

Directors' report

The Directors of the Company submit their report for the consolidated entity comprising the Company and its controlled entities (collectively referred to as the Tabcorp Group) in respect of the financial year ended 30 June 2009.

1. Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report (except as otherwise stated) are set out on pages 10 to 11.

2. Changes to the Board's composition

2.1. Appointments

Brett Paton

Mr Paton commenced as a Non Executive Director on 23 October 2008 following the receipt of all necessary regulatory approvals.

Jane Hemstritch

Mrs Hemstritch commenced as a Non Executive Director on 13 November 2008 following the receipt of all necessary regulatory approvals.

3. Directorships of other listed companies

The following table shows, for each person who served as a Director during the financial year and up to the date of this report (unless otherwise stated), all directorships of companies that were listed on the ASX or other financial markets operating in Australia, other than Tabcorp, since 1 July 2006, and the period for which each directorship has been held.

Name	Listed entity	Period directorship held
John Story	CSR Limited Suncorp-Metway Limited	April 2003 to present January 1995 to present
Elmer Funke Kupper	Nil	
Anthony Hodgson	Coles Group Limited ⁽ⁱ⁾	July 2003 to December 2007
Paula Dwyer	Babcock & Brown Japan Property Trust ⁽ⁱⁱ⁾ David Jones Limited Promina Group Limited ⁽ⁱⁱⁱ⁾ Suncorp-Metway Limited ⁽ⁱⁱⁱ⁾	February 2005 to present November 2003 to December 2006 February 2003 to June 2007 April 2007 to present
Jane Hemstritch	Commonwealth Bank of Australia Limited	October 2006 to present
John O'Neill	Amalgamated Holdings Limited STW Communications Group Limited	December 2006 to October 2007 February 2007 to June 2007
Brett Paton	Nil	
Zygmunt Switkowski	Healthscope Limited Suncorp-Metway Limited	January 2006 to present September 2005 to present

- (i) Mr Hodgson was a Director of Coles Group Limited, which was listed on the ASX until 5 December 2007, when it was removed following Wesfarmers Limited's acquisition of all its shares.
- (ii) Ms Dwyer is a Director of Babcock & Brown Japan Property Management Limited, which is the company responsible for managing the Babcock & Brown Japan Property Trust.
- (iii) Ms Dwyer was a Director of Promina Group Limited, which was listed on the ASX until 29 June 2007, when it was removed following Suncorp-Metway Limited's acquisition of all its shares.

4. Company Secretary

Kerry Willcock joined the Tabcorp Group in February 2005 as Executive General Manager, Corporate and Legal. She holds a Bachelor of Arts and a Bachelor of Laws, and is a qualified mediator. She has extensive commercial, legal, litigation and government relations experience having worked with Arthur Robinson and Hedderwicks, Clayton Utz and the Australian Postal Corporation, where she held the position of General Counsel.

5. Principal activities

The principal activities of the Tabcorp Group during the financial year comprised the provision of leisure and entertainment services (particularly in relation to gambling and hospitality). The Tabcorp Group's principal activities remain unchanged from the previous year, except as disclosed elsewhere in this report.

Directors' report (continued)

6. Financial results

Consolidated profit after income tax of the Tabcorp Group for the financial year was \$521.7 million, compared to a loss of \$164.6 million for the previous financial year.

Earnings before interest, tax (EBIT) and impairments were \$895.4 million, which was 1.5% above the previous financial year.

Normalised net profit after tax was \$496.2 million, which was 1.2% above the previous financial year before taking into account last year's impairments.

Net operating revenue was \$4,167.2 million, which was 5.3% above the previous financial year.

7. Earnings per share

Basic earnings per share for the period were 93.2 cents, compared to (31.4) cents for the previous financial year.

Diluted earnings per share for the period were 93.1 cents, compared to (31.4) cents for the previous financial year.

Normalised earnings per share for the period were 88.7 cents, down 5.1% on the previous financial year before taking into account last year's impairments.

Earnings per share is disclosed in note 6 to the full financial statements.

