TattsGroup

15THRILLS

TATTS GROUP LIMITED
ANNUAL REPORT 2015

ABN 19 108 686 040

Contents

The thrill is what drives us.

In FY15 our business renewal has stepped up a gear, delivering a transformative approach to digital, innovative new brands such as UBET and game-changing technology.

We are innovating the way we do business to bring thrills that benefit our customers, our shareholders and our teams.

This year we've highlighted 15 of FY15's 'thrills', each one taking us a step closer to becoming the world's best gambling group.

Thrill #1

SURGE IN PROFITS

Despite fierce competition, fewer lottery jackpots, and an ongoing business renewal program, Tatts Group achieved a 25.7% surge in statutory profit after tax.

REVENUE UP 1.8% TO

$2.92 BILLION

NPAT (CONTINUING OPERATIONS) UP 12.9% TO

$255.8M

EBITDA

UP 1.8% TO $507.4 MILLION

NPAT (STATUTORY)

UP 25.7% TO

$252.0 MILLION

EBIT UP 1.4% TO

$420.3M

RECORD RESULTS FOR LOTTERIES, MAXGAMING & TALARIUS

Thrill #2

UNLEASHING **UBET**

We launched UBET on 30 April 2015, our exciting new assault on retail and digital wagering, placing the customer in the driver's seat. As the largest non-casino gambling business in Australia, we are determined to become the market leader in the wagering space.

Thrill #3

BEST IN CLASS **DIGITAL**

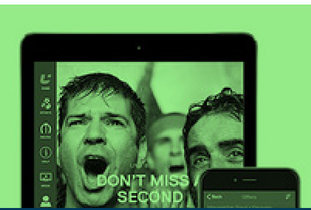
LIVE RACING VISION

LEAGUE OF LEGENDS

EXPERT NEWS AND VIEWS

UBET APP

FAST AND INTUITIVE



Thrill #4

TRANSFORMING **WAGERING** TECHNOLOGY

UBET+ rewards customers in cash, based on their spend with us across retail, digital, and phone. A class-leading loyalty program to connect with our customers, in an environment where brand loyalty is rare.

Thrill #5

REINVIGORATING **RETAIL** WAGERING

Our new UBET stores are a dramatic change from the old TAB, bringing to life the concept billed as 'your home arena'. We can now offer a true omni-channel wagering experience, with the seamless convergence of digital, retail and telephone betting in the new stores and on-course.

CHAIRMAN'S LETTER

The 2015 financial year has been a very successful year. We produced a strong financial result with net profit after tax lifting 25.7% (12.9% on a continuing operations basis).

This strong outcome was achieved while maintaining our investment and focus on the business renewal program we began some two years ago.

In looking back over the year, it is worth remarking on a number of significant operational achievements:

- The **digital and online** initiatives we have implemented are performing exceedingly well, gaining significant momentum in the year. Our online sales for wagering were up by 12.5%, and lotteries were up by 20.9%.
- Our **Wagering operation** successfully launched the UBET brand—now live in-market, and the repositioning of the business is in full swing. While still early days, we have seen some very positive signs from the new branding and retailing initiatives implemented thus far.
- Our **Lotteries** team was focused on new product innovation, with Lucky Lotteries launched in Queensland, Victoria, Tasmania and the Northern Territory, while the new Set for Life game achieved regulatory clearance. We are excited about the potential for Set for Life, which launched on 3 August 2015, our first new draw lottery game since 1996.

The Managing Director's report on page 10, discusses these highlights in more detail.

OPERATIONAL PERFORMANCE

At a Group level, we achieved revenue growth of 1.8% to $2.92 billion, despite the challenge posed by an extremely competitive wagering environment as well as fewer lottery jackpots reaching the influential $15 million or more level.

This revenue growth, combined with prudent cost control, saw us deliver improved operating margins across our portfolio of businesses, resulting in the strong increases in net profit after tax previously mentioned, and a 23.4% increase in earnings per share.

INCREASED RETURNS TO SHAREHOLDERS

Consistent with the increased net profit and earnings per share, and our commitment to high dividend payout ratios, your Board has determined a final dividend of 7.5 cents per share (last year 5.5 cents).

This takes the total dividend paid for the 2015 financial year to 16.5 cents per share, an increase of 22.2% over 2014. This represents a 95.1% payout of our statutory profits, and is the ninth year[1] since listing in 2005 that the dividend payout ratio has exceeded 90%.

[1] On a continuing operations basis.

TOTAL SHAREHOLDER RETURN FOR FY15 FROM A COMBINATION OF DIVIDENDS AND SHARE PRICE GROWTH WAS 20.7%.

We are continuing our dividend reinvestment plan (**DRP**) this year. With the strength of our balance sheet and overall financial position, your Board has decided to discontinue the 1.5% discount previously offered with the DRP.

Total Shareholder Return (**TSR**) for FY15 from a combination of dividends and share price growth was 20.7%. This performance again outpaces the broader ASX200, which achieved a TSR of 7.8% over the same period.

PEOPLE

The business renewal program we commenced in FY13 was designed to challenge and update some of our accepted ways of operating to better position all our businesses for future success.

As expected, this resulted in some significant changes in business processes and focus, as well as adjustments to team structures and personnel. Change can sometimes be a difficult and emotional issue, and I would like to acknowledge the positive way the entire Tatts team has embraced the changes made.

Through this renewal program, which is ongoing, we have already achieved an extraordinary amount of success in a short period of time, and this, once again, is credit to the outstanding efforts of the dedicated and engaged team at Tatts.

In discussing our team, I am pleased to report on the success achieved so far under our diversity program. We have implemented a number of specific programs that aim to place the best possible talent in roles as they become available, and have focused on removing any impediments to the 'best and brightest' applying for these roles, irrespective of gender. I am happy to report that, under this approach, we have seen the representation of women in our senior leadership team lift to now make up 50%[1] of this important management group (vs last year: 27%).

SUSTAINABILITY

Tatts has a well-developed sustainability program and vision, which we have refined over the 100+ years we have operated. It recognises that our licences and authorities to operate are privileges granted by governments, and proudly highlights our significant contributions to both the communities in which we operate and to the industry partners upon whom we rely.

In FY15 we became official partners with two key community organisations. Our Lotteries unit is now an official partner of the Starlight Foundation and our Wagering unit partners with Mates4Mates (an initiative of the RSL). An important part of our sustainability approach involves community support through our responsible gambling programs, and contributions to community organisations such as these.

We have also continued to make significant charitable contributions to a range of programs, with these contributions covered in greater detail in our Sustainability Report on page 28.

In FY15 we paid a total of $1.32 billion to state governments (excluding corporate taxes) and industry partners in the form of lottery taxes, wagering taxes, wagering product fees and race information fees, with the most significant of these contributions being:

- Queensland $367.1 million
- New South Wales $327.1 million
- Victoria $387.3 million

We continue to monitor our environmental impact, and although we will always have a low carbon emissions footprint due to the nature of our businesses, we have made further positive strides in FY15 to decrease this small footprint even further.

Again, more detailed reporting on our environmental impact is provided in our Sustainability Report on page 28.

POKIES COMPENSATION LITIGATION

The legal action to enforce our contractual rights following the expiry of our Victorian gaming operator's licence in FY13 continues. After successfully defending the appeal by the State of Victoria to the Victorian Supreme Court in FY14, the High Court of Australia granted the State special leave to appeal that decision. There can be no certainty when that appeal will be heard, but we are hopeful that this matter will be finally concluded during the current financial year.

If we are ultimately successful, your Board will consider appropriate capital management options in the best interests of shareholders. Meanwhile, although the compensation of $451.2 million, plus interest of $89.3 million, has been received from the State of Victoria, it will not be recognised as income in our accounts until the action is finally concluded (i.e. after the High Court appeal decision). To date, the funds have been used to reduce debt.

LOOKING FORWARD

Following the launch of UBET on 30 April 2015, our wagering strategy in FY16 has four key elements:

- focus on building the new brand nationally;
- refurbish and renew our retail footprint;
- continually improve our digital offerings;
- continually innovate our products and technology.

THIS IS THE NINTH YEAR[2] SINCE LISTING THAT THE DIVIDEND PAYOUT RATIO HAS EXCEEDED 90%.

Our renewal activities will accelerate in FY16 to focus in on lotteries, with:

- the launch of a new website and apps;
- the refresh of our lotteries' retail image; and
- the development of a network-wide, omni-channel customer experience.

We will also continue to actively seek out acquisition opportunities that offer our business a step-up in scale, geography and/or product range within the wagering, lottery and/or gaming domains. Our approach remains disciplined, with a strategic focus on only those opportunities that will deliver commercially attractive returns, and which are capable of seamless integration, or which will benefit from our proven operational capabilities.

Your Directors and I look forward to welcoming you to the Tatts Group Annual General Meeting on Friday, 30 October 2015 at the iconic 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**.

HARRY BOON

Chairman

[1] The Sustainability Report on page 28 has more detail on our diversity policy and reporting.

[2] On a continuing operations basis.

MANAGING DIRECTOR'S REPORT

OPERATING & FINANCIAL REVIEW

FY15 was another great year for Tatts.

Building on last year's momentum, we achieved an impressive lift in profits (25.7% on a statutory basis or 12.9% on a continuing operations basis) while also implementing a significant number of initiatives under our business renewal program, to better position our operations for future growth.

This renewal program is focused on re-invigorating our business. It is about re-thinking some of our accepted ways of operating and giving our team the authority to 'challenge, re-think and refresh'. Often when companies embark on such programs the actions required can impede immediate-term profit outcomes due to organisational distraction and disruption. Given this known risk, our FY15 results are particularly pleasing.

FY15 WAS ANOTHER GREAT YEAR FOR TATTS. BUILDING ON LAST YEAR'S MOMENTUM, WE ACHIEVED AN IMPRESSIVE LIFT IN PROFITS...

The momentum built in FY15 has continued into the new financial year, kick-started by a strong run of lottery jackpots at the influential $15 million or more threshold (8 vs 5 in the same period last year). While still early days, this provides a solid foundation for the year ahead.

As in past years, before reviewing our financial performance and position at a Group level, I will first provide a 'year in a snapshot' view of the past year including looking more closely at some of the game-changing actions, initiatives and innovations undertaken by the team. I then move to a 'deeper dive' into the performance of our three operating units (Lotteries, Wagering and Gaming) with a focus on their key achievements in FY15, and then wrap up with some of the key actions planned for the year ahead.

Our Annual General Meeting in October will be an 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.

YEAR IN OVERVIEW

FY15 SNAPSHOT

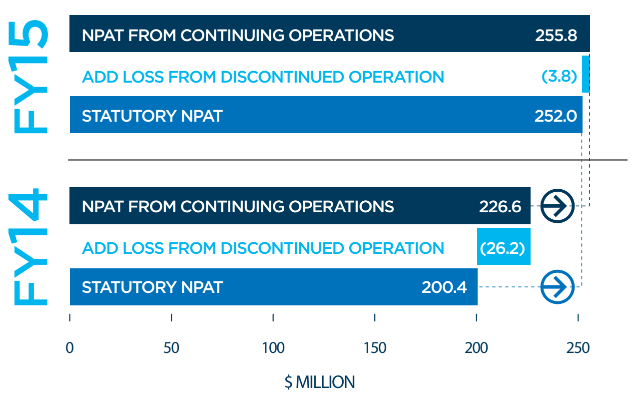
The 25.7% surge in after tax profits on a statutory basis to $252.0 million, and the more representative 12.9% lift on a continuing operations basis to $255.8 million, was achieved despite fewer and lower value lottery jackpots, a more competitive wagering landscape, the business digesting a number of major changes from our ongoing business renewal program, and the rollout of a number of new products and initiatives. (see Figure 1)

It was particularly exciting to see the excellent sales traction accomplished by our digital channels in the year. These digital sales contributed significantly to our FY15 performance. Lotteries delivered an outstanding 20.9% growth in online sales, with 11.1%[1] of our lotteries sales online in FY15 (FY14: 9.4%).

Wagering's digital outcomes were also excellent, with a growth rate of 12.5%. Our wagering operation transacts an impressive 25.7% of its sales online (compared to 22.9% in FY14). We believe there remains considerable untapped opportunity in the digital wagering channel, and the initiatives we are implementing are designed to capture this potential (see discussion below).

The launch of UBET on 30 April 2015 was a key area of focus for our Wagering operation in FY15, and we are extremely pleased with the consumer response to the UBET brand, our marketing actions, and the associated digital and retail initiatives. UBET is not just a simple change in livery. It clearly is a continuing piece of work, and will remain a focus in FY16 and beyond.

FIGURE 1. NPAT GROWTH



The UBET project has seen the team deliver the key elements that position UBET to provide a world-class omni-channel customer experience. To this end, FY15 saw the accomplishment of many major milestones including:

- The selection and development of our new brand, UBET, including securing the 'ubet.com' domain.
- Up-scaling our online capabilities (development, online marketing and customer relationship marketing).
- Development of new apps and website.
- Production and launch of advertising across all media.
- Design and rollout of our category-leading next generation retail outlets.
- Doubling the team's bookmaking resources.
- Integrating an automated bookmaking platform to provide significantly expanded and enhanced markets (pre-match and in-play).
- Development and introduction of our rewards program, UBET+.
- Market ready with a category-leading virtual sport and racing solution.
- Development of new self-service betting terminals with cash handling and ticket-in ticket-out capability.
- Development of our new age retail terminal, the Orion, due for rollout in FY16.
- Development and retail launch of UBET Live, which provides a unique in-venue in-play betting module.

[1] Consistent with prior years this excludes South Australia—if South Australia is included, online sales grew 22.2% and represent 10.4% of sales vs 8.7% in FY14

MAJOR MILESTONES INCLUDE THE SELECTION AND DEVELOPMENT OF OUR NEW BRAND, UBET.

Also in the wagering arena, we completed the contractual amendments required to reflect the new wagering structure in Queensland as agreed with Government and the Racing Industry at the end of FY14. These arrangements also required certain legislative changes to enshrine the new structure and, pleasingly, these were enacted in December 2014. On the licencing front, we are currently in the midst of a competitive process for the award of a new Totalisator Licence in the Northern Territory.

The Territory Government extended the original licence expiry from 30 June 2015 to 31 August 2015. We therefore expect a decision imminently.

Our Lotteries operation has had an excellent year with revenues up 2.8% despite jackpot levels being lower than in the prior year. In addition to driving our core operations, our Lotteries team implemented a number of digital initiatives and specific projects that have made a significant contribution to this performance throughout the year, including:

INSTANT SCRATCH-ITS IN VICTORIA

Following a variation to our public lotteries licence in October 2014, we completed the many technical, operational and retailing integration works necessary to facilitate the sale of Instant Scratch-Its in Victoria from 1 February 2015. The return of Instant Scratch-Its to our Victorian product line after a 6-year absence has seen a great customer and retailer response, with sales tracking well ahead of those achieved prior to Tatts' re-engagement.

INSTANT SCRATCH-ITS INNOVATION

The year saw a focus on innovation in ticket design and new products. The inaugural launch of the $20 Instant Scratch-Its Game Book in Golden Casket jurisdictions was a standout success, as was the introduction of the new Live the Life range (and other tickets) that highlighted new features along with a new reflective printing technique, adding to the visual appeal of the ticket.

LUCKY LOTTERIES

On 30 March 2015 the Lucky Lotteries game, previously only available in New South Wales and the ACT, was successfully extended into Queensland, Victoria, the Northern Territory and Tasmania. The new multi-jurisdictional game is built on the 84-year-old, successful NSW Lotteries draw lottery game. Customers and retailers in the new markets have embraced the game, and we have seen a strong online response to Lucky Lotteries, with overall online sales currently more than 17% (the online mix being significantly higher in the new markets).

CONVENIENCE FUEL OUTLETS

Our 2-year trial at seven Coles Express retail fuel sites in Victoria concluded on 28 June 2015, however we simultaneously sealed an agreement to expand the sale of our full lotteries offering in other convenience fuel outlets across New South Wales, Victoria and the ACT. This is an exciting opportunity on the back of strong year-on-year growth in the convenience fuel channel, predominantly from the 'On the Run' chain in the South Australian market.

SET FOR LIFE

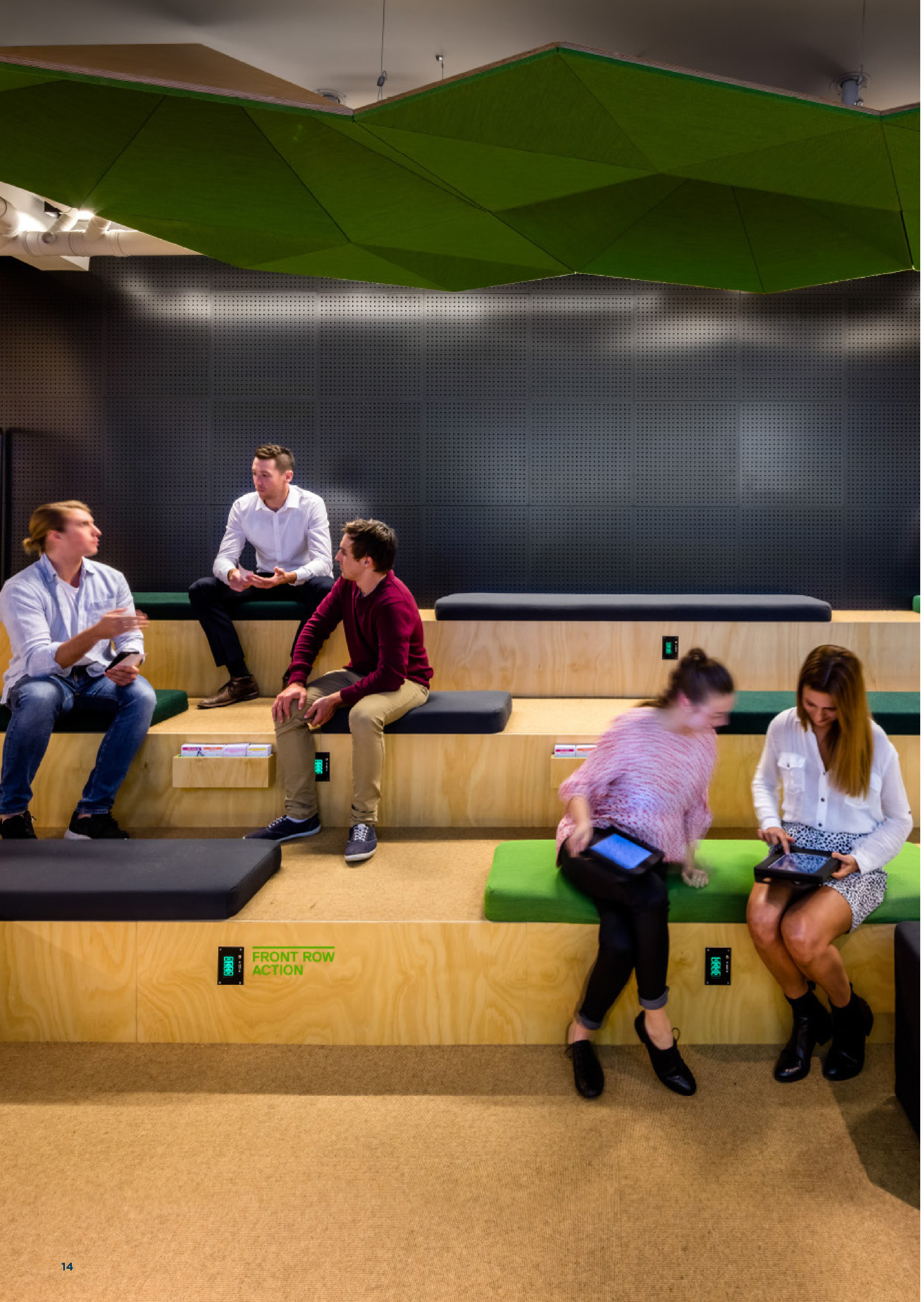
In June 2015 we achieved all regulatory approvals necessary to launch Set For Life in August 2015. Considerable excitement surrounds what is our first new national draw game since the launch of Powerball in 1996.

OMNI-CHANNEL CUSTOMER EXPERIENCE

Throughout the year we have been developing a network-wide, omni-channel experience to unify our lotteries customer experience through all of our purchase channels. When launched, this will mirror the omni-channel experience being pursued in our Wagering operation.

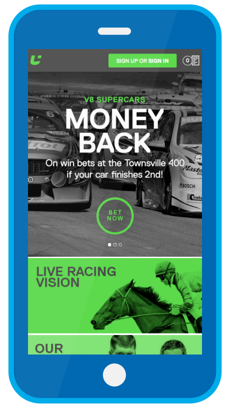
NEW DIGITAL ASSETS

The team is working on a new suite of digital assets for lotteries to further improve our online customer experience.



Our Gaming team has been particularly focused in the year on our centralised monitoring system (**CMS**) business in New South Wales. We operate this business under a licence from the New South Wales Government, and provide a monitoring platform to which all electronic gaming machines in clubs and hotels in New South Wales must be connected for taxation and regulatory purposes. In our capacity as licensee, our system is responsible for calculating and facilitating the collection of in excess of $1.3 billion in taxes on behalf of the New South Wales Government from more than 95,000 networked gaming machines, in approximately 2,700 venues throughout the State.

Beyond our normal business operations, a key matter still in progress is the compensation claim in Victoria relating to our now discontinued pokies business. During FY15 the State of Victoria was granted special leave by the High Court of Australia to appeal the decision by the Supreme Court of Victoria to award compensation in favour of Tatts ($451.2 million plus interest of $89.3 million). We look forward to the final resolution of this matter in FY16.



Finally, in looking at the year in overview, I would like to highlight that the results delivered—and the exciting innovations and initiatives we have in the pipeline—have been made possible by the combined efforts of a large number of engaged, creative and passionate team members working in unison. We have, over the last 2 years, done much to structure our work groups to better deliver business outcomes—we have removed silos, lifted internal communication, encouraged nimbleness, introduced rapid prototyping to fast-track product delivery, promoted and recruited the 'best and brightest', and openly articulated to all team members our business strategies—all with a single-minded focus on customer satisfaction. Ultimately, it is the energy of our team that will ensure we achieve our vision of being the world's best gambling group!

IT IS THE ENERGY OF OUR TEAM THAT WILL ENSURE WE ACHIEVE OUR VISION OF BEING THE WORLD'S BEST GAMBLING GROUP!

Our licence is due to expire on 30 November 2016 and the New South Wales Government has commenced a competitive market process for a new licence. Irrespective of the outcome of this competitive process, we have over the last year been working with the New South Wales Government to establish appropriate transitional arrangements to continue to provide the CMS service for a transitional 12-month post-licence period, on similar commercial terms to those currently in place.

GROUP FINANCIAL PERFORMANCE

GROUP REVENUE

At a Group level revenue was up 1.8% on FY14 at $2.92 billion.

Our Lotteries operation contributed strongly to this revenue outcome, with our largest game, Saturday Lotto, performing very well, assisted by the price increase introduced in July 2014. This was supplemented by stability in our Monday/Wednesday game and a strong performance by our Instant Scratch-Its portfolio, which benefited from the return of Victoria to the fold. All this despite fewer jackpots at the $15 million or more mark, and a lower average value jackpot pool for the year.

Awaiting the UBET launch that occurred in the last two months of the reporting period, wagering revenue was down, reflecting as vigorous as ever competitor activity and a subdued retail environment in a few key regions. Our three gaming businesses all performed well, and, in aggregate, delivered increased contributions to the Group's revenue.

GROUP EBITDA

Group EBITDA of $507.4 million was 1.8% up on FY14's result.

Lotteries positively contributed to this result, where its EBITDA margin lifted (up 50 basis points to 15.9%) benefiting from the growth in our digital channel (discussed in more detail below).

Wagering's margin performance was in line with the level we indicated to the market in August last year—the lower margin outcome reflecting the investment made to reposition our wagering offering so as to compete and capture segment share. This, coupled with the subdued revenue result, saw wagering's contribution to the Group's EBITDA result soften.

Our three gaming businesses all increased on their FY14 performances to provide a lift in the Group's EBITDA outcome in FY15.

GROUP EBIT

EBIT from continuing operations was up 1.4% in FY15 to $420.3 million. Total Group depreciation and amortisation amounted to $87.1 million, up 3.8% on FY14. Amortisation of the new Queensland wagering licence was the largest contributor to this increased charge.

GROUP NET PROFIT

After tax profits from continuing operations for the Group lifted 12.9% to $255.8 million (FY14: $226.6 million). Net interest was down $33.7 million.

Group after tax profits on a statutory basis lifted 25.7% to $252.0 million (FY14: $200.4 million), noting that the FY14 result included the $26.2 million impact of our discontinued Victorian pokies operation, primarily relating to the health benefit levy charge in FY14.

FIGURE 2. GROUP FINANCIAL PERFORMANCE

	FY15 $ M	FY14 $ M		CHANGE %
Total revenue and other income	2,919.9	2,868.3	▲	1.8%
State government share	(1,293.5)	(1,289.9)	▲	0.3%
Venue share/ commission	(417.0)	(413.1)	▲	0.9%
Product and program fees	(203.1)	(187.2)	▲	8.5%
Other expenses	(498.9)	(479.7)	▲	4.0%
Total expenses	(2,412.5)	(2,369.9)	▲	1.8%
EBITDA	**507.4**	**498.4**	▲	**1.8%**
Depreciation and amortisation	(87.1)	(83.9)	▲	3.8%
EBIT	**420.3**	**414.5**	▲	**1.4%**
Net interest	(54.2)	(87.9)	▼	(38.4%)
Profit before tax	**366.1**	**326.6**	▲	**12.1%**
Income tax	(110.3)	(100.0)	▲	10.3%
Net profit after tax (continuing operations)	**255.8**	**226.6**	▲	**12.9%**
(Loss) from discontinued operation	(3.8)	(26.2)	▼	(85.4%)
Net profit after tax (statutory)	**252.0**	**200.4**	▲	**25.7%**

REVENUE

$2.92 BILLION,

UP 1.8%

GROUP FINANCIAL POSITION

Following the refinancing of $650 million of our facilities in FY14, we have secured the benefits of improved pricing, the current interest rate market, the compensation proceeds received and the cash generated from operations, which has resulted in net interest falling from $87.9 million to $54.2 million, a reduction of $33.7 million.

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 rewarding shareholders where possible. Despite not maintaining a public credit rating, our target is a balance sheet consistent with an investment grade rating. Throughout FY15, we have undertaken capital management activities that have positioned the Group well, delivering value to shareholders principally through lower financing costs.

The Group remains in a position of financial strength, with the financial performance achieved in the year, coupled with the retention of the $540.5 million from the ongoing pokies compensation case with the State of Victoria.

As previously advised to the market, these litigation funds were used to repay debt as it matured, resulting in an approximate $12 million after tax interest benefit for the year. As the compensation amount is subject to appeal in the High Court, we remain focused on maintaining flexibility to deal with the full range of possible final scenarios. At the time of the final decision, if successful, your Board will consider the most appropriate capital management option, whether it is a special dividend, share buyback or some other form of corporate activity. Of particular note, our strong position gives us sufficient capacity, irrespective of the outcome, for upcoming licence bids and/or renewals.

WITH THE FINANCIAL PERFORMANCE ACHIEVED IN THE YEAR... THE GROUP REMAINS IN A POSITION OF FINANCIAL STRENGTH.

The Group's committed debt facilities (as at 30 June 2015) totalled $1.79 billion, of which $915.2 million were utilised. When netted against the Group's cash holdings (excluding prize reserves), Group net debt amounted to $656.1 million. Even without the $540.5 million in compensation, net debt is comfortably serviceable considering the Group's cash flow and profitability. For the period ended 30 June 2015, Group net debt to EBITDA was 1.18 times, while interest cover was 8.62 times. Excluding the compensation receipt, the Group's net debt to EBITDA ratio would have been 2.27 times.

During the year we cancelled a $180 million tranche of the debt facility, saving over $1 million per annum. We are currently renegotiating new terms on the $350 million tranche maturing in March 2016.

