

Directors' report (continued)

John O'Neill

On 5 April 2007, the Tabcorp Group announced the appointment of Mr O'Neill as an additional Non Executive Director. Mr O'Neill's appointment is subject to receiving all necessary regulatory approvals.

Zygmunt Switkowski

Dr Switkowski commenced as a Non Executive Director on 2 October 2006 following the receipt of all necessary regulatory approvals.

Matthew Slatter

Mr Slatter ceased as Managing Director and Chief Executive Officer on 14 March 2007.

Richard Warburton

Mr Warburton retired as a Non Executive Director on 27 November 2006 at the conclusion of the Company's Annual General Meeting.

Lawrence Willett

Mr Willett retired as a Non Executive Director on 27 November 2006 at the conclusion of the Company's Annual General Meeting.

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, all directorships of companies that were listed on the ASX or other financial markets operating in Australia, other than Tabcorp, since 1 July 2004, and the period for which each directorship has been held.

Name	Listed company	Period directorship held
Current		
Michael Robinson	Clough Limited Tab Limited ^(v)	January 2002 to present July 2004 to September 2004
Elmer Funke Kupper ⁽ⁱ⁾	Nil	
Anthony Hodgson	Coles Group Limited Tab Limited ^(v)	July 2003 to present July 2004 to October 2004
Paula Dwyer	Babcock & Brown Japan Property Trust ^(vi) David Jones Limited Promina Group Limited ^(vii) Suncorp-Metway Limited ^(vii)	February 2005 to present November 2003 to December 2006 February 2003 to June 2007 April 2007 to present
John O'Neill ⁽ⁱ⁾	Amalgamated Holdings Limited STW Communications Group Limited	December 2006 to present February 2007 to June 2007
Philip Satre	Nil	
John Story	Advanced Magnesium Limited CSR Limited Suncorp-Metway Limited	November 2001 to May 2005 April 2003 to present January 1995 to present
Zygmunt Switkowski ⁽ⁱⁱ⁾	Healthscope Limited Suncorp-Metway Limited Telstra Corporation Limited	January 2006 to present September 2005 to present March 1999 to June 2005
Former		
Matthew Slatter ⁽ⁱⁱⁱ⁾	Tab Limited ^(v)	July 2004 to March 2007
Richard Warburton ^(iv)	Caltex Australia Limited Nufarm Limited Tandou Limited	July 1999 to present October 1993 to present April 2004 to present
Lawrence Willett ^(iv)	Nil	

- (i) Appointment as a Director is subject to receiving all necessary regulatory approvals. Mr Funke Kupper is a Director of Tab Limited, however he was not a Director of Tab Limited while Tab Limited was listed on the ASX – also refer to note (v) below.
- (ii) Commenced as a Director of Tabcorp Holdings Limited on 2 October 2006, following the receipt of all necessary regulatory approvals.
- (iii) Ceased as Managing Director and Chief Executive Officer of Tabcorp Holdings Limited on 14 March 2007. The directorships disclosed above were applicable at that time.
- (iv) Retired as a Director of Tabcorp Holdings Limited on 27 November 2006. The directorships disclosed above were applicable at that time.
- (v) Tabcorp gained management control of Tab Limited in July 2004 pursuant to a takeover offer. Tab Limited was removed from the official list of the ASX in August 2004 following Tabcorp's acquisition of all its shares.
- (vi) 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.
- (vii) Ms Dwyer was a Director of Promina 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 Tabcorp in February 2005. 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, most recently, 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.

6. Financial results

Consolidated profit after income tax of the Tabcorp Group for the financial year was \$450.4 million, which was 17.1% below the previous financial year.

Earnings before interest and tax (EBIT) was \$803.3 million, which was 5.7% below the previous financial year.

Net operating revenue was \$3,835.0 million, which was 1.5% above the previous financial year.

7. Earnings per share

Basic earnings per share for the period were 85.8 cents, down 17.1% on the previous financial year.

Diluted earnings per share for the period were 85.6 cents, down 17.1% on the previous financial year.

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

8. Dividends

A final dividend of 47 cents per ordinary share has been declared, an increase of two cents on the previous final dividend and the same as the previous interim dividend. The final dividend will be fully franked and payable on 8 October 2007 to shareholders registered at 3 September 2007. The ex-dividend date is 28 August 2007.

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

Dividend	\$m
Final 2007	
Final fully franked dividend for 2007 of 47 cents per share on ordinary shares as declared by the Directors on 23 August 2007 with a record date of 3 September 2007 and payable on 8 October 2007.	246.7
Interim 2007	
Interim fully franked dividend for 2007 of 47 cents per share on ordinary shares as declared by the Directors on 21 February 2007 with a record date of 5 March 2007 and paid on 11 April 2007.	246.8
Final 2006	
Final fully franked dividend for 2006 of 45 cents per share on ordinary shares as declared by the Directors on 24 August 2006 with a record date of 4 September 2006 and paid on 9 October 2006.	236.2

Further information regarding dividends may be found in note 5 to the financial statements.

