



Tatts Group Limited
ABN 19 108 686 040

ASX Half-Year information – 31 December 2012

21 February 2013

RESULTS FOR ANNOUNCEMENT TO THE MARKET

TATTS GROUP LIMITED HALF-YEAR REPORT

FOR HALF-YEAR ENDED 31 December 2012

In accordance with the ASX Listing Rules, the documents which follow are for immediate release to the market.

1. Half-Year Report for the half-year ended 31 December 2012 (Appendix 4D)
2. Directors' Report and Interim Financial Report for the half-year ended 31 December 2012

DIVIDEND

The Directors have determined a fully franked interim dividend of 8.0 cents per share, to be paid on 5 April 2013. The record date for the purpose of determining entitlements is 5 March 2013.

The Company's Dividend Reinvestment Plan (**DRP**) will operate for the interim dividend. To participate in the **DRP** for this interim dividend, those shareholders who have not already done so will need to lodge a **DRP** Notice of Election with Computershare Investor Services Pty Ltd by the end of the record date, 5 March 2013. The price at which shares are issued under the **DRP** is the daily volume weighted average market price of the Company's shares sold in the ordinary course of trading on the ASX during the ten trading days commencing on the second trading day after the dividend record date. Shares issued under the **DRP** will rank equally with existing ordinary shares from the date of issue. A 1.5% discount is applicable to shares acquired under the **DRP** for this dividend. Shares acquired by a participant under the **DRP** will be provided via a share issue. There is no foreign sourced income attributed to the dividend. Information about the **DRP** can be found on the Company's website at www.tattsgroup.com/investors.

The information contained in this release should be read in conjunction with the Company's most recent Annual Financial Report.

Penny Grau
General Counsel and Company Secretary



Tatts Group Limited
ABN 19 108 686 040

Half-Year Report and Accounts
31 December 2012

Results for Announcement to the Market

	Period to 31 December 2011 \$'000		Period to 31 December 2012 \$'000	% change
Revenue from ordinary activities	1,973,587	To	1,707,543	(13.5)%
Profit from ordinary activities after tax attributable to members	166,879	To	128,318	(23.1)%
Net Profit for the period attributable to members	166,879	To	128,318	(23.1)%

From continuing activities				
Revenue from ordinary activities excluding discontinued operation	1,333,696	To	1,545,741	15.9%
Net profit for the period attributable to members excluding discontinued operation	86,426	To	108,729	25.8%

Dividend/distributions	Amount per security	Franked amount per security	Amount \$'000	Date Paid/Payable
Current year to 31 December 2012				
Interim dividend	8.0 cents	8.0 cents	110,908	5 Apr 2013
Prior year to 30 June 2012				
Final dividend	12.0 cents	12.0 cents	163,579	3 Oct 2012
Interim dividend	11.0 cents	11.0 cents	147,485	4 Apr 2012

Record date for determining entitlement to the interim dividend is 5 March 2013.

Explanation of revenue

Refer to Tatts Group Limited Directors' Report and Interim Financial Report.

Explanation of profit from ordinary activities after tax

Refer to Tatts Group Limited Directors' Report and Interim Financial Report.

Explanation of dividends

The interim dividend of 8.0 cents per share (2012: 11.0 cents per share) represents a payout ratio of 86.4% (2012: 88.4%).

NTA Backing

	31 December 2011	31 December 2012
Net tangible asset backing ⁽¹⁾	(\$1.03) per share	(\$1.31) per share

⁽¹⁾ The negative NTA backing reflects the composition of the companies that comprise Tatts Group Limited and its controlled entities (Group), being licensed networked gambling businesses which are typically characterised by significant levels of intangible assets. The increase in NTA backing is as a result of the acquisition of the right to manage SA Lotteries.

Controlled entities acquired or disposed of

There were two business combinations and one discontinued operation accounted for in the period ended 31 December 2012.

On 19 July 2012, Talarius Limited, a wholly owned subsidiary of the Group, acquired 3 further sites for a total consideration of \$1.3 million.