8. Dividends

A final dividend of 30 cents per ordinary share has been declared, which is a decrease of 17 cents on the previous special dividend and a decrease of five cents on the previous interim dividend. The final dividend will be fully franked and payable on 18 September 2009 to shareholders registered at 17 August 2009. The ex-dividend date is 11 August 2009.

The following dividends (including any special dividends) have been paid, declared or recommended by the Company since the end of the preceding financial year:

	\$m
2009 final dividend	
Final fully franked dividend for 2009 of 30 cents per share on ordinary shares as announced on 6 August 2009 with a record date of 17 August 2009 and payable on 18 September 2009.	181.1
2009 interim dividend	
Interim fully franked dividend for 2009 of 35 cents per share on ordinary shares as announced on 29 January 2009 with a record date of 16 February 2009 and paid on 23 March 2009.	186.5
2008 special dividend	
Special fully franked dividend for 2008 of 47 cents per share on ordinary shares as announced on 7 August 2008 with a record date of 18 August 2008 and paid on 22 September 2008.	246.7

Further information regarding dividends may be found in note 2 to the concise financial statements.

9. Review of operations

The Tabcorp Group divisional structure comprises the following three operating divisions:

- Casinos;
- Wagering; and
- Gaming.

The activities and results for these three divisions are discussed below.

9.1. Casinos division

The Tabcorp Group operates four hotel and casino properties: Star City in Sydney; Conrad Jupiters on the Gold Coast; Conrad Treasury in Brisbane; and Jupiters Townsville. In addition, the Tabcorp Group manages the Gold Coast Convention and Exhibition Centre, and has an interest in and manages the Townsville Entertainment and Convention Centre.

The Casinos division achieved EBIT before impairments of \$364.6 million, which was 10.7% below the previous financial year. The division's operating revenue increased by 2.4% to \$1,385.4 million.

9.2. Wagering division

The Tabcorp Group conducts wagering activities in Victoria and New South Wales through a network of agencies, hotels and clubs, and provides on-course totalisators at thoroughbred, harness and greyhound metropolitan and country race meetings.

In addition, totalisator and fixed odds betting is offered on sporting events.

The division also operates LUXBET.COM, offering a racing, sport and novelty product bookmaking service by telephone and online based in the Northern Territory.

The Tabcorp Group also has specialist television and radio operations focused on the racing industry and other sporting activities, which include Sky Racing, Sky Sports Radio and other domestic and international broadcasting services.

The Wagering division achieved EBIT before impairments of \$251.7 million, which was 1.9% above the previous financial year. The division's operating revenue increased by 7.7% to \$1,582.6 million.

9.3. Gaming division

In Victoria, the Tabcorp Group owns and operates electronic gaming machines (EGMs) in licensed hotels and clubs under the Tabaret brand, as well as operating Club Keno games through a joint venture arrangement. In addition, the Tabcorp Group operates Keno in New South Wales and Queensland.

The Gaming division achieved EBIT before impairments of \$277.1 million, which was 23.2% above the previous financial year. The division's operating revenue increased by 5.8% to \$1,198.8 million.

10. Significant changes in the state of affairs

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

10.1. Tabcorp Bonds Offer

The Company successfully raised \$284 million from its offer of Tabcorp Bonds pursuant to the Prospectus dated 1 April 2009. Tabcorp Bonds are new five year debt securities listed on the ASX under the code TAHHA. Tabcorp Bonds were issued to successful applicants on 1 May 2009 with an issue price of \$100 each. Holders of Tabcorp Bonds are entitled to receive quarterly interest payments and \$100 cash per Tabcorp Bond upon redemption in five years. The interest rate will be equal to the three month bank bill rate plus a fixed margin of 4.25% p.a. and will be calculated quarterly. Investors who are allocated at least 100 Tabcorp Bonds and maintain at least their initial allocation for the first year will be entitled to Bonus Interest for the first year of an additional 0.25% p.a. (subject to a cap of 500 Tabcorp Bonds per holding).

In June 2009, the Company raised an additional \$150 million of debt pursuant to a note issue to domestic institutional investors. The new issue was in response to enquiries from institutional investors following the Tabcorp Bonds Offer.