9. Review of operations

The divisional structure of the Tabcorp Group was revised from 1 June 2007 to enable greater focus on the Wagering and Gaming operations, which resulted in the removal of the Australian Business layer.

The Tabcorp Group divisional structure comprises the following four divisions:

- Casinos;
- Wagering;
- Gaming; and
- International.

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

Further details about the corporate restructure are contained in section 10.8 of this report.

Directors' report (continued)

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 of \$333.9 million, which was 21.3% below the previous financial year. The division's operating revenue decreased by 2.9% to \$1,286.6 million.

9.2. Wagering division

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

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

The Tabcorp Group also has specialist television and radio operations focused on the racing industry and other sporting activities, which include: Sky Channel, the national commercial satellite racing broadcaster; the Sky Radio Network, with 2KY in Sydney and narrowcast stations throughout New South Wales; and other domestic and international broadcasting services.

The Wagering division achieved EBIT of \$225.7 million, which was 5.8% below the previous financial year. Operating revenue for the Wagering division increased by 4.3% to \$1,464.1 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 of \$251.1 million, which was 2.4% below the previous financial year. Operating revenue for the Gaming division increased by 3.4% to \$1,081.8 million.

9.4. International division

The Tabcorp Group has a 67% interest in a joint venture to provide systems and support services to the lottery market in the People's Republic of China (PRC). The rollout

of the commercial pilot for the Keno lottery system in the PRC continues.

The division incurred a loss before interest and income tax expense of \$6.5 million (loss of \$16.1 million in the prior financial year).

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 start of the financial year.

10.1. Sky Channel and TVN

On 16 August 2006 the Australian Competition and Consumer Commission (ACCC) informed Tabcorp and thoroughbred racing broadcaster ThoroughVision Pty Ltd (TVN) that, in its view, proposed long term arrangements between Sky Channel Pty Ltd (a wholly owned subsidiary of Tabcorp) and TVN would be likely to raise competition law concerns in the market for the acquisition of thoroughbred racing broadcasting rights. The ACCC noted that, if the parties wished to put in place the proposed long term arrangements, they may wish to consider seeking a formal authorisation from the ACCC for those arrangements on the grounds that they provide public benefit.

On 1 February 2007 Tabcorp/Sky and TVN announced that they had agreed to revised long term arrangements for the broadcasting of thoroughbred racing on Sky Channel and TVN. Tabcorp/Sky and TVN sought formal authorisation for the revised arrangements from the ACCC. Authorisation was received from the ACCC in July 2007.

Tabcorp/Sky and TVN have agreed that the revised long term broadcasting arrangements will come into effect on 1 September 2007. These arrangements, which are in force to 31 December 2012, cover a range of matters including media rights, Tabcorp's distribution of TVN on non-exclusive basis and production outsource arrangements under which Sky will produce TVN.

10.2. Conrad Jupiters refurbishments

During the financial year, a \$53 million refurbishment was completed at the Conrad Jupiters hotel and casino property on the Gold Coast. The refurbishment resulted in an expanded gaming floor and new facilities, including balconies, a restaurant, an entertainment precinct and two bars.

A further \$16 million will be spent on refurbishing hotel rooms, which is scheduled for completion by the end of December 2007.

These refurbishments will deliver a new level of comfort for Conrad Jupiters' customers and ensure the property remains one of the best hotel and casino destinations in Australia.

10.3. Victorian gaming levy

The Victorian Government announced in March 2007 that the annual levy on Victorian EGMs will be increased from \$3,033 to \$4,333 per EGM, commencing 1 July 2007. This will increase the taxes paid by Tabcorp on its 13,750 EGMs, which is worth an additional \$17.9 million a year to the Victorian Government.

10.4. Changes to the Board of Directors

John Story will become Chairman of the Tabcorp Group following Michael Robinson's retirement at Tabcorp's Annual General Meeting in November 2007.

A number of other changes have occurred to the composition of the Board since 1 July 2006, which are disclosed in section 2 of this report.

10.5. Change of Managing Director and Chief Executive Officer

Elmer Funke Kupper was appointed as Managing Director and Chief Executive Officer on 13 July 2007, subject to receiving all necessary regulatory approvals. His appointment follows Matthew Slatter's cessation as Managing Director and Chief Executive Officer of the Tabcorp Group on 14 March 2007.