LOTTERIES REVIEW

FY15 LOTTERIES HIGHLIGHTS

- Record 260 customers made millionaires (FY14: 238)
- 34 jackpots at $15 million or more threshold (FY14: 36)
- Average jackpot pool $25.3 million (FY14: $25.7 million)
- Implementation of Saturday Lotto price increase
- Launch of inaugural $20 Instant Scratch-Its Game Book
- 20.9% growth in digital channel, online representing 11.1%[1] of sales (FY14: 9.4%)
- Tatts.com lotteries app downloaded on 735,000 devices (FY14: 332,000)
- Lucky Lotteries extended beyond New South Wales and ACT into Queensland, Victoria, Northern Territory and Tasmania
- Agreement to expand our lotteries products into a selection of convenience fuel outlets in NSW, Victoria and ACT
- Expansion of 'On the Run' convenience fuel channel in South Australia
- Instant Scratch-Its returned to our Victorian game portfolio
- $1.11 billion paid to state governments in lotteries taxes

LOTTERIES PERFORMANCE

Our lotteries operation had a very successful year with revenue up an impressive 2.8% to $1.98 billion across the portfolio of games, once again demonstrating the value of our diverse lotteries product range. Overall growth was achieved notwithstanding two fewer jackpots in FY15 at the $15 million or more mark when compared to the prior year (34 vs 36 jackpots– see Figure 4); and a lower average value jackpot pool at $25.3 million (FY14: $25.7 million). This revenue growth was underwritten by: strong performance from the base games of the lottery game portfolio with excellent contribution from our largest game, Saturday Lotto; stable performance in our Monday/Wednesday game; and continued growth in our expanded Instant Scratch-Its portfolio. The well-established New South Wales and ACT game, Lucky Lotteries, was also able to find new avenues for growth by extending its footprint on 30 March 2015 into Queensland, Victoria, Northern Territory and Tasmania.

Off the back of this revenue growth we achieved a 5.8% lift in EBITDA, reaching a record $313.6 million and EBIT growth of 5.9% to $287.5 million. Our EBIT margin continues to improve, now sitting at 14.5%. (See Figure 5).

Our retail network, which is, and will remain, our largest source of sales, achieved sales growth in the year. FY16 will see some major initiatives implemented in our retail channels, which will further stimulate sales and position the business well. This includes a new digital point-of-sale system, our expansion into more convenience fuel outlets, and the development of a network wide omni-channel customer experience—all designed to further strengthen our recent growth in this channel.

OUR RETAIL NETWORK, WHICH IS, AND WILL REMAIN, OUR LARGEST SOURCE OF SALES, ACHIEVED SALES GROWTH IN THE YEAR.

[1] Consistent with prior years this excludes South Australia–if South Australia is included, online sales grew 22.2% and represented 10.4% vs 8.7% in FY14.

FIGURE 3. LOTTERIES FINANCIAL PERFORMANCE

LOTTERIES	FY15 $ M	FY14 $ M	CHANGE %
Revenue	**1,976.7**	1,922.8	▲ 2.8%
EBITDA	**313.6**	296.6	▲ 5.8%
EBIT	**287.5**	271.5	▲ 5.9%

Our focus on driving our digital performance saw online sales continue to gain traction in the year, with online now representing 11.1%[1] of all lottery sales. FY16 will see our digital initiatives in lotteries step up to a new level. We are confident that we can achieve more growth from this convenient and easy-to-use purchase path.

Importantly, we have maintained the number one Google paid search ranking for all of our lottery keywords (95% of the time in FY15). Our new market-leading customer relationship marketing (**CRM**) system generated sales from more than one million customers who receive our promotional emails. We combined this with pilot marketing campaigns on Facebook, which have proven successful, demonstrating social engagement does drive sales growth in this domain.

Instant Scratch-Its revenue increased by an impressive 7.0%. This performance was assisted by innovation in the product portfolio and the return of Instant Scratch-Its to our game portfolio in Victoria. On 27 October 2014, the Victorian Government approved a variation to our public lotteries licence, expanding our authorised product offering to include Instant Scratch-Its and daily Keno. This followed Intralot's decision to exit its lottery licence in Victoria, which authorised it to sell Instant Scratch-Its and daily Keno. Our sales commenced on 1 February 2015, and we have had a great response from customers and retailers alike to our return to the market, with sales tracking well ahead of those achieved prior to Tatts' re-engagement.

Our other major product initiative was the repositioning of Lucky Lotteries on 30 March 2015 to become a multi-jurisdictional game. This draw lottery 'raffle' style game has been offered only in New South Wales and the ACT since 1931. Customers in Queensland, Victoria, Northern Territory and Tasmania have embraced the game, with these jurisdictions representing close to 20% of game sales just three months after launch. Despite lower jackpot activity on the prior year, the benefit of additional sales from the new jurisdictions and improved draw sell-through times has delivered a positive result. We are confident the game will continue to show growth as it builds recognition in its new markets.

FIGURE 4. JACKPOT RUN

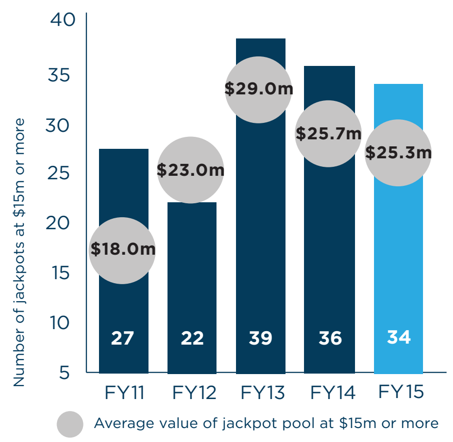
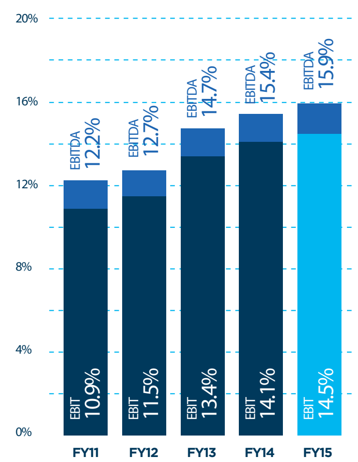


FIGURE 5. EBIT/EBITDA MARGIN



WAGERING REVIEW

FY15 WAGERING HIGHLIGHTS

- New Queensland wagering arrangements legislated December 2014
- New concept retail stores opened
- UBET brand launch on 30 April 2015
- New website and apps launched
- 12.5% growth in digital channel, online representing 25.7% of sales (FY14: 22.9%)
- 'UBET Live' in-venue, in-play betting module
- 6.0% spontaneous brand recognition
- Fixed-price sales up 20.7% to $1.6 billion
- Win rates on both racing and sports maintained
- $224.3 million paid to state governments and racing industry

WAGERING PERFORMANCE

Wagering revenue was lower (down 1.5% at $632.9 million) this year, with UBET only launching in the closing months of FY15. Not unexpectedly, the pack of European and domestic bookmakers remained as competitive as ever, and this, coupled with a necessary easing in marketing activity leading into our new brand launch, had an impact on our revenue performance.

A huge focus in the year was directed to re-positioning our wagering business–this coincided with the passage of the required enabling legislation to enshrine the new Queensland wagering arrangements in December 2014. With all relaunch assets in place, the UBET campaign went live on 30 April 2015. From that moment, our Wagering team became armed with a unified brand, new digital assets, an expanded product offering, and a funded and coordinated marketing capability. These assets are reinforced with a unique, category-leading, next generation retail presence, which includes innovative in-store technology designed to leverage the advantages offered from an exclusive 'bricks and mortar' presence in Queensland, South Australia, Tasmania and the Northern Territory. To date, this has been a much under-exploited part of our armoury.

We are now well positioned to start fighting back, and the next 24 months presents an exciting stage for our Wagering operation and the early signs are encouraging.

Digital sales were up 12.5% in FY15 to represent 25.7% of all wagering sales (FY14: 22.9%). Unsurprisingly, the migration of customers from phone-based sales (which were down 11.2%) continued but we are very pleased that our digital sales growth outpaced the phone sales decline 4 to 1. With the launch of the new UBET website, and class-leading apps, we are optimistic about further growth through our digital channels in FY16.

FIGURE 6. WAGERING FINANCIAL PERFORMANCE

WAGERING	FY15 $ M	FY14 $ M	CHANGE %
Revenue	**632.9**	642.3	▼ 1.5%
EBITDA	**153.5**	160.8	▼ 4.5%
EBIT	**135.9**	144.1	▼ 5.7%

Our retail network recorded a 2.3% decline in sales (compared to a decline of 1.4% in the previous financial year) from 1,306 retail outlets, compared to 1,396 outlets in FY14. With the rollout of the new generation self-service terminals expected to commence in January 2016, the progressive rollout of our next generation retail stores (with a target of 50 by December 2015), and the associated expansion of our 'UBET Live' in-venue in-play betting modules, we are confident that we can bring our retail network into growth. This view is supported (and acknowledging it is early days) from the initial performance of our two pilot stores, which have both experienced strong double-digit sales lifts since re-opening, when compared to their regional peer set.

Fixed-price sales on racing and sports continued to display an impressive growth profile, lifting 20.7% in aggregate. Racing continues to dominate the fixed-price book, comprising 82.6% of the book (FY14: 79.6%) with sport making up the remainder at 17.4% (FY14: 20.4%). We expect our sports book to grow more significantly following the UBET launch and the introduction of our more compelling and expansive sports offering, following the integration of Sporting Solutions automated bookmaking system. This platform lifted our live markets from 5,000 markets a year ago to 130,000 markets at the end of FY15.

As stated, overall wagering revenue declined 1.5% to $632.9 million, down from $642.3 million in FY14. This primarily reflected the competitive landscape and some softness in retail (particularly in Queensland). Tote revenue declined by 9.8% notwithstanding improving win rates, which was consistent with the migration to fixed-price race betting. Fixed-price betting revenue on racing was up 21.8% and held win rates in line with those achieved in FY14. Fixed-price betting revenue on sport was up 4.8% with the book lifting its win rate.

In August last year we indicated that the investment required in our wagering operation would see a small contraction in our EBITDA margin (which at that time was 25.0%).

We reiterated in February this year that, with 'the imminent launch of the new UBET wagering website and new retailing concept, there [would be] a significant lift in marketing spend in the second half of FY15 that [would] bring EBITDA margins back to historical levels'. We commenced intensive brand-building marketing activities in the last two months of the year, which successfully established UBET in the national market. This success is evident in our brand awareness surveys, which showed after 12 weeks in market UBET had achieved brand positions very close to that established by TattsBet over a period of some 5 years (See Figure 7).

With all costs required for the repositioning of our wagering business in the cost base for the year, we saw our EBITDA reduce by 4.5% at $153.5 million (FY14: $160.8 million). Our EBITDA margin was at 24.3% (FY14: 25.0%) (See Figure 8). Likewise, EBIT declined 5.7% to $135.9 million (FY14: $144.1 million). As indicated at the time of announcing the new wagering licence framework, the savings delivered under the new Queensland licencing model were to be re-invested in the UBET brand in the form of increased marketing spend, CRM capability, investment in digital capabilities, and the new retail image.

Finally, a competitive process for the award of a new Totalisator Licence in the Northern Territory commenced during the year. This competitive process is ongoing at the time of this report. In the event that Tatts is unsuccessful in its bid, the Government has agreed to extend the current licence until September 2016.

FIGURE 7. CONSUMER BRAND RECOGNITION

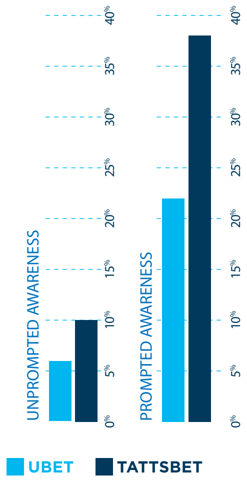
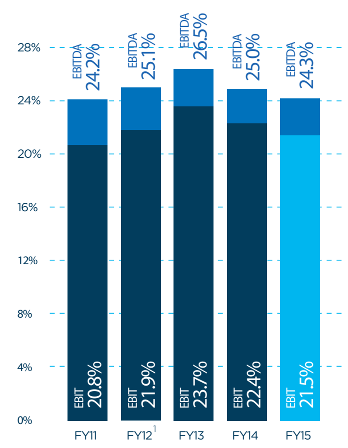


FIGURE 8. EBIT/EBITDA MARGIN



[1] Underlying results.

OUR TWO PILOT STORES... HAVE BOTH EXPERIENCED STRONG DOUBLE-DIGIT SALES LIFTS SINCE RE-OPENING, WHEN COMPARED TO THEIR REGIONAL PEER SET.

GAMING REVIEW

FY15 MAXGAMING HIGHLIGHTS

- Revenue growth of 2.2%
- EBIT growth of 3.2%
- Launch of pre-commitment solution in Victoria
- Retention of +80% share of Queensland gaming machine monitoring market
- Increase in New South Wales linked jackpot to a minimum of $250,000
- Ticket-in Ticket-out (TITO) technology released in Queensland

FY15 TALARIUS HIGHLIGHTS

- Second year of positive contribution to the Group since acquisition
- Achieved common currency revenue growth of 5.6%
- Australian dollar revenue growth of 11.9%
- 51.7% EBIT lift to $6.2 million
- Net machine revenue growth of 6.1%

FY15 BYTECRAFT HIGHLIGHTS

- First positive EBITDA and EBIT contribution in two years, following business restructure
- Revenue down as unprofitable contracts exited
- New external contract work secured with appropriate margins

Tatts' Gaming operation consists of three separate but related businesses.

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.

For the second consecutive year, Maxgaming has lifted revenue (after four years of decline). Our operation grew revenue in FY15 by 2.2% to $116.8 million. Product initiatives, particularly value-add services, together with annual increases in monitoring fees, have been key to this performance.

In September 2014 we started rolling out our TITO solution, which quickly gained acceptance in the market, and this product is now installed on more than 5,365 machines in Queensland. In August 2014, we obtained approval from the New South Wales regulator to offer a $250,000 linked jackpot product. The take-up of this new jackpot in New South Wales has been strong, with 113 venues connected covering a total of 308 gaming machines. The first jackpot triggered in December 2014, and already 3 jackpots in excess of $250,000 have been paid out to gaming customers. We are seeking approval for larger jackpots from the regulator to continue to build the attractiveness of this product for clubs and hotels, and their patrons. In Victoria, we facilitated the rollout of player loyalty technology to gaming venues, and have our solution installed on 344 gaming machines.

Our continued focus on our cost base enhanced profitability, with EBITDA up 2.4% to $64.6 million, and EBIT up 3.2% to $51.3 million reflecting lower depreciation and amortisation costs.

TALARIUS PERFORMANCE

Talarius, our UK slots operation, delivered another impressive result, not an easy feat given the exceptional performance last year.

A key contributor to our growth in FY15 has been the customer reaction to the server-based gaming machines rolled out in the Talarius network. These machines are enjoying widespread popularity, and we will be releasing more units in FY16. Our motorway venues also continue to show strong revenue growth.

Overall performance saw our revenue up 11.9% to $115.9 million, EBITDA up 20.3% to $16.4 million and EBIT up 51.7% to $6.2 million.

On a common currency basis, Talarius' revenue for FY15 increased 5.6% to £61.2 million, EBITDA lifted 42.8% to £8.6 million and EBIT reached £3.2 million up 13.3%. Net machine revenue achieved a 6.1% increase to £21.90 per machine per day (FY14: £20.64). As at 30 June 2015, we had 164 venues in operation and were operating 7,599 gaming machines (FY14: 170 venues operating 7,634 gaming machines).

FIGURE 9. GAMING FINANCIAL PERFORMANCE

	GAMING	FY15 $ M	FY14 $ M		CHANGE %
Revenue	- Maxgaming	**116.8**	114.2	▲	2.2%
	- Bytecraft	**104.0**	106.9	▼	2.7%
	- Talarius	**115.9**	103.6	▲	11.9%
EBITDA	- Maxgaming	**64.6**	63.1	▲	2.4%
	- Bytecraft	**2.8**	(0.4)	▲	854.1%
	- Talarius	**16.4**	13.6	▲	20.3%
EBIT	- Maxgaming	**51.3**	49.7	▲	3.2%
	- Bytecraft	**0.6**	(2.5)	▲	123.0%
	- Talarius	**6.2**	4.1	▲	51.7%

BYTECRAFT PERFORMANCE

As a 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, the team at Bytecraft has had a challenging 2 years. With the operation losing money primarily due to a number of large, but mainly unprofitable contracts, a business turn-around program was implemented in FY13, which continued into FY15. This involved a refocus on core activities, namely the provision of time-critical technical support services to gaming and network infrastructure operators.

This program identified the need to exit from (or not renew) a number of unprofitable and/or non-core contracts. The 2.7% decline in revenue reflects this strategy, as does the reduction in externally sourced revenue (which in FY15 represented 69.8% of total revenue compared to 71.5% in FY14). This action also unfortunately resulted in the need to 'right size' our team in some areas, to reflect the reduced contract base. Bytecraft also continues to undertake internally sourced work on a no-margin basis, which ultimately has an impact on the division's stand-alone profitability.

EBITDA lifted 854.1% to make a positive contribution of $2.8 million to the Group (FY14: loss of $0.4 million) and EBIT improved 123.0% to a positive $0.6 million (FY14: loss of $2.5 million). Excluding the impact of FY15 contract exit and restructuring costs of $0.1 million, Bytecraft's underlying EBITDA was $2.9 million for FY15.

DISCONTINUED OPERATION

The $3.8 million loss from the discontinued operation in the year relates to:

- the disposal of a number of legacy pokies properties in Victoria generating $35.0 million in cash; and
- legal costs associated with the compensation action relating to our now discontinued pokies business in Victoria.

The prior year $26.2 million loss from the discontinued operation principally represented the impact of a charge incurred in relation to a health benefit levy payable to the Treasurer of the State of Victoria, relating to the Victorian pokies business.

KEY FY16 ACTIONS

We have an exciting set of initiatives and projects in train for FY16, the following being a sample of what is in the pipeline:

NEW LOTTERIES OMNI-CHANNEL EXPERIENCE

We are developing a network-wide, omni-channel approach to unify our lotteries customer experience through all our touch points.

NEW LOTTERY DIGITAL ASSETS

A new suite of digital assets specific to lotteries will be launched in the year to further improve our online customer experience.

NEXT GENERATION LOTTERY RETAIL

We are embarking on a next generation lottery retail format designed to lift the retail experience and sales—this will include a digital point-of-sale system providing live jackpot updates, new product information, in-store offers, together with enhanced retailing displays for Instant Scratch-Its and efficiencies for our retail partners.

CONVENIENCE FUEL OUTLETS

The expansion of our lotteries offering into more convenience fuel outlets is scheduled to commence in September.

SET FOR LIFE

The game went on sale on 3 August 2015 and sales to date have been very encouraging. The game features a nightly draw over one week (7 days). A minimum two game ticket costs $8.40, with a top prize of $20,000 per month for 20 years. This game is, as expected, displaying stronger participation in younger demographics when compared to our other games. The other positive feature is the strong digital performance, with online sales exceeding 20%.

GAMING PORTAL

Our Gaming team is developing a portal delivering enhanced gaming venue business intelligence, along with a number of innovative features for venues including an online store for the purchase of gaming products.

UBET BRAND BUILDING

We will continue to be active in the market, building the UBET brand position nationally, both through traditional media, online and through affiliate arrangements—we have no expectation that the competitive landscape will soften.

UBET DIGITAL AND NEW PRODUCTS

With a well resourced digital team and a fully enabled fixed odds team, our focus now is on iterating the digital assets we have established to position UBET as the market leader. This, along with a focus on new product initiatives through the course of the year and beyond, will reinforce our customer proposition and brand.

UBET RETAIL ROLLOUT

Based on the response to our initial pilot stores, we are now focused on the first wave of store rollouts with 50 installs planned by December 2015. This retail initiative will be enhanced by the introduction of our new generation self-service terminals (with cash handling and ticket-in ticket-out capability) expected to commence in January 2016 and taking UBET Live in-venue in-play betting modules to a full-scale launch. We are confident these initiatives will drive retail growth, while also enhancing our brand position where we have the advantage of an exclusive 'bricks and mortar' presence.

I look forward to the opportunity to update you on our progress on these and other exciting initiatives at our upcoming Annual General Meeting.

Robbie Cooke

ROBBIE COOKE

Managing Director and Chief Executive Officer

Thrill #6

LAUNCHING
SET
FOR
LIFE

Our first new national draw lottery game since Powerball in 1996.

Thrill #7

TAKING LUCKY BEYOND NSW & ACT

Thrill #9

EXPANDING OUR
LOTTERIES
REACH
TO MORE
CONVENIENCE
FUEL OUTLETS

Thrill #8

BRINGING
BACK OUR
VIC SCRATCH-ITS LICENCE

SUSTAINABILITY REPORT

OUR STAKEHOLDERS

We consider anyone that influences, or is impacted by, our business to be a stakeholder. Given that our operations span every Australian state and territory, this group is huge. We aim to ensure our relationships with our stakeholders are positive and contribute to the positive performance of the Group. We engage with people in many ways to build these relationships: face-to-face contact, social media and written communication are just some of the ways we communicate.

OUR SUSTAINABILITY REPORT PROVIDES INFORMATION FOR STAKEHOLDERS ON ISSUES THAT ARE RELEVANT TO OUR BUSINESS

Our values influence how we engage with our stakeholders—they guide our behaviour and ensure a consistent and transparent approach to our interactions.

In the following section, we highlight the interests of our external stakeholder groups, demonstrate how we engage with them, and show the ways that we contribute to each group. Our internal stakeholder group, our team, is included in a separate section.

INVESTORS AND SHAREHOLDERS

Our investors and shareholders are critical to the Company, providing the necessary capital to support our growth. 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.

OUR CUSTOMERS

Understanding our customers' expectations, needs and behaviour is critical to deliver experiences that are relevant to them. We interact with our customers through our contact centres and our retail outlets. We also communicate on social media, through our customer relationship management program and through our digital sales channels.

OUR SUPPLIERS AND BUSINESS PARTNERS

We rely on our suppliers and business partners to support us in delivering the very best to our customers, and in improving the value we deliver to our shareholders.

We interact with suppliers and business partners on an ongoing basis through meetings, tender processes, and conferences.

In addition to employing a team of more than 3,000 people, we indirectly support more than 25,000 jobs across Australia through our retail network.

GOVERNMENT AND REGULATORY AGENCIES

We participate in regular updates and meetings with our government and regulatory agencies. Our internal compliance team helps guide these relationships, and where appropriate, we provide input into legislation and participate in government and industry forums.

We continue to make significant contributions to the community via wagering and lotteries taxes. In FY15, we contributed a total of $1.11 billion to state governments (excluding corporate taxes). The contributions by state are shown in Figure 10 on page 30.

While every government we partner with will have different goals and priorities, we know that in the majority of cases, the $1.11 billion in wagering and lottery taxes is used to fund health, education, social services, junior sport and vital community infrastructure. We are pleased to play such an important and meaningful role in enhancing the lives of Australians.

We also assist the governments in New South Wales, Queensland and Northern Territory to collect over $1.9 billion in gaming machine taxes from hotels and clubs through Maxgaming's gaming machine monitoring systems.

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 43-63 of this report.

BE AMAZING

CREATE POSITIVE CHANGE

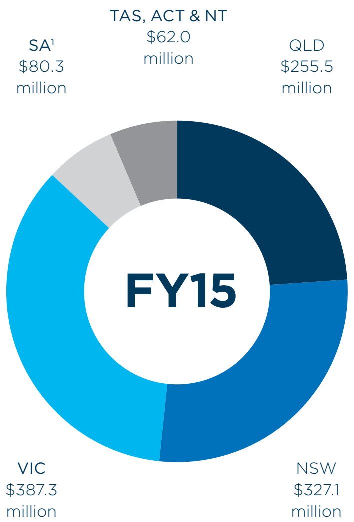
DO IT WITH HEART

OWN IT

PLAY AS A TEAM

HAVE FUN

FIGURE 10. CONTRIBUTIONS TO GOVERNMENT BY STATE AND TERRITORY



TOTAL CONTRIBUTION

$1.11 BILLION

[1] South Australia includes the lotteries taxes generated via our management rights of the SA Lotteries.

INDUSTRY PARTNERS AND ASSOCIATIONS

Industry associations represent the core of our business through their relationships with retailers that sell our lottery and wagering products. Key staff connect through industry briefings and forums, and we also use social media to monitor and connect with these stakeholders.

The Australian racing industry supports more than 7,000 jobs. We are proud to be a major contributor to the industry, with payments of $194.4 million (excluding GST) during FY15. These payments were in the form of product and program fees, and race information fees, the majority of which related to Queensland, our largest market.

COMMUNITY ENGAGEMENT

Positive engagement with the communities in which we operate, allows us to build trust and connect with people for the long-term sustainability of our business operations.

We have a proud history of supporting the communities in which we operate. In FY15, we launched our new corporate social responsibility (**CSR**) framework, 'Tatts Giving', in order to recognise the importance of giving back to our local communities. In alignment with our major charity partners, Tatts Giving offers our team a wide range of initiatives and activities to get involved in. Among other things, these include workplace giving, volunteering, dollar matching programs and challenge-based fundraising. During FY15, we contributed $40,000 to more than 20 causes supported by our team. Together with the funds raised by our employees, we contributed more than $80,000 through Tatts Giving.

As part of this program, we selected two charity partners: Our Lotteries unit adopted Starlight Children's Foundation, which aims to help sick children forget their illness and rediscover the joy of childhood, and our Wagering unit adopted Mates4Mates, an independent, apolitical, non-religious charity that supports current and ex-serving Australian Defence Force members who have suffered physical or psychological wounds, injuries or illnesses as a result of their service. In addition, we have proudly supported many other charities and causes through sponsorships, appeals and employee-focused initiatives.

Golden Casket also maintained its strong tradition of support for health services in FY15, firstly as the major partner and telecast sponsor of the inaugural Channel 9 Children's Hospital Telethon on 11 October 2014, and secondly through a major donation to the Mater Foundation's projects to help mothers and babies.

SPONSORSHIPS

We also connect with our communities through sporting team and event sponsorships. During FY15, Lotteries provided more than $250,000 to support a number of events in the Northern Territory and also toward the Gold Lotto Brisbane City Hall Light Spectacular.

UBET and our wagering brands provided more than $1.4 million in sponsorship to 29 events around Australia during FY15. Notably, the V8 Supercar Championship, Port Adelaide Football Club, Racing Queensland, and TasRacing.

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

WE HAVE A PROUD HISTORY OF SUPPORTING THE COMMUNITIES IN WHICH WE OPERATE

COMMITTED TO RESPONSIBLE GAMBLING

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

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

Responsible gambling codes of conduct exist in each of Tatts' trading jurisdictions. These codes contain a variety of measures that respond to community expectations in regard to player protection and harm minimisation. These measures include responsible gambling information, pre-commitment strategies, game rules, advertising restrictions, customer complaint mechanisms and self-exclusion programs.

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.

All retailers and their staff must comply with the requirements of our responsible gambling codes of conduct as well as with various Australian state and territory responsible gambling codes and regulations.

Our online account holders have access to their own 'Self Manage' page which allows them to set a maximum spend for lotteries purchases, enable a wagering pre-commitment limit, or to exclude themselves from any further purchasing on their accounts.

OUR PEOPLE

In order to attract, motivate and retain a high performing team we need to make sure our employee experience is second to none. Our People team is focused on ensuring our recruitment, remuneration, performance and reward structures support us in our mission to attract the very best.

ENGAGEMENT

We conduct a number of engagement initiatives that are designed to facilitate communication with our team to ensure they know what we are trying to achieve as a business. On an annual basis, we conduct a 'State of the Nation' survey to measure employee sentiment. The results of this survey set the framework for our People team and provide real data to guide us in rolling out engagement initiatives. Also on an annual basis, we conduct an employee roadshow throughout the country to present our Play Book for the coming year, which transparently sets out our business strategies for the entire team to view, and to provide our employees an opportunity to engage with the Chief Executive Officer and senior members of the team.

DIVERSITY

At Tatts, we hire and nurture outstanding talent, and value the individual strengths of all of our team members. This forms part of our core value set. This means that, as a Group, we recognise the importance, benefits and value of a diverse workplace. We want an inclusive culture to allow our team to perform at their best. More detail about our diversity objectives and achievements are available on our website (**www.tattsgroup.com/investors/corporate-profile/key-policies**).

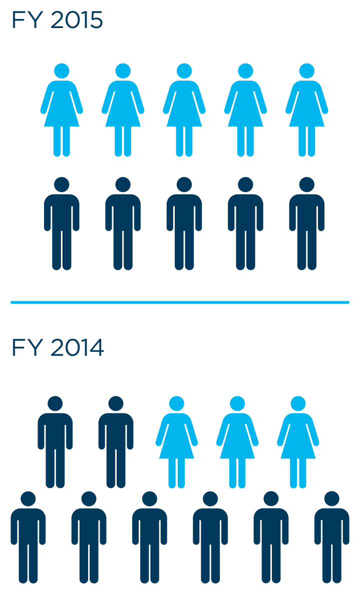
As a relevant employer under the *Workplace Gender Equality Act 2012*, we participate in annual reporting against the standardised gender equality indicators. This report is available on our website and includes a workplace profile that uses standardised occupational categories. The number and proportion of women across our Australian managerial roles is shown in Figures 11 and 12.