On 27 November 2012, Tatts Group Limited announced it would pay \$427 million as consideration for being appointed to exclusively manage the lottery and wide area Keno service in South Australia for a period of 40 years on behalf of the Government owned Lotteries Commission of South Australia. The transaction was completed on 10 December 2012. Refer to Tatts Group Limited Directors' Report and Interim Financial Report for further details of this appointment.

On 15 August 2012, the Gaming Operator Licence as issued to the Company expired. The Gaming Operator 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 these activities. Tatts Pokies continued to provide a fee based service to the licenced gaming machine monitoring operator in Victoria, which ceased on 15 February 2013. As a result, Tatts Pokies has been treated as a discontinued operation. Refer to Tatts Group Limited Directors' Report and Interim Financial Report for further details.

Additional dividend/distributions information

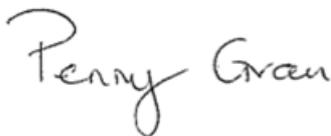
The Directors have announced an interim dividend of 8.0 cents per share to be paid on 5 April 2013.

Dividend Reinvestment Plan (DRP)

The Company's DRP will operate for the interim dividend. To participate in the DRP for this interim dividend, those shareholders who have not already done so will need to lodge a DRP Notice of Election with Computershare Investor Services Pty Ltd by the end of the record date, 5 March 2013. Information about the DRP can be found on the Company's website at www.tattsgroup.com/investors.

Associates and Joint ventures entities

The Group holds a 50% ownership in LH Developments Pty Ltd and in Highlands Hotel Victoria Pty Ltd. The results of these operations are not material to the Group.



Penny Grau
Company Secretary

21 February 2013

Tatts Group Limited
ABN 19 108 686 040
Directors' Report and Interim Financial Report
31 December 2012

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This Interim Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2012 and any public announcements made by Tatts Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Your Directors present their report on the consolidated entity (**Group**) consisting of Tatts Group Limited (**Company**) and the entities it controlled at the end of, or during, the half-year ended 31 December 2012.

Directors

The following persons were Directors of the Company during the whole of the half-year and up to the date of this report unless otherwise stated:

Harry Boon
Dick McIlwain (Retired 14 January 2013)
Robbie Cooke (Appointed 14 January 2013)
Robert Bentley
Lyndsey Cattermole AM
Brian Jamieson
Julien Playoust
Kevin Seymour AM

Review of operations

Revenue from continuing activities (excluding Tatts Pokies) was up 15.9% to \$1,545.7 million, with Earnings Before Interest and Tax (EBIT) from continuing activities up 23.7% to \$206.7 million, benefitting from a full six-month contribution from the Tasmania TAB (Tote Tasmania), 3-weeks contribution from SA Lotteries, and a strong jackpot sequence in lotteries. Basic earnings per share from continuing activities were 7.9 cents, up 21.5% on the previous corresponding period. During the period, Tatts Pokies ceased operations and has been treated as a discontinued operation.

Group revenue for the six months to 31 December 2012 reduced by 13.5% to \$1,707.5 million, with Group net profit after tax declining 23.1% to \$128.3 million reflecting the cessation of the Tatts Pokies segment. This resulted in Group earnings per share of 9.3 cents, down 26.2%.

The Directors have again maintained a strong dividend payout ratio of 86.4%, determining an interim dividend of 8.0 cents per share payable on 5 April 2013.

Further operational results and commentary are provided below.

Tatts Lotteries

Tatts Lotteries achieved revenue growth for the period of 20.2% to \$1,055.1 million, with the growth flowing through to EBIT, which was up 38.2% to \$136.4 million. The result was largely attributable to the sustained jackpot sequence achieved by Oz Lotto and Powerball during the period, culminating in an Oz Lotto jackpot of \$112 million on Melbourne Cup Day. Management of the South Australian Lottery and Keno business commenced from 11 December, with this business contributing \$3.4 million to EBIT.

TattsBet

Revenue for the period was up 7.4% to \$344.9 million, including a full six-month contribution from Tote Tasmania. Revenue growth and margin improvement in the business has seen EBIT for the period reach \$80.4 million, up 12.5%. The continued migration of win/place betting to TattsBet's fixed price service resulted in totalisator revenue contracting 1.9%, offset by TattsBet's fixed price betting business, which grew 30.8% for the period, with improved win rates in the fixed price book.

