>Current liabilities</b>		
Payables	323.1	334.1
Current tax liabilities	5.3	14.2
Provisions	25.5	27.3
Derivative financial instruments	22.8	24.0
Other	6.6	6.7
<b>Total current liabilities</b>	<b>383.3</b>	<b>406.3</b>
<b>Non current liabilities</b>		
Interest bearing liabilities	1,050.9	1,147.7
Deferred tax liabilities	66.9	58.1
Provisions	25.1	25.1
Derivative financial instruments	50.2	53.0
Other	3.5	3.7
<b>Total non current liabilities</b>	<b>1,196.6</b>	<b>1,287.6</b>
<b>TOTAL LIABILITIES</b>	<b>1,579.9</b>	<b>1,693.9</b>
<b>NET ASSETS</b>	<b>1,697.5</b>	<b>1,690.1</b>
<b>Equity</b>		
Issued capital	2,430.0	2,426.2
Accumulated losses	(33.0)	(32.0)
Reserves	(699.5)	(704.1)
<b>TOTAL EQUITY</b>	<b>1,697.5</b>	<b>1,690.1</b>

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

## Cash flow statement

For the half year ended 31 December 2015



	December 2015 \$m	December 2014 \$m
<b>Cash flows from operating activities</b>		
Net cash receipts in the course of operations	1,153.4	1,127.6
Payments to suppliers, service providers and employees	(776.8)	(704.3)
Payment of government levies, betting taxes and GST	(148.5)	(187.4)
Finance income received	1.8	1.3
Finance costs paid	(35.9)	(41.9)
Income tax refund /(paid)	32.8	(29.5)
<b>Net cash flows from operating activities</b>	<b>226.8</b>	<b>165.8</b>
<b>Cash flows from investing activities</b>		
Payment for business acquisition, net of cash acquired	-	(103.3)
Payment for property, plant and equipment and intangibles	(73.2)	(76.7)
Proceeds from sale of property, plant and equipment and intangibles	0.3	-
Loan repayments received from customers	1.2	1.7
<b>Net cash flows used in investing activities</b>	<b>(71.7)</b>	<b>(178.3)</b>
<b>Cash flows from financing activities</b>		
Net cash flows from revolving bank facilities	(115.0)	60.0
Dividends paid	(73.5)	(51.3)
Payment for on-market share purchase	(8.8)	(5.9)
<b>Net cash flows from/(used in) financing activities</b>	<b>(197.3)</b>	<b>2.8</b>
Net decrease in cash held	(42.2)	(9.7)
Cash at beginning of period	160.0	126.8
<b>Cash at end of period</b>	<b>117.8</b>	<b>117.1</b>

*The cash flow statement should be read in conjunction with the accompanying notes.*

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**Statement of changes in equity**  
For the half year ended 31 December 2015



	Issued capital		Retained earnings/ (accumulated losses)	Net unrealised losses reserve	Employee equity benefit reserve	Demerger reserve	Foreign currency translation reserve	Total equity
	Ordinary shares	Treasury shares						
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>2015</b>								
<b>Balance at 1 July 2015</b>	<b>2,427.0</b>	<b>(0.8)</b>	<b>(32.0)</b>	<b>(39.2)</b>	<b>4.5</b>	<b>(669.9)</b>	<b>0.5</b>	<b>1,690.1</b>
Profit for the period	-	-	81.9	-	-	-	-	81.9
Other comprehensive income/(loss)	-	-	-	4.5	-	-	0.6	5.1
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>81.9</b>	<b>4.5</b>	<b>-</b>	<b>-</b>	<b>0.6</b>	<b>87.0</b>
Dividends paid	-	-	(82.9)	-	-	-	-	(82.9)
Dividend reinvestment plan	9.4	-	-	-	-	-	-	9.4
Transfers	2.0	-	-	-	(2.0)	-	-	-
Restricted shares issued	-	(1.6)	-	-	-	-	-	(1.6)
Share based payments expense	-	1.2	-	-	1.5	-	-	2.7
Net outlay to purchase shares <sup>(i)</sup>	(7.2)	-	-	-	-	-	-	(7.2)
<b>Balance at 31 December 2015</b>	<b>2,431.2</b>	<b>(1.2)</b>	<b>(33.0)</b>	<b>(34.7)</b>	<b>4.0</b>	<b>(669.9)</b>	<b>1.1</b>	<b>1,697.5</b>
<b>2014</b>								
<b>Balance at 1 July 2014</b>	<b>2,189.2</b>	<b>(0.5)</b>	<b>(0.7)</b>	<b>(40.5)</b>	<b>4.0</b>	<b>(669.9)</b>	<b>(0.2)</b>	<b>1,481.4</b>
Profit for the period	-	-	122.4	-	-	-	-	122.4
Other comprehensive income/(loss)	-	-	-	(4.5)	-	-	0.2	(4.3)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>122.4</b>	<b>(4.5)</b>	<b>-</b>	<b>-</b>	<b>0.2</b>	<b>118.1</b>
Dividends paid	-	-	(61.0)	-	-	-	-	(61.0)
Dividend reinvestment plan	9.7	-	-	-	-	-	-	9.7
Transfers	2.1	-	-	-	(2.1)	-	-	-
Restricted shares issued	-	(1.1)	-	-	-	-	-	(1.1)
Share based payments expense	-	0.4	-	-	1.3	-	-	1.7
Net outlay to purchase shares <sup>(i)</sup>	(4.8)	-	-	-	-	-	-	(4.8)
<b>Balance at 31 December 2014</b>	<b>2,196.2</b>	<b>(1.2)</b>	<b>60.7</b>	<b>(45.0)</b>	<b>3.2</b>	<b>(669.9)</b>	<b>-</b>	<b>1,544.0</b>