FIGURE 11. WOMEN IN KEY MANAGEMENT

	AT 30 JUNE 2015	AT 30 JUNE 2014
Board	1 of 6 Directors (17%)	1 of 6 Directors (17%)
Chief Executive Officer	0 of 1 employees (0%)	0 of 1 employees (0%)
Key Management Personnel*	2 of 5 employees (40%)	0 of 5 employees (0%)
Other executives/general managers*	3 of 5 employees (60%)	3 of 6 employees (50%)
Senior managers*	10 of 26 employees (38%)	9 of 29 employees (31%)
Other managers*	17 of 87 employees (20%)	18 of 87 employees (21%)

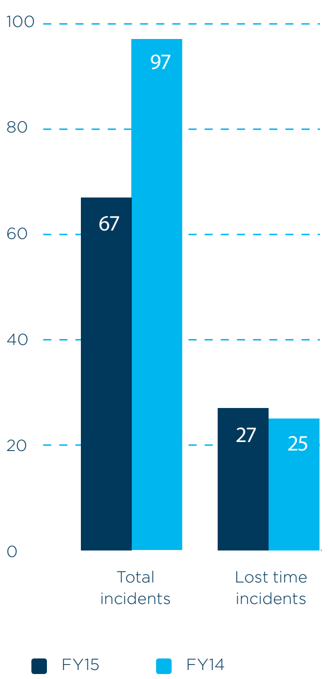
* These management positions are defined in the Workplace Gender Equality Agency's 'Guide to reporting under the *Workplace Gender Equality Act 2012*'. Note that 'Key Management Personnel' under these reporting guidelines does not include the Managing Director and CEO, as it does elsewhere in this report.

FIGURE 12. KEY MANAGEMENT PERSONNEL AND OTHER EXECUTIVES



DURING FY15 WE PARTNERED WITH MOUNT ELIZA EXECUTIVE EDUCATION TO DESIGN A FUTURE LEADERS PROGRAM

FIGURE 13. NUMBER OF INCIDENTS



EMPLOYEE TRAINING AND DEVELOPMENT

We invested $1.2 million in training and development of our team in FY15, compared with $0.9 million in FY14.

During FY15 we partnered with Mount Eliza Executive Education to design a Future Leaders program for our team. We designed the program to prepare employees to take on future leadership positions as they arise, and it forms an important part of our succession planning. The program will commence in FY16 with 16 participants from across the Group involved in a number of initiatives over a 9-month period.

EMPLOYEE SAFETY

We continue to focus on the safety of our team and to look for opportunities to reduce the number of injuries that occur in our workplaces.

Our safety measures for FY15 are shown in the following figures.

Figures 13 and 14 show our injury, incidents and lost time frequency rates.

As in FY15, we will continue to review our safety system during FY16 and to look for opportunities for proactive improvements to our workplaces.

OUR ENVIRONMENT

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

The Audit, Risk and Compliance Committee of the Board 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 2015, compared to the prior comparative reporting period (pcp)[4] :

- Scope 1 CO_2e emissions – 2,384 metric tonnes (pcp: 3,471 metric tonnes), from a fleet of 527 vehicles across Australia, a reduction of 63 vehicles over the prior comparative period.
- Scope 2 CO_2e emissions – 18,508 metric tonnes (pcp: 18,452 metric tonnes), mostly from buildings that used 12.6 million (pcp: 13.2 million) kilowatts of electricity translating to 13,515 metric tonnes of CO_2e emissions, and 7.8 million kilometres (pcp: 5.4 million) of air travel translating to 3,626 metric tonnes of CO_2e emissions.

[4] Prior comparative reporting period, as shown in our FY14 Annual Report, was the 12 months to 31 March 2014

ENERGY

Energy usage at our properties is primarily comprised of the consumption of electricity, which decreased at the Group's owned and leased properties by 4.5% to 12.6 million kWh (FY14: 13.2 million kWh) during the year, mainly due to the installation of energy efficient equipment, consumption measurement and behavioural change initiatives by our employees. 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 owned and leased properties increased during the year by 6.6% to 16,947 kilolitres (pcp: 15,898 kilolitres).

DIESEL

The Group uses diesel-powered generators to provide emergency electricity backup. Consumption of diesel increased by 2.9% to 117.8 kilolitres (2014: 114.5 kilolitres) mainly as a result of regular monthly testing of diesel generators at our office locations.

WASTE MANAGEMENT

Recycling initiatives are in place at all office locations, including paper and mixed recycling. Our procurement team ensures any obsolete e-waste (electronics, computers, printers, etc) is recycled or disposed of in an environmentally safe way, and obtains certificates to ensure their secure disposal.

FIGURE 14. INJURY AND LOST TIME RATES

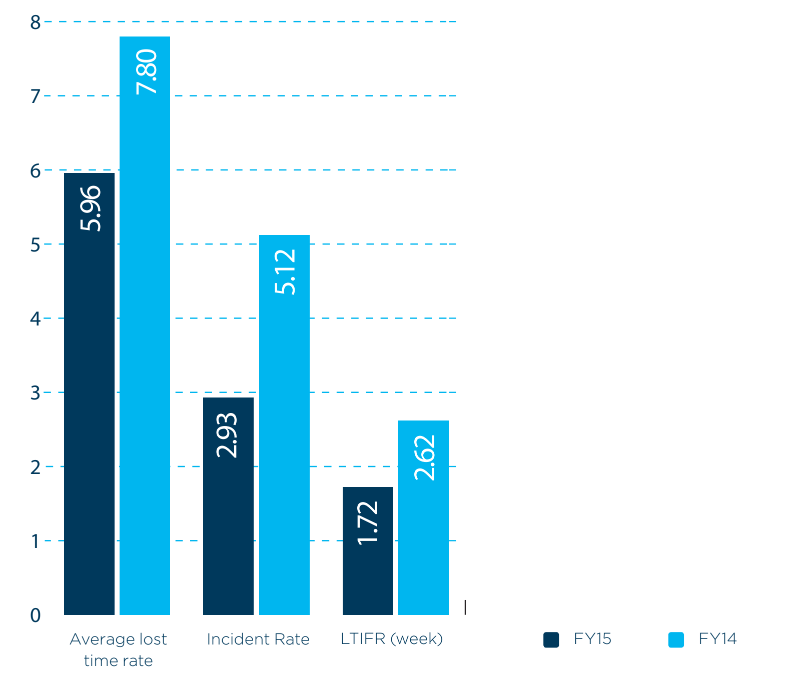
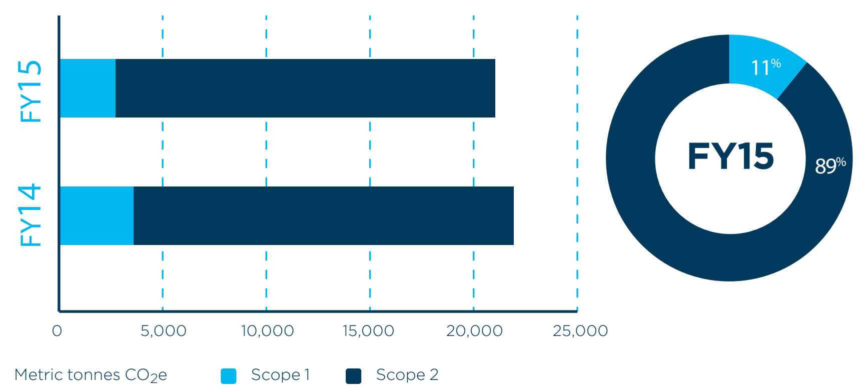


FIGURE 15. SCOPE 1 & 2 CO_2e EMISSIONS



VEHICLE FLEET

2,384
metric tonnes CO_2e
from 527 vehicles

FY14 3,471 t CO_2e
from 590 Vehicles

BUILDING ELECTRICITY

13,515
metric tonnes CO_2e
from 12.6 million kWh

FY14 14,513 t CO_2e
from 13.2 million kWh

AIR TRAVEL

3,626
metric tonnes CO_2e
from 7.8 million km

FY14 2,137 t CO_2e
from 5.4 million km

Scope 1 Scope 2

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.

Chairman of ASX-listed Asaleo Care Limited (Director since May 2014)

Special responsibilities: Chair Governance and Nomination Committee and Member Remuneration and Human Resources Committee.

Former listed public company directorships in last 3 years: Toll Holdings Limited (November 2006 to May 2015); PaperlinX Limited (May 2008 to September 2012).

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.

Former listed public company directorships in last 3 years: Wotif.com Holdings Limited (October 2007 to January 2013).

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 from 1974 to 2003, and a Director of Kaz Group Limited from 2001 to 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 Chair 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.

Non-executive Director ASX-listed Treasury Wine Estates Limited (Director since May 2011); and ASX-listed PACT Group Holdings Limited (Director since November 2013); Director Victorian Major Events Company; JadeLynx Pty Ltd; Madowla Park Holdings Pty Ltd; MPH Agriculture Pty Ltd; Catinvest Pty Ltd

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

Former listed public company directorships in last 3 years: PaperlinX Limited (December 2010 to September 2012).

BRIAN JAMIESON

Non-executive Director
Member of the Board since
31 May 2005.

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

Brian has over 30 years of experience in 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 member of the Institute of Company Directors in Australia.

Chair ASX-listed Mesoblast Limited (Director since November 2007) and ASX-listed Sigma Pharmaceuticals Limited (Director since December 2005); Director and Treasurer of the Bionics Institute.

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

Former listed public company directorships in last 3 years: Oz Minerals Limited (August 2004 to May 2015); Tigers Realm Coal Limited (February 2011 to 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, SME's and not-for-profit organisations.

He has worked across a range of industries including property, professional services, media, agriculture, retail, consumer discretionary, energy and financial services. He is CEO of diversified investment company AEH Group and his professional career includes management consulting in AMP, NAB, Andersen Consulting, Accenture and private equity ventures.

Julien is a Fellow of the Australian Institute of Company Directors and member of the Australian Institute of Management and The Royal Australian Institute of Architects.

Julien holds a Masters of Business Administration from AGSM, Bachelor of Architecture, First Class Honours and Bachelor of Science from Sydney University, and a Company Director Course Diploma from Australian Institute of Company Directors.

Director MGB Equity Growth Pty Ltd; Trustee Art Gallery NSW Foundation; Director National Gallery of Australia Foundation; Member UNSW Arts & Design Advisory Board; Member The Nature Conservancy Advisory Board

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

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

KEVIN SEYMOUR AM

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

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

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

Deputy Chair ASX-listed Ariadne Australia Limited (since 1992); Director Secure Parking Limited; and 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 last 3 years: Watpac Limited (23 May 1996 to 24 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 to 1987 and in the Queensland Parliament as the member for Moggill from 1990 to 2004, during which time he was the Minister for Public Works and Housing (April 1997 to 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 and of CPA Australia. He is also an Associate in Accounting of the University of Queensland.

Independent Chair Translational Research Institute, a medical research and biopharmaceutical facility; Deputy Chair Queensland Competition Authority.

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

THE EXECUTIVE TEAM

WE ARE PASSIONATE ABOUT WHAT WE DO AND ARE DEEPLY COMMITTED TO OUR WORK, OUR COMMUNITY AND OUR INDUSTRY. WHEN WE ACT AND MAKE DECISIONS WE DO SO WITH OUR HEARTS AS WELL AS OUR MINDS.

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.

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.

FRANK MAKRYLLOS
Chief Operating Officer – Gaming

Frank re-joined Tatts in early 2013 as COO of Gaming, an amalgamation of our Maxgaming, Bytecraft and Talarius operations. Frank was previously the CEO of the discontinued Tatts Pokies business. He held this position for 6 years. Prior to this, Frank held senior roles within the hotel industry in New South Wales.

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.

MANDY ROSS
Chief Information Officer

Mandy leads the team of more than 350 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 January 2013. 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.

Thrill #10

BOOMING **ONLINE SALES**

↑ **20.9%**

GROWTH IN LOTTERIES
ONLINE SALES

↑ **12.5%**

GROWTH IN WAGERING
ONLINE SALES

Thrill #11

THRIVING DIGITAL

Thrill #12

REINVENTING THE BUSINESS

Over the last 2 years, we have removed silos, lifted internal communication, encouraged nimbleness, introduced rapid prototyping to fast track product delivery, promoted and recruited the 'best and brightest'—all with a single-minded focus on customer satisfaction.

Thrill #13

GIVING **BACK**

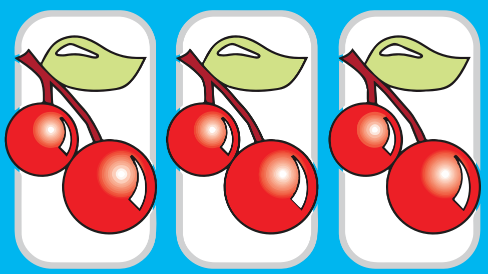
In addition to the $1.11 billion paid in state government taxes, Tatts Group is proud to be official partners with the Starlight Foundation and Mates4Mates, carrying on our 100+ year tradition of supporting the communities in which we operate.

Thrill #14

DELIVERING FOR SHAREHOLDERS

PAYOUT RATIO
95.1%

DIVIDEND IN FY15
↑ **22.2%**



Thrill #15

KICKING GOALS IN THE **UK**

Our **Talarius** business recorded sales growth of 5.6% in GBP and Australian dollar revenue growth of 11.9% in FY15. That's two years running of positive contribution since joining Tatts Group.

TRACK RECORD

	30 JUNE 2015 $ M	30 JUNE 2014 $ M	30 JUNE 2013 $ M[1]	30 JUNE 2012 $ M[2]	30 JUNE 2011 $ M
Revenue	**2,919.9**	2,868.3	2,948.8	2,656.9	3,669.3
Statutory charges					
– Government	**(1,293.5)**	(1,289.9)	(1,376.4)	(1,265.6)	(1,768.3)
– Other[3]	**(620.1)**	(600.3)	(605.7)	(552.3)	(869.1)
Operating Costs[3]	**(498.9)**	(479.7)	(476.5)	(423.4)	(415.6)
EBITDA	**507.4**	498.4	490.2	415.6	616.3
Profit before income tax on continuing operations	**366.1**	326.6	303.1	225.4	398.9
Profit after income tax on continuing operations	**255.8**	226.6	227.4	161.5	275.4
(Loss)/Profit from discontinued operation	**(3.8)**	(26.2)	19.9	157.6	-
Net Profit after income tax	**252.0**	200.4	247.3	319.1	275.4
	CENTS	CENTS	CENTS	CENTS	CENTS
Earnings per share[4]	**17.4**	14.1	17.9	23.8	21.2
Dividends per share	**16.5**	13.5	15.5	23.0	21.5
	%	%	%	%	%
Dividend pay-out ratio	**95.1**	95.9	87.4	97.4	102.3
	$ M	$ M	$ M	$ M	$ M
Cash flows from operating activities	**439.8**	278.4	346.9	390.3	391.9

1. 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.
2. Only FY12 comparatives have been restated to reflect Tatts Pokies as a discontinued operation.
3. Product and program fees have been reclassified as 'Statutory charges – Other' in each year.
4. EPS is calculated using the weighted average number of shares on issue throughout the year.

DIRECTORS' REPORT

30 June 2015

CORPORATE GOVERNANCE

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

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Tatts Group Limited (the **Company**, or **Tatts**) and the entities it controls (the **Group**) at the end of, or during, the year ended 30 June 2015.

DIRECTORS

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

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

Details, including the term of office, qualifications, experience and information on other directorships held by Directors, can be found on pages 34 to 37 of the Annual Report.

DIVIDENDS

The Board continues its previously indicated commitment to maintaining a high dividend payout ratio. The total dividend paid or payable in respect of this year is 16.5 cents per share, reflecting 95.1% of Net Profit After Tax (**NPAT**) being paid as dividends to shareholders and 93.7% of profit from continuing operations. The final dividend of 7.5 cents per ordinary share has been determined since the end of the financial year, and is payable on 5 October 2015. The following dividends have been paid, determined, declared or recommended by the Company since the end of the preceding financial year:

Dividends	**($'000)**
Final Dividend 2015	
Fully franked dividend for 2015 of 7.5 cents per ordinary share as determined by the Directors on 20 August 2015 with a record date of 3 September 2015 and payable on 5 October 2015	109,561
Interim Dividend 2015	
Fully franked interim dividend for 2015 of 9.0 cents per ordinary share as determined by the Directors on 19 February 2015 with a record date of 3 March 2015 and paid on 2 April 2015	130,159
Final Dividend 2014	
Fully franked dividend for 2014 of 5.5 cents per ordinary share as determined by the Directors on 21 August 2014 with a record date of 3 September 2014 and payable on 6 October 2014	78,914

All dividends are fully franked.

DIVIDEND REINVESTMENT PLAN (**DRP**)

The Company has a DRP in operation. The last date for receipt of a DRP Notice of Election to enable participation for the final dividend is 4 September 2015.

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

PRINCIPAL ACTIVITIES

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

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

OPERATING AND FINANCIAL REVIEW

REVIEW OF OPERATIONS AND FINANCIAL POSITION

Refer to pages 10 to 25 of the Managing Director's Report.

BUSINESS STRATEGIES AND FUTURE PROSPECTS FOR FUTURE FINANCIAL YEARS

Business strategies aimed at achieving the Group's goals include:

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

The Group will continue to develop and implement improvements to its websites, and other distribution channels, including smart phone and tablet apps and self-service terminals. The focus will be on expanding the Group's online single purse, smart phone and tablet offerings to current account holders and loyalty card members, whilst also seeking to attract new customers.

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

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

MATERIAL RISKS TO BUSINESS STRATEGIES AND PROSPECTS FOR FUTURE FINANCIAL YEARS

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

1 REGULATION, LICENCES AND OTHER APPROVALS

(A) REGULATION

The conduct of wagering and lotteries in Australia and the operation and monitoring of gaming machines in Australia and the United Kingdom are governed by regulations and through the granting of licences, permits or other approvals to participants by the relevant State, Territory and United Kingdom governments. Any material non-compliance by the Group with the relevant regulations or terms of its licences, permits or approvals may result in financial penalties, or the suspension or loss of certain licences, permits or approvals which may have a material adverse impact on the financial performance of the Group or result in the loss of an operating unit and corresponding revenues from that operating unit.

Regulation at the State, Territory and Federal government levels is subject to change and the Group has no control over the regulations that apply to its current or proposed activities. Pending and/or future changes in legislation, regulation or government policy and decisions by courts and/or governments concerning the interpretation of such legislation, regulation or government policy may result in the imposition of additional taxes or other financial or operational imposts on the Group's businesses. Such changes may reduce the Group's turnover, profitability or both.

To address this, the Group has an established regulatory compliance function and governance framework to ensure that the Group continues to monitor the political and regulatory environment in the jurisdictions in which it operates and to monitor the Group's adherence to internal processes to monitor compliance with existing regulations.

(B) LICENCES AND OTHER APPROVALS

Since listing on the ASX in 2005, Tatts has successfully developed a portfolio of diversified and long-term income streams across multiple jurisdictions. Around 75% of the Group's continuing EBITDA (i.e. excluding EBITDA loss from the Discontinued Operation) is generated from licences that run for at least 35 years. Refer to Note 11 of the financial statements which outlines relevant details regarding the licences and other authorisations.

The exclusivity period for the South Australian Authorised Betting Operations Licence expires in December 2016. The New South Wales Centralised Gaming Machine Monitoring Licence and New South Wales Licences to operate inter-club and inter-hotel linked gaming systems expire in November 2016, October 2017 and October 2019 respectively. The Victorian Lotteries Licence expires in June 2018.

If these licences are not renewed or licences granted on terms not acceptable to or less favourable to Tatts than the current licence terms:

(i) there is a possibility that this would result in the Group being unable to conduct the specific businesses which operate pursuant to these licences or being unable to guarantee revenues equal to those currently being generated by these businesses; and

(ii) Tatts would be required to review the carrying values of goodwill associated with the cash-generating units under which these licences operate. If the licences were not renewed or were significantly altered, there will be an impairment risk. Refer to Note 11 for the goodwill associated with each segment.

The Group continues to focus on optimising the management, operation and term of existing licences (including extending/improving licence terms) and businesses to achieve continued growth and operational efficiencies.

2 COMPETITION

Even if the Group's lotteries, wagering and gaming licences, permits and approvals are maintained and renewed, its businesses may also be subject to competition from existing and new entrants at any time.

Technological developments have, and will continue to increase competition to the Group's businesses, regardless of its licences, permits and approvals. The Group's wagering businesses currently compete (and have for some time) with bookmakers in Queensland, South Australia, Tasmania and the Northern Territory and other interstate and international wagering operators who accept bets over the telephone or online, predominantly in respect of fixed price products.

The internet and other new forms of distribution have allowed new competitors to enter the Group's traditional markets without those competitors being licensed in those states and territories. There is a possibility that competition from interstate and international operators may extend to the Group's retail network in the future.

A sustained increase in competition from new entrants may result in a material failure to grow or loss of market share or revenues.

To address competition risks, the Group continues to invest in key skills and talent, and has also strengthened its digital platforms through the development and implementation of improvements to websites and other forms of distribution including smart phone and tablet apps and self-service terminals. Through continued investment in this area the Group will enhance its ability to produce new technologies and products to meet customer demand in both existing and new markets.

3 RELIANCE ON SYSTEMS AND THIRD PARTIES

Other risks inherent within the Group's businesses which could materially impact the financial performance of the Group include systems failure, and reliance on third parties who are unable to provide products and services (e.g. telecommunication services and racing product). While the Group manages these risks by having system redundancy and other backup measures in place, failure of, or significant interruption to, products and services (either third party or proprietary) for a sustained period of time may result in the Group being unable to provide certain services during that period, which may have a material adverse impact on the financial performance of the Group.

4 LITIGATION RISK

GAMING OPERATOR'S LICENCE COMPENSATION PAYMENT

On 26 June 2014 the Supreme Court of Victoria found in favour of Tatts in the proceedings commenced by it against the State of Victoria for compensation on the expiry of its gaming operator's licence in 15 August 2012. The Court ordered the State to pay Tatts $451.2 million plus interest of $89.3 million with the total amount received subject to applicable tax.

The matter is subject to appeal with the State having been granted special leave to appeal to the High Court of Australia.

There is a risk that the State of Victoria will be successful in their appeal resulting in the decision of the Supreme Court of Victoria being set aside in which case Tatts will be required to pay back the $540.5 million plus interest and costs. Refer to Note 25 for further details.

ENVIRONMENTAL REGULATION

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

DIRECTORS' REPORT (CONTINUED)

30 June 2015

DIRECTORS INTEREST IN SECURITIES

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

Director	Relevant interest in Tatts Bonds	Relevant interest in Ordinary shares	Options over Ordinary Shares	Rights over Ordinary Shares
Harry Boon	Nil	150,000	Nil	Nil
Robbie Cooke[1]	Nil	210,074	Nil	281,089
Lyndsey Cattermole	Nil	182,663	Nil	Nil
Brian Jamieson	Nil	114,734	Nil	Nil
Julien Playoust	Nil	25,000	Nil	Nil
Kevin Seymour	Nil	14,108,306	Nil	Nil
Dr David Watson	Nil	25,000	Nil	Nil

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

COMPANY SECRETARY

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

MEETINGS OF DIRECTORS

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

	Board of Directors meetings		Audit, Risk & Compliance		Governance & Nomination		Remuneration & Human Resources	
	A	B	A	B	A	B	A	B
Harry Boon	15	15	nm	nm	2	2	2	2
Robbie Cooke[a]	15	15	nm	nm	nm	nm	nm	nm
Lyndsey Cattermole	15	15	nm	nm	2	1	2	2
Brian Jamieson	15	15	4	4	nm	nm	2	2
Julien Playoust	15	15	4	4	nm	nm	2	2
Kevin Seymour	15	15	4	4	2	2	nm	nm
Dr David Watson	15	15	4	4	2	2	nm	nm

A. Number of meetings during the year while the Director was a member of the Board or Committee.

B. Number of meetings attended by the Director as a member during the year

nm. Not a member of the relevant Committee

a. Managing Director and CEO, not a Non-executive Director

REMUNERATION REPORT

30 June 2015

This report sets out the remuneration arrangements of the Company for the year ended 30 June 2015, and is in accordance with Section 300A of the Corporations Act. The information has been audited as required by Section 308(3C) of the Corporations Act and is presented in five sections.

REMUNERATION REPORT (CONTINUED)

30 June 2015

REMUNERATION HIGHLIGHTS

PERFORMANCE AND REMUNERATION OUTCOMES

PERFORMANCE HIGHLIGHTS	
Net profit up 25.7%	Another record lotteries performance, great online traction in both wagering and lotteries, and prudent cost management saw the Group deliver a 25.7% increase in statutory profit.
EBITDA up 1.8%	Group EBITDA was up 1.8% on the FY14 result. Lotteries positively contributed where its EBITDA margin improved by 0.5% to 15.9%.
Group revenue $2.92 billion in FY15	Group revenue was up 1.8% on FY14. Our Lotteries operation was a major contributor with our largest game, Saturday Lotto, performing well.

REMUNERATION HIGHLIGHTS	
Group remuneration	Fixed annual remuneration (**FAR**) will increase in September 2015 by an average of 2.5% across the Group. This is consistent with maintaining a position at or above the 50th percentile of the market.
Managing Director and CEO remuneration	Total remuneration for the Managing Director and CEO was $2,841,516 (FY14: $3,071,799). This includes an incentive payment of $825,000 (FY14: $915,000) and amortised cost for his unvested rights of $438,750 (FY14: $686,700).
Incentive plan	More than 1,400 team members again participated in the Company's incentive plan in FY15, with approximately three quarters of the pool allocated to those outside the executive group. Excluding the Managing Director and CEO, the Board allocated $590,000 in cash payments and $470,000 in rights to restricted shares to the KMPs.
Non-executive Director fees	Non-executive Director fees increased by 4.0%, with the Chair's fee increasing by 3.8%. Fees for Committee chairs and Committee member fees remained unchanged in line with maintaining a competitive and market relevant position.

KEY MANAGEMENT PERSONNEL

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

Details of KMP, including changes made during FY15, are provided in the table below.

	NAME	POSITION
Non-executive Directors	Harry Boon	Chairman, Non-executive Director
	Lyndsey Cattermole	Non-executive Director
	Brian Jamieson	Non-executive Director
	Julien Playoust	Non-executive Director
	Kevin Seymour	Non-executive Director
	Dr David Watson	Non-executive Director
Executive Director	Robbie Cooke	Managing Director and CEO
Other Key Management Personnel	Barrie Fletton	Chief Operating Officer, Wagering
	Neale O'Connell	Chief Financial Officer
	Mandy Ross	Chief Information Officer (appointed 1 January 2015)
	Sue van der Merwe	Chief Operating Officer, Lotteries (appointed 21 July 2014)
	Stephen Lawrie	Chief Information Officer (ceased employment 10 February 2015)
	Bill Thorburn	Chief Operating Officer, Lotteries (ceased to be a KMP on 18 July 2014, however remains employed by the Group)

REMUNERATION GOVERNANCE, POLICY AND FRAMEWORK

REMUNERATION GOVERNANCE

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

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

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

REMUNERATION FRAMEWORK AND POLICY

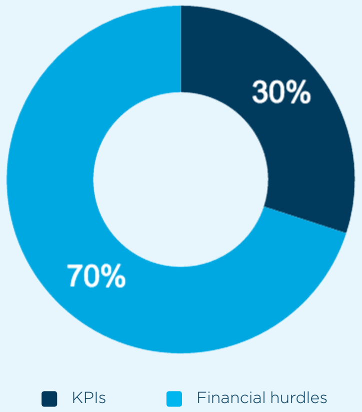
Our remuneration framework and policy, summarised in the table below, is designed to:

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

We **attract, motivate and retain** a highly skilled team by providing a fixed annual remuneration (**FAR**) which targets the desired skills and experience for the role and is benchmarked at or above the 50th percentile. Our FAR comprises base pay, superannuation and salary-sacrificed items.

We do not provide guaranteed pay increases in any executive contracts of employment.

Incentive composition



We encourage **high performance** through our incentive scheme. The scheme is driven by the achievement of key performance indicators and financial hurdles, which are measured on the following basis:

- Annual financial benchmarks that are linked to NPAT outcomes, providing direct alignment with desired shareholder outcomes.
- Margin improvement (at an EBITDA level) and EPS improvement to reinforce cost control and capital management respectively.

Individual Key Performance Indicators (**KPIs**) are rated on a scale weighted to their relative importance. Scores are aggregated into an overall performance rating for FAR review and incentive distribution.

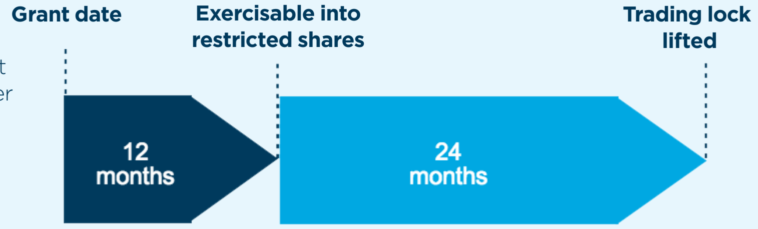
At the end of each financial year, the Committee reviews the Group's performance and the results of other non-financial measures, and makes recommendations to the Board. The operation and amount of the pool is completely discretionary at the Board's election.