Maxgaming

Revenue for the period was down 1.9% to \$57.1 million. Despite this, Maxgaming contributed EBIT of \$23.8 million, up 13.8%, benefitting from a reduction in depreciation applicable to some in-venue equipment. With relatively benign trading conditions continuing to prevail, Maxgaming has focussed on containing costs whilst positioning for future opportunities as venue operators begin to reinvest in value adding services offered by Maxgaming.

Bytecraft

Bytecraft revenue grew 21.9% to \$60.3 million for the period. This growth did not flow through to EBIT. Additional costs incurred in preparation and implementation of new contract arrangements contributed to Bytecraft experiencing an EBIT loss of \$1.0 million, down from a \$2.4 million EBIT contribution in the previous corresponding period.

Talarius

Talarius achieved revenue growth of 5.7%, reaching A\$39.5 million for the period. Revenue benefitted from a net increase of eight venues during the half, along with negligible foreign exchange impact. EBIT for the period was impacted by increased costs flowing from extended operating hours, resulting in a loss of A\$1.4 million compared to the previous corresponding period loss of A\$0.9 million. Economic conditions in the United Kingdom continue to be subdued, however Talarius achieved improved revenue growth in the period following the Queen's Diamond Jubilee celebrations and the London Olympics.

Discontinued Operation**Tatts Pokies**

On 15 August 2012, the Gaming Operator Licence as issued to the Company expired. Tatts Pokies derived revenue for the period of \$161.8 million, which included services provided to the licenced gaming machine monitoring operator in Victoria from 16 August 2012. These services ceased on 15 February 2013. A profit on disposal of gaming machines of \$23.6 million, non cash write-offs totalling \$1.6 million and a goodwill impairment of \$15.6 million contributed to an EBIT of \$34.7 million from the discontinued operation.

On 16 August 2012 the Company advised that it had issued proceedings in the Supreme Court of Victoria claiming compensation of approximately \$490.5 million from the State of Victoria on the expiry of its Gaming Operator Licence pursuant to the terms of an agreement between the State and the Company dating back to 1995. The matter is proceeding through the court process, with a hearing scheduled to commence on 1 October 2013.

Balance Sheet

Net debt (excluding prize reserves) in the Group's balance sheet was \$1,538.7 million at 31 December 2012, up from \$1,154.6 million at 31 December 2011. The increase incorporates the debt funding of the consideration paid for the right to manage the lottery and wide area Keno service in South Australia. Financing costs for the six months to 31 December 2012 reduced to \$51.1 million from \$52.8 million in the previous corresponding period, reflecting the debt reduction prior to the SA Lotteries acquisition and the decrease in the average interest rate for the Group for the six month period.

Directors have again maintained a strong dividend payout ratio, supported through continued strong cash flow generation by the Group. Operational cash flow is supplemented by the cash retained through shareholder participation in the DRP.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7 for the half-year ended 31 December 2012.

Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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



Harry Boon
Chairman



Robbie Cooke
Managing Director/Chief Executive Officer

Brisbane
21 February 2013



Auditor's Independence Declaration

As lead auditor for the review of Tatts Group Limited for the half year ended 31 December 2012, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'A. Linschoten', written in a cursive style.

Anton Linschoten
Partner
PricewaterhouseCoopers

Brisbane
21 February 2013

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Consolidated income statement