10.2. Capital raising

In early 2009, the Company raised \$387 million in capital through a Share Purchase Plan (SPP) and an institutional placement. Under the SPP, eligible shareholders could subscribe for up to \$5,000 of additional shares in Tabcorp. Shares issued under the SPP and institutional placement were allotted on 13 March 2009 at \$5.80 each.

10.3. Star City expansion to create world-class casino

During the financial year, the Tabcorp Group announced plans to transform the Star City casino into a world-class entertainment destination, complete with a new five star hotel, more restaurants, bars and improved entertainment and gaming facilities. Planning approval for the project was received from the New South Wales Government on 27 January 2009 and is subject to a number of anticipated conditions, including a limit on the height of the new five star hotel.

The Board approved an increase in the project capital budget to \$575 million for the redevelopment. This investment follows an agreement with the New South Wales Government for the grant to Star City of certain product concessions and for the period of effective exclusivity to expire in November 2019.

Redevelopment works commenced in early 2009 and all work is expected to be completed in 2011.

10.4. Launch of LUXBET.COM

On 23 September 2008, the Tabcorp Group's new bookmaking business LUXBET.COM commenced operations from its base in the Northern Territory. Pursuant to a sports bookmaker's licence granted by the Northern Territory Racing Commission, LUXBET.COM offers a racing, sport and novelty product bookmaking service by telephone and online.

10.5. Wagering industry developments

During the year, the racing industries in each Australian State and Territory announced that they would implement new race fields arrangements, under which they would charge product fees to wagering operators for the betting conducted on their racing product.

The additional race fields charges had a material impact on the Tabcorp Group, reducing EBIT by \$20 million in the financial year ended 30 June 2009. The ongoing financial impact of the new product fees is uncertain as some of the arrangements and contracts are subject to legal challenge. The Tabcorp Group currently expects that the 2010 EBIT impact will be in the order of \$30 million. The actual impact may be above or below this estimate. An adverse outcome in the areas under dispute could increase the EBIT impact to \$65 million. The implementation of new product fees by the state based racing industries follows a significant relaxation of advertising laws and competition policy, with bookmakers gaining greater freedom to compete nationally.

Directors' report (continued)

The Tabcorp Group is responding to recent industry and regulatory changes through a range of initiatives, including the launch of LUXBET.COM (see section 10.4 above), continued investment in product and distribution initiatives, increased promotional activities and proposed changes to existing industry funding and pooling arrangements. These initiatives are expected to at least partially mitigate the estimated impact of new product fees.

10.6. Increases to gaming machine taxes at Queensland casinos

The Queensland Government announced on 9 December 2008 that taxes on electronic gaming machines (EGMs) at all Queensland casinos will increase from 1 July 2009. The taxes on EGMs at the Tabcorp Group's Conrad Treasury Casino in Brisbane and Conrad Jupiters Casino on the Gold Coast will increase to 30 per cent, up from 20 per cent, while at the Group's Jupiters Townsville Casino, the EGM tax rate will increase to 20 per cent, up from 10 per cent. The financial impact of the increase will be approximately \$30 million per annum before tax from the 2010 financial year.

10.7. Changes to the Board of Directors

A number of changes occurred to the composition of the Board during the year. Refer to section 2 of this report for information.

10.8. Change of Casinos Division Chief Executive

Larry Mullin joined Tabcorp on 2 February 2009 and replaced Walter Bugno who had resigned as the Casinos Division's Chief Executive to pursue a new business opportunity overseas. Following the receipt of all necessary regulatory approvals, Mr Mullin commenced as the new Chief Executive Officer of Tabcorp's Casinos Division. Mr Mullin has a distinguished 20-year career in casino operations, and was most recently the President and Chief Operating Officer with the market leading Borgata Hotel Casino and Spa in Atlantic City.