The Board also has the discretion to award a limited special incentive for exceptional outcomes.

Alignment with **shareholder interests** is achieved by providing a portion of incentive in performance rights. These are:

- granted at the volume weighted average price for the 10 trading days prior to the Committee's recommendation that they be awarded;
- exercisable into restricted shares 12 months after grant (subject to continued employment) and placed under a trading lock for a further 2 years.

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



Executive performance reviews are conducted by the Managing Director and CEO and are provided to the Committee annually. The Chairman of the Committee reviews the Group results and recommendations of management and Managing Director and CEO's performance against agreed measures.

In FY15 more than 1,400 employees participated in the above Group-wide incentive plan. The Committee oversees the process of setting performance measures and targets. The performance measures were linked to NPAT outcomes, margin and EPS improvement and individual performance objectives. At the end of each financial year the Committee reviews the Group's financial results and the results of other non-financial measures and makes recommendations to the Board. The Committee may determine that a Group-wide incentive allocation will not be paid unless financial measures are achieved.

The Board also retains discretion to pay incentives at levels and in compositions appropriate to performance, even when these are outside the formula and/or market related benchmarks. This includes discretion to determine an incentive where performance against KPIs is strong. Exceptional outcomes that may be considered on this basis are those that have a direct influence on share price, investor perspectives, and long-term value of the Group. In FY15, no incentives were paid in relation to such exceptional outcomes (FY14: $0.4 million).

FORMER INCENTIVE PLANS

Annual grants under the Group's now discontinued Long-Term Incentive Plan (**LTIP**) were made from 2005 to 2009. With the exception of contractual remuneration arrangements in relation to the former Managing Director/Chief Executive, no grants have been made to executives since 2009, and no further grants will be made as the plan has been discontinued.

The LTIP will continue until all existing grants are exercised or they lapse in 2016. No changes have been made to the exercise or vesting conditions of such grants.

Vesting conditions for performance options and/or performance rights granted in 2005, 2006 and 2007 were based on performance against relative total shareholder return (**TSR**) targets. For the 2008 and 2009 grants, vesting was based on relative TSR performance and on achievement of earnings per share (**EPS**) improvement targets over a 3-year period:

- TSR Performance

  The Group's performance must exceed the performance of the median company in its peer group for any vesting to occur. If this is achieved, 50% of instruments vest. If the Group's performance reaches the fourth quartile of its peer group, 100% of instruments vest (with pro rata vesting for performance between these points).

- EPS Improvement

  Vesting targets for EPS improvement, which were set at the time of grant, were 25% for the three years from 2008 and 16% for the three years from 2009. The EPS measure for the 2009 grant excludes the Tatts Pokies NPAT segment, due to the run-off of this business. If the EPS target for a grant is met, all rights and/or options tied to the EPS condition vest. No vesting occurs if the target is not met.

To date, 2,420,337 performance rights and 5,104,356 performance options under the discontinued plan have vested, as shown in the following table.

Grant year	% vested	Retesting status	Exercise price
FY06	84.72%	No further retesting	$3.10
FY07	73.58%	No further retesting	$3.65
FY08	100%	No further retesting	$3.99
FY09	100%	No further retesting	$2.56

Shares issued after options and rights vest and are exercised are placed into a restricted class under the LTIP until the employee requests to sell them.

Since these options vested, the share price has remained below or just above the exercise price set at the time of the grant. During FY15, 947,800 options and 855,708 rights have been exercised.

CLAWBACK

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

MANAGING DIRECTOR AND CEO REMUNERATION STRUCTURE

Under the terms of the Managing Director and CEO's contract, the following remuneration structure applies for 3 years from 14 January 2013:

Component	Detail
Fixed annual remuneration	$1.56 million per annum, reviewed by the Board in accordance with normal remuneration practices.
Rights to restricted shares	A total of 450,000 rights to restricted shares, granted in tranches of 150,000 each year of the 3-year contract. Each tranche can be exercised 12 months after grant date on a time-based hurdle, provided that employment is not terminated. Those shares are restricted until the earlier of an additional 2 years, or cessation of employment. Rights are priced at the VWAP for the 10 trading days prior to the determination to award the rights. These rights formed part of the Managing Director and CEO's initial incentive package.
Annual incentive	• Performance-based entitlement of up to 70% of FAR, subject to the achievement of KPIs set annually, and as approved by the Board. Paid as 50% cash and 50% rights to restricted shares. • Rights are subject to shareholder approval. In the event that shareholders do not grant approval, 100% of the incentive will be paid in cash. • Based on KPIs of financial performance and other specific performance requirements for the position. • The Managing Director and CEO has 1 month after the last date for vesting to exercise vested performance rights.

ADDITIONAL INFORMATION

HEDGING

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

REMUNERATION CONSULTANTS

During the reporting period, the Committee has not engaged any remuneration consultant to provide specific recommendations on the amount or composition of remuneration for any KMP. During FY15 Godfrey Remuneration Group was engaged for the provision of market benchmarking data, but no remuneration recommendations were required. As a result, no disclosures are required under the Corporations Act.

In the event the Committee does seek remuneration advice which would require the engagement of a consultant to follow the requirements prescribed in the Corporations Act, the Committee has resolved to adopt a process to ensure any remuneration recommendation is free from undue influence by the KMP to whom the recommendation relates.

The process is such that any decision on engagement of a remuneration consultant is to be made by the Committee or the Board. Communication, contractual engagement, and briefing of the consultant will be done by the Committee Chair and the consultant will provide the remuneration recommendation directly to the Committee Chair. If the Committee decides that the remuneration recommendation should be shared with management it can then be provided through the Committee Chair.

DIRECTOR AND EXECUTIVE LOANS

There were no loans made by the Group to Directors or executives during FY15.

REMUNERATION REPORT (CONTINUED)

30 June 2015

GROUP PERFORMANCE AND REMUNERATION OUTCOMES

FINANCIAL PERFORMANCE

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

Over the last 5 years, there have been a number of events, including acquisitions, licence renewal, new licence outcomes, and litigation that have created substantial volatility in the accounting measures outlined above. This is highlighted in the summary below.

	FY15	FY14[1]	FY13[2]	FY12	FY11
Revenue from continuing operations ($'000)	**2,919,867**	2,868,334	2,948,803	2,656,859	3,669,265
EBIT margin (%)	**14.4**	14.4	13.7	12.2	13.5
NPAT from continuing operations ($'000)	**255,786**	226,622	211,202	161,529	275,428
NPAT statutory ($'000)	**251,964**	200,421	247,336	319,139	275,428
Dividends paid/payable ($'000)	**239,720**	192,265	216,269	311,063	281,671
Dividend payout ratio on statutory NPAT (%)	**95.1**	95.9	87.4	97.4	102.3
EPS (basic) (¢)	**17.7**	16.0	17.9	23.8	21.2
Total incentives as percentage of net profit (%)	**4.3**	4.1	4.1	3.3	1.8
Share price at start of year ($)	**3.27**	3.17	2.62	2.40	2.24
Share price at end of year ($)	**3.72**	3.27	3.17	2.62	2.40

1. Total incentives calculated for FY14 were based on the underlying NPAT of $226.6 million after adjusting for the loss on discontinued operation of $26.2 million. Revenue for FY14 was for continuing operations.
2. Total incentives calculated for FY13 were based on the underlying NPAT of $211.2 million after adjusting for the profit on discontinued operation of $19.9 million and the Golden Casket tax claim of $16.2 million. Revenue for FY13 was for continuing operations.

Revenue on continuing operations grew by 1.8% in FY15 (FY14: 2.8% decrease).

EBIT from continuing operations remained strong and EPS increased by 11% in the current financial year.

This delivered a 12.9% increase in NPAT (FY14: 7.3%) on a continuing operations basis and a 25.7% increase in NPAT on a statutory basis. The prior year included the impact of the one-off health benefit levy of $42.6 million imposed by the Victorian Government.

The Company's share price rose by 13.8% in FY15, and the Company continues to provide a high dividend payout ratio and strong total returns to shareholders, as shown in the graph Testing of Total Shareholder Return on page 60 of this Remuneration Report.

As a result of this FY15 achievement, the Company has created an incentive pool. Whenever the Company achieves the performance levels outlined in the incentive system, it creates an incentive pool. The section titled **Remuneration framework and policy** above details how the incentive system aligns shareholder and employee interests.

CONTRACTS OF EMPLOYMENT

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

Name	Contract term	Notice period	Termination payment
Robbie Cooke	3 year contract commencing 14 January 2013	The lesser of 12 months or the period remaining until 13 January 2016	No payment required on expiry of term. Early termination will attract no more than the amount allowed under the Corporations Act.
Barrie Fletton	No fixed duration	12 months	Combination of notice and payment in lieu, totaling no less than 12 months.
Neale O'Connell	No fixed duration	12 months	Combination of notice and payment in lieu, totaling no less than 12 months.
Mandy Ross	No fixed duration	6 months	Combination of notice and payment in lieu, totaling no less than 6 months.
Sue van der Merwe	No fixed duration	6 months	Combination of notice and payment in lieu, totaling no less than 6 months.
Stephen Lawrie[1]	No fixed duration	12 months	Combination of notice and payment in lieu, totaling no less than 12 months.
Bill Thorburn[2]	No fixed duration	12 months	Combination of notice and payment in lieu, totaling no less than 12 months.

1. Ceased employment 10 February 2015.
2. Ceased to be in a KMP role 18 July 2014.

Where an employment contract is terminated by written notice, payment in lieu for all or part of the notice period may be provided.

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

NON-EXECUTIVE DIRECTOR REMUNERATION

REMUNERATION FRAMEWORK

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

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

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

To align the Non-executive Directors' interests with the interests of Tatts' shareholders, the Board has established guidelines to encourage Non-executive Directors to hold a minimum of 25,000 Tatts shares. Such shares are to be acquired over a 3-year period from the date of their appointment. All Non-executive Directors meet these guidelines and further details about Non-executive Directors' interests in Tatts' shares as at 30 June 2015 are set out on page 62 of this report.

As approved by the shareholders at the 2011 Annual General Meeting, the maximum aggregate Non-executive Directors' fee pool is $2 million per annum, of which the Group utilised $1.478 million in FY15. Fees paid to Non-executive Directors are set out in the table below, and are comprised of cash and statutory superannuation.

FEE STRUCTURE

	Board	Committee (per membership)
Chair	**$462,000** (FY14: $445,000)	**$32,000** (FY14: $32,000)
Member	**$182,000** (FY14: $175,000)	**$10,000** (FY14: $10,000)

REMUNERATION TABLES

30 June 2015

REMUNERATION EXPENSES

		SHORT-TERM EMPLOYEE BENEFITS[1]			POST EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	SHARE-BASED PAYMENTS		TOTAL
	Year	Cash Salary & Fees $	Cash Incentive $	Other $	Super-Annuation $	Long Service Leave $	Performance rights (current yr) $	Performance rights (previous yr) $	Total remuneration $
NON-EXECUTIVE DIRECTORS									
Harry Boon	**2015**	**440,384**			**18,783**				**459,167**
	2014	424,725	–	–	17,775	–	–	–	442,500
Lyndsey Cattermole	**2015**	**190,904**			**–**				**190,904**
	2014	183,750	–	–	–	–	–	–	183,750
Brian Jamieson	**2015**	**204,050**			**18,783**				**222,833**
	2014	197,676	–	–	17,740	–	–	–	215,416
Julien Playoust	**2015**	**204,050**			**18,783**				**222,833**
	2014	197,676	–	–	17,740	–	–	–	215,416
Kevin Seymour	**2015**	**174,410**			**16,494**				**190,904**
	2014	168,186	–	–	15,564	–	–	–	183,750
Dr David Watson[2]	**2015**	**174,342**			**16,562**				**190,904**
	2014	44,350	–	–	4,102	–	–	–	48,452
Robert Bentley[3]	**2015**	**–**		**–**	**–**		**–**	**–**	**–**
	2014	125,920	–	–	11,648	–	–	–	137,568
SUB-TOTAL Non-executive Directors	**2015**	**1,388,140**	**–**	**–**	**89,405**	**–**	**–**	**–**	**1,477,545**
	2014	1,342,283	–	–	84,569	–	–	–	1,426,852
EXECUTIVE DIRECTORS									
Robbie Cooke (Managing Director and CEO)	**2015**	**1,529,550**	**412,500**	**–**	**18,783**	**29,433**	**412,500**	**438,750**	**2,841,516**
	2014	1,424,725	457,500	–	17,845	27,529	457,500	686,700	3,071,799
SUB-TOTAL Executive Directors	**2015**	**1,529,550**	**412,500**	**–**	**18,783**	**29,433**	**412,500**	**438,750**	**2,841,516**
	2014	1,424,725	457,500	–	17,845	27,529	457,500	686,700	3,071,799
OTHER KEY MANAGEMENT PERSONNEL (GROUP)									
Barrie Fletton (COO Wagering)[4]	**2015**	**568,956**	**93,333**	**–**	**19,506**	**15,751**	**46,667**	**–**	**744,213**
	2014	528,764	87,500	–	17,775	15,180	87,500	–	736,719
Neale O'Connell (CFO)[5]	**2015**	**717,477**	**230,000**	**–**	**18,783**	**13,824**	**230,000**		**1,210,084**
	2014	643,350	225,000	15,673	17,775	12,491	225,000	–	1,139,289
Mandy Ross (CIO)[6]	**2015**	**218,469**	**120,000**		**9,392**	**4,104**	**120,000**		**471,965**
	2014	–	–	–	–	–	–	–	–
Sue van der Merwe (COO Lotteries)[7]	**2015**	**339,607**	**146,667**	**–**	**34,547**	**10,795**	**73,333**	**–**	**604,949**
	2014	–	–	–	–	–	–	–	–
Stephen Lawrie (CIO)[8]	**2015**	**498,828**	**–**	**–**	**12,522**	**7,222**	**–**	**–**	**518,572**
	2014	583,892	85,000	–	17,775	11,159	85,000	–	782,826
Bill Thorburn (COO Lotteries)[9]	**2015**	**29,422**	**–**	**–**	**3,751**	**695**	**–**	**–**	**33,868**
	2014	508,778	85,000	–	62,761	9,708	85,000	–	751,247
TOTAL Key Management Personnel	**2015**	**2,372,759**	**590,000**	**–**	**98,501**	**52,391**	**470,000**	**–**	**3,583,651**
	2014	2,264,784	482,500	15,673	116,086	48,538	482,500	–	3,410,081
TOTAL	**2015**	**5,290,449**	**1,002,500**	**–**	**206,689**	**81,824**	**882,500**	**438,750**	**7,902,712**
	2014	5,031,792	940,000	15,673	218,500	76,067	940,000	686,700	7,908,732

1. Short-term benefits may include amounts paid to superannuation at the discretion of the individual.
2. Commenced 27 March 2014.
3. Retired from the Board 27 March 2014.
4. Executive of an operating unit that contributes greater than 25% to continuing EBITDA.
5. Executive of a service unit with responsibility for planning, controlling and directing of the Group.
6. Executive of a service unit with responsibility for planning, controlling and directing of the Group. Appointed 1 January 2015.
7. Executive of an operating unit that contributes greater than 25% to continuing EBITDA. Appointed 21 July 2014.
8. Ceased employment 10 February 2015.
9. Ceased to be in a KMP role 18 July 2014.

In the preceding table, cash incentives represent 100% of the cash component of the annual incentive paid to each executive for the financial year. The remaining proportion of their total incentive paid for the year is in the rights they will be awarded, as included in the performance rights column.

KMP have received the following percentages of their total target incentive for the year, with the respective splits between cash and performance rights outlined.

		INCENTIVE PLAN			PORTION OF REMUNERATION		
	Year	Total target incentive achieved %	Cash %	Performance rights %	Total remuneration $	Related to Group performance %	Not related to Group performance %
Robbie Cooke	**2015**	**75%**	**50%**	**50%**	**2,841,516**	**29%**	**71%**
	2014	91%	50%	50%	3,071,799	30%	70%
Barrie Fletton	**2015**	**41%**	**67%**	**33%**	**744,213**	**19%**	**81%**
	2014	53%	50%	50%	736,719	24%	76%
Neale O'Connell	**2015**	**88%**	**50%**	**50%**	**1,210,084**	**38%**	**62%**
	2014	95%	50%	50%	1,139,289	39%	61%
Mandy Ross	**2015**	**76%**	**50%**	**50%**	**471,965**	**51%**	**49%**
	2014	N/A	N/A	N/A	N/A	NA	NA
Sue van der Merwe	**2015**	**88%**	**67%**	**33%**	**604,949**	**36%**	**64%**
	2014	N/A	N/A	N/A	N/A	N/A	N/A
Stephen Lawrie[1]	**2015**	**N/A**	**N/A**	**N/A**	**518,572**	**N/A**	**N/A**
	2014	40%	50%	50%	782,826	22%	78%
Bill Thorburn[2]	**2015**	**N/A**	**N/A**	**N/A**	**33,868**	**N/A**	**N/A**
	2014	49%	50%	50%	751,247	23%	77%

1. Ceased employment 10 February 2015.
2. Ceased to be in a KMP role 18 July 2014.

REMUNERATION TABLES (CONTINUED)

30 June 2015

TERMS AND CONDITIONS OF EQUITY INSTRUMENTS

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

(A) TERMS AND CONDITIONS OF OPTIONS AND RIGHTS

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

Award type	Grant date	Expiry date	Exercise price	Value per option/right at grant date	Date exercisable
Performance options	30 November 2007	30 November 2014	$3.99	$1.02	30 November 2010
Performance options	30 November 2008[1]	30 November 2015	$2.56	$0.33	30 November 2011
Performance options	30 November 2008[2]	30 November 2015	$2.56	$0.33	30 November 2011
Performance rights	30 November 2009[3]	30 November 2016	N/A	$1.36	30 November 2012
Performance rights	30 November 2009[4]	30 November 2016	N/A	$1.87	30 November 2012
Performance right (former Managing Director and Chief Executive)	27 October 2011[3]	10 January 2016	N/A	$1.26	12 October 2014
Performance right (former Managing Director and Chief Executive)	27 October 2011[3]	10 January 2015	N/A	$1.81	12 October 2014
Performance rights	22 November 2013[5]	1 November 2014	N/A	$3.25	30 September 2014
Performance rights	31 October 2014[5]	1 November 2015	N/A	$3.49	1 November 2015
Performance rights	October 2015[6]	November 2016	N/A	$3.99	November 2016

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

Upon exercise of cash options or rights, the holder receives 1 fully paid ordinary share in the Company.

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

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

EQUITY GRANTED, VESTED AND FORFEITED

	A Remuneration consisting of rights %	B Value at grant date issue incentive $	C Value at exercise date $	D Value at lapse date $
Robbie Cooke	15%	412,500	655,431	–
Barrie Fletton	6%	46,667	115,200	106,750
Neale O'Connell	19%	230,000	156,000	26,446
Mandy Ross	25%	120,000	–	–
Sue van der Merwe	12%	73,333	35,424	20,623
Stephen Lawrie[1]	N/A	–	144,000	189,324
Bill Thorburn[2]	N/A	–	–	–

1. Ceased employment 10 February 2015.
2. Ceased to be in a KMP role 18 July 2014.

A. The percentage of the value of remuneration consisting of rights, based on the value of rights expensed during the current year.
B. The accounting and/or cash value at grant date of rights granted during or in respect of the year as part of remuneration.
C. The value at exercise date of options and rights that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the rights at that date.
D. The value—determined at lapse date—of rights that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined as though all conditions were satisfied.

	Number of rights granted during and in respect of the year	Number of rights vested during the year	Number of ordinary shares issued on exercise of rights during the year	Date of share issue on exercise of rights
Executive Directors of Tatts Group Limited				
Robbie Cooke (Managing Director and CEO)	253,383	210,074	210,074	23 October 2014
Other Key Management Personnel of the Group				
Barrie Fletton	11,696	36,923	36,923	23 October 2014
Neale O'Connell	57,644	50,000	50,000	23 October 2014
Mandy Ross	30,075	–	–	
Sue van der Merwe	18,379	11,354	11,354	23 October 2014
Stephen Lawrie[1]	–	46,154	46,154	23 October 2014
Bill Thorburn[2]	–	–	–	
Total rights	**371,177**	**354,505**	**354,505**	

1. Ceased employment 10 February 2015.
2. Ceased to be in a KMP role 18 July 2014.

REMUNERATION TABLES (CONTINUED)

30 June 2015

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

Award type	Grant Date	Expiry Date	Exercise price	Number under rights
Performance right	30 November 2009	30 November 2016	N/A	23,022
Performance right	27 October 2011	10 January 2016	N/A	4,950
Performance right	31 October 2014	1 November 2015	N/A	150,000
Performance right	31 October 2014	1 November 2015	N/A	360,314
			Total	**538,286**

RIGHTS

Name	Year	Balance at start of the year	Granted as compen-sation	Exercised	Lapsed	Balance at the end of the year	Vested and exercisable	Unvested
Robbie Cooke	**2015**	**341,163**	**253,383**	**210,074**	**–**	**384,472**	**–**	**384,472**
	2014	60,074	281,089	–	–	341,163	–	341,163
Barrie Fletton	**2015**	**61,995**	**11,696**	**36,923**	**–**	**36,768**	**–**	**36,768**
	2014	80,937	25,072	44,014	–	61,995	–	61,995
Neale O'Connell	**2015**	**114,470**	**57,644**	**50,000**	**–**	**122,114**	**–**	**122,114**
	2014	58,936	64,470	8,936	–	114,470	–	114,470
Mandy Ross	**2015**	**–**	**30,075**	**–**	**–**	**30,075**	**–**	**30,075**
	2014	–	–	–	–	–	–	–
Sue van der Merwe	**2015**	**15,938**	**18,379**	**11,354**	**–**	**22,963**	**–**	**22,963**
	2014	–	–	–	–	–	–	–
Stephen Lawrie[1]	**2015**	**70,509**	**–**	**46,154**	**24,355**	**–**	**–**	**–**
	2014	102,492	24,355	56,338	–	70,509	–	70,509
Bill Thorburn[2]	**2015**	**70,510**	**–**	**–**	**–**	**70,510**	**–**	**70,510**
	2014	98,972	24,355	52,817	–	70,510	–	70,510

1. Ceased employment 10 February 2015.
2. Ceased to be in a KMP role 18 July 2014.

In FY15, 947,800 performance options were exercised and shares issued (FY14: 2,067). No performance options were granted. Additionally, of the 757,252 rights that vested (FY14: 731,937), all were exercised. No consideration is payable on the exercise of rights. Non-executive Directors are not entitled to receive performance options or performance rights.

During FY15, 25,071 rights were forfeited (FY14: 6,040).

OPTIONS

	Year	Balance at start of the year	Granted as compen-sation	Exercised	Lapsed	Balance at the end of the year	Vested and exercisable	Unvested
Robbie Cooke	**2015**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2014	–	–	–	–	–	–	–
Barrie Fletton	**2015**	**344,257**	**–**	**239,600**	**104,657**	**–**	**–**	**–**
	2014	396,215	–	–	51,958	344,257	344,257	–
Neale O'Connell	**2015**	**25,927**	**–**	**–**	**25,927**	**–**	**–**	**–**
	2014	34,229	–	–	8302	25,927	25,927	–
Mandy Ross	**2015**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2014	–	–	–	–	–	–	–
Sue van der Merwe	**2015**	**20,219**	**–**	**–**	**20,219**	**–**	**–**	**–**
	2014	–	–	–	–	–	–	–
Stephen Lawrie[1]	**2015**	**349,679**	**–**	**–**	**102,279**	**247,400**	**247,400**	**–**
	2014	398,012	–	–	48,333	349,679	349,679	–
Bill Thorburn[2]	**2015**	**316,150**	**–**	**–**	**100,000**	**216,150**	**216,150**	**–**
	2014	316,150	–	–	–	316,150	316,150	–

1. Ceased employment 10 February 2015.
2. Ceased to be in a KMP role 18 July 2014.

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

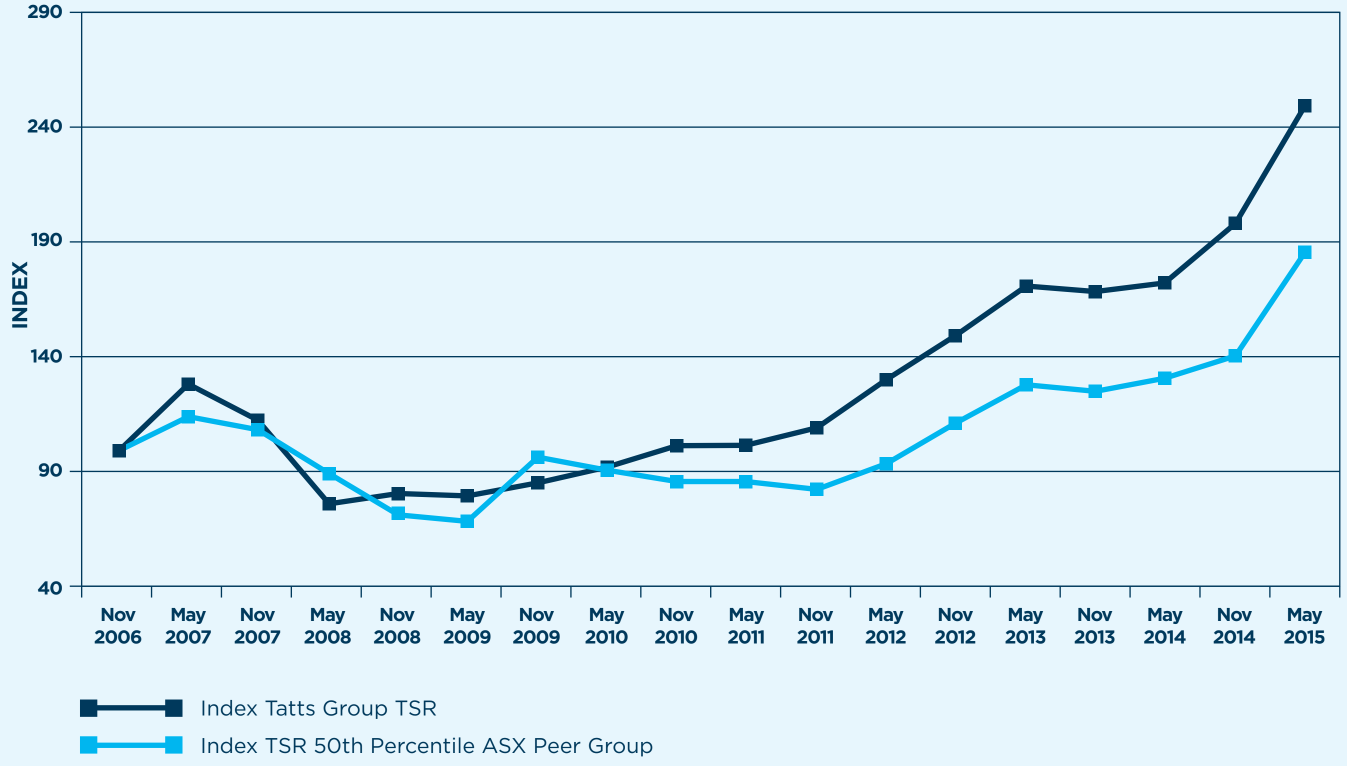
Grant Date	Vesting Date	Vested Percentage	Exercised	Lapsed	Balance at 30 June 2015
30 November 2007	30 May 2012	100%	–	861,371	–
30 November 2008	30 May 2012	100%	947,800	–	–

REMUNERATION TABLES (CONTINUED)

30 June 2015

TESTING OF TOTAL SHAREHOLDER RETURN

TSR 50TH PERCENTILE INDEX
TATTS GROUP LIMITED VS ASX PEER GROUP
(30 NOVEMBER 2006 INDEX = 100)



Details of grants that are subject to the TSR condition, and the outcome of this testing, are included in the table below.