Period ended 31 December 2012

	Dec 2012 \$'000	Dec 2011 \$'000
Revenue from continuing operations	1,545,741	1,333,696
Statutory outgoings		
Government share	(738,044)	(630,185)
Venue share/commission	(214,170)	(182,561)
Product and program fees	(102,355)	(102,508)
Other income	-	3
Other expenses from ordinary activities		
Employee expenses	(99,763)	(89,077)
Operating fees and direct costs	(36,365)	(31,417)
Telecommunications and technology	(18,515)	(16,306)
Marketing and promotions	(23,552)	(19,041)
Information services	(9,404)	(7,168)
Property expenses	(25,560)	(22,236)
Restructuring costs	(10,321)	(1,983)
Other expenses	(19,348)	(16,766)
Share of net profit of associates and joint ventures accounted for using the equity method	80	92
Profit before interest, income tax, depreciation and amortisation	248,424	214,543
Depreciation and amortisation	(41,743)	(47,423)
Interest income	2,105	2,945
Finance costs	(51,081)	(52,764)
Profit before income tax	157,705	117,301
Income tax expense	(48,976)	(30,875)
Profit from continuing operations	108,729	86,426
Profit from discontinued operation (Note 5)	19,589	80,453
Profit attributable to owners of Tatts Group Limited	128,318	166,879
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:	Cents	Cents
Basic earnings per share	7.9	6.5
Diluted earnings per share	7.9	6.5
Earnings per share for profit attributable to the ordinary equity holders of the Company:	Cents	Cents
Basic earnings per share	9.3	12.6
Diluted earnings per share	9.3	12.5

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

	Dec 2012 \$'000	Dec 2011 \$'000
Profit for the half-year	128,318	166,879
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Changes in the fair value of available-for-sale financial assets	848	(1,045)
Changes in the value of net investment hedges	(1,370)	(1,145)
Changes in the value of cross currency interest rate swaps	(773)	1,227
Changes in the value of interest rate swaps	6,473	(12,345)
Changes in the value of forward foreign exchange contracts	54	890
Exchange differences on translation of foreign operations	89	511
Income tax relating to these items	(1,543)	3,311
Other comprehensive income for the half-year, net of tax	3,778	(8,596)
Total comprehensive income for the half-year	132,096	158,283

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

Consolidated balance sheet

	Notes	Dec 2012 \$'000	June 2012 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		374,130	290,140
Trade and other receivables		187,010	175,243
Inventories		15,633	16,076
Assets classified as held for sale	6	42,200	7,366
Available-for-sale financial assets		7,472	-
Property, plant and equipment		-	39,392
Other current assets	4	47,007	-
Total current assets		673,452	528,217
Non-current assets			
Trade and other receivables		8,837	7,734
Investments accounted for using the equity method		-	2,481
Available-for-sale financial assets		28,882	34,831
Property, plant and equipment		191,390	186,947
Investment properties	6	-	37,354
Intangible assets		4,508,283	4,098,084
Deferred tax assets		44,912	47,027
Other non-current assets		402	1,318
Total non-current assets		4,782,706	4,415,776
Total assets		5,456,158	4,943,993
LIABILITIES			
Current liabilities			
Trade and other payables		640,971	578,185
Interest bearing liabilities	7	473,106	447,452
Derivative financial instruments		9,077	5,132
Tax liabilities		31,095	39,068
Provisions		22,423	21,160
Other current liabilities	4	47,007	-
Total current liabilities		1,223,679	1,090,997
Non-current liabilities			
Trade and other payables		72,209	73,190
Interest bearing liabilities	7	1,226,455	859,705
Derivative financial instruments		12,599	19,582
Deferred tax liabilities		207,948	214,422
Provisions		4,148	4,930
Retirement benefit obligations		17,542	17,526
Total non-current liabilities		1,540,901	1,189,355
Total liabilities		2,764,580	2,280,352
Net assets		2,691,578	2,663,641
EQUITY			
Contributed equity	8	2,600,606	2,542,875
Reserves		(10,411)	(15,878)
Retained profits		101,383	136,644
Total equity		2,691,578	2,663,641

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

	Attributable to Owners of Tatts Group Limited			
	Contributed equity \$'000	Reserves	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2011	2,444,886	(7,377)	116,630	2,554,139
Profit for the half-year	-	-	166,879	166,879
Other comprehensive income	-	(8,596)	-	(8,596)
Total comprehensive income for the half-year	-	(8,596)	166,879	158,283
Transactions with owners in their capacity as owners:				
Dividend Reinvestment Plan issues	46,346	-	-	46,346
Dividends provided or paid	-	-	(145,056)	(145,056)
Employee performance rights	5	366	-	371
Employee share options	-	602	-	602
	46,351	968	(145,056)	(97,737)
Balance at 31 December 2011	2,491,237	(15,005)	138,453	2,614,685
Balance at 1 July 2012	2,542,875	(15,878)	136,644	2,663,641
Profit for the half-year	-	-	128,318	128,318
Other comprehensive income	-	3,778	-	3,778
Total comprehensive income for the half-year	-	3,778	128,318	132,096
Transactions with owners in their capacity as owners:				
Dividend Reinvestment Plan issues	57,111	-	-	57,111
Dividends provided or paid	-	-	(163,579)	(163,579)
Employee performance rights	-	1,689	-	1,689
Employee share options	620	-	-	620
	57,731	1,689	(163,579)	(104,159)
Balance at 31 December 2012	2,600,606	(10,411)	101,383	2,691,578