10.9. Other significant changes in the state of affairs

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

11. Business strategies

Tabcorp is Australia's premier gambling entertainment group and aspires to be one of the best performing gambling entertainment groups in the world. To achieve this aspiration, Tabcorp's priorities are:

- Continue to improve operational performance and productivity
- Increase focus on customer service, organic growth and market share
- Step up capital investment in our existing businesses that position the Company for growth in two to three years' time, particularly in casinos
- Prepare for new licence environment in Victoria by 2012
- Maintain leadership in responsible gambling

12. Significant events after the end of the financial year

No matters or circumstances have arisen since the end of the financial year which are not otherwise dealt with in this report or in the financial statements, that have significantly affected or may significantly affect the operations of the Tabcorp Group, the results of those operations or the state of affairs of the Tabcorp Group in subsequent financial years. Refer also to note 4 to the concise financial statements.

13. Likely developments and expected results

The Tabcorp Group will continue with its strategies, as set out in this report.

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

14. Auditors

The Tabcorp Group's external auditor is Ernst & Young.

During the year, the Tabcorp Group's internal audit function transitioned from a co-sourced arrangement (jointly resourced by Tabcorp and KPMG) to be fully resourced by Tabcorp, with KPMG providing specialist independent external support where necessary.

More information relating to the audit functions can be found in the corporate governance statement on pages 16 to 18.

15. Directors' interests in contracts

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

16. Environmental regulation and performance

The Tabcorp Group's environmental obligations and waste discharge quotas are regulated under both state and federal laws. The Tabcorp Group has a record of complying with, and in most cases exceeding, its environment performance obligations.

No environmental breaches have been notified to the Tabcorp Group by any government agency.

The Tabcorp Group has registered for the Federal Government's Energy Efficiency Opportunities (EEO) initiative, which requires companies that use over 0.5 petajoules of energy per annum to identify opportunities to reduce energy consumption. The Tabcorp

Group's first report under the initiative was lodged with the Government in December 2008 and is available on Tabcorp's website. The Tabcorp Group is currently in the process of considering the implementation of the initiatives identified in 2008 as well as developing new opportunities to conserve energy. The results of this process are required to be reported to both the Government and the public by 31 December 2009.

The Tabcorp Group has also registered for the Federal Government's National Greenhouse Energy Reporting System (NGERS), which requires organisations that meet certain thresholds in energy consumption or greenhouse gas emissions to accurately report to the Government all energy consumption and emissions every year. This information may be subject to audit at the discretion of the Government and therefore the emphasis of the program is on establishing an accurate, complete and verifiable inventory of energy consumption and greenhouse gas emissions. The Tabcorp Group is required to submit details of its energy consumption and emissions by 31 October 2009.

Each hotel and casino property has environmental management plans and procedures representing best practice standards, which assist in maintaining high levels of environmental regulation and performance.

17. Risk management

The Tabcorp Group has a structured and proactive approach to understanding and managing risk. The key focus of the risk management approach is to align strategy, processes, people, technology and knowledge with evaluating and managing the uncertainties and opportunities faced by the Tabcorp Group. Overviews of the Tabcorp Group's risk management processes and internal control framework are disclosed in the corporate governance statement on pages 16 to 18.

18. Directors' interests in Tabcorp securities

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

Name	Ordinary shares	Options	Rights	Bonds
John Story	52,375	-	-	-
Elmer Funke Kupper	97,863	236,126	396,425	1,500
Anthony Hodgson	21,251	-	-	-
Paula Dwyer	30,863	-	-	-
Jane Hemstritch	20,863	-	-	2,000
John O'Neill	-	-	-	-
Brett Paton	20,863	-	-	3,000
Zygmunt Switkowski	76,389	-	-	-

19. Board and Committee meeting attendance

During the financial year ended 30 June 2009 the Company held 17 meetings of the Board of Directors, of which nine were standard Board meetings, and eight Board meetings were held to discuss special business.