Grant	Testing date	Testing outcome	Total vested percentage
2008	November 2011	62.49 percentile	74.98%
	May 2012	73.95 percentile	97.90% (from 74.98%)
	November 2012	81.60 percentile	100% (from 97.90%)
2009	November 2012	78.10 percentile	100%
2009[1]	October 2012	76.44 percentile	100%
2010[1]	October 2013	77.74 percentile	100%

1. Issued only to the former Managing Director/Chief Executive.

RECONCILIATION OF OPTIONS AND RIGHTS

	Financial year granted or in respect of	Vested %	Forfeited %	Financial years in which options/ rights may vest	Minimum total value of options/ rights grant yet to vest	Maximum total value of options/ rights grant yet to vest $
Robbie Cooke	2015	–	–	2017	Nil	412,500
	2014	–	–	2016	Nil	457,500
	2013	100%	–	2015	Nil	–
Barrie Fletton	2015	–	–	2017	Nil	46,667
	2014	–	–	2016	Nil	87,500
	2013	100%	–	2015	Nil	–
	2012	100%	–	2014	Nil	–
Neale O'Connell	2015	–	–	2017	Nil	230,000
	2014	–	–	2016	Nil	225,000
	2013	100%	–	2015	Nil	–
Mandy Ross	2015	–		2017	Nil	120,000
	2014	–	–	2016	Nil	N/A
Sue van der Merwe	2015	–	–	2017	Nil	73,333
	2014	–	–	2016	Nil	36,901
	2013	100%	–	2015	Nil	–
Stephen Lawrie[1]	2015	–	–	2017	Nil	N/A
	2014	–	100%	2016	Nil	–
	2013	100%	–	2015	Nil	150,000
	2012	100%	–	2014	Nil	–
	2011	100%	–	2014	Nil	–
Bill Thorburn[2]	2015	–	–	2017	Nil	N/A
	2014	–	–	2016	Nil	85,000
	2013	100%	–	2015	Nil	–
	2012	100%	–	2014	Nil	–

1. Ceased employment 10 February 2015.
2. Ceased to be in a KMP role 18 July 2014.

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

Grant Date	Vesting Date	Vested Percentage	Exercised	Lapsed	Balance at 30 June 2015
27 October 2011 (former Managing Director and Chief Executive)	10 January 2015	96%	120,050	–	–
27 October 2011 (former Managing Director and Chief Executive)	10 January 2015	100%	125,000	–	–
22 November 2013	1 November 2014	100%	210,074	–	–
22 November 2013	1 November 2014	100%	302,128	–	–

SHAREHOLDINGS AND TATTS BONDS HOLDINGS

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

	Year	Balance at start of year	Received during year on exercise of options/rights	Received on vesting rights to deferred shares	Other changes during year	Balance at end of year
DIRECTORS OF TATTS GROUP LIMITED						
Harry Boon	**2015**	**150,000**	**–**	**–**	**–**	**150,000**
	2014	150,000	–	–	–	150,000
Robbie Cooke	**2015**	**–**	**210,074**	**–**	**–**	**210,074**
	2014	–	–	–	–	–
Lyndsey Cattermole	**2015**	**182,663**	**–**	**–**	**–**	**182,663**
	2014	182,663	–	–	–	182,663
Brian Jamieson	**2015**	**80,943**	**–**	**–**	**33,791**	**114,734**
	2014	80,943	–	–	–	80,943
Julien Playoust	**2015**	**25,000**	**–**	**–**	**–**	**25,000**
	2014	100,000	–	–	(75,000)	25,000
Kevin Seymour	**2015**	**14,108,306**	**–**	**–**	**–**	**14,108,306**
	2014	14,108,306	–	–	–	14,108,306
Dr David Watson	**2015**	**25,000**	**–**	**–**	**–**	**25,000**
	2014	–	–	–	25,000	25,000
Robert Bentley[1]	**2015**	**N/A**	**–**	**–**	**–**	**N/A**
	2014	115,000	–	–	–	115,000
OTHER KEY MANAGEMENT PERSONNEL OF THE GROUP						
Barrie Fletton	**2015**	**198,979**	**276,523**	**–**	**(99,600)**	**375,902**
	2014	154,965	44,014	–	–	198,979
Neale O'Connell	**2015**	**122,448**	**50,000**	**–**	**–**	**172,448**
	2014	113,512	8,936	–	–	122,448
Mandy Ross	**2015**	**–**	**–**	**–**	**–**	**–**
	2014	–	–	–	–	–
Sue van der Merwe	**2015**	**41,361**	**11,354**	**–**	**–**	**52,715**
	2014	–	–	–	–	–
Stephen Lawrie[2]	**2015**	**174,949**	**46,154**	**–**	**–**	**221,103**
	2014	118,611	56,338	–	–	174,949
Bill Thorburn[3]	**2015**	**167,030**	**–**	**–**	**–**	**167,030**
	2014	114,213	52,817	–	–	167,030

1. Retired from the Board 27 March 2014, and the balance shown is as at that date.
2. Ceased employment 10 February 2015, and the balance shown is as at that date.
3. Ceased to be in a KMP role 18 July 2014, and the balance shown is as at that date.

TATTS BONDS HOLDINGS OF DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

	Year	Balance at the start of the year	Acquired during the year	Disposed during the year	Balance at the end of the year
Barrie Fletton	**2015**	**300**	**–**	**–**	**300**
	2014	300	–	–	300
Robert Bentley[1]	2014	300	–	–	300

1. Shareholding at retirement date 27 March 2014.

ADDITIONAL INFORMATION

INDEMNITIES AND INSURANCE

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

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

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

For the year ended 30 June 2015, no amounts have been paid pursuant to indemnities (2014: Nil).

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

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

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

NON-AUDIT SERVICES

There was no remuneration paid to the auditor (**PwC**) for non-audit services.

AUDITOR'S INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is set out on page 64 and forms part of the Directors' Report for the financial year ended 30 June 2015.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

DIRECTORS' RESOLUTION

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

Robbie Cooke

Harry Boon
Chairman

Robbie Cooke
Managing Director and Chief Executive Officer

Brisbane
20 August 2015

AUDITOR'S INDEPENDENCE DECLARATION

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Tatts Group Limited for the year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Anton Linschoten
Partner
PricewaterhouseCoopers

Brisbane
20 August 2015

PricewaterhouseCoopers, ABN 52 780 433 757
Riverside Centre, 123 Eagle Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

ANNUAL FINANCIAL REPORT

30 June 2015

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CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2015

	NOTES	2015 $'000	2014 $'000
Revenue from continuing operations	2	**2,919,867**	2,868,334
Statutory outgoings			
Government share		**(1,293,500)**	(1,289,867)
Venue share/commission		**(417,027)**	(413,123)
Product and program fees		**(203,138)**	(187,194)
Other expenses from ordinary activities			
Employee expenses		**(217,797)**	(207,529)
Operating fees and direct costs		**(69,296)**	(70,454)
Telecommunications and technology		**(36,920)**	(39,466)
Marketing and promotions		**(57,424)**	(43,268)
Information services		**(19,185)**	(19,823)
Property expenses		**(55,997)**	(55,980)
Restructuring expenses		**(1,730)**	(1,474)
Other expenses		**(40,473)**	(41,740)
Profit before interest, income tax, depreciation and amortisation		**507,380**	498,416
Depreciation and amortisation	3	**(87,115)**	(83,909)
Interest income		**7,466**	1,927
Finance costs	3	**(61,657)**	(89,850)
Profit before income tax		**366,074**	326,584
Income tax expense	4	**(110,288)**	(99,962)
Profit from continuing operations		**255,786**	226,622
Loss from discontinued operation	21	**(3,822)**	(26,201)
Profit attributable to owners of Tatts Group Limited		**251,964**	200,421

		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	16	**17.7**	16.0
Diluted earnings per share	16	**17.7**	16.0
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	16	**17.4**	14.1
Diluted earnings per share	16	**17.4**	14.1

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2015

	NOTES	2015 $'000	2014 $'000
Profit for the year		**251,964**	200,421
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of available-for-sale financial assets	14	**(115)**	(26)
Changes in the value of net investment hedges	14	**(10,367)**	(6,861)
Changes in the value of cross currency interest rate swaps	14	**7,382**	(2,443)
Changes in the value of interest rate swaps	14	**1,599**	6,205
Changes in the value of forward foreign exchange contracts	14	**116**	(179)
Exchange differences on translation of foreign operations	14	**4,554**	2,924
Income tax relating to these items		**(2,706)**	(609)
Items that will not be reclassified to profit or loss			
Actuarial gains on retirement benefit obligation		**5,268**	594
Income tax relating to these items	4	**(1,360)**	759
Other comprehensive income for the year, net of tax		**4,371**	364
Total comprehensive income attributable to the owners of Tatts Group Limited		**256,335**	200,785

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

CONSOLIDATED BALANCE SHEET

As at 30 June 2015

	NOTES	2015 $'000	2014 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5	**421,638**	687,118
Trade and other receivables	6	**80,621**	132,470
Inventories		**3,718**	8,150
Derivative financial instruments		**80**	–
Assets classified as held for sale	7	**2,400**	39,625
Other current assets	9	**47,598**	43,575
Total current assets		**556,055**	910,938
Non-current assets			
Trade and other receivables		**116**	155
Available-for-sale financial assets	18	**19,394**	18,870
Property, plant and equipment	10	**210,230**	205,620
Derivative financial instruments	20	**76,075**	14,817
Intangible assets	11	**4,652,545**	4,539,984
Deferred tax assets	4	**9,524**	9,375
Other non-current assets		**1,402**	403
Total non-current assets		**4,969,286**	4,789,224
Total assets		**5,525,341**	5,700,162
LIABILITIES			
Current liabilities			
Trade and other payables	8	**598,508**	590,975
Interest bearing liabilities	19	**333,168**	–
Derivative financial instruments	20	**461**	5,496
Tax liabilities	4	**25,622**	3,129
Provisions	12	**18,999**	18,366
Other current liabilities	9	**588,066**	584,043
Total current liabilities		**1,564,824**	1,202,009
Non-current liabilities			
Trade and other payables	8	**178,849**	96,989
Interest bearing liabilities	19	**585,359**	1,350,968
Deferred tax liabilities	4	**208,173**	199,974
Derivative financial instruments	20	**6,247**	2,848
Provisions	12	**3,324**	3,629
Retirement benefit obligations	13	**7,493**	12,084
Total non-current liabilities		**989,445**	1,666,492
Total liabilities		**2,554,269**	2,868,501
Net assets		**2,971,072**	2,831,661
EQUITY			
Contributed equity	14	**2,841,366**	2,748,417
Other reserves	14	**(9,978)**	(8,762)
Retained earnings	14	**139,684**	92,006
Capital and reserves attributable to owners of Tatts Group Limited		**2,971,072**	2,831,661
Total equity		**2,971,072**	2,831,661

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

		ATTRIBUTABLE TO OWNERS OF TATTS GROUP LIMITED			
	Notes	Contributed equity $'000	Other reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2013		2,654,852	(7,610)	113,179	2,760,421
Adjustment from change in accounting policy		–	–	(4,374)	(4,374)
Restated total equity at the beginning of the financial year		**2,654,852**	**(7,610)**	**108,805**	**2,756,047**
Profit for the year		–	–	200,421	200,421
Other comprehensive income		–	(989)	1,353	364
Total comprehensive income for the year		**–**	**(989)**	**201,774**	**200,785**
Transactions with owners in their capacity as owners:					
Dividend Reinvestment Plan issues		91,955	–	–	91,955
Dividends paid	15	–	–	(218,573)	(218,573)
Employee performance rights		1,605	260	–	1,865
Employee share options	17	5	(423)	–	(418)
		93,565	(163)	(218,573)	(125,171)
Balance at 30 June 2014		**2,748,417**	**(8,762)**	**92,006**	**2,831,661**
Balance at 1 July 2014		2,748,417	(8,762)	92,006	2,831,661
Profit for the year		–	–	251,964	251,964
Other comprehensive income		–	463	3,908	4,371
Total comprehensive income for the year		**–**	**463**	**255,872**	**256,335**
Transactions with owners in their capacity as owners:					
Dividend Reinvestment Plan issues		88,028	–	–	88,028
Dividends paid	15	–	–	(209,073)	(209,073)
Employee performance rights		2,201	(505)	–	1,696
Employee share options	17	2,720	(1,174)	879	2,425
		92,949	(1,679)	(208,194)	(116,924)
Balance at 30 June 2015		**2,841,366**	**(9,978)**	**139,684**	**2,971,072**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

	NOTES	2015 $'000	2014 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST) net of prizes paid/cash returns to customers		**3,041,528**	2,865,150
Payments to suppliers and employees (inclusive of GST)		**(499,181)**	(435,549)
Payments to Government		**(1,352,400)**	(1,348,100)
Payments to venues/commission		**(417,027)**	(413,123)
Payments for product and program fees		**(200,221)**	(190,470)
		572,699	477,908
Other revenue		**27**	38
Interest received		**7,438**	4,300
Interest paid		**(56,342)**	(88,984)
Income taxes paid		**(83,997)**	(114,850)
Net cash in flow from operating activities	5	**439,825**	278,412
Cash flows from investing activities			
Payments for property, plant and equipment	10	**(45,296)**	(60,265)
Payments for intangibles		**(56,616)**	(15,153)
Proceeds from sale of property, plant and equipment and investment properties		**66**	347
Proceeds/(payments) from sale of available-for-sale assets		**34,260**	(591)
Net cash (outflow) from investing activities		**(67,586)**	(75,662)
Cash flows from financing activities			
Proceeds from issues of shares	17	**2,426**	5
Dividends paid net of Dividend Reinvestment Plan		**(121,045)**	(126,619)
Proceeds from borrowings		**-**	195,000
Repayment of borrowings		**(520,000)**	(495,000)
Proceeds from legal compensation claim		**-**	540,468
Net cash (outflow)/inflow from financing activities		**(638,619)**	113,854
Net (decrease)/increase in cash and cash equivalents		**(266,380)**	316,604
Cash and cash equivalents at the beginning of the financial year		**687,118**	355,666
Effects of exchange rate changes on cash and cash equivalents		**900**	14,848
Cash and cash equivalents at end of year	5	**421,638**	687,118

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

CONTENTS OF THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION

30 June 2015

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

COMPLIANCE WITH IFRS

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

HISTORICAL COST CONVENTION

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

PRINCIPLES OF CONSOLIDATION

SUBSIDIARIES

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2015 and the results of all subsidiaries for the year then ended. Tatts Group Limited (the Company or the Parent Entity) and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

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

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

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

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

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

EUROPEAN GAMING GROUP

The investment in the European Gaming Group has been partially financed by a loan denominated in United Kingdom Pound Sterling (GBP). The loan has been designated as a net investment hedge within the consolidated financial statements.

In the Company, the investment is designated as a fair value hedge of the foreign currency risk associated with the loan. The investment that is hedged has been revalued based on the closing GBP/AUD exchange rate with the gain/loss on revaluation being recognised in the statement of comprehensive income in line with the corresponding gain/loss arising on the revaluation of the GBP loan.

FOREIGN CURRENCY TRANSLATION

FUNCTIONAL AND PRESENTATION CURRENCY

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

TRANSACTIONS AND BALANCES

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

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

GROUP COMPANIES

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

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

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

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

GOODS AND SERVICES TAX (GST)

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

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

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

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

KEY NUMBERS

1. SEGMENT INFORMATION

30 June 2015

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

OPERATING SEGMENTS

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

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

GEOGRAPHICAL AREAS

Although the Consolidated Entity's divisions are managed on a global basis they have operated in two main geographical areas during the current and comparative financial year (United Kingdom and Australia).

The total of non-current assets other than financial instruments and deferred tax assets located in Australia is $4,675.0 million (2014: $4,590.0 million) and the total of these non-current assets located in the UK is $209.2 million (2014: $184.4 million).

RECOGNITION AND MEASUREMENT

Segment information is prepared in conformity with the accounting policies of the Group and accounting standard AASB 8 *Operating Segments*, which states that disclosure of total assets and liabilities for each reportable segment is only required if such an amount is regularly provided to the chief operating decision maker (Managing Director and Chief Executive Officer).

Segment revenues and expenses are those that are directly attributable to a segment and the relevant portion of corporate expenses that can be allocated to a segment on a reasonable basis.

INTER-SEGMENT TRANSFERS

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

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

2015	Lotteries $'000	Wagering $'000	Maxgaming $'000	Bytecraft Systems $'000	Talarius $'000	Unallocated $'000	Inter -segment eliminations[1] $'000	Total Continuing Operations $'000	Discontinued Operation[2] $'000	Consolidated $'000
Total segment revenue and other income	**1,976,685**	**632,878**	**116,812**	**104,034**	**115,927**	**4,498**	**(30,967)**	**2,919,867**	**–**	**2,919,867**
EBITDA	313,641	153,474	64,631	2,784	16,384	(43,534)	–	507,380	(3,907)	503,473
Depreciation and amortisation	(26,093)	(17,621)	(13,349)	(2,217)	(10,233)	(17,602)	–	(87,115)	–	(87,115)
EBIT	**287,548**	**135,853**	**51,282**	**567**	**6,151**	**(61,136)**	**–**	**420,265**	**(3,907)**	**416,358**

2014	Lotteries $'000	Wagering $'000	Maxgaming $'000	Bytecraft Systems $'000	Talarius $'000	Unallocated $'000	Inter -segment eliminations[1] $'000	Total Continuing Operations $'000	Discontinued Operation[2] $'000	Consolidated $'000
Total segment revenue and other income	**1,922,767**	**642,271**	**114,249**	**106,888**	**103,629**	**8,660**	**(30,130)**	**2,868,334**	**79**	**2,868,413**
EBITDA	296,562	160,776	63,105	(369)	13,618	(35,276)	–	498,416	(35,964)	462,452
Depreciation and amortisation	(25,048)	(16,687)	(13,434)	(2,092)	(9,562)	(17,086)	–	(83,909)	–	(83,909)
EBIT	**271,514**	**144,089**	**49,671**	**(2,461)**	**4,056**	**(52,362)**	**–**	**414,507**	**(35,964)**	**378,543**

1. Inter-segment eliminations against revenue comprises Bytecraft Systems revenue.
2. On 15 August 2012, the gaming operator's licence issued to Tatts Pokies expired resulting in this segment ceasing gaming machine operations subsequent to 15 August 2012 (refer to Note 21 for further details regarding this segment).

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

	2015 $'000	2014 $'000
EBIT from continuing operations	**420,265**	414,507
Interest income	**7,466**	1,927
Finance costs	**(61,657)**	(89,850)
Profit before income tax from continuing operations	**366,074**	326,584

2. REVENUE

30 June 2015

RECOGNITION AND MEASUREMENT

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

LOTTERIES REVENUE

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

RENDERING OF SERVICES

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

WAGERING REVENUE

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

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

INTEREST INCOME

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

OTHER REVENUE

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

	2015 $'000	2014 $'000
From continuing operations		
Sales revenue		
Entertainment products and services	**2,706,719**	2,648,420
Rendering of services	**205,095**	207,456
	2,911,814	2,855,876
Other revenue		
Rents and sub-lease rentals	**3,007**	6,729
Interest on unpaid prizes and prize reserves	**3,456**	4,697
Other revenue	**1,590**	1,032
	8,053	12,458
	2,919,867	2,868,334

3. OTHER INCOME AND EXPENSE ITEMS

30 June 2015

RECOGNITION AND MEASUREMENT

LEASES

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

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

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

IMPAIRMENT OF ASSETS

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

3. OTHER INCOME AND EXPENSE ITEMS (CONTINUED)

30 June 2015

EXPENSES

From continuing operations

Profit before income tax includes the following specific expenses:

	2015 $'000	2014 $'000
Expenses		
Depreciation		
Buildings	**2,327**	2,118
Plant and equipment	**35,843**	33,216
Leasehold improvements	**4,639**	6,069
Freehold improvements	**1,310**	1,273
Total depreciation	**44,119**	42,676
Amortisation		
Licences	**18,237**	14,923
Brand	**894**	894
Computer software	**18,041**	19,491
Other	**5,824**	5,925
Total amortisation	**42,996**	41,233
Total depreciation and amortisation	**87,115**	83,909
Finance costs		
Interest and finance charges paid/payable	**59,265**	89,850
Unwinding of present value of Wagering licence	**2,392**	–
Finance costs expensed	**61,657**	89,850
Other items		
Minimum lease payments expense relating to operating leases	**25,706**	25,459
Defined contribution superannuation expense	**14,527**	13,370
	40,233	38,829

Significant expenses

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

	2015 $'000	2014 $'000
Restructuring costs:		
Restructuring costs	**1,730**	1,474

4. TAX

30 June 2015

RECOGNITION AND MEASUREMENT

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

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

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

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

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

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

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

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

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

ESTIMATES AND JUDGEMENTS

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

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

INCOME TAX EXPENSE

	2015 $'000	2014 $'000
Current tax	**108,776**	99,462
Deferred tax	**5,005**	(12,052)
Adjustments for current tax of prior periods	**(3,582)**	1,573
	110,199	88,983

KEY NUMBERS

4. TAX (CONTINUED)

30 June 2015

INCOME TAX EXPENSE

	2015 $'000	2014 $'000
Income tax expense is attributable to:		
Profit from continuing operations	**110,288**	99,962
Loss from discontinued operation	**(89)**	(10,979)
	110,199	88,983
Deferred income tax expense (revenue) included in income tax expense/(benefit):		
(Increase)/decrease in deferred tax assets	**11,596**	(16,070)
(Decrease)/increase in deferred tax liabilities	**(6,591)**	4,018
	5,005	(12,052)

NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

	2015 $'000	2014 $'000
Profit from continuing operations before income tax expense	**366,074**	326,584
Loss from discontinued operation before income tax expense	**(3,911)**	(37,180)
	362,163	289,404
Tax at the Australian tax rate of 30% (2014: 30%)	**108,649**	86,822
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Depreciation and amortisation	**2,026**	1,728
Non-assessable income	**–**	(165)
Non-deductible items	**1,226**	1,105
Unrecognised tax losses	**86**	171
Sundry items	**714**	(3,351)
	112,701	86,310
Difference in overseas tax rates	**(183)**	(34)
Changes in overseas tax rate	**–**	1,453
Under/(over) provision in prior years in deferred tax	**1,263**	(319)
Under/(over) provision in prior years in current tax	**(3,582)**	1,573
Income tax expense	**110,199**	88,983

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

	2015 $'000	2014 $'000
Available-for-sale financial assets	**23**	46
Cash flow hedges	**(2,729)**	(655)
Other	**(1,360)**	759
	(4,066)	150

TAX LOSSES

	2015 $'000	2014 $'000
Unused tax losses for which no deferred tax asset has been recognised	**39,923**	37,598
Potential tax benefit at 20.79% (2014: 22.59%)	**8,300**	8,494

All unused tax losses were incurred by overseas entities that are not part of the Tax Consolidated Group.

DEFERRED TAX BALANCES

Deferred tax assets

	2015 $'000	2014 $'000
The balance comprises temporary differences attributable to:		
Employee benefits	**10,772**	11,765
Depreciation	**22,007**	20,069
Provisions	**114**	262
Available-for-sale financial assets	**23**	–
Cash flow hedges	**1,742**	4,471
Other	**7,923**	20,655
	42,581	57,222
Set-off of deferred tax liabilities pursuant to set-off provisions	**(33,057)**	(47,847)
Net deferred tax assets	**9,524**	9,375
Deferred tax assets to be settled within 12 months	**17,277**	22,838
Deferred tax assets to be settled after more than 12 months	**25,304**	34,384
	42,581	57,222

KEY NUMBERS

4. TAX (CONTINUED)

30 June 2015

DEFERRED TAX BALANCES

Deferred tax assets (continued)

MOVEMENTS	Employee Benefits $'000	Depreciation $'000	Provisions $'000	Listed securities $'000	Cash flow hedge $'000	Other $'000	Total $'000
At 1 July 2013	9,975	16,818	212	–	3,470	9,726	40,201
(Charged)/credited							
– to the income statement	1,031	(660)	50	–	–	15,649	16,070
– to other comprehensive income	759	–	–	–	(655)	–	104
Foreign exchange movement	–	–	–	–	–	847	847
Transfer between asset classes	–	3,911	–	–	1,656	(5,567)	–
Closing balance at 30 June 2014	11,765	20,069	262	–	4,471	20,655	57,222

Other includes $11.0 million relating to the Health Benefit Levy paid to the Victorian Government on 2 July 2014.

	Employee Benefits $'000	Depreciation $'000	Provisions $'000	Listed securities $'000	Cash flow hedge $'000	Other $'000	Total $'000
At 1 July 2014	11,765	20,069	262	–	4,471	20,655	57,222
(Charged)/credited							
– to the income statement	367	915	(148)	–	–	(12,732)	(11,598)
– to other comprehensive income	(1,360)	–	–	23	(2,729)	–	(4,066)
Foreign exchange movement	–	1,023	–	–	–	–	1,023
Closing balance at 30 June 2015	10,772	22,007	114	23	1,742	7,923	42,581

DEFERRED TAX LIABILITIES

	2015 $'000	2014 $'000
The balance comprises temporary differences attributable to:		
Depreciation	**3,937**	4,081
Intangibles	**233,210**	234,386
Unclaimed dividends	**3,564**	3,591
Other	**519**	5,763
	241,230	247,821
Set-off of deferred tax liabilities pursuant to set-off provisions	**(33,057)**	(47,847)
Net deferred tax liabilities	**208,173**	199,974
Deferred tax liabilities to be settled within 12 months	**4,284**	3,714
Deferred tax liabilities to be settled after more than 12 months	**236,946**	244,107
	241,230	247,821

MOVEMENTS	Depreciation $'000	Intangible assets $'000	Unclaimed dividends $'000	Accrued revenue $'000	Listed securities $'000	Other $'000	Total $'000
At 1 July 2013	2,445	237,827	3,635	66	–	923	244,896
Charged/(credited)							
Changes in accounting policy	–	–	–	–	–	(1,047)	(1,047)
– to the income statement	1,636	(3,441)	(44)	(66)	–	5,933	4,018
– to other comprehensive income	–	–	–	–	(46)	–	(46)
Transfer between asset classes	–	–	–	–	46	(46)	–
Closing balance at 30 June 2014	4,081	234,386	3,591	–	–	5,763	247,821

	Depreciation $'000	Intangibles assets $'000	Unclaimed dividends $'000	Accrued revenue $'000	Listed securities $'000	Other $'000	Total $'000
At 1 July 2014	4,081	234,386	3,591	–	–	5,763	**247,821**
Charged/(credited)							
– to the income statement	(144)	(1,176)	(27)	–	–	(5,244)	**(6,591)**
Closing balance at 30 June 2015	3,937	233,210	3,564	–	–	519	**241,230**

KEY NUMBERS

5. CASH AND CASH EQUIVALENTS

30 June 2015

RECOGNITION AND MEASUREMENT

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

	2015 $'000	2014 $'000
Current assets		
Cash at bank and in-hand	**241,601**	656,301
Deposits at call	**37**	817
Fixed interest securities	**180,000**	30,000
	421,638	687,118

On 27 June 2014 Tatts Group Limited received $540.5 million from the Victorian Government following the Supreme Court of Victoria finding in favour of Tatts in the proceedings commenced by it against the State of Victoria on the expiry of its gaming operator's licence on 15 August 2012 (refer to Note 21).

RECONCILIATION TO CASH AT THE END OF THE YEAR

Cash balances reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year.

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

	2015 $'000	2014 $'000
Profit for the year	**251,964**	200,421
Non cash flows in operating profit		
Depreciation and amortisation	**87,115**	83,909
Amortisation of borrowing costs	**2,931**	1,610
(Profit)/loss on sale of fixed assets	**2,232**	(31)
Employee share option	**439**	243
Bad and doubtful debts	**(148)**	561
Retirement benefit obligation	**678**	1,437
Change in operating assets and liabilities, net of effects from purchase of controlled entities		
Decrease in other receivables	**52,326**	34,501
Decrease in inventories	**4,432**	5,959
(Increase)/decrease in deferred tax assets	**48,721**	(17,021)
(Increase) in other operating assets	**(999)**	–
(Decrease)/increase in trade and other payables	**12,326**	(23,636)
(Decrease)/increase in current tax liabilities	**21,186**	(12,297)
(Decrease)/increase in deferred tax liabilities	**(43,705)**	4,210
(Decrease)/increase in other provisions	**327**	(1,454)
Net cash inflow from operating activities	**439,825**	278,412

NON-CASH FINANCING ACTIVITIES

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

6. TRADE AND OTHER RECEIVABLES

30 June 2015

RECOGNITION AND MEASUREMENT

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

Trade receivables are recognised initially at fair value and subsequently reviewed for impairment. Trade receivables are generally due for settlement, unless through prior arrangement, between no more than 2 to 30 days from the date of recognition. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

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

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

CURRENT	2015 $'000	2014 $'000
Trade receivables		
Weekly sweeps[1]	**17,844**	56,834
Trade debtors	**19,669**	30,459
Less: Provision for impairment of receivables	**(413)**	(561)
	37,100	86,732
Other receivables	**26,818**	27,757
Prepayments	**16,703**	17,981
	80,621	132,470

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

IMPAIRED TRADE AND OTHER RECEIVABLES

The Group has recognised losses of $0.3 million in the income statement (2014: loss of $0.6 million) in respect of bad and doubtful trade receivables during the year ended 30 June 2015.

At 30 June 2015, there were no material receivables past due and deemed to be irrecoverable which have not been impaired or individual balances specifically impaired. Collateral is not normally obtained for balances owing.