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

	Dec 2012 \$'000	Dec 2011 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST) net of prizes paid/cash returns to customers	1,804,747	1,929,923
Payments to suppliers and employees (inclusive of GST)	(249,673)	(245,869)
Payments to Government	(864,821)	(922,368)
Payments to venues/commission	(256,760)	(361,242)
Payments for product and program fees	<u>(100,549)</u>	<u>(99,565)</u>
	332,944	300,879
Other revenue	302	435
Interest received	3,174	5,372
Interest paid	(45,015)	(49,886)
Income taxes paid	(78,772)	(74,733)
Net cash inflow from operating activities	<u>212,633</u>	<u>182,067</u>
Cash flows from investing activities		
Payments for acquisitions	(428,377)	(10,300)
Payments for interests in and loans (to) / repaid from joint venture entities	(4,517)	(1,265)
Payments for property, plant and equipment	(31,784)	(21,437)
Payments for investment properties	-	(434)
Payments for intangibles	(16,725)	(3,169)
Proceeds from sale of property, plant and equipment and investment properties	72,522	204
Net cash (outflow) from investing activities	<u>(408,881)</u>	<u>(36,401)</u>
Cash flows from financing activities		
Proceeds from issues of shares	620	-
Dividends paid	(106,468)	(98,712)
Proceeds from borrowings	433,798	53,065
Repayment of borrowings	(45,000)	(85,000)
Net cash inflow/ (outflow) from financing activities	<u>282,950</u>	<u>(130,647)</u>
Net increase/(decrease) in cash and cash equivalents	86,702	15,019
Cash and cash equivalents at beginning of half-year	290,140	262,148
Effect of exchange rate changes	(2,712)	(673)
Cash and cash equivalents at end of the half-year	<u>374,130</u>	<u>276,494</u>

The above Consolidated statement of cash flows should be read in conjunction with the accompanying notes. It includes the cash flows from the discontinued operation.

Note 1 Basis of preparation of Interim Half-Year Report

This general purpose Interim Financial Report for the half-year reporting period ended 31 December 2012 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This Interim Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2012 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and prior corresponding interim financial period, unless otherwise stated.

Note 2 Segment Information

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 Chief Executive.

Note 2 Segment Information (continued)**Segment information provided to the Chief Executive of the Group**

	Tatts Lotteries	TattsBet	Maxgaming	Bytecraft Systems	Talarius	Unallocated	Inter- segment eliminations ⁽¹⁾	Total Continuing Operations	Discontinued Operation (note 5)	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Dec-12										
Half-Year FY2013										
Total segment revenue and other income	1,055,129	344,854	57,050	60,299	39,546	4,675	(15,812)	1,545,741	185,390	1,731,131
EBITDA	147,867	89,969	31,359	(1)	3,334	(24,104)	-	248,424	51,206	299,630
Depreciation & Amortisation	(11,493)	(9,550)	(7,576)	(1,013)	(4,716)	(7,395)	-	(41,743)	(999)	(42,742)
Impairment of goodwill								-	(15,552)	(15,552)
EBIT	136,374	80,419	23,783	(1,014)	(1,382)	(31,499)	-	206,681	34,655	241,336
Dec-11										
Half-Year FY2012										
Total segment revenue and other income	877,990	321,097	58,162	49,478	37,425	4,388	(14,841)	1,333,699	639,891	1,973,590
EBITDA	109,822	81,265	33,197	3,092	3,982	(16,815)	-	214,543	121,129	335,672
Depreciation & Amortisation	(11,157)	(9,791)	(12,301)	(729)	(4,909)	(8,536)	-	(47,423)	(5,371)	(52,794)
EBIT	98,665	71,474	20,896	2,363	(927)	(25,351)	-	167,120	115,758	282,878