10.6. Revitalising the New South Wales TAB retail network

On 19 December 2006, the Tabcorp Group announced a plan to revitalise the New South Wales TAB retail network. The program aims to enhance the customer experience, grow the wagering business and strengthen financial returns in New South Wales. A total of \$50 million will be invested in the New South Wales retail network over five years to deliver better customer facilities with more space, more information for customers, greater comfort, new self-service terminals and big screen televisions for racing vision.

10.7. Takeover offer for UNiTAB Limited (UNiTAB)

At the start of the financial year, the Tabcorp Group was progressing with its takeover offer for UNiTAB, the Brisbane based wagering and gaming company. On 16 August 2006, the ACCC announced that it would oppose the proposed takeover and, as a consequence, Tabcorp decided not to proceed with its takeover offer for UNiTAB.

10.8. Corporate restructure

As part of a strategic review of its operations, the Tabcorp Group adopted a new divisional structure at the start of the financial year, which grouped operations into the Australian Business division, Casinos division and the International division. This is referred to in section 9 of this report.

From 1 July 2007, the Australian Business layer was removed from the Group's organisational structure. This change recognises the importance of the Wagering and Gaming operations as stand alone divisions, and will provide greater focus on optimising the operations, cost control and performance of these divisions.

The Tabcorp Group also announced that a shared services centre would be located in Melbourne, providing finance and human resources functions across the Tabcorp Group, the devolution of technical services responsibilities to the business divisions and streamlining of corporate functions. This will be completed within the 07/08 financial year.

This restructure aims to accelerate growth opportunities and create greater efficiencies across the Tabcorp Group.

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

- Improve customer service, particularly in Wagering;
- Focus on organic growth and market share gains in each business;
- Drive continued productivity and efficiency gains across the Group;
- Make the investments that support medium term growth, particularly in New South Wales; and
- Secure the renewal of the Victorian gaming, wagering and Keno licences.

Directors' report (continued)

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 31 to the 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. Auditor

The Tabcorp Group's external auditor is Ernst & Young. A co-sourced internal audit function has been developed and implemented which is resourced jointly between the Tabcorp Group and KPMG. More information relating to the audit functions can be found in the corporate governance statement of the concise annual report when published.

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 law. 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.

In March 2007, the Tabcorp Group registered for the Federal Government's Energy Efficiency Opportunities initiative. The new Energy Efficiency Opportunities legislation, which was introduced in 2006, will require companies that use over 0.5 petajoules of energy per annum to assess and report on their energy use and practices. The Tabcorp Group is required to report publicly for the first time by 31 December 2008. The environmental performance obligations for the Casinos division are overseen by an Executive Environmental Committee and are subject from time to time to government review.

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 of the concise annual report when published.

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	Performance Options	Share Rights	Deferred Shares
Current					
Michael Robinson	45,565	-	-	-	-
Elmer Funke Kupper ⁽ⁱ⁾	38,800	-	236,126	15,000	58,200
Anthony Hodgson	100,170	-	-	-	-
Paula Dwyer	20,000	-	-	-	-
Philip Satre	8,000	-	-	-	-
John Story	13,149	-	-	-	-
Zygmunt Switkowski	33,800	-	-	-	-
Former					
Matthew Slatter ⁽ⁱⁱ⁾	2,000,000 ⁽ⁱⁱⁱ⁾	1,000,000 ^(iv)	660,042 ^(v)	29,943 ^(v)	71,130 ^(vi)
Richard Warburton ^(vii)	23,456	-	-	-	-
Laurence Willett ^(vii)	2,990	-	-	-	-

- (i) Appointed as Managing Director and Chief Executive Officer on 13 July 2007, subject to receiving all necessary regulatory approvals. The Tabcorp securities disclosed above were issued to Mr Funke Kupper while he was a Tabcorp executive, before he was appointed as Managing Director and Chief Executive Officer.
- (ii) Ceased as Managing Director and Chief Executive Officer on 14 March 2007. The number of Tabcorp securities disclosed above was applicable at the time of his cessation as Managing Director and Chief Executive Officer, and excluding those Performance Options and Share Rights which lapsed. Refer to section F9.2 of the Remuneration report for further information about these Options, Performance Options and Share Rights.
- (iii) Upon commencement of employment Mr Slatter was provided with a loan to acquire 500,000 ordinary shares on the terms and conditions set out in the rules of the Tabcorp Senior Executive Long Term Incentive Plan. In addition, Mr Slatter was provided with 1,500,000 Options upon commencement of employment as recognition for forfeiting option entitlements from a previous employer. Mr Slatter has exercised all of these Options.
- (iv) Upon commencement of employment Mr Slatter was issued one million Options, which vest only if certain annual and cumulative benchmarks are achieved. Refer to section F9.2 of the Remuneration report for further information about these Options.
- (v) Performance Options and Share Rights were issued pursuant to the Company's long term incentive scheme. Refer to section F5.3 of the Remuneration report for further information about the long term incentive scheme. Also refer to section F9.2 of the Remuneration report for further information about these Performance Options and Share Rights.
- (vi) Deferred Shares were issued pursuant to the Company's short term incentive scheme. Refer to section F5.1 of the Remuneration report for further information about the short term incentive scheme. Upon cessation of employment, these securities became ordinary shares.
- (vii) Retired as Non Executive Directors on 27 November 2006 at the conclusion of the Company's Annual General Meeting. The number of Tabcorp securities disclosed above was applicable at the time of their retirement.