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

	2015 $'000	2014 $'000
At 1 July	**(561)**	(737)
Provision for impairment recognised during the year	**(344)**	(819)
Receivables written off during the year as uncollectable	**492**	995
At 30 June	**(413)**	(561)

OTHER RECEIVABLES

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

7. ASSETS CLASSIFIED AS HELD FOR SALE

30 June 2015

RECOGNITION AND MEASUREMENT

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

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

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

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

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

Investment properties previously held as non-current were transferred in 2013 to current assets classified as held for sale. The balance at 30 June 2015 is $2.4 million (2014: $39.6 million).

8. TRADE AND OTHER PAYABLES

30 June 2015

RECOGNITION AND MEASUREMENT

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

Prizes payable to the 'Set for Life', 'Made for Life' and 'Win for Life' lottery major prize winners are payable over periods exceeding 12 months. The portion of this liability which is payable more than 12 months post balance date is reported as a non-current liability. A change in Accounting Policy valuing prizes at the initial prize value was made effective from 1 July 2014 (refer to Note 30).

	2015 $'000	2014 $'000
Current		
Trade payables	**507,253**	507,165
Other payables and accruals	**91,255**	83,810
	598,508	590,975
Non-Current		
Other payables	**178,849**	96,989

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

9. OTHER CURRENT LIABILITIES

30 June 2015

	2015 $'000	2014 $'000
SA Lotteries monies held in trust	**47,598**	43,575
Unearned income – Victorian compensation case	**540,468**	540,468
Total other current liabilities	**588,066**	584,043

SA LOTTERIES MONIES HELD IN TRUST

There is a corresponding asset in other current assets.

UNEARNED INCOME

On 26 June 2014, the Supreme Court of Victoria found in favour of Tatts in the proceedings commenced by it against the State of Victoria for compensation on the expiry of its gaming operator's licence on 15 August 2012.

The Court ordered the State to pay Tatts $451.2 million plus interest of $89.3 million, with the total amount received subject to applicable tax. This upheld an agreement entered into between the State and Tatts in 1995. This agreement led to the State receiving substantial additional licence fees from Tatts for the conduct of the Tatts Pokies business, on the basis that the State would grant compensation if a new gaming operator's licence was granted to anyone other than Tatts on the expiry of its licence.

The amount received of $540.5 million has been treated as unearned income and a current liability. The matter is subject to appeal with the State having been granted special leave to appeal to the High Court of Australia, and if the judgment of the Supreme Court of Victoria is set aside on appeal, the $540.5 million plus interest and costs will be payable to the State by Tatts.

At present, it is not possible to ascertain with certainty what amount of interest and costs would be payable to the State by Tatts if the judgment was set aside on appeal. However, it would be reasonable to assume interest of approximately $12 million after tax could be payable if judgment was set aside as at 30 June 2015.

It is not known when the appeal will be heard and determined by the High Court of Australia.

10. PROPERTY, PLANT AND EQUIPMENT

30 June 2015

RECOGNITION AND MEASUREMENT

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

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

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

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

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

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

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

VALUATIONS OF LAND AND BUILDINGS

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

REVALUATION, DEPRECIATION METHODS AND USEFUL LIVES

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

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

	Freehold Land $'000	Buildings $'000	Freehold improvements $'000	Leasehold improvements $'000	Plant and equipment $'000	Assets under development $'000	Total $'000
At 30 June 2014							
Cost or fair value	32,629	72,811	25,297	72,795	495,244	16,622	715,398
Accumulated depreciation	–	(33,373)	(16,332)	(56,975)	(403,098)	–	(509,778)
Carrying amount at 30 June 2014	**32,629**	**39,438**	**8,965**	**15,820**	**92,146**	**16,622**	**205,620**
Year ended 30 June 2015							
Opening net book amount	32,629	39,438	8,965	15,820	92,146	16,622	205,620
Additions	–	–	–	–	5,951	39,345	45,296
Disposals	–	(1)	–	(38)	(220)	–	(259)
Depreciation and impairment continuing operations	–	(2,327)	(1,310)	(4,639)	(35,843)	–	(44,119)
Transfers in/(out)	378	–	961	2,160	22,013	(25,512)	–
Foreign exchange movements	231	622	–	377	2,232	230	3,692
Carrying amount at 30 June 2015	**33,238**	**37,732**	**8,616**	**13,680**	**86,279**	**30,685**	**210,230**
At 30 June 2015							
Cost	33,238	75,558	24,795	76,881	503,078	30,685	744,235
Accumulated depreciation	–	(37,826)	(16,179)	(63,201)	(416,799)	–	(534,005)
Net book amount	**33,238**	**37,732**	**8,616**	**13,680**	**86,279**	**30,685**	**210,230**

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

30 June 2015

	Freehold Land $'000	Buildings $'000	Freehold improvements $'000	Leasehold improvements $'000	Plant and equipment $'000	Assets under development $'000	Total $'000
At 30 June 2013							
Cost or fair value	23,883	71,112	23,528	70,290	470,694	8,102	667,609
Accumulated depreciation	–	(29,850)	(16,888)	(53,056)	(381,644)	–	(481,438)
Carrying amount at 30 June 2013	**23,883**	**41,262**	**6,640**	**17,234**	**89,050**	**8,102**	**186,171**
Year ended 30 June 2014							
Opening net book amount	23,883	41,262	6,640	17,234	89,050	8,102	186,171
Additions	8,593	–	–	–	5,278	46,394	60,265
Disposals	–	(192)	(276)	(8)	(187)	–	(663)
Depreciation and impairment continuing operations	–	(2,118)	(1,273)	(6,069)	(33,216)	–	(42,676)
Transfers in/(out)	–	–	3,874	4,243	29,841	(37,950)	8
Foreign exchange movements	153	486	–	420	1,380	76	2,515
Carrying amount at 30 June 2014	**32,629**	**39,438**	**8,965**	**15,820**	**92,146**	**16,622**	**205,620**
At 30 June 2014							
Cost or fair value	32,629	72,811	25,297	72,795	495,244	16,622	715,398
Accumulated depreciation	–	(33,373)	(16,332)	(56,975)	(403,098)	–	(509,778)
Net book amount	**32,629**	**39,438**	**8,965**	**15,820**	**92,146**	**16,622**	**205,620**

11. INTANGIBLE ASSETS

30 June 2015

RECOGNITION AND MEASUREMENT

GOODWILL

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

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

LICENCES

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

The expected useful lives used for licences are as follows:

Race wagering licence – Qld	92 years	Expires 2098
Sports wagering licence – Qld	84 years	Expires 2098
Totalisator licence – NT	9 years	Expires 2015
Sports bookmaker licence – NT	5 years	Expires 2020
Major betting operations licence – SA	94 years	Expires 2100
Gaming machine monitoring operator's licence – Qld	10 years	Expires 2017
Monitoring provider's licence – NT	5 years	Expires 2016
Centralised monitoring system licence – NSW	10 years	Expires 2016
Inter-club linked gaming system licence – NSW	11 years	Expires 2017
Inter-hotel linked gaming system licence – NSW	13 years	Expires 2019
Radio licences – Qld	5 years	Expires 2019
Lotteries licence – Vic	10 years	Expires 2018
Lotteries licence – NSW	40 years	Expires 2050
Race and sports wagering licence – Tas	50 years	Expires 2062[1]

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

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

BRAND

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

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

The expected useful lives used for brands are as follows:

Lotteries Brand – Qld	65 years	Expires 2072

RESEARCH AND DEVELOPMENT

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

IT DEVELOPMENT AND SOFTWARE

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

Capitalised software is carried at cost less accumulated amortisation and impaired losses. Amortisation is calculated using the straight-line method to allocate the cost of the software over its estimated useful life of 2 to 14 years.

11. INTANGIBLE ASSETS (CONTINUED)

30 June 2015

OTHER

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

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

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

	Goodwill $'000	Licences $'000	Brands[1] $'000	Software[2] $'000	Other $'000	Total $'000
At 30 June 2014						
Cost	3,770,471	587,568	105,417	237,564	285,854	4,986,874
Accumulated amortisation	(140,000)	(88,024)	(6,454)	(191,210)	(21,202)	(446,890)
Carrying amount at 30 June 2014	**3,630,471**	**499,544**	**98,963**	**46,354**	**264,652**	**4,539,984**
Year ended 30 June 2015						
Opening net book amount	3,630,471	499,544	98,963	46,354	264,652	4,539,984
Additions	741	117,268	–	18,233	–	136,242
Disposals	–	–	–	–	(1)	(1)
Amortisation charge continuing operations	–	(18,237)	(894)	(18,041)	(5,824)	(42,996)
Foreign exchange movements	19,299	–	–	17	–	19,316
Carrying amount at 30 June 2015	**3,650,511**	**598,575**	**98,069**	**46,563**	**258,827**	**4,652,545**
At 30 June 2015						
Cost	3,790,511	704,836	105,417	233,002	285,851	5,119,617
Accumulated amortisation	(140,000)	(106,261)	(7,348)	(186,439)	(27,024)	(467,072)
Net book amount	**3,650,511**	**598,575**	**98,069**	**46,563**	**258,827**	**4,652,545**

	Goodwill $'000	Licences $'000	Brands[1] $'000	Software[2] $'000	Other $'000	Total $'000
At 30 June 2013						
Cost	3,757,736	587,570	105,417	250,559	285,854	4,987,136
Accumulated amortisation	(140,000)	(73,100)	(5,559)	(199,860)	(15,277)	(433,796)
Carrying amount at 30 June 2013	**3,617,736**	**514,470**	**99,858**	**50,699**	**270,577**	**4,553,340**
Year ended 30 June 2014						
Opening net book amount	3,617,736	514,470	99,858	50,699	270,577	4,553,340
Additions	–	–	–	15,153	–	15,153
Transfers in/(out)[3]	–	(3)	(1)	(4)	–	(8)
Amortisation charge continuing operations	–	(14,923)	(894)	(19,491)	(5,925)	(41,233)
Foreign exchange movements	12,735	–	–	(3)	–	12,732
Carrying amount at 30 June 2014	**3,630,471**	**499,544**	**98,963**	**46,354**	**264,652**	**4,539,984**
At 30 June 2014						
Cost	3,770,471	587,568	105,417	237,564	285,854	4,986,874
Accumulated amortisation	(140,000)	(88,024)	(6,454)	(191,210)	(21,202)	(446,890)
Net book amount	**3,630,471**	**499,544**	**98,963**	**46,354**	**264,652**	**4,539,984**

1. Brands include $46.3 million and $7.1 million of assets with an indefinite life, which are included in the Wagering and Maxgaming segments respectively.
2. Software includes capitalised development costs being an internally generated intangible asset.
3. Transfers include assets transferred (to)/from property plant and equipment.

ESTIMATED IMPAIRMENT OF GOODWILL, LICENCES AND BRANDS

The Group tests 6 monthly whether goodwill, licences and brands have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on the higher of fair value less costs to sell or value in use calculations. These calculations require the use of assumptions.

These key assumptions apply for the impairment testing for all of the Group's indefinite life intangible assets. The impairment calculations are on a value-in-use basis.

IMPAIRMENT TESTS FOR GOODWILL

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

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

	2015 $'000	2014 $'000
Lotteries	**1,510,853**	1,510,853
Wagering	**1,454,242**	1,454,242
Maxgaming	**500,000**	500,000
Bytecraft Systems	**10,291**	10,291
Talarius	**175,125**	155,085
Total	**3,650,511**	3,630,471

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

KEY ASSUMPTIONS

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

CASH FLOW FORECASTS

Cash flow forecasts are based on the 2016 financial year budget approved by the Board and management's 5 year forecasts.

TERMINAL VALUE

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

FORECAST GROWTH RATES

Forecast EBITDA growth rates are principally based on management's expectations for future performance in each business segment. These growth rates take into account historical growth rates for each CGU. The growth rates range from 3.0% to 4.0% for each CGU (2014: 3.5% to 4%).

DISCOUNT RATES

Discount rates used are based on the Group's pre-tax weighted average cost of capital and reflect specific risks relating to the relevant segments and the countries in which they operate. The pre-tax discount rates used range from 8.28% to 12.2% (2014: 8.95% to 13.1%).

11. INTANGIBLE ASSETS (CONTINUED)

30 June 2015

IMPACT OF POSSIBLE CHANGES IN KEY ASSUMPTIONS

Management do not believe that a reasonably possible change in any of the key assumptions, except as outlined in Licence renewals below, (growth rates and discount rates), after allowing for any consequential impacts on other key assumptions of any such change, would cause the carrying value of any of the segments to exceed their recoverable amounts.

LICENCE RENEWALS

The exclusivity period for the Group's South Australian Authorised Betting Operations licence expires December 2016. In addition, the New South Wales centralised gaming machine monitoring licence, New South Wales licences to operate Inter-club and Inter-hotel linked gaming systems and the Victorian lotteries licence expire November 2016, October 2017, October 2019 and June 2018 respectively.

Impairment models have been performed and assessed on the basis these licences will be renewed on an ongoing basis.

If these licences are not renewed or licences granted on terms not acceptable to or less favourable to the Group than the current licence terms:

(i) there is a possibility that this would result in the Group being unable to conduct the specific businesses which operate pursuant to these licences or being unable to guarantee revenues equal to those currently being generated by these businesses; and

(ii) the Group would be required to review the carrying values of goodwill associated with the cash-generating units under which these licences operate. If the licences were not renewed or were significantly altered, there will be an impairment risk. In particular, if the NSW gaming and monitoring licences noted above, which are attributable to the Maxgaming segment were not renewed, then there would be a material impairment to the goodwill balance of $500 million held within the Maxgaming segment. It is not possible at this stage to reliably estimate this amount as there are uncertainties in relation to the renewal process.

On 27 June 2014, Tatts Group Limited reached agreement with the Queensland Government and Racing Queensland which resulted in an extension to the term of Tatts' sports wagering licence by 61 years, bringing it in line with the Group's race wagering licence with both licences to expire on 30 June 2098. Retail exclusivity was secured for a further 30 years, from 1 July 2014 until 30 June 2044, under each licence.

The amount paid, and to be paid as a licence fee has been treated as an intangible asset within the current financial year. The portion that relates to future payments has been recognised at present value.

12. PROVISIONS

30 June 2015

RECOGNITION AND MEASUREMENT

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

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

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

	NOTES	2015 $'000	2014 $'000
Current			
Employee benefits		**17,582**	17,536
Onerous leases		**145**	146
Dilapidations		**1,272**	684
		18,999	18,366
Non-current			
Employee benefits – long service leave		**2,727**	2,557
Onerous leases		**597**	1,072
		3,324	3,629

The provision for employee benefits relates to the Group's liability for long service leave and annual leave.

ONEROUS LEASES

A provision for onerous leases is recognised for venues in the United Kingdom which have closed but are contracted to future payments under an operating lease and for property leases acquired through the Tote Tasmania acquisition.

DILAPIDATIONS

A provision for dilapidations is recognised for leasehold properties requiring remedial dilapidations work at the expiry of the lease arrangement.

13. RETIREMENT BENEFIT OBLIGATIONS

30 June 2015

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

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

RECOGNITION AND MEASUREMENT

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

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

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

Past service costs are recognised immediately in the income statement.

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

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

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

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

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

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

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership.

All these schemes are closed to new members.

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

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

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

DESCRIPTION OF THE REGULATORY FRAMEWORK

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

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

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

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

An actuarial investigation of the Pooled Fund is performed every 3 years. The last actuarial investigation was performed as at 30 June 2012. The next actuarial investigation is due as at 30 June 2015 and the report is expected to be released by the end of 2015.

DESCRIPTION OF OTHER ENTITIES' RESPONSIBILITIES FOR GOVERNANCE OF THE FUND

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

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

DESCRIPTION OF RISKS

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

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

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

DESCRIPTION OF SIGNIFICANT EVENTS

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

SENSITIVITY ANALYSIS

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

RECONCILIATION OF THE NET DEFINED BENEFIT LIABILITY/(ASSET)

	2015 $'000	2014 $'000
Net defined benefit liability at the start of the year	**12,084**	12,001
Revaluation from change in assumption	**2,054**	–
Current service cost	**174**	223
Net interest on the net defined benefit liability	**504**	455
Actual return on Fund assets less interest income	**(1,148)**	(967)
Actuarial (gains)/losses arising from changes in financial assumptions	**(4,751)**	970
Actuarial (gains)/losses arising from liability experience	**(1,361)**	(523)
Employer contributions	**(63)**	(75)
Net defined benefit liability at end of year	**7,493**	12,084

KEY NUMBERS

13. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

30 June 2015

RECONCILIATION OF THE FAIR VALUE OF FUND ASSETS

	2015 $'000	2014 $'000
Fair value of Fund assets at start of the year	**14,999**	14,235
Interest income	**516**	524
Actual return on Fund assets less interest income	**1,148**	967
Employer contributions	**63**	75
Contributions by participants	**75**	93
Benefits paid	**(2,220)**	(952)
Taxes, premiums & expenses paid	**82**	57
Fair value of Fund assets at end of the year	**14,663**	14,999

RECONCILIATION OF THE DEFINED BENEFIT OBLIGATION

	2015 $'000	2014 $'000
Present value of defined benefit obligation at start of the year	**27,083**	26,236
Revaluation from change in assumption	**2,054**	–
Current service cost	**174**	223
Interest cost	**1,020**	979
Contributions by participants	**75**	93
Actuarial (gains)/losses arising from changes in financial assumptions	**(4,751)**	970
Actuarial (gains)/losses arising from liability experience	**(1,361)**	(523)
Benefits paid	**(2,220)**	(952)
Taxes, premiums & expenses paid	**82**	58
Present value of defined benefit obligation at end of the year	**22,156**	27,083

FAIR VALUE OF FUND ASSETS

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

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

AS AT	**30 JUNE 2015**
Short-term securities	**6.5%**
Australian fixed interest	**6.6%**
International fixed interest	**2.5%**
Australian equities	**25.7%**
International equities	**32.4%**
Property	**8.6%**
Alternatives	**17.7%**
Total	**100.0%**

Additional to the assets disclosed above, at 30 June 2015 the Pooled Fund had provisions for receivables/(payables) estimated to be around $1.74 billion, giving total estimated assets around $42.2 billion.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Pooled Fund assets as at 30 June 2015 included $209.2 million in NSW Government Bonds.

CAPITAL

14. EQUITY

30 June 2015

RECOGNITION AND MEASUREMENT

Ordinary shares are classified as equity.

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

ORDINARY SHARES

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

Every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to 1 vote. Voting power may be subject to certain restrictions arising from a combination of the Company's Constitution, statute, the ASX listing rules and other general law.

SHARE CAPITAL

	2015 SHARES	2014 SHARES	2015 $'000	2014 $'000
Ordinary shares – fully paid	**1,460,807,302**	1,434,447,341	**2,841,366**	2,748,417

MOVEMENTS IN ORDINARY SHARE CAPITAL

Date	Details	Number of shares	Issue price	$'000
1 July 2013	Opening balance	1,402,708,406		2,654,852
9 August 2013	Performance rights issue	3,554	$2.56	9
3 September 2013	Performance options issue	2,067	$2.87	6
7 October 2013	Dividends reinvestment plan issues	13,671,857	$3.05	41,699
16 October 2013	Performance rights issue	481,937	$2.42	1,166
22 November 2013	Performance rights issue	250,000	$1.72	429
4 April 2014	Dividends reinvestment plan issues	17,329,520	$2.90	50,256
30 June 2014	**Closing balance**	**1,434,447,341**		**2,748,417**
1 July 2014	Opening balance	1,434,447,341		2,748,417
2 July 2014	Performance rights issue	49,228	$1.87	92
2 July 2014	Performance rights issue	49,228	$1.36	67
25 August 2014	Performance options issue	244,650	$2.87	702
6 October 2014	Dividends reinvestment plan issues	10,212,249	$3.17	32,373
23 October 2014	Performance rights issue	125,000	$1.81	226
23 October 2014	Performance rights issue	120,050	$1.26	151
23 October 2014	Performance rights issue	512,202	$3.25	1,665
25 February 2015	Performance options issue	216,150	$2.87	620
26 February 2015	Performance options issue	239,600	$2.87	688
2 April 2015	Dividends reinvestment plan issues	14,344,204	$3.88	55,655
30 April 2015	Performance options issue	247,400	$2.87	710
30 June 2015	**Closing balance**	**1,460,807,302**		**2,841,366**

14. EQUITY (CONTINUED)

30 June 2015

DIVIDEND REINVESTMENT PLAN (**DRP**)

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

OPTIONS AND RIGHTS ISSUES

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

OTHER RESERVES AND RETAINED EARNINGS

RECOGNITION AND MEASUREMENT

AVAILABLE-FOR-SALE FINANCIAL ASSETS REVALUATION RESERVE

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

FOREIGN CURRENCY TRANSLATION RESERVE

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

HEDGE RESERVE

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

SHARE-BASED PAYMENT RESERVE

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

RESERVES

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

	2015 $'000	2014 $'000
Available-for-sale financial assets revaluation reserve	**(54)**	38
Hedge reserve	**37,516**	41,515
Share-based payments reserve	**2,105**	3,784
Foreign currency translation reserve	**(49,545)**	(54,099)
	(9,978)	(8,762)

	2015 $'000	2014 $'000
Movements:		
Available-for-sale financial assets revaluation reserve		
Balance 1 July	**38**	18
Revaluation	**(115)**	(26)
Tax on these items	**23**	46
Balance 30 June	**(54)**	38
Hedge reserve		
Balance 1 July	**41,515**	45,448
Interest rate swap movement	**1,599**	6,205
Forward foreign exchange contracts movements	**116**	(179)
Cross currency interest rate swaps	**7,382**	(2,443)
Foreign currency net investment hedge movements	**(10,367)**	(6,861)
Tax on these items	**(2,729)**	(655)
Balance 30 June	**37,516**	41,515
Share-based payments reserve		
Balance 1 July	**3,784**	3,947
Performance options and rights expense	**(505)**	1,447
Options and rights exercised	**(1,174)**	(1,610)
Balance 30 June	**2,105**	3,784
Foreign currency translation reserve		
Balance 1 July	**(54,099)**	(57,023)
Currency translation differences arising during the year	**4,554**	2,924
Balance 30 June	**(49,545)**	(54,099)

Retained earnings

Movements in retained earnings were as follows:

	2015 $'000	2014 $'000
Balance 1 July	**92,006**	108,805
Net profit for the year	**251,964**	200,421
Actuarial gains on retirement benefit obligation, net of tax	**3,908**	1,353
Dividends	**(209,073)**	(218,573)
Transfer from share-based payment reserve	**879**	–
Balance 30 June	**139,684**	92,006

15. DIVIDENDS

30 June 2015

RECOGNITION AND MEASUREMENT

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

ORDINARY SHARES

	2015 $'000	2014 $'000
Final dividend for the year ended 30 June 2014 of 5.5 cents per fully paid share paid on 6 October 2014 (2014: 7.5 cents paid on 7 October 2013) Fully franked based on tax paid @ 30%	**78,914**	105,203
Interim dividend for the year ended 30 June 2015 of 9.0 cents per fully paid share paid on 2 April 2015 (2014: 8.0 cents paid on 4 April 2014) Fully franked based on tax paid @ 30%	**130,159**	113,370
	209,073	218,573

DIVIDENDS NOT RECOGNISED AT YEAR END

In addition to the above dividends, since the balance sheet date the Directors have determined the payment of a final dividend of 7.5 cents (2014: Final – 5.5 cents) per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend to be paid on 5 October 2015 out of retained earnings, but not recognised as a liability at year end, is $109.6 million (2014: $78.9 million).

FRANKED DIVIDENDS

The franked portions of the final dividends determined after 30 June 2015 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2016.

	2015 $'000	2014 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2014: 30%)	**197,054**	186,790

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

(a) franking credits that will arise from the payment of the amount of the provision for income tax
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting period, and
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting period.

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

The impact on the franking account of the final dividend determined by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $47.0 million (2014: $33.8 million).

16. EARNINGS PER SHARE

30 June 2015

BASIC EARNINGS PER SHARE

	2015 CENTS	2014 CENTS
From continuing operations attributable to the ordinary equity holders of the Company	**17.7**	16.0
Total basic earnings per share attributable to the ordinary equity holders of the Company	**17.4**	14.1

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

DILUTED EARNINGS PER SHARE

	2015 CENTS	2014 CENTS
From continuing operations attributable to the ordinary equity holders of the Company	**17.7**	16.0
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**17.4**	14.1

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

RECONCILIATION OF EARNINGS USED IN CALCULATING EARNINGS PER SHARE

	2015 $'000	2014 $'000
Basic and diluted earnings per share		
Profit from continuing operations	**255,786**	226,622
Profit from continuing operations attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share	**255,786**	226,622
Profit attributable to the ordinary equity shareholders of the Company used in calculating basic and diluted earnings per share	**251,964**	200,421

WEIGHTED AVERAGE NUMBER OF SHARES USED AS DENOMINATOR

	2015 Number of shares	2014 Number of shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**1,446,437,013**	1,417,297,489
Adjustments for calculation of diluted earnings per share: Performance options and performance rights	**613,916**	958,667
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**1,447,050,929**	1,418,256,156

17. SHARE-BASED PAYMENTS

30 June 2015

RECOGNITION AND MEASUREMENT

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

The fair value of the rights granted under this incentive plan is recognised as an employee benefit expense with the corresponding increase in the share-based equity reserve. The fair value is the arithmetic average of the Volume Weighted Average Price (VWAP) of the ten trading days prior to the day the Remuneration and Human Resources Committee decides to recommend to the Board that it award the rights (determination date) recognising the 12 month exercise date, and fully charged to the period to which the performance incentive applies. The market value of shares provided to employees for no cash consideration under this incentive plan is charged to the share-based equity reserve when the employee exercises the right and becomes entitled to the restricted shares.

Share-based compensation benefits prior to the 2011 financial year were provided to employees via the Long-Term Incentive Plan (**LTIP**), an equity settled plan.

The fair value of performance options and rights granted under the LTIP was recognised as an employee benefit expense with a corresponding increase in equity. The fair value was measured at determination date and is recognised over the period during which the employees become unconditionally entitled to the options and rights.

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

The fair value of the options and rights granted under the LTIP excludes the impact of any non-market vesting conditions (for example, profitability and sales and growth targets). Non-market vesting conditions are included in assumptions about the number of options and rights that are expected to become exercisable. At each reporting period date, the Group revises its estimates of the number of options and rights that are expected to become exercisable.

Upon the exercise of options or rights under the LTIP, the balance of the share-based payments reserve relating to those options and rights is transferred to share capital.

The market value of shares issued to employees for no cash consideration under the LTIP is recognised as an employee benefit expense with a corresponding increase amortised over the vesting period in equity when the employees become entitled to the shares.

INCENTIVE PLAN

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

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

LONG-TERM INCENTIVE PLAN PRIOR TO 2011 FINANCIAL YEAR

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

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

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

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

OPTIONS AND RIGHTS GRANTED UNDER THE INCENTIVE PLANS

Set out below are summaries of the performance options and rights granted or to be granted in respect of the 2015 financial year under the incentive plans:

2015

Grant date	Expiry date	Exercise price $	Balance at start of the year Number	Granted during and in respect of the year Number	Exercised during the year Number	Lapsed/ forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Performance options								
16 December 2007	30 November 2014	$3.99	861,371	–	–	(861,371)	–	–
16 December 2008	30 November 2015	$2.56	947,800	–	(947,800)	–	–	–
Weighted average exercise price		**$3.24**			**$2.56**	**$3.99**		
Performance rights								
30 November 2009	30 November 2016		121,478	–	(98,456)	–	23,022	23,022
27 October 2011 – Chief Executive	10 January 2016		125,000	–	(120,050)	–	4,950	–
27 October 2011 – Chief Executive	10 January 2015		125,000	–	(125,000)	–	–	–
22 November 2013	1 November 2014		210,074	–	(210,074)	–	–	–
22 November 2013	1 November 2014		302,128	–	(302,128)	–	–	–
22 November 2014	1 November 2015		–	535,385	–	(25,071)	510,314	–
Total			**883,680**	**535,385**	**(855,708)**	**(25,071)**	**538,286**	**23,022**

17. SHARE-BASED PAYMENTS (CONTINUED)

30 June 2015

2014

Grant date	Expiry date	Exercise price $	Balance at start of the year Number	Granted during and in respect of the year Number	Exercised during the year Number	Lapsed/forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Performance options								
16 December 2006	30 November 2013	$3.65	334,350	–	–	(334,350)	–	–
16 December 2007	30 November 2014	$3.99	1,014,565	–	–	(153,194)	861,371	861,371
16 December 2008	30 November 2015	$2.56	949,867	–	(2,067)	–	947,800	947,800
Weighted average exercise price		**$3.35**			**$2.56**	**$3.76**	**$3.24**	**$3.24**
Performance rights								
30 November 2006	30 November 2013		3,554	–	(3,554)	–	–	–
30 November 2009	30 November 2016		121,478	–	–	–	121,478	121,478
29 October 2010 – Chief Executive	10 January 2015		125,000	–	(125,000)	–	–	–
29 October 2010 – Chief Executive	10 January 2014		125,000	–	(125,000)	–	–	–
27 October 2011 – Chief Executive	10 January 2016		125,000	–	–	–	125,000	–
27 October 2011 – Chief Executive	10 January 2015		125,000	–	–	–	125,000	–
1 September 2012	1 October 2013		481,937	–	(481,937)	–	–	–
22 November 2013	1 November 2014		–	210,074	–	–	210,074	–
22 November 2013	1 November 2014		–	308,168	–	(6,040)	302,128	–
Total			**1,106,969**	**518,242**	**(735,491)**	**(6,040)**	**883,680**	**121,478**

The weighted average share price at the date of the exercise of rights exercised during the year ended 30 June 2015 was $3.13 (2014: $3.02).