⁽¹⁾ Inter-segment eliminations against revenue in half-year FY2013 comprise of Bytecraft Systems revenue of \$15,812,000. In half-year FY2012 Inter-segment eliminations for continuing operations comprise of Bytecraft Systems revenue of \$14,329,000 and other segment revenue of \$512,000.

Note 2 Segment Information (continued)

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

	Dec	Dec
	2012	2011
	\$'000	\$'000
EBIT from continuing operations	206,681	167,120
Interest income	2,105	2,945
Finance costs	(51,081)	(52,764)
Profit before income tax from continuing operations	<u>157,705</u>	<u>117,301</u>

Note 3 Dividends

Dividends not recognised at the end of the half-year

In addition to the above dividends, since the end of the half-year the Directors have determined an interim dividend of 8.0 cents per fully paid ordinary share (2012 – 11.0 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 5 April 2013 out of the retained profits at 31 December 2012, but not recognised as a liability at the end of the half-year, is \$110.9 million (2012:\$147.5 million).

Note 4 Business Combinations

Current period acquisitions

SA Lotteries

On 10 December 2012, the Group acquired the exclusive right, as Master Agent, to manage the lottery and wide area Keno service in South Australia for total consideration of \$427 million. At this date, the Group entered into a 40 year Master Agent Agreement with the South Australian Lotteries Commission to operate lotteries in South Australia.

Under the agreement, the Group is responsible for the development, marketing and operation of lottery games and wide area Keno service in South Australia. The goodwill yet to be allocated as part of the fair value exercise is attributable to the expected future cash flows of the business associated with the collective experience and skills of management and staff, and the synergies expected to be achieved as a result of the integration of South Australian Lotteries into the Tatts Group. A proportion of the consideration paid will be allocated to the right to manage South Australian Lotteries and will be amortised over the life of the Master Agent Agreement.

The initial assets and liabilities recognised as a result of the acquisition are as follows:

	\$'000
Cash in Trust	35,933
Fixed assets	111
Unpaid prizes	(35,933)
Goodwill	<u>426,889</u>
Total consideration	<u>427,000</u>

Cash in Trust and unpaid prizes at 31 December 2012 was \$47.0 million. Cash in Trust is disclosed in other current assets. Unpaid prizes is disclosed in other current liabilities.

The Master Agent Agreement contributed revenues of \$4.5 million and a net profit of \$1.5 million for the period from 11 December to 31 December 2012.

Note 4 Business Combinations (continued)

Talarius

On 19 July 2012, Talarius Limited, a wholly owned subsidiary of the Group, acquired 3 further sites for a total consideration of \$1.3 million.

Prior period acquisitions

Tote Tasmania Pty Ltd

On 26 March 2012, the Group acquired 100% of the Tasmania TAB (Tote Tasmania) for total consideration of \$108.1 million. Details of the fair values of the assets and liabilities acquired and the preliminary goodwill arising are disclosed in the 30 June 2012 Tatts Group Annual Report.

There have been no changes to the preliminary fair values in the current period.

Note 5 Discontinued Operation

(a) Description

On 15 August 2012 the Gaming Operator Licence held by the Company expired. This Gaming Operator Licence enabled Tatts Pokies to own and operate gaming machines in venues within the State of Victoria. The expiry of this licence means that as at the date of this report, 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. (Refer to Note 10 Events occurring after reporting date).

(b) Financial Performance

The financial performance and cash flow information presented are for the period from 1 July 2012 to 31 December 2012, and corresponding prior period. Where appropriate through the Half-Year Report, prior period comparatives have been restated.