(i) Net outlay for the purchase of Company shares for vested Performance Rights in lieu of issuing new share capital.

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

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## Notes to the financial statements

For the half year ended 31 December 2015



### 1. Basis of preparation

Tabcorp Holdings Limited ('the Company') is a company domiciled in Australia. The general purpose condensed consolidated half year financial report ('half year financial report') of the Company for the six months ended 31 December 2015 comprises the Company and its subsidiaries (collectively referred to as 'the Group') and the Group's interest in joint arrangements.

The half year financial report was authorised for issue by the directors on 4 February 2016 and has been prepared in accordance with AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*.

This half year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies used are consistent with those applied in the 30 June 2015 financial report.

### 2. Income tax

During the prior period, the Group resolved with the Australian Taxation Office the tax treatment of the NSW Trackside concessions payment of \$150.0 million, which was recognised as an asset in 2010. Under the settlement Tabcorp is entitled to a tax deduction of \$105.0 million over a 10 year period. The Group considers the settlement changes the tax base of the asset, resulting in a new temporary difference arising. An income tax benefit of \$31.5 million representing the entire deduction was recognised during the half year ended 31 December 2014, together with a deferred tax asset which will unwind as the tax deductions are claimed or prior assessments are amended.

### 3. Dividends

#### Dividends declared and paid during the half year:

2015 Final dividend of 10.0 cents per share (2014: 8.0 cents per share)

December 2015	December 2014
\$m	\$m
<b>82.9</b>	61.0

#### Dividends declared after balance date

Since the end of the half year, the directors declared the following dividends:

(a) 2016 Interim dividend of 12.0 cents per share (2015: 10.0 cents per share)

99.8 76.6

(b) 2015 Special dividend of 30.0 cents per share

- 229.7

The financial effect of these dividends has not been brought to account in the financial statements and will be recognised in subsequent financial reports.

**99.8** 306.3

Dividends are fully franked at a tax rate of 30%.

### 4. Financial instruments disclosure

#### (a) Fair values

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

	Carrying amount		Fair value	
	December 2015	June 2015	December 2015	June 2015
	\$m	\$m	\$m	\$m
<b>Financial liabilities</b>				
US Private Placement	302.2	285.4	329.7	312.1
Subordinated notes	250.0	250.0	252.8	253.3
	<b>552.2</b>	535.4	<b>582.5</b>	565.4

#### Swaps

Fair value is calculated using discounted future cash flow techniques, where estimated cash flows and estimated discount rates are based on market data at balance date.

#### US Private Placement

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

#### Subordinated Notes

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

## Notes to the financial statements

For the half year ended 31 December 2015



### 4. Financial instruments disclosure (continued)

#### (b) Fair value hierarchy

There are various methods available in estimating the fair value of a financial instrument. The methods comprise:

Level 1	- the fair value is calculated using quoted prices in active markets.
Level 2	- the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3	- the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the derivative financial instruments have been determined using observable inputs (level 2) and are as follows:

	December 2015 \$m	June 2015 \$m
<b>Current assets</b>		
Cross currency swaps	2.6	1.9
<b>Non current assets</b>		
Cross currency swaps	98.9	79.2
	<b>101.5</b>	<b>81.1</b>
<b>Current liabilities</b>		
Interest rate swaps	20.6	21.8
Cross currency swaps	2.2	2.2
Open betting positions	4.4	6.9
	<b>27.2</b>	<b>30.9</b>
<b>Non current liabilities</b>		
Interest rate swaps	50.2	52.9
	<b>77.4</b>	<b>83.8</b>

### 5. Segment information

The Group's operating segments have been determined based on the internal management reporting structure and the nature of products and services provided by the Group. They reflect the business level at which financial information is provided to management for decision making regarding resource allocation and performance assessment. The measure of segment profit used excludes significant items not considered integral to the ongoing performance of the segment, which are outlined in the reconciliation below. Intersegment pricing is determined on commercial terms and conditions.