The weighted average share price at the date of the exercise of options exercised during the year ended 30 June 2015 was $3.80 (2014: $3.12).

The weighted average remaining contractual life of exercisable rights outstanding at the end of the period was 1.42 years (2014: 1.42 years).

There were no outstanding share options at the end of the period. The weighted average remaining contractual life of share options outstanding at the end of the previous period was 1.94 years.

FAIR VALUE OF RIGHTS GRANTED

The model inputs for rights granted during the year ended 30 June 2015 included:

	Performance rights
Performance conditions	**Rights granted to qualifying employees under current incentive plan**
Grant date	Oct-15
Expiry date	Oct-16
Share price at grant date	$3.97
Expected life	1.0 year
Vesting period	1.0 year
Volatility	N/A
Risk free interest rate	N/A
Dividend yield	4.1%
Fair value	$3.99

The model inputs for options granted during the year ended 30 June 2014 included:

	Performance rights
Performance conditions	**Rights granted to qualifying employees under current incentive scheme**
Grant date	Oct-14
Expiry date	Oct-15
Share price at grant date	$3.56
Expected life	1.0 year
Vesting period	1.0 year
Volatility	N/A
Risk free interest rate	N/A
Dividend yield	3.8%
Fair value	$3.49

EXPENSES ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS

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

	2015 $'000	2014 $'000
Performance rights issued[1]	**439**	667
Performance options issued[1]	**–**	(424)
Performance rights issued under incentive schemes[2]	**1,389**	1,346
	1,828	1,589

1. Represents the amortised cost charged in the relevant financial year for all grants that are still in, or remain to enter into, their vesting period.
2. Represents the total value of the rights to be granted in respect of the relevant financial year.

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

30 June 2015

RECOGNITION AND MEASUREMENT

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

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

IMPAIRMENT AND PRICE RISK EXPOSURE

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

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

The Group has recognised no impairment loss on its available-for-sale financial assets during the year ended 30 June 2015 (2014: $Nil).

AVAILABLE-FOR-SALE FINANCIAL ASSETS INCLUDE THE FOLLOWING CLASSES OF FINANCIAL ASSETS:

	2015 $'000	2014 $'000
Non-current assets		
Unlisted investments		
Managed fund investment – at fair value	**19,394**	18,870
Total available-for-sale financial assets	**19,394**	18,870

19. INTEREST BEARING LIABILITIES

30 June 2015

RECOGNITION AND MEASUREMENT

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

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

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

	2015 $'000	2014 $'000
Current		
Unsecured		
Bank loans	**333,168**	–
Total current interest bearing liabilities	**333,168**	–
Non-current		
Unsecured		
Bank loans	**91,725**	912,015
Loan notes (US Private Placement)	**301,470**	247,412
Tatts Bonds	**192,164**	191,541
Total non-current interest bearing liabilities	**585,359**	1,350,968

All interest bearing liabilities are unsecured, and are disclosed net of capitalised borrowing costs of $7.0 million (2014: $9.9 million).

FAIR VALUE AND MATURITY ANALYSIS DISCLOSURES

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

20. FINANCIAL RISK MANAGEMENT

30 June 2015

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

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

CLASSIFICATION

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

RECOGNITION AND MEASUREMENT

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

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

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

IMPAIRMENT AND PRICE RISK EXPOSURE

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

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

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

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

Impairment testing of trade receivables is described in Note 6.

DERIVATIVES AND HEDGING ACTIVITIES

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

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

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

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

FAIR VALUE HEDGE

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

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

CASH FLOW HEDGE

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

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

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

NET INVESTMENT HEDGES

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

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

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

DERIVATIVES THAT DO NOT QUALIFY FOR HEDGE ACCOUNTING

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

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

30 June 2015

DERIVATIVE FINANCIAL INSTRUMENTS

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

	2015 $'000	2014 $'000
Current assets		
Forward foreign exchange contracts – cash flow hedges	**80**	–
Total current derivative financial instrument assets	**80**	–
Non-current assets		
Cash flow hedges – Cross currency interest rate swaps (US Private Placement)	**76,075**	14,817
	76,075	14,817
Current liabilities		
Cash flow hedges – forward foreign exchange contracts	**–**	36
Cash flow hedges – interest rate swap contracts	**461**	5,460
	461	5,496
Non-current liabilities		
Cash flow hedges – interest rate swap contracts	**6,247**	2,848
	6,247	2,848

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

INTEREST RATE SWAP – CASH FLOW HEDGES

The Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and pay interest at fixed rates. Swaps currently in place cover approximately 32.8% of the loan principal outstanding (2014: 35.2%) and are timed to match each interest rate payment as it falls due. The contracts require settlement of interest receivable or payable every 1, 3 or 6 months, and are settled on a net basis. Variable interest rates range between 2.09% and 2.15% (2014: 2.71% and 2.74%) while the fixed interest rates average AUD 3.25% (2014: AUD 4.83%).

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

FORWARD FOREIGN EXCHANGE CONTRACTS

The Group has entered into forward foreign exchange contracts to purchase British Pounds. These contracts are hedging highly probable future interest payments for the next 6 to 12 months. The contracts are timed to mature when interest payments and contractual payments are due to occur. The gain or loss from remeasuring the forward foreign exchange contracts at fair value is recognised in the statement of comprehensive income and deferred in the hedging reserve to the extent that the hedge is effective.

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

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

MARKET RISK

FOREIGN EXCHANGE RISK

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

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

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

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

	30 JUNE 2015		30 JUNE 2014	
	GBP £'000	USD $'000	GBP £'000	USD $'000
Interest bearing liabilities	**46,070**	**–**	46,070	–
Cross currency interest rate swap – receivable	**–**	**(225,000)**	–	(225,000)
Loan notes (US Private Placement)	**–**	**225,000**	–	225,000
Total	**46,070**	**–**	46,070	–

MARKET RISK SENSITIVITY ANALYSIS

Based on the financial instruments held at 30 June 2015, had the Australian dollar weakened/strengthened by 10% (2014: 10%) against the British Pound with all other variables held constant, the Group's post-tax profit for the year would have been the same as that reported in the income statement, while equity would have been $8.5 million higher/$10.4 million lower (2014: $7.6 million higher/ $9.3 million lower) than that reported in the consolidated balance sheet.

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

20. FINANCIAL RISK MANAGEMENT(CONTINUED)

30 June 2015

CASH FLOW AND FAIR VALUE INTEREST RATE RISK

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

INTEREST RATE RISK EXPOSURE

Cash at bank is bearing floating interest rates between 0% and 2.20% (2014: 0% and 2.47%).

Fixed interest securities are bearing fixed interest rates with a weighted average of 2.63% (2014: 3.21%) and have maturities between 6 days and 80 days.

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

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

As at 30 June 2015, a total of 32.8% (2014: 35.2%) of the net variable debt of the Group was hedged by fixed or floating interest rate swaps.

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

	2015			2014		
	Available facility $'000	Balance drawn down $'000	% of total loans	Available facility $'000	Balance drawn down $'000	% of total loans
Bank overdrafts and bank loans	**1,200,000**	**428,588**	**46.30**	1,380,000	917,836	67.90
Loan Notes (US Private Placement)	**291,943**	**291,943**	**32.70**	238,524	238,524	17.70
Bonds	**194,664**	**194,664**	**21.00**	194,664	194,664	14.40
Bilateral facility	**100,000**	**–**		100,000	–	
Interest rate swaps (notional principal amount)	**–**	**(300,000)**		–	(475,000)	
Net exposure to cash flow interest rate risk	**1,786,607**	**615,195**		1,913,188	876,024	

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

CASH FLOW AND FAIR VALUE INTEREST RATE RISK SENSITIVITY ANALYSIS

At 30 June 2015, if interest rates had increased/decreased by 100 basis points (2014: 100 basis points) from the year-end rates with all other variables held constant, the post-tax profit for the year and equity for the Group would have been $0.9 million lower/higher and $5.4 million lower/$5.3 million higher respectively (2014: $0.8 million lower/higher and $7.8 million lower/$7.3 million higher respectively).

PRICE RISK

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

These managed fund investments are part of the usual business operations or strategies of the Group and do not represent a material exposure to the Group. As at 30 June 2015, the amount held is $19.4 million (2014: $18.9 million).

PRICE RISK SENSITIVITY ANALYSIS

Based on the equity securities and managed fund securities held at 30 June 2015, had the price increased/decreased by 10% (2014: 10%) with all other variables held constant, the Group's post tax profit for the year would have been unaffected while equity would have been $1.9 million higher/lower (2014: $1.9 million higher/lower).

CREDIT RISK

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

The Board-approved Treasury policy requires that approved financial institutions counterparties maintain a minimum long-term credit rating of BBB+. As at 30 June 2015, and 30 June 2014, all current counterparties for Treasury activities had a credit rating that exceeded this requirement. Additionally, Group Treasury seeks to spread transactions across a range of approved counterparties to minimise the concentration of credit risk with any one financial institution.

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

LIQUIDITY RISK

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

MATURITIES OF FINANCIAL ASSETS

The financial assets of the Group, with the exception of available-for-sale financial assets disclosed in Note 18 have maturity periods ranging from 29 to 241 days. (2014: 2 to 120 days).

MATURITIES OF FINANCIAL LIABILITIES

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

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES

	Less than 6 months $'000	6 to 12 months $'000	1 to 2 years $'000	2 to 5 years $'000	More than 5 years $'000	Total contractual cash flows[4] $'000	Carrying value $'000
At 30 June 2015							
Non-derivatives							
Trade and other payables[1]	465,392	133,116	97,072	48,307	48,950	**792,837**	**777,357**
Bank loans[2]	4,957	339,670	2,530	99,327	–	**446,485**	**428,589**
Tatts Bonds[2]	5,093	5,028	10,297	221,182	–	**241,600**	**194,664**
Loan Notes (USPP)[3]	7,228	7,228	14,456	110,055	237,585	**376,553**	**291,942**
Total non-derivatives	**482,670**	**485,042**	**124,355**	**478,871**	**286,535**	**1,857,475**	**1,692,552**
Derivatives							
Net settled (interest rate swaps)	**–**	**461**	**1,461**	**4,786**	**–**	**6,708**	**6,708**

	Less than 6 months $'000	6 to 12 months $'000	1 to 2 years $'000	2 to 5 years $'000	More than 5 years $'000	Total contractual cash flows[4] $'000	Carrying value $'000
At 30 June 2014							
Non-derivatives							
Trade and other payables[1]	559,735	79,246	14,295	19,316	15,315	687,907	682,543
Bank loans[2]	15,642	15,939	33,903	912,309	–	977,793	917,836
Tatts Bonds[2]	5,515	5,547	11,462	37,926	198,049	258,499	194,664
Loan Notes (USPP)[3]	5,906	5,906	11,811	89,918	194,113	307,654	248,398
Total non-derivatives	586,798	106,638	71,471	1,059,469	407,477	2,231,853	2,043,441
Derivatives							
Net settled (interest rate swaps)	–	5,460	361	1,749	737	8,307	8,308

	Less than 6 months $'000	6 to 12 months $'000	1 to 2 years $'000	2 to 5 years $'000	More than 5 years $'000	Total contractual cash flows[4] $'000	Carrying value $'000
At 30 June 2014							
Gross settled (forward foreign exchange contracts – cash flow hedges)							
– (inflow)	(737)	–	–	–	–	(737)	–
– outflow	805	–	–	–	–	805	36
	68	–	–	–	–	68	36

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

20. FINANCIAL RISK MANAGEMENT(CONTINUED)

30 June 2015

FINANCING ARRANGEMENTS

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

	Security	Maturity	UTILISED 2015 $'000	UTILISED 2014 $'000	FACILITY LIMIT 2015 $'000	FACILITY LIMIT 2014 $'000
Bilateral Facility	Unsecured	Feb-2019	**–**	–	**100,000**	100,000
Syndicated Facility	Unsecured	Feb-2019	**–**	164,287	**250,000**	250,000
Syndicated Facility	Unsecured	Mar-2016	**334,672**	350,000	**350,000**	350,000
Syndicated Facility	Unsecured	Jul-2016	**–**	–	**–**	180,000
Syndicated Facility	Unsecured	Jul-2018	**93,916**	103,549	**300,000**	300,000
Syndicated Facility	Unsecured	Sep-2017	**–**	300,000	**300,000**	300,000
USPP	Unsecured	Dec-2017	**71,364**	58,306	**71,364**	58,306
USPP	Unsecured	Dec-2020	**220,579**	180,218	**220,579**	180,218
Tatts Bonds	Unsecured	Jul-2019	**194,664**	194,664	**194,664**	194,664

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

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

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

During the financial year, the Group cancelled one tranche of the syndicated multi-currency revolving facility with a limit of $180 million.

CAPITAL RISK MANAGEMENT

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

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

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

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

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

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

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

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

	2015 $'000	2014 $'000
EBITDA (leverage)	**510,944**	464,379
EBITDA (interest cover)	**510,944**	464,379
Interest expense	**59,274**	91,066
Interest bearing and other liabilities	**859,465**	1,357,311
Less: cash and cash equivalents (excluding prize reserves)	**(259,081)**	(583,279)
Net debt	**600,384**	774,032
Equity	**2,971,072**	2,831,661
Total Capital	**3,571,457**	3,605,693
Balance sheet leverage ratio	**16.81%**	21.44%
Earnings leverage ratio	**1.18:1**	1.67:1
Interest cover ratio	**8.62:1**	5.10:1

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

30 June 2015

KEY FINANCIAL DISCLOSURES FOR TATTS BONDS

In accordance with the requirements of ASIC Class Order 10/321 and clause 13.2 of the Trust Deed, the following Key Financial Disclosures are made:

- Tatts Bonds rank equally among themselves and at least equally with all other senior and unsecured creditors of the Group, other than those obligations mandatorily preferred by law;
- the Group has not materially breached any loan covenants or any debt obligations (whether or not relating to Tatts Bonds) during the period covered by this report; and
- the key financial ratios for the Group at 30 June 2015 calculated in accordance with section 713B of the Corporations Act are:

Interest Coverage Ratio[1]	=	EBITDA / Net Interest Expense	=	9.7 times
Gearing Ratio	=	Total Liabilities / Total Equity	=	86.0%
Working Capital Ratio	=	Current Assets / Current Liabilities	=	35.5%

1. Calculated on EBITDA on continuing operations.

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

The Group received $540.5 million on 27 June 2014 in accordance with orders made by the Supreme Court of Victoria in proceedings commenced against the State of Victoria. This matter is subject to appeal. This event has had a positive impact on the Earnings leverage ratio. If the appeal is successful, the Group would be liable to repay the original amount plus interest and costs. Were the appeal to have been concluded in favour of the State of Victoria at 30 June 2015, the Earnings leverage ratio would have been 2.27 (2014: 2.77).

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

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

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

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

RECOGNITION AND MEASUREMENT

FAIR VALUE MEASUREMENTS

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

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

ON-BALANCE SHEET

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

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

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

FAIR VALUE HIERARCHY

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

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy (consistent with the hierarchy applied to financial assets and financial liabilities):

Level 1 – the fair value is calculated using quoted prices in active market

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

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

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the above fair value measurement hierarchy.

VALUATION TECHNIQUES USED TO DERIVE LEVEL 2 FAIR VALUES

RECURRING AND NON-RECURRING FAIR VALUE MEASUREMENTS

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Borrowings within Level 2 are measured at fair value on initial recognition.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The main inputs used by the Group are derived and evaluated as follows:

- Discount rates for financial assets and financial liabilities are determined using publicly available pre-tax discount rates in the relevant currency, which reflects the market's assessment of the present value of the future cashflows of the individual instruments.
- Risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk gradings determined by Tatts Group Limited's internal credit risk management group.

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

FINANCIAL MANAGEMENT

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

30 June 2015

OFF-BALANCE SHEET

The Company and certain controlled subsidiaries have potential financial liabilities which may arise from certain contingencies disclosed in Note 25. No material losses are anticipated in respect of any of those contingencies.

DERIVATIVE FINANCIAL INSTRUMENTS

For forward foreign exchange contracts, the fair value is taken to be the unrealised gain or loss at balance sheet date calculated by reference to the current forward exchange rates for contracts with similar remaining maturity profiles.

For interest rate swaps, the fair value is taken to be the unrealised gain or loss at balance sheet date calculated by reference to the current interest rate curve with similar remaining maturity profiles.

For cross-currency interest rate swaps, the fair value is taken to be the unrealised gain or loss at balance sheet date calculated by reference to the current forward exchange rates and interest rate curve with similar maturity profiles.

RECOGNISED FAIR VALUE MEASUREMENTS

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2015.

30 JUNE 2015	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Financial assets				
Financial assets at fair value through profit or loss				
Cross currency interest rate swaps	–	76,075	–	76,075
Available-for-sale financial assets	–	19,394	–	19,394
Forward foreign exchange contracts	–	80	–	80
Total financial assets	**–**	**95,549**	**–**	**95,549**
Financial Liabilities				
Interest rate swap contracts	–	6,708	–	6,708
Total financial liabilities	**–**	**6,708**	**–**	**6,708**

30 JUNE 2014	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Financial assets				
Financial assets at fair value through profit or loss				
Cross currency interest rate swaps	–	14,817	–	14,817
Available-for-sale financial assets	–	18,870	–	18,870
Total financial assets	–	33,687	–	33,687
Financial liabilities				
Forward foreign exchange contracts	–	36	–	36
Interest rate swap contracts	–	8,308	–	8,308
Total financial liabilities	–	8,344	–	8,344

There were no transfers between Levels 1 and 2 for recurring fair value measurements during the year. There were no recurring or non-recurring transfers in or out of Level 3 measurements.

GROUP STRUCTURE

21. DISCONTINUED OPERATION

30 June 2015

RECOGNITION AND MEASUREMENT

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

DESCRIPTION

On 15 August 2012 the gaming operator's licence held by the Company expired. This gaming operator's licence enabled Tatts Pokies to own and operate gaming machines in venues within the State of Victoria. The expiry of this licence means that Tatts Pokies no longer generates earnings and cash flows from the activities which were conducted under this licence. As part of the transition to the new gaming machine monitoring licence holder, the Group provided monitoring services and support through to 15 February 2013.

The Group entered into agreements with third parties to sell its gaming machines classified as plant and equipment with the effective date of sale of these machines being the date when the gaming operator's licence expired on 15 August 2012. As a result of the sale agreements, the Group changed the depreciation estimate of the gaming machines to a zero depreciation rate from 31 March 2011 as the sale value of the gaming machines exceeded their written down book value. The remainder of the gaming assets classified under plant and equipment relating to the gaming operator's licence continued to be depreciated at existing rates up to the expiry of the licence on 15 August 2012.

FINANCIAL PERFORMANCE AND CASH FLOW INFORMATION

The financial performance and cash flow information presented are for the full year ended 30 June 2015 and the corresponding prior period ended 30 June 2014.

	2015 $'000	2014 $'000
Expenses	**(1,265)**	(36,043)
Profit/(loss) on disposal of assets classified as held for sale	**(2,642)**	70
Profit on sale of gaming machines and associated equipment to venues	**–**	9
(Loss)/profit before income tax and interest	**(3,907)**	(35,964)
Interest income	**5**	–
Finance costs	**(9)**	(1,216)
Income tax benefit	**89**	10,979
Loss after income tax of discontinued operation	**(3,822)**	(26,201)

	2015 $'000	2014 $'000
Net cash inflow/(outflow) from operating activities	**(1,882)**	(467)
Net cash inflow from investing activities	**34,956**	79
Net cash (decrease)/increase generated by Tatts Pokies	**33,074**	(388)

GROUP STRUCTURE

22. INVESTMENTS IN CONTROLLED ENTITIES

30 June 2015

Shareholdings in all controlled entities are classed as ordinary shares.

NAME OF ENTITY	COUNTRY OF INCORPORATION	EQUITY HOLDING 2015 %	2014 %
Ubet Qld Limited[1, 2]	Australia	100	100
Ubet Enterprises Pty Ltd[3]	Australia	100	–
Ubet NT Pty Ltd[1,4]	Australia	100	100
Ubet Radio Pty Ltd[5]	Australia	100	100
Ubet SA Pty Ltd[1,6]	Australia	100	100
TAB Queensland Pty Ltd[7]	Australia	100	100
Ubet Tas Pty Ltd[1,8]	Australia	100	100
Agility Interactive Pty Ltd[7]	Australia	100	100
Tasradio Pty Ltd[7]	Australia	100	100
Maxgaming Holdings Pty Ltd[1]	Australia	100	100
Maxgaming NSW Pty Ltd[1]	Australia	100	100
Maxgaming Qld Pty Ltd[1]	Australia	100	100
Maxgaming Vic Pty Ltd	Australia	100	100
Bytecraft Systems Pty Ltd[1,9]	Australia	100	100
Bytecraft Systems (NSW) Pty Ltd[1]	Australia	100	100
Bytecraft Systems (NZ) Limited	New Zealand	100	100
EGM Tech Pty Ltd[7]	Australia	100	100
Reaftin Pty Ltd[1]	Australia	100	100
Bytecraft Systems Pty Ltd[1,9]	Australia	100	100
Tattersall's Holdings Pty Ltd[1]	Australia	100	100
Tatts Online Pty Ltd	Australia	100	100
Tattersall's Sweeps Pty Ltd[1]	Australia	100	100
Tattersall's Gaming Pty Ltd[1]	Australia	100	100
Tattersall's Club Keno Pty Ltd[7]	Australia	100	100
tatts.com Pty Ltd	Australia	100	100
New South Wales Lotteries Corporation Pty Limited[1]	Australia	100	100
Tatts Employment Co (NSW) Pty Limited	Australia	100	100
George Adams Pty Ltd	Australia	100	100
Tattersall's Australia Pty Ltd[7]	Australia	100	100
Tatts NT Lotteries Pty Ltd[1]	Australia	100	100
Golden Casket Lottery Corporation Limited[1]	Australia	100	100
Tattersall's Investments (South Africa) (Pty) Limited	South Africa	100	100
Wintech Investments (Pty) Ltd[1]	Australia	100	100
Tattersall's Gaming Systems (NSW) Pty Ltd	Australia	100	100
Tatts Lotteries SA Pty Ltd[1]	Australia	100	100
TattsTech Pty Ltd[7]	Australia	100	100
Tatts Interactive Pty Ltd[7]	Australia	100	100

NAME OF ENTITY	COUNTRY OF INCORPORATION	EQUITY HOLDING 2015 %	2014 %
European Gaming (Finance) Limited	United Kingdom	100	100
George Adams Holdings Limited	United Kingdom	100	100
European Gaming Limited	United Kingdom	100	100
Talarius Limited	United Kingdom	100	100
Bytecraft Systems (UK) Limited[7]	United Kingdom	100	100
In-To-Save Limited[7]	United Kingdom	100	100
Blackheath Leisure (Carousel) Limited[7]	United Kingdom	100	100
RAL Limited	United Kingdom	100	100
RAL Employee Benefit Trustee Limited	United Kingdom	100	100
RAL Interactive Limited	United Kingdom	100	100
CZ Trading Limited[7]	United Kingdom	100	100
Leisure Promotions Limited[7]	United Kingdom	100	100
Kellams Limited[7]	United Kingdom	100	100
Leisurama Holdings Limited[11]	United Kingdom	–	100
Leisurama Entertainment Limited[11]	United Kingdom	–	100
Displaymatics Holdings Limited[7]	United Kingdom	100	100
Winners Amusements Limited[7]	United Kingdom	100	100
Palma Leisure Limited[7]	United Kingdom	100	100
National Leisure Limited[7]	United Kingdom	100	100
Tattersall's Sweeps Consultation Long Service Leave Fund[10]	Australia	–	–

1. These subsidiaries have, where applicable, been granted relief from the necessity to prepare financial statements in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission (refer to Note 23 for further information).
2. Entity renamed during the current financial year. Previous name was TattsBet Limited.
3. Entity formed during the current financial year.
4. Entity renamed during the current financial year. Previous name was NT TAB Pty Ltd.
5. Entity renamed during the current financial year. Previous name was Broadcasting Station 4IP Pty Ltd.
6. Entity renamed during the current financial year. Previous name was SA TAB Pty Ltd.
7. Dormant entity.
8. Entity renamed during the current financial year. Previous name was Tote Tasmania Pty Ltd.
9. Owned 50% by Tatts Group Limited and 50% by Reaftin Pty Ltd. 100% equity holding within the Group.
10. Not incorporated. The trustees of the entity are employees of the Group, therefore in accordance with AASB, the Group controls the Fund and the Fund is consolidated. The Fund was wound up on 24 January 2014.
11. Entity disposed of in current financial year.

GROUP STRUCTURE

23. DEED OF CROSS GUARANTEE

30 June 2015

As at 1 July 2014, Tatts Group Limited, Tattersall's Holdings Pty Ltd, Tattersall's Gaming Pty Ltd, Tattersall's Sweeps Pty Ltd, Reaftin Pty Ltd, Wintech Investments Pty Ltd, Bytecraft Systems Pty Ltd, TattsBet Limited, SA TAB Pty Ltd, Maxgaming Holdings Pty Ltd, Maxgaming NSW Pty Ltd, Maxgaming Qld Pty Ltd, Golden Casket Lottery Corporation Limited, New South Wales Lotteries Corporation Pty Limited, Tote Tasmania Pty Ltd, Tatts Lotteries SA Pty Ltd, Bytecraft Systems NSW Pty Ltd, Tatts NT Lotteries Pty Ltd and NT TAB Pty Ltd were party to a Deed of Cross Guarantee (Deed) dated 1 May 2009, under which each company guarantees the debts of the others in the event of the winding up of any of those companies in the circumstances contained in the Deed.

By entering into the current Deed, the wholly owned entities have been relieved under ASIC Class Order 98/1418 from certain requirements including preparing and lodging a financial report and Directors' Report.

During the financial year TattsBet Limited, NT TAB Pty Ltd, SA TAB Pty Ltd, and Tote Tasmania Pty Ltd were renamed to Ubet Qld Limited, Ubet NT Pty Ltd, Ubet SA Pty Ltd and Ubet Tas Pty Ltd respectively (refer to Note 22).

CONSOLIDATED INCOME STATEMENT, STATEMENT OF COMPREHENSIVE INCOME AND SUMMARY OF MOVEMENTS IN CONSOLIDATED RETAINED EARNINGS

The above companies represent a 'Closed Group' for the purposes of the Class Order and they also represent the 'Extended Closed Group'. Set out below is a consolidated income statement, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2015 of the Closed Group consisting of the companies listed above.

	2015 $'000	2014 $'000
Consolidated income statement		
Revenue from continuing operations	2,786,606	2,744,539
Statutory outgoings		
Government share	(1,271,452)	(1,270,426)
Venue share/commission	(417,027)	(413,037)
Product/program fees	(203,138)	(187,194)
Other income	–	5
Other expenses from ordinary activities		
Employee expenses	(179,527)	(173,861)
Operating fees and direct costs	(64,094)	(65,961)
Telecommunications and technology	(35,503)	(37,868)
Marketing and promotions	(55,506)	(40,678)
Information services	(22,984)	(23,569)
Property expenses	(23,572)	(25,619)
Restructuring costs	(1,727)	(1,471)
Other expenses	(34,016)	(35,381)
Profit before interest, income tax, depreciation, amortisation and impairment	478,060	469,479
Depreciation and amortisation expense	(75,615)	(73,037)
Interest income	7,373	1,301
Finance costs	(58,220)	(84,413)
Profit before income tax	351,598	313,330
Income tax expense	(105,644)	(93,003)
Profit for the year from continuing operations	245,954	220,327
Loss from discontinued operation	(3,822)	(26,201)
Profit attributable to owners of Tatts Group Limited	242,132	194,126

	2015 $'000	2014 $'000
Profit for the year	242,132	194,126
Items that may be reclassified to profit or loss		
Changes in the fair value of available-for-sale financial assets	(115)	(27)
Changes in the fair value of cash flow hedges	7,382	4,804
Exchange differences on translation of foreign operations	1,763	1,267
Changes in the value of net investment hedges	(10,367)	(6,861)
Changes in the value of interest rate swaps	1,599	(2,443)
Changes in the fair value of forward foreign exchange contracts	116	(179)
Income tax relating to these items	(2,706)	(609)
Other comprehensive income for the year, net of tax	(2,328)	(4,048)
Total comprehensive income for the year	239,804	190,078

	2015 $'000	2014 $'000
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	127,141	146,994
Net profit for the year	242,132	194,126
Dividends (Note 15)	(209,073)	(218,573)
Transfer of retained earnings from entities outside the Closed Group	–	8,968
Change in accounting policy	–	(4,374)
Share options lapsed	879	–
Retained earnings at the end of the financial year	161,079	127,141

23. DEED OF CROSS GUARANTEE (CONTINUED)

30 June 2015

CONSOLIDATED BALANCE SHEET

Set out below is a consolidated balance sheet as at 30 June 2015 of the Closed Group consisting of the companies listed.