	Dec 2012 \$'000	Dec 2011 \$'000
Revenue	161,802	639,891
Profit on sale of gaming machines and associated equipment to venues	23,588	-
Expenses	(135,183)	(524,133)
Impairment of goodwill	(15,552)	-
Profit before income tax and interest	34,655	115,758
Finance costs	(5)	-
Income tax expense	(15,061)	(35,305)
Profit after income tax of discontinued operation	19,589	80,453

Note 5 Discontinued Operation (continued)

The half-year result includes provision for the Victorian Government's Health Benefit Levy which has been calculated on a pro rata basis, referable to the 46 days in the half-year that Tatts Pokies operated gaming machines under the Company's Victorian Gaming Operator Licence. This is consistent with the Victorian Government's 2012-13 budget papers. The Group has yet to be advised by the Victorian Government of the amount of the levy that it considers to be payable. Should the Victorian Government determine an amount that is not calculated on a pro rata basis the estimated additional impact on the Group's results would be \$24.8 million after tax. The Group believes this amount should be recoverable from the Victorian Government.

The cashflows from the discontinued operation contained in the Group cashflow statement are:

	Dec	Dec
	2012	2011
	\$'000	\$'000
Net cash inflow from operating activities	14,982	84,591
Net cash inflow from investing activities	59,710	141
Net cash inflow/(outflow) from financing activities	<u>-</u>	<u>-</u>
Net cash increase generated by Tatts Pokies	<u>74,692</u>	<u>84,732</u>

Note 6 Assets classified as held for sale

Investment properties previously held as non-current have been transferred to current assets classified as held for sale. The balance at 31 December 2012 is \$42.2m.

Note 7 Interest bearing liabilities

	Dec 2012 \$'000	June 2012 \$'000
Current		
Unsecured		
Bank loans	<u>473,106</u>	447,452
Total current interest bearing liabilities	<u>473,106</u>	<u>447,452</u>
Non-current		
Unsecured		
Bank loans	796,859	430,487
Tatts Bonds	191,228	190,467
Loan notes (US Private Placement)	<u>238,368</u>	238,751
Total non-current interest bearing liabilities	<u>1,226,455</u>	<u>859,705</u>

All interest bearing liabilities are disclosed net of capitalised borrowing costs. Subsequent to the half-year, the Group has successfully negotiated with and received a commitment from its banking syndicate to refinance the bank loan tranches classified as current.

The revised facility of \$480 million is split between three and five year terms. Debt drawdowns against these tranches will be classified as non-current in the full year accounts.

Note 8 Contributed equity issued

	Dec 2012 Shares	Dec 2011 Shares	Dec 2012 \$'000	Dec 2011 \$'000
Issue of ordinary shares during the half-year				
Share options issues	242,183	-	-	-
Performance rights issues	1,308,515	2,078	620	5
Dividend Reinvestment Plan issues	<u>21,633,110</u>	<u>22,069,599</u>	<u>57,111</u>	<u>46,346</u>
	<u>23,183,808</u>	<u>22,071,677</u>	<u>57,731</u>	<u>46,351</u>

Note 9 Contingent liabilities

The Group had contingent liabilities at 31 December 2012 in respect of:

Bank Guarantees

Guarantees in respect of bank facilities drawn down but not included in the accounts of the Group are \$3,290,892 (June 2012: \$3,174,162).

Note 10 Events occurring after reporting date

On 15 August 2012, the Gaming Operator Licence as issued to the Company expired. Tatts Pokies provided services to the licenced gaming machine monitoring operator in Victoria from 16 August 2012. These services ceased on 15 February 2013.

Other than the matter raised above, and the refinancing discussed in Note 7, in the opinion of the Directors, there have been no other material matters or circumstances which have arisen between 31 December 2012, and the date of this report that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

Directors' Declaration

In the Directors' opinion:

- (a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Tatts Group Limited will be able to pay its debts as and when they become due and payable.

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



Harry Boon
Chairman



Robbie Cooke
Managing Director/Chief Executive Officer

Brisbane
21 February 2013



Independent auditor's review report to the members of Tatts Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Tatts Group Limited, which comprises the balance sheet as at 31 December 2012, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Tatts Group Limited Group (the consolidated entity). The consolidated entity comprises both Tatts Group Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Tatts Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



PricewaterhouseCoopers



Anton Linschoten
Partner

Brisbane
21 February 2013