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

Name	Board of Directors		Audit Committee		Risk and Compliance Committee		Nomination Committee		Remuneration Committee	
	A	B	A	B	A	B	A	B	A	B
John Story	16	17	8	8	3	4	2	2	6	6
Elmer Funke Kupper ⁽ⁱ⁾	17	17	8	8	4	4	2	2	6	6
Anthony Hodgson	15	17	8	8	3	4	2	2	-	-
Paula Dwyer	17	17	8	8	4	4	2	2	6	6
Jane Hemstritch ⁽ⁱⁱ⁾	10	11	2	4	2	3	0	1	-	-
John O'Neill	15	17	6	8	4	4	1	2	-	-
Brett Paton ⁽ⁱⁱⁱ⁾	11	11	3	5	3	3	1	1	-	-
Zygmunt Switkowski	17	17	8	8	3	4	1	2	6	6

A – Number of meetings attended

B – Maximum number of possible meetings available for attendance

- (i) Although Mr Funke Kupper attends Board Committee meetings, he is not a member of any Board Committee, because only Non Executive Directors may be members of these Committees.
- (ii) Commenced as a Non Executive Director on 13 November 2008 following the receipt of all necessary regulatory approvals. In addition to the meetings above, during the financial year Mrs Hemstritch attended four Board meetings, four Audit Committee meetings and one Nomination Committee meeting as an observer whilst awaiting regulatory approval. She was not required to attend these additional meetings and could not vote on any matter at these meetings.
- (iii) Commenced as a Non Executive Director on 23 October 2008 following the receipt of all necessary regulatory approvals. In addition to the meetings above, during the financial year Mr Paton attended six Board meetings, three Audit Committee meetings, one Risk and Compliance Committee meeting and one Nomination Committee meeting as an observer whilst awaiting regulatory approval. He was not required to attend these additional meetings and could not vote on any matter at these meetings.

The details of the functions and memberships of the Committees of the Board are set out in the corporate governance statement on pages 14 to 22. The terms of reference for each Board Committee are available from the corporate governance section of the Company's website.

Directors' report (continued)

20. Indemnification and insurance of Directors and Officers

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

21. Non-statutory audit services

Ernst & Young, the external auditor to the Company and the Tabcorp Group, provided non-statutory audit services to the Company during the financial year ended 30 June 2009. The Directors are satisfied that the provision of non-statutory audit services during this period was compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-statutory audit service provided means that auditor independence was not compromised. These statements are made in accordance with advice provided by the Company's Board Audit Committee.

The Company's Board Audit Committee reviews the activities of the independent external auditor and reviews the auditor's performance on an annual basis. The Chairman of the Audit Committee must approve all non-statutory audit work to be undertaken by the auditor (if any). Further details relating to the Audit Committee and the engagement of auditors are available in the corporate governance statement on pages 16 to 18.

Ernst & Young, acting as the Company's external auditor, received or are due to receive the following amounts in relation to the provision of non-statutory audit services to the Company:

Description of services	\$000
Other audit services	74
Other regulatory audit services	120
Other assurance	178
Other non audit services	270
Total of all non-statutory audit services	642

Amounts paid or payable by the Company for audit and non-statutory audit services are disclosed in note 3 to the full financial statements.

22. Corporate governance

The Directors of the Company support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. The Company's corporate governance practices are constantly under review. As a result, new practices were adopted and existing practices optimised to reflect best practice. The Company's corporate governance statement is contained on pages 14 to 22, and associated information is available under the corporate governance section of the Company's website at www.tabcorp.com.au/about_governance.aspx.

23. Rounding of amounts

Tabcorp Holdings Limited is a company of the kind specified in Australian Securities and Investments Commission Class Order 98/0100. In accordance with that Class Order, amounts in the financial report and the Directors' report have been rounded to the nearest hundred thousand dollars unless specifically stated to be otherwise.

24. Auditor's independence declaration

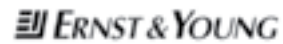
Attached is a copy of the auditor's independence declaration provided under section 307C of the Corporations Act 2001 in relation to the audit for the financial year ended 30 June 2009. This auditor's independence declaration forms part of this Directors' report.

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



John Story
Chairman

Melbourne
6 August 2009



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

In relation to our audit of the financial report of Tabcorp Holdings Limited for the financial year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Tim Wallace
Partner
6 August 2009

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