	2015 $'000	2014 $'000
ASSETS		
Current assets		
Cash and cash equivalents	**346,851**	627,109
Trade and other receivables	**101,284**	207,994
Inventories	**3,501**	7,701
Derivative financial instruments	**80**	–
Other current assets	**47,598**	43,575
Total current assets	**499,314**	886,379
Non-current assets		
Trade and other receivables	**116**	155
Available-for-sale financial assets	**19,394**	19,027
Other financial assets	**128,915**	128,759
Property, plant and equipment	**149,736**	149,817
Derivative financial instruments	**69,828**	14,817
Intangible assets	**4,472,346**	4,379,901
Total non-current assets	**4,840,335**	4,692,476
Total assets	**5,339,649**	5,578,855
LIABILITIES		
Current liabilities		
Trade and other payables	**541,460**	558,361
Derivative financial instruments	**461**	5,496
Current tax liabilities	**26,610**	3,982
Provisions	**16,601**	16,386
Interest bearing liabilities	**333,168**	–
Other current liabilities	**588,066**	584,043
Total current liabilities	**1,506,366**	1,168,268
Non-current liabilities		
Trade and other payables	**178,849**	96,989
Interest bearing liabilities	**400,688**	1,186,682
Provisions	**2,708**	2,536
Derivative financial instruments	**–**	2,848
Deferred tax liabilities	**208,792**	202,168
Total non-current liabilities	**791,037**	1,491,223
Total liabilities	**2,297,403**	2,659,491
Net assets	**3,042,246**	2,919,364
EQUITY		
Contributed equity	**2,841,361**	2,748,412
Reserves	**39,806**	43,811
Retained earnings	**161,079**	127,141
Total equity	**3,042,246**	2,919,364

24. PARENT ENTITY FINANCIAL INFORMATION

30 June 2015

RECOGNITION AND MEASUREMENT

The financial information for the Parent Entity, Tatts Group Limited has been prepared on the same basis as the consolidated financial statements, except as set out below.

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are accounted for at cost in the financial statements of the Parent Entity. Dividends received from associates are recognised in the Parent Entity's profit or loss rather than being deducted from the carrying amount of these investments.

TAX CONSOLIDATION LEGISLATION

Tatts Group Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly owned entities in the case of a default by the head entity, Tatts Group Limited.

The head entity and its controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate the head entity for any current tax payable assumed, and are compensated by the head entity for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the head entity under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable as a contribution to (or distribution from) wholly owned tax consolidated entities.

SUMMARY FINANCIAL INFORMATION

The individual financial statements for the Parent Entity show the following aggregate amounts:

	2015 $'000	2014 $'000
Balance sheet		
Current assets	**1,095,781**	1,299,080
Total assets	**3,722,173**	3,905,879
Current liabilities	**189,046**	14,594
Total liabilities	**705,394**	986,086
Shareholders' equity		
Issued capital	**3,940,834**	3,847,885
Reserves		
Hedge reserve	**(4,065)**	(6,611)
Foreign currency translation reserve	**(3,148)**	(4,583)
Share-based payments	**2,105**	3,783
Retained earnings	**(918,947)**	(920,680)
Total equity	**3,016,779**	2,919,794
Profit for the year	**209,927**	241,232
Total comprehensive income	**213,908**	239,436

GROUP STRUCTURE

24. PARENT ENTITY FINANCIAL INFORMATION (CONT.)

30 June 2015

GUARANTEES ENTERED INTO BY THE PARENT ENTITY

The Parent Entity has not provided any financial guarantees in respect of bank overdrafts or loans to subsidiaries as at 30 June 2015 or 30 June 2014.

There are cross guarantees given by the Parent Entity and its nominated subsidiaries as described in Note 23. No deficiencies of assets exist in any of these entities.

CONTINGENT LIABILITIES OF THE PARENT ENTITY

The Parent Entity did not have any contingent liabilities as at 30 June 2015 or 30 June 2014.

CONTRACTUAL COMMITMENTS FOR THE ACQUISITION OF PROPERTY, PLANT OR EQUIPMENT

The Parent Entity did not have any contractual commitments for the acquisition of property, plant and equipment as at 30 June 2015 or 30 June 2014.

UNRECOGNISED ITEMS

25. CONTINGENT LIABILITIES

30 June 2015

The Group had contingent liabilities at 30 June 2015 in respect of:

BANK GUARANTEES

Guarantees in respect of bank facilities drawn down but not included in the accounts of the Company or the Group are $3.4 million (2014: $2.9 million).

Financial guarantee contracts are recognised as a contingent financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

LEGAL PROCEEDINGS AGAINST THE STATE OF VICTORIA

On 26 June 2014, the Supreme Court of Victoria found in favour of Tatts in the proceedings commenced by it against the State of Victoria for compensation on the expiry of its gaming operator's licence on 15 August 2012.

The Court ordered the State to pay Tatts $451.2 million plus interest of $89.3 million, with the total amount received subject to applicable tax. This upheld an agreement entered into between the State and Tatts in 1995. This agreement led to the State receiving substantial additional licence fees from Tatts for the conduct of the Tatts Pokies business, on the basis that the State would grant compensation if a new gaming operator's licence was granted to anyone other than Tatts on the expiry of its licence.

The amount received of $540.5 million has been treated as unearned income and a current liability. The matter is subject to appeal with the State having been granted special leave to appeal to the High Court of Australia, and if the judgment of the Supreme Court of Victoria is set aside on appeal, the $540.5 million plus interest and costs will be payable to the State by Tatts.

At present, it is not possible to ascertain with certainty what amount of interest and costs would be payable to the State by Tatts if the judgment was set aside on appeal. However, it would be reasonable to assume interest of approximately $12 million after tax could be payable if judgment was set aside as at 30 June 2015.

It is not known when the appeal will be heard and determined by the High Court of Australia.

UNRECOGNISED ITEMS

26. COMMITMENTS FOR EXPENDITURE

30 June 2015

CAPITAL COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2015 $'000	2014 $'000
Property, plant and equipment – payable:		
Within 1 year	**8,981**	14,307
	8,981	14,307

OPERATING LEASE COMMITMENTS

The Group leases motor vehicles and various buildings under non-cancellable operating leases. The leases have varying terms and renewal rights. On renewal, the terms of the leases are to be negotiated.

	2015 $'000	2014 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	**19,014**	20,288
Later than 1 year but not later than 5 years	**29,434**	39,314
Later than 5 years	**10,871**	10,653
Commitments not recognised in the financial statements	**59,319**	70,255

OPERATING COMMITMENTS

Operating commitments contracted for at the reporting date but not recognised as liabilities are as follows:

	2015 $'000	2014 $'000
Commitments in relation to non-cancellable operating activities are payable as follows:		
Within 1 year	**28,518**	29,686
Later than 1 year but not later than 5 years	**8,797**	25,294
	37,315	54,980

EMPLOYEE REMUNERATION COMMITMENTS

	2015 $'000	2014 $'000
Commitments under non-cancellable employment contracts not provided for in the financial statements payable:		
Within 1 year	**1,013**	1,904
Later than 1 year but not later than 5 years	**–**	1,269
	1,013	3,173

OTHER INFORMATION

27. RELATED PARTY TRANSACTIONS

30 June 2015

PARENT ENTITIES

The ultimate parent entity within the Group is Tatts Group Limited.

CONTROLLED ENTITIES

Interests in controlled entities are set out in Note 22.

DIRECTORS AND KEY MANAGEMENT PERSONNEL

Disclosures relating to Directors and specified executives are set out in Note 29.

TRANSACTIONS WITH OTHER RELATED PARTIES

	2015 $'000	2014 $'000
Superannuation contributions		
Contribution to superannuation funds on behalf of employees	**17,860**	16,474

OUTSTANDING BALANCES

There are no outstanding balances at 30 June 2015 (2014: Nil) in relation to transactions with related parties.

TERMS AND CONDITIONS

Transactions relating to dividends were on the same terms and conditions that applied to other shareholders.

All other transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of principal on loans advanced by the Company. There was no interest charged on loans during the year (2014: nil).

Outstanding balances are unsecured and are repayable in cash.

28. REMUNERATION OF AUDITORS

30 June 2015

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

PWC AUSTRALIA

AUDIT AND OTHER ASSURANCE SERVICES

	2015 $	2014 $
Audit and other assurance services		
Audit and review of financial reports and other audit work under the Corporations Act	**871,912**	898,912
Other assurance services		
Audit of regulatory returns	**54,000**	63,750
Total remuneration for audit and other assurance services	**925,912**	962,662
Total remuneration of PwC Australia	**925,912**	962,662

NETWORK FIRMS OF PWC AUSTRALIA

AUDIT AND OTHER ASSURANCE SERVICES

	2015 $	2014 $
Audit and other assurance services		
Audit and review of financial statements	**228,005**	203,286
Total remuneration of network firms of PwC Australia	**228,005**	203,286
Total auditors' remuneration	**1,153,917**	1,165,948

Subject to maintaining their independence it is the Group's policy to employ PwC on assignments additional to their statutory audit duties where PwC's expertise and experience with the Group are important. These assignments are principally tax advice and due diligence reporting on transactions.

29. KEY MANAGEMENT PERSONNEL DISCLOSURES

30 June 2015

KEY MANAGEMENT PERSONNEL COMPENSATION

	2015 $	2014 $
Short-term employee benefits – cash salary, fees and cash bonus	**6,292,949**	5,987,465
Post-employment benefits	**206,689**	218,500
Long-term benefits	**81,824**	76,067
Share-based payments	**1,321,250**	1,626,700
	7,902,712	7,908,732

Detailed remuneration disclosures are provided in the Remuneration Report.

LOANS TO KEY MANAGEMENT PERSONNEL

No loans were made to Directors or Key Management Personnel.

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

No other transactions were made with Directors or Key Management Personnel.

OTHER INFORMATION

30. OTHER SIGNIFICANT ACCOUNTING POLICIES

30 June 2015

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out throughout this report and below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Tatts Group Limited and its subsidiaries. Tatts Group Limited (the **Company** or the **Parent Entity**) and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

EARLY ADOPTION OF STANDARDS

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2014.

EMPLOYEE BENEFITS

WAGES, SALARIES AND ANNUAL LEAVE

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

LONG SERVICE LEAVE

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of each reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of each reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

PERFORMANCE-BASED INCENTIVES

Permanent employees of the Group participate in an annual incentive plan under which employees receive cash, and for certain executives a combination of cash and share-based compensation benefits. The total incentive amount paid annually is determined by a calculation based on revenue growth, EBIT margin growth, and EPS growth, applied to target incentives of the Group's permanent employees.

For the amount payable in cash, the Group recognises a liability and an expense for such cash incentives arising from these calculations, and for any Special Circumstance incentive amounts paid or payable outside of the incentive pool arising from the calculations. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation. Share-based payments under this annual incentive plan are outlined in the next section.

TERMINATION BENEFITS

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods and have not yet been applied in the financial statements. The Group's assessment of the impact of these new standards and interpretations follows.

AASB 9 FINANCIAL INSTRUMENTS, AASB2009-11 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM AASB 9, AND AASB2010-7 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM AASB 9 (DECEMBER 2010) (EFFECTIVE FROM 1 JANUARY 2017)

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces an 'expected loss' impairment model and a revised approach to micro-hedge accounting, replacing the guidance in AASB 139. The standard is applicable for reporting periods after 1 January 2018 but is available for early adoption. There will be no material impact on the Group's accounting for financial assets or liabilities, as the new requirements for classification and measurement only affect the accounting for gains and losses on available for sale debt instruments and financial liabilities that are designated at fair value through profit and loss and the Group does not have any such assets or liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The new 'expected loss' approach to impairment will require more timely recognition of expected credit losses however these are not expected to be material for the Group. The revisions to hedge accounting align the accounting treatment with risk management activities which will require enhanced disclosures about risk management activity however is not expected to materially affect any of the amounts recorded. The Group has not yet decided when to adopt AASB 9.

AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

AASB 15 *Revenue* from contracts with customers addresses the recognition, measurement and disclosure of revenue, replacing AASB 118 covering contracts for goods and services and AASB 111 which covers construction contracts. The standard is not applicable until 1 January 2018 but is available for early adoption. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The Group will have to adopt the new 5-step process for the recognition of revenue. The Group will have a choice of full retrospective application, or prospective application with additional disclosures. The Group has not yet decided when to adopt AASB 15.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

CHANGES IN ACCOUNTING POLICY

Prizes payable to the 'Set for Life', 'Live the Life' and 'Win for Life' lottery major winners are payable over periods exceeding 12 months, and were valued at net present value. The portion of this liability which is payable more than 12 months post balance sheet date is reported as a non-current liability.

A change in Accounting Policy valuing prizes payable at the initial prize value was made effective from 1 July 2014 to more accurately reflect the potential timing of the liabilities, and to ensure the financial report provides reliable and relevant information about the financial performance, financial position and cash flows of the entity. This cumulative, retrospective adjustment has reduced retained earnings, and increased liabilities by $4.4 million, with the adjustment made effective 1 July 2013.

OTHER INFORMATION

31. EVENTS OCCURRING AFTER THE REPORTING PERIOD

30 June 2015

In the opinion of the Directors, there have been no other material matters or circumstances which have arisen between 30 June 2015 and the date of this report that have significantly affected or may significantly affect the operations of the Group, the result of those operations or the state of affairs of the Group in subsequent financial periods.

DIRECTORS' DECLARATION

30 June 2015

In the Directors' opinion:

(a) the financial statements and notes set out on pages 65 to 136 are in accordance with the Corporations Act, including:

  (i) complying with Accounting Standards, the Corporations Regulations and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 23 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 23.

The financial statements also comply with International Financial Reporting Standards, as issued by the International Accounting Standards Board (refer to Basis of preparation on page 72).

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act.

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

Harry Boon
Chairman

Robbie Cooke
Managing Director and Chief Executive Officer

Brisbane
20 August 2015

Independent auditor's report to the members of Tatts Group Limited

Report on the financial report

We have audited the accompanying financial report of Tatts Group Limited (the company), which comprises the consolidated balance sheet as at 30 June 2015, the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Tatts Group Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In the basis of preparation in the notes to the consolidated financial statements, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757
Riverside Centre, 123 Eagle Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

Auditor's opinion

In our opinion:

(a) the financial report of Tatts Group Limited is in accordance with the *Corporations Act 2001,* including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in the basis of preparation in the notes to the consolidated financial statements.

Report on the Remuneration Report

We have audited the remuneration report included in pages 47 to 62 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Tatts Group Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Anton Linschoten
Partner

Brisbane
20 August 2015

SHAREHOLDER INFORMATION

30 June 2015

The shareholder information set out below is based on the information recorded in the Tatts Group Limited share register as at 4 August 2015.

ORDINARY SHARES

Tatts has on issue 1,460,807,302 fully paid ordinary shares.

TATTS BONDS

Tatts has on issue 1,946,642 Tatts Bonds which are seven year debt securities listed on the Australian Securities Exchange (**ASX**) under the code TTSHA. They were initially issued on 29 June 2012 to successful applicants pursuant to the Tatts Bonds Prospectus dated 6 June 2012 and commenced trading on a normal settlement basis on 4 July 2012.

VOTING RIGHTS

The voting rights attached to each class of equity securities are set out below:

a. Ordinary shares – On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

b. Performance options and rights – No voting rights.

SUBSTANTIAL SHAREHOLDERS

The following is a summary of the current substantial shareholders pursuant to notices lodged with the ASX in accordance with section 671B of the Corporations Act:

NAME	DATE OF INTEREST	NUMBER OF ORDINARY SHARES[1]	% OF ISSUED CAPITAL[2]
Perpetual Limited	26 Sept 2014	168,313,538	11.73%

1. As disclosed in the last notice lodged with the ASX by the substantial shareholder.
2. The percentage set out in the notice lodged with the ASX is based on the total issued share capital of Tatts at the date of interest.

ON MARKET BUY-BACK

There is no current on-market buy-back in respect of Tatts Group's ordinary shares.

DISTRIBUTION OF SECURITIES HELD

Analysis of number of ordinary shareholders and Tatts Bond holders by size of holding:

	ORDINARY SHARES[1]		TATTS BONDS	
Range	Number of holders	Number of securities	Number of holders	Number of bonds
1 – 1,000	13,426	7,626,542	1,509	384,515
1,001 – 5,000	44,573	124,370,964	101	219,161
5,001 – 10,000	6,959	52,267,219	5	36,867
10,001 – 100,000	5,575	128,612,863	6	193,192
100,001 and over	374	1,147,929,714	5	1,112,907
Total	**70,907**	**1,460,807,302**	**1,626**	**1,946,642**

1. Ordinary shares include restricted shares offered to employees under the Company's incentive arrangements.

There were 1,273 holders of less than a marketable parcel of ordinary shares representing 54,758 shares and 1 holder of less than a marketable parcel of Tatts Bonds representing 1 unit.

TOP 20 LARGEST SHAREHOLDERS

The names of the 20 largest quoted equity security holders as they appear on the Tatts Group Limited share register are listed below:

NAME	ORDINARY SHARES NUMBER OF SHARES	ORDINARY SHARES % OF TOTAL SHARES
HSBC Custody Nominees (Australia) Limited	241,820,585	16.55
JP Morgan Nominees Australia Limited	208,817,444	14.29
National Nominees Limited	148,373,775	10.16
Citicorp Nominees Pty Limited	109,479,041	7.49
BNP Paribas Noms Pty Ltd	57,517,523	3.94
RBC Investor Services Australia Nominees Pty Limited	49,662,642	3.40
AMP Life Limited	19,623,817	1.34
UBS Wealth Management Australia Nominees Pty Ltd	19,412,729	1.33
UBS Nominees Pty Ltd	15,577,226	1.07
Tassyd Pty Limited	13,165,000	0.90
BNP Paribas Nominees Pty Ltd	12,233,146	0.84
RBC Investor Services Australia Nominees Pty Limited	10,396,735	0.71
Robin Edward Davey	9,568,668	0.66
RBC Investor Services Australia Nominees Pty Limited	7,442,411	0.51
Wentworth Investments Pty Ltd	6,991,887	0.48
Citicorp Nominees Pty Limited	6,555,413	0.45
Questor Financial Services Limited	4,555,523	0.31
RBC Investor Services Australia Nominees Pty Limited	4,297,352	0.29
UBS Nominees Pty Ltd	3,915,618	0.27
RBC Investor Services Australia Nominees Pty Ltd	3,635,436	0.25
TOTAL	**953,041,971**	**65.24**

TOP 20 LARGEST TATTS BONDS HOLDERS

The names of the 20 largest quoted Tatts Bonds holders as they appear on the Tatts Group Limited register are listed below:

NAME	TATTS BONDS NUMBER OF BONDS	TATTS BONDS % OF TOTAL BONDS
JP Morgan Nominees Australia Limited	414,716	21.30
Citicorp Nominees Pty Limited	329,773	16.94
National Nominees Limited	147,863	7.60
National Nominees Limited	118,570	6.09
UBS Nominees Pty Ltd	101,985	5.24
BNP Paribas Nominees Pty Ltd	60,000	3.08
HSBC Custody Nominees (Australia) Limited	56,184	2.89
Questor Financial Services Limited	28,272	1.45
RBC Investor Service Australia Nominees Pty Limited	25,000	1.28
RBC Investor Services Australia Nominees Pty Limited	13,093	0.67
Avanteos Investments Limited	10,643	0.55
RBC Investor Services Australia Nominees Pty Limited	9,000	0.46
BT Portfolio Services Limited	7,760	0.40
BT Portfolio Services Limited	7,750	0.40
Richard Small Nominees Pty Limited	7,000	0.36
Navigator Australia Ltd	5,357	0.28
Australian Friendly Society Ltd	5,000	0.26
Duchen Holdings Pty Ltd	5,000	0.26
Edsgear Pty Limited	5,000	0.26
Nineteensixtyone Pty Limited	5,000	0.26
TOTAL	**1,362,966**	**70.02**

SHAREHOLDER INFORMATION (CONTINUED)

30 June 2015

DOMICILE OF ORDINARY SHAREHOLDERS

DOMICILE	NUMBER OF HOLDERS	% OF HOLDERS	NUMBER OF SHARES	% OF SHARES
Australian Capital Territory	701	0.99	3,505,794	0.24
New South Wales	9,109	12.85	576,781,977	39.48
Northern Territory	291	0.41	1,141,570	0.08
Queensland	37,530	52.93	176,908,223	12.11
South Australia	1,708	2.41	13,860,200	0.95
Tasmania	1,024	1.44	48,252,042	3.30
Victoria	17,170	24.21	613,367,562	41.99
Western Australia	3,034	4.28	20,816,235	1.42
Overseas	340	0.48	6,173,699	0.43
Total	**70,907**	**100.0**	**1,460,807,302**	**100.0**

DOMICILE OF TATTS BOND HOLDERS

DOMICILE	NUMBER OF HOLDERS	% OF HOLDERS	NUMBER OF TATTS BONDS	% OF TATTS BONDS
Australian Capital Territory	12	0.74	3,075	0.16
New South Wales	411	25.28	475,356	24.42
Northern Territory	4	0.25	375	0.02
Queensland	325	19.99	62,339	3.20
South Australia	58	3.57	26,592	1.37
Tasmania	22	1.35	10,479	0.54
Victoria	510	31.37	1,274,537	65.47
Western Australia	277	17.04	93,160	4.79
Overseas	7	0.43	729	0.04
Total	**1,626**	**100.0**	**1,946,642**	**100.0**

UNQUOTED EQUITY SECURITIES

	NUMBER ON ISSUE	NUMBER OF HOLDERS
Performance rights in respect of ordinary shares issued under the Tatts Group Long-Term Incentive Plan and Rights Plan	538,286	37

Note: Excludes 498,068 performance rights approved but not yet issued as at 4 August 2015.

GO ONLINE TO MANAGE YOUR SHAREHOLDING

ONLINE SHARE REGISTRY FACILITY

Tatts offers shareholders the use of an online share registry facility through www.computershare.com.au or www.investorcentre.com to conduct standard shareholding enquiries and transactions, including:

- update registered address
- lodge or update banking details
- notify Tax File Number / Australian Business Number
- download dividend statements
- check current and previous shareholding balances
- appoint a proxy to vote at the Annual General Meeting
- participate in the Dividend Reinvestment Plan

DIVIDEND PAYMENTS

All dividends paid by Tatts to shareholders with a registered address in Australia are paid by electronic funds transfer into a nominated bank account with an Australian financial institution. Payments are electronically credited on payment date, allowing shareholders to utilise the funds immediately.

Shareholders can provide or update their bank account details by using the online share registry facility, or by contacting Computershare.

DIVIDEND REINVESTMENT PLAN (DRP)

Tatts operates a DRP that enables participants to reinvest their dividends to acquire additional Tatts shares without incurring any brokerage or handling costs. The discount previously applied to the price at which shares were issued under the DRP has been discontinued in respect of the final dividend payable on 5 October 2015. To elect to participate in the Company's DRP, contact Computershare.

CORPORATE DIRECTORY

30 June 2015

REGISTERED AND PRINCIPAL ADMINISTRATIVE OFFICE IN AUSTRALIA

Tatts Group Limited
87 Ipswich Road,
Woolloongabba QLD 4102
Telephone: + 61 7 3435 4500
ABN: 19 108 686 040

WEBSITE ADDRESSES

www.tatts.com
www.ubet.com
www.tattsgroup.com

AUSTRALIAN SECURITIES EXCHANGE (ASX) LISTING

Tatts Group Limited shares are listed on the ASX under the code TTS.
Tatts Group Limited Bonds are listed on the ASX under the code TTSHA.

DIRECTORS

Refer to profiles on pages 34 to 37

SENIOR EXECUTIVES

Refer to profiles on pages 38 to 39

GENERAL COUNSEL AND COMPANY SECRETARY

Anne Tucker
Email: legal@tattsgroup.com

INVESTOR RELATIONS

Giovanni Rizzo
Email: investorrelations@tattsgroup.com

MEDIA

Carolyn Prendergast
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AUDITOR

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SHARE REGISTRY

Computershare Investor Services Pty Limited
117 Victoria Street, West End QLD 4101
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To maintain or update your details online and enjoy full access to all your holdings and other valuable information, simply visit www.investorcentre.com.

2016 SHAREHOLDER CALENDAR

Event	Dates
Interim results announcement	18 February 2016
Ex dividend	26 February 2016
Record date	1 March 2016
DRP pricing period commences	3 March 2016
Dividend payment	31 March 2016
Full year results announcement	18 August 2016
Ex dividend	30 August 2016
Record date	1 September 2016
DRP pricing period commences	5 September 2016
Dividend payment	4 October 2016
Annual General Meeting	27 October 2016

2016 TATTS BONDS CALENDAR

Quarterly Interest Payment	Payment Date
October 2015	6 October 2015
January 2016	5 January 2016
April 2016	5 April 2016
July 2016	5 July 2016
October 2016	5 October 2016

All dates may be subject to change and will be updated under Investors at www.tattsgroup.com

DIVIDEND HISTORY

Date Paid/Payable	Type	Cents Per Share	DRP Share Price ($)
5 April 2006	FY 2006 Interim	8.75	–
26 September 2006	FY 2006 Final	7.50	–
30 March 2007	FY 2007 Interim	8.00	–
5 October 2007	FY 2007 Final	10.0	–
5 October 2007	FY 2007 Special	4.00	–
4 April 2008	FY 2008 Interim	9.50	–
3 October 2008	FY 2008 Special[1]	10.5	–
3 April 2009	FY 2009 Interim	10.0	2.58
2 October 2009	FY 2009 Final	11.0	2.52
6 April 2010	FY 2010 Interim	10.0	2.44
1 October 2010	FY 2010 Special[2]	11.0	2.29
6 April 2011	FY 2011 Interim	10.5	2.18
5 October 2011	FY 2011 Final	11.0	2.10
4 April 2012	FY 2012 Interim	11.0	2.33
3 October 2012	FY 2012 Final	12.0	2.64
5 April 2013	FY 2013 Interim	8.0	3.07
7 October 2013	FY 2013 Final	7.5	3.05
4 April 2014	FY 2014 Interim	8.0	2.90
6 October 2014	FY 2014 Final	5.5	3.17
2 April 2015	FY 2015 Interim	9.0	3.88
5 October 2015	FY 2015 Final	7.5	[3]

All dividend payments are fully franked unless otherwise stated.
1. Paid in place of a 2008 Final Dividend – refer to ASX Releases dated 23 June and 28 August 2008.
2. Paid in place of a 2010 Final Dividend – refer to ASX Release dated 26 August 2010.
3. Not available at date of printing. Refer to www.tattsgroup.com/investors.

TATTS ANNOUNCEMENTS

Details of all announcements released by Tatts Group Limited can be found under the Investor section at www.tattsgroup.com.

GLOSSARY OF TERMS

30 June 2015

AASB	Australian Accounting Standards Board
ABN	Australian Business Number
AGM	Annual General Meeting
app	A software application designed to run on smartphones, tablet computers and other mobile devices.
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited ABN 98 008 624 691, or the financial products market operated by ASX, as the context requires.
ATO	Australian Taxation Office
Board	The Company's board of directors
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CO_2e	Carbon dioxide equivalent, as defined by the Carbon Disclosure Project
Company or Tatts	Tatts Group Limited
Consolidated Entity	The Company and its subsidiaries
COO	Chief Operating Officer
Corporations Act	*Corporations Act 2001* (Cth)
CPI	Consumer Price Index
Director	A director (or their alternate) of the Company
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
fixed-price betting	A betting system where the payout is agreed at the time the bet is sold.
Gaming or Tatts Gaming	The Group's businesses that provide gaming solutions under various licences, permits and approvals from state governments under the brands Maxgaming, Talarius and Bytecraft.
Group	The Company and its wholly owned subsidiaries (unless otherwise defined)
GST	Australian goods and services tax
Lotteries 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.
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
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
Wagering, TattsBet or UBET	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.