John O'Neill will be appointed as a Non Executive Director following the receipt of all necessary regulatory approvals. His relevant interests in Tabcorp securities will be disclosed to the ASX following his appointment as a Director.

Directors' report (continued)

19. Board and Committee meeting attendance

During the financial year ended 30 June 2007 the Company held 14 meetings of the Board of Directors, of which ten were standard Board meetings, and four Board meetings were held to discuss special business, including the Tabcorp Group's proposed takeover offer for UNiTAB.

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
Current										
Michael Robinson	14	14	5	5	4	4	2	2	6	6
Anthony Hodgson	13	14	5	5	4	4	2	2	-	-
Paula Dwyer	14	14	5	5	4	4	2	2	2	2
Philip Satre	13	14	4	5	3	4	-	-	-	-
John Story	14	14	5	5	4	4	-	-	-	-
Zygmunt Switkowski ⁽ⁱ⁾	10	10	3	3	3	3	-	-	3	3
Former										
Matthew Slatter ⁽ⁱⁱ⁾	11	11	4	4	2	2	2	2	5	5
Richard Warburton ⁽ⁱⁱⁱ⁾	5	6	3	3	2	2	1	1	4	4
Lawrence Willett ⁽ⁱⁱⁱ⁾	6	6	3	3	2	2	-	-	4	4

A – Number of meetings attended

B – Maximum number of possible meetings available for attendance

- (i) Commenced as a Non Executive Director on 2 October 2006 following the receipt of all necessary regulatory approvals. In addition to the meetings above, during the financial year Dr Switkowski attended three Board meetings, two Audit Committee meetings and one Risk and Compliance 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.
- (ii) Ceased as Managing Director and Chief Executive Officer on 14 March 2007. He attended meetings of Committees as stated above, although he was not a member of the Committees and therefore was not required to attend these meetings.
- (iii) Retired as a Non Executive Director on 27 November 2006 at the conclusion of the Company's Annual General Meeting.

John O'Neill will be appointed as a Non Executive Director following the receipt of all necessary regulatory approvals. During the financial year Mr O'Neill attended one Board meeting, one Audit Committee meeting and one Risk and Compliance Committee meeting as an observer. He was not required to attend these meetings and could not vote on any matter at these meetings.

Elmer Funke Kupper's appointment as Managing Director and Chief Executive Officer occurred after the conclusion of the financial year ended 30 June 2007.

The details of the functions and memberships of the Committees of the Board are set out in the corporate governance statement of the Company's Concise Annual Report when published. The terms of reference for each Board Committee are available from the Corporate Governance section of the Company's website at www.tabcorp.com.au/about_governance.aspx.

20. Indemnification and insurance of Directors and Officers

The Tabcorp Group has entered into insurance contracts, which indemnify Directors and Officers of the Tabcorp Group against liabilities. 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 related services to the Company during the financial year ended 30 June 2007. 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 related work to be undertaken by the auditor (if any). Further details relating to the Audit Committee and the engagement of auditor's are available in the Corporate Governance statement contained in the Concise Annual Report when published.

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	89
Other regulatory audit services	97
Other assurance	15
Total of all non-statutory audit services	201

Amounts paid or payable by the Company for audit and non-statutory audit related services are disclosed in note 3 to the 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. A review of the Company's corporate governance practices was undertaken during the year. As a result, new practices were adopted and existing practices optimised to reflect best practice. The Company's corporate governance statement is contained in the Company's Concise Annual Report when published, which is also 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 2007. This auditor's independence declaration forms part of this Directors' report.



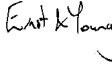
■ Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000
Australia


■ Tel 61 3 9288 8000
Fax 61 3 8650 7777

GPO Box 67
Melbourne VIC 3001

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 2007, 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

23 August 2007

Liability limited by a scheme approved under Professional Standards Legislation

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



Michael Robinson AO
Chairman

Melbourne
23 August 2007