The Group has three operating segments:

<b>Wagering and Media</b>	Comprises: - Totalizator and fixed odds betting activities. - National and international broadcasting of racing and sporting events.
<b>Gaming Services</b>	Supply of electronic gaming machines and specialised services to licensed gaming venues.
<b>Keno</b>	Keno operations in licensed venues and TABs in Victoria, Queensland and the Australian Capital Territory, and in licensed venues in New South Wales.

	Wagering and Media \$m	Gaming Services \$m	Keno \$m	Total \$m
<b>December 2015</b>				
Revenue	973.0	52.9	109.7	1,135.6
Segment profit before interest and tax	131.3	19.6	28.0	178.9
<b>December 2014</b>				
Revenue	960.7	50.7	103.8	1,115.2
Segment profit before interest and tax	130.7	20.3	27.0	178.0
			December 2015 \$m	December 2014 \$m
<b>Reconciliation of segment profit</b>				
Segment profit before interest and tax			178.9	178.0
Unallocated items:				
- finance income			1.8	1.3
- finance costs			(36.5)	(41.5)
- significant items <sup>(i)</sup>			(17.5)	-
- other			(2.4)	(0.9)
Profit before income tax expense			<b>124.3</b>	<b>136.9</b>

(i) Significant items comprise costs relating to the AUSTRAC civil proceedings (\$9.1m) and the establishment of operations in the UK (\$8.4m).

## 6. Contingent liabilities and contingent assets

Since the last annual reporting date, the material changes in contingent liabilities and assets are:

### Contingent liabilities

#### Civil proceedings

On 21 July 2015 the Australian Transaction Reports and Analysis Centre (AUSTRAC) commenced civil proceedings against Tabcorp Holdings Limited, Tab Limited and Tabcorp Wagering (Vic) Pty Ltd alleging certain breaches of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006. The Statement of Claim in these proceedings included matters which have been raised by and discussed with AUSTRAC over an extended period. The Company has been actively managing these matters in consultation with AUSTRAC, and continues to work on resolving them as a priority.

The Company filed its defence in the Federal Court and the hearing is scheduled to commence in September 2016. At this stage it is not practicable to determine the extent of any potential financial impact to the Group.

#### Victorian licence litigation

On 24 August 2012, the Company commenced legal action in the Supreme Court of Victoria seeking a payment from the State of Victoria. The State's obligation to make the payment to the Company came into existence when it privatised the Victorian TAB and listed the Company on the Australian Securities Exchange (ASX) in 1994.

On 26 June 2014, the Supreme Court of Victoria handed down judgment in the proceeding in favour of the State of Victoria. The Company was unsuccessful in its initial appeal to the Court of Appeal of the Supreme Court of Victoria which handed down its judgment on 4 December 2014. On 15 May 2015, the Company was granted special leave to appeal to the High Court of Australia in respect of the judgment of the Court of Appeal. The appeal was heard on 10 November 2015 and the judgment is pending. The Company in its appeal is seeking an order for a payment of approximately \$686.8 million plus statutory interest from the State of Victoria. Any proceeds will be subject to income tax.

## 7. Subsequent events

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

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## Directors' declaration



In the opinion of the directors of Tabcorp Holdings Limited:

- (a) the financial statements and notes are in accordance with the *Corporations Act 2001* including:
- (i) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half year ended on that date; and
  - (ii) complying with Accounting Standards and *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors.

A handwritten signature in black ink, appearing to read "Paula Dwyer".

Paula Dwyer  
Chairman

A handwritten signature in black ink, appearing to read "David Attenborough".

David Attenborough  
Managing Director and Chief Executive Officer

Melbourne  
4 February 2016

To the members of Tabcorp Holdings Limited

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Tabcorp Holdings Limited, which comprises the condensed statement of financial position as at 31 December 2015, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Tabcorp Holdings Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Tabcorp Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Tony Johnson  
Partner  
4 